

NEWS RELEASE

Aozora Announces Next Steps for Return to Profitability

TOKYO, February 10, 2008 – Aozora Bank, Ltd. (“Aozora” or the “Bank”), a leading Japanese commercial bank, today announced certain initiatives designed to accelerate the Bank’s progress towards its goal of returning to sustainable profitability by the coming fiscal year while utilizing its strong capital position and undergoing a strategic review of its operations. Specifically, Aozora is (A) enhancing its corporate governance structure to best match the Bank’s core competency, (B) proactively reviewing legacy and non-core assets, and (C) continuing to pursue a profitable, domestic lending-focused business model.

Aozora expects its capital adequacy ratio to remain one of the highest among Japanese banks at above 12% (as of March 31, 2009), and is actively assessing ways of deploying its capital strategically to enhance corporate value over the long-term.

A) Enhancing Aozora’s Corporate Governance Structure

Federico J. Sacasa, our Chief Executive Officer (CEO) and Representative Director, will resign with immediate effect and be succeeded by Brian F. Prince as Acting CEO and Acting President. Prince will be nominated as CEO and Representative Director, and Shinsuke Baba and Kunimi Tokuoka, Deputy Presidents, will also be nominated as Directors at the next Annual Shareholders Meeting in June. In addition, Yuji Shirakawa will be nominated as a candidate for Director and the Chairman position.

Aozora will continue to review the composition of its Board in an effort to support the Bank’s re-focus on its core competency of domestic lending. As part of such review, John L. Steffens, David Hackett and Gerardus Johannes Schipper will retire from the Board of Directors as of today.

With the new management team’s wealth of experience and strong leadership skills, Aozora believes it will be better positioned to make a swift and smooth return to sustainable profitability.

B) Thorough Review of Legacy and Non-Core Assets

Aozora has proceeded with a strategic review of its operations and shrunk certain positions which were designated as non-core. The Bank has used part of its ample capital to conduct a thorough review of problem assets during FY2008, and will secure a return to profitability as soon as possible.

Specific actions have already been taken with respect to our GMAC investment, CDO positions, hedge fund exposures, and ETF positions all of which have been largely dealt with. The Bank will continue to increase reserves during FY2008 against loans that require attention.

C) Pursuing a Profitable, Domestic Lending-Focused Business Model and Forming Financial Institution Alliances

(1) Asset-side approach:

Aozora will combine its specialized lending skills with its domestic customer base, to develop a stable and profitable loan portfolio and become a bank that attracts customers for its value-added services. Resources will be shifted to domestic operations so as to further enhance the Bank's tailored lending model designed to provide quicker and more precise solutions for customers.

(2) Liability-side approach:

In order to meet the funding needs of a broader range of domestic customers while reducing our dependency on wholesale funding, Aozora aims to increase retail deposits to over 50% of its funding base in the medium-term. Specifically, the Bank is completing the development of an Internet banking project (planned roll-out in the first quarter of FY2009), and will pursue business and capital alliances with financial institutions and corporations that have successful retail platforms.

(3) Forming financial institution alliances:

Aozora will accelerate its business and capital alliance initiatives with the aim of developing its deep domestic financial institution network into synergistic partnerships. Further, we will actively pursue strategic opportunities, driven by regional financial institution reorganizations, that complement our business model.

As of December 31, 2008, our capital adequacy ratio was 13.71 %, which remains one of the highest among Japanese banks, and our liquidity buffer was in excess of 1 trillion yen. Aozora will continue to play a sound financial intermediary role and maintain robust lending activities to spur growth over the medium-term. The Bank's management continues to review a range of options involving our capital resources, including strategic transactions, to enhance corporate value for the benefit of all stakeholders over the long-term.