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For Immediate Release

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

TOKYO, December 10, 2010 - Aozora Bank, Ltd. ("Aozora" or "the Bank") today announced the submission of its revised Business Revitalization Plan ("BRP") to Japan's Financial Services Agency (the "FSA").

Following incurring a substantial loss in FY2008, Aozora has refocused on the domestic loan business, built a stable funding base, and continued to pursue a regional bank alliance strategy. As a result, in FY2009, the Bank achieved its immediate priority of returning to profitability. Further, in the interim period to September 30, 2010, Aozora recorded a non-consolidated net income of 14.7 billion yen based on the steady transition of its core business.

Aozora intends to grow its domestic-lending focused business model by using management resources efficiently, and by enhancing its risk management capabilities while focusing on the Bank's areas of strength. Aozora is committed to securing sufficient resources for the repayment of public funds by pursuing efficient operations and increasing profitability.

In addition, from the perspective of returning value to shareholders as a publicly listed company, Aozora plans to increase its common stock dividend based on the increase in net profit from the next fiscal year. As a mid-term goal, the Bank aims to increase its dividends to a level that is comparable to that of major domestic banks. Dividends for each term hereafter will be reviewed and decided by the board while taking into consideration profitability trends.

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”

December 2010

Aozora Bank, Ltd.

1. Strategies for Rationalization of Operations

1.1. Business Model, Management Strategies

On February 10, 2009, Aozora Bank announced certain initiatives to convert the business model to one re-focused on domestic lending, toward our goal of returning to sustainable profitability.

The followings are *the Measures to Establish a Sustainable and Stable Revenue Base*, which have been in action:

・Focusing on a domestic lending business
・Stable funding base
・Promotion of business alliances with regional financial institutions

Return to profitability, which was the major goal of FY2009, was achieved as a result of above measures and we understand that those measures are effectively working.

On the other hand, harsh conditions for management such as prolonged sluggish domestic economy and decreased demand for funds are expected to continue. The bank will continue above listed efforts and effectively use management resources by focusing on the bank's specialized areas to regain profit-earning capacity and establish persistent positive balance.

【Areas of focus are as follows】

・Retail banking for the mass affluent segment
・Middle market lending
・Real estate finance
・Servicing and special situations
・Domestic acquisition and project finance
・The "Bankers' Bank" for regional financial institutions (Co-work with regional financial institutions)
・Financial markets

These lines of business come together to create balance, strength and diversity in our overall business franchise. With the highest level of capital strength in banking industry, the bank should be able to gain sustainable profit by pursuing and promoting the areas of focus under strict cost and risk management.

The Bank's ongoing policy toward international business is to approach step by step and carefully based on appropriate risk management, with the perspective of reinforcing the Bank's new business model that focuses on domestic corporate finance (support to domestic customers' international business, support to foreign investors' business in Japan, etc.) and the perspective of sophistication and expansion of the Bank's core businesses.

In August 2010 the bank announced a series of organizational changes designed to better channel resources into priority areas and to promote new business opportunities.

Summary of the changes;

・ Creation of middle market lending banking teams; focus on retail mass affluent market
・ Provision of solutions to large-cap corporate clients
・ Provision of services to regional financial institutions
・ Sharing of deal processes and enhancement of solutions capabilities for real estate finance transactions

Coupled with other initiatives, such as on cost savings and reducing funding costs, the changes form part of a broader program designed to further improve the financial performance of the bank and the value we add domestically and internationally for our Japanese customers.

Effective measures for further business development will be continuously executed.

1.2. Restructuring Plan

Our target for FY2009 was to establish strong and effective business operations to shift the business model to domestic focus.

While the Bank is projecting an increase in expenses associated with the expansion of operations, as well as expenses to contribute to enhancing customer convenience and growth of the funding base, the Bank will continue our strict management of expenses, and make all efforts to cut costs wherever possible. The Bank's IT-system related expense policy is to focus on maintenance and stabilization of the existing computer system without any large scale capital expenditure. The Bank is projecting the continuation of operations with a tight control on costs.

JPY 100 mil. %	FY2009 Actual	FY2010 Plan	FY2011 Plan	FY2012 Plan	FY2013 Plan
Personnel +Non-personnel Expenses	387	401	420	425	450
O H R	54.8	57.2	55.0	49.2	47.5

The Bank will keep its rate of expense growth below that of revenue growth, and is projecting an OHR of under 50% from FY2012.

① Personnel Expenses

JPY 100 mil, Headcount	FY2009 Actual	FY2010 Plan	FY2011 Plan	FY2012 Plan	FY2013 Plan
Personnel Expenses	179	183	185	190	195
Staffs	1,551	1,580	1,590	1,620	1,650

In light of the large loss in FY2008, the bank has cut Executive Officers' salaries by 20% on average since October 2008, and paid no annual bonus for FY2008. The bank paid no bonus in June 2009 for employees in managerial positions, and the June bonus for union members was also reduced based on their roles and responsibilities.

In FY2009, the Bank continued salary cuts for Executive Officers and controlled bonus payment to employees. As a result, FY2009 personnel expenses increased by only 0.2 billion yen compared with FY2008, 0.4 billion yen less than the BRP plan announced in October 2009 of 18.3 billion yen.

Total personnel expenses for FY2010 are expected to increase by 0.4 billion yen from FY2009, due to the increase in head count and the impact of the employee transfer from the information systems business subsidiary. FY2011 personnel expenses is expected to increase by 0.2 billion yen from FY2010.

We are planning to increase personnel expenses by 0.5 billion yen per year in FY2012 and FY2013, in consideration of the head count increase and improved profitability.

② General and Administrative Expenses

JPY 100 mil.	FY2009 Actual	FY2010 Plan	FY2011 Plan	FY2012 Plan	FY2013 Plan
Non-personnel Expenses	208	218	235	235	255
Excluding System Expenses	144	148	150	155	160

Going forward, the Bank expects an increase in expenses to enhance customer convenience and develop the business base. However, the Bank will continuously pursue fundamental cost reductions through rent negotiations, the review and effective utilization of its property, as well as the potential relocation of the Bank's headquarter and branches.

The Bank is focusing on maintaining stable operations for its existing systems, improving governance and the minimization of system risks, bearing in mind the need to control IT-related expenses.

While an increase in expenses is expected going forward to enhance

customer convenience and develop the business base, the Bank will continue to manage costs tightly to reduce expenses. As a part of this effort, the Bank established the cost savings project in May 2010, and activity toward the development and execution of cost cutting initiatives has begun.

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

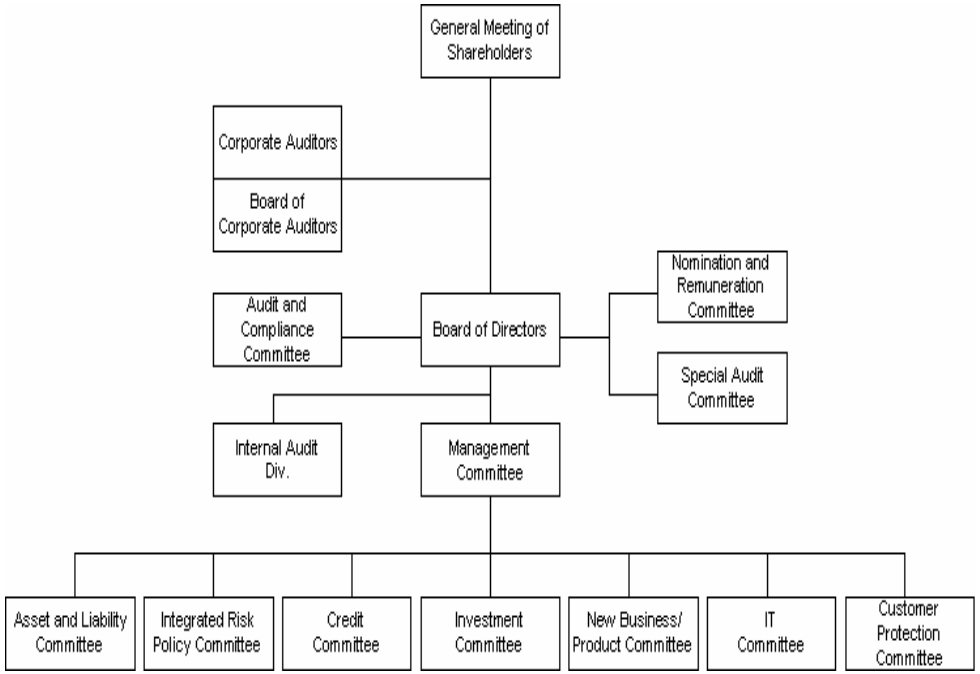
(JPY 100 mil.)

	FY2009 Actual	FY2010 Plan	FY2011 Plan	FY2012 Plan	FY2013 Plan
Net Revenue	741	735	800	905	990
General and Administrative Expenses	406	420	440	445	470
Business Profit (*)	335	315	360	460	520
Credit-related Expenses(**)	-239	-120	-125	-125	-125
Gains/Losses on sales of stocks and other securities	-1	0	0	0	0
Operating Profits	50	185	210	310	370
Net income	76	200	210	310	370
OHR	54.8%	57.2%	55.0%	49.2%	47.5%

(*) 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 management members recognize it is important to make a point of corporate governance and to maintain our internal framework, to achieve the management for the sound bank trusted by the stake holders.

In order to improve efficiency and transparency through the segregation of management and business execution, the Board of Directors is comprised mainly of outside Directors. The Board of Directors determines basic operational policy and management strategies and focuses on supervision of the Bank's operations. Executive Officers perform the daily business with authority delegated by the Board.

To ensure its supervisory function, the Board of Directors has three board level Committees: the Special Audit Committee, the Nomination and Remuneration Committee and the Audit & Compliance Committee, as described later, with outside Directors serving as the Chairman. In addition, Internal Audit Division and Asset Assessment Division, which report directly to the Board of Directors, maintain checks and balances on the Representative Directors and Executive Officers.

The Management Committee is comprised of the Management Meeting members appointed among the Representative Directors and Executive Officers by the Board, and determines details of matters resolved by the Board of Directors and matters relating to business execution other than matters to be determined by the Board of Directors. In principle, the Management Committee meets at least once a week to deliberate and determine important matters to execute business affairs in accordance with the policies established by the Board.

The Management Committee also has seven sub-committees as subordinate organizations: Asset and Liability Committee, Integrated Risk Policy Committee, Credit Committee, Investment Committee, New Business/ Product Committee, IT Committee, Customer Protection Committee, in order to improve efficiency of business execution.

The Executive Officer Meeting, consisting of all Executive Officers, reviews matters deliberated and determined by the Management Committee and shares information.

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. We are committed to further improving profitability and to securing sufficient funds for the repayment of public funds.

4.2. Dividend, Remuneration / Bonuses to Directors and Officers

<Common stock dividend>

The Bank paid an annual dividend of 0.7 yen per common share for FY2009 as set forth in the BRP for FY2009.

The Bank aims for a payout ratio to common shareholders at least comparable to Japanese major banks in the medium term, through determined efforts to further improve its financial performance, and in consideration of the level of achievement against the BRP targets.

	FY2009 Actual	FY2010 Plan	FY2011 Plan	FY2012 Plan	FY2013 Plan
Dividend per share (yen)	0.7	2.0	3.0	4.0	5.0
Total amount of dividends (billion yen)	1.0	3.0	4.5	7.4	9.2
*Dividend ratio	13%	15%	21%	24%	25%

*Dividend ratio = total amount of dividends / net profit

< Remuneration / Bonuses >

Total Director remuneration is projected to be 270 million yen in FY2010. After FY2011, total Director remuneration is projected to be 220 million yen which significantly reduced from the BRP announced in October 2009. In FY2010, average remuneration for Directors other than non-executives is projected to be 40 million yen which significantly reduced from the BRP announced in October 2009 of 50 million yen. After FY2011, average remuneration for Directors other than non-executives is projected to be 30 million yen.

The Bank paid no bonus to Directors.

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

①Basic Stance

Based on the business model of returning to domestic corporate finance, Aozora Bank is focusing on the provision of distinctive services that only Aozora Bank can offer, such as customized financial products to swiftly and flexibly meet a particular need of a customer.

Among others, the Bank recognizes it is a domestic financial institution's responsibility and mission to facilitate financing and extending other credit to companies, especially SMEs, that form the foundation of Japanese economy. With the double engines of providing Aozora Bank's own corporate financial services, and providing them in collaboration with regional financial institutions, the Bank will continue to promote the enhancement of its SME customer base and actively lend to SME customers.

②Specific Measures

In addition to traditional loans, the Bank has a wide range of custom-made products to meet the various needs of our customers, including arrangement of syndicated loans and placement of private bonds, establishment of commitment lines and providing loans embedded with a variety of derivatives. Also, the smaller size of the Bank creates a suitable environment for cross-divisional activities and collaborative work between business units, which enables the Bank to further pursue the provision of high value-added corporate finance services by taking advantage of its investment banking expertise and knowledge of derivative products.

In addition, following the enforcement of the "Act on Facilitation of Financing for SMEs, etc." on December 4, 2009, Aozora Bank established a framework for facilitation of financing for SMEs on February 1, 2010.

③Review of Organization and System

Based on the internal organization changes in August 2010, the Bank reviewed its credit operations. Although Corporate Banking Group handled

transactions regardless of the customer's size, this was changed to a new system in which Corporate Banking Group and Retail [and Business] Banking Group work together as a team in providing credit to SMEs, with the aim of addressing the specific credit attributes and needs of SME clients.

Also, while we have already started efforts to increase credits to clients introduced by regional financial institutions at some local branches, we set up a division that specializes in the promotion of these activities in the Tokyo metropolitan area.

Moreover, the Bank created Credit Division III, to add to the previous two credit screening division system, in order to establish a new credit screening framework that addresses the particular characteristics of SMEs.

Through these initiatives, the Bank will increase its efforts to build its SME customer base and expand loan transactions with them.

④Provision of Financial Products that Support Regional Economies

The Bank is always active in collaborating with regional financial institutions, and providing support to local SMEs who are customers of regional financial institutions. Business revitalization advisory work is one example. The Bank has been competent in these areas and will continue to actively share knowledge and provide advice to regional financial institutions.

Among the SME customers whose main bank is a regional financial institution, those companies to whom the regional bank is providing specific assistance for the sake of the development of the regional economy or such other special reasons, or who are facing a credit squeeze from non-regional financial institutions asking for loans to be repaid, Aozora Bank will offer support to these customers by, in addition to providing ordinary loans, arranging syndicated loans in cooperation with regional banks so as to help the SME customer maintain bank formation, or by making proposals on a broad range of financial measures including advice on capital strategy and business turnaround strategy.

⑤Basic Credit Policy

In addition to the provision of custom-made products to meet customer needs, from the perspective of facilitating financing to SMEs, we also provide business solutions to assist customer's management of their business, propose financial schemes after accurately assessing business models and cash-flow generation capabilities without placing too much weight on the value of security, and offer joint support with regional banks utilizing the Bank's relationship with them. For these to be really effective, we make efforts to assess the needs of our customers more carefully, strive to originate financially sound transactions, and secure an appropriate risk-return profile.

Similarly, we also promote initiatives to support the growth and development of the business of SME customers.

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 a result of huge losses in FY2008, it has become difficult to conduct a lump-sum repayment of remaining public funds. The Bank returned to profitability in FY2009 and the second quarter of FY2010 to restart accumulating retained earnings.

We are committed to further improving our performance and achieving management objectives in order to accumulate retained earnings for repayment of public funds and lead to a higher corporate value.

Transition in Retained Earnings（JPY 100 mil.）

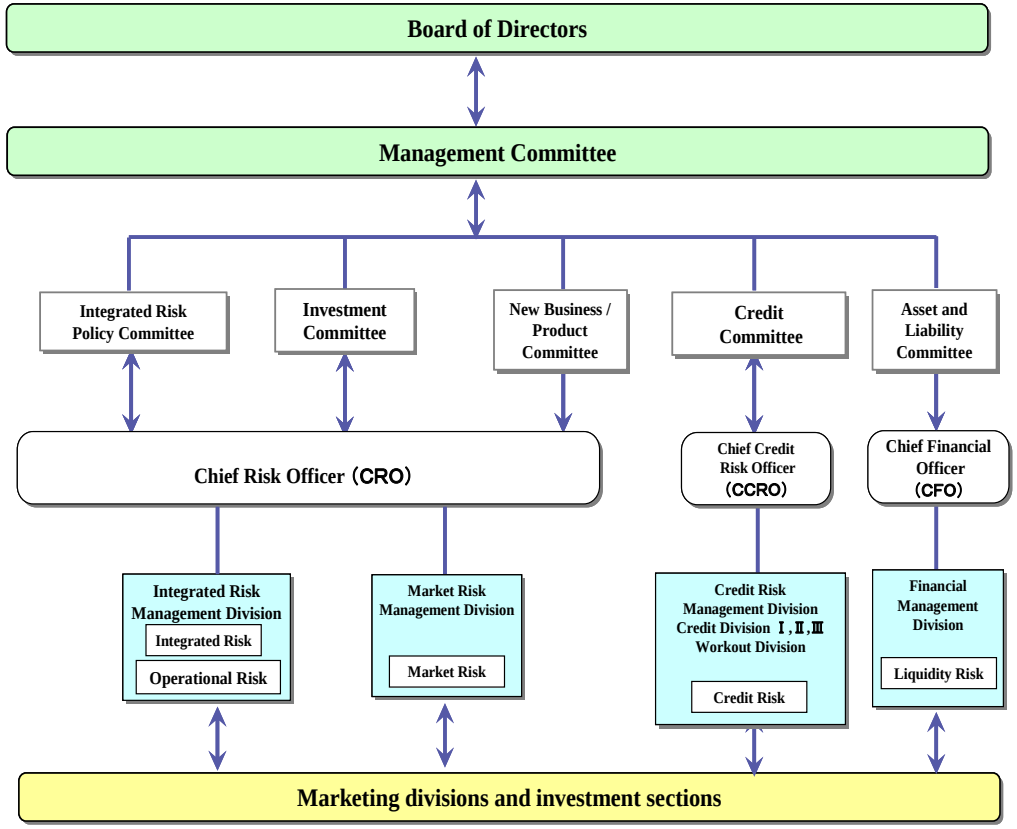
FY2009 Actual	FY2010 Plan	FY2011 Plan	FY2012 Plan	FY2013 Plan	FY2014 Plan	FY2015 Plan	FY2016 Plan
874	1,035	1,184	1,414	1,693	1,999	2,188	2,437

(Note) Summary of the preferred stock

Total Amount Issued Initially	260.0 Billion Yen
Mandatory Conversion to Common Stock	October 3, 2012

7. Strategies for Sound and Appropriate Finance and Business Operations

Risk Management System



<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 assigned to oversee comprehensive risk management, market risk management, operational risk management and the risk policies in overall basis and the Chief Credit Risk Officer assigned to oversee overall credit risk management, and the Market Risk Management Division takes charge of market risk, 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.

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.

Capital Management System

The Bank's risk capital management system serves as a framework for comprehensively managing risks and continuously securing adequate capital corresponding to the risk involved. The Bank estimates the risk capital for the major risks of credit, market and operational risks and monitors the risk capital allocated to and used by business groups as per the internal policy/procedures for capital management and makes an assessment of capital adequacy (ICAAP) by comparing the amount of capital for the fiscal year with the capital used across the entire Group.

The Board of Directors determines the Total Allocated Capital and Capital Allocation to each business group in the annual Business Plan, and business groups conduct operations within their capital allocation.

And as a part of ICAAP, the Bank implements comparison and analysis on the effects of an estimated amount of loss in stressed times on its capital position and the risks by conducting integrated stress tests including securities and alternative investments portfolios at least semi-annually.

Management System for investment and lending asset

For reinforced involvement of the Board of Directors in the management of the investment plans, the Bank has created a framework in which major investment/lending plan and risk management framework are required to obtain approval at the Board of Directors by including it into the proposal guideline of the Board of Directors. Under the framework, exposures and risk amounts by each asset class on major investments/lending are measured, and based on these data, risk assessment and verification of risk management framework of the portfolio are conducted.

The Bank is also committed to the management of price fluctuation risk associated with multi-risk financial products, as well as the creation of management procedures for corporate bonds and so forth.