

October 5, 2012

Company name: Aozora Bank, Ltd.
Name of representative: Shinsuke Baba, President and CEO
Listed exchange: TSE, Code 8304
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**Re: Buyback of Own Shares (Common Shares) through
Off-Auction Own Share Repurchase Trading (the ToSTNeT-3)**

Aozora Bank, Ltd. ("Aozora" or the "Bank") announced today that its board resolved at its October 5, 2012 meeting the specific method of the buyback for a portion of the Bank's buyback of its own shares (common shares) under a plan which was previously resolved by its board at its September 27, 2012 meeting based on Article 50 of the Bank's Articles of Incorporation pursuant to Paragraph 1, Article 459 of the Companies Act (the "Buyback").

1. Method of the buyback

The Bank will conduct a buyback through the Tokyo Stock Exchange's Off-Auction Own Share Repurchase Trading System (the ToSTNeT-3) at 8:45 a.m. on October 9, 2012 at the closing price (including the latest special indicative price) of 247 yen on October 5, 2012 today. (No change to the other trading system or trading time shall be made.)

The buyback order shall be applied and effective for the above trading time only.

2. Description of the details of the buyback

(1) Type of shares to be repurchased	Common shares
(2) Total number of shares to be repurchased	180,000,000 shares
(3) Disclosure of result of the buyback	The result of this buyback shall be disclosed after the trading time at 8:45 a.m. October 9, 2012.

(Note 1) Total number of shares to be repurchased shall not be changed. There is a possibility that a portion of or whole number of shares will not be repurchased due to market conditions or other reasons.

(Note 2) This buyback will be made for the sale order corresponding to the scheduled number of shares to be repurchased.

(Note 3) As for this buyback, the Bank has been advised by CERBERUS NCB ACQUISITION, L.P., GENERAL PARTNER CERBERUS AOZORA L.L.C., the Bank's controlling shareholder ("CNCBALP") that CNCBALP intends to make a sale order for 150,000,000 shares of the Bank's common shares.

3. Transaction with the controlling shareholders and other matters

As described in Note 3 above, it is expected that CNCBALP will participate in this Buyback as a seller, and that this buyback will be regarded as a transaction with the controlling shareholders. The applicability of this buyback to the "guidelines regarding the protection measures for minority shareholders upon transactions with the controlling shareholders, etc.", which is indicated in the Bank's Corporate Governance Report publicly disclosed on July 10, 2012, is described below.

Aozora has a basic policy where the transactions with the parent company shall be made with the appropriate conditions similar to the regular transactions. In the Bank's business operations, the Bank's Special Audit Committee audits the material transactions directly or jointly with the parent company groups including the parent companies based on the commission of the board of directors, in order to avoid being a captive bank and ensure the management's independence and soundness, aimed at avoiding to make any transactions which may result in harm to the interests of minority shareholders.

In accordance with the effect of the guideline above, negotiation of the Buyback was conducted by those who have no stakes/interests in the controlling shareholder on the Bank side, and the Bank's board of directors confirmed at its meetings on September 27 and October 5, 2012, where 7 directors (including 2 external directors) and 2 corporate auditors (including 1 external corporate auditor) who have no stakes/interests in the controlling shareholders present, that the Buyback would be implemented as part of the Recapitalization Plan, and resolved the implementation of the Buyback and the specific method of a portion of the Buyback unanimously after adequate deliberations taking into consideration the current market price level and possibility of future capital policy, respectively.

Mr. James Danforth Quayle, Mr. Franck W. Bruno, Mr. Marius J. L. Jonkhart, Mr. Cornelis Maas, Mr. Louis J. Forster and Mr. Larry A. Klane as the Bank's directors and Mr. Mitch R. Fulscher as the Bank's corporate auditor fall under those who are, or used to be, directors, employees or corporate auditors of the entities which have direct or indirect stakes/interests in CNCBALP, and they did not participate in the deliberation and resolution on the proposal of the Buyback at the board meeting in order to avoid the conflict of interest.

In addition, the Bank retained the financial advisor and the legal advisor who are both independent from the Bank and the controlling shareholder and received their advices, in order to secure the fairness.

In making the resolution at its September 27, 2012 board meeting on the buyback of its own shares (common shares), as it is expected that a certain portion of the Buyback will be repurchased from CNCBALP, the Bank obtained an opinion stating that the Buyback does not adversely affect the interest of the Bank's minority shareholders from Mr. Kiyoshi Tsugawa, the Bank's external director (an independent director) who has no stakes/interests in the controlling shareholder on September 26, 2012, which was prepared taking into consideration the following factors that the purposes of the Buyback are legitimate as it would be implemented as part of the Recapitalization Plan, that the fairness of the procedures is ensured through the measures to avoid any conflicts of interest which have been taken in the process of negotiation and decision making of the Buyback, that the methods of implementing the Buyback are fair as the chances to participate in the Buyback are secured for minority shareholders, that the fairness of the Buyback price is ensured as the Buyback will be made at the then market price of the Bank's common shares at the Tokyo Stock Exchange, and that the Recapitalization Plan including the Buyback is likely to contribute the increase of the Bank's corporate value. Furthermore, in resolving the specific method of this buyback as set forth in Sections 1 and 2 above, the Bank obtained an opinion again from Mr. Kiyoshi Tsugawa stating that this buyback does not adversely affect the interest of the Bank's minority shareholders on October 5, 2012, which was prepared taking into consideration the result of the reconsideration of the fairness of the decision making process of this buyback, the appropriateness of the specific method of this buyback and the fairness of this buyback price, etc. Mr. Tsugawa retained the legal advisor other than the Bank's legal advisor, who is independent from the Bank and the controlling shareholder and received their advices.

Considering the above, the Bank judges that its handling of the Buyback is sufficiently applicable for its "guidelines regarding the protection measures for minority shareholders upon transactions with the controlling shareholders, etc."

(Reference)

1. Details in the Board resolution on the buyback of own shares (as publicly announced on September 27, 2012.)

(1) Type of shares to be repurchased	Common shares
(2) Upper limit for the total number of shares to be repurchased	330,000,000 shares
(3) Upper limit for the total buyback amount	100,000,000,000 yen

(4) Buyback period From October 1, 2012
to September 30, 2013

2. Progress as of October 5, 2012

(1) Total number of shares repurchased 6,250,000 shares
(2) Total buyback amount 1,566,338,000 yen

3. Status of the Bank's holding of treasury stock as of October 5, 2012

(1) Total number of shares issued 1,650,147,352 shares
(including treasury stock)
(2) Number of treasury stock 160,003,171 shares

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