

September 27, 2012

Company name: Aozora Bank, Ltd.
Name of representative: Shinsuke Baba, President and CEO
Listed exchange: TSE, Code 8304
Enquiries: Tomomi Akutagawa
Financial Management Division (03 3263 1111)

Re: Buyback of Own Shares (Common Shares)

(Repurchase of own shares under the provision in the Articles of Incorporation pursuant to paragraph 1, Article 459 of the Companies Act)

Aozora announced today that its board resolved at its September 27, 2012 meeting to repurchase its own shares (common shares) (the “Buyback”) based on Article 50 in the Bank’s Articles of Incorporation pursuant to Paragraph 1, Article 459 of the Companies Act as outlined below.

1. Rationale for the buyback of own shares

The repayment of public funds has been a corporate priority for Aozora, and the Bank has announced that it has finalized a Comprehensive Recapitalization Plan toward a full repayment of public funds over time (the “Recapitalization Plan”) which will benefit all of its shareholders by its August 27, 2012 press release entitled: ‘Re: Aozora Bank’s Comprehensive Recapitalization Plan and Where Aozora Goes From Here’.

The Bank will conduct the Buyback as part of the Recapitalization Plan as outlined in item 2 below, since all of the change in capital composition, the buyback of a portion of own preferred shares (Class-C Series 5 preferred shares) and the amendments to the Articles of Incorporation with regard to the implementation of the Recapitalization Plan were approved by the special resolution at the extraordinary general meeting of shareholders held today, as well as the amendments to the Articles of Incorporation was approved at the respective class general meetings of common shareholders, Class-A Series 4 preferred shareholders and Class-C Series 5 preferred shareholders held on the same day.

Please refer to ‘Re: Aozora Bank’s Comprehensive Recapitalization Plan and Where Aozora Goes From Here’ which was announced by the Bank on August 27, 2012 for details in the Recapitalization Plan including the Buyback.

2. Description of the details in the buyback

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| (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
(20.0% of total number of shares issued including treasury stock) |
| (3) Upper limit for the total buyback amount | 100,000,000,000 yen |
| (4) Buyback period | From October 1, 2012 to September 30, 2013 |

(5) Buyback methods

- Open market buyback at the Tokyo Stock Exchange (TSE)
(through a trust account)
- Buyback through the ToSTNeT-3
- Tender offer for own common shares

The buyback will be conducted through either of three methods above or a combination of them. If the Bank will conduct the buyback through the ToSTNeT-3, the TSE system, and/or a tender process, they shall be separately approved by the resolution of the Bank's board of directors.

3. Transaction with the controlling shareholders and other matters

It is expected that CERBERUS NCB ACQUISITION, L.P., GENERAL PARTNER CERBERUS AOZORA GP L.L.C., the Bank's controlling shareholder ("CNCBALP") will participate in the Buyback as a seller, and the Buyback will be regarded as a transaction with the controlling shareholders. An applicability of the Buyback for 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 as 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 meeting on September 27, 2012, where 7 directors (including 2 external directors) and 2 corporate auditors (including 1 external corporate auditors) 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 unanimously after adequate deliberations taking into consideration the current market price level and possibility of future capital policy,.

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.

Furthermore, 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. 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."

End

(Reference) Status of the Bank's holding of treasury stock as of June 30, 2012

Total number of shares issued (including treasury stock)	1,650,147,352 shares
Number of treasury stock	153,753,171 shares