

August 27, 2012

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

Re: Amendments to the Articles of Incorporation

Aozora announced today that its board resolved at its August 27, 2012 meeting to put on the agenda at the extraordinary meeting of shareholders, as well as at the respective class meetings of common shareholders, the Series 4 and Series 5 preferred shareholders, all of which are to be held on September 27, 2012, the Amendments to the Articles of Incorporation concerning the preferred shares (the "Articles of Incorporation").

1. Purpose of the Amendments to the Articles of Incorporation

The repayment of public funds has been a corporate priority for Aozora, and the Bank 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.

Amendments to the Articles of Incorporation will be proposed as part of the Recapitalization Plan to the effect that the terms and conditions of the two series of preferred shares as public funds (Series 4 preferred shares and Series 5 preferred shares) stated in the Articles of Incorporation will be amended in order to enable installment repayments of public funds. Details of the proposed amendments are described below.

Aozora has the Series 4 preferred shares as the Class A preferred shares stipulated in the Bank's Articles of Incorporation and the Series 5 preferred shares as the Class C preferred shares stipulated in the Bank's Articles of Incorporation.

Please refer to "Re: "Aozora Bank's Comprehensive Recapitalization Plan" and "Where Aozora Goes From Here"" which was separately announced by the Bank today for details in the Recapitalization Plan including the Amendments to the Articles of Incorporation.

(1) Postponement of the date of mandatory conversion into common shares / Extension of conversion period

We will postpone the date of the mandatory conversion into common shares of the Series 4 preferred shares and the Series 5 preferred shares to June 30, 2022, and also extend the conversion period for the Series 4 preferred shares and the Series 5 preferred shares to June 29, 2022.

(2) Amendments to the preferred dividends

- a) We will make a provision regarding the payment of an annual 20.49 billion yen fixed super preferred dividend on the Series 5 preferred shares, in addition to the existing preferred dividend. The super preferred dividends will be paid from Other Capital Surplus and will be treated as a repayment of public funds.

- b) We will amend the terms and conditions for the existing preferred dividend in order to provide for a reduction in the total payment amount of existing preferred dividends on the Series 4 and Series 5 preferred shares, depending on the declining balance of the remaining public funds to be repaid resulting from the annual super preferred dividend payments on the Series 5 preferred shares (i.e., installment repayments of public funds) described in a) above.

2. Details of the amendments

Please refer to the attachment for more details on the proposed amendments.

3. Timeline

Extraordinary meeting of shareholders	September 27, 2012 (Note)
Effective date of the above amendments to the Articles of Incorporation	October 2, 2012 (planned)

(Note) The class general meetings for common shareholders, the Series 4 preferred shareholders and the Series 5 preferred shareholders will be held on the same day.

4. Others

The Amendments to the Articles of Incorporation shall become effective as of October 2, 2012 subject to approval of the Amendments to the Articles of Incorporation, as well as the Change in Capital Composition and the Buyback of a portion of Own Preferred Shares (Series 5 Preferred Shares) as separately announced, at the extraordinary meeting of shareholders to be held on September 27, 2012, and approval of the Amendments to the Articles of Incorporation concerning the preferred shares at the respective class meetings of common shareholders and the Series 4 and 5 preferred shareholders to be held on the same day.

End

(Underlined portions indicate the amendments.)

(Current)	(After amendment)
(Preferred Dividends) Article 13 1. In the event that the Bank pays year-end dividends set forth in Article 51 hereof, the Bank shall, in preference to the holders of the ordinary shares (hereinafter referred to as the "Ordinary Shareholders"), pay to the holders of the Preferred Shares (hereinafter referred to as the "Preferred Shareholders") the respective amount set forth <u>below</u> (hereinafter referred to as the "Preferred Dividends"). Provided, however, that if the Preferred Interim Dividends as set forth in Article 14 hereof were paid during the relevant business year which the record date of the relevant year-end dividends belongs to, the amount of such Preferred Interim Dividends shall be subtracted from the Preferred Dividends. <u>10 yen per Class A Preferred Share per year</u> <u>7.44 yen per Class C Preferred Share per</u>	(Preferred Dividends) Article 13 1. In the event that the Bank pays year-end dividends set forth in Article 51 hereof, the Bank shall, in preference to the holders of the ordinary shares (hereinafter referred to as the "Ordinary Shareholders"), pay to the holders of the Preferred Shares (hereinafter referred to as the "Preferred Shareholders") the respective amount set forth <u>in Exhibit 1 (in the case of the Class C Preferred Shares, the sum of the Basic Preferred Dividends and Special Preferred Dividends set forth in Exhibit 1; hereinafter referred to as the "Preferred Dividends").</u> Provided, however, that if the Preferred Interim Dividends as set forth in Article 14 hereof were paid during the relevant business year which the record date of the relevant year-end dividends belongs to, the amount of such Preferred Interim Dividends shall be subtracted from the Preferred Dividends.

(Current)	(After amendment)
<u>year</u> Paragraph 2 and 3(Omitted)	Paragraph 2 and 3(Omitted)
(Preferred Interim Dividends) Article 14 In the event that the Bank pays the interim dividends set forth in Article 51 hereof, the Bank shall, in preference to the Ordinary Shareholders, pay to the Preferred Shareholders the respective amount set forth <u>below</u> (in these articles of incorporation referred to as the "Preferred Interim Dividends"). <u>5 yen per Class A Preferred Share</u> <u>3.72 yen per Class C Preferred Share</u>	(Preferred Interim Dividends) Article 14 In the event that the Bank pays the interim dividends set forth in Article 51 hereof, the Bank shall, in preference to the Ordinary Shareholders, pay to the Preferred Shareholders the respective amount set forth <u>in Exhibit 2</u> (in these articles of incorporation referred to as the "Preferred Interim Dividends").
(Request for Acquisition in Consideration of Ordinary Shares) Article 18 1. A Preferred shareholder may, during the acquisition period set forth in Exhibits <u>1</u> and <u>2</u>, request the Bank to acquire its Preferred Shares in consideration of ordinary shares on the terms and conditions set forth in Exhibits <u>1</u> and <u>2</u>.	(Request for Acquisition in Consideration of Ordinary Shares) Article 18 1. A Preferred shareholder may, during the acquisition period set forth in Exhibits <u>3</u> and <u>4</u>, request the Bank to acquire its Preferred Shares in consideration of ordinary shares on the terms and conditions set forth in Exhibits <u>3</u> and <u>4</u>.
(Mandatory Acquisition in Consideration of Ordinary Shares) Article 19 1. The Bank shall, as of the date immediately following the last day of the acquisition period (hereinafter referred to as the "Mandatory Acquisition Date of the Preferred Shares"), mandatorily acquire Preferred Shares which have not been requested for acquisition during the acquisition period, and deliver the number of ordinary shares of the Bank as is obtained by dividing the respective amount set forth below per Preferred Share by the Mandatory Acquisition Price of the Preferred Shares set forth in Exhibits <u>3</u> and <u>4</u>, in exchange of the Preferred Share. One thousand (1,000) yen per Class A Preferred Share Six hundred (600) yen per Class C Preferred Share Paragraph 2 (Omitted)	(Mandatory Acquisition in Consideration of Ordinary Shares) Article 19 1. The Bank shall, as of the date immediately following the last day of the acquisition period (hereinafter referred to as the "Mandatory Acquisition Date of the Preferred Shares"), mandatorily acquire Preferred Shares which have not been requested for acquisition during the acquisition period, and deliver the number of ordinary shares of the Bank as is obtained by dividing the respective amount set forth below per Preferred Share by the Mandatory Acquisition Price of the Preferred Shares set forth in Exhibits <u>5</u> and <u>6</u>, in exchange of the Preferred Share. One thousand (1,000) yen per Class A Preferred Share Six hundred (600) yen per Class C Preferred Share Paragraph 2 (Omitted)

(Current)	(After amendment)
(Newly Established)	<u>Exhibit 1.</u> (1) <u>Preferred Dividends for Class A Preferred Share</u> <u>Preferred Dividends per Class A Preferred Share per year is calculated by the formula set forth below:</u> $ \begin{array}{c} \text{10 yen} \\ \times \left(1 - \frac{\text{Accumulated Amount of Special Preferred Dividend}}{\text{Remaining amount of the Public Funds after the repurchase and cancellation of the Preferred Share to be held in FY 2012}} \right) \end{array} $ <u>“Accumulated Amount of Special Preferred Dividend” in the abovementioned formula shall mean the aggregate amount of the Special Preferred Dividend for Class C Preferred Share paid during the period from October 2, 2012, to the record date of the year-end dividends.</u> <u>“Remaining amount of the Public Funds after the repurchase and cancellation of the Preferred Share to be held in FY 2012” in the abovementioned formula shall mean the aggregate amount of Special Preferred Dividend for Class C Preferred Share to be paid before the Mandatory Acquisition Date of the Preferred Shares set forth in Article 19 hereof.</u> (2) <u>Preferred Dividends for Class C Preferred Share</u> <u>Preferred Dividends per Class C Preferred Share per year is the sum of each amount calculated by the formulas (a) and (b) set forth below:</u> (a) <u>Basic Preferred Dividends</u> $ \begin{array}{c} \text{7.44 yen} \\ \times \left(1 - \frac{\text{Accumulated Amount of Special Preferred Dividend}}{\text{Remaining amount of the Public Funds after the repurchase and cancellation of the Preferred Share to be held in FY 2012}} \right) \end{array} $ <u>“Accumulated Amount of Special Preferred Dividend” in the abovementioned formula shall mean the aggregate amount of the Special Preferred Dividend for Class C Preferred Share paid during the period from October 2, 2012, to the record date of the year-end dividends.</u> <u>“Remaining amount of the Public Funds after the repurchase and cancellation of the Preferred Share to be held in FY 2012” in the abovementioned formula shall</u>

(Current)	(After amendment)
	<u>mean the aggregate amount of Special Preferred Dividend for Class C Preferred Share to be paid before the Mandatory Acquisition Date of the Preferred Shares set forth in Article 19 hereof.</u> (b) <u>Special Preferred Dividends</u> Special Preferred Dividends shall be the amount calculated by dividing the Amount (1) by the number of Class-C Preferred Shares issued as of the record date for the year-end dividends. <u>The Amount (1) shall be an amount calculated by dividing “two hundred and twenty seven billion six hundred million yen” minus “the aggregate amount of considerations for Class-C Preferred Shares acquired by the Bank during the period from September 28, 2012 to March 31, 2013” by ten.</u> In the case that the Bank effectuates the buyback of the Class-C Preferred Shares in accordance with the original proposal regarding the buyback of a portion of Class-C Preferred Shares proposed at the Bank's general meeting of shareholders held on September 27, 2012, the Amount (1) above deemed as twenty billion four hundred and ninety million yen.
(Newly Established)	<u>Exhibit 2.</u> (1) <u>Preferred Interim Dividends for Class A Preferred Share</u> <u>Preferred Interim Dividends per Class A Preferred Share per year is calculated by the formula set forth below:</u> $ \begin{array}{c} \text{5 yen} \times \left(1 - \frac{\text{Accumulated Amount of Special Preferred Dividend}}{\text{Remaining amount of the Public Funds after the repurchase and cancellation of the Preferred Share to be held in FY 2012}} \right) \end{array} $ <u>“Accumulated Amount of Special Preferred Dividend” in the abovementioned formula shall mean the aggregate amount of the Special Preferred Dividend for Class C Preferred Share paid during the period from October 2, 2012, to the record date of the interim dividends.</u>

(Current)	(After amendment)
	<u>“Remaining amount of the Public Funds after the repurchase and cancellation of the Preferred Share to be held in FY 2012” in the abovementioned formula shall mean the aggregate amount of Special Preferred Dividend for Class C Preferred Share to be paid before the Mandatory Acquisition Date of the Preferred Shares set forth in Article 19 hereof.</u> (2) <u>Preferred Interim Dividends for Class C Preferred Share</u> <u>Preferred Interim Dividends per Class C Preferred Share per year is calculated by the formula set forth below:</u> $\frac{3.72}{\text{yen}} \times \left[1 - \frac{\text{Accumulated Amount of Special Preferred Dividend}}{\text{Remaining amount of the Public Funds after the repurchase and cancellation of the Preferred Share to be held in FY 2012}} \right]$ <u>“Accumulated Amount of Special Preferred Dividend” in the abovementioned formula shall mean the aggregate amount of the Special Preferred Dividend for Class C Preferred Share paid during the period from October 2, 2012, to the record date of the interim dividends.</u> <u>“Remaining amount of the Public Funds after the repurchase and cancellation of the Preferred Share to be held in FY 2012” in the abovementioned formula shall mean the aggregate amount of Special Preferred Dividend for Class C Preferred Share to be paid before the Mandatory Acquisition Date of the Preferred Shares set forth in Article 19 hereof.</u>
Exhibit 1. Acquisition Period for Class A Preferred Shareholders and Terms and Conditions of Acquisition (1) Acquisition Period The acquisition period shall be from October 1, 1998 to <u>March 31, 2018; provided, however, that the period from the day immediately following the record date to determine those shareholders who are entitled to exercise their rights at the general meeting of shareholders to the conclusion date of the general meeting of shareholders subject to the record date shall be excluded.</u> (the rest is omitted).	Exhibit 3. Acquisition Period for Class A Preferred Shareholders and Terms and Conditions of Acquisition (1) Acquisition Period The acquisition period shall be from October 1, 1998 to <u>June 29, 2022.</u> (the rest is omitted).
Exhibit 2. Acquisition Period for Class C Preferred Shareholders and Terms and Conditions of Acquisition	Exhibit 4. Acquisition Period for Class C Preferred Shareholders and Terms and Conditions of Acquisition

(Current)	(After amendment)
(1) Acquisition Period The acquisition period shall be from October 3, 2005 (hereinafter referred to as the “Acquisition Commencement Date”) to <u>October 2, 2012</u>; <u>provided, however, that the period from the day immediately following the record date to determine those shareholders who are entitled to exercise their rights at the general meeting of shareholders to the conclusion date of the general meeting of shareholders subject to the record date shall be excluded.</u> (2) Terms and Conditions of Acquisition Class C Preferred Shareholders can request the delivery of ordinary shares of the Bank in exchange for the Bank’s acquisition of the Class C Preferred Shares pursuant to the terms and conditions of acquisition below. (A) (Omitted) (B) Amendment of Acquisition Rate On October 3 of every year from October 3, 2006 to October 3, <u>2011</u> (hereinafter referred to as the “Amendment Date”), the acquisition price shall be amended to the current market value as calculated pursuant to (a) or (b) below (hereinafter referred to as the “Adjusted Acquisition Price”); (the rest is omitted).	(1) Acquisition Period The acquisition period shall be from October 3, 2005 (hereinafter referred to as the “Acquisition Commencement Date”) to <u>June 29, 2022</u>. (2) Terms and Conditions of Acquisition Class C Preferred Shareholders can request the delivery of ordinary shares of the Bank in exchange for the Bank’s acquisition of the Class C Preferred Shares pursuant to the terms and conditions of acquisition below. (A) (Omitted) (B) Amendment of Acquisition Rate On October 3 of every year from October 3, 2006 to October 3, <u>2021</u> (hereinafter referred to as the “Amendment Date”), the acquisition price shall be amended to the current market value as calculated pursuant to (a) or (b) below (hereinafter referred to as the “Adjusted Acquisition Price”); (the rest is omitted).
Exhibit 3. Mandatory Acquisition Price of Class A Preferred Shares (1) (Omitted) (2) In the case that ordinary shares of the Bank are neither listed on ant of the stock exchanges nor registered on any of the registers of over-the counter securities as of the forty-fifth (45th) trading day prior to the Mandatory Acquisition Date, the Mandatory Acquisition Price shall be the amount of “net assets in the consolidated balance sheet as of March 31, <u>2018</u> (excluding stock acquisition right and minority shareholders’ interest)” minus “the aggregate issue amount of Series 4 Preferred Shares issued as of March 31, <u>2018</u> divided by “the number of ordinary shares issued as of March 31, <u>2018</u> (excluding the number of shares held by the Bank). (3) (Omitted)	Exhibit 5. Mandatory Acquisition Price of Class A Preferred Shares (1) (Omitted) (2) In the case that ordinary shares of the Bank are neither listed on ant of the stock exchanges nor registered on any of the registers of over-the counter securities as of the forty-fifth (45th) trading day prior to the Mandatory Acquisition Date, the Mandatory Acquisition Price shall be the amount of “net assets in the consolidated balance sheet as of March 31, <u>2022</u> (excluding stock acquisition right and minority shareholders’ interest)” minus “the aggregate issue amount of Series 4 Preferred Shares issued as of March 31, <u>2022</u> divided by “the number of ordinary shares issued as of March 31, <u>2022</u> (excluding the number of shares held by the Bank). (3) (Omitted)
Exhibit 4. Mandatory Acquisition Price of Class C Preferred Shares	Exhibit 6. Mandatory Acquisition Price of Class C Preferred Shares

(Current)	(After amendment)
(1) The Mandatory Acquisition Price of Class C Preferred Shares shall be as follows: (i) (Omitted) (ii) In the case that ordinary shares of the Bank are neither listed on any of the stock exchanges nor registered on any of the registers of over-the-counter securities at that time, the Mandatory Acquisition Price shall be the amount of net assets per share to be calculated in accordance with the formula set forth in (2)(B)(b) of Exhibit 2: Acquisition Period for Class C Preferred Shareholders and Terms and Conditions of Acquisition. (iii) In the case that the Mandatory Acquisition Price <u>set forth in the preceding paragraph</u> is lower than four hundred fifty yen (¥450) (hereinafter referred to as the "Minimum Mandatory Acquisition Price"), the Minimum Mandatory Acquisition Price shall be the Mandatory Acquisition Price of the Class C Preferred Shares. In the event that the Mandatory Acquisition Price is higher than five hundred forty yen (¥540) (hereinafter referred to as the "Maximum Mandatory Acquisition Price"), the Maximum Mandatory Acquisition Price shall be the Mandatory Acquisition Price. Provided, however, that if the consolidation, splits or allotment without consideration of the ordinary shares are made after issuance of the Preferred Shares, the price obtained by dividing the Minimum Acquisition Price or the Maximum Mandatory Acquisition Price prior to the relevant consolidation, splits or allotment without consideration by the number of shares after consolidation, splits or allotment without consideration of each ordinary share shall be the Minimum Mandatory Acquisition Price or the Maximum Mandatory Acquisition Price subsequent to the relevant consolidation, splits or allotment without consideration.	(1) The Mandatory Acquisition Price of Class C Preferred Shares shall be as follows: (i) (Omitted) (ii) In the case that ordinary shares of the Bank are neither listed on any of the stock exchanges nor registered on any of the registers of over-the-counter securities at that time, the Mandatory Acquisition Price shall be the amount of net assets per share to be calculated in accordance with the formula set forth in (2)(B)(b) of Exhibit 4: Acquisition Period for Class C Preferred Shareholders and Terms and Conditions of Acquisition. (iii) In the case that the Mandatory Acquisition Price <u>set forth in the preceding two paragraphs</u> is lower than four hundred fifty yen (¥450) (hereinafter referred to as the "Minimum Mandatory Acquisition Price"), the Minimum Mandatory Acquisition Price shall be the Mandatory Acquisition Price of the Class C Preferred Shares. In the event that the Mandatory Acquisition Price is higher than five hundred forty yen (¥540) (hereinafter referred to as the "Maximum Mandatory Acquisition Price"), the Maximum Mandatory Acquisition Price shall be the Mandatory Acquisition Price. Provided, however, that if the consolidation, splits or allotment without consideration of the ordinary shares are made after issuance of the Preferred Shares, the price obtained by dividing the Minimum Acquisition Price or the Maximum Mandatory Acquisition Price prior to the relevant consolidation, splits or allotment without consideration by the number of shares after consolidation, splits or allotment without consideration of each ordinary share shall be the Minimum Mandatory Acquisition Price or the Maximum Mandatory Acquisition Price subsequent to the relevant consolidation, splits or allotment without consideration.