Annual Report 2000

Year ended March 31, 2000

IBJ

The Industrial Bank of Japan, Limited

Mizuho Financial Group
(MHFG)

Profile

The Industrial Bank of Japan, Limited ("IBJ") was founded in 1902 as a public sector bank and became a private sector long term credit bank under the Long-Term Credit Bank Law in 1952. IBJ pursues the development of its industrial finance activities by integrating the functions of commercial and investment banking, and offers its customers a diverse range of high value-added financial services through its global network that meet their needs promptly and appropriately. IBJ contributes to develop the nation's economy and industry as a Japan's leading bank with unique independence from any *keiretsu* grouping. IBJ shall be consolidated with The Dai-Ichi Kangyo Bank, Limited, and The Fuji Bank, Limited to form the Mizuho Financial Group ("MHFG") on September 29, 2000. MHFG will be the world's largest bank in terms of assets and will endeavor to become the world's premier financial institution in terms of the quality of services offered.

Contents

Financial Highlights

The Industrial Bank of Japan, Limited and Consolidated Subsidiaries
Fiscal years ended March 31, 2000 and 1999

	(in millions of yen)		(in thousands of U.S.dollars)
	1999	1998	1999
For the Fiscal Year			
Total Income	¥ 2,999,663	¥ 3,386,760	$ 28,258,726
Total Expense	2,832,600	3,642,993	26,684,883
Income (Loss) before Income Taxes and Others	167,063	(256,232)	1,573,843
Net Income (Loss)	70,754	(181,276)	666,549
Cash Dividends*	20,088	19,681	189,246

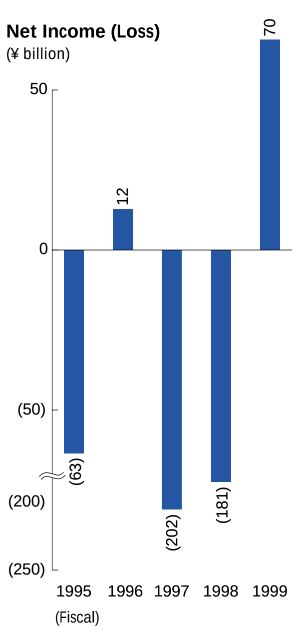
	(in millions of yen)		(in thousands of U.S.dollars)
	2000	1999	2000
At March 31			
Total Assets	¥42,466,450	¥46,166,409	$400,060,770
Securities	7,580,782	8,942,151	71,415,760
Loans and Bills Discounted	22,779,689	23,327,907	214,599,053
Debentures	20,471,200	20,461,865	192,851,630
Deposits	6,636,501	8,116,321	62,520,032
Total Shareholders' Equity	1,627,417	1,561,350	15,331,296

	(in yen)		(in U.S.dollars)
	1999	1998	1999
For the Fiscal Year			
Per Share			
Net Income (Loss)	¥ 25.59	¥ (70.64)	$ 0.241
Cash Dividends*			
Common Stock	7.00	7.00	0.066
Preferred Stock			
Preferre Stock First Series Class Ⅱ	17.50	0.05	0.165
Preferre Stock Second Series Class Ⅱ	5.38	0.02	0.051
Total Shareholders' Equity	483.94	458.91	4.559

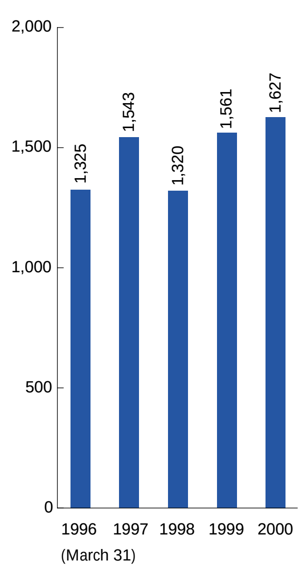
	2000	1999
At March 31		
Capital Adequacy		
Risk-Based Capital Ratio (BIS Capital Ratio)	12.19%	11.34%

Note: U.S.dollar amounts are converted for convenience only, at the rate of ¥106.15 to US$1.00, the rate of exchange on March 31, 2000.
*Cash Dividends are declared on both common stock and preferred stock together with interim cash dividends paid.

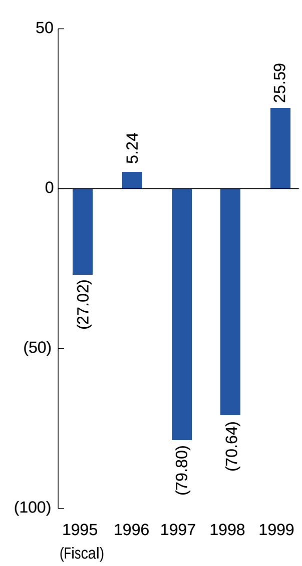
Net Income (Loss)
(¥ billion)



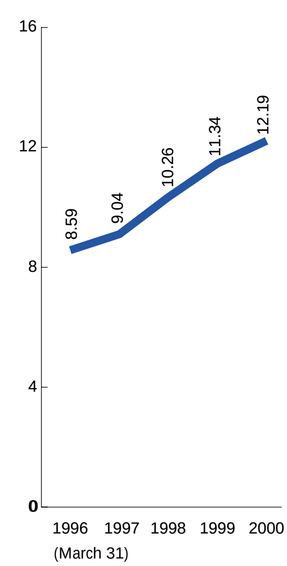
Total Shareholders' Equity
(¥ billion)



Net Income (Loss) per Share
(¥)



BIS Capital Ratio
(%)



To Our Shareholders and Customers

Masao Nishimura
President and Chief Executive Officer

The financial year under review, ended March 31, 2000, was a year of great significance for IBJ in a fast-changing world.

Last August, IBJ announced an epoch-making consolidation with The Dai-Ichi Kangyo Bank, Limited and The Fuji Bank, Limited. Significant progress has been made in preparation for this consolidation to found the Mizuho Financial Group ("MHFG"). In particular, the Shareholders' Meetings held in June 2000 approved the incorporation of the group holding company, Mizuho Holdings, Inc. ("MHHD") through the stock-for-stock exchange method. In Phase 1, the period after the establishment of MHHD, the business of the three banks will be conducted on an integrated basis through business unit structures. In Phase 2, from Spring 2002, the business unit operations of the three banks will be reorganized according to business lines and customer segments subject to the expected legislative and tax code changes for corporate split in Japan, and will be consolidated into legally separate subsidiaries under MHHD.

Operating Environment

We saw many indications of the likely future global financial services industry landscape during the year under review.

In the U.S., the Glass-Steagall Act was amended to remove certain regulatory boundaries between banking, securities, and insurance services. This move was designed to permit the future reinforcement of the international competitiveness of the U.S. financial industry. With the advent of the euro and a single market in financial services, the European financial institutions continue to face major consolidation challenges. It is a global landscape of heightened integration and competitiveness. Japan is no exception.

Performance Overview

Despite this increasingly competitive operating environment, the performance of the bank was generally sound in the year under review. Total Income decreased by ¥387.0 billion to ¥2,999.6 billion but Total Expense decreased by ¥810.3 billion to ¥2,832.6 billion. Income before Income Taxes and Others was ¥167.0 billion against the prior Loss before Income Taxes and Others of ¥256.2 billion. As a results Net Income was ¥70.7 billion against the prior Net Loss of ¥181.2 billion.

Net Income per Share of Common Stock was ¥25.59, as compared to the prior year Net Loss per Share of Common Stock of ¥70.64.

On a fully diluted basis, Net Income per Share of Common Stock was ¥23.15. The Return on Equity, ROE, rose from a negative 14.3% for the prior year to a positive 5.4% for the year under review. The Risk-Based Capital Ratio (BIS Capital Ratio) rose from 11.34% as of March 31, 1999 to 12.19% as of March 31, 2000.

Each of the Bank's business units, set up in June 1999, made significant progress. The Corporate Banking Unit enhanced its RAROA. The Treasury Unit achieved new business by providing non-interest-related derivatives to customers. Investment Banking Unit achieved strong earnings growth. The Securities & Asset Management Unit also enjoyed growth in gains from securities and custodian services.

Strategic Progress

At the start of the year under review, IBJ's Fourth Medium-Term Management Plan was launched, a four year initiative in accordance with the Restructuring Plan, submitted to the Government when the Bank received public funds along with the other major Japanese banks.

The three priorities under the Fourth Medium-Term Management Plan are to enhance profitability and financial strength, clarify management strategy, and shift to a new management framework.

The balance sheet position as of March 31, 2000 was greatly improved by writing-off non-performing loans and reserving for problem loans.

Consolidated Expenses Relating to Portfolio Problems totaled ¥227.3 billion (¥271.9 billion, excluding the net reversal of the Provision of General Reserve for Possible Loan Losses). The Bank also shed low quality assets and reduced the capital locked up in its large portfolio of equities.

The Bank reformed its system of corporate governance by the introduction of executive directors system separating the process of policy formulation from its business implementation. The Board of Directors has been redefined as the body responsible for policy formulation and the oversight of its implementation. The Executive Committee was established which is clearly responsible for the implementations of Board policy under its oversight.

A new functional management system by business units has been set up that identifies four sectors as core business units: the Corporate Banking Unit, the Investment Banking Unit, the Treasury Unit, and the Securities & Asset Management Unit. The business units are headed by unit heads, each of managing director level, and full advantage has been taken of the budget independence of each unit to achieve clear profit and loss accountability for the capital allocated to each unit from April 2000.

Also during the year under review, corporate governance was further strengthened by appointing prominent opinion leaders to a new Advisory Board and by establishing the Corporate Auditors Office to strengthen the internal audit function.

The risk management capability and consolidated risk management system were enhanced by reorganizing the Market Risk Management Department into the Risk Management Department which oversees market and credit risks more comprehensively. Another important move was to raise the compliance function to departmental status and have the new Compliance Department report directly to the Executive Committee. The Legal, Credit Examination, Auditing and Compliance Departments have been integrated as the internal auditing group to provide day-to-day oversight of the business operations on an independent basis.

Significant progress in strategic alliances was made during the year. The Bank entered into three joint ventures with The Nomura Securities Co., Ltd., in the promising area of derivatives and asset management. In regard to the comprehensive strategic alliance with The Dai-ichi Mutual Life Insurance Company, two joint ventures have been formed: IBJ-DL Financial Technology Co., Ltd. and DLIBJ Asset Management Co., Ltd.

With regard to the Y2K Problem, no serious information technology failure occurred over the year 2000 event. Nevertheless, the system of IT risk management planning remains in place and the Bank will remain vigilant for IT related problems over the remainder of the year 2000.

Tackling New Challenges

Earlier, I mentioned that the business units are managed with clearly defined profit and loss accountability. From April 2000, capital has been allocated to each business unit, and the business unit performance and control of risk is being evaluated by using the Risk Adjusted Return on Capital, RAROC, as the yardstick. Using this yardstick, IBJ is optimizing its business portfolio by the most efficient allocation of management resources. This process of profit and loss accountability by business unit and detailed monitoring by using RAROC is to be adopted by MHFG as it strives for business supremacy through offering an extraordinarily diverse range of top quality financial services.

To permit MHFG to become an innovative financial group that will lead the new era through cutting-edge comprehensive financial services, the following management goals have been established:

- One of the top five global banks and the leading financial institution in Japan.
- A top financial group in terms of customer satisfaction.
- A front-runner in IT (information technology) and FT (financial technology).
- No.1 in domestic commercial banking.
- A market leader in securities business and investment banking.
- A top-class in trust, asset management, and settlement businesses.
- A management structure with “best practices”.

MHFG will provide comprehensive financial services supported by its core competences arising from the combined primary strengths of the three banks: an overwhelming customer base in the domestic market, the high quality and comprehensive financial service capabilities, and expanded IT investment capability for high-growth areas.

Finally, I recognize that realizing this concept of the future MHFG will depend in part on whether it can meet the needs for customer-initiated business models. The information technology revolution is replacing supplier dominance with customer empowerment as the core focus of business models. The senior management of the three banks will ensure that MHFG responds decisively to that paradigm shift to establish its rightful position in global finance.

August 2000

Masao Nishimura
President and Chief Executive Officer

Foundation of the Mizuho Financial Group ("MHFG") through the Consolidation of DKB, Fuji Bank, and IBJ

Overview of the Consolidation

On August 20, 1999, The Dai-Ichi Kangyo Bank, Limited ("DKB"), The Fuji Bank, Limited ("Fuji Bank") and The Industrial Bank of Japan, Limited ("IBJ") announced their agreement on the comprehensive consolidation of the three banks. A formal consolidation agreement was subsequently signed on December 22, 1999.

The consolidation was subject to the approval of the general meetings of shareholders and the regulatory authorities. At the ordinary general meetings of shareholders and other shareholder meetings held in June 2000, the three banks obtained their shareholders' approval of proposals for the incorporation of the parent company using the stock-for-stock exchange (kabushiki-iten) method.

The name of the financial services group that will be formed as a result of this consolidation will be Mizuho Financial Group ("MHFG").

Background to the Consolidation

Japanese financial institutions will put themselves in a new business environment with the expansion of the global economy, the progress of Japan's Big Bang financial reforms and the development of financial and information technology.

The three banks recognize the need for a quick and accurate response to the financial needs of their customers as well as the need for plentiful credit supported by the financial strength of a leading international financial institution.

A powerful leader of the Japanese financial services industry is needed that will serve as an anchor for the stabilized financial system, contributing to the development of the economy and the enhancement of the international competitiveness of Japanese industry.

In order to maintain a strong position in the market and to continue to lead the financial services industry, the three banks have reached an agreement on the consolidation. MHFG intends to achieve substantial improvement in efficiency and enhance competitiveness by combining the strengths of each bank in different business areas and product lines.

From left to right: Yoshiro Yamamoto, President and CEO of Fuji Bank; Katsuyuki Sugita, President and CEO of DKB; and Masao Nishimura, President and CEO of IBJ, at a joint press conference held in December 1999.

Group Name:

Mizuho Financial Group (MHFG)

Holding Company Name:

Mizuho Holdings, Inc. (MHHD)

Meaning:

In Japanese, *mizuho* (瑞穂) means "fresh harvest of rice," and the phrase "*mizuho* country"—meaning "fruitful country"—is used to refer poetically to Japan.

Reason for Selection:

The name "Mizuho" expresses the commitment of MHFG, as Japan's leading financial institution, to offer highly "fruitful" products and services to all of its customers, both domestic and overseas.

We feel that the youthful and energetic image of freshness projected by this name is perfectly suited for the new corporate culture of MHFG, and that it is a name with which everyone can easily become familiar.

The Mizuho Logo:

The logo is the combination of the initial letter "M" of "Mizuho" and a deep blue arc. The "M" appears to be in dynamic motion, expressing liveliness and action, while the deep-blue arc depicts the earth. The colors used in the logo also have a special meaning—the bright red highlighting passion, action and dynamism and the deep blue highlighting reliability and stability.

Basic Principles of the Consolidation

As we enter the 21st century, DKB, Fuji Bank and IBJ will create a strong and dynamic financial services group based on the following five principles:

1. Offer a wide range of the highest-quality financial services to our customers.
2. Maximize shareholder value and, as the leader of Japan's financial services industry, earn the trust of society at large.
3. Offer attractive and rewarding job opportunities for employees.
4. Fully utilize the advantages and strengths of each bank and maximize the benefit of the consolidation through cost reductions.
5. Create a new corporate climate and culture.

The Consolidation Process

The consolidation process will take place in two stages, Phase 1 from September 29, 2000, and Phase 2 from spring 2002.

Phase 1

On September 29, 2000, the three banks will carry out a stock-for-stock exchange to establish Mizuho Holdings, Inc. ("MHHD"). MHHD will manage the entire group by means of a Business Unit (BU) structure based on customer segments and business lines, and operating across the three banks.

The wholesale securities subsidiaries of the three banks—DKB Securities Co., Ltd., Fuji Securities Co., Ltd. and IBJ Securities Co., Ltd.—will be merged into Mizuho Securities Co., Ltd. on October 1, 2000. Their trust and banking subsidiaries—The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd. and IBJ Trust and Banking Co., Ltd.—will be merged into Mizuho Trust & Banking Co., Ltd., also on October 1, 2000.

Phase 2

In Phase 2, MHFG will take advantage of expected legislative and tax code changes for corporate splits in Japan to consolidate and reorganize the existing bank operations into legally separate subsidiaries under MHHD according to customer segments and business lines. The core subsidiaries that will be placed under MHHD are as follows:

Mizuho Bank, Ltd.
Mizuho Corporate Bank, Ltd.
Mizuho Securities Co., Ltd.
Mizuho Trust & Banking Co., Ltd.

Mizuho Holdings, Inc.

MHHD will be responsible for the management and administration of MHFG and other business incidental thereto. It is due to be established as shown below.

Head Office Location:	Marunouchi Center Building, 6-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Date of Establishment:	September 29, 2000
Paid-in Capital:	¥2,572 billion
Allocation of Holding Company Stock:	Under the stock-for-stock exchange, one common share (par value ¥50,000) in MHHD will be allocated for each 1,000 common shares (par value ¥50) of each of the three banks. Additionally, one preferred share in MHHD will be allocated for each 1,000 preferred shares of each of the three banks.
Chairman & Co-CEO:	Masao Nishimura
Chairman & Co-CEO:	Yoshiro Yamamoto
President & Co-CEO:	Katsuyuki Sugita
Number of Executives and Staff:	Total number of executive and managerial staff: Approximately 350 (of which nine are directors)

Glossary

Stock-for-Stock Exchange This method of establishing a holding company was allowed following the amendment of the Japanese Commercial Code in 1999. When MHHD is established in autumn 2000, all the shareholders of the three banks will transfer their shares to MHHD and receive shares in MHHD in return. As a result, the three banks will become wholly owned subsidiaries of MHHD, their shares will be delisted and the shares of MHHD will be listed.

Foundation of the Mizuho Financial Group ("MHFG") through the Consolidation of DKB, Fuji Bank, and IBJ

Overview of the Consolidation

The management structure in Phase 1 will be as follows:

Board of Directors

The Board of Directors of MHHD will consist of the two Chairmen & Co-CEOs, the President & Co-CEO, and six Deputy Presidents (three full-time and three serving concurrently in positions at subsidiary banks). There will be six Representative Directors: the two Chairmen & Co-CEOs, the President & Co-CEO and the three full-time Deputy Presidents.

Executive Officers

To separate managerial decision making and execution, and clarify levels of authority and responsibility, MHHD will introduce an Executive Officer System.

Executive Management Committee

MHHD will establish an Executive Management Committee to serve as an advisory body for the Co-CEOs.

The Executive Management Committee will consist of the three Co-CEOs, six Deputy Presidents, and the Executive Officers in charge of the six groups making up the Planning and Administration Headquarters. Where necessary, Executive Officers in charge of the Business Unit Headquarters will also participate in the Committee's meetings.

Board of Corporate Auditors

MHHD will have six corporate auditors, including three outside auditors.

Business Policy Committees

MHHD will set up Business Policy Committees to serve as forums for overall discussion and coordination of company-wide issues of mutual concern to groups and BUs.

Councils

MHHD will set up Councils to serve as forums where its Executive Officers and officers of the Five Core Subsidiaries—DKB, Fuji Bank, IBJ, Mizuho Securities and Mizuho Trust & Banking—can hold discussions regarding matters that require adjustment among the Five Core Subsidiaries.

Advisory Board

MHHD plans to establish an Advisory Board consisting of six eminent persons from financial and business circles by April 2001.

Internal Audit & Compliance Committee

MHHD will establish an Internal Audit & Compliance Committee under the Co-CEOs. This independent committee will utilize its extensive checking and verification functions to ensure that business operations are carried out in an appropriate manner from the viewpoint of compliance and auditing.

Organizational Structure

The organizational structure of MHHD will be as follows:

(Planning and Administration Headquarters)

Strategic Planning Group, Financial Control and Accounting Group, Risk Management Group, Human Resources Group, IT, Systems & Operations Group and Audit and Compliance Group.

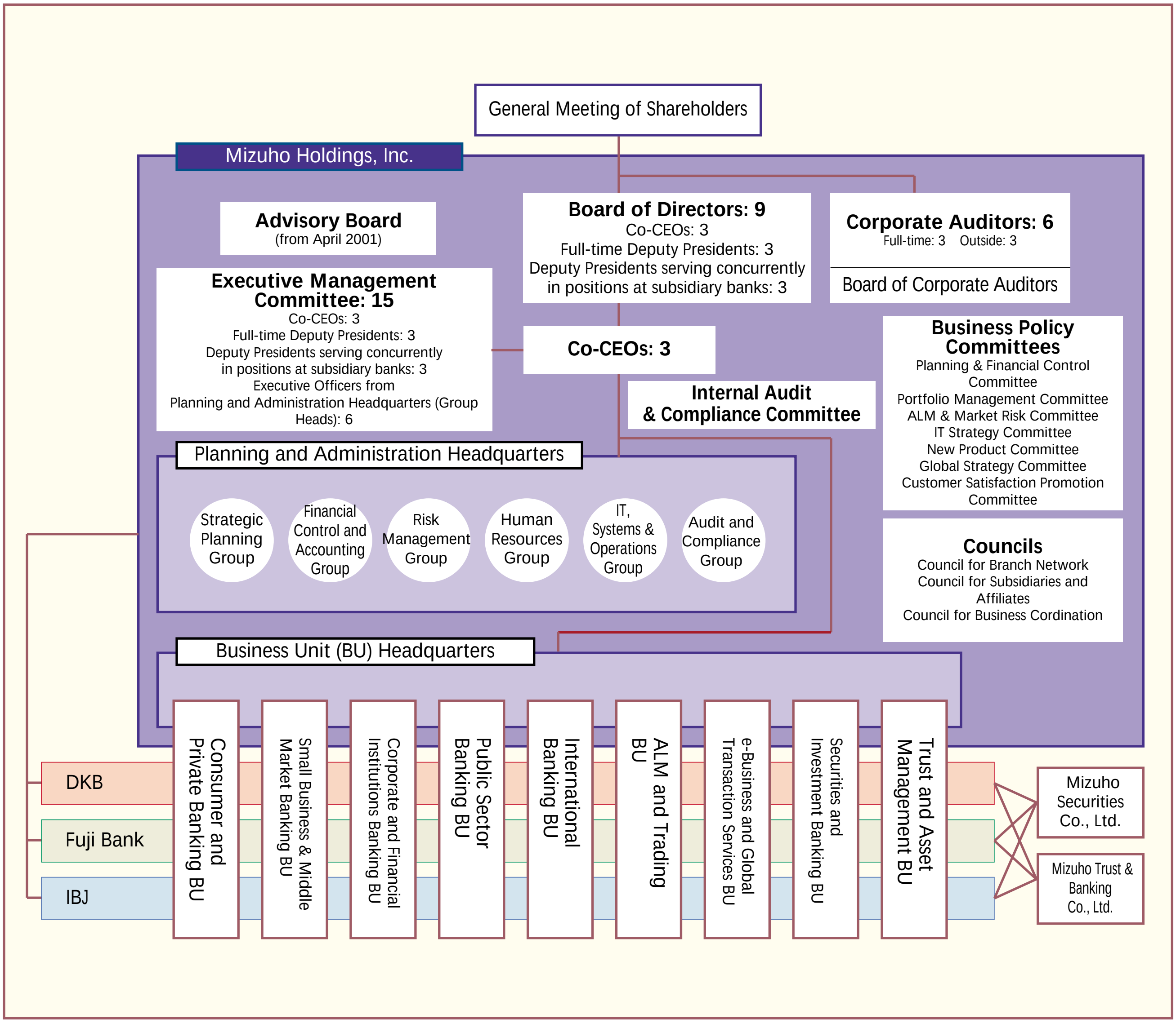
(Business Unit Headquarters)

Consumer and Private Banking BU, Small Business & Middle Market Banking BU, Corporate and Financial Institutions Banking BU, Public Sector Banking BU, International Banking BU, ALM and Trading BU, e-Business and Global Transaction Services BU, Securities and Investment Banking BU and Trust and Asset Management BU.

Glossary

BU: Business Unit The Business Unit structure is a business management structure whereby group or bank profit centers are classified into separate units according to the nature of their operations and the risks involved. This allows profits to be managed on an individual unit basis and facilitates the efficient and flexible allocation of resources.

● **Holding Company Management Structure (Phase 1)**



Notes: 1. Further detailed consideration will be given to the formation of the Business Policy Committees and Councils.
2. The merger of DKB Securities, Fuji Securities and IBJ Securities into Mizuho Securities and the merger of Dai-Ichi Kangyo Fuji Trust & Banking and IBJ Trust and Banking into Mizuho Trust & Banking will both take place on October 1, 2000.

Foundation of the Mizuho Financial Group ("MHFG") through the Consolidation of DKB, Fuji Bank, and IBJ

Overview of the Consolidation

Management Infrastructure

Information Technology (IT) Systems

MHFG will swiftly integrate existing systems and make forward-looking strategic IT investments amounting to approximately ¥150 billion annually.

Designed to make maximum effective use of the three banks' current systems, systems integration commenced in January 2000 and is due to be completed by March 2002.

The core banking system (account management system) will be centralized under a "One-Bank System" whereby the most efficient system of the three banks will be comprehensively adopted. A "Suite Structure" will be adopted for market systems (dealing and trading) and for business information systems.

Studies will be conducted into the feasibility of consolidating and reorganizing IT affiliates of the three banks with a view to creating entities that will provide comprehensive IT solutions covering the planning, development, management and operation of systems for MHFG. In addition to maximizing economies of scale, every effort will be made to enhance the specialization and sophistication of management resources.

Glossary

One-Bank System The most efficient system of the three banks will be comprehensively adopted.

Suite Structure The systems of the three banks are reviewed and the most efficient system for each operation and product is selected.

CMS (Cash Management Service) A service provided by banks to corporate customers to efficiently manage corporate fund operations.

IT investment will be concentrated in strategically important areas, and the key investment targets and amounts are as follows:

- Build customer databases to support market strategies.
- Build global risk measurement systems.
- Build advanced systems to support domestic and overseas trading activities.
- Build an e-business model that uses the Internet.
- Expand CMS and other settlement systems.
- Promote the use of IC cards.

● IT-related Investment

(¥ billion)

	Cumulative for FY2000-2002 Planned	Cumulative for FY2000-2005 Planned
IT-related investment	¥630	¥1,100

Note: IT-related investment = IT investment + IT personnel expenses + IT general expenses

Risk Management

MHFG designates risk management as one of the most crucial issues facing management. It is therefore committed to building a sophisticated management system that will keep the various kinds of risk that arise in business to within appropriate and tolerable limits. MHHD's efforts to manage consolidated risk will center on its risk management division, which will constantly monitor total consolidated credit risk, market risk and other forms of quantifiable risk, and provide reports, analyses and advice.

Human Resources

In Phase 1, every effort will be made to standardize a platform for a personnel system for the three banks. In Phase 2, MHHD will exploit its distinctive organizational features to introduce new personnel systems that will reflect the unique business structures and cultures of the individual companies under it. It will also create an attractive and fulfilling working environment by faithfully observing the principles of independent judgment and accountability, providing fair opportunities and developing expertise in line with market standards.

New personnel systems will standardize certain aspects of human resources management across the entire group, while promoting harmony with variations between individual companies and maximizing the human synergies arising from the consolidation. At the same time, MHFG will introduce a merit-based personnel evaluation system that focuses on expertise and performance. Examples of the areas where standardization will be encouraged include the following:

- The basic framework of the personnel system, including rank classifications based on duties and career paths.
- Basic elements of welfare benefit programs, such as health insurance.
- Design of retirement benefits and pension schemes that allow personnel transfers between group companies.

Compliance

Since MHFG views compliance as one of the fundamental principles of sound business management, it will work assiduously to ensure that all applicable laws and regulations are observed and that all corporate activities are pursued in a fair and honest manner that conforms to societal norms. In the global financial market, MHFG will establish world-class compliance procedures with a view to winning the confidence of stakeholders, such as customers, shareholders and the local communities in which it operates.

It will also set up independent audit and inspection systems with extensive check and verification functions. Specifically, MHHD will take the following steps to ensure that its compliance system is second to none:

- An Audit and Compliance Group will be set up under the Planning and Administration Headquarters but will function independently of other groups in the Planning and Administration Headquarters and the Business Unit Headquarters.
- A Chief Compliance Officer (CCO) will be appointed to take total responsibility for compliance within MHFG.
- All BUs and the Five Core Subsidiaries will enhance their compliance systems with a view to creating a unified compliance regime throughout MHFG.
- MHFG will enhance and strengthen its internal auditing and compliance functions and its expertise in cutting-edge areas such as IT, dealing and trading, and others.
- MHHD will establish the Internal Audit & Compliance Committee to check that operations are managed in an appropriate manner.

Stock Option Program

In order to increase performance on a group-wide basis and create a management structure which places emphasis on value creation for shareholders, the introduction of a new compensation structure that is linked to MHFG's performance, such as a stock option program, is being considered.

Self-Assessment, Reserves and Write-off Standards

Strict and adequate self-assessment, reserves and write-off standards, in conformity with the Financial Inspection Manuals issued by the Japanese FSA, will be used uniformly by the three banks from fiscal 1999 (ended March 2000). The final disposition of non-performing assets will be accelerated, aiming for improvement in asset quality.

Foundation of the Mizuho Financial Group ("MHFG") through the Consolidation of DKB, Fuji Bank, and IBJ

The Mizuho Financial Group's Management Strategy

Vision and Management Goals

MHFG has established the following management goals as a means of realizing its future concept of becoming an innovative financial group that will lead the new era through cutting-edge comprehensive financial services:

- One of the top five global banks and the leading financial institution in Japan.
- A top financial group in terms of customer satisfaction.
- A front-runner in IT and FT (financial technology).
- No. 1 in domestic commercial banking.
- A market leader in securities business and investment banking.
- A top-class institution in the trust, asset management and settlement businesses.
- A management structure with best practices.

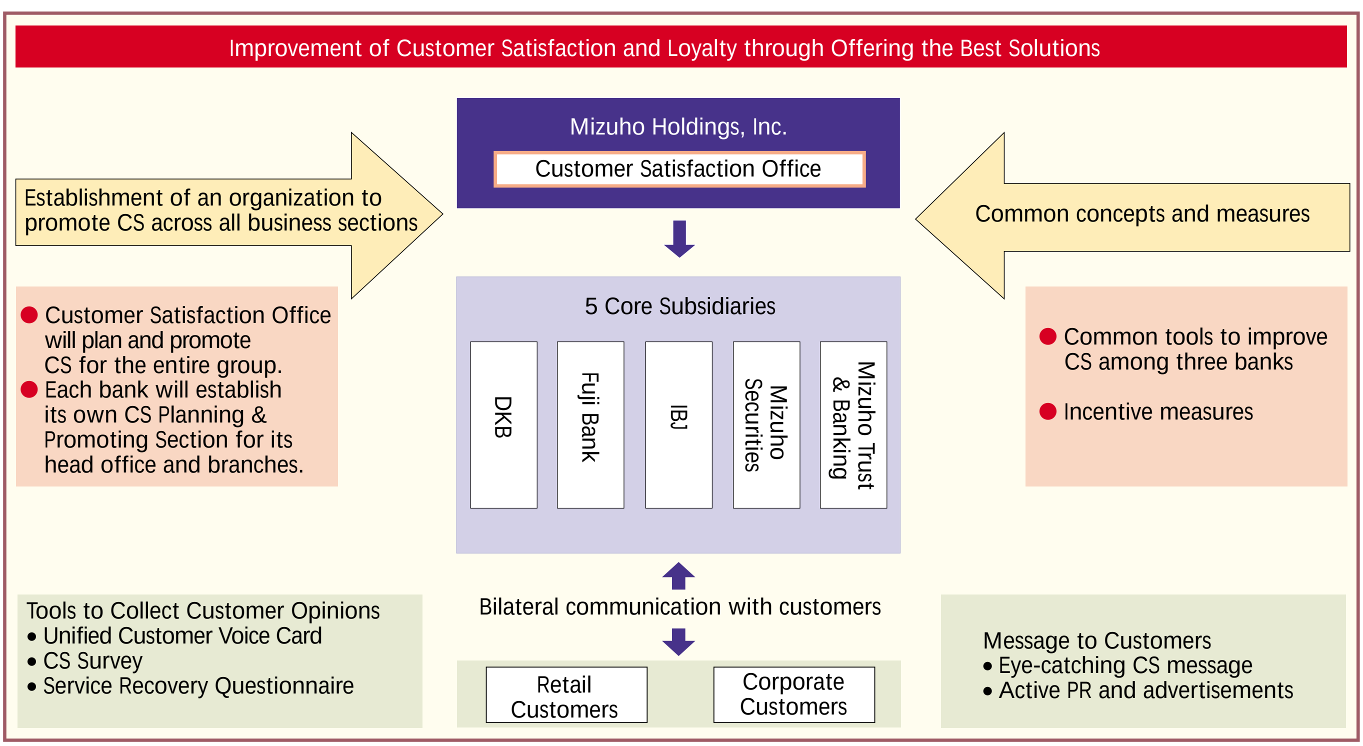
Aiming to Be a Top Financial Services Group in Terms of Customer Satisfaction

MHFG will draw on its roots as a service business to establish a corporate culture that places the customer first, and to ensure that its employees will at all times provide customers with the best available services. MHHD will establish the Customer Satisfaction Office whose primary goal will be to promptly channel feedback from customers into improving the services offered by MHFG.

Using IT and FT to Transform the Structure of the Business

As a front-runner in IT and FT, MHFG will work to establish the "Mizuho e-Business Model," use IT to improve the effectiveness and efficiency of its business strategy and provide solutions that utilize FT. In so doing, it will alter the processes whereby intragroup business is executed, while endeavoring to offer high-quality services that anticipate the needs of the changing times and proactively developing new business models.

● Aiming to Be a Top Financial Services Group in Customer Satisfaction (CS)



Creating the "Mizuho e-Business Model" (B2B, B2C and G2C)

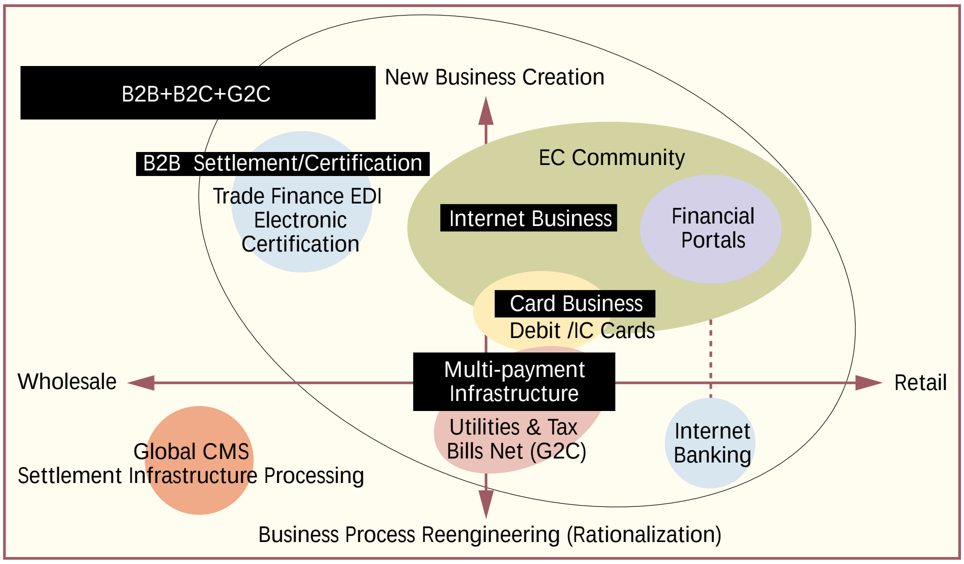
The creation of a new business model covers several areas. In the B2C sector, it covers Internet businesses, such as financial portal companies, EC (electronic commerce) community and Internet-based brokerage houses as well as the debit and IC card businesses. In the B2B sector, the model covers trade finance EDI (electronic data interchange) and settlement and certification business for companies, while in the G2C sector it covers infrastructures such as the Utilities & Tax Bills Net.

MHFG will actively participate in the above-mentioned B2B, B2C and G2C sectors.

Providing FT-based Solutions

MHFG will offer various financial services, focusing on discovering and supporting the new businesses, venture companies and technologically advanced firms that will play a leading role in the 21st century, setting up a venture fund to nurture them and sustain their development. MHFG will also arrange M&A deals as part of the realignment and restructuring of domestic and overseas operations and the implementation of new business strategies, and will be involved in the securitization of assets, as well as in such structured finance activities as the creation of a comprehensive real estate investment trust.

● **Creating the "Mizuho e-Business Model"**



Glossary

B2C Business to Consumer: Consumer-oriented business

B2B Business to Business: Business between companies

G2C Government to Consumer: Business between governments and consumers

Foundation of the Mizuho Financial Group ("MHFG") through the Consolidation of DKB, Fuji Bank, and IBJ

The Mizuho Financial Group's Management Strategy

Business Strategies

MHFG's business strategies will utilize the "three primary strengths" gained through consolidation to create an optimal group business portfolio that is both balanced and leads in each business sector. The "three primary strengths" are as follows:

- An overwhelming customer base in the domestic market.
- High-quality and comprehensive financial service capabilities.
- Expanded IT investment capability for high-growth areas.

Consumer and Private Banking

Vision: MHFG will become the consumers' bank of choice by providing customers with the highest level of satisfaction throughout their lives.

Basic Strategy

MHFG will become the leader in the consumer and private banking sector by:

- Developing relationship marketing further by making maximum use of MHFG's enormous customer base and overall strengths.
- Selecting strategic markets and focusing allocation of resources.

In the consumer and private banking sector, the first step will be to create a solid platform by aggressively investing in IT. In practical terms, this means developing and expanding convenient multichannel networks such as Internet and mobile banking services and in-store branches through cutting-edge IT investments and tie-up strategies. MHFG will also build up its databases to fuel more sophisticated marketing techniques focusing on multifaceted relationships.

By applying its overall strengths in this way, MHFG will establish a lineup of advanced products and services that better match customers' needs, including state-of-the-art settlement services such as multifunctional IC cards and easy-to-use credit card services. A new loyalty program will also be inaugurated to raise customer satisfaction to the highest possible level.

Focused allocation of resources in strategic markets will enable MHFG to provide customers with highly professional private banking services that make maximum use of overall group strengths and take advantage of its incomparable corporate customer base to concentrate on the corporate retail market. MHFG will also use its ability to respond to customers' requirements as well as its powerful network of cooperating corporations and traders to strengthen its consumer loan services.

Small Business & Middle Market Banking

Vision: MHFG will become "the best partner for small and medium-sized companies" by speedily offering high-quality finance and sophisticated products and services that are carefully tailored to their requirements.

Basic Strategy

MHFG will:

- Provide small and medium-sized businesses which underpin the Japanese economy with a smooth and stable supply of funds.
- Expand its solutions business in line with business strategies.
- Use IT to provide a speedier, more accurate response to customers' requirements.
- Endeavor to identify new businesses in high growth sectors and provide them with the support they need to develop.
- Work to build an efficient, high-quality operating structure.

In the small business and middle market banking sector, MHFG will aggressively support a wide range of corporate activities by developing new products and building up its staff of specialists in opening up new markets. To do so, it will make maximum use of the consolidated strengths of the three banks, including the information and know-how they glean through their transactions with a wide range of companies, and their extensive domestic and overseas networks.

MHFG will offer solutions to match customers' business strategies, assisting with IPOs, equity investments, M&A and MBOs and providing management support and information. Likewise, it will devote considerable effort to identifying and nurturing new businesses and venture companies. In doing so, it will provide the small and medium-sized companies that constitute the backbone of the Japanese economy with a smooth and stable supply of funds.

Corporate and Financial Institutions Banking

Large Corporates

Vision: MHFG will aim to become "the No. 1 Japanese wholesale bank in the global market" fully equipped with information and financial know-how.

Basic Strategy

MHFG will:

- Create a strategic portfolio based on its high level of managerial competence.
- Deliver business coordination services on a global scale.
- Offer innovative financial services that utilize cutting-edge financial know-how and a strong information infrastructure.
- Serve as a partner in building new businesses and management structures by taking an active role in assisting customers with their strategic management and business needs.

In the wholesale banking sector, MHFG will offer optimal solutions to satisfy the increasingly complex and varied requirements of customers by establishing a highly sophisticated full-line service menu that blends the financial expertise and utilizes the global network of the three banks.

In particular, it will use this network to provide advisory services covering cross-border M&A, business strategies and financial risk management. It will also serve as a partner in building new businesses and management structures by taking an active role in assisting customers with their strategic management and business needs.

Additionally, MHFG will create e-business models that emphasize customer convenience. Using strategic IT investment, it will strengthen its firm banking (FB) and CMS functions. It will also establish virtual corporate retail services by means of BPR portal sites, establishing exclusive home pages that can be accessed by personal computers installed on the customer's premises.

Financial Institutions

Vision: To become the leading "Money Center Bank."

Basic Strategy

Financial Institutions as Customers

- MHFG will provide the best solutions for all the investment and management needs of domestic financial institutions.

Financial Institutions as Business Partners

- MHFG will support financial institutions in solving management problems.
- MHFG will support financial institutions in their customer-oriented sales activities.

MHFG will act as a leading "Money Center Bank" that can respond to the constantly diversifying fund management needs of financial institutions through bank debenture issues, investment trusts (mutual funds), trusts and securitization products. It will also provide advisory services in connection with portfolio management, IT, securitization and domestic custody.

Glossary

MBO: Management Buyout The process whereby the current management of a company enlists the financial support of external investors to buy the company, or one or more of its operational divisions or subsidiaries, from current shareholders.

BPR: Business Process Reengineering

Foundation of the Mizuho Financial Group ("MHFG") through the Consolidation of DKB, Fuji Bank, and IBJ

The Mizuho Financial Group's Management Strategy

MHFG plans to become a solid business partner for financial institutions in various areas. It will utilize its sophisticated IT for insourcing business, such as settlement and defined contribution pension plans (the Japanese equivalent of 401(k)), provide assistance with overseas operations and offer investment banking services relating to M&A, MBOs, PFIs and others. In addition, through its wholesale business, MHFG will exploit its strengths in product and service development to offer over-the-counter sales of investment trusts and develop products jointly with insurance companies.

Public Sector Banking

Vision: To be the leading bank in public sector banking.

Basic Strategy

- MHFG will provide comprehensive solutions to meet the needs of public sector entities in such areas as diversified funding and investment, downsizing and raising organizational efficiency.

MHFG is reinforcing its comprehensive financial services in response to the public sector's growing need for funding from the private sector, the diversification of fund procurement and investment operations, downsizing and rising demand for more efficient administrative services.

Specifically, MHFG will take an aggressive approach to solving the increasingly diverse and complex issues affecting central government related transactions following reforms of the Fiscal Investment and Loan Program (FILP) and the social security system. Based on more effective use of its nationwide network and its speedy, accurate operations services, MHFG will also increase its designated financial institution transactions with regional municipalities, and provide support for PFIs.

International Banking

Vision: MHFG will become "the best partner" for customers who are in the process of globalizing.

Basic Strategy

MHFG will:

- Build a powerful global network.
- Offer leading-edge financial products on a global basis.
- Expand its global customer base and portfolio in a balanced manner.

MHFG will secure the position of most trusted banking partner for global corporations by utilizing its extensive overseas network and its industrial sector-based relationship management (RM) specialists.

MHFG will work to establish itself as "Asia's No. 1 financial services group" as part of its plan to become the best partner for Japanese customers going abroad and companies from the Americas and Europe coming to Asia. It will offer services ranging from local currency-based transactions and trade settlements to project finance, M&A and other investment banking services.

Glossary

PFI: Private Finance Initiative A financial structure whereby the private sector takes the place of the national and/or local governments in supplying the funds, technologies and know-how necessary to build and operate assets that provide services to and for the public sector. PFIs are used to reduce the public sector's capital spending requirements and to increase efficiency.

In the Americas and Europe, it will aim to become a top-tier foreign bank by establishing a powerful team of industrial sector-based RM specialists, securing for itself the position of a top bank in arranger and syndication services. It will also be actively engaged in financial product businesses such as project finance, M&A, MBOs and LBOs.

Securities and Investment Banking

Vision: Create Japan's first full-scale investment bank.

Basic Strategy

MHFG will participate actively in the securities and investment banking business, with Mizuho Securities playing a core role.

- MHFG will strengthen its underwriting and sales activities through alliances with group securities companies.
- MHFG will build a full-scale investment bank that is capable of competing with the big houses of the Americas and Europe.

MHFG will strengthen its existing operations and take up new challenges in the securities-related business. Its activities in the securities and investment banking sector will aim to combine its securities functions and investment banking functions in order to provide a full range of products and services covering domestic and foreign stocks and bonds, derivatives, M&A, structured finance, MBOs and real estate funds.

MHFG will establish a system centered on Mizuho Securities to provide integrated management and administration of its domestic and overseas securities businesses and thus provide satisfactory solutions for its customers' global requirements. At the same time, it will strengthen its underwriting and sales capabilities by strengthening ties with MHFG retail securities companies and setting up an Internet-based brokerage house.

Kankaku Securities Co., Ltd. will change its name to The Mizuho Investors Securities Co., Ltd. on October 1, 2000, and develop its business as a retail securities company assuming a role of developing the middle retail business of MHFG.

Trust and Asset Management

Vision: To become a top player in the areas of asset management and administration, and the defined contribution pension plan business.

Basic Strategy

MHFG will:

- Focus its management resources on key areas such as master trust business and other aspects of asset administration.
- Secure a position as a front-runner in the defined contribution pension plan market.
- Work to become a first-class asset management group, covering trusts, investment trusts and the investment advisory business.

MHFG will make the best possible use of its extremely strong customer base in the trust and asset management sector, as well as the wide range of financial products offered by group asset management companies. It will also strengthen its alliance with four life insurance companies to develop joint asset management and defined contribution pension plans, with special emphasis on combining their expertise and avoiding overlapping investment.

Glossary

Defined Contribution Pension Plans A pension scheme whereby participants make predetermined contributions and invest them at their own discretion. Similar to the 401(k) plans common in the United States.

Master Trust Trust structure whereby a single trust bank manages pension fund assets entrusted to several investment management institutions. It covers a wide range of services, including custody and settlement of securities, the preparation of accounting reports, securities lending, performance evaluations and risk management.

Foundation of the Mizuho Financial Group ("MHFG") through the Consolidation of DKB, Fuji Bank, and IBJ

The Mizuho Financial Group's Management Strategy

In the investment trust and investment advisory sector, MHFG will work to become one of the world's leading asset management groups in terms of both the quality and the value of assets under management. To this end, it will maximize customer satisfaction by taking advantage of the distinctive product mixes and sales functions offered by group asset management companies, and create a first-rate operating structure for investment trusts.

e-Business and Global Transaction Services

Vision: To establish advanced settlement and e-business models.

Basic Strategy

MHFG will:

- Build and put into practice the next generation of settlement systems, leading possibly to potential strategic alliances.
- Build up its clearing business by centralizing settlement operations and using IT more extensively.

MHFG will provide customers with advanced financial services by establishing and actualizing a new generation of businesses while keeping a watchful eye open for potential strategic alliances.

More specifically, it will establish the "em-town" e-business model (please refer to page 22), promote the standardization of IC cards and the greater use of debit cards and advance into such areas as global CMS, trade finance EDI and dealing and trading settlement.

The group is also centralizing its external settlement operations and upgrading its IT to improve the efficiency of its operational divisions and strengthen control of settlement risk.

ALM and Trading

Vision: To build a stable earnings structure by strengthening its risk management functions and establishing itself as a major global player.

Basic Strategy

MHFG will:

- Respond accurately to a wide range of customer needs.
- Enhance its risk management functions.

Trading

Building on the robust customer base formed by the consolidation and the group's market-making strengths, MHFG will strive to enhance its trading techniques as a means of responding more accurately to customers' diversifying needs.

ALM

To create a stable earnings structure, MHFG will introduce sophisticated ALM techniques to provide accurate control of assets and liabilities and manage risk with precision.

Financial Targets

Current Status and Forecast for Earnings

MHFG is committed to maximizing its earning power by creating an optimal group business portfolio that is balanced and leads in each business sector.

Setting appropriate pricing levels while boosting high-earning assets such as housing loans will increase net interest income in the banking sector. MHFG will also work to increase its commission income by strengthening its non-asset and commissions businesses, including Mizuho Securities and Mizuho Trust & Banking.

By closing and consolidating branches and streamlining its workforce, MHFG aims to reduce its expense ratio to 40% or below by fiscal 2005.

● Financial Targets

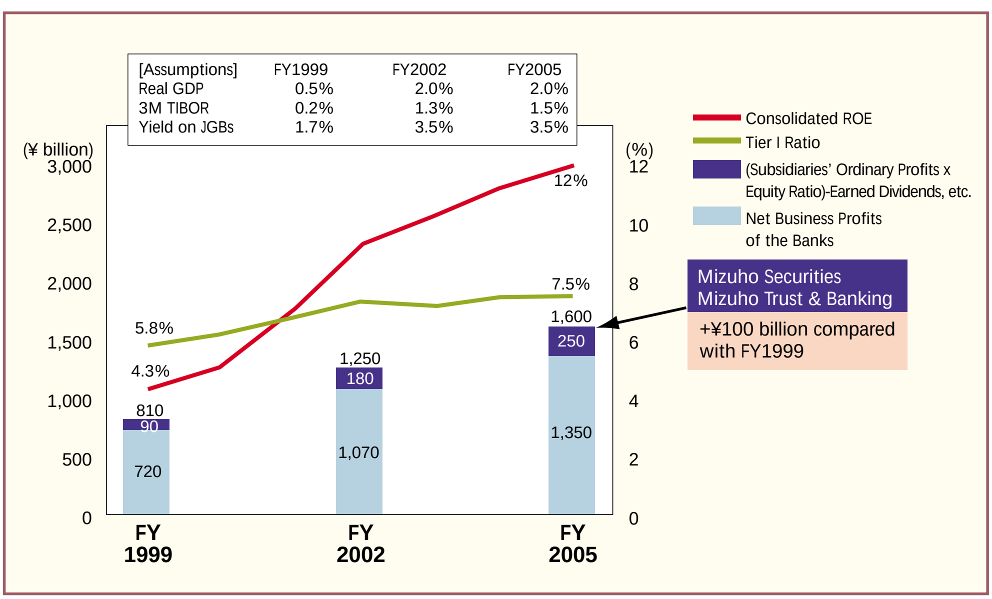
(¥ billion unless otherwise indicated)

	FY1999 Planned	FY1999 Actual	FY2002 Projected	FY2005 Projected
Consolidated Net Business Profits*	¥ 810.0	¥ 876.8	¥1,250.0	¥1,600.0
Consolidated Net Income	210.0	194.4	580.0	800.0
Gross Profits**	1,640.0	1,662.3	1,938.4	2,150.0
General and Administrative Expenses**	920.0	850.2	866.4	800.0
Net Business Profits (Before Provision of General Reserve for Possible Loan Losses)**	720.0	806.6	1,066.0	1,350.0
Ratio of General and Administrative Expenses to Gross Profits**	55% (approx.)	51.1%	45% (approx.)	40% or lower
Consolidated ROE	4% (approx.)	4.2%	8% (approx.)	12% (approx.)
Consolidated Risk-Based Capital Ratio (BIS Capital Ratio)	11% (approx.)	11.7%	11.5% (approx.)	11.5% (approx.)
Tier I Ratio	6% (approx.)	6.0%	7% (approx.)	7.5% (approx.)

*Consolidated Net Business Profits: Three banks' Net Business Profits + (Subsidiaries' Ordinary Profits u Equity Ratio) – Earned Dividends, etc.

**Figures for three banks only (non-consolidated).

●Increase in Consolidated Business Profits



Foundation of the Mizuho Financial Group ("MHFG") through the Consolidation of DKB, Fuji Bank, and IBJ

The Mizuho Financial Group's Management Strategy

Consolidation Effect

The consolidation of the three banks into MHFG will yield considerable benefits as synergies strengthen the business base and further restructuring reduces costs.

- The non-recurring expenses directly related to the consolidation ("consolidation cost") will be covered by the increase in gross profits generated by synergies and expenses reductions arising from further restructuring.
- From fiscal 2003, the stronger business base and renewed efforts to restructure will enable MHFG to make further cost cuts and enhance the consolidation effect.

On a cumulative basis, it is forecast that by fiscal 2005, the synergy effect on gross profits will amount to ¥460 billion, the restructuring effect to ¥280 billion and the consolidation cost to ¥230 billion, resulting in a cumulative net consolidation effect of ¥510 billion.

● Consolidation Effect

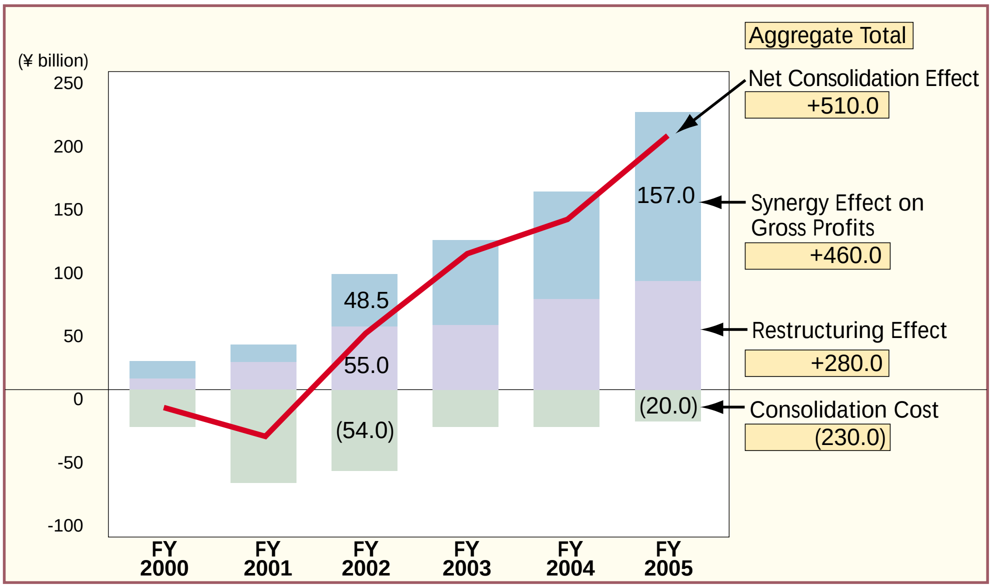
(¥ billion)

	Cumulative for FY2000–2002 Projected	Cumulative for FY2003–2005 Projected
Synergy Effect on Gross Profits	¥ 94.6	¥371.7
Consolidation Cost	*(157.6)*	*(77.5)*
Restructuring Effect	*76.8*	*204.7*
Net Cost Reduction	(80.8)	127.2
Net Consolidation Effect	13.8	498.9

	April 1999– March 2003	April 2003– March 2006
Domestic Branches*	(83)	(70)
Overseas Offices/Subsidiaries	(47)	(7)
Workforce	(4,500) (approx.)	(2,500) (approx.)

* Represents the net reduction after taking into account approximately 17 branches of the Mizuho Corporate Bank.

● Realization of Consolidation Effect (Banking Segment)



Profit Trends by Business Segment

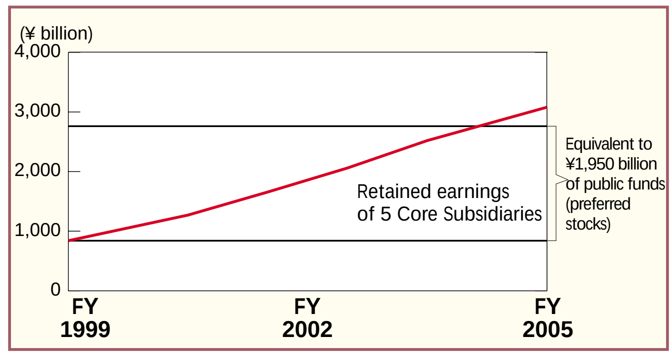
Each BU will engage in active cross-marketing of various financial services offered by other BUs, thereby delivering the products and services that best meet the increasingly varied and sophisticated needs of customers through the most appropriate delivery channels. They will also make the maximum possible use of the strengths of MHFG's comprehensive financial services, including sophisticated FT and specialist know-how, in boldly tackling the creation and development of new business fields.

The table below shows MHFG's profit targets by segment.

Retained Earnings

By fiscal 2005, MHFG is expected to accumulate sufficient retained earnings to cover the ¥1,950 billion in public funds injected into the three banks.

● Retained Earnings



● Profit Targets by Segment

(¥ billion)

		FY1999 Actual	FY2000 Projected	FY2002 Projected	FY2005 Projected
Consumer and Private, and Small Business & Middle Market Banking	Three banks	¥208.3	¥221.2	¥ 504.7	¥ 653.7
Wholesale Banking	Three banks	417.6	406.9	439.9	509.1
Securities and Investment Banking, Trust and Asset Management, and e-Business and Global Transaction Services	Three banks	17.4	16.7	24.4	72.5
ALM and Trading	Three banks	231.1	247.9	166.8	200.7
Total	Three banks	806.6	829.2	1,066.0	1,350.0
	Mizuho Securities	13.8	22.8	41.2	56.0
	Mizuho Trust & Banking	(19.6)	(8.3)	3.5	46.2
Total for Mizuho Securities and Mizuho Trust & Banking		(5.8)	14.5	44.7	102.2
Total	(Three banks + Mizuho Securities + Mizuho Trust & Banking)	800.8	843.7	1,110.7	1,439.1

Note: The figures represent Net Business Profits for the three banks and Ordinary Profits for Mizuho Securities and Mizuho Trust & Banking.

Foundation of the Mizuho Financial Group ("MHFG") through the Consolidation of DKB, Fuji Bank, and IBJ

The Mizuho Financial Group's Management Strategy

Major Joint Projects

Joint Services Offered by the Three Banks

Reciprocal Access to ATMs

- The three banks started offering reciprocal access for ATM with drawals from April 3, 2000.
- DKB and Fuji Bank started offering reciprocal access for ATM deposit transactions from August 21, 2000.

Spark Cards

- Spark Cards are dual-function credit/debit cards, which DKB and Fuji Bank have been issuing since March 2000.

Mizuho Group Credit Cards

- The credit card subsidiaries of the three banks plan to issue joint Mizuho Financial Group credit cards from October 2000.

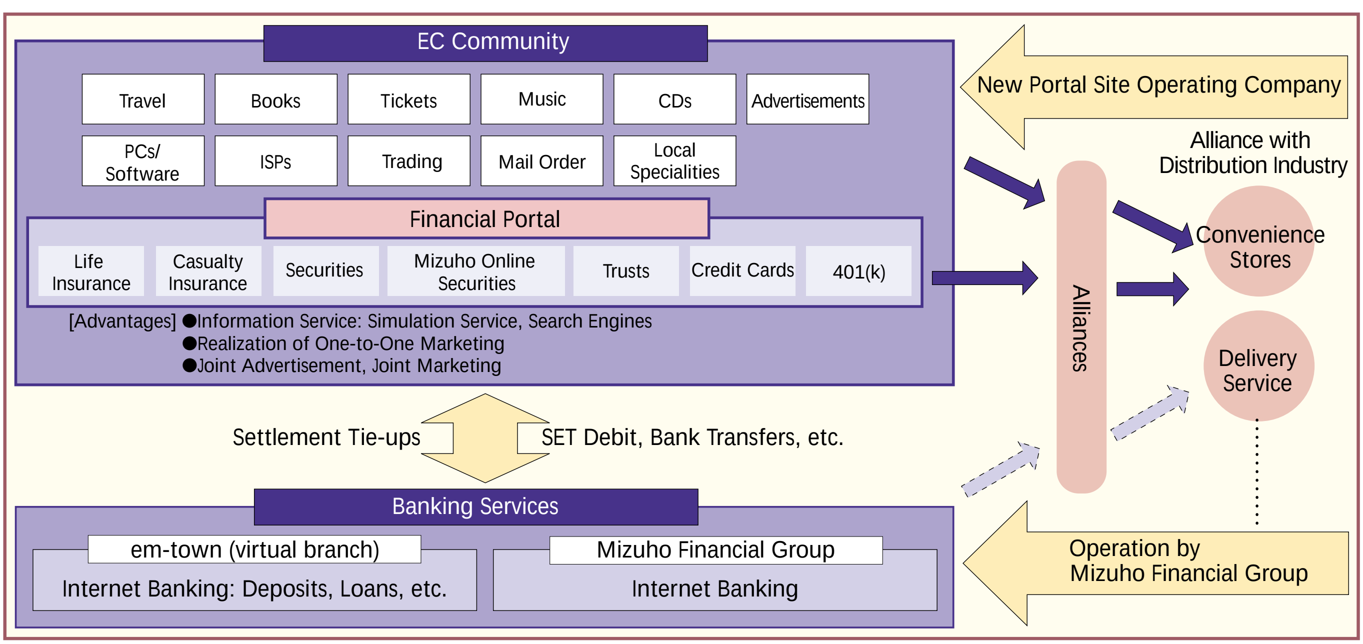
MHFG Strategic Projects

Inauguration of "em-town" e-Business Model

MHFG will generate new value added by offering services in three key sectors: Banking, Financial Portals and EC Community. Using various settlement methods, such as debit cards, credit cards and bank transfers, these services will deliver one-stop shopping in everything from financial services to merchandising.

In the area of "Banking," an "em-town branch" will be set up, subject to regulatory approval, to offer deposit, loan, fund and account transfer, shopping settlement and other services. A "Financial Portal" will be set up through consortia with external partners to display and offer a wide range of finance-related products. The "EC Community" will consist of a shopping mall offering numerous attractive products and services in conjunction with external partners from many different businesses under a single roof.

● The "em-town" Business Model



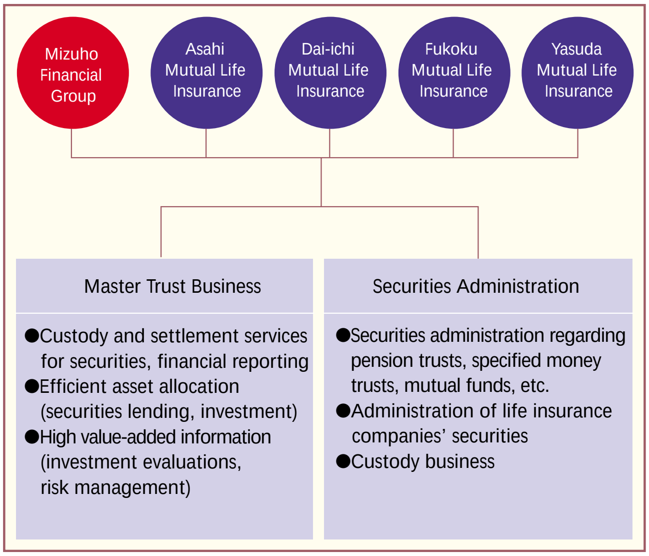
Joint Asset Administration Services, including Master Trust Business

Using the high credit ratings supported by its sound financial position and strong customer bases of the three banks, MHFG will develop its master trust and other asset administration businesses while promoting its ties with four life insurance companies.

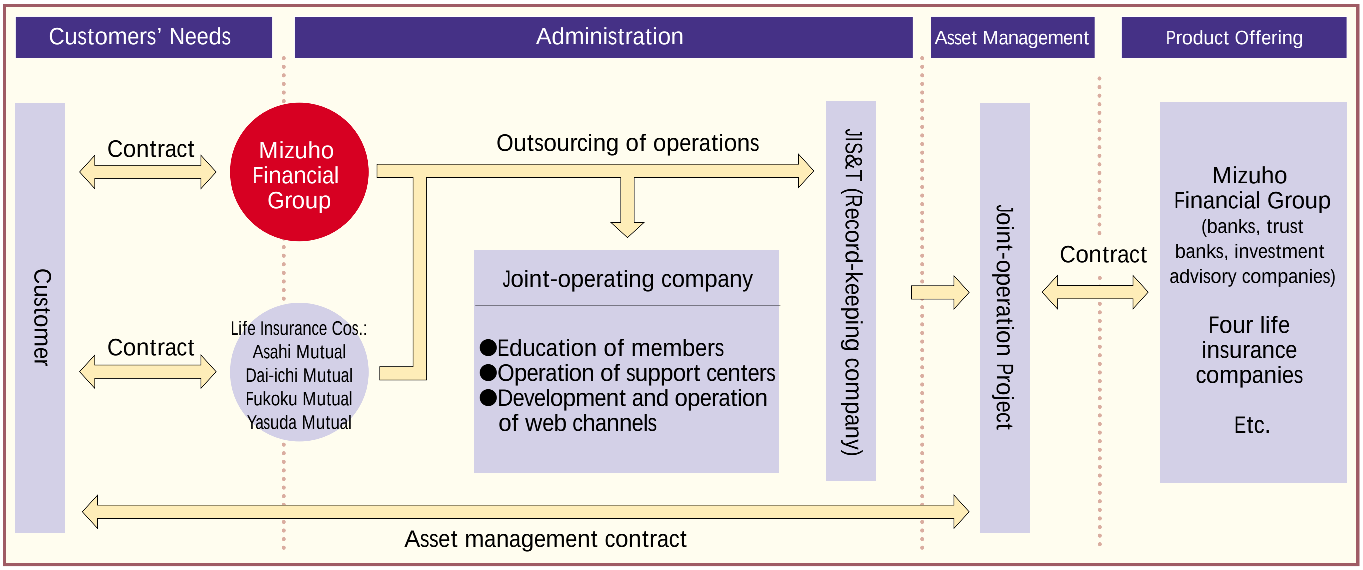
Joint Development of Defined Contribution Pension Plan Business

MHFG will conduct studies into joining four life insurance companies and group firms in establishing a joint venture company that will undertake managerial and administrative tasks associated with the defined contribution pension plan business. These tasks include the development of educational tools for potential and current policyholders, operation of support centers and the development and management of Internet-based delivery channels.

● **Tie-ups with Four Insurance Companies' Asset Management Business**



● **Joint Operating Company for Defined Contribution Pension Plan Business**



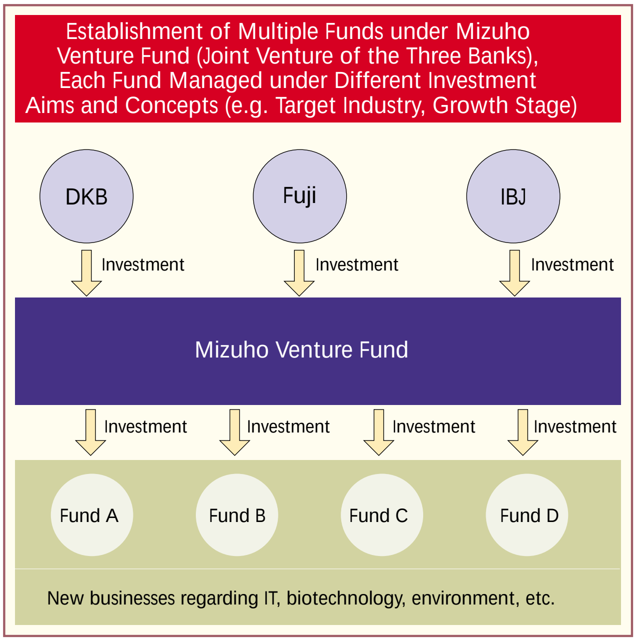
Establishment of the Mizuho Venture Fund

The three banks will jointly establish the "Mizuho Venture Fund" to identify and support new businesses, venture companies and firms with technological capabilities that will play a central role as leaders in the 21st century.

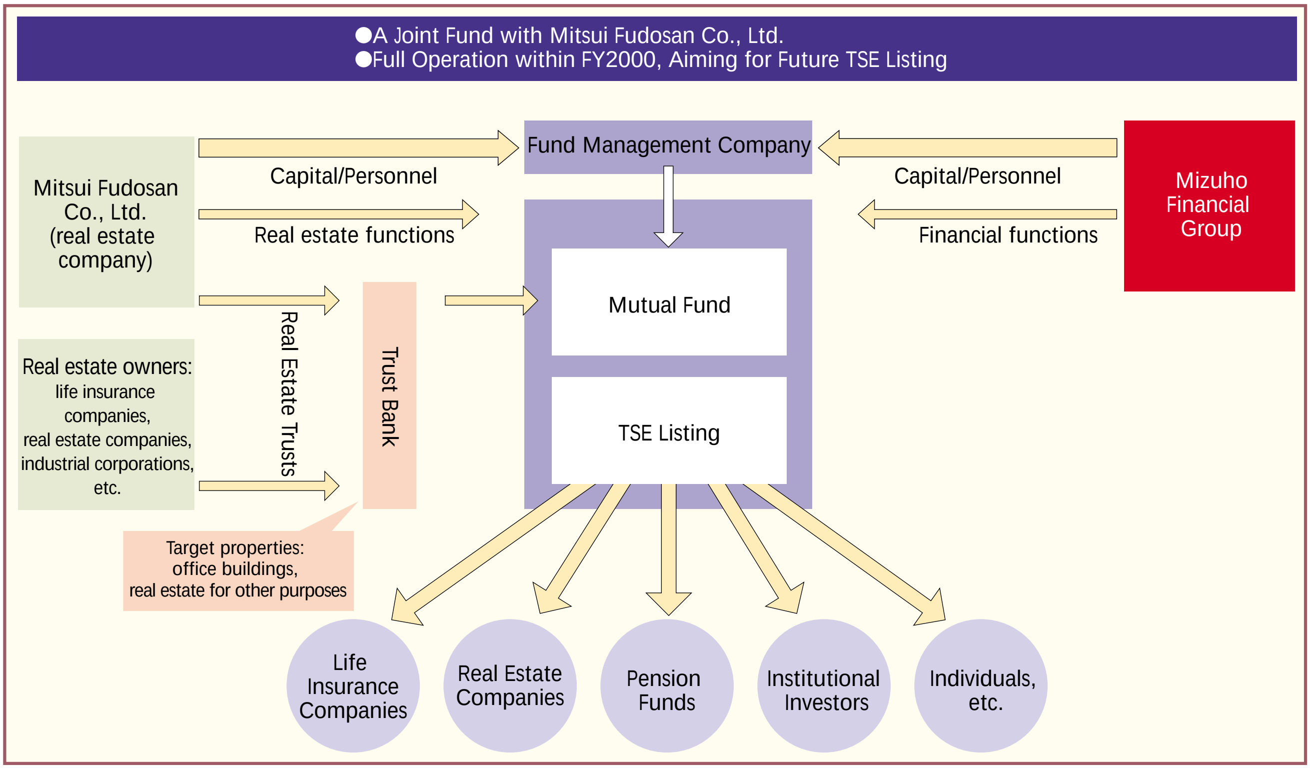
Establishment of a Real Estate Investment Trust

MHFG and Mitsui Fudosan Co., Ltd. will jointly establish the "Real Estate Fund"—an investment trust (mutual fund) aimed at investing in real estate such as office buildings, condominiums, commercial facilities and other real estate—with a view to eventually listing it on the Tokyo Stock Exchange.

● **Mizuho Venture Fund**



● **Real Estate Investment Trusts**



Review of Operations

Contents

Review of Operations

Strategy in Action

Increasing Profitability and Improving Financial Strength

IBJ is strengthening its fundamentals in line with the objectives of the Fourth Medium-Term Management Plan. The immediate objective is to rebuild customer and market confidence by enhancing profitability.

In order to improve the Bank's profitability and financial strength, three measures are being taken: enhancement of business profitability, strengthening of the balance sheet, and achievement of maximum efficiency.

To enhance business profitability, the Bank is endeavoring to retain its quality customer base and further expands this by providing state-of-the-art financial products and by strengthening the capability to make value-added business proposals. The Bank is also endeavoring to secure pricings that reflect the risks and costs of each potential transaction to ensure an acceptable level of profitability transaction by transaction.

To strengthen the balance sheet position, the Bank aggressively writes-off or reserves for non-performing and problem loans. Total Expenses Relating to Portfolio Problems for the year under review amounted to ¥227.3 billion. On a parent basis, the Total Expenses Relating to Portfolio Problems was the lowest for the past five years and it may be said that the Bank's credit problems are on a declining trend after their peak in fiscal 1998. In addition, the Bank continues to reduce the capital locked up in its large portfolio of equities and to shed low quality assets.

To achieve maximum efficiency, the Bank is pursueing a restructuring and consolidation of the domestic and overseas office network and a reduction in the number of directors and employees.

In the year under review, the Bank largely achieved the targets of the Restructuring Plan made on non-consolidated basis and submitted to the Financial Reconstruction Commission in connection with the injection of public funds as shown below.

● Achievement under the Restructuring Plan

(¥ billion)

	Fiscal 1999 Actual	Fiscal 1999 Projected	% Change
Net Business Profits (Before Provision of General Reserve for Possible Loan Losses)	¥174.1	¥162.8	6.9%
Ordinary Profits	138.8	122.8	13.0
Net Income	60.2	71.2	(15.4)
Retained Earnings	240.0	239.5	0.2

(¥ billion)

	Fiscal 1999 Actual	Fiscal 1999 Projected	% Change
Corporate Banking Unit	¥158.3	¥114.5	38.2%
Investment Banking Unit	4.2	4.9	(14.2)
Treasury Unit	33.7	85.2	(60.4)
Securities & Asset Management Unit	3.3	(4.7)	–
Total Business Units Net Business Profits	¥199.5	¥199.9	(0.2)%
Headquarters	(25.4)	(37.1)	31.5
Total Net Business Profits (Before Provision of General Reserve for Possible Loan Losses)	¥174.1	¥162.8	6.9%

(¥ billion)

	Fiscal 1999 Actual	Fiscal 1999 Projected	% Change
IBJ Group Companies Profits	¥22.3	¥19.9	12.0%
Corporate Banking	10.0	10.4	(3.8)
Investment Banking	0.1	0.1	0.0
Securities & Asset Management	12.2	9.4	29.7

	Fiscal 1999 Actual (a)	Fiscal 1999 Projected (b)	(a)-(b)
Head Office and Domestic Branches	24	24	0
Overseas Branches	15	14	1

(¥ billion)

	Fiscal 1999 Actual	Fiscal 1999 Projected	% Change
General and Administrative Expenses	¥139.3	¥157.0	(17.7)

In June 1999, the Bank established a business unit structure that identifies four sectors as core business units: the Corporate Banking Unit, the Investment Banking Unit, the Treasury Unit, and the Securities & Asset Management Unit, as a preliminary to recreating these as independent profit centers.

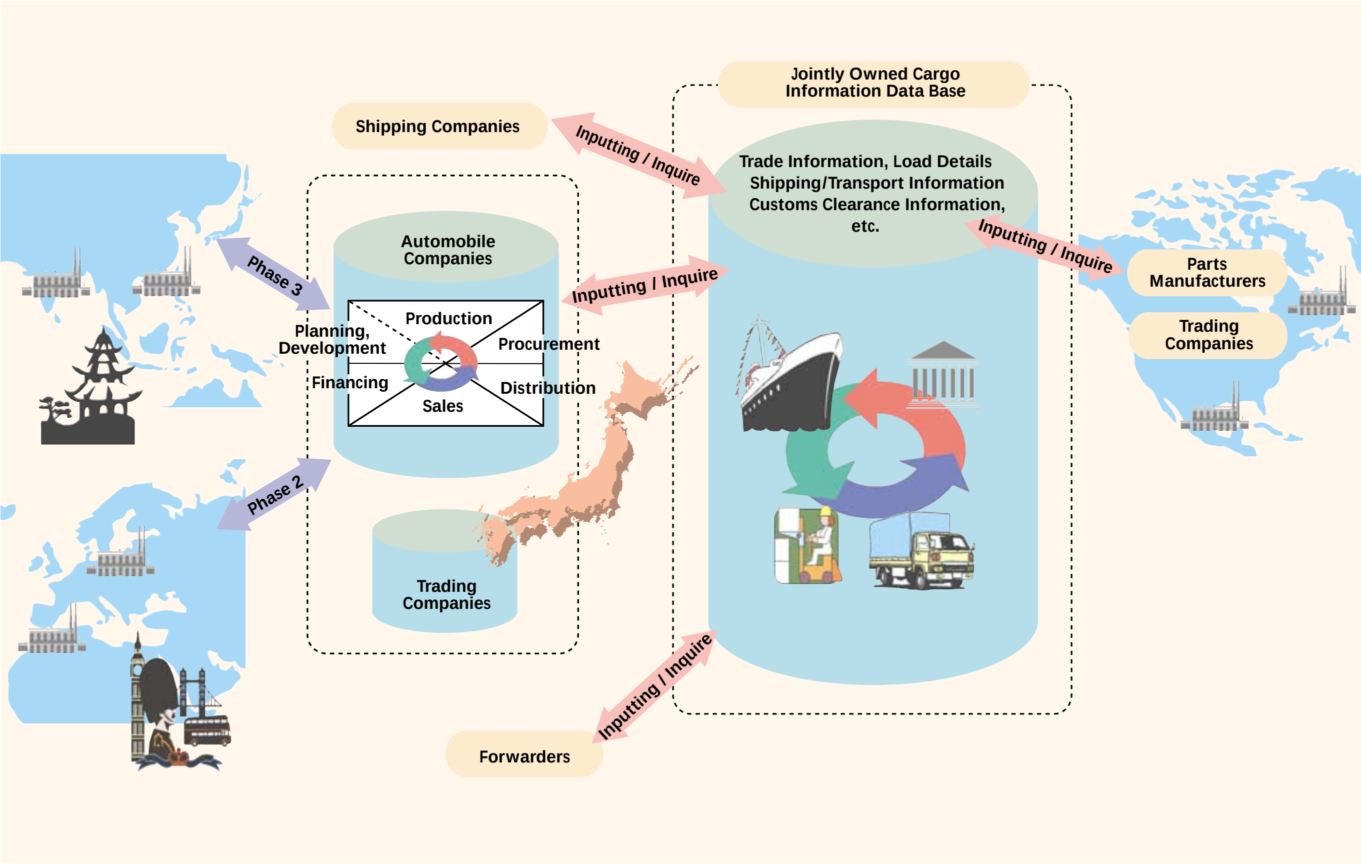
From April 2000, capital has been allocated to each business unit on an independent budget basis and senior management evaluates the performance of each business unit employing the RAROC yardstick. Utilizing this management framework, the Bank is optimizing its business portfolio by the most efficient allocation of management resources.

Tackling B2B

The information technology revolution is proving to be one of the most significant economic developments since the Industrial Revolution. How quickly and skillfully IBJ introduces e-commerce now and how this is then developed within the Mizuho Financial Group ("MHFG") have immense importance. Becoming a front-runner in IT (information technology) and FT (financial technology) is one of MHFG's management goals.

One of the prime advantages in tackling e-commerce is that the Bank has established relations across the entire Japanese industrial landscape beyond the bounds of the large corporate groupings characteristic of Japan, the *keiretsu*, on account of its *keiretsu*-independent origins as a public sector bank in 1902.

● Auto Trans Project – Demonstration (Phase 1)



Strategy in Action

Taking advantage of these strong relationships with companies in Japan, the Bank is concentrating its energy on business-to-business, B2B, transactions which have far larger business volumes than business-to-customer, B2C, transactions.

Immediate opportunities in e-commerce are in the operating environment of foreign exchange transactions and accounts settlement. In April 1998, The Foreign Exchange Law was amended to largely liberalize cross-border transactions. Japanese companies are now emphasizing the consolidated results rather than the parent company results under the new accounting standards applicable to the financial results for fiscal 1999 ended March 31, 2000. These changes in the operating environment are encouraging companies to conduct foreign exchange and settlement on a more rational and efficient group basis.

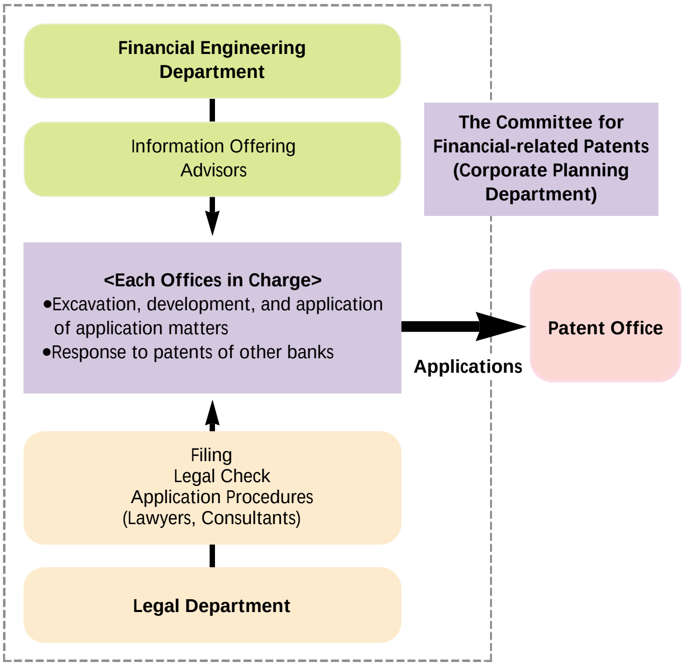
The Bank has developed the following e-business systems that serve such corporate needs: ITss, the Integrated Treasury Support Services, which allows groups to integrate and control the cash flows of their subsidiaries and affiliates, the IBJ Global CMS, which is the world's first Internet-based global cash management system, and SPARCS, Suppliers' Account Receivables Control System, which helps customers securitize their receivables and raise working capital.

Moreover, the Bank is currently testing the AutoTrans System developed to support trade finance by processing electronic data interchange for the automobile parts and components industry. When launched, this Internet-based system will supersede paper-based trade documentation such as ordering and confirmation forms and shipping and delivery notices. All users will be able to track information through a Web browser. Through system support of net transactions from the order stage, in the flow "order-distribution-claim-payment-settlement", the Bank is able to provide financial services that are based on changes in the economic activities and transaction format of corporations brought about by the IT revolution. The Bank believes that, once the system is launched, the AutoTrans System will eventually prove to have broad applications in many other industries. The above systems, which are all Internet-based, have a uniform command structure and are available on an open platform basis.

The Bank has established the e-Business Promotion Planning Department as an organization under the direct control of the CIO in its corporate structure, in order to get action in areas where increasingly rapid take-up growth is expected. Such areas as Internet banking, e-commerce, and the establishment of an integrated financial services mall are being considered. The Bank plans to promote business by grouping technical knowledge in the Department, and by making it solely responsible for electronic business.

The Bank has applied for patents on SPARCS, ITss and AutoTrans System as part of a new policy towards creating proprietary intellectual property. The Committee for Financial-related Patents has been formed to ensure that patentable products are in fact patented.

● Operational System for Patent Applications



Progress in Strategic Alliances

During the year under review IBJ made further progress in alliances with other members of the financial service industry, particularly, The Nomura Securities Co., Ltd. ("Nomura") and The Dai-ichi Mutual Life Insurance Company ("Dai-ichi").

In December 1998, IBJ and Nomura jointly established Nomura-IBJ Investment Services Co.,Ltd. (NIIS). This company will play an important role in Japanese-style 401(k) defined contribution pension plans by offering consulting advice for corporations. In August 1999, with other leading domestic and foreign financial institutions, Japan Investor Solutions & Technologies Co., Ltd. (JIS&T) was formed, which will spearhead the record-keeping services associated with defined contribution pension plans. In March 2000, JIS&T increased its capital by ¥20.7 billion.

Another partnership with Nomura is through IBJ Nomura Financial Products (UK) plc (INFP) which started business in April 1999. This company offers derivatives and structured products. In June 1999, Nomura IBJ Global Investment Advisors, Inc. (NIGIA) started its joint operation.

In regard to the comprehensive alliance with Dai-ichi, IBJ Financial Technology Co., Ltd. became a joint venture with Dai-ichi, and the name was changed to IBJ-DL Financial Technology Co., Ltd. (IBJ-DL FT) in April 1999. In October last year, IBJ and Dai-ichi amalgamated their three companies, IBJ NW Asset Management Co., Ltd., IBJ Investment Trust Management Co., Ltd., and Dai-ichi Life Asset Management, Co., Ltd. into DLIBJ Asset Management Co., Ltd.(DIAM).

DIAM, which brings together investment skills and expertise of the two financial institutions, serves a wide range of customers with investment products and financial services in a sophisticated way as a leading asset management company.

Japanese-style 401(k) pension plan and asset management seminar was held by Nomura IBJ Global Investment Advisors (December 6, 1999)

Tape cutting ceremony for the establishment of DLIBJ Asset Management (October 1, 1999)

Risk Control and Compliance Issues

Integrated Risk Management

The deregulation and globalization of the financial services industry and the advent of advanced financial technology are forcing financial institutions to control the expanding spectrum of risk more effectively and to ensure continued profitability at the same time. Diversified and complex risks, such as credit risk, market risk, operational risk, systems risk, legal risk and other risks in the business of financial institutions have made the need for effective and sophisticated risk management systems. The integrated risk management structure of IBJ enables the Bank to manage risk and profit appropriately, and to allocate management resources effectively through the allocation of risk capital to business units.

Allocation of Risk Capital

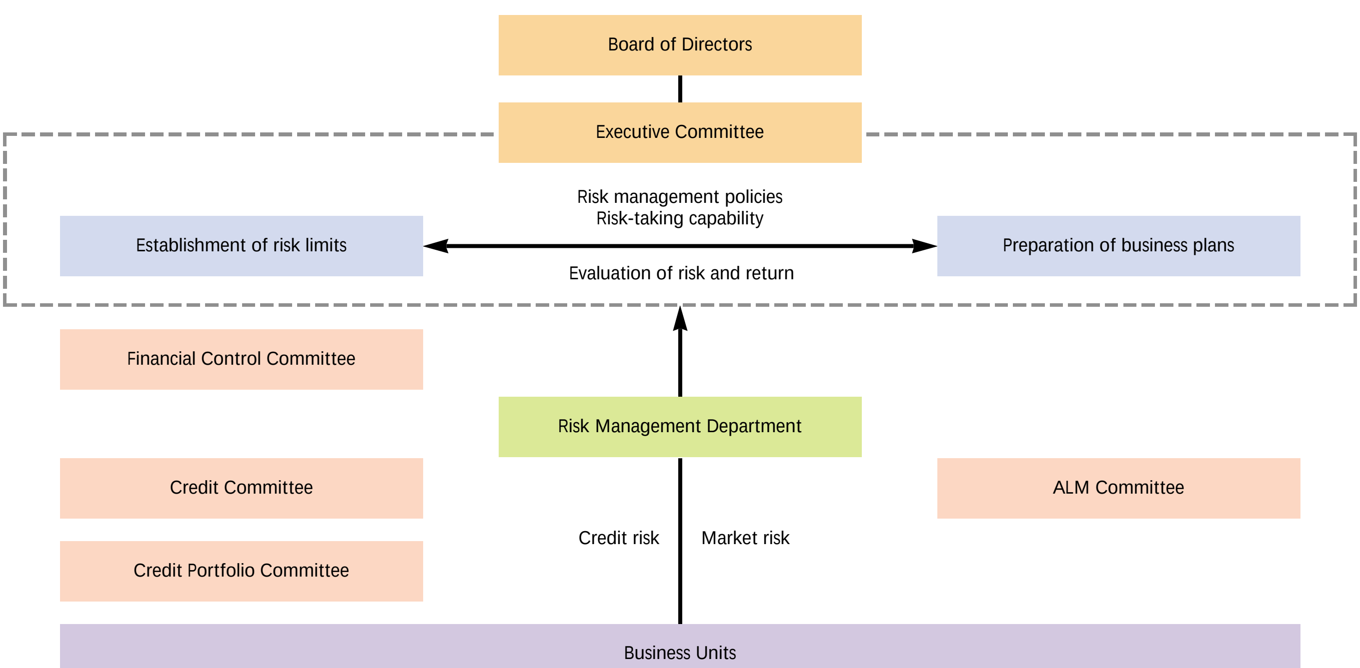
IBJ allocates risk capital to its four business units considering their capabilities, strategy, competitiveness and growth, while retaining a management reserve for minimum capital adequacy, and future strategic business development. Risk capital is used as the tool for the evaluation of each business unit's proficiency and effective allocation of management resources compared with annual profit which each business unit earns by utilizing its allocated risk capital to its business activities.

Credit Risk

Credit risk is the possibility that credit extended will not be recovered, causing the Bank to sustain a loss. It is necessary to control the scope of exposure to such risk; otherwise, it will be unable to maintain a secure asset portfolio, achieve an adequate return on assets, or fulfill its fiduciary duty to shareholders.

● Allocation of Risk Capital

● Integrated Risk Management Structure



Credit Risk Management System

In order to maintain the profitability and soundness of its assets, IBJ must control its credit risk exposure. The Bank instituted a comprehensive risk management system in June 1999 to coincide with the establishment of the four business units. Allocation of risk capital to the business units was made in April 2000, along with the introduction of new guidelines for the extension of credit.

To assure reliable credit risk management, the Credit Risk Management Department acts in close consultation with the Risk Management Department. Both departments are independent of the Bank's business divisions.

The Bank's credit risk management system focuses on two simultaneous activities: (1) monitoring of each borrower and its affiliated companies on a "micro" basis; and (2) monitoring of the Bank's total loan asset portfolio on a "macro" basis. Close attention to both the "micro""and "macro" aspects is essential to the overall risk management process.

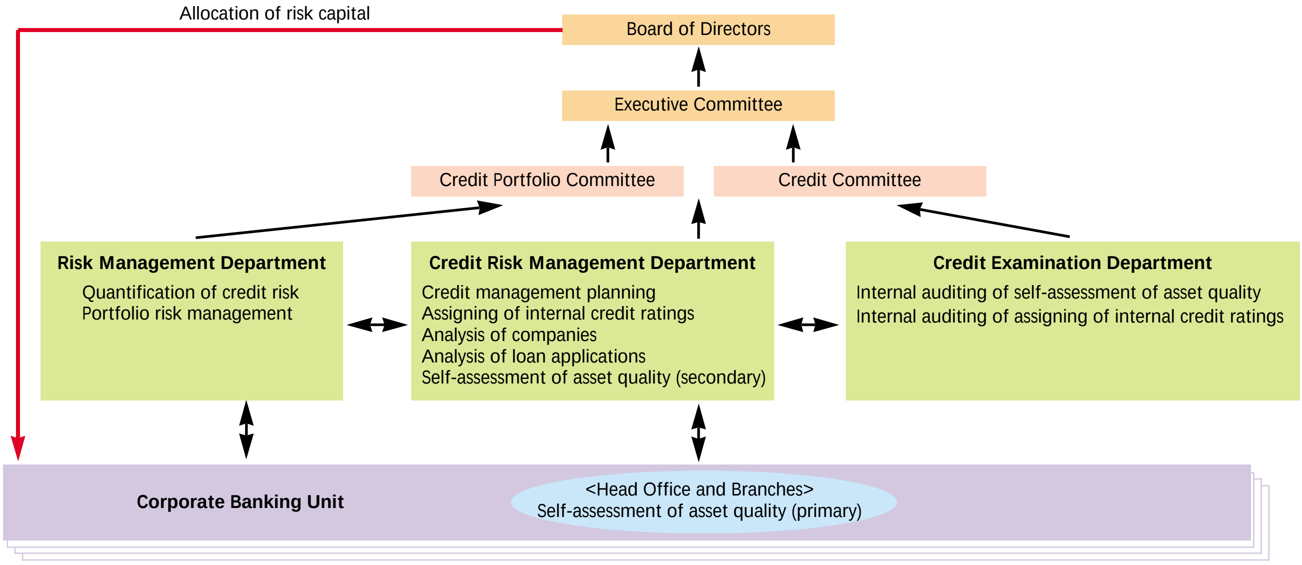
The Credit Risk Management Department is responsible for the "micro" risk of each borrower on a fully integrated basis. It monitors the creditworthiness of borrowers, establishes policies, guidelines and procedures for extension of credit and internal credit rating system. It is also responsible for the approval of each credit extension, whether originated in Japan or overseas. The Risk Management Department also handles the "macro" risk of the total loan portfolio, employing financial engineering techniques to quantify, monitor, and control overall risk.

Working in close consultation, the two departments keep senior management constantly informed of the Bank's overall credit risk profile via regular reports to the Board of Directors, the Executive Committee, the Credit Committee, and the Credit Portfolio Committee.

Credit Risk Management Method

In evaluating creditworthiness, IBJ analyzes the borrower's financial status and business performance to fully comprehend the borrower's underlying business and future prospects. Through this impartial evaluation process, the Bank gains a clear indication of creditworthiness on a quantitative and qualitative basis, and accordingly assigns a credit rating based on a 10-point scale. This is used not only in reviewing each application of credit extension but also in monitoring each borrower's risk profile on a group basis, particularly during the self-assessment process. The Bank can therefore make more informed credit decisions and provide more appropriate advice to each borrower.

● Credit Risk Management Structure



Risk Control and Compliance Issues

In addition to individual borrower risk management based on internal ratings, the Bank undertakes more comprehensive risk management of its entire portfolio using credit risk measurement techniques. These enable the Bank to maintain a quantitative understanding of its overall portfolio risk profile.

The Bank employs quantitative techniques to control risk profile. The objective is to assure a balanced and appropriate portfolio that is not excessively weighted towards any particular corporate or corporate group, industrial sector, or geographical region. In order to control exposure to corporate groups, the Bank assigns credit limits for each credit rating level and establishes internal credit guidelines for each corporate group. Also the Bank maintains a set of sector and region-specific portfolio guidelines to avoid excessive concentration of credit risk in any industrial sector or geographical region.

By adopting such advanced credit risk management, the Bank is able to reduce the credit costs associated with the extension of credit. This also enables the Bank to undertake strategic purchases and sales of assets while minimizing risk and maximizing return, thus establishing more proactive portfolio management. Through these efforts, the Bank seeks to maximize capital efficiency, profitability and shareholder value.

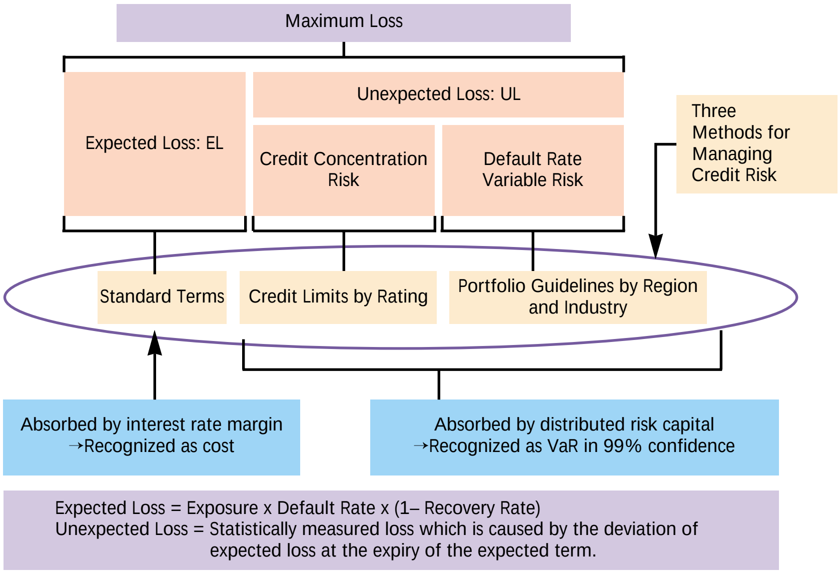
Market Risk

Market risk arises when fluctuations in interest rates, stock prices, foreign exchange rates, and other market variables result in changes in the value of financial assets and liabilities, including derivatives.

Market Risk Management System

All of IBJ's offices that are engaged in market transactions have front offices and middle offices. Front offices handle actual transactions, while middle offices work independently to measure earnings and market risk. In addition, the Risk Management Department at the Bank's head office is responsible for measuring the maximum loss, or Value at Risk (VaR), for the Bank as a whole. VaR is defined as the maximum potential loss of a portfolio with a given probability over a given period of time. It is calculated based on parameters of volatility and correlation coefficients that estimate future movements in interest rates, foreign currency rates, and other risk factors, drawing from analysis of past data on market fluctuations. The Department also analyzes market risk from multiple perspectives and reports the results to management at meetings such as the Board of Directors, the Executive Committee and the ALM

● Credit Risk Control System



● Standard Terms
Standard transaction terms are established in order for projected loss associated with every credit transaction to be always covered with profit margin.

● Credit Limit by Rating
In order to avoid concentration of credit in specific companies, the limit of credit amount is established for each company by internal rating. It controls unexpected loss effectively by the portfolio guidelines by region and industry.

● Portfolio Guidelines by Region and Industry
Transaction limits by region and by industry are established in order for credit not to concentrate on certain regions or industries.

Committee held monthly and also at times when deemed necessary. The Department also monitors risk limits linked with risk capital allocated to each business unit from April 2000.

Market Risk Management Method

IBJ uses VaR as the unified measure of risk for all its operations. In addition to computing VaR, the Bank establishes limits on the extent of the impact of market fluctuations outlined on the right, and performs ongoing tests to monitor and control risk levels.

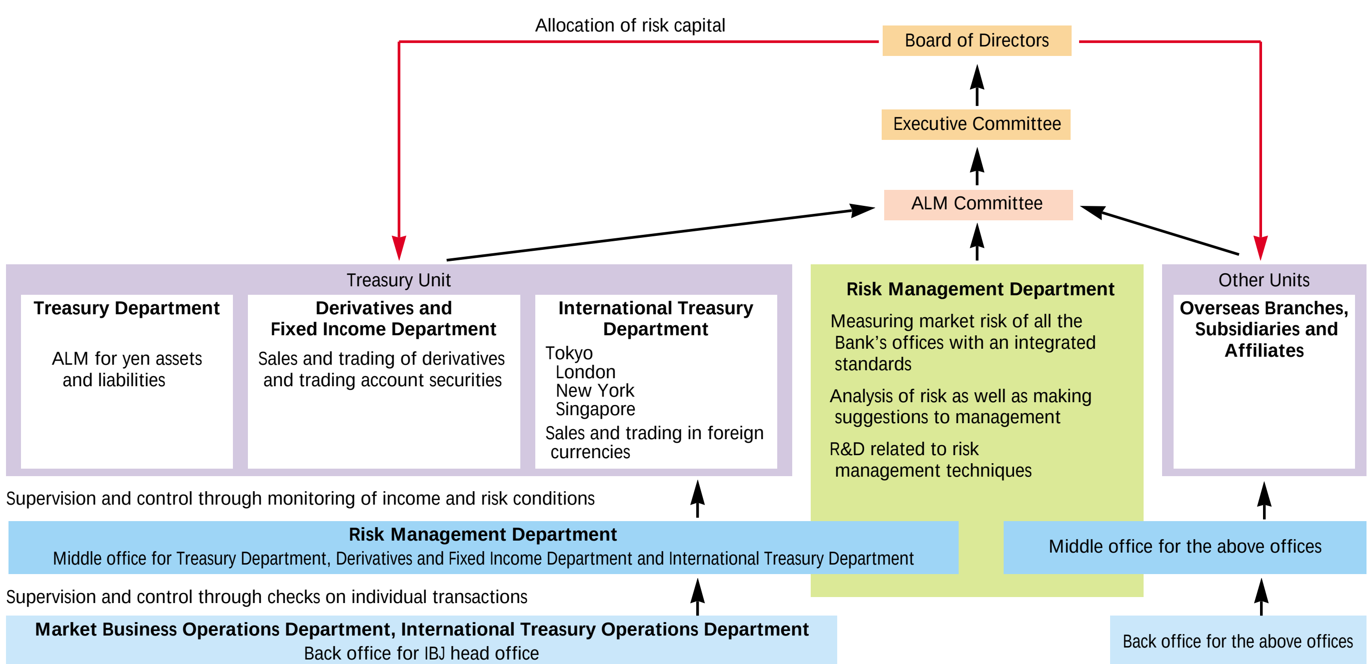
The Bank's risk management activities are based on an understanding of the most advanced financial theories. Staff well versed in this area have been assigned to risk management and are engaged in R&D related to risk management techniques.

The principal methods for monitoring and controlling market risk are shown on the right. Other methods are also employed to suit the nature of individual types of risk.

● Methods Currently Used to Monitor Market Risk and Specific Content

VaR	Calculation of maximum losses within a specified probability limit (IBJ uses 99%) due to future fluctuations in interest rates, currency rates, and other indicators is made based on statistical analysis of past data.
Stress Tests	To prepare for times when market rates diverge substantially from statistical fluctuations assumed by VaR analysis, computations of losses are made assuming extreme market fluctuations (stress scenarios).
Interest Rate Sensitivity (Delta)	Delta shows the amount that the Bank's portfolio would change in value if interest rates should move by a certain percentage (usually one basis point, or 0.01 percentage point). Upper position limits for each interest-related position are usually set for detailed management.
Gamma	Gamma is the change in delta for only a one basis point change in interest rates. Upper limits are set when managing option positions.
Vega	Vega indicates the change in value of assets and liabilities when volatility brings a one percentage point change. Upper limits are set when managing option positions. (Note: Volatility is the expected rate of change in market rates during a specified future period.)
Position Limits by Financial Instrument	As there are differences in the volume of financial instruments of specified types that can be purchased in the market at one time, when necessary, limits are placed on positions in individual financial instruments.
Loss Limits	For each position limits, the Bank sets upper limits on accumulated losses that can be sustained over a specified interval.

● Market Risk Management Structure



Risk Control and Compliance Issues

Market Risk Management Method for Banking Operations

With respect to IBJ's banking business such as ALM and treasury operations, the departments responsible – the Treasury Department for yen-denominated business; the International Treasury Department for other currencies – are engaged in fund-raising and fund-management for the whole Bank. In this way, interest rate risk is controlled centralily on a unified basis throughout the Bank. On the other hand, the Risk Management Department calculates fair value of assets and liabilities, including those with on-balance and off-balance sheet components, as well as VaR, interest rate sensitivity (Delta), profit-loss, and other indices and monitors compliance of upper limits and "alarm points" for the various indices set by the ALM Committee.

Trends in VaR for all banking business for fiscal 1999 are shown in Table A. These estimates assume a holding period of one month and a confidence level of 99 percent. Delta of each period at the end of fiscal year of 1999 is shown in Table B. The Bank recognizes the influence of fluctuation in interest rate on the profit.

Market Risk Management Method for Trading Operations

With respect to IBJ's trading business, the offices responsible – the Derivatives and Fixed Income Department, the International Treasury Department and consolidated subsidiaries – work in cooperation globally. The Bank calculates VaR of all the offices on an integrated unified basis. VaR calculated by the Risk Management Department is utilized as an index of risk measurement, as well as other upper limits and "alarm point" for Delta, profit-loss, and other indices set by the ALM Committee.

The Bank's model employs simultaneously the Variance-Covariance Method and the Monte Carlo Simulation Method. It also incorporates around 200 market data scenarios, such as yen interest rates and yen-dollar exchange rates, representing various risk factors.

Trends in VaR for all trading offices for fiscal 1999 are shown in Table C. These estimates assume a holding period of one day and a confidence level of 99 percent. When VaR at all trading offices is computed, positions held by various offices are netted out.

Back Testing: The Bank tests the accuracy of its internal model through back testing, which involves comparing the daily profit/loss statements of all trading offices with the estimated VaR to determine whether actual profit or loss exceeds VaR.

● Table A VaR Results in Banking Business (¥ billion)

		VaR
Fiscal 1998	Year-end value	162.4
Fiscal 1999	Year-end value	38.2
	Average value	69.6
	Maximum value	235.5
	Minimum value	15.7

Holding period: One month; One-side confidence interval: 99%
Simple VaR totals for Treasury Department and International Treasury Department.

● Table B Year-end Interest-rate Sensitivity (delta) (¥ billion)

	Currency	Less than 1 year	1-5 years	More than 5 years	Total
At March 31, 2000	Yen	0.09	(0.09)	(0.08)	(0.07)
	U.S. dollars	(0.02)	(0.06)	(0.45)	(0.53)
	Euro	(0.02)	(0.04)	(0.09)	(0.16)
	Other	(0.00)	(0.00)	(0.00)	(0.01)

Notes:
1. Interest-rate sensitivity (delta): Change in fair value when interest rate changes by one basis point (0.01%).
   Minus figures: Fair value increases when interest rate declines by one basis point.
   Plus figures: Fair value increases when interest rate increases by one basis point.
2. Yen figures are based on transactions of Treasury Department.
3. U.S. dollar, euro, and other figures are based on transactions of International Treasury Department (including New York, London, and Singapore Divisions).

● Table C VaR Results in Trading Business (¥ billion)

		VaR
Fiscal 1998	Year-end value	2.8
Fiscal 1999	Year-end value	2.2
	Average value	2.5
	Maximum value	3.4
	Minimum value	1.9

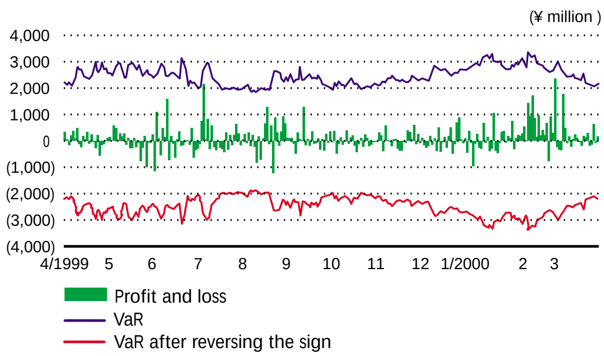
Holding period: One day; One-side confidence interval: 99%

Table D shows the results of back testing for the year under review. On the 262 business days in that year, there were no instances when the actual loss exceeded VaR. These results verify the accuracy of the Bank's internal model.

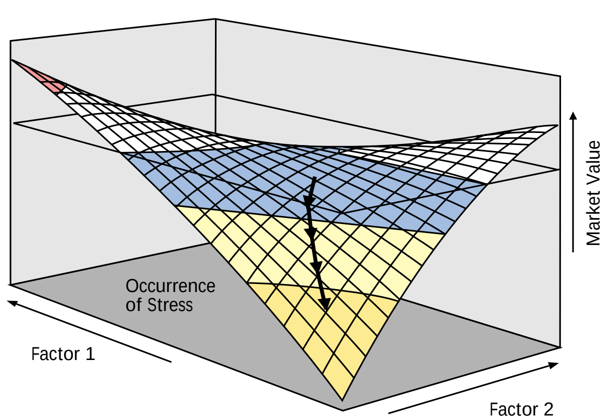
Stress Testing: The VaR method indicates the maximum expected loss that may occur in a normal market environment. In addition to VaR, the Bank also employs stress testing to estimate unusual market movements on its trading profit/loss statement that cannot be measured by VaR. Under the Bank's stress testing, which is called the "Steepest Descent Model," maximum loss is derived by estimating the worst market scenario based on the characteristics of its trading portfolio. This takes into account the volatility and correlation of approximately 200 risk factors, such as yen interest rate and dollar-yen exchange rate movements. Table E is a plot of the Bank's stress testing in cases where there are only two risk factors.

The results of stress testing for positions held by all trading offices at March 31, 2000, show a maximum loss of ¥1.8 billion, compared with VaR of ¥1.1 billion on the same date.

● **Table D The Results of Back Testing for the Fiscal 1999**



● **Table E Image of the Results of a Stress Scenario with Two Risk Factors**



Notes:
1. The Bank's method corresponds to the stress test cited in the *Amendment to the Capital Accord to Incorporate Market Risk*, prepared by the Basle Committee on Banking Supervision (January 1996) as the "Scenarios developed by the Bank itself to capture the specific characteristics of its portfolio."
2. The Bank's stress tests measure the maximum loss that may occur with a holding period of one day.

Liquidity Risk Management

Funding Liquidity Risk

Funding liquidity risk refers to the potential that changes in market conditions in Japan or overseas may prevent access to necessary funding, or that funding may only be available at abnormally high interest rates, thus causing losses. It is crucial to secure adequate and reliable funding source to meet the varied requirements of Banks' customers. Controlling funding liquidity risk and interest risk are both vital elements in ALM.

The front office prepare their annual and monthly fund flow projections, while the Risk Management Department estimates the future funding requirement from net cash flow derived from current balance sheet. The funding requirement is then compared with additional funding resources allowing analyses and proposals to deal with such a requirement.

The Bank takes the above measures in normal market conditions and has a scale of exceptional market conditions with countermeasures in place by scale number.

Market Liquidity Risk

Market liquidity risk refers to the possibility that volatile market movements may prevent transactions occurring or that transactions may only be made at unfavorable prices, thus incurring losses.

To control market liquidity risk, the ALM Committee sets ceilings for day-to-day fund-raising amount and the operating amount for market-driven products, taking into account market size and other factors. The Risk Management Department monitors compliance with such ceilings on an ongoing basis.

Risk Control and Compliance Issues

Operational Risk

Operational risk means the risk of loss caused by mistakes in the conduct of businesses or by the occurrence of irregularities or similar incidents. Such risk is becoming more and more diverse and sophisticated as the Bank enters new businesses amid the deregulation of financial markets.

The Operations Supervisory Department is responsible for ensuring that operating standards contained in the Bank's Procedures Manual are properly established and, consequently, that operational risk is minimized. The Auditing Department conducts an independent check approximately once a year to ensure that the Procedures Manual is being correctly followed in all operational areas.

In line with the increasing diversity and complexity of banking transactions, the Operations Supervisory Department continually revises and improves the Procedures Manual and other related documents. It also ensures proper observance of the Manual, and trains staff accordingly.

Systems Risk

Systems risk refers to the possibility of losses being incurred due to a suspension of business or a loss of important data arising from system failures and malfunctions or from improper computer operations.

To prevent accidents from happening in the first place and to minimize losses when an accident should actually take place, IBJ established "Basic Policies for System Risk Management". The Information Technology Department mainly spearheads system risk management and takes comprehensive safety measures for the Bank's computer systems; for instance, duplicating of servers, establishing the backup site of the host computers in Osaka, round-the-clock monitoring of the access made to machine rooms and taking special measures to counter illegal access into the network and computer viruses.

Legal Risk

Legal risk refers to the risk of direct or indirect financial losses arising from disputed transactions with customers, outright illegalities by banks, or the conclusion of inappropriate contractual agreements in relation to operational transactions or management decisions.

It is the responsibility of the Legal Department to control legal risk. This involves close cooperation with leading law firms and legal specialists around the world to ensure that the legal position of the Bank is not prejudiced. Outside the Department, staff in responsible positions are also required to attend courses on legal affairs to assure awareness of legal compliance throughout all of the Bank's operations, and to provide the Bank's employees with legal seminars on banking transactions.

The Legal Department controls legal risk by considering all possible legal issues that may develop in the course of the Bank's business. It maintains very close working relationships with the business divisions to ensure that they understand the legal implications of their activities.

Internal Audits

IBJ's Auditing Department conducts audits of the Bank's head office, as well as all branches and subsidiaries in Japan and abroad, and consolidated affiliates in Japan. This is designed to ensure compliance with internal accounting and procedural requirements and thereby prevent irregularities, given the increasing scope and sophistication of the Bank's operations.

All operating units are subject to unscheduled audits approximately once a year. A special IT team also conducts audits in the Bank's IT-related operations and systems.

Recent revisions to the Banking Law saw the introduction of the Prompt Corrective Action system aimed at those banks judged to have insufficient capital adequacy. The Bank's Credit Examination Department is responsible for auditing and monitoring the loan portfolio to ensure the results of self-assessment of assets.

In the United States, Americas Division works independently to ensure that internal auditing standards are maintained, the loan portfolio is adequately monitored, and local legal requirements are fully observed.

Compliance

Compliance issues are of great importance to senior management. Compliance not only means adherence to the applicable laws but also the observance of established standard. Management believes this broader view of compliance is vital given IBJ's unique position as a leader in Japanese finance. From this perspective, the Bank must accommodate to the rapidly changing regulatory framework surrounding the industry, as well as shifting social attitudes. To prevent non-compliance with rules, all staff must understand the importance of the compliance function and comprehend regulatory issues related to their activities. If a breach occurs, it must be detected and dealt with swiftly to prevent any further occurrence.

The Compliance Department has prepared a compliance manual, which it uses extensively in internal education and training programs. The first level monitoring of the status of compliance with the rules is conducted by the departmental offices, and at the second level by the Auditing Department.

Japan's Big Bang financial reforms are not only changing the Bank's operating and regulatory environment, but also permitting the establishment of new subsidiaries to enter entirely new areas of financial activity.

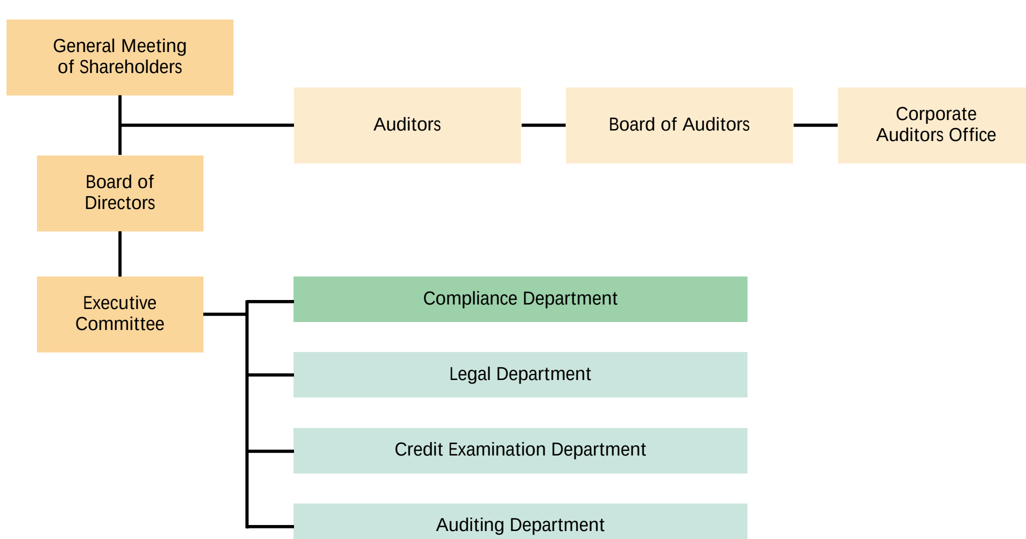
In line with the Bank's reorganization in June 1999, the Compliance Division was raised to departmental status. To guarantee its integrity, it was further upgraded and made fully independent. It supervises the compliance activities of the Legal Department, the Credit Examination Department, and the Auditing Department.

The Compliance Department is responsible for planning, promoting and supervising the compliance operation throughout the Bank. To this end, it formulates programs for compliance supervision.

To ensure that a strong "compliance culture" permeates throughout the Bank, each business unit has assumed compliance responsibility for its particular jurisdiction. In each section of the Bank and its branches, one staff member has been made responsible for enforcing compliance. In addition, there is a reporting and monitoring system in place to ensure that the Compliance Department can immediately give advice and warnings as needed.

In June 1999, the Corporate Auditors Office was formed with the aim of supporting the functions of the Bank's Board of Auditors. The Office works closely with the Board of Auditors without, however, impinging on its independence.

● **Compliance Structure**



Tsutomu Abe
Managing Director
Head of Corporate Banking Unit

Operational Review

Corporate Banking Unit

Our mission is to discover our customers' true needs from the perspective of the 21st century.

"In a nutshell, the feature of our corporate banking unit is our strong network of domestic as well as foreign customers based on the characteristics of IBJ's neutrality. We offer a wide range of value-added financial services, not only to large corporations, but to small and medium-sized corporations, public entities, financial institutions, institutional investors, major foreign corporations and individual customers. Our operations include not only traditional services such as loans, foreign exchange services and the sale of bank debentures, but we have also been providing other sophisticated products to meet our customers' needs in terms of business and financial improvement. We are also expanding rapidly into the field of B2B e-business.

Last fiscal year, ended March 31, 2000, was the first year in which we adopted the business unit form of organization. The aim for this move was to provide greater transparency with regard to profit and loss accountability by delegating authority and responsibility. This has enabled our unit to reorganize and transfer personnel, while responding flexibly to our customers' needs and achieve favorable results in both our domestic and foreign operations.

An improvement of the Corporate Banking Unit's portfolio of assets was our first major domestic task. By shifting assets toward more highly rated investments, dealing with problem loans and also focusing on optimizing our return based on different levels of risk, we have been able to improve the portfolio remarkably.

Also, by taking advantage of the revision of corporate accounting standards and the trend of placing greater emphasis on the market as well as shareholders, we were able to achieve outstanding results in advisory business such as large M&A and real estate securitization deals. Our RM, relationship management, has been able to understand our customers' true needs quickly and accurately. Using this information, the Unit was able to participate in a number of major deals with the other units.

Moreover, we have been able to offer a diverse range of services such as bank debentures and investment trusts to our individual, financial institutions and institutional investor customers who have been attempting to cope with the problems of the abnormally low level of interest rates at present in Japan.

In this way, our unit has made full use of our strong RM ties with various customers to offer solutions that meet their needs. The rapid growth of operations such as those mentioned above was one of the major characteristics of the year under review.

Meanwhile, when most Japanese banks were scaling down, we positioned our overseas services as one of the strategic areas that had to be reinforced. We strengthened our business capabilities by concentrating our value-added services in our leading offices in the Americas, Europe and Asia and by reorganizing our network of branch offices. As can be seen from our achievements such as that we were the highest ranking Japanese bank in the league table in the syndicated loan category in the Americas, as well as our high profile participation in large-scale European transactions during the year under review, our efforts have paid off.

Currently, our most important business opportunities lie in our capability to provide solutions to our customers' problems. For this purpose, we intend to strengthen our industry-specific strategies by reinforcing our Industrial Research Department and other Group functions making full use of our global network. Also with regard to the rapidly unfolding IT revolution, we intend to provide sophisticated financial products centered on B2B e-business services to aid in creating customer-initiated business models.

We intend to provide more satisfaction to our customers and hence contribute to the success of the Mizuho Financial Group by focusing our efforts on our strengths such as offering realistic solutions and sophisticated product business.

To realize the merits of the consolidation as quickly as possible, we are actively promoting the integration and mutual reinforcement of functions. This includes giving the three banks access to each other's networks and the cross-marketing of each other's products. The Unit's most important role is to strengthen RM, relationship management, IBJ's most valuable asset, and pursue business initiatives in alliance with other units. We will harness all our resources to fulfill this role."

The Corporate Banking Unit provides wholesale and retail services for large corporations, financial institutions, institutional investors, and public entities, as well as small and medium-sized enterprises and individuals.

IBJ benefits from its position of complete neutrality, and does not belong to any *keiretsu*, or industrial group. This has allowed the Bank to build an unusually wide customer and partner network around the world.

The Unit has done well since its establishment in June 1999, reporting strong earnings in the year under review. This performance reflects the clear focus on risk and return and an emphasis on RM based on which the Unit offers commercial banking, investment banking and B2B e-business services that meet its customers needs.

Large Corporations

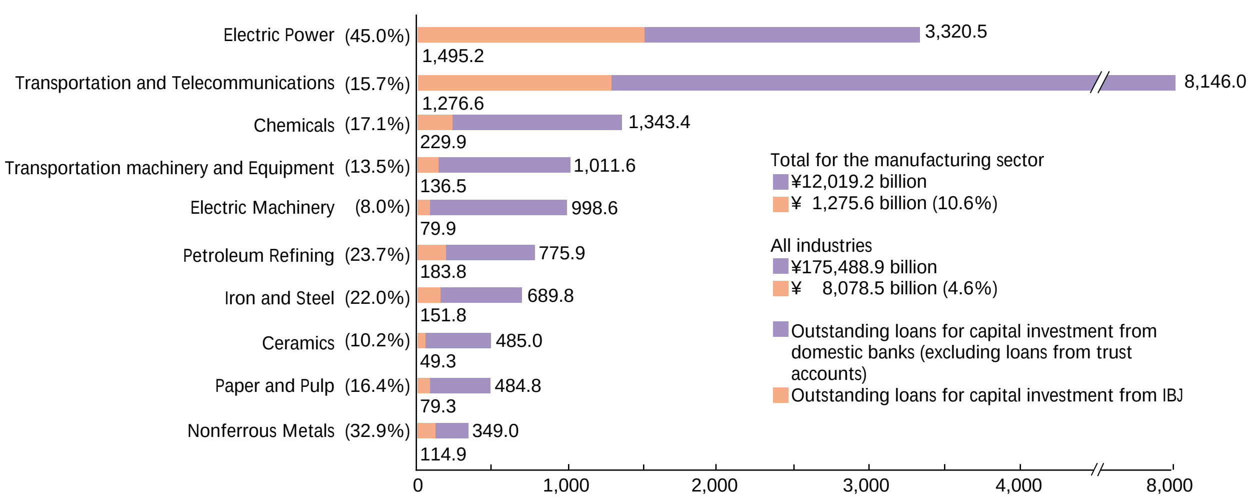
The Corporate Banking Unit offers a wide range of services to large corporations integrating the functions of both commercial banking and investment banking. As a prominent participant in corporate finance, it provides a diverse array of fund-raising support and other high value-added financial services. All of these services are underpinned by a commitment to impartiality and professionalism, which in turn shapes IBJ's role as a bank that acts "in partnership with industry".

The Unit extends long-term loans for capital investment purposes, as well as short-term finance to fund working capital. It also provides commitment lines, syndicated loans, and other new forms of funding that meet the fund-raising needs of corporations and the fund-management needs of investors. The IBJ Group provides real estate securitization and non-recourse loans, and helps corporations tap the capital markets by underwriting bond and commercial paper issues.

Amid the ongoing Japan's Big Bang financial reforms, customer needs are becoming more and more diversified, highlighting the need for high value-added, flexible products and services. To meet those needs, the Unit draws on the Bank's global network and state-of-the-art financial techniques.

The value of the Bank's products and services are further enhanced by its sophisticated advisory services. To help companies build corporate value for their shareholders, the Bank focuses on the following services; advisory services such as balance sheet control techniques to optimize asset securitization, M&A services to restructure operations and enter new businesses, and the provision of cash management services.

● **Loans Outstanding for Plant and Equipment Investment by Industry** (¥ billion)



Note: Figures in parentheses are IBJ's share of the total.

(At March 31, 2000)

Operational Review

Corporate Banking Unit

Financial Institutions

The Corporate Banking Unit provides tailored responses to the fund management needs of institutional investors, serving as their business partner to address various management issues. Key factors distinguishing IBJ from its competitors are its neutral position and a broad customer base built up through the sale of debentures.

The Bank's five-year debentures are consistently popular among regional banks, *shinkin* banks, financial institutions and insurance companies. The IBJ Group's diverse line-up includes commercial paper, asset-backed securities, and investment trusts. It also provides derivatives, securities investment trusts, and custodian and pension fund services.

The Bank has formed tie-ups with other financial institutions in such fields as investment trust sales, capital market finance, and the development of credit risk management systems. Such tie-ups will become increasingly important in the years ahead.

Public Sector Entities

IBJ maintains close ties with national and local government and with public sector corporations, providing them with time-proven fund-raising and other financial expertise.

In addition to extending loans, the Corporate Banking Unit has a particularly good record in bond issues for public sector corporations. The Bank is a key member of the committee that advises the Japanese government on bond issues. The Unit has underwritten many government-guaranteed bonds and local government bonds, including those of the Tokyo metropolitan government. As financial liberalization progresses, the Unit will continue to complement its fund-raising support services with a range of research and advisory services.

Small and Medium-Sized Customers

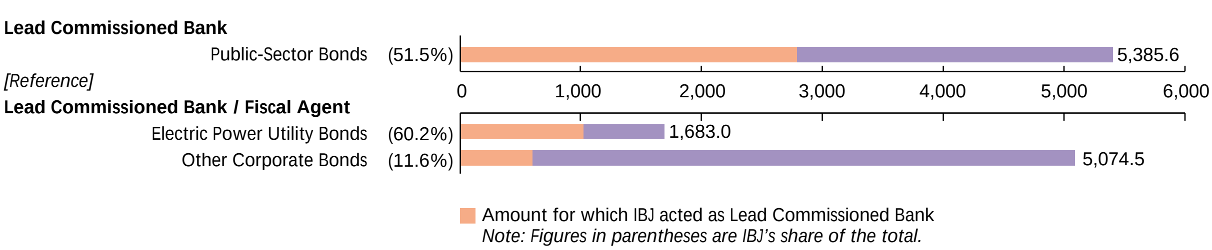
By providing fund-raising assistance and solutions-oriented advisory services, IBJ serves as the ideal financial partner for small and medium-sized customers.

The Corporate Banking Unit extends direct funding via loans, as well as indirect funding in the form of SPARCS, Suppliers' Account Receivables Control System, which helps customers securitize their receivables and raise working capital.

In December 1999, the Unit formed an investment support division for small and medium-sized companies and venture capital businesses. The aim of the new division is to help such customers with their general business development and with their IPO planning, through pro-active equity participation or extension of loans.

The Unit also supports enterprises through Japan Management Systems Inc., a management consulting subsidiary, and IBJ Investment, Ltd., a joint venture between the Bank and 3i Group plc, the largest venture capital company in the U.K.

● **Commissioned Bank / Fiscal Agent Activities of IBJ** (¥ billion)



(Fiscal 1999)

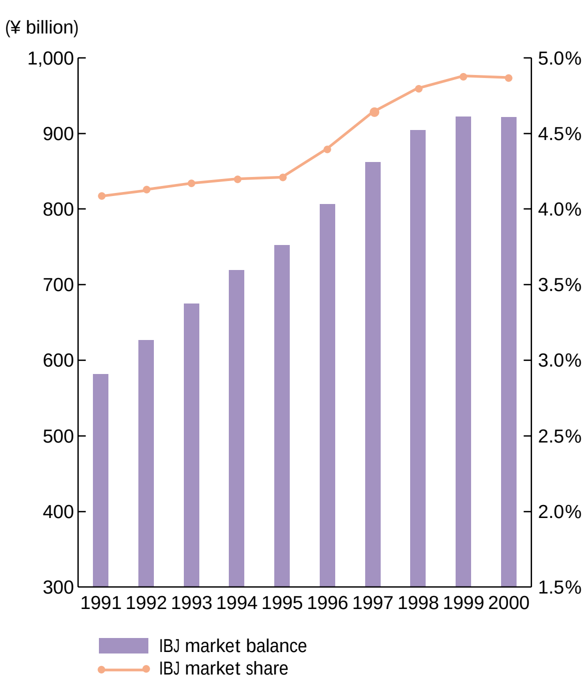
Individuals

IBJ has long served the needs of individual customers with a broad range of retail banking services. For individual investors, the Corporate Banking Unit's offerings include debentures, time deposits, foreign currency deposits, and investment trusts. The Unit also provides advisory services to help customers with their asset management through the assistance of about 340 qualified financial planners at 24 domestic branches.

In April 2000, the Unit greatly enhanced service convenience by linking online with Japan's post office network. Customers can now deposit and withdraw cash and receive deposit balance updates from around 25,000 ATMs and cash dispensers at post offices nationwide. In the same month, the Unit extended its telephone banking services to the customers of all the domestic branches.

For the employees of customer companies, the Unit offers a payroll savings plan incorporating bank debentures, as well as housing loans services. It is also preparing to offer products and establish systems and other infrastructure to support Japanese-style 401(k) defined contribution pension plans shortly to be introduced.

● **Balance of Payroll Savings Plan Incorporating Bank Debentures** (at March 31)



B2B e-Business

The Corporate Banking Unit's support for corporate customers extends to providing state-of-the-art financial services in the field of B2B e-business transactions.

The liberalization of foreign exchange transactions and the introduction of consolidated accounting requirements have heightened the need for efficient foreign exchange and cash flow management between Japanese companies and their overseas counter-parties, as well as among companies in the same group. IBJ has responded decisively to these requirements by developing a wide range of support systems and cash management services.

ITss, Integrated Treasury Support Services, helps corporations integrate the cash flows of group companies. The system incorporates sophisticated Internet technology, which has won acclaim for its reliability and expandability.

In November 1998, IBJ launched IBJ Global CMS, the world's first Internet-based global cash management system which streamlines financial administration for companies with worldwide operations.

The Bank will help customers exploit the potential of e-business through Identrus LLC, a U.S. electronic certification service that the Bank supported the establishment of in 1999. That firm will launch its services commercially in 2001. Another contribution to e-business is the AutoTrans System, which the Bank is currently testing. This system will support trade finance EDI, electronic data interchange, for the automobile parts and components industry. AutoTrans System is based on an open platform architecture and has potential applications in many other industries.

Review of Operations

Operational Review
Corporate Banking Unit

International Operations

With operations in 22 countries, the IBJ Group integrates a broad range of highly specialized products and services to produce superior customer solutions.

IBJ has reorganized its overseas network into three blocs, the Americas, Europe, and Asia-Oceania, by concentrating its services such as project finance, structured finance, and other high value-added investment banking in the leading offices of each bloc.

In the Americas, the Bank provides a wide range of customers with commercial banking services. The IBJ Group also offers securitization programs, lease finance, derivatives, and other products based on sophisticated financial technology. In the year under review, the Bank headed the league table among Japanese banks in U.S. syndicated loans. The Bank also helps Japanese companies establish operations in the Americas, and facilitates the efforts of companies in that region to access opportunities in Japan and the rest of Asia.

Following the introduction of the euro in January 1999, European markets have undergone dramatic structural changes, prompting many corporations to reorganize or expand their operations through M&A activity. The Bank sees business opportunities arising from such change, and has concentrated its European investment banking functions in London in order to provide high value-added services to customers.

The Bank played significant roles in major deals such as Olivetti S.p.A.'s acquisition of Telecom Italia S.p.A., serving as one of the arrangers and the sole Japanese bank. The Bank also acts as a financial adviser to AES Corporation, a U.S. electric power developer, and arranged a syndicated loan when that company bought the Drax coal-fired power station from National Power plc of the U.K. That deal won the Bank the "1999 European Project Finance Loan of the Year" and "1999 Overall European Deal of the Year" awards of the *International Financial Review (IFR)* magazine and *Project Finance* magazine, respectively.

In Asia and Oceania, currencies and economies have stabilized, and the region has entered a new phase of economic growth. The Bank maintains alliances with such institutions as the Japan Bank for International Cooperation, a merger of the former Export-Import Bank of Japan and Overseas Economic Cooperation Fund, to act as a syndicated loan agent for countries throughout the region. The Bank also serves Japanese companies and their overseas subsidiaries and affiliates, offering foreign exchange, cash management, and other services. In investment banking, the Bank has a project finance team in Hong Kong and a treasury team in Singapore for treasury business.

The Bank's relationship with China extends back more than two decades. During that time, it has built up strong relationships, forming co-operative agreements with around 60 government-related entities and financial institutions in China. With a branch in Shanghai, the Bank has received authorization to handle Renminbi transactions. It will continue to strengthen its ties with China.

Industrial Finance Seminar

For the past 38 years, the Bank has held regular Industrial Finance Seminars, aimed at introducing Japan's economy, industry, finance, and culture to various types of institutions and corporations around the world. These seminars have been well attended, attracting more than 2,400 people who play important roles in around 80 countries. The Bank will continue to hold these seminars in further efforts to strengthen mutual understanding.

Operational Review

Investment Banking Unit

Masayuki Yasuoka
Managing Director
Member of the
Board of Directors
Head of Investment
Banking Unit

From "year of launch" to "year of achievement"

"The Investment Banking Unit provides tailored balance sheet solutions covering management and financial strategies, to meet the increasingly diversified and sophisticated needs of customers. The Unit was launched in June 1999 to handle IBJ's global operations in structured finance, financial advisory services, and project finance.

In the current global competition, executives of Japanese corporations are acutely aware of the need to maximize corporate value by forming business alliances and selectively concentrating managerial resources. Accounting standards are also changing, highlighting the need for financial strategies to enhance balance sheet control. In response, the Unit harnessed its technology and achieved solid results in the year under review. In fact, we dubbed the year under review as "the year of launch", because it was the first year of the Unit's existence.

Let's look at the highlights in each business category. In structured finance, we focused on meeting the needs of customers associated with the introduction of new accounting requirements. The IBJ Group generated significantly improved results for new structured products, notably the securitization of real estate assets, housing loans, and other assets as well as many types of leasing schemes such as a synthetic lease for semiconductor manufacturing equipment, an operating lease for ships and Japanese leveraged leases for aircraft and buses.The pension fund trust product also performed extremely well.

In financial advisory services, we saw a growing need for M&A-related assistance as companies sought to restructure their operations to enhance competitiveness. As a result, we led a number of large, cross-border projects, including strategic global alliance by Japan Telecom Co., Ltd. with British Telecom plc and AT&T Corp. and the equity tie-up by Fuji Heavy Industries Ltd. with General Motors Corporation.

In project finance, we were appointed as financial advisor for a US$2 billion LNG project in Malaysia. It is the largest project to date where a Japanese bank served as sole financial advisor.

The strength of our investment banking business has become particularly evident in these times of business restructuring and industrial transformation. To this end, we meld our knowledge and experience as we move from 1999, the "year of launch", to 2000, the "year of achievement".

Cross-border M&A projects will become even more prominent in the future as companies maneuver to strengthen their competitiveness. In response, we will augment our information-provision capabilities by building up our global network, which includes industry research analysts in key locations. We will also monitor trends among European and North American banks to integrate their investment banking and equity operations. To this end, we will reinforce our relationship with IBJ Securities Co., Ltd., which commenced full-scale equity operations after the final removal of business restrictions in October 1999.

The current financial year will be the first phase of the Bank's consolidation into the Mizuho Financial Group ("MHFG"). On October 1, 2000, three companies–DKB Securities Co., Ltd., Fuji Securities Co., Ltd., and IBJ Securities–will merge to form Mizuho Securities Co.,Ltd. The new company will also take over the investment banking operations of the parent banks of the three securities companies. By forming MHFG, we will significantly expand our customer base.

In fact, the key objective of MHFG is to become Japans first full-scale investment bank serving for its Japanese customers. To maximize mutual benefits ahead of the consolidation, we are promoting joint projects involving the three banks. In May 2000, we announced the creation of Japanese-style real estate investment trust (REITs), an investment trust formed in collaboration with Mitsui Fudosan Co., Ltd. We hope to fully mobilize this new business during the current year and be prepared to take advantage of anticipated favorable changes in legislation.

Utilizing the most sophisticated financial techniques, The Unit will continue to provide balance sheet enhancement solutions based on long-term perspectives."

Operational Review

Investment Banking Unit

The Investment Banking Unit provides comprehensive solutions-driven services, including formulation of management and financial strategies, to help customers address various issues arising from changes in markets and in legal and accounting requirements. This includes providing advice on ways to concentrate resources in strategic businesses and divest peripheral and unprofitable operations.

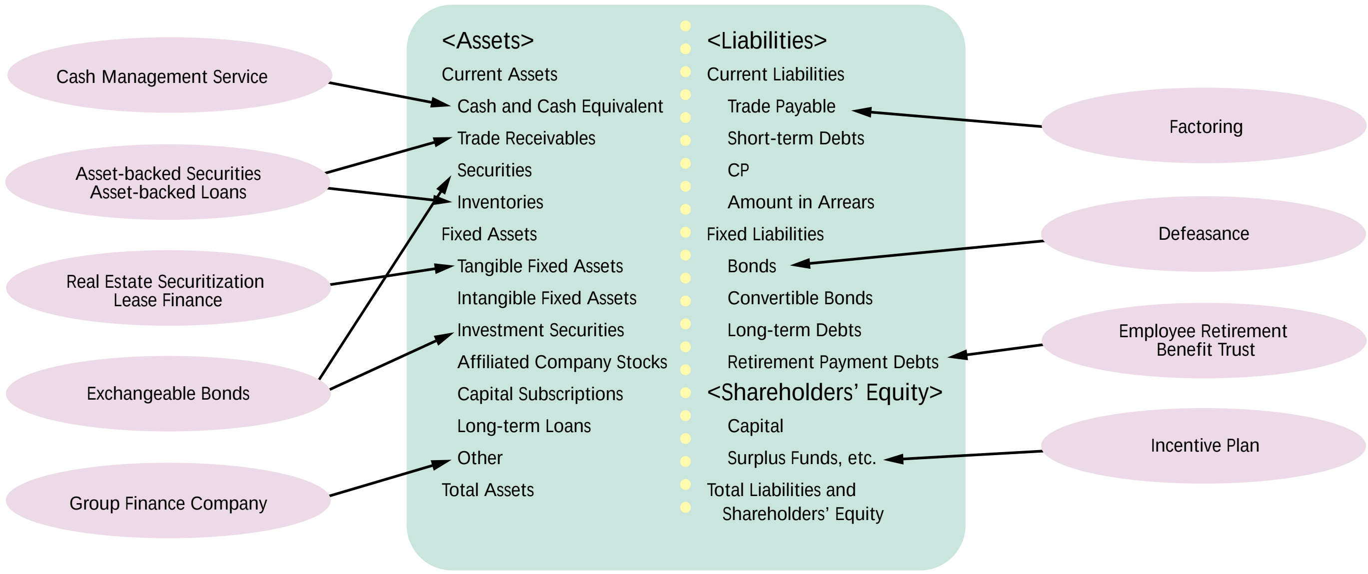
The Unit centers its global operations on structured finance, financial advisory services including M&A and management buyouts (MBOs) advice, and project finance. It draws heavily on the IBJ Group's extensive capabilities in derivatives, research, and distribution. Employing such instruments as asset and real estate securitization and lease financing, the Unit provides an array of fund-raising options to help customers enhance their financial positions.

Overseas, the Unit maintains several subsidiaries and joint ventures that complement its domestic capabilities. In the U.S., The Bridgeford Group advises U.S. and multinational corporations on M&A, corporate strategy, financing and direct investment. 3i-Kogin Buyouts Ltd., which IBJ jointly established with the 3i Group Plc, targets new MBO opportunities in Japan.

Structured Finance

IBJ is a major player among Japanese banks in the area of structured finance. Here, the Investment Banking Unit devotes itself to structuring new financial schemes and products that are tailor-made for particular customers. In recent years, the business environment in Japan has changed dramatically amid the liberalization and introduction of international accounting standards, leading to greater diversity in customers' financial requirements. The Unit is closely attuned to these changing needs and responds quickly by developing and proposing new financing schemes. Using the IBJ Group's expertise in securitization and lease financing, for example, the Unit provides customers with a greater variety of fund-raising options while also helping them to streamline their balance sheets and to improve their financial ratios and funding costs. In addition, the resulting products such as asset-backed securities and lease investments provide investors with new investment opportunities. Recently the Unit has also started to develop Japanese-style real estate investment trusts (REITs), anticipating the considerable legal and accounting liberalization in this area.

● Company Balance Sheets and Structured Finance Products



One of the recent trends among Japanese companies is the formulation of financial strategies for corporate groups as a whole. Behind this development has been the shift from non-consolidated to consolidated financial statement accounting. The Unit has kept abreast of these trends and has researched the issues various corporate groups are facing. The Unit has made proposals that raise the overall financial efficiency and promoted rationalization of these groups. For example, these proposals included the securitization of financial assets and real estate, leasing, debt defeasance, trust arrangements, and other financial techniques.

The Unit has developed and marketed tailor-made structured finance schemes not only in Japan, the U.S., and Europe but also in various regions around the world. By marketing these services and making full use of the know-how gained in Japan, it researches the special features of the legal, accounting, and tax frameworks in various countries and structures the optimal schemes for each region.

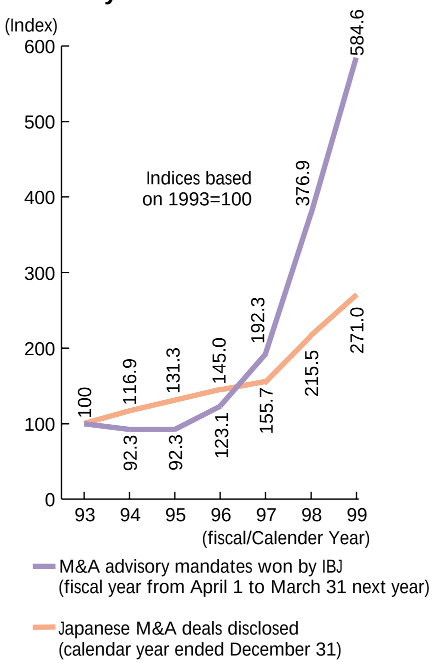
Financial Advisory Services

The Investment Banking Unit's professionals advise companies on strategic alliance opportunities with domestic and foreign companies, assists in M&A transactions, and propose share swap and transfer schemes to restructure group operations.

The Unit is particularly responsive to corporations seeking to broaden their global reach. Its comprehensive capabilities include providing legal and accounting support and investment research, identifying potential joint venture partners, assisting in negotiations, and formulating structured finance and other funding schemes. The Unit also helps companies attempting to downsize and exit unprofitable business segments by carefully structuring liquidation or disposals, and other techniques to assure minimal impact on the surviving core businesses.

Japanese corporations are now facing a bewildering range of restructuring options. The Unit helps senior management comprehend and exploit such concepts as enterprise value, holding company structures, share swaps and transfers, alliances, divestments, and acquisitions. It provides carefully tailored M&A advisory services based on long-term perspectives. These services draw on IBJ's decades-long relationships with numerous Japanese corporations, and benefit from the Bank's

● M&A Advisory Mandates Newly Won



Source: IBJ survey

● M&A Advisors Rankings by Value for Japanese-related Deals from January 1, 1999 to December 31, 1999

Advisor	in millions of U.S. dollars
Announced Deals Not Withdrawn	
Credit to Target & Acquisition Advisors	
Goldman, Sachs & Co.	$111,167.3
Merrill Lynch & Co. Inc.	105,068.0
Arthur Andersen	71,066.5
Salomon Smith Barney	16,883.8
Morgan Stanley Dean Witter	14,593.8
JP Morgan & Co. Inc.	9,318.4
IBJ	**5,720.2**
Deutsche Bank AG	4,297.4
CIBC World Markets	3,853.0
Nomura Group	3,445.0

Source: Thompson Corporation

● M&A Advisors Rankings by Value for Japanese-related Deals from January 1, 2000 to June 30, 2000

Advisor	in millions of U.S. dollars
Announced Deals Not Withdrawn	
Credit to Target & Acquisition Advisors	
Merrill Lynch & Co. Inc.	$15,623.7
Salomon Smith Barney	10,736.9
Deutsche Bank AG	6,974.8
IBJ	**5,931.9**
Goldman, Sachs & Co.	5,905.6
JP Morgan & Co. Inc.	5,176.6
Nikko Securities Co. Ltd.	5,103.7
KPMG	5,019.6
Nomura Group	4,987.0
Morgan Stanley Dean Witter	4,729.2

Source: Thompson Corporation

Operational Review

Investment Banking Unit

global M&A network, especially the expertise of The Bridgeford Group in the U.S. In providing M&A advice, the Unit's approach is to find the best solution for the customer taking full account of the cross-cultural dimension involved.

In the year under review, the Unit secured many M&A advisory mandates. It finished seventh in the league table for deals involving Japanese companies, in terms of value of deals, and fourth in terms of number of deals. A highlight of the year was the project for Japan Telecom Co., Ltd. in which AT&T Corp. and British Telecom plc jointly acquired significant equity stakes. The Unit also advised Fuji Heavy Industries Ltd., which was the subject of a major injection of new capital by General Motors Corporation.

Management buyouts (MBOs) have tremendous potential in Japan. In April 1999, IBJ formed 3i-Kogin Buyouts Ltd., in a joint venture with 3i Group plc, of the U.K. The new company acts principally as an investment adviser in connection with investments to be made together by 3i Group and a select number of limited partnerships. The prime goal is to help major Japanese groups successfully spin off divisions, subsidiaries, and affiliates. The Unit's activities include advising customers on the objectives and procedures of such buyouts, and are often made with the equity participation of 3i Group and the select number of partnerships.

Project Finance

Although project finance techniques have traditionally been applied in the fields of natural resources, energy and basic materials, the recent trend of global deregulation and privatization in the public sector has encouraged the active participation of private capital in such new fields as electric power, telecommunications, and transportation. In Japan, the potential for domestic project financing is also growing; most notably in the fields of electric power and environmental systems.

The Investment Banking Unit of IBJ, as Japan's leader of project finance, provides a variety of services ranging from project analysis to risk identification/control and documentation, and is an active participant from the initial stages of each project. The Unit has also earned an excellent reputation for devising innovative project schemes which are later adopted as de facto models by the marketplace.

The Unit was recently mandated as the financial advisor for a major LNG project in Malaysia, which is the largest international project to date for a Japanese bank to serve as sole advisor. Deals led by the Bank, such as the Shandong Zhonghua coal-fired power plant project in 1998 and the AES Drax coal-fired power plant project in 1999, were awarded the "Deal of the Year" from *Project Finance* magazine, evidencing the well earned reputation of the Bank in the field.

The Unit is exploring new opportunities for the application of its highly-valued project financing skills in such businesses fields as private finance initiatives (PFIs) and MBOs.

Principally based in New York, London, Tokyo and Hong Kong, the Unit has around 60 experts working to cover the Bank's project finance commitments worldwide and to establish it as a global leader in this emerging field.

● **Project Finance:**
Recent Projects with Major IBJ Involvement

■ **Power Generation**

AES Drax Power Plant (U.K.):
"1999 Overall European Deal of the Year" *(Project Finance)*
"1999 European Project Finance Loan of the Year" *(IFR)*
Shandong Zhonghua Power Plant (China):
"1998 Power Deal of the Year" *(Project Finance)*
AES Barry Power Plant (U.K.):
"1997 Power Deal of the Year" *(Project Finance)*

■ **Petrochemicals & Manufactured Products**

Saudi Petrochemical ("Sadaf") (Saudi Arabia)
Q-Chem (Qatar):
"1999 Industrial Deal of the Year" *(Project Finance International)*
"1999 Middle East Petrochemical Deal of the Year" *(Project Finance)*
Eastern Petrochemical ("Sharq") (Saudi Arabia)
Al-Jubail Petrochemical ("Kemya") (Saudi Arabia)
Ibn Rushd Petrochemical (Saudi Arabia)
BST Elastomers (Thailand)

■ **Resources & Energy**

Bontang LNG Reliability Enhancement ("BLRE") (Indonesia)
Premier Transco Gas Pipeline (U.K.)
Minera Los Pelambres Copper Mining (Chile)

Norio Nakajima
Managing Director
Head of Treasury Unit

Operational Review

Treasury Unit

Effective Asset Liability Management and quick response to customers' needs

"The Treasury Unit is responsible for IBJ's ALM operations including the investment portfolio management, and sales and trading mainly related to our activities to provide derivative products to our customers. Since the adoption of the business unit structure, we have concentrated on the objectives below and have made significant progress in each area.

1) Reinforce our risk management ability to effectively manage interest rate risk inherent in our balance sheet.

2) Analyze market trends in a more global perspective in order to adequately allocate risk and enhance our return

3) Expand our product base to provide a wider spectrum of hedging alternatives to our customers

During the year under review, long-term domestic interest rates showed a gradual upward trend despite the initial weakening while U.S. interest rates rose substantially as a result of the Federal Reserve Bank's discount rate hike totaling 125 basis points. Despite this generally severe business environment, the Unit has been able to report steady earnings by appropriate risk management.

In our ALM operations, five-year bank debentures, which are issued on a monthly basis, continues to be our stable source of funding. Despite the fact that the Japanese Government and various city banks started to issue five-year bonds, we have not seen any negative effect on our pricing or sales. Due to the high marketability supported by the profound liquidity in the market and credibility among our long standing investors, we are confident that our debentures will maintain their preeminent position in the market.

We will continue our efforts to enhance our earning base by prudent attention to risk management and also adequate allocation of risk where we can expect higher return.

In the area of sales and trading, we have focused on the development of non-interest-rate-related derivative products as well as interest-rate-related derivative products in order to meet the increasingly diverse and complex hedging needs of our customers. For example, we have developed commodity derivatives based on coffee, petroleum and others, weather derivatives structured to hedge the risk associated with change in weather, and credit derivatives aimed to hedge credit exposure.

Among such products the weather derivatives are the first products of its kind to be launched in Japan and we jointly developed these with IBJ-DL Financial Technology Co., Ltd., the joint venture specializing in financial technology.

Our unit is fully committed to reinforcing its derivatives-related business and will continue its effort to create and develop new products which well satisfy our customers' diverse demands. Also in the area of trading activities we aim to enhance the profitability of our proprietary trading especially focusing on a "relative value approach", capturing arbitrage opportunities between theoretical prices and actual market prices.

In addition we are confident that consolidation of the three banks will eventually render the Mizuho Financial Group the premier position in the derivatives business. Our strategy is to combine the innovative skills and technology possessed by the three banks respectively, and become the leading Japanese house in yen-based derivative products.

With the revolution of Internet based e-commerce, it is expected that forex, interest rate, bond and other product dealing and trading will migrate onto the web. We are preparing to cope with this major change in the business environment and to offer appropriate business models to our customers."

Operational Review

Treasury Unit

The Treasury Unit's operation encompasses yen and foreign currency ALM, investment portfolio management and sales and trading-related foreign exchange, derivatives and other marketable securities.

IBJ's risk management policy, including risk limits, is determined by the Board of Directors, the Executive Committee and its sub-committee ALM Committee. Risk limits are established within the risk capital allocated to the Unit, utilizing the VaR measurement methodology. In order to optimize its asset and liability structure and enhance the earning base, the Unit effectively assigns such risk limits among the respective functions within the Unit. VaR is a statistical vehicle for identifying the maximum potential losses from adverse market movements.

Banking Business

IBJ's banking operation's strategy is to optimize its asset and liability profile on a global perspective by closely monitoring the trend in the international financial market. In this light the Unit dynamically shifts its investment percentile in bonds of different countries.

The objective of ALM operations is to optimize the interest rate risk exposure inherent in the balance sheet and maximize earnings. The Unit dynamically hedges the risk associated with its assets and liabilities, utilizing swaps and futures.

In particular, the Bank's yen-denominated ALM is distinguished by the fact that it focuses on controlling the risk associated with long-term interest rates. This is because the Bank issues five-year debentures on a monthly basis and extends loans based on the long-term prime rate which links to interest return of five-year debentures.

Bank Debentures

Bank debentures are IBJ's primary source of funding. By issuing five-year debentures, the Bank is able to manage its long-term interest rate risk arising from its assets and liabilities.

The Bank dominates Japan's ¥60 trillion debenture market, accounting for around one-third of issues. Its five-year debentures consistently attract investors' demand due to the liquidity in the market. The Bank's success in this market arises from its solid sales network established over the many years' covering both institutional and individual investors nationwide.

In the year under review, the Bank increased its direct placement of five-year debentures to institutional investors by ¥360 billion, bringing the balance of total IBJ debentures to around ¥20 trillion at March 31, 2000.

In October 1999, the city banks were permitted to issue corporate bonds. And since February 2000, the Government has started issuing five-year interest-bearing Japanese Government Bonds. Despite this new competition for investor funds, the Bank is confident that the effect on its fund-raising activities will be minimal on account of the established position in the market with the outstanding distribution channels and the large lot liquidity available.

The Bank expects that its long experience in the issue of bank debentures will make a contribution to the funding of the Mizuho Financial Group.

For derivative transactions significant change in accounting requirements took place this year. In principle derivatives must be booked at fair value unless hedge accounting applies. If a derivative is utilized to hedge the exposure related to the on-balance sheet instruments such as loans and debentures, the entitiy is allowed to apply hedge accounting which permits the deferral of income and loss on derivative transactions subject to certain conditions. In response to this accounting change the Bank established its hedge accounting policy which requires derivatives to be linked to the related assets or liabilities when the derivative is designated as a hedge.

The Unit is also working on Bank of Japan's RTGS, real-time gross settlement system, which will be introduced shortly.

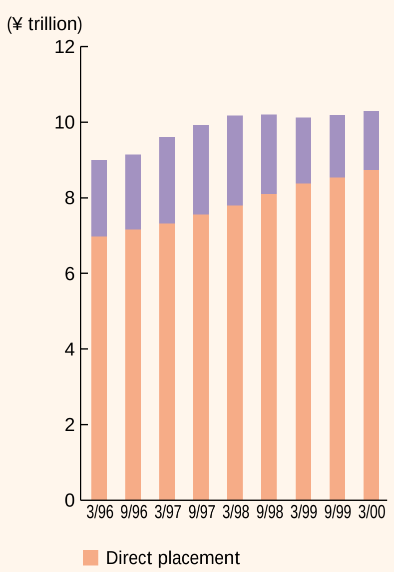
Trading Business

The Treasury Unit takes advantage of IBJ's network covering Tokyo, London, New York, and Singapore to offer a broad range of products tailored to customers' specific needs. The Unit develops customized products. These include not only interest-rates-related derivatives such as swaps and options, but also non-interest-rates-related derivatives to hedge risks of commodity, weather and credit. The Unit also emphasizes proprietary trading, especially a relative value approach, yield spread strategies and basis trading in the bond and swap markets.

The Bank is a major player in foreign exchange markets, making markets around the clock and winning a preeminent position in dollar-yen trading. For customers, the Unit operates a night desk to provide after-hours trading services, and offers a host of other services via the Bank's global network.

The Unit anticipates major business opportunities to arise from deregulation and change in market infrastructure. To exploit these opportunities, the Unit will continue to expand its trading business.

● **Trends in IBJ's Five-Year Debenture Issues**



Operational Review

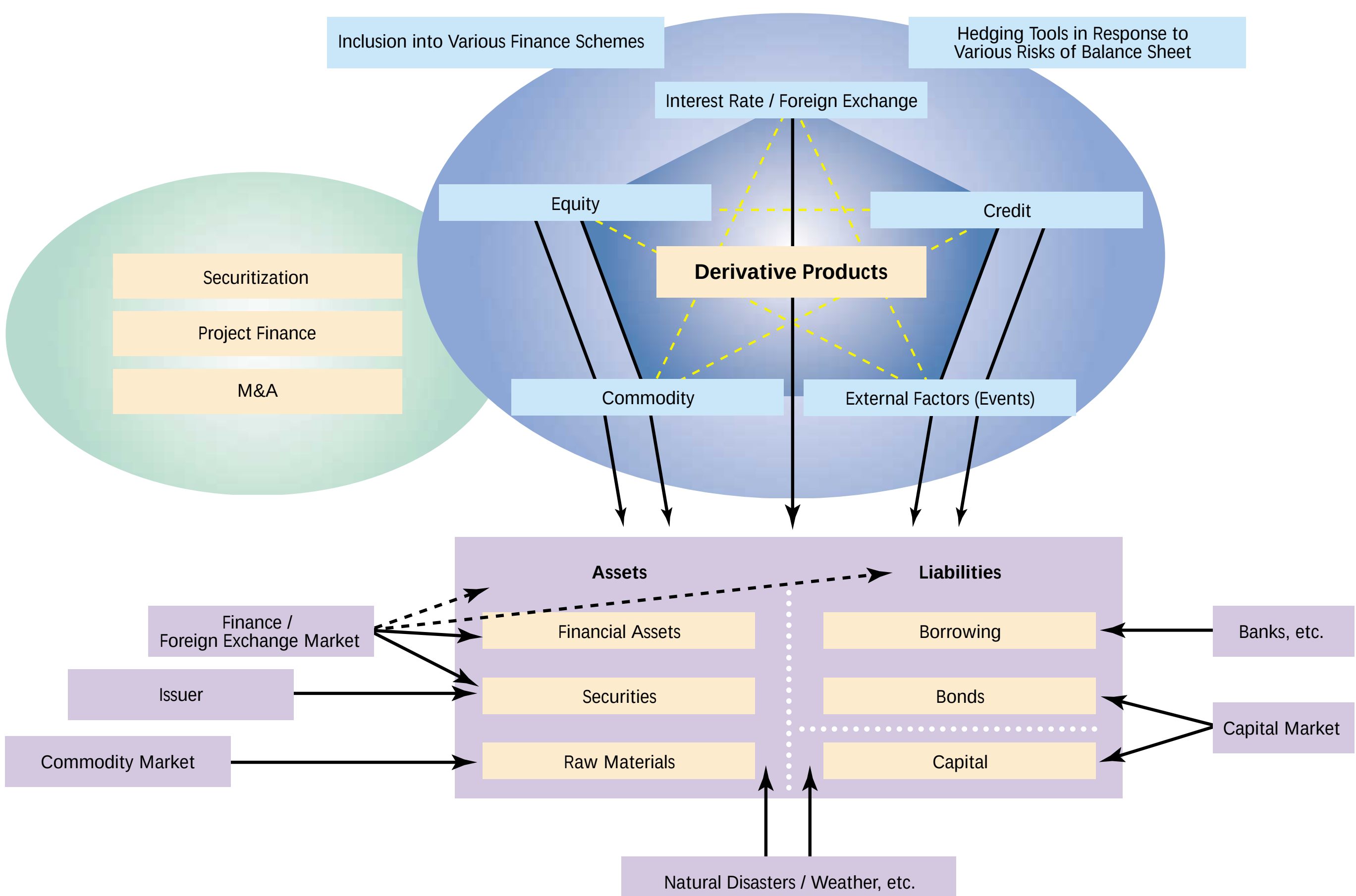
Treasury Unit

Derivatives

The Treasury Unit has responded decisively to the growing needs among corporations to better manage the various risks in their balance sheets. The main risks are the fluctuation of interest rates, foreign exchange rates, equity prices, commodity prices, credit of counterparties, and occurrence of loss caused by unseasonable weather, natural disasters and other external events.

The Bank helps companies control these risks by closely analyzing the risks inherent in their balance sheets, earnings, cash flow, and consolidated accounting structures. The Unit uses this information to tailor risk-hedging schemes that reflect customers' market approaches and risk tolerances drawing on a broad range of derivatives that best suit customers. These activities benefit from proprietary financial analysis software that allows the Unit to provide timely, comprehensive advice and formulate hedge schemes. Specialized teams concentrate on advanced risk-hedging techniques for equity, commodity, credit risks and event risks. IBJ was the first bank in Japan to enter the derivatives contract market to offset weather risks, for example.

● Corporate Balance Sheets and Derivative Transactions



Hiroshi Suzuki
Managing Director
Member of the
Board of Directors
Head of Securities &
Asset Management

Operational Review

Securities & Asset Management Unit

Structuring the leading group among Japanese banks in the securities business

"The Securities & Asset Management Unit covers a wide range of business activities including securities business, asset management and administration business including custody, venture capital business and financial technology products. Our Unit comprises approximately 20 IBJ subsidiaries and three specialized departments to provide sophisticated financial products and services for our customers. Transactions conducted by our Unit's member subsidiaries cover two cases; one where the Bank cannot conduct transactions due to legal restrictions and the other where the Bank can conduct the business but has subsidiaries perform the function for its speciality, efficiency or risk reasons. The business of the Unit is the mainstream of the Bank, whatever the pertinent transaction may be.

During the year under review, the performance of our Unit was extremely favorable being supported by much higher profits in custody business and dividends from group subsidiaries including IBJ Securities Co., Ltd. Results of these subsidiaries were well ahead of prospects. In the current financial year business will grow favorably. Another event worthy mentioning is the start of the business cooperation with The Nomura Securities Co., Ltd. and The Dai-ichi Mutual Life Insurance Company, which will further strengthen the Unit's market position.

In line with the impact of Japan's Big Bang financial reforms, the Japanese business environment for securities, asset management and administration services is radically changing and the Unit has three factors uppermost in its mind:

1) The pension fund market in particular is going through its current restructuring process and equity commission rates have been deregulated. To respond to such historical changes in our business environment, we must establish independent management systems in each Unit's related subsidiary.
2) Emphasis on quality earnings throughout our Unit in order to make the maximum contribution to the Mizuho Financial Group ("MHFG").
3) Careful control of the risk profiles of all our Unit's member subsidiaries.The priority target of our Unit in the current financial year is the consolidation of its member subsidiaries in the areas of securities, asset management and administration with those of its partners in MHFG. On October 1, 2000, DKB Securities Co., Ltd., Fuji Securities Co., Ltd. and IBJ Securities Co., Ltd. will merge to form the wholesale securities company to be named Mizuho Securities Co., Ltd. At the same time, The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd. will merge with IBJ Trust and Banking Co., Ltd. to form Mizuho Trust & Banking Co., Ltd., which will specialize in asset management and custody business.

The securities company subsidiaries of the three parent banks in London, Zurich and New York have also been preparing to consolidate their operations. Similarly, trust bank subsidiaries in Luxembourg and New York are in a process of consolidation. The local consolidation of these subsidiaries will result in a better operational network for Mizuho Securities and Mizuho Trust & Banking. Another important target is the eventual consolidation of the investment banking sections of the three banks with Mizuho Securities. MHFG is planning to establish a joint venture brokerage house specialized in Internet transactions to start operation by the end of 2000. Also, MHFG is exploring the possibility of forming joint venture with several life insurance companies to handle Japanese-style 401(k) employee education and communication business. Also, MHFG is considering forming a new trust bank in collaboration with certain life insurance companies to specifically engage in the master trust business.

The securities and investment banking business of MHFG will be reorganised around Mizuho Securities as a core vehicle along with the overseas securities subsidiaries as well as the domestic securities companies within MHFG and the Internet-based brokerage house which is to be established. Mizuho Securities will endeavor to offer its customers comprehensive financial services of the highest quality."

Operational Review

Securities & Asset Management Unit

Through IBJ's subsidiaries and affiliates in Japan and overseas, the Securities & Asset Management Unit provides sophisticated securities and asset management services including custody. In October 1999, the Unit began offering a full equities service after a deregulation permitted the securities subsidiaries of banks to enter this area. Continuing Japan's Big Bang financial reforms are expected to create more opportunities for the Unit, including the asset management of Japanese-style 401(k) defined contribution pension plans to be introduced early next year.

Securities

The Unit's domestic securities business is handled by IBJ Securities Co., Ltd., a wholly owned subsidiary of IBJ established in 1993. IBJ Securities specializes in the wholesale securities business such as underwriting and brokerage of bonds and equities. In March 2000, the Bank expanded the subsidiary's capabilities by increasing its capital by ¥30 billion.

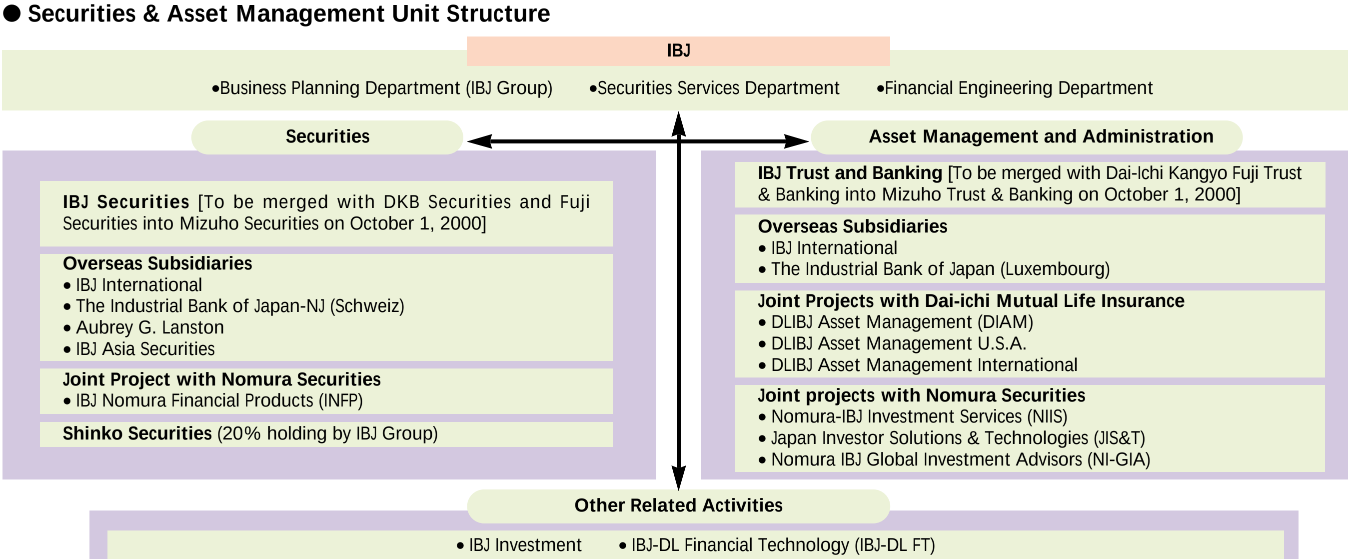
In the year under review, IBJ Securities lead-managed 38 domestic straight bond issues, accounting for an 8.8% share of the market as lead manager and 7.4% as underwriter. These results ranked IBJ Securities just behind Japan's Big Three securities houses. It also did very well domestically in convertible bonds and public offerings. The Unit also works with IBJ's overseas subsidiaries to issue bonds in various markets outside Japan.

IBJ Securities advises companies extensively on their financial strategies and assists growing companies in their IPOs. IBJ Securities has built a solid position in the asset-backed securities market by identifying the growing needs among corporate customers for asset securitization to slim their balance sheets and responding quickly to them.

In bond sales and trading, IBJ Securities is a major presence in the placement market. In the year under review, it successfully bid for 6.6% of Japanese Government Bonds put up for tender, ranking it third in the securities industry. Its offerings for the institutional investor market cover the full spectrum, from public bonds, corporate bonds and debentures to foreign bonds, investment trusts, commodity funds, and securitization products. Working with the Bank's overseas subsidiaries, IBJ Securities offers medium-term notes and credit-linked bonds. It also engages in brokerage for bond futures, as well as bonds combined with swaps, options, and other derivatives.

IBJ Securities now offers a broad range of equity products and services. These include underwriting and trading equities, convertible bonds, and bonds with warrants, and dealing in equities futures and options. It has won a high reputation for the quality and depth of its research and continues to build a menu of highly reliable, top-quality securities services that combine research and sales components.

● Securities & Asset Management Unit Structure



The IBJ Group is actively engaged in the securities business on a global basis through subsidiaries in London, New York, and other major financial centers. IBJ International plc in London and The Industrial Bank of Japan-NJ (Schweiz) Limited in Zurich are particularly active in underwriting overseas bond issues and arranging medium-term note issues by Japanese-affiliated corporations. These and other overseas subsidiaries work closely with IBJ Securities to ensure that customers receive quality services.

● **Lead Manager League Table for Straight Bond Issues in Japan for the Year Ended March 31, 2000**

(¥ million, %)

Ranking	Underwriter	Number of Issues	Value of Issues as Lead Manager	Share
1	Nomura Securities	101	1,880,921	24.28
2	Daiwa Securities SBCM	76	1,379,021	17.80
3	Nikko Salomon Smith Barney	54	844,182	10.90
4	Tokyo-Mitsubishi Securities	46	754,785	9.74
5	**IBJ Securities**	**38**	**681,295**	**8.79**
6	Sakura Securities	26	495,560	6.40
7	Sanwa Securities	30	381,856	4.93
8	DKB Securities	24	261,500	3.38
9	Fuji Securities	24	242,368	3.13
10	Morgan Stanley Dean Witter	10	157,614	2.03

Source: THOMSON DealWatch QUICK Screen

● **Lead Manager League Table by Value of ABS Issues by Public Subscription in Japan for the Year Ended March 31, 2000**

(¥ million, %)

Ranking	Underwriter	Number of Issues	Value of Issues as Lead Manager	Share
1	**IBJ Securities**	**12**	**198,250**	**32.49**
2	Daiwa Securities SBCM	11	148,750	24.38
3	DKB Securities	8	131,500	21.55
4	BNP Paribas Securities	1	41,000	6.72
5	Goldman Sachs Securities	1	30,000	4.92

Source: THOMSON DealWatch QUICK Screen

● **Financial Results of IBJ Securities**

(¥ million)

For the Fiscal Year	1999	1998
Operating Revenue	¥ 21,455	¥ 22,805
Income before Income Taxes and Others	7,860	10,175
Net Income	4,486	5,310
At March 31	2000	1999
Shareholders' Equity	65,000	50,000
Total Assets	3,988,752	3,274,479

Other securities operations include IBJ Nomura Financial Products plc which offers innovative financial products including derivatives.

The IBJ Group also has a 20% equity stake in Shinko Securities Co., Ltd., Japan's fourth-largest securities house. Shinko Securities is the result of the merger between New Japan Securities Co., Ltd., and Wako Securities Co., Ltd in April 2000.

On October 1, 2000, IBJ Securities will merge with DKB Securities Co., Ltd. and Fuji Securities Co., Ltd. to form Mizuho Securities Co., Ltd. This new operation will combine domestic securities wholesaling and investment banking services.

Asset Management and Administration

In October 1998, IBJ formed a comprehensive alliance with The Dai-ichi Mutual Life Insurance Company ("Dai-ichi") in order to build a solid presence in a wide range of business areas such as asset management business. Since then, both partners have engaged in the cross-marketing of investment trusts, worked together in syndicated finance, and jointly developed real estate securitization offerings.

In October 1999, the two partners further solidified ties by merging three companies IBJ NW Asset Management Co., Ltd., IBJ Investment Trust Management Co., Ltd., and Dai-ichi Life Asset Management Co., Ltd. to form DLIBJ Asset Management Co., Ltd. (DIAM). DIAM brings together the impressive asset management know-how and human resources of IBJ and Dai-ichi. Its aim is to become a globally competitive asset management company, offering quality products and services.

To complement DIAM's activities and serve growing domestic interest in global investments, two new wholly owned DIAM subsidiaries were formed. These are DLIBJ Asset Management International Ltd. in London and DLIBJ Asset Management U.S.A., Inc. in New York.

IBJ has a 50% stake in Nomura IBJ Global Investment Advisors, Inc. (NI-GIA), an asset management advisory company, which started joint operation in June 1999. Gathering information on around 20,000 investment funds around the world, NI-GIA combines this data with state-of-the-art financial technology to evaluate and select funds, allocate customers' assets to form fund of funds, and monitor fund performance.

Operational Review

Securities & Asset Management Unit

Nomura-IBJ Investment Services Co., Ltd. (NIIS), established in December 1998, offers pension fund consulting services. This joint venture is building an infrastructure in anticipation of the introduction of Japanese-style 401(k) defined contribution pension plans to the Japanese market. Japan Investor Solutions & Technologies Co., Ltd. (JIS&T), established in August 1999, is a venture with many other financial institutions that specializes in the complex record-keeping services of such plans.

Another key operation is IBJ Trust and Banking Co., Ltd., a wholly owned subsidiary established in October 1995. This subsidiary provides trust services for money claims such as loan claims, for securities such as Japanese Government Bonds, bank debentures, equities, and other marketable securities, and for investment trusts, and money trusts for specified investment and others. It also provides clerical services for SPCs relating to securitization products both for fund raises and the investments of funds.

IBJ Trust and Banking's business has expanded strongly amid growing interest among Japanese investors in securities investment trust-type financial instruments. As of March 31, 2000, securities investment trust assets under management totaled ¥4,414.1 billion, the leading result for a bank-owned trust bank. IBJ Trust and Banking continues to reinforce its position as the top domestic player in the securities trust business, with particular expertise in bond repo trusts.

On October 1, 2000, IBJ Trust and Banking will merge with Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd., to form Mizuho Trust & Banking Co., Ltd.

The Mizuho Financial Group has agreed to form an alliance with four closely related life insurance companies: Asahi Mutual Life Insurance Co., The Dai-ichi Mutual Life Insurance Company, Fukoku Mutual Life Insurance Company , and The Yasuda Mutual Life Insurance Company. The alliance will entail forming a trust bank to specialize in custodial services, including the provision of Japanese-style master trust services. The objective is to position the new trust bank as the leading custodian for pension assets and other types of customer assets.

The IBJ Group provides a number of domestic and foreign financial institutions with a wide range of custody and clearing services. The custody assets IBJ manages total $140.7 billion, the fifteenth largest among the global custodians (as of May 1999: *Institutional Investor* magazine).

The Bank's major foreign customers include Euroclear and Clearstream, two of the prominent international central securities depositaries, and other foreign institutional investors to whom it offers accurate and reliable custody services through the custody system ISAAC. In addition to custody service, it also provides the customers with updates of Japanese securities and taxation-related legislations and regulations in a prompt manner.

For domestic customers investing in overseas market, the Bank provides custody services through Newton, a Windows-based global custody system. It also offers administrative services for privately placed offshore investment trusts.

● Results of IBJ Trust and Banking

(¥ million)

For the Fiscal Year	1999	1998
Operating Revenue	¥ 2,372	¥ 2,514
Income before Income Taxes and Others	770	1,097
Net Income	434	505
At March 31	2000	1999
Shareholders' Equity	15,000	15,000
(Capital Surplus)	(5,000)	(5,000)
Total Assets	99,144	71,657
Trust Assets	4,414,114	4,165,569

Venture Capital

In 1990, IBJ joined with 3i Group plc, Europe's largest venture capital company, to found IBJ Investment, Ltd. This joint venture has spearheaded the Bank's drive to become a leader in the Japanese venture capital business. IBJ Investment provides funding for, and itself invests in, promising small and medium-sized enterprises. It also provides these companies with comprehensive advice and assists in their IPOs. In recent years, IBJ Investment has focused on the information technology and health care sectors and other areas, which are set to become the engines of growth of the Japanese economy over the next decade.

Technological Innovation

Financial technology and systems development are crucial to providing advanced, high value-added products and services. IBJ therefore allocates considerable capital and human resources to both these areas.

Financial Technology

The centerpiece of our financial technology development efforts is IBJ-DL Financial Technology Co., Ltd. ("IBJ-DL FT"). This was originally a wholly owned subsidiary of the Bank, and became a joint venture with The Dai-ichi Mutual Life Insurance Company ("Dai-ichi") in April 1998.

IBJ-DL FT leads the IBJ Group's applied research and development efforts. Its work covers all the operations of the Bank and Dai-ichi, including banking, securities, investment management, insurance, and pension funds. This joint venture focuses on managing credit risks, market risks, and a combination of the two, as well as interest rate, currency, and equity derivatives. It also explores investment technology, structured finance, and actuarial techniques, including those for Japanese-style 401(k) defined contribution pension plans.

IBJ-DL FT takes full advantage of synergies with the Bank and Dai-ichi. For example, it has cooperated with NTT DATA CORPORATION to develop and package Credit Scope, an advanced credit risk evaluation and management tool. IBJ-DL FT has deployed this software within the IBJ Group. All Japan's regional banks have also decided to use the software.

Other achievements include a comprehensive interest rate risk model, a state-of-the-art, high-speed actuarial computation system, and a global asset management and allocation model. This joint venture has created a range of financial support systems and is working on Internet finance business applications. It is also developing derivatives models to cover market price and weather risks.

Systems Development

At IBJ, IT investment has concentrated on three core priorities in recent years. The first is to improve customer service capabilities. To that end, the Bank has created systems that support telephone banking and investment trust sales, as well as a system allowing the Bank's customers to deposit and withdraw funds through post office ATMs.

The second focus is to develop various risk management systems. The Bank is building new international operation support systems in foreign branches, and market and credit risk management systems which support the detailed quantification of market and credit risks. Also, the Bank is active in controlling system risks, which are inherent risks of the IT field itself—Y2K was a prime example.

The third priority is, in view of the greater emphasis on compliance, the prompt response to change in the regulatory environment. For instance, the Bank has developed systems that handle mark-to-market accounting standards and are compatible with the Bank of Japan's RTGS, real-time gross settlement system, which minimizes settlement risks.

In order to render the Bank's system development more efficient and flexible in its response, the bank reorganized its IT organizational structure into "federated structure". In other words, the system development function was transferred from an independent stand-alone department to the business promotion departments in each business unit. With the introduction of this structure, system development better meeting changes of the business environment quickly becomes possible.

Meanwhile, to promote teamwork among the business units and to ensure that IT resource allocation is consistent with the Bank's management policies, a Chief Information Officer (CIO), who is a managing director, oversees bank-wide information technology operations. The Information Technology Department supports the CIO and supply uniform IT measurements, new technological information and IT infrastructures.

Review of Operations

Solid Research Capabilities

Research

The Research Department focuses on economic developments in Japan and overseas, the financial and capital markets, government policies, and trends among financial institutions. It provides both macroeconomic and microeconomic analysis in its reports. IBJ has won high regard among its customers for providing timely, practical analysis. An excellent example is our semiannual survey of capital investment plans, which has the widest coverage in the private sector in Japan and is frequently employed as primary data for economic forecasts.

Industrial Research

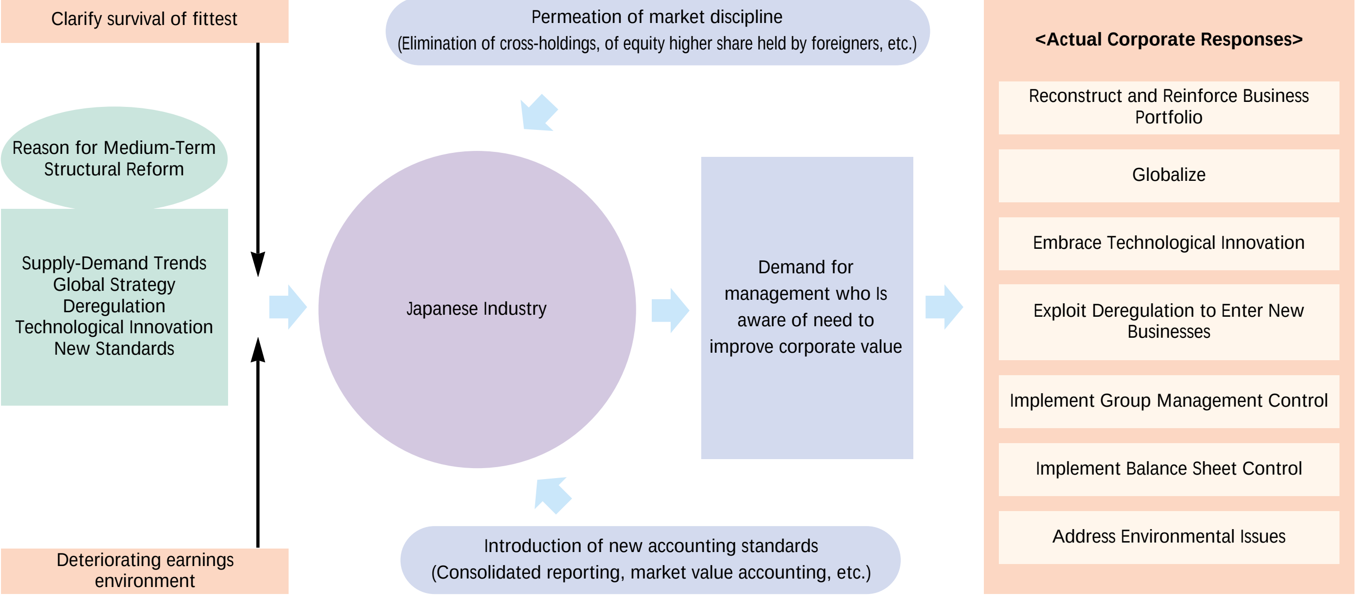
Through industrial research, IBJ identifies trends in major industries and companies, formulates business proposals for specific customers, and provides high value-added, tailor-made services. Japanese industry is changing amid global production oversupply and the technological revolution. At the corporate governance level, it is becoming crucial for management to ensure operating transparency, introduce new accounting standards, and endeavor to enhance enterprise value. The Industrial Research Department, which belongs to the Corporate Banking Unit, works from a long-term global perspective to identify issues currently facing each industry and the future directions of development and offer specific solutions and policies that contribute to industrial restructuring. The Department issues research reports for use by customers and these publications have won wide acclaim.

The Department draws on the broad network it has built through its research activities to advise customers on specific and timely ways to formulate business strategies, restructure their business portfolios, and analyze enterprise value. The Department also participates in projects by providing support for private finance initiatives (PFIs) and securitization of real estate.

● IBJ Major Publications

Name of Publication	Frequency	Description of Content
In English *Outlook for the Japanese Economy*	Quarterly	IBJ's forecast for the Japanese economy for approximately the next one-year period.
IBJ Industry Research	Annually	IBJ's special report on trends and outlook in Japanese major industries.
In Japanese *Kogin Chosa*	Occasionally	IBJ's industrial report. Each issue focuses on a specific industry.

● Demand for Management Who Is Aware of Need to Improve Corporate Value



Corporate Citizenship

IBJ and its employees contribute actively to the community in Japan and abroad, promoting economic and social progress through banking operations, philanthropic programs, and grass-roots activities.

Domestic

Kawakami Memorial Foundation

IBJ established this foundation in 1957. It assists young engineering and legal researchers, awards prizes for essays on law and economics, and provides foreign students with scholarships at Japanese educational institutions. The foundation has provided a total of ¥766 million in assistance over the years.

Koeikai

IBJ started this foundation in December 1954 to commemorate its 50th anniversary. Over the years, it has awarded scholarships to 652 people for their contributions to society.

Disaster Assistance

In October 1999, executives and employees from IBJ, The Dai-Ichi Kangyo Bank, Limited, and The Fuji Bank, Limited, donated ¥11 million to the Japan Red Cross Society to aid the victims of Turkish earthquake. One month later, they collected donations for victims of the Taiwan earthquake.

One scene of IBJ USA Cares Day

Overseas

IBJ Foundation

IBJ established the IBJ Foundation in December 1989, the first corporate foundation created by a Japanese bank in the U.S. The Foundation makes charitable donations to U.S. not-for-profit organizations, including community and housing development organizations, museums and educational programs. In 1999, the Foundation made $470,500 in grants to 37 organizations, bringing the cumulative total over ten years to $5 million. The Foundation has an endowment of $12.5 million.

In September 1999, the Bank held the third annual IBJ USA Cares Day, bringing together employees and family members in a day of community service in six cities around the U.S. The IBJ volunteers arranged for local museums to host 100 disadvantaged children for a day of educational and recreational activities.

Activities in Overseas Offices

At the Bangkok Branch, IBJ released sea turtles, donated goods including old clothes to an elementary school and planted the young trees.

At the offices in China, the Bank is supporting underprivileged children and the construction of schools. Also, at the offices in Indonesia, the Bank is supporting such activities as the local distribution of rice as a part of relief activities to local poverty regions.

These activities are carried out with the contribution from the Bank's employees.

Environmental Initiatives

IBJ has done much in recent years to respond to growing global concern for the environment. The Bank maintains a range of in-house programs to recycle and save energy. It also assesses the environmental contributions of potential borrowers and offers advice on ways for local governments and companies to be more environmentally friendly.

Internal Initiatives

IBJ extensively uses recycled paper and buys remanufactured toner cartridges. The Bank reuses its uniforms and carefully separates all waste to aid recycling. Just as important, the Bank has instituted a program to reduce water and power consumption – it has cut such consumption per employee by almost 10% over the past two years.

External Activities

Credit Approval Standards

IBJ aims to meet customer requirements while endeavoring to address the public interest in terms of environmental problems and thereby reducing credit risk. The Bank uses an internal credit rating system to evaluate credit to each customer. This system also considers how that customer tackles environmental issues.

When providing funds for projects with clear objectives, the Bank evaluates the environmental impact of such funding and reflects such information in its credit assessments and lending terms.

Kyoto Mechanism

The Industrial Research Department of the Bank and IBJ-DL Financial Technology Co., Ltd. evaluate the environmental risks that customers face and provide research and advice on how to manage these issues in line with the Kyoto Mechanisms which includes emissions reduction, and emissions trading schemes.

Advisory Services

IBJ joined forces with EX CORPORATION to offer project consultation and financial advisory services for local governments and companies launching privately financed waste disposal businesses. The Bank, together with EX CORPORATION, jointly markets these services.

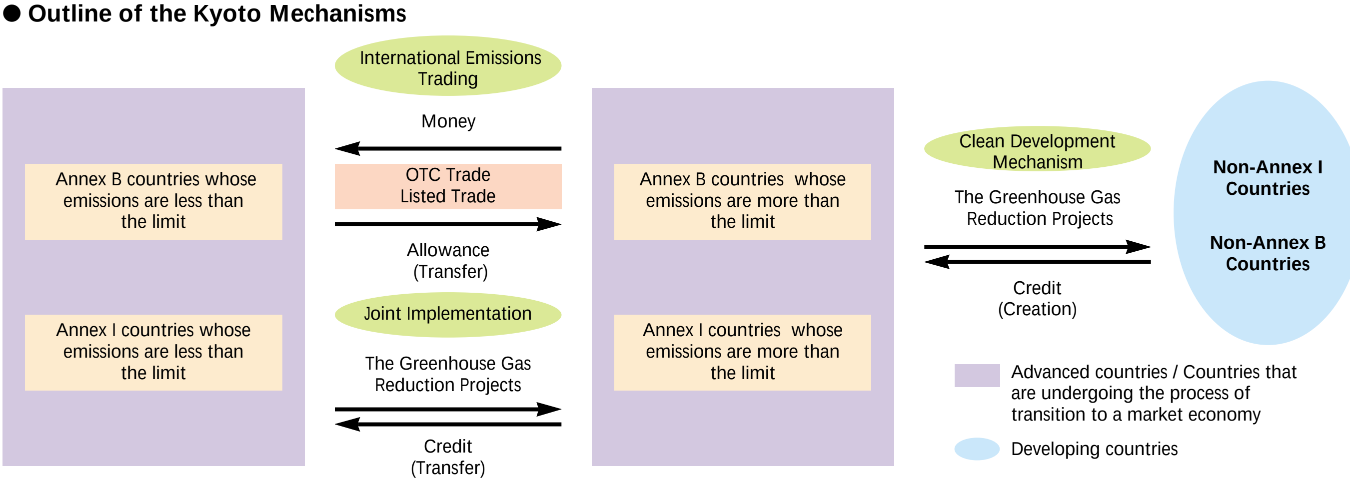
Private sector technology, expertise, and funding could potentially help waste treatment operations in constructing and managing disposal and recycling facilities. The Bank leverages its years of expertise to provide funding and a comprehensive range of services for local government bodies and private sector operators engaged in waste treatment.

● Trend of IBJ's Energy Consumption

	Fiscal 1999	Fiscal 1998	Fiscal 1997
Expended for light, heat, water (¥ million)	1,724	1,869	2,109
Per employee (¥ thousand)	346	348	380

Note: Number of employees is an average number in each fiscal year.

● Outline of the Kyoto Mechanisms



Source: Industrial Bank of Japan, Industrial Research Department

Corporate Information

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THE INDUSTRIAL BANK OF JAPAN, LIMITED

The Senior Management and Auditors

Yoshiyuki Fujisawa
Chairman
of the Board of Directors

Masao Nishimura
President
and Chief Executive Officer

Yozo Okumoto
Deputy President

Kisaburo Ikeda
Deputy President

Shoji Noguchi
Managing Director
Member of the Board
of Directors
**In charge of Americas*

Masatake Yashiro
Managing Director
**In charge of Asia and Oceania*

Hiroki Yamada
Managing Director
**In charge of Europe and the Middle East*

■ ***Chairman of the Board of Directors***
Yoshiyuki Fujisawa

■ ***President and Chief Executive Officer***
Masao Nishimura

■ ***Deputy Presidents***
Yozo Okumoto
Kisaburo Ikeda

■ ***Managing Directors Members of the Board of Directors***
Hiroshi Saito
Mitsunori Kanesaka
Shinji Kubo
Hiroshi Suzuki
Shoji Noguchi
Yuji Watanabe
Takashi Okamoto
Masayuki Yasuoka
Toshiaki Ohuchi
Ikuo Kaminishi
Takao Suzuki
Shizuhiro Yamauchi

■ ***Managing Directors***
Masatake Yashiro
Tsutomu Abe
Hiroki Yamada
Norio Nakajima
Makoto Kikkawa
Toyohiro Ozaki
Makoto Fukuda

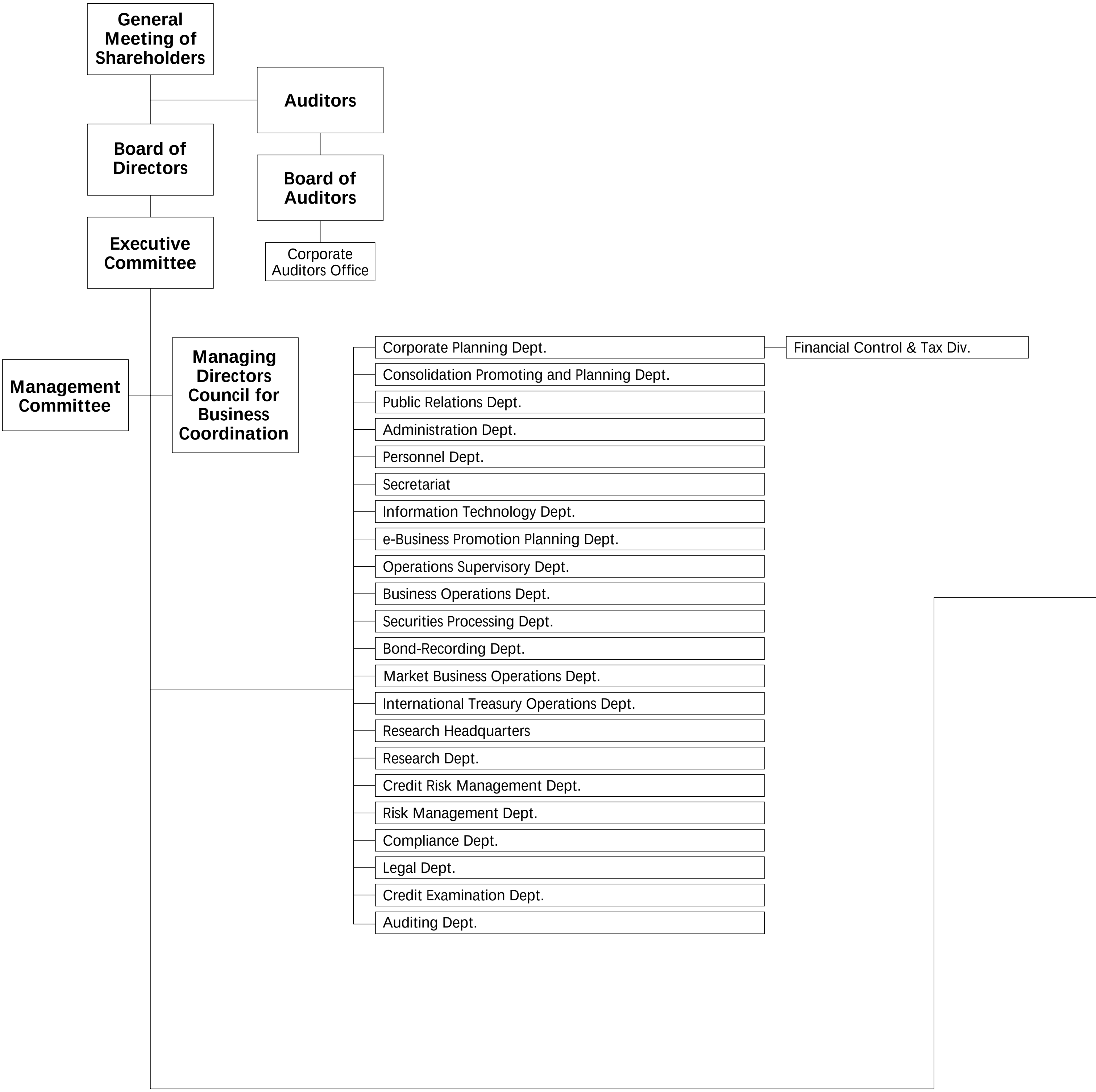
■ ***Directors***
Tsunehiro Nakayama
Mikio Nakura
Kiyoshige Akamatsu
Masatsugu Nagato
Shinichi Watanabe
Nobushige Imai

■ ***Auditors***
Standing Auditors
Yoshitada Shiratori
Shusai Nagai
Kunihiro Fukasawa
Masahiro Nozue

Auditors
Setsuo Umezawa
Kunihisa Hama

(As of June 28, 2000)

Organization Chart



- **Corporate Banking Unit**
  - Business Co-ordination Dept.
  - Syndicated Finance Dept.
  - Industrial Research Dept.
  - Private Banking Promotion Dept.
  - Employee Benefit Plan Business Promotion Dept.
  - Bank Debentures Dept.
  - Financial Institutions Dept. No.1~2
  - Corporate Banking Dept. No.1~11
  - Corporate Banking Dept. (Media & Telecommunication)
  - Loan Dept.
  - Securities Dept.
  - Securities Business Dept.
  - Network Business Promotion Dept.
  - International Dept.
    - Industrial Finance Seminar Div.
  - Americas Div.
  - China Dept.
  - Corporate Banking Dept. (International)
  - International Finance Dept.
  - International Loan Dept.
  - International Business Dept.
  - Tokyo Corporate Banking Dept.
  - Tokyo Corporate Banking Dept. No.1~4
  - Tokyo Finance Dept.
  - Osaka Branch
  - Osaka Corporate Banking Dept. No.1~3
  - Osaka Finance Dept.
  - Kansai Loan Dept.
  - Domestic Branches
  - New York Branch
    - Loan Production Office
  - Business Administration and Control Div. (Americas)
  - New York Corporate Finance Div. No.1~2
    - Loan Production Office
  - Overseas Branches
    - Loan Production Office
    - Marketing Office
  - Representative Offices
- **Treasury Unit**
  - Treasury Dept.
  - Derivatives and Fixed Income Dept.
  - International Treasury Dept.
    - Treasury Div.
    - London Div.
    - New York Div.
    - Singapore Div.
  - Forex Markets Dept.
- **Investment Banking Unit**
  - Investment Banking Headquarters
  - Structured Finance Dept.
    - Structured Finance Dept. (Americas Div.)
  - Investment Banking Dept. (M&A, F.D.I.)
  - Project Finance Dept.
    - Americas Div.
    - Hong Kong Div.
  - Private Equity Dept.
- **Securities & Asset Management Unit**
  - Business Planning Dept. (IBJ Group)
  - Securities Services Dept.
  - Financial Engineering Dept.

(As of July 25, 2000)

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EUROPE AND THE MIDDLE EAST

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* *As of August 1, 2000*
***As of September 1, 2000*

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▲ *P.T. Bumi Daya–IBJ Leasing*

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**As of September 1, 2000*

■ *Branches and Agencies*
▼ *Loan Production Offices*
● *Representative Offices*
▲ *Overseas Subsidiaries*
◆ *Overseas Affiliates*

All telephone numbers given are for telephone calls placed from outside the country.

(As of June 30, 2000)

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IBJ Securities Co., Ltd., DKB Securities Co., Ltd., and Fuji Securities Co., Ltd., will be merged on October 1, 2000. The name of the merged company shall be* ***Mizuho Securities Co.,Ltd.*

▲ IBJ Trust and Banking Co., Ltd.

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IBJ Trust and Banking Co., Ltd., and The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd. will be merged on October 1, 2000. The name of the merged company shall be* ***Mizuho Trust & Banking Co., Ltd.*

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★ *Head Office*
■ *Branches*
▲ *Subsidiaries*
♦ *Affiliates*

(As of June 30, 2000)

Financial Section

Contents

Six-Year Summary

(in millions of yen)

Statements of Income	Fiscal 1999*	Fiscal 1998*	Fiscal 1997*	Fiscal 1996*	Fiscal 1995*	Fiscal 1994*
Total Income	¥2,999,663	¥3,386,760	3,321,902	¥3,403,347	3,731,847	¥3,087,404
Total Expense	2,832,600	3,642,993	3,635,020	3,358,870	3,838,173	3,032,577
Income (Loss) before Income Taxes and Others	167,063	(256,232)	(313,118)	44,477	(106,325)	54,826
Net Income (Loss)	70,754	(181,276)	(202,660)	12,740	(63,551)	29,685

(in yen)

Per Share of Common Stock	Fiscal 1999	Fiscal 1998	Fiscal 1997	Fiscal 1996	Fiscal 1995	Fiscal 1994
Net Income (Loss)						
Basic	¥25.59	¥(70.64)	¥(79.80)	¥5.24	¥(27.02)	¥12.62
Diluted	23.15	n/a	n/a	n/a	n/a	n/a

(in millions of yen)

Balance Sheets	March 31, 2000	March 31, 1999	March 31, 1998	March 31, 1997	March 31, 1996	March 31, 1995
Total Assets	¥42,466,450	¥46,166,409	¥49,229,785	¥46,966,968	¥40,737,733	¥40,858,245
Cash and Due from Banks	652,704	806,910	553,203	2,318,157	2,987,739	3,951,856
Trading Assets	3,926,059	3,729,005	3,466,255	—	—	—
Trading Account Securities	—	—	—	943,457	537,932	726,995
Securities	7,580,782	8,942,151	8,847,249	6,808,045	6,686,872	6,351,897
Loans and Bills Discounted	22,779,689	23,327,907	24,001,429	25,518,440	24,267,385	23,808,552
Reserve for Possible Loan Losses	(920,029)	—	—	—	—	—
Total Liabilities	40,556,917	44,308,984	47,909,766	45,422,988	39,412,622	39,449,385
Debentures	20,471,200	20,461,865	20,840,941	22,137,519	21,470,815	21,658,109
Deposits	6,636,501	8,116,321	10,053,551	10,871,309	8,960,767	9,273,126
Trading Liabilities	1,361,118	2,854,950	2,286,959	—	—	—
Reserve for Possible Loan Losses	—	1,066,714	922,235	576,950	497,399	327,758
Acceptances and Guarantees	1,060,417	1,516,602	2,024,337	2,382,608	2,331,153	2,144,478
Total Shareholders' Equity	1,627,417	1,561,350	1,320,019	1,543,979	1,325,110	1,408,860

Risk-Based Capital Ratio	March 31, 2000	March 31, 1999	March 31, 1998	March 31, 1997	March 31, 1996	March 31, 1995
Risk-Based Capital Ratios (BIS Capital Ratio)	12.19%	11.34%	10.26%	9.04%	8.59%	8.82%

All figures are on a consolidated basis.

**Fiscal 1999, 1998, 1997, 1996, 1995 and 1994 represent the fiscal years ended March 31, 2000, 1999, 1998, 1997, 1996 and 1995, respectively.*

Management's Discussion and Analysis

The figures are shown on the consolidated basis, except for those which are specifically stated as "non-consolidated".

Summary for IBJ Group

For the year ended March 31, 2000 ("fiscal 1999"), Total Income for IBJ and its subsidiaries (the "IBJ Group") decreased by ¥387.0 billion to ¥2,999.6 billion. In contrast, Total Expense decreased by ¥810.3 billion to ¥2,832.6 billion. As a result, Income before Income Taxes and Others increased by ¥423.2 billion to ¥167.0 billion, and Net Income increased by ¥252.0 billion to ¥70.7 billion.

Retained Earnings at March 31, 2000 increased by ¥65.7 billion to ¥284.4 billion from a year ago.

Total Assets as of March 31, 2000, decreased by ¥3,699.9 billion to ¥42,466.4 billion due to a depreciation in the value of assets denominated in foreign currencies from a significantly stronger Japanese Yen and to the reclassification of a Reserve for Possible Loan Losses from the liability section to the asset section of the balance sheet at March 31, 2000.

Total Shareholders' Equity as of March 31, 2000, increased by ¥66.0 billion to ¥1,627.4 billion. Risk-Based Capital Ratio (BIS Capital Ratio) increased by 0.85% to 12.19%.

Consolidation Policy

From fiscal 1998, IBJ has employed the effective-control standard, replacing the percentage-of-ownership standard in the classification and identification of its subsidiaries and affiliates.

At March 31, 2000, the number of consolidated subsidiaries and the number of affiliates being accounted for under the equity method were 63 and 18, respectively.

Number of Consolidated Subsidiaries and Affiliates Being Accounted for under the Equity Method

	March 31, 2000 (a)	March 31, 1999 (b)	March 31, 1998	(a)−(b)
Consolidated Subsidiaries	63	67	42	(4)
Affiliates Being Accounted for under the Equity Method	18	14	0	4
Total	81	81	42	0

Income Analysis

Net Interest Income decreased by ¥54.6 billion to ¥247.1 billion due to a decrease in income from market operations. Net Fee & Commission Income decreased by ¥10.1 billion to ¥73.1 billion. Net Trading Income decreased by ¥2.3 billion to ¥51.6 billion. Net Other Operating Income decreased by ¥62.8 billion to a net loss of ¥3.5 billion due primarily to a decrease in Net Gains/Losses Related to Bonds. As a result, Gross Profits decreased by ¥129.9 billion to ¥368.3 billion. General and Administrative Expenses decreased by ¥30.5 billion to ¥192.2 billion due to the efforts to increase efficiency and to stronger Japanese Yen.

Income before Income Taxes and Others for fiscal 1999 amounted to ¥167.0 billion. Net Income, after Income Tax Expenses and Minority Interests in Net Income for fiscal 1999 increased by ¥252.0 billion to ¥70.7 billion. Basic Net Income per Share of Common Stock increased by ¥96.24 per share to ¥25.59 per share.

Summary of Statements of Income

(in billions of yen)

	Fiscal 1999 (a)	Fiscal 1998 (b)	Fiscal 1997	(a)−(b)
Gross Profits	¥368.3	¥498.2	¥435.6	¥(129.9)
Net Interest Income	247.1	301.8	290.0	(54.6)
Net Fee & Commission Income	73.1	83.2	103.1	(10.1)
Net Trading Income	51.6	53.9	1.0	(2.3)
Net Other Operating Income	(3.5)	59.2	41.5	(62.8)
General and Administrative Expenses	192.2	222.7	217.4	(30.5)
Expenses Relating to Portfolio Problems	227.3	871.7	n/a	(644.3)
Net Gains/Losses Related to Stocks and Other Securities	211.6	335.5	n/a	(123.9)
Equity in Earnings/Losses from Investment in Affiliates	2.1	(9.8)	n/a	11.9
Others	4.5	14.2	n/a	(9.6)
Income (Loss) before Income Taxes and Others	167.0	(256.2)	(313.1)	423.2
Income Tax Expenses (Benefits)				
Current	45.5	10.8	3.9	34.7
Deferred	37.9	(94.0)	(114.6)	132.0
Minority Interests in Net Income	12.7	8.3	0.1	4.4
Amortization of Consolidation Difference	—	—	0.1	—
Net Income (Loss)	¥ 70.7	¥(181.2)	¥(202.6)	¥252.0

Gross Profits

(in billions of yen)

Fiscal 1999

	Net Interest Income	Income	Expense	Net Fee & Commission Income	Income	Expense	Net Trading Income	Income	Expense	Net Other Operating Income	Income	Expense
Domestic	¥212.3	¥1,048.8	¥ 836.4	¥53.8	¥61.6	¥ 7.8	¥20.2	¥20.2	¥ —	¥(8.4)	¥ 983.3	¥ 991.8
Overseas	43.2	527.5	484.2	19.5	31.4	11.8	31.3	31.5	0.1	4.9	28.6	23.6
Elimination	(8.5)	(56.3)	(47.8)	(0.3)	(3.5)	(3.2)	—	(0.0)	(0.0)	—	(0.0)	(0.0)
Total	¥247.1	¥1,519.9	¥1,272.8	¥73.1	¥89.5	¥16.4	¥51.6	¥51.8	¥0.1	¥(3.5)	¥1,011.9	¥1,015.5

Notes: 1. “Domestic” includes IBJ excluding overseas branches, and domestic subsidiaries.
“Overseas” includes overseas branches of IBJ and overseas subsidiaries.
2. “Elimination” represents reversal of internal transactions between “Domestic” and “Overseas”.

Interest Income and Expense

(in billions of yen)

Fiscal 1999

Use of Funds	Average Balance	Interest	Interest Rate	Loans and Bills Discounted: Average Balance	Interest	Interest Rate	Securities: Average Balance	Interest	Interest Rate
Domestic	¥30,655.4	¥1,048.8	3.42%	¥20,175.6	¥407.3	2.01%	¥8,163.5	¥169.7	2.07%
Overseas	6,415.5	527.5	8.22	2,867.2	163.5	5.70	579.7	33.9	5.85
Elimination	(951.6)	(56.3)	—	(166.3)	(5.4)	—	(394.2)	(17.9)	—
Total	¥36,119.2	¥1,519.9	4.20%	¥22,876.6	¥565.5	2.47%	¥8,349.0	¥185.6	2.22%

Use of Funds	Call Loans and Bills Purchased: Average Balance	Interest	Interest Rate	Cash and Due from Banks: Average Balance	Interest	Interest Rate
Domestic	¥ 437.1	¥ 0.9	0.21%	¥235.0	¥10.3	4.40%
Overseas	2,122.8	188.3	8.87	709.7	28.9	4.07
Elimination	(0.1)	(0.0)	—	(327.4)	(12.5)	—
Total	¥2,559.9	¥189.2	7.39%	¥617.3	¥26.7	4.32%

Source of Funds	Average Balance	Interest	Interest Rate	Debentures: Average Balance	Interest	Interest Rate	Deposits: Average Balance	Interest	Interest Rate
Domestic	¥28,627.3	¥ 829.2	2.89%	¥19,813.4	¥276.1	1.39%	¥3,483.0	¥ 60.5	1.73%
Overseas	6,673.1	484.2	7.25	583.4	12.4	2.13	2,289.5	83.1	3.63
Elimination	(692.7)	(47.8)	—	(7.0)	(0.3)	—	(324.5)	(12.5)	—
Total	¥34,607.7	¥1,265.6	3.65%	¥20,389.8	¥288.2	1.41%	¥5,448.0	¥131.1	2.40%

Source of Funds	Certificates of Deposit: Average Balance	Interest	Interest Rate	Borrowed Money: Average Balance	Interest	Interest Rate
Domestic	¥2,079.4	¥2.9	0.14%	¥1,245.5	¥45.8	3.68%
Overseas	135.4	6.7	4.95	273.1	2.9	1.07
Elimination	—	—	—	(299.3)	(14.9)	—
Total	¥2,214.8	¥9.6	0.43%	¥1,219.3	¥33.8	2.77%

Source of Funds	Commercial Paper: Average Balance	Interest	Interest Rate	Call Money and Bills Sold: Average Balance	Interest	Interest Rate
Domestic	¥162.6	¥0.2	0.17%	¥1,179.2	¥ 2.7	0.23%
Overseas	—	—	—	3,318.0	239.6	7.22
Elimination	—	—	—	(0.1)	(0.0)	—
Total	¥162.6	¥0.2	0.17%	¥4,497.1	¥242.4	5.39%

Notes: 1. IBJ calculates average balances on a daily basis. Subsidiaries calculate average balances annually.
2. Amounts in this table are stated after subtracting the average balance for non-interest-baring deposits for Use of Funds, and the average balance for Money Held in Trust and related interest for Source of Funds.
3. “Domestic” includes IBJ excluding overseas branches, and domestic subsidiaries.
“Overseas” includes overseas branches of IBJ and overseas subsidiaries.
4. “Elimination” represents reversal of internal transactions between “Domestic” and “Overseas”.

Fee & Commission Income and Expense

(in billions of yen)

	Fiscal 1999						
	Fee & Commission Income					Fee & Commission Expense	
		Debentures Deposits & Loans	Exchange	Securities Related Transactions	Collateral Related Transactions		Exchange
Domestic	¥62.0	¥20.5	¥4.2	¥20.2	¥2.5	¥ 8.2	¥2.0
Overseas	31.7	12.6	1.0	3.7	3.2	12.1	0.0
Elimination	(4.2)	(0.0)	—	(0.2)	(0.4)	(3.9)	—
Total	¥89.5	¥33.1	¥5.2	¥23.7	¥5.4	¥16.4	¥2.0

Notes: 1. "Domestic" includes IBJ excluding overseas branches, and domestic subsidiaries.
"Overseas" includes overseas branches of IBJ and overseas subsidiaries.
2. "Elimination" represents reversal of internal transactions between "Domestic" and "Overseas".

Trading Income and Expense

(in billions of yen)

	Fiscal 1999									
	Trading Income					Trading Expense				
		Trading Securities and Derivatives	Securities Held to Hedge Trading Transactions	Derivatives for Trading Transactions	Other Trading Transactions		Trading Securities and Derivatives	Securities Held to Hedge Trading Transactions	Derivatives for Trading Transactions	Other Trading Transactions
Domestic	¥20.2	¥10.9	¥0.0	¥ 8.6	¥0.6	¥ —	¥ —	¥ —	¥ —	¥ —
Overseas	31.5	14.4	—	16.4	0.6	0.1	—	0.1	—	—
Elimination	(0.0)	—	(0.0)	—	—	(0.0)	—	(0.0)	—	—
Total	¥51.8	¥25.4	¥ —	¥25.0	¥1.2	¥0.1	¥ —	¥0.1	¥ —	¥ —

Notes: 1. "Domestic" includes IBJ excluding overseas branches, and domestic subsidiaries.
"Overseas" includes overseas branches of IBJ and overseas subsidiaries.
2. Trading Income and Trading Expense in this table are netted. The netted amount appears in the Income section if Gross Trading Income exceeds Gross Trading Expense and vice versa.

Expenses Relating to Portfolio Problems

In reference to IBJ's handling of non-performing loans, it has written-off ¥2,932.4 billion in aggregate in the past five years on a non-consolidated basis because of such factors as the incidents relating to Japan's housing loan companies in fiscal 1995, modification of the Standards for Write-offs and Provisions based on the Standards on Self-Assessment of Assets in fiscal 1997, and its conservative approach to establishing the reserves in fiscal 1998 and 1999.

In fiscal 1999, IBJ Group continued to be diligent in establishing Reserves for Possible Loan Losses to further improve its balance sheet positions in accordance with the conservative and reasonable Standards on Self-Assessment of Assets, and the Standards for Write-offs and Provisions, both of which are jointly formulated by IBJ, The Dai-Ichi Kangyo Bank, Limited and The Fuji Bank, Limited (the "Three Banks") based on the Financial Inspection Manuals promulgated by the Financial Supervisory Agency* ("FSA"). IBJ Group was also diligent in disposing non-performing loans by means of bulk-sales and direct write-offs. As a result, total Expenses Relating to Portfolio Problems both on a consolidated basis and a non-consolidated basis for fiscal 1999 amounted to ¥227.3 billion (¥271.9 billion, excluding the net reversal of General Reserve for Possible Loan Losses) and ¥221.6 billion (¥268.8 billion, excluding the net reversal of General Reserve for Possible Loan Losses), respectively. Such loss on a non-consolidated basis recorded in fiscal 1999 was the smallest in the past five years. Expenses Relating to Portfolio Problems are on a declining trend after their peak in fiscal 1998.

**Financial Supervisory Agency changed to Financial Services Agency from July 1, 2000.*

Expenses Relating to Portfolio Problems

(in billions of yen)

	Fiscal 1999 (a)	Fiscal 1998 (b)	(a)−(b)
Losses on Write-offs of Loans	¥ 12.5	¥140.6	¥(128.1)
Net Provision of Specific Reserve for Possible Loan Losses	220.9	543.2	(322.3)
Losses on Sales of Loans to CCPC	—	2.1	(2.1)
Provision of Reserve for Possible Losses on Loans Sold	4.8	44.0	(39.2)
Provision of Reserve for Possible Losses on Support of Specific Borrowers	18.8	—	18.8
Provision (Reversal) of Reserve for Possible Losses on Loans to Restructuring Countries	(0.7)	8.6	(9.3)
Other Losses on Sales of Loans	15.4	62.4	(47.0)
Subtotal	271.9	801.2	(529.3)
Provision (Reversal) of General Reserve for Possible Loan Losses	(44.5)	70.4	(114.9)
Total	¥227.3	¥871.7	¥(644.4)

Expenses Relating to Portfolio Problems over Five Years (Non-Consolidated)

(in billions of yen)

	Fiscal 1999	Fiscal 1998	Fiscal 1997	Fiscal 1996	Fiscal 1995	Total
Expenses Relating to Portfolio Problems	¥268.8	¥857.8	¥633.8	¥261.2	¥856.0	¥2,877.6
Provision (Reversal) of General Reserve for Possible Loan Losses	(47.1)	66.5	14.0	21.1	0.4	54.9
Total	¥221.6	¥924.3	¥647.8	¥282.3	¥856.4	¥2,932.4

[Reference]

Pension Liabilities (Non-Consolidated)

		April 1, 2000
Unrecognized Prior Service Cost, at beginning	After initial contribution*	¥7.4 billion
The discount rate used in determining the actuarial present value of the projected benefit obligation		3.5%
Amortization period for Unrecognized Prior Service Cost		5 years

*Marketable securities valued at ¥4.2 billion was contributed to the asset pool held in trust at inception of the Plan.

Balance Sheet Analysis

Total Assets at March 31, 2000, decreased by ¥3,699.9 billion to ¥42,466.4 billion from a year ago. The decrease is due principally to the higher exchange rate for the Japanese yen, reduction in the holding of national government bonds and call loans, and the reclassification of Reserve for Possible Loan Losses from the liability section to the asset section in accordance with a revision in the Implementation Guide to the Long-Term Credit Bank Law.

Loans and Bills Discounted, which represents more than half of the Total Assets, decreased by ¥548.2 billion to ¥22,779.6 billion from a year ago. This is also due to a stronger Japanese yen and to our diligent approach in dealing with non-performing loans.

Total Liabilities at March 31, 2000, decreased by ¥3,752.0 billion to ¥40,556.9 billion from a year ago. This is due to a stronger Japanese yen as well as to a reduction in market funding and to the reclassification of Reserve for Possible Loan Losses.

Debentures, IBJ's main vehicle for funding, increased by ¥9.3 billion to ¥20,471.2 billion.

Total Shareholders' Equity at March 31, 2000, increased by ¥66.0 billion to ¥1,627.4 billion from a year ago.

Total Shareholders' Equity per Share of Common Stock increased by ¥25.03 per share to ¥483.94 per share.

Summary of Balance Sheets

(in billions of yen)

	March 31, 2000 (a)	March 31, 1999 (b)	(a)−(b)
Total Assets	¥42,466.4	¥46,166.4	¥(3,699.9)
Trading Assets	3,926.0	3,729.0	197.0
Securities	7,580.7	8,942.1	(1,361.3)
Loans and Bills Discounted	22,779.6	23,327.9	(548.2)
Deferred Tax Assets	366.9	400.1	(33.2)
Total Liabilities	40,556.9	44,308.9	(3,752.0)
Debentures	20,471.2	20,461.8	9.3
Deposits	6,636.5	8,116.3	(1,479.7)
Trading Liabilities	1,361.1	2,854.9	(1,493.8)
Minority Interests in Consolidated Subsidiaries	282.1	296.0	(13.9)
Total Shareholders' Equity	1,627.4	1,561.3	66.0
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	¥42,466.4	¥46,166.4	¥(3,699.9)

Breakdown of Outstanding Loans

Outstanding Loans by Industry

On the basis of the industrial sector definitions by the Bank of Japan ("BOJ"), loans to the "finance and insurance" industry totaled ¥3,661.5 billion, or 18.30% of all loans extended by IBJ's domestic offices, excluding balances originating from International Banking Facilities (IBF). This comparatively high ratio is due to the fact that the loans to the finance companies of our customers in industries such as electrical machinery, automobiles, steel, and trading are classified by BOJ as being in the financial sector.

Outstanding Loans by Industry

(in billions of yen)

	March 31, 2000	
	Loans	Ratio
for Domestic Offices, excluding loans booked in offshore markets	¥20,010.5	100.00%
Manufacturing	3,458.6	17.28
Agriculture	8.2	0.04
Forestry	0.1	0.00
Fishery	43.3	0.22
Mining	50.9	0.25
Construction	548.3	2.74
Utilities	1,579.9	7.90
Transportation & Communication	1,717.1	8.58
Wholesale, Retail & Restaurants	1,733.0	8.66
Finance & Insurance	3,661.5	18.30
Real Estate	2,313.2	11.56
Services	3,617.7	18.08
Local Government	13.1	0.07
Others	1,265.0	6.32
for Overseas Offices and International Business Facilities (IBF)	2,769.1	100.00
Governments, etc.	114.3	4.13
Financial Institutions	92.6	3.35
Others	2,562.0	92.52
Total	¥22,779.6	

Note: "Domestic" includes IBJ excluding overseas branches, and domestic subsidiaries.
"Overseas" includes overseas branches of IBJ and overseas subsidiaries.

Outstanding Loans to Emerging Markets

(in billions of yen)

Asia	Indonesia	Thailand	Malaysia	Singapore	The Philippines	South Korea
March 31, 2000						
Japanese Borrowers	¥ 2.2	¥ 38.8	¥ 9.4	¥29.2	¥0.5	¥ 0.0
Non-Japanese Borrowers	43.0	55.3	24.9	5.8	3.2	92.4
Total (a)	¥45.2	¥ 94.1	¥34.4	¥35.1	¥3.8	¥92.4
March 31, 1999						
Japanese Borrowers	¥18.9	¥ 56.7	¥ 7.7	¥44.4	¥0.0	¥ 0.0
Non-Japanese Borrowers	63.1	109.2	36.4	21.8	4.5	94.3
Total (b)	¥82.0	¥165.9	¥44.1	¥66.3	¥4.5	¥94.3
(a)—(b)	(36.8)	(71.8)	(9.7)	(31.2)	(0.7)	(1.9)

	China	Hong Kong	Taiwan	India	Total & Others
March 31, 2000					
Japanese Borrowers	¥ 42.0	¥ 32.7	¥ 0.0	¥ 0.0	¥155.6
Non-Japanese Borrowers	58.2	75.9	17.0	13.6	391.1
Total (a)	¥100.3	¥108.6	¥17.0	¥13.6	¥546.7
March 31, 1999					
Japanese Borrowers	¥ 45.3	¥ 39.0	¥ 0.0	¥ 0.0	¥212.2
Non-Japanese Borrowers	93.4	91.8	25.1	24.3	566.1
Total (b)	¥138.7	¥130.9	¥25.1	¥24.3	¥778.3
(a)—(b)	(38.4)	(22.3)	(8.1)	(10.7)	(231.6)

Latin America	Brazil	Mexico	Chile	Columbia	Total & Others	Russia
March 31, 2000						
Japanese Borrowers	¥0.0	¥ 7.1	¥ 0.0	¥ 0.0	¥ 7.1	¥0.0
Non-Japanese Borrowers	1.9	15.9	28.8	18.5	77.0	1.1
Total (a)	¥1.9	¥23.1	¥28.8	¥18.5	¥ 84.2	¥1.1
March 31, 1999						
Japanese Borrowers	¥0.0	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.3	¥0.0
Non-Japanese Borrowers	7.2	22.4	29.2	24.9	102.1	1.3
Total (b)	¥7.2	¥22.4	¥29.2	¥24.9	¥102.4	¥1.3
(a)—(b)	(5.3)	0.7	(0.4)	(6.4)	(18.2)	(0.2)

Notes: 1. The figures represent loans and guarantees.
2. Loans to subsidiaries of Japanese companies that are guaranteed by their parents are excluded from this table.

Outstanding Loans to Foreign Borrowers by Country

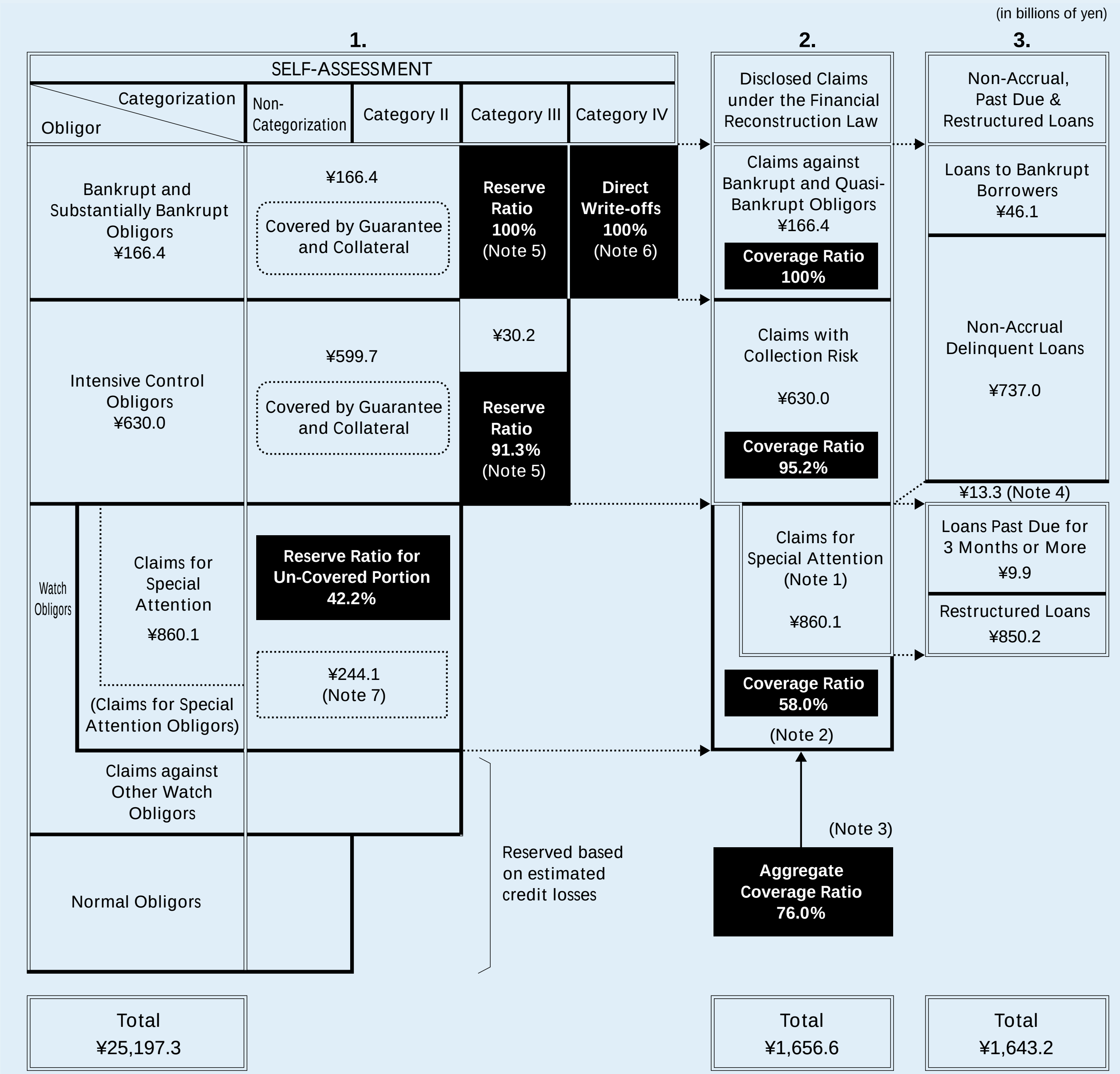
(in billions of yen)

	March 31, 2000
Indonesia	¥48.7
Argentina	5.2
Brazil	2.5
Russia	0.3
Other Four Countries	0.4
Total	¥57.2
Ratio to Total Assets	0.13%

Note: These figures represent loans to foreign government, financial institutions, and corporations of those countries that are used in calculation of Reserve for Possible Losses on Loans to Restructuring Countries, as dictated by the Practical Guides issued by the Japanese Institute of Certified Public Accountants.

Claims Subject to Disclosure Requirements (Non-Consolidated)

Disclosed Loans



Notes:
1. Categorization of Claims for Special Attention is determined on a loan-by-loan basis. It consists of Loans Past Due for 3 Months or More and Restructured Loans. Categorization of Claims for Special Attention Obligors is determined on a borrower-by-borrower basis, thus including all claims to such obligors in addition to Claims for Special Attention.
2. Coverage Ratio for Claims for Special Attention Obligors.
3. Includes Coverage Ratio for Claims for Special Attention Obligors.
4. The difference between total Non-Accrual, Past Due & Restructured Loans and total Disclosed Claims under the Financial Reconstruction Law represents claims included in Disclosed Claims under the Financial Reconstruction Law other than loans.
5. Reserved portion is moved to Not-Categorized.
6. These balances are not written-off, but are 100% reserved on the financial statements.
7. Claims for Special Attention Obligors that are guaranteed or collateralized.

(At March 31, 2000)

Disclosed Claims under the Financial Reconstruction Law and Non-Accrual, Past Due & Restructured Loans

As of March 31, 2000, Claims Disclosed under the Financial Reconstruction Law (Non-Consolidated), which is a sum of Claims against Bankrupt and Quasi-Bankrupt Obligors, Claims with Collection Risk, and Claims for Special Attention decreased by ¥215.7 billion to ¥1,656.6 billion (net of uncollectable portions). The Coverage Ratios for Claims against Bankrupt and Quasi-Bankrupt Obligors, Claims with Collection Risk, and Claims for Special Attention are 100%, 95.2%, and 58.0%, respectively, and are deemed adequate.

Total Consolidated Non-Accrual, Past Due & Restructured Loans decreased by ¥119.5 billion to ¥1,651.9 billion. Total Non-Consolidated Non-Accrual, Past Due & Restructured Loans decreased by ¥200.9 billion to ¥1,643.2 billion (net of uncollectable portions).

This is primarily due to collection, sales and write-offs of such amounts and a decline in delinquency from new loans. It is also due to the fact that Claims Subject to Disclosure Requirement on IBJ's balance sheets mainly consists of Restructured Loans and Claims for Special Attention, both of which bare relatively low collection risks. These Claims are included in Claims in Non-Accrual, Past Due & Restructured Loans and Claims Disclosed under the Financial Reconstruction Law because they meet certain conditions, which does not necessarily represent collection risks.

In conjunction with greater cave of credit risk management in extending new loans, the IBJ Group expects Expenses Relating to Portfolio Problems to decline significantly in the future.

Disclosed Claims under the Financial Reconstruction Law

Disclosed Claims under the Financial Reconstruction Law (Non-Consolidated)

(in billions of yen)

	March 31, 2000 (a)	March 31, 1999 (b)	(a)—(b)
Claims against Bankrupt and Quasi-Bankrupt Obligors	¥ 166.4	¥ 111.6	¥ 54.8
Claims with Collection Risk	630.0	1,197.7	(567.7)
Claims for Special Attention	860.1	562.9	297.2
Subtotal	1,656.6	1,872.3	(215.7)
Normal Claims	23,540.7	25,437.5	(1,896.8)
Total	¥25,197.3	¥27,309.8	¥(2,112.5)

Note: Claims against Bankrupt and Quasi-Bankrupt Obligors are stated net of uncollectable portions.
Such portions amounted to ¥363.5 billion and ¥272.4 billion as of March 31, 2000 and 1999, respectively.

Coverage of Claims (Non-Consolidated)

(in billions of yen)

	March 31, 2000 (a)	March 31, 1999 (b)	(a)—(b)
Coverage Amounts	¥1,265.0	¥1,412.2	¥(147.2)
Reserve for Possible Loan Losses	419.5	711.4	(291.9)
Reserve for Possible Losses on Support of Specific Borrowers	167.1	—	167.1
Collateral, Guarantees, etc.	678.3	700.8	(22.5)
Coverage Ratio	76.4%	75.4%	1.0%
Claims against Bankrupt and Quasi-Bankrupt Obligors	100.0	100.0	—
Claims with Collection Risk	95.2	83.8	11.4
Claims for Special Attention	58.0	52.7	5.3
Reserve Ratio against Non-Collateralized Claims	60.0%	60.7%	(0.7%)
Claims against Bankrupt and Quasi-Bankrupt Obligors	100.0	100.0	—
Claims with Collection Risk	91.3	77.1	14.2
Claims for Special Attention	42.2	15.0	27.2
Reserve Ratio for All Claims			
Claims against Watch Obligors excluding Claims for Special Attention	4.56%	3.98%	0.58%
Normal Claims	0.11	0.08	0.03

Notes: 1. The figures of Coverage Amounts, Coverage Ratio and Reserve Ratio against Non-Collateralized Claims are stated net of uncollectable portions.
2. Reserve for Possible Loan Losses are stated net of uncollectable portions.
Such portions Amountd to ¥363.5 billion and ¥272.4 billion as of March 31, 2000 and 1999, respectively.
3. Coverage Ratio = (Collateral and Guarantees + Reserve for Possible Loan Losses + Reserve for Possible Losses on Support of Specific Borrowers) / Loan Amount
4. Reserve Ratio against Non-Collateralized Claims = (Reserve for Possible Loan Losses + Reserve for Possible Losses on Support of Specific Borrowers) / Non-Collateral Claims Not Covered
5. Reserve Ratio for All Claims = General Reserve for Possible Loan Losses / All Claims

Disclosed Claims under the Financial Reconstruction Law by Industry (Non-Consolidated)

(in billions of yen)

	March 31, 2000
	Loans
for Domestic Offices, excluding loans booked in offshore markets	¥1,586.8
Manufacturing	50.6
Agriculture	—
Forestry	—
Fishery	—
Mining	2.6
Construction	191.1
Utilities	3.9
Transportation & Communication	30.2
Wholesale, Retail & Restaurants	273.3
Finance & Insurance	176.0
Real Estate	557.6
Services	293.8
Local Government	—
Others	7.1
for Overseas Offices and International Business Facilities (IBF)	69.8
Governments, etc.	6.0
Financial Institutions	0.6
Commerce and Industry	2.4
Others	60.6
Total	¥1,656.6

Note: Claims against Bankrupt and Quasi-Bankrupt Obligors are stated net of uncollectable portions. Such portions amounted to ¥355.2 billion as of March 31, 2000.

Non-Accrual, Past Due & Restructured Loans

Non-Accrual, Past Due & Restructured Loans

(in billions of yen)

	March 31, 2000 (a)	March 31, 1999 (b)	(a)−(b)
Loans to Bankrupt Borrowers	¥ 46.8	¥ 46.8	¥ —
Non-Accrual Delinquent Loans	740.3	1,160.9	(420.6)
Loans Past Due for 3 Months or More	10.6	8.9	1.7
Restructured Loans	854.2	554.6	299.6
Total	¥1,651.9	¥1,771.4	¥(119.5)

Note: Loans to Bankrupt Borrowers and Non-Accurual Delinquent Loans are stated net of uncollectable portions. As of March 31, 2000, ¥75.6 billion and ¥284.5 billion were netted from Loans to Bankrupt Borrowers and Non-Accrual Delinquent Loans, respectively. As of March 31, 1999, ¥100.9 billion and ¥146.2 billion were netted from Loans to Bankrupt Borrowers and Non-Accrual Delinquent Loans, respectively.

Ratio to Total Loans

	March 31, 2000 (a)	March 31, 1999 (b)	(a)−(b)
Loans to Bankrupt Borrowers	0.2%	0.2%	—%
Non-Accrual Delinquent Loans	3.3	5.0	(1.7)
Loans Past Due for 3 Months or More	0.0	0.0	—
Restructured Loans	3.8	2.4	1.4
Total	7.4%	7.6%	(0.2%)

Note: The figures are stated net of uncollectable portions.

Reserve for Possible Loan Losses

(in billions of yen)

	March 31, 2000 (a)	March 31, 1999 (b)	(a)—(b)
Reserve for Possible Loan Losses	¥559.8	¥819.5	¥(259.7)
General Reserve for Possible Loan Losses	138.5	189.1	(50.6)
Specific Reserve for Possible Loan Losses	415.1	622.7	(207.6)
Reserve for Possible Losses on Loans to Restructuring Countries	6.1	7.5	(1.4)
Reserve for Possible Losses on Support of Specific Borrwers	167.1	—	167.1
Reserve for Possilbe Losses on Loans Sold	47.5	48.1	(0.6)

Note: The figures are stated net of uncollectable portions.

Reserve Ratio for Non-Accrual, Past Due & Restructured Loans

	March 31, 2000 (a)	March 31, 1999 (b)	(a)—(b)
Before Direct Write-offs of Uncollectable Portions	54.0%	52.8%	1.2%
After Direct Write-offs of Uncollectable Portions	44.0	46.3	(2.3)

Note: Reserve Ratio = (Reserve for Possible Loan Losses + Reserve for Possible Losses on Support of Specific Borrowers) / Non-Accrual, Past Due & Restructured Loans

Non-Accrual, Past Due & Restructured Loans (Non-Consolidated)

(in billions of yen)

	March 31, 2000 (a)	March 31, 1999 (b)	(a)—(b)
Loans to Bankrupt Borrowers	¥ 46.1	¥ 45.2	¥ 0.9
Non-Accrual Delinquent Loans	737.0	1,236.0	(499.0)
Loans Past Due for 3 Months or More	9.9	8.4	1.5
Restructured Loans	850.2	554.4	295.8
Total	¥1,643.2	¥1,844.1	¥(200.9)

Note: Loans to Bankrupt Borrowers and Non-Accurual Delinquent Loans are stated net of uncollectable portions. As of March 31, 2000, ¥73.1 billion and ¥282.0 billion were netted from Loans to Bankrupt Borrowers and Non-Accrual Delinquent Loans, respectively. As of March 31, 1999, ¥100.9 billion and ¥146.2 billion were netted from Loans to Bankrupt Borrowers and Non-Accrual Delinquent Loans, respectively.

Ratio to Total Loans (Non-Consolidated)

	March 31, 2000 (a)	March 31, 1999 (b)	(a)—(b)
Loans to Bankrupt Borrowers	0.2%	0.2%	—%
Non-Accrual Delinquent Loans	3.4	5.4	(2.0)
Loans Past Due for 3 Months or More	0.0	0.0	—
Restructured Loans	3.9	2.4	1.5
Total	7.5%	8.1%	(0.6%)

Note: The figures are stated net of uncollectable portions.

Reserve for Possible Loan Losses (Non-Consolidated)

(in billions of yen)

	March 31, 2000 (a)	March 31, 1999 (b)	(a)—(b)
Reserve for Possible Loan Losses	¥537.5	¥843.8	¥(306.3)
General Reserve for Possible Loan Losses	125.6	172.8	(47.2)
Specific Reserve for Possible Loan Losses	405.8	663.4	(257.6)
Reserve for Possible Losses on Loans to Restructuring Countries	6.1	7.5	(1.4)
Reserve for Possible Losses on Support of Specific Borrwers	167.1	—	167.1
Reserve for Possible Losses on Loans Sold	47.5	48.1	(0.6)

Note: The figures are stated net of uncollectable portions.

Reserve Ratio for Non-Accrual, Past Due & Restructured Loans (Non-Consolidated)

	March 31, 2000 (a)	March 31, 1999 (b)	(a)—(b)
Before Direct Write-offs of Uncollectable Portions	53.5%	53.4%	0.1%
After Direct Write-offs of Uncollectable Portions	42.9	45.8	(2.9)

Note: Reserve Ratio = (Reserve for Possible Loan Losses + Reserve for Possible Losses on Support of Specific Borrowers) / Non-Accrual, Past Due & Restructured Loans

Outstanding Loans and Non-Accrual, Past Due & Restructured Loans by Industry (Non-Consolidated)

(in billions of yen)

	Loans			Non-Accrual, Past Due & Restructured Loans		
	March 31, 2000 (a)	March 31, 1999 (b)	(a)−(b)	March 31, 2000 (a')	March 31, 1999 (b')	(a')−(b')
for Domestic Offices, excluding loans booked in offshore markets	¥19,654.7	¥20,061.7	¥(407.0)	¥1,576.0	¥1,766.7	¥(190.7)
Manufacturing	3,411.2	3,451.3	(40.1)	50.2	55.6	(5.4)
Agriculture	8.2	7.4	0.8	—	—	—
Forestry	0.1	0.2	(0.1)	—	—	—
Fishery	43.3	40.6	2.7	—	0.0	—
Mining	50.9	56.6	(5.7)	—	0.6	(0.6)
Construction	534.8	502.6	32.2	191.1	129.8	61.3
Utilities	1,579.9	1,494.5	85.4	3.9	0.1	3.8
Transportation & Communication	1,707.0	1,647.5	59.5	30.2	20.8	9.4
Wholesale, Retail & Restaurants	1,700.8	1,898.0	(197.2)	271.5	293.0	(21.5)
Finance & Insurance	3,743.0	3,949.5	(206.5)	175.5	143.1	32.4
Real Estate	2,135.8	2,349.0	(213.2)	557.3	716.1	(158.8)
Services	3,505.8	3,312.0	193.8	288.7	395.8	(107.1)
Local Government	13.1	19.6	(6.5)	—	—	—
Others	1,220.1	1,332.3	(112.2)	7.1	11.5	(4.4)

Note: Loans and Non-Accrual, Past Due & Restructured Loans are stated net of uncollectable portions. Such portions amounted to ¥338.0 billion and ¥237.4 billion as of March 31, 2000 and 1999, respectively.

Outstanding Loans and Non-Accrual, Past Due & Restructured Loans to Emerging Markets (Non-Consolidated)

(in billions of yen)

		Loans			Non-Accrual, Past Due & Restructured Loans		
		March 31, 2000 (a)	March 31, 1999 (b)	(a)−(b)	March 31, 2000 (a')	March 31, 1999 (b')	(a')−(b')
Asia	Hong Kong	¥105.9	¥123.6	¥(17.7)	¥ 5.3	¥10.5	¥(5.2)
	South Korea	92.4	94.2	(1.8)	0.4	—	0.4
	Thailand	75.9	143.8	(67.9)	10.4	11.0	(0.6)
	China	71.6	116.4	(44.8)	12.5	13.5	(1.0)
	Indonesia	33.8	51.7	(17.9)	12.7	20.4	(7.7)
	Malaysia	26.7	38.9	(12.2)	3.7	3.9	(0.2)
	Singapore	20.1	54.8	(34.7)	—	0.0	—
	Taiwan	13.9	21.9	(8.0)	—	—	—
	India	13.6	23.6	(10.0)	—	—	—
	The Philippines	3.8	4.5	(0.7)	—	—	—
	Others	459.6	675.5	(215.9)	45.2	59.7	(14.5)
Latin America	Chile	28.0	28.2	(0.2)	—	—	—
	Mexico	18.6	21.2	(2.6)	—	—	—
	Columbia	17.7	23.7	(6.0)	—	—	—
	Brazil	1.9	7.2	(5.3)	—	—	—
	Others	77.4	96.1	(18.7)	0.0	0.0	—
Russia		1.1	1.3	(0.2)	2.1	3.2	(1.1)

Notes: 1. Loans to subsidiaries of Japanese companies that are guaranteed by their parents are excluded from this table.
2. Loans and Bills Discounted and Non-Accrual, Past Due & Restructured Loans in this table are stated net of uncollectable portions.

Definition of Claims Subject to Disclosure Requirements

Self-Assessment of Assets, and Write-offs and Reserves

In order to preserve viability of financial institutions in Japan, the Financial Services Agency ("FSA") takes Prompt Corrective Actions by issuing orders to improve operations to financial institutions when their Risk-Based Capital Ratio (BIS Capital Ratio) falls below a certain level.

In conjunction with such measures, financial institutions in Japan are now required to assess recoverability of loans and other receivables on their balance sheets in a good faith in order to submit to such inspection by FSA.

IBJ classifies its assets and borrowers into categories in accordance with the Standards for Self-Assessment of Assets, which is formulated by the Three Banks and is in accordance with the Financial Inspection Manuals issued by FSA.

These categories are as follows:

Self-Assessment of Assets

Bankrupt Obligors:	Obligors who have already gone bankrupt, from both legal and practical perspectives.
Substantially Bankrupt Obligors:	Obligors for which formal and legal bankruptcy causes have not yet occurred, but whose financial positions are extremely distressed, and whose prospects for financial rehabilitation are so low as to render it substantially bankrupt.
Intensive Control Obligors:	Obligors who are not currently facing bankruptcy but are having business difficulties, and whose progress state of the business improvement plan or other measures are not satisfactory, so that there is a high probability that the obligor will go bankrupt.
Watch Obligors:	Obligors who require increased credit watching, including obligors with problematic loan conditions, such as interest payments suspended or reduced, obligors with problems in payment, such as those who are in arrears in the principal payment or the interest payment, obligors whose business conditions are unstable or poor, and obligors who have problems in their financial conditions.
Normal Obligors:	Obligors generally recognized to be experiencing good business conditions and having no significant financial problems.

Asset Classifications

Category IV:	Assets that are unrecoverable or are worthless.
Category III:	Assets that pose significant collection risks and present significant likelihood of losses.
Category II:	Assets that bear collection risks, which are greater than normal conditions.
Category I:	Assets other than those categorized in Categories II, III, or IV.

Write-offs and Reserves for Assets

IBJ writes-off or provides reserves for assets based on the Standards for Write-offs and Provisions formulated by the Three Banks, which are in accordance with the Financial Inspection Manuals, the Practical Guides issued by the Japanese Institute of Certified Public Accountants, as well as Japanese commercial laws and generally accepted accounting principles in Japan.

Bankrupt Obligors:	Reserved for or written off 100% of loan balance less amounts deemed recoverable from collateral and guarantees. These reserves are included in Specific Reserve for Possible Loan Losses.
Substantially Bankrupt Obligors:	Reserved for or written off 100% of loan balance less amounts deemed recoverable from collateral and guarantees. These reserves are included in Specific Reserve for Possible Loan Losses.
Intensive Control Obligors:	Reserved for either [1] amount calculated based on comprehensive analyses on the obligors' creditworthiness (three years worth of estimated losses) based on total loan balance less amounts recoverable from collateral and guarantees, or [2] amount calculated by multiplying the estimated loss ratio to the loan amounts less amounts deemed recoverable from collateral and guarantees*. These reserves are included in Specific Reserve for Possible Loan Losses.
Watch Obligors:	Reserved for three years worth of estimated losses based on the estimated loss ratio. Loans to Watch Obligors that are Restructured or Past Due for 3 Months or More are reserved for the amount deemed necessary* based on the amounts deemed recoverable from collateral and guarantees. These reserves are included in Specific or General Reserve for Possible Loan Losses.
Normal Obligors:	Reserved for one year worth of estimated losses based on the estimated loss ratio. These reserves are included in General Reserve for Possible Loan Losses.

*In accordance with "The Methodology on Write-offs and Reserves for Strengthening Capital" issued by the Financial Reconstruction Commission.

Disclosed Claims Under the Financial Reconstruction Law

Corresponding to Classificatins of Self-Assessment

Claims against Bankrupt and Quasi-Bankrupt Obligors:	Claims against bankrupt obligors under bankruptcy, corporate reorganization, composition or any other equivalent procedures, and claims corresponding to the said conditions.	Claims against "Bankrupt Obligors" or claims against "Substantially Bankrupt Obligors"
Claims with Collection Risk:	Claims against obligors who are not currently bankrupt, but whose financial position and business results have deteriorated materially with a high probability that the principal and interest will not be paid in accordance with the contracts.	Claims against "Intensive Control Obligors"
Claims for Special Attention:	Loans Past Due for 3 Months or More: Claims for which principal repayment or interest payment is in arrears for three months or more calculated from the next day of the contractual due date of payments.	Among claims against "Watch Obligors"
	Restructured Loans: Claims which are given a certain modification on the lending conditions in favor of the obligors for the purpose of restructuring and supporting the obligors in financial difficulties and for the purpose of progress in collection of the claims.	

Non-Accrual, Past Due & Restructured Loans

Loans to Bankrupt Borrowers:	Loans to be non-accrual loans for which borrowers are under bankruptcy, corporate reorganization, composition, or suspension of banking transaction. Starting fiscal 1998, the year ended March 31, 1999, IBJ Group suspended accruing for interest for loans to Borrowers who are categorized in Intensive Control, Substantially Bankrupt, or Bankrupt categories on Self-Assessment basis. Prior to the fiscal 1998, it did not accrue for interest on loans only when recovery could not be expected because of delayed payments for principal or interest for more than certain periods or other reasons.
Non-Accrual Delinquent Loans:	Loans to be non-accrual loans for which there are no prospects for collection or repayment of principal or interest for which payment of principal or interest has not been received for a substantial period or for other reasons. Starting fiscal 1998, the year ended March 31, 1999, Loans to Intensive Control Obligors, Substantially Bankrupt Obligors, and Bankrupt Obligors on Self-Assessment basis are classified as Non-Accrual Delinquent Loans regardless of whether the loans are in fact overdue or delinquent.
Loans Past Due for 3 Months or More:	Loans for which payments of principals or interest have not been received for a period of three months or more beginning with the next business day following the last due date for such payment, and are not included in Loans to Bankrupt Borrowers or Non-Accrual Delinquent Loans.
Restructured Loans:	Loans for which the Bank and its subsidiaries and affiliates have provided more favorable terms and conditions—including reducing interest rates, rescheduling interest and principal payments, or the waving of claims on the borrower—to the borrower than those in original loan agreement, with the aim of providing restructuring assistance and support. Such loans exclude Loans to Bankrupt Borrowers, Non-Accrual Delinquent Loans, and Loans Past Due for 3 Months or More.

Consolidated Risk-Based Capital Ratio (BIS Capital Ratio)

As of March 31, 2000, consolidated Risk-Based Capital Ratio (BIS Capital Ratio) was 12.19%, 6.61% for Tier I capital, an increase of 0.85 points during the year .

The numerator, or the total capital, increased by ¥44.0 billion to ¥3,317.5 billion, ¥1,799.4 billion for Tier I and ¥1,518.0 billion for Tier II. This net increase mainly consists of the following elements: an increase of ¥64.1 billion in Retained Earnings, an increase of ¥48.3 billion in inclusion of term subordinated debts and other items into the total capital, a decrease of ¥13.3 billion in preferred stocks issued by overseas SPCs due to the higher exchange rate for the Japanese yen, and a decrease of ¥50.5 billion in General Reserve for Possible Loan Losses.

The denominator, or the risk-weighed assets, decreased by ¥1,664.8 billion to ¥27,200.4 billion. This net decrease consists of the following elements: a decrease of ¥825.1 billion in on-balance-sheet exposure, a decrease of ¥729.9 billion in off-balance-sheet exposure, and a decrease of ¥109.7 billion in market risk-related exposure.

Risk-Based Capital Ratio (BIS Capital Ratio)

(in billions of yen)

	March 31, 2000	March 31, 1999	March 31, 1998
Preferred Stock	¥ 175.0	¥ 175.0	
Common Stock	498.5	498.6	
Capital Surplus	570.1	570.1	
Retained Earnings	273.6	209.4	
Minority Interests: Preferred Stocks Issued by SPCs	278.4	291.7	
Others	3.7	4.3	
Total Tier I Capital (A)	1,799.4	1,749.2	¥ 1,444.4
45% Unrealized Gains on Securities	—	—	183.4
45% Unrealized Gains on Land Used in Business	73.2	77.1	81.2
General Reserve for Possible Loan Losses	138.5	189.1	116.4
Subordinated Debts	1,306.2	1,257.9	1,074.6
Sub-total	1,518.0	1,524.2	1,455.8
Total Tier II Capital (B)	1,518.0	1,524.2	1,399.7
Total Tier III Capital (C)	—	—	—
Capital (D) = (A) + (B) + (C)	3,317.5	3,273.4	2,844.1
On-Balance-Sheet Exposure	24,731.5	25,556.6	24,121.1
Off-Balance-Sheet Exposure	2,195.7	2,925.7	3,385.3
Credit Risk Asset (E)	26,927.3	28,482.3	27,506.5
Market Risk Related Exposure (F)	273.1	382.8	210.2
Total (G) = (E) + (F)	¥27,200.4	¥28,865.2	¥27,716.8
Risk-Based Capital Ratio (BIS Capital Ratio) =(D) / (G)×100	12.19%	11.34%	10.26%

Notes: 1. These figures are calculated in accordance with the instruction from the Financial Supervisory Agency, the Ministry of Finance, based on the Bank Law Article 14-2 as referred by the Long-Term Credit Bank Law Article 17, represent indices on consolidated figures, and are in accrodance with the Uniform Internatonal Standards.

2. Consolidated Retained Earnings balances in this table are presented net of divided distributions and directors' bonus to be disbursed from current earnings.

3. The components of Tier I were disclosed starting from March 31, 1999.

[Reference]

Return on Equity

	Fiscal 1999	Fiscal 1998	Fiscal 1997
Net Income Basis	5.4%	(14.3%)	(14.2%)

Note:

$$\text{ROE} = \frac{\text{Net Income-Total Dividend Payment on Preferred Stocks}}{\{(\text{Total Shareholders' Equity at the beginning of the Fiscal Year} - \text{Number of Preferred Shares Issued at the beginning of the Fiscal Year} \times \text{Issue Price}) + (\text{Total Shareholders' Equity at the end of the Fiscal Year} - \text{Number of Preferred Shares Issued at the end of the Fiscal Year} \times \text{Issue Price})\}/2}$$

Report of Independent Certified Public Accountants

ChuoAoyama Audit Corporation

PricewaterhouseCoopers

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

To the Board of Directors,
The Industrial Bank of Japan, Limited:

We have audited the accompanying consolidated balance sheets of The Industrial Bank of Japan, Limited ("IBJ") and its subsidiaries as of March 31, 2000 and 1999, the related consolidated statements of income, shareholders' equity for each of the three years in the period ended March 31, 2000, and the related consolidated statement of cash flows for the year ended March 31, 2000, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of IBJ and its subsidiaries as of March 31, 2000 and 1999, the consolidated results of their operations for each of the three years in the period ended March 31, 2000, and the consolidated result of their cash flows for the year ended March 31, 2000, in conformity with accounting principles and practices generally accepted in Japan (See Note 1(a)) consistently applied during the periods, except for the change with which we concur, in the accounting for Securities as described in Note 1(e) to the accompanying consolidated financial statements.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1(a) to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

Tokyo, Japan
June 28, 2000

Consolidated Balance Sheets

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Assets			
Cash and Due from Banks	¥ 652,704	¥ 806,910	$ 6,148,889
Call Loans and Bills Purchased (Note 19)	2,004,913	2,712,690	18,887,547
Commercial Paper and Other Debt Purchased	31,439	133,008	296,178
Trading Assets (Notes 3 and 19)	3,926,059	3,729,005	36,985,956
Money Held in Trust (Note 33)	10,123	54,331	95,365
Securities (Notes 4, 19 and 32)	7,580,782	8,942,151	71,415,760
Loans and Bills Discounted (Notes 5 and 19)	22,779,689	23,327,907	214,599,053
Foreign Exchanges (Note 6)	254,281	290,585	2,395,491
Other Assets (Notes 7 and 19)	4,423,709	3,923,235	41,674,136
Premises and Equipment (Notes 8 and 19)	285,835	313,726	2,692,751
Deferred Debenture Charges (Note 9)	9,625	16,055	90,678
Deferred Tax Assets (Note 10)	366,900	400,198	3,456,430
Customers' Liabilities for Acceptances and Guarantees (Note 18)	1,060,417	1,516,602	9,989,799
Reserve for Possible Loan Losses (Note 11)	(920,029)	—	(8,667,263)
Total Assets	¥42,466,450	¥46,166,409	$400,060,770

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity			
Liabilities			
Debentures (Note 12)	¥20,471,200	¥20,461,865	$192,851,630
Deposits (Notes 13 and 19)	6,636,501	8,116,321	62,520,032
Call Money and Bills Sold (Note 19)	3,726,195	4,857,493	35,103,112
Commercial Paper	164,000	30,000	1,544,984
Borrowed Money (Notes 14 and 19)	946,969	1,390,208	8,921,049
Trading Liabilities (Note 3)	1,361,118	2,854,950	12,822,592
Foreign Exchanges (Note 6)	59,412	23,399	559,699
Other Liabilities (Note 15)	5,779,352	3,810,402	54,445,151
Reserve for Possible Loan Losses (Note 11)	—	1,066,714	—
Reserve for Retirement Allowances	50,578	53,088	476,485
Reserve for Possible Losses on Loans Sold	47,506	48,144	447,539
Reserve for Possible Losses on Support of Specific Borrowers	167,198	—	1,575,111
Reserve for Contingency	13,938	—	131,306
Other Reserves (Note 16)	47	29	444
Deferred Tax Liabilities (Note 10)	8,997	7,245	84,767
Deferred Tax Liabilities related to Land Revaluation	63,484	72,518	598,063
Acceptances and Guarantees (Note 18)	1,060,417	1,516,602	9,989,799
Total Liabilities	40,556,917	44,308,984	382,071,763
Minority Interests in Consolidated Subsidiaries (Note 17)	282,116	296,074	2,657,711
Shareholders' Equity			
Preferred Stock (Note 20)	175,000	175,000	1,648,610
Common Stock (Note 21)	498,605	498,605	4,697,176
Capital Surplus	570,132	570,132	5,371,005
Surplus from Land Revaluation (Note 8)	99,212	98,920	934,646
Retained Earnings (Note 22)	284,475	218,694	2,679,942
Treasury Stock	(8)	(2)	(83)
Total Shareholders' Equity	1,627,417	1,561,350	15,331,296
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	¥42,466,450	¥46,166,409	$400,060,770

See accompanying "Notes to Consolidated Financial Statements" which are an integral part of these statements.

Consolidated Statements of Income

	Fiscal 1999*	Fiscal 1998*	Fiscal 1997* (in millions of yen)	Fiscal 1999* (in thousands of U.S. dollars)
Income				
Interest Income (Note 23)	¥1,519,988	¥1,974,674	¥2,305,998	$14,319,255
Fee & Commission Income	89,568	97,505	122,849	843,787
Trading Income (Note 24)	51,802	53,936	9,467	488,016
Other Operating Income (Note 25)	1,011,984	854,050	473,434	9,533,534
Other Income (Note 26)	326,319	406,143	397,938	3,074,134
Reversal of Other Reserves	—	450	12,213	—
Total Income	2,999,663	3,386,760	3,321,902	28,258,726
Expense				
Interest Expense (Note 23)	1,272,875	1,672,871	2,015,962	11,991,292
Fee & Commission Expense	16,462	14,264	19,738	155,083
Trading Expense (Note 24)	171	—	8,452	1,617
Other Operating Expense (Note 27)	1,015,512	794,768	431,913	9,566,764
General and Administrative Expenses	192,237	222,792	217,453	1,810,994
Other Expense (Note 28)	335,324	938,295	941,497	3,158,966
Provision of Other Reserves	17	0	3	167
Total Expense	2,832,600	3,642,993	3,635,020	26,684,883
Income (Loss) before Income Taxes and Others	167,063	(256,232)	(313,118)	1,573,843
Income Tax Expenses (Benefits) (Note 29):				
Current	45,553	10,816	3,935	429,146
Deferred	37,970	(94,093)	(114,695)	357,705
Minority Interests in Net Income	12,785	8,321	169	120,443
Amortization of Consolidation Difference	—	—	131	—
Net Income (Loss)	¥ 70,754	¥ (181,276)	¥ (202,660)	$ 666,549

Per Share of Common Stock			(in yen)	(in U.S. dollars)
Net Income (Loss)				
Basic	¥25.59	¥(70.64)	¥(79.80)	$0.241
Diluted	23.15	n/a	n/a	0.218
Cash Dividends	7.00	7.00	8.50	0.066

See accompanying "Notes to Consolidated Financial Statements" which are an integral part of these statements.

** Fiscal 1999, 1998 and 1997 represent the fiscal years ended March 31, 2000, 1999 and 1998, respectively.*

Consolidated Statements of Shareholders' Equity

(in millions of yen)

	Preferred Stock (Note 20)	Common Stock (Note 21)	Capital Surplus	Surplus from Land Revaluation (Note 8)	Retained Earnings (Note 22)	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 1997	¥ —	¥465,105	¥361,632	¥ —	¥717,253	¥(12)	¥1,543,979
Initial Consolidation of a Subsidiary Not Consolidated in the Previous Year	—	—	—	—	280	—	280
Cash Dividends	—	—	—	—	(21,586)	—	(21,586)
Net Loss	—	—	—	—	(202,660)	—	(202,660)
Treasury Stock Transactions	—	—	—	—	—	7	7
Balance at March 31, 1998	—	465,105	361,632	—	493,287	(5)	1,320,019
Issuance of Preferred Stock	175,000	—	175,000	—	—	—	350,000
Issuance of Common Stock	—	33,500	33,500	—	—	—	67,000
Transfer from Liabilities	—	—	—	98,920	—	—	98,920
Cash Dividends	—	—	—	—	(19,681)	—	(19,681)
Initial Consolidation of Subsidiaries Not Consolidated in the Previous Year	—	—	—	—	(20,900)	—	(20,900)
Initial Adoption of Equity Method of Affiliates Stated at Cost in the Previous Year	—	—	—	—	(52,733)	—	(52,733)
Net Loss	—	—	—	—	(181,276)	—	(181,276)
Treasury Stock Transactions	—	—	—	—	—	3	3
Balance at March 31, 1999	175,000	498,605	570,132	98,920	218,694	(2)	1,561,350
Transfer from Surplus from Land Revaluation to Retained Earnings	—	—	—	(3,035)	3,035	—	—
Transfer from Deferred Tax Liabilities Related to Land Revaluation and Others	—	—	—	3,328	—	—	3,328
Exclusion from Consolidation of Affiliates Previously Accounted for under the Equity Method	—	—	—	—	12,079	—	12,079
Cash Dividends	—	—	—	—	(20,088)	—	(20,088)
Net Income	—	—	—	—	70,754	—	70,754
Treasury Stock Transactions	—	—	—	—	—	(6)	(6)
Balance at March 31, 2000	¥175,000	¥498,605	¥570,132	¥99,212	¥284,475	¥ (8)	¥1,627,417

(in thousands of U.S. dollars)

	Preferred Stock (Note 20)	Common Stock (Note 21)	Capital Surplus	Surplus from Land Revaluation (Note 8)	Retained Earnings (Note 22)	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 1999	$1,648,610	$4,697,176	$5,371,005	$931,890	$2,060,243	$(21)	$14,708,903
Transfer from Surplus from Land Revaluation to Retained Earnings	—	—	—	(28,597)	28,597	—	—
Transfer from Deferred Tax Liabilities Related to Land Revaluation and Others	—	—	—	31,353	—	—	31,353
Exclusion from Consolidation of Affiliates Previously Accounted for under the Equity Method	—	—	—	—	113,799	—	113,799
Cash Dividends	—	—	—	—	(189,246)	—	(189,246)
Net Income	—	—	—	—	666,549	—	666,549
Treasury Stock Transactions	—	—	—	—	—	(62)	(62)
Balance at March 31, 2000	$1,648,610	$4,697,176	$5,371,005	$934,646	$2,679,942	$(83)	$15,331,296

See accompanying "Notes to Consolidated Financial Statements" which are an integral part of these statements.

Consolidated Statement of Cash Flows

	(in millions of yen) Fiscal 1999*	(in thousands of U.S. dollars) Fiscal 1999*
Cash Flows from Operating Activities		
Income before Income Taxes and Others	¥ 167,063	$ 1,573,843
Depreciation and Amortization	8,303	78,223
Equity in Earnings from Investments in Affiliates	(2,111)	(19,890)
Decrease in Reserve for Possible Loan Losses	(129,763)	(1,222,453)
Decrease in Reserve for Possible Losses on Loans Sold	(637)	(6,010)
Increase in Reserve for Contingency	13,938	131,306
Decrease in Reserve for Retirement Allowances	(2,509)	(23,642)
Increase in Reserve for Possible Losses on Support of Specific Borrowers	167,198	1,575,111
Interest Income - Accrual Basis	(1,519,988)	(14,319,255)
Interest Expense - Accrual Basis	1,272,875	11,991,292
Gains and Losses on Securities	(203,318)	(1,915,392)
Profit from Money Held in Trust	(5,027)	(47,358)
Translation Differences	58,666	552,672
Gains and Losses on Dispositions of Premises and Equipment	(11,110)	(104,668)
Net Increase in Trading Assets	(546,688)	(5,150,147)
Net Decrease in Trading Liabilities	(1,216,057)	(11,456,026)
Net Decrease in Loans and Bills Discounted	68,680	647,010
Net Increase in Deposits (Liabilities)	259,566	2,445,276
Net Decrease in Certificates of Deposit (Liabilities)	(1,143,422)	(10,771,763)
Net Increase in Debentures (excluding Subordinated Debentures)	13,287	125,174
Net Decrease in Borrowed Money (excluding Subordinated Borrowed Money)	(335,367)	(3,159,378)
Net Increase in Commercial Paper	134,000	1,262,365
Net Decrease in Call Loans	305,707	2,879,959
Net Increase in Cash Placed as Collateral on Securities Borrowed	(125,523)	(1,182,509)
Net Decrease in Call Money	(619,664)	(5,837,628)
Net Increase in Cash Received as Collateral on Securities Lent	204,454	1,926,095
Net Decrease in Due from Banks (excluding Due from Central Banks)	(15,821)	(149,052)
Net Decrease in Certificates of Deposit (Assets)	648	6,113
Net Decrease in Foreign Exchanges (Assets)	9,586	90,311
Net Increase in Foreign Exchanges (Liabilities)	37,690	355,072
Interest Income - Cash Basis	1,555,932	14,657,866
Interest Expense - Cash Basis	(1,324,708)	(12,479,594)
Others	1,701,203	16,026,409
Subtotal	(1,222,918)	(11,520,668)
Cash Paid in Income Tax	(21,192)	(199,651)
Net Cash used in Operating Activities	(1,244,111)	(11,720,319)
Cash Flows from Investing Activities		
Payments from Purchase of Securities	(19,265,494)	(181,493,123)
Proceeds from Sale of Securities	20,248,077	190,749,672
Proceeds from Redemption of Securities	211,138	1,989,061
Payments from Increase in Money Held in Trust	(1,038,067)	(9,779,247)
Proceeds from Decrease in Money Held in Trust	1,092,161	10,288,851
Payments from Purchase of Premises and Equipment	(21,495)	(202,501)
Proceeds from Sale of Premises and Equipment	12,504	117,804
Net Cash Provided by Investing Activities	1,238,825	11,670,517
Cash Flows from Financing Activities		
Payments to Subordinated Borrowed Money	(22,500)	(211,964)
Proceeds from Issuance of Subordinated Debentures	78,992	744,154
Payments from Redemption of Subordinated Debentures	(8,358)	(78,740)
Dividends Paid	(20,088)	(189,246)
Dividends Paid for Minority Interests	(12,859)	(121,143)
Others	(6)	(61)
Net Cash Provided by Financing Activities	15,179	143,000
Effects of Exchange Rate Changes on Cash and Cash Equivalents	(3,111)	(29,309)
Net Increase in Cash and Cash Equivalents	6,781	63,889
Cash and Cash Equivalents at the Beginning of the Year	290,232	2,734,169
Cash and Cash Equivalents at the End of the Year	¥ 297,013	$ 2,798,058

See accompanying “Notes to Consolidated Financial Statements” which are an integral part of these Statements.

** Fiscal 1999 represent the fiscal year ended March 31, 2000.*

1. Basis of Presentation and Summary of Significant Accounting Policies

The Industrial Bank of Japan, Limited ("IBJ") is a long-term credit bank under the Long-Term Credit Bank Law in Japan, providing global financial services together with its subsidiaries ("IBJ Group"). The subsidiaries of IBJ includes IBJ Securities Co., Ltd. (a domestic corporation), IBJ Trust and Banking Co., Ltd. (a domestic corporation), The Industrial Bank of Japan Trust Company (a U.S. corporation), IBJ Whitehall Bank & Trust Company (a U.S. corporation), Aubrey G. Lanston & Co. Inc. (a U.S. corporation) and IBJ International plc (a U.K. corporation).

(a) Basis of Presentation: The accompanying consolidated financial statements have been prepared from the accounts maintained by IBJ and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau (the "DKFB") in Japan are reclassified for the convenience of readers outside Japan. In addition, the Consolidated Statements of Shareholders' Equity are prepared and included in consolidated financial statements, though they are not required to be filed with the DKFB. In place of the Consolidated Statements of Shareholders' Equity, the Consolidated Statements of Retained Earnings are filed with the DKFB, the information of which are all included in the Consolidated Statements of Shareholders' Equity.

The amounts indicated in millions of yen are rounded down by truncating the figures below one million. Totals may not add up exactly because of such truncation.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥106.15 = US$1.00, the rate of exchange on March 31, 2000, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

(b) Principles of Consolidation: The consolidated financial statements include the accounts of IBJ and its subsidiaries. The number of the consolidated subsidiaries was 63 at March 31, 2000, 67 at March 31, 1999 and 42 at March 31, 1998.

Investments in affiliates and unconsolidated subsidiaries, except for those immaterial to the consolidated financial statements which are carried at cost, are accounted for under the equity method. The number of the affiliates accounted for under the equity method was 18 at March 31, 2000, 14 at March 31, 1999. No affiliate was accounted for under the equity method at March 31, 1998. These investments are included in Securities, and the net equity in income from these investments is included in Other Income.

In fiscal 1998, in determining subsidiaries and affiliates, IBJ adopted "Implementation Guideline on Revised Definition of Subsidiaries and Affiliates under Reporting System of Consolidated Financial Statements" issued by the Business Accounting Deliberation Council in October 30, 1998. Under this new guideline, companies controlled by IBJ are accounted for as subsidiaries regardless of the ownership percentage by IBJ, and companies influenced by IBJ in material degree on their financial and operating or business policies through investment, personnel, finance, technology, trading or other relationship, are accounted for as affiliates regardless of the ownership percentage by IBJ. Before fiscal 1997 IBJ determined subsidiaries and affiliates only by ownership.

Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary is allocated to applicable accounts where identifiable, and the remaining portion is charged or credited to income, as the case may be, in the year in which it occurs.

All material intercompany transactions, account balances and unrealized profits have been eliminated in consolidation.

The majority of domestic subsidiaries are consolidated based on the fiscal years ended March 31, and the majority of foreign subsidiaries are consolidated based on the fiscal years ended December 31.

(c) Statement of Cash Flows: Presentation of Consolidated Statement of Cash Flows is required effective for fiscal 1999 in accordance with a new accounting standard. The Consolidated Statements of Cash Flows for prior years are not presented as they were prepared in a different format and not considered comparable. For the purpose of the Consolidated Statement of Cash Flows, Cash and Cash Equivalents consists of cash and due from central banks on the Consolidated Balance Sheets.

(d) Trading Assets and Liabilities: In fiscal 1997, trading transactions intended to take advantages of short-term fluctuations and arbitrage in interest rates, currency exchange rates, market prices of securities and related indices are recognized on the contract date basis and recorded in Trading Assets or Trading Liabilities on the Consolidated Balance Sheets.

Securities and other short-term credit instruments held for trading purposes are stated at fair value at the balance sheet date. Derivative financial products such as swaps, forward contracts and option transactions are stated at their hypothetical termination values, assuming that such transactions were terminated and settled at the balance sheet date.

Trading Income and Trading Expense are recorded as interest income or expense actually paid or received plus:

Marketable securities and commercial paper
The difference in valuation gains or losses between beginning balance and ending balance; or
Derivative financial products
The difference in hypothetical settlement gains or losses between beginning balance and ending balance

Establishing trading accounts in accordance with the Bank Law, Article 17-2, referred by the Long-Term Credit Bank Law, Article 17, had the following effect on the Consolidated Statements of Income for fiscal 1997:

Net decrease in Total Income:		¥ 97,372 million
Decrease in Interest Income	¥121,926 million	
Increase in Trading Income	¥ 24,553 million	
Net decrease in Total Expense:		¥115,525 million
Decrease in Interest Expense	¥117,194 million	
Increase in Trading Expense	¥ 1,669 million	
Decrease in Loss before Income Taxes and Others		¥ 18,152 million

Some elements in Trading Income and Trading Expense were offset in presentation of the Consolidated Statements of Income.

The consolidated subsidiaries record Trading Transactions and other similar transactions in the same manner as IBJ.

(e) Securities: Securities are stated at cost, cost being determined by the moving-average method. As of and prior to March 31, 1998, corporate bonds, stocks and shares and other securities listed on stock exchanges were stated at the lower of cost or market, and Japanese national and local government bonds were stated at cost, cost being determined by the moving-average method. As a result of this change, Other Expense and Loss before Income Taxes and Others decreased by ¥190,464 million for fiscal 1998.

Corporate bonds, stocks and shares and other listed securities in Money Held in Trust for short-term investments in designated securities are stated at the lower of cost or market, cost being determined by the moving average method. Non-listed securities in Money Held in Trust are stated at cost: cost being determined by the moving average method.

Securities held by the consolidated subsidiaries are valued at cost as determined principally by the moving-average method.

(f) Translation of Foreign Currencies: (1) Assets and liabilities denominated in foreign currencies as well as assets and liabilities of foreign branches are translated into yen primarily using the exchange rates in effect at the balance sheet date. Certain assets and liabilities denominated in foreign currencies, including certain investments in foreign companies, are valued at historical exchange rates prevailing at the transaction dates if funded in Japanese yen.

Forward foreign contracts except for those relating to funding transactions are valued at the forward rates prevailing at the balance sheet date for the remaining maturity of the contract. Gains and losses on these forward foreign exchange contracts are recognized in Other Operating Income. Premiums or discounts on spot and forward exchange swaps related to funding transactions are recognized as part of interest income or expense over the life of the contract.

(2) Foreign currency accounts of the consolidated overseas subsidiaries are translated into their home currencies at the respective exchange rates in effect at the balance sheet date.

The financial statements of the consolidated overseas subsidiaries are translated into yen at the exchange rates in effect at the balance sheet date, except for accounts in shareholders' equity which are translated at the historical rates. Translation differences resulting from the changes in the exchange rates from year to year are accumulated in Other Assets.

(g) Premises and Equipment: Premises and Equipment is stated at cost less accumulated depreciation. Depreciation of IBJ is computed as follows:

Buildings: Depreciation of buildings, excluding building equipment and structures, acquired on or after April 1, 1998, is computed using the straight-line method in accordance with the Japanese Tax Law and the Japanese Tax Law Enforcement Regulation Article 48-1 as amended. For other buildings, the declining-balance method is used at rates prescribed under the Japanese Tax Law. This change of method in accordance with the Japanese Tax Law Enforcement Regulation as amended resulted in a decrease in Loss before Income Taxes and Others by ¥6 million for fiscal 1998. The Japanese Tax Law was also amended in fiscal 1998 to shorten depreciation periods for buildings. This change in line with the amendment resulted in an increase in Loss before Income Taxes and Others by ¥202 million for fiscal 1998.

Equipment: Depreciation of equipment is computed using the declining-balance method, based on rates prescribed under the Japanese Tax Law.

Other premises and equipment: Depreciation of other premises and equipment is computed in accordance with methods prescribed under the Japanese Tax Law.

IBJ changed the depreciation rates for building from fiscal 1997. Until fiscal 1996, depreciation expenses for buildings was calculated under the declining balance method at 160% of rates under Japanese Tax Law. This change resulted in a decrease in Loss before Income Taxes and Others by ¥2,306 million in fiscal 1997.

Premises and Equipment of the consolidated subsidiaries are depreciated principally by the declining balance method over the estimated useful life of each asset.

(h) Software: Development costs for internal-use software are capitalized and amortized under the straight-line method over estimated useful life of 5 years. In accordance with the transitional provision of "the Practical Guidance for Accounting for Research and Development Costs and Software Costs", issued by JICPA Accounting Committee on March 31, 1999, costs for internal-use software that are already capitalized and included in Other Assets are and will continue to be accounted for under the accounting method previously in effect.

(i) Deferred Debenture Charges: Deferred Debenture Charges consists of discounts on and issuance costs of debentures.

Discounts on debentures are amortized over the term of the debenture.

Debenture issuance costs are amortized over the term of such debentures up to 3 years, which is the maximum period permitted by the Code.

Deferred Debenture Charges of consolidated subsidiaries are mainly amortized over the term of the debenture.

(j) Reserve for Possible Loan Losses: Reserve for Possible Loan Losses of IBJ is maintained in accordance with Standards for Write-offs and Provisions internally established.

—For credits extended to Bankrupt or Substantially Bankrupt Obligors, reserves are maintained for 100% of the said credits less amounts recoverable from collateral and guarantees.

—For credits extended to Intensive Control Obligors, reserves are maintained for the amount deemed necessary based on overall solvency analyses less amounts recoverable from collateral and guarantees.

—For credits extended to other obligors, reserves are maintained at rates formulated from historical credit loss experiences.

—Reserves for credits extended to specific foreign borrowers are maintained in order to cover possible losses based on analyses of political and economic climates of the countries.

All credits are assessed by each credit origination department, and a result of the assessments is verified and audited by an independent examination department. Reserve for Possible Loan Losses is provided on the basis of such audited assessments.

Reserve for Possible Loan Losses of the consolidated subsidiaries is provided at the amount considered necessary based on the management's risk assessment of the loan portfolio.

From fiscal 1999, Reserve for Possible Loan Losses, which was included in the Liability section in prior years, is included in the Asset section of the balance sheet as a result of a revision in the Implementation Guide of Long-Term Credit Bank Law (Ministry of Finance Ordinance No.13, 1982). Decrease in both Total Assets and Total Liabilities of ¥920,029 million resulted from this reclassification.

(k) Reserve for Retirement Allowances and Pension Plan: In Reserve for Retirement Allowances of IBJ is provided for payments to employees based on the amount that would have been required assuming the voluntary retirement of all employees on the date of the balance sheet. In addition, IBJ has a non-contributory funded pension plan for eligible employees. IBJ's policy for the plan is to fund and charge to income normal costs as accrued on the basis of an actuarial method accepted in Japan.

The consolidated subsidiaries principally have funded pension plans for their employees.

(l) Reserve for Possible Losses on Loans Sold: Reserve for Possible Losses on Loans Sold is maintained to cover contingent losses on loans sold to the Cooperative Credit Purchasing Company, Limited, taking into account the value of collateral pledged. This reserve is provided in accordance with Article 287-2 of the Code.

(m) Reserve for Possible Losses on Support of Specific Borrowers: Reserve for Possible Losses on Support of Specific Borrowers is maintained to cover losses on write-offs of loans to assist or facilitate the restructuring of certain borrowers. This reserve is provided in accordance with Article 287-2 of the Code.

(n) Reserve for Contingency: Reserve for Contingency is maintained to cover losses arising from matters not covered by other specific reserves that are probable to take place and that are determinable in amounts. This reserve is provided in accordance with Article 287-2 of the Code.

(o) Income Taxes: Accounting for allocation of income taxes, which is corporate income tax, inhabitant tax and enterprise tax, is adopted. The asset and liability method is applied to provide income taxes on all transactions recorded in the consolidated financial statements. Deferred Tax Assets and Deferred Tax Liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates which will be in effect when the differences are expected to reverse. The aggregate tax rates were approximately 39.0% for fiscal 1999, 42.3% for fiscal 1998, 47.9% for fiscal 1997.

(p) Earnings per Share: Basic Net Income (Loss) per Share of Common Stock is computed by dividing Net Income (Loss) applicable to Common Stock by weighted-average number of shares of Common Stock outstanding during each year. Calculation of Diluted Net Income per Share of Common Stock reflects the potential dilution that could occur if dilutive securities were converted into Common Stock. Diluted Net Loss per Share of Common Stock is not presented as this information is not required in Net Loss years under accounting principles generally accepted in Japan.

(q) Lease Transactions: Accounting principles applicable to operating leases are applied for finance leases of IBJ and its domestic subsidiaries that do not involve transferring of ownership to the lessees at the end of lease terms.

(r) Changes in Presentation: Due to the change of the Rules for the Consolidated Financial Statements, effective March 31, 1999, IBJ has changed the format of consolidated financial statements as follows:

(1) Legal Reserve is included in Retained Earnings in the Consolidated Balance Sheets and the Consolidated Statements of Shareholders' Equity. The amounts at March 31, 1998 and prior have been reclassified to conform to the presentation at March 31, 2000 and 1999.

(2) Enterprise Taxes is included in Income Tax Expenses (Benefits). It was previously included in Other Expense in the Consolidated Statements of Income for fiscal 1997.

(3) Amortization of Consolidation Difference is included in General and Administration Expenses. It was presented as the item of increase/decrease of Income (Loss) before Income Taxes and Others in the Consolidated Statements of Income for fiscal 1997.

2. Cash and Cash Equivalents

Cash and Cash Equivalents at March 31, 2000 was reconciled to Cash and Due from Banks on the Consolidated Balance Sheets as follows:

	(in millions of yen)	(in thousands of U.S. dollars)
	March 31, 2000	March 31, 2000
Cash and Due from Banks	¥652,704	$6,148,889
Less: Due from Banks except for due from central banks	(355,690)	(3,350,831)
Cash and Cash Equivalents	¥297,013	$2,798,058

3. Trading Assets and Liabilities

Trading Assets and Liabilities at March 31, 2000 and 1999, consisted of the following:

		(in millions of yen)	(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Trading Assets:			
Trading Securities	¥2,609,334	¥1,635,269	$24,581,577
Derivatives for Trading Securities	34	112,762	320
Securities Held to Hedge Trading Transactions	27,161	23,193	255,881
Derivatives for Securities Held to Hedge Trading Transactions	716	143	6,753
Derivatives for Trading Transactions	928,726	1,443,051	8,749,194
Other Trading Assets	360,085	514,585	3,392,231
Total	¥3,926,059	¥3,729,005	$36,985,956
Trading Liabilities:			
Trading Securities Oversold	¥ 450,751	¥ 746,636	$ 4,246,359
Derivatives for Trading Securities	0	689,469	7
Securities Oversold to Hedge Trading Transactions	36,415	24,375	343,057
Derivatives for Securities Held to Hedge Trading Transactions	58	108	547
Derivatives for Trading Transactions	873,892	1,394,360	8,232,622
Total	¥1,361,118	¥2,854,950	$12,822,592

4. Securities

Securities at March 31, 2000 and 1999, consisted of the following:

		(in millions of yen)	(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Japanese National Government Bonds	¥2,405,738	¥3,321,912	$22,663,577
Japanese Local Government Bonds	143,478	167,675	1,351,660
Japanese Corporate Bonds	339,691	362,710	3,200,107
Japanese Stocks and Shares (1)	2,870,455	2,661,519	27,041,507
Others (2)	1,821,418	2,428,333	17,158,909
Total	¥7,580,782	¥8,942,151	$71,415,760

(1) Japanese Stocks and Shares included investments in affiliates of ¥28,491 million and ¥8,416 million at March 31, 2000 and 1999, respectively.
(2) Others included investments in affiliates of ¥1,388 million and ¥1,577 million at March 31, 2000 and 1999, respectively.

5. Loans and Bills Discounted

Loans and Bills Discounted at March 31, 2000 and 1999, consisted of the following:

		(in millions of yen)	(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Bills Discounted	¥ 103,229	¥ 133,341	$ 972,483
Loans on Notes	4,216,138	4,528,129	39,718,688
Loans on Deeds	15,280,454	15,769,648	143,951,526
Overdrafts	3,179,867	2,896,787	29,956,356
Total	¥22,779,689	¥23,327,907	$214,599,053

Loans and Bills Discounted at March 31, 2000 and 1999, included the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Loans to Bankrupt Borrowers (1)	¥ 122,459	¥ 147,785	$ 1,153,641
Non-Accrual Delinquent Loans (2)	1,024,884	1,307,274	9,655,062
Loans Past Due for 3 Months or More (3)	10,655	8,944	100,385
Restructured Loans (4)	854,224	554,669	8,047,333
Total	¥2,012,224	¥2,018,673	$18,956,421

(1) Loans to Bankrupt Borrowers represent nonaccrual loans to borrowers who are legally bankrupt as defined in Article 96-1-3 and 4 of the Japanese Tax Law Enforcement Regulation (Article 97 of 1965 Cabinet Order).
(2) Non-Accrual Delinquent Loans represent nonaccrual loans other than (i) Bankruptcy Loans and (ii) loans of which payments of interest are deferred in order to assist or facilitate the restructuring of borrowers in financial difficulties.
(3) Loans to Bankrupt Borrowers or Non-Accrual Delinquent Loans, both of which are classified as nonaccrual, are not included in this category.
(4) Restructured Loans represent loans on which contracts were amended in favor of borrowers (e.g., the reduction of or exemption from stated interest, the deferral of interest payments, the extension of maturity dates, renunciation of claims) in order to assist or facilitate the restructuring of borrowers in financial difficulties.

6. Foreign Exchange Assets and Liabilities

Foreign Exchange Assets and Liabilities at March 31, 2000 and 1999, consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Foreign Exchange Assets:			
Foreign Bills Bought	¥130,149	¥124,974	$1,226,087
Foreign Bills Receivable	85,040	77,171	801,132
Advance to Foreign Banks	18,098	33,292	170,498
Due from Banks (Foreign)	20,993	55,147	197,774
Total	¥254,281	¥290,585	$2,395,491
Foreign Exchange Liabilities:			
Foreign Bills Sold	¥ 15	¥ 10	$ 146
Foreign Bills Payable	357	1,253	3,372
Advance from Foreign Banks	1,697	4,564	15,987
Due to Banks (Foreign)	57,341	17,570	540,194
Total	¥ 59,412	¥ 23,399	$ 559,699

7. Other Assets

Other Assets at March 31, 2000 and 1999, consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Accrued Income	¥ 380,272	¥ 422,080	$ 3,582,405
Prepaid Expense	6,437	9,509	60,644
Cash placed as Collateral on Securities Borrowed	1,222,649	1,326,515	11,518,126
Securities in Custody and Other (1)	1,679,387	1,347,016	15,820,894
Others (2)	1,134,962	818,112	10,692,067
Total	¥4,423,709	¥3,923,235	$41,674,136

(1) Securities in Custody and Other represents securities borrowed from financial institutions under contracts which allow IBJ to use these securities for the settlement of securities sold and securities deposited by customers as collateral for margin.
(2) Others at March 31, 2000 and 1999 included provisional tax payments of ¥222,682 million. IBJ made these payments upon receipt of the Correction Notice from the Tokyo Regional Taxation Bureau on August 23, 1996 in connection with the write-off of credits due from Japan Housing Loan, Inc., amounting to ¥376,055 million recorded in fiscal 1996. IBJ disputed the rationale for the proposed correction and filed an application seeking to void the proposed correction to the National Tax Tribunal for administrative review, which was dismissed on October 28, 1997. IBJ filed a lawsuit at Tokyo District Court on October 30, 1997.

8. Premises and Equipment

Premises and Equipment at March 31, 2000 and 1999, consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Land	¥200,671	¥212,167	$1,890,449
Buildings	126,553	131,183	1,192,212
Equipment	48,136	50,178	453,477
Others	26,560	42,484	250,221
Subtotal	401,921	436,012	3,786,359
Less: Accumulated Depreciation	116,086	122,286	1,093,608
Total	¥285,835	¥313,726	$2,692,751

In accordance with the Land Revaluation Law, land used for business operations of IBJ was revalued as follows:

Date of revaluation: March 31, 1998

Method of revaluation set forth in Article 3-3 of above law:

In accordance with Article 119 of 1998 Cabinet Order - Article 2-4 of the Enforcement Ordinance relating to the Land Revaluation Law, revaluation is performed by the method of calculating land value for a taxable basis of Land Value Tax amounts along with reasonable adjustments, such as shape of land and accessibility. This method is established and published by the Director General of National Tax Administration.

The difference between the total fair value of land used in business at the year-end and the total book value after revaluation of said land used in business in accordance with Article 10 of the above law: ¥6,776 million and ¥3,148 million, at March 31, 2000 and 1999, respectively.

At March 31,1998, the entire excess on revaluation was presented as Surplus from Land Revaluation included in Liabilities. At March 31, 1999, due to the revision of the above law on March 31, 1999, the taxable portion of the excess on revaluation is presented as Deferred Tax Liabilities related to Land Revaluation which is included in Liabilities, and the remainder, net of income taxes portion of the excess on revaluation, is presented as Surplus from Land Revaluation which is included in Shareholders' Equity. As a result of this change, Total Liabilities decreased by ¥98,920 million and Total Shareholders' Equity increased by ¥98,920 million.

9. Deferred Debenture Charges

Deferred Debenture Charges at March 31, 2000 and 1999, consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Deferred Discounts on Debentures	¥6,512	¥13,191	$61,351
Deferred Debenture Issuance Costs	3,113	2,863	29,327
Total	¥9,625	¥16,055	$90,678

10. Deferred Tax Assets and Liabilities

The components of Deferred Tax Assets and Liabilities at March 31, 2000 and 1999, were as follows:

		(in millions of yen)	(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Deferred Tax Assets:			
Reserve for Possible Loan Losses	¥229,771	¥246,077	$2,164,595
Reserve for Possible Losses on Support of Specific Borrowers	65,240	—	614,608
Investments in Stocks and Others	20,425	11,308	192,418
Reserve for Possible Losses on Loans Sold	18,536	20,365	174,630
Reserve for Retirement Allowances	14,030	15,531	132,175
Net Loss Carryforwards	—	55,506	—
Investments in Subsidiaries and Affiliates	—	31,221	—
Others	18,895	20,189	178,004
Total	¥366,900	¥400,198	$3,456,430
Deferred Tax Liabilities:			
Depreciation and Others	¥ 8,997	¥ 7,245	$ 84,767

Deferred Tax Assets and Liabilities are netted on the Consolidated Balance Sheets if they belong to the same taxpayer.

11. Reserve for Possible Loan Losses

Reserve for possible Loan Losses at March 31, 2000 and 1999, consisted of the following:

		(in millions of yen)	(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
General Reserve for Possible Loan Losses	¥138,546	¥ 189,120	$1,305,197
Specific Reserve for Possible Loan Losses	775,348	870,008	7,304,275
Reserve for Possible Losses on Loans to Restructuring Countries	6,134	7,586	57,791
Total	¥920,029	¥1,066,714	$8,667,263

12. Debentures

IBJ issues debentures twice a month and offer them to institutional and private investors as a main source of funds for its operations. It provides debentures with a variety of different terms in order to attract more investors. Debentures and other long-term debts of IBJ Group outstanding at March 31, 2000 and 1999, were as follows:

		(in millions of yen)		(in thousands of U.S. dollars)	Interest Rates
Issuer	Description of Bonds and Notes	March 31, 2000	March 31, 1999	March 31, 2000	March 31, 2000
IBJ	One-Year Discount Debentures	¥ 5,577,907	¥ 5,799,005	$ 52,547,412	0.19%—0.49%
	Five-Year Coupon Debentures (Series "A")	10,285,631	10,118,640	96,897,137	1.00%—4.00%
	Five-Year Coupon Debentures (Series "B")	236,247	255,151	2,225,599	0.50%—3.90%
	Five-Year Coupon Debentures (with compounding interests)	1,020,210	1,030,886	9,611,028	0.50%—3.90%
	Five-Year Coupon Debentures (savings-type)	810,555	812,509	7,635,942	0.50%—3.90%
	Five-Year Coupon Debentures (savings types with compounding interests)	94,301	93,931	888,384	0.50%—3.90%
	Two-year coupon debentures	1,508,400	1,373,800	14,210,080	0.30%—1.40%
	Subordinated Debentures, due from March 2008 and thereafter	353,100	353,100	3,326,425	0.70%—3.00%
	Debentures denominated in foreign currencies, due from July 2004 through September 2010	26,017	29,834	245,099	3.60%—8.40%
Consolidated Subsidiaries (1)	Straight Bonds	558,829	595,006	5,264,524	0.10%—25.00%
Total		¥ 20,471,200	¥ 20,461,865	$192,851,630	

(1) The Industrial Bank of Japan Finance Company N.V., IBJ International plc, and IBJ Australia Bank Limited.

Repayments for Debentures are scheduled for the next 5 years as follows:

Fiscal 2000	¥9,352,946 million
2001	¥3,428,082 million
2002	¥2,428,836 million
2003	¥2,364,140 million
2004	¥2,303,350 million

13. Deposits

Deposits at March 31, 2000 and 1999, consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Current Deposits	¥ 432,595	¥ 359,531	$ 4,075,327
Ordinary Deposits	880,681	680,482	8,296,577
Deposits at Notice	334,523	287,710	3,151,420
Time Deposits	2,494,728	2,711,244	23,501,921
Certificates of Deposit	1,384,995	2,545,055	13,047,529
Others	1,108,976	1,532,297	10,447,258
Total	¥ 6,636,501	¥ 8,116,321	$ 62,520,032

14. Borrowed Money

Borrowed Money at March 31, 2000 and 1999, consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)	Average Interest Rates (1)
	March 31, 2000	March 31, 1999	March 31, 2000	March 31, 2000
Bills Rediscounted	¥ 26,403	¥ 30,174	$ 248,733	5.73%
Other Borrowing (2), (3)	920,566	1,360,033	8,672,316	3.27%
Total	¥ 946,969	¥ 1,390,208	$8,921,049	3.33%

(1) Average interest rates are weighed-average interests of debts calculated from the interest rates and outstanding balances at year-end.
(2) Other Borrowing included subordinated debts of ¥729,500 million and ¥752,000 million at March 31, 2000 and 1999, respectively.
(3) Repayments for Other Borrowing are scheduled for the next 5 years as follows:

Fiscal 2000	¥151,002 million
2001	¥ 31,204 million
2002	¥195,278 million
2003	¥ 7,458 million
2004	¥ 20,058 million

15. Other Liabilities

Other Liabilities at March 31, 2000 and 1999, consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Accrued Expense	¥ 349,739	¥ 404,644	$ 3,294,765
Unearned Income	21,266	27,131	200,347
Income Taxes Payable	23,881	16,856	224,978
Cash Received as Collateral on Securities Lent	994,042	831,214	9,364,503
Securities Borrowed	1,647,582	1,313,737	15,521,268
Others	2,742,840	1,216,818	25,839,290
Total	¥5,779,352	¥3,810,402	$54,445,151

16. Other Reserves

Other Reserves at March 31, 2000 and 1999, consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Reserve for Contingent Liabilities from Futures Transactions	¥14	¥13	$133
Reserve for Contingent Liabilities from Securities Transactions	32	16	311
Total	¥47	¥29	$444

17. Minority Interests in Consolidated Subsidiaries

Minority Interests in Consolidated Subsidiaries included preferred stocks issued by the IBJ subsidiaries of ¥278,428 million and ¥291,700 million at March 31, 2000 and 1999, respectively. These stocks are preferred as to distribution at liquidation of the issuing subsidiaries.

18. Acceptances and Guarantees

All commitments and contingent liabilities of material nature resulting from guarantees or otherwise are included in the contra-accounts "Acceptances and Guarantees" and "Customers' Liabilities for Acceptances and Guarantees".

Outstanding commitments and contingent liabilities at March 31, 2000 and 1999, consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 2000	March 31, 1999	March 31, 2000
Acceptances	¥ 1,377	¥ 3,670	$ 12,980
Letters of Credit	53,025	75,205	499,533
Guarantees	1,006,013	1,437,726	9,477,286
Total	¥1,060,417	¥1,516,602	$9,989,799

19. Assets Pledged as Collateral

Disclosure of assets pledged as collateral is required effective for the year ended March 31, 2000, in accordance with a new accounting standard.

The following assets have been submitted as collateral at March 31, 2000:

	(in millions of yen)	(in thousands of U.S. dollars)
	March 31, 2000	March 31, 2000
Call Loans and Bills Purchased	¥ 5,000	$ 47,103
Trading Assets	458,495	4,319,318
Securities	1,354,775	12,762,838
Loans and Bills Discounted	209,886	1,977,259
Other Assets	26,537	250,000
Premises and Equipment	191	1,801

The following liabilities are collateralized in security interests in above assets:

	(in millions of yen)	(in thousands of U.S. dollars)
	March 31, 2000	March 31, 2000
Deposits	¥ 58,985	$ 555,682
Call Money and Bills Sold	1,985,491	18,704,582
Borrowed Money	1,620	15,262

In addition, Trading Assets, Securities, Loans, and Other Assets amounting to ¥9,862 million, ¥1,203,482 million, ¥121,260 million and ¥1,700 million, respectively, have been submitted as collateral in lieu of the deposits for settlement on foreign currency transactions and futures transactions.
No asset has been submitted as collateral to cover for debts of affiliates.

20. Preferred Stock

In connection with the Financial Function Early Strengthening Law, IBJ issued 140,000,000 shares of Preferred Stock First Series Class II and 140,000,000 shares of Preferred Stock Second Series Class II to the Resolution and Collection Corporation at March 31, 1999.

Preferred Stock First Series Class II has no par value, is entitled to a non-cumulative annual dividend of ¥17.50, has a liquidation preference of ¥1,250, and is convertible to common stock from September 1, 2003 to August 31, 2009, at which time all remaining shares will be converted to common stock.

Preferred Stock Second Series Class II has no par value, is entitled to a non-cumulative annual dividend of ¥5.38, has a liquidation preference of ¥1,250, and is convertible to common stock from July 1, 2003 to August 31, 2009, at which time all remaining shares will be converted to common stock.

The numbers of authorized, issued and outstanding shares of Preferred Stock at March 31, 2000 and 1999 were as follows:

(shares)

	March 31, 2000	March 31, 1999
Authorized Shares:		
Preferred Stock Class I	200,000,000	200,000,000
Preferred Stock Class II	400,000,000	400,000,000
Issued and Outstanding Shares:		
Preferred Stock Class I	—	—
Preferred Stock First Series Class II	140,000,000	140,000,000
Preferred Stock Second Series Class II	140,000,000	140,000,000

Cash dividend per Preferred Stock First Series Class II for Fiscal 1999 and 1998 was ¥17.50 and ¥0.05, respectively.
Cash dividend per Preferred Stock Second Series Class II for Fiscal 1999 and 1998 was ¥5.38 and ¥0.02, respectively.

21. Common Stock

In connection with the mutual business corporation agreement, IBJ issued 100,000,000 shares of Common Stock to Dai-Ichi Mutual Life Insurance Company at ¥670 per share at December 25, 1998.

The numbers of authorized, issued and outstanding shares of Common Stock at March 31, 2000 and 1999, were as follows:

(shares)

	March 31, 2000	March 31, 1999
Authorized Shares	6,000,000,000	6,000,000,000
Issued and Outstanding Shares	2,639,579,392	2,639,579,392

22. Retained Earnings

Retained Earnings includes legal reserve. In accordance with the Long-Term Credit Banking Law, IBJ is required to appropriate as legal reserve an amount equivalent to at least 20% of the amount of cash disbursements until such reserve equals 100% of its common stock.

The legal reserve is not available for dividends but may be used to reduce a deficit by approval at the shareholders' meeting or may be capitalized by resolution of the Board of Directors.

The legal reserve, totaling ¥84,387 million and ¥80,369 million at March 31, 2000 and 1999, respectively, is included in Retained Earnings.

23. Interest Income and Expense

Interest Income and Expense for fiscal 1999, 1998 and 1997, consisted of the following:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1999	Fiscal 1998	Fiscal 1997	Fiscal 1999
Interest Income:				
Interest on Loans and Bills Discounted	¥ 565,526	¥ 700,371	¥ 859,112	$ 5,327,615
Interest and Dividends on Securities	185,632	279,617	243,380	1,748,780
Interest on Call Loans and Bills Purchased	189,233	260,098	186,133	1,782,695
Interest on Due from Banks	26,704	40,539	79,123	251,569
Interest on Interest Swap	487,413	617,258	814,933	4,591,739
Others	65,479	76,790	123,316	616,857
Total	¥1,519,988	¥1,974,674	¥2,305,998	$14,319,255
Interest Expense:				
Interest on Debentures	¥ 267,992	¥ 309,620	¥ 374,840	$ 2,524,660
Amortization of Debenture Discounts	20,224	27,117	34,952	190,524
Interest on Deposits	140,739	244,686	352,186	1,325,852
Interest on Borrowed Money	33,829	51,506	53,153	318,692
Interest on Commercial Paper	284	91	—	2,683
Interest on Call Money and Bills Sold	242,456	356,006	268,435	2,284,096
Interest on Interest Swap	509,374	592,524	800,983	4,798,627
Others	57,974	91,317	131,409	546,158
Total	¥1,272,875	¥1,672,871	¥2,015,962	$11,991,292
Net	¥ 247,113	¥ 301,803	¥ 290,036	$ 2,327,963

24. Trading Income and Expense

Trading Income and Expense for fiscal 1999, 1998 and 1997, consisted of the following:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1999	Fiscal 1998	Fiscal 1997	Fiscal 1999
Trading Income:				
Net Gains on Trading Securities and Derivatives	¥25,431	¥22,995	¥8,630	$239,584
Net Gains on Securities Held to Hedge Trading Transactions	—	5,280	—	—
Net Gains on Derivatives for Trading Transactions	25,099	21,669	—	236,454
Other Trading Income	1,271	3,991	837	11,978
Total	¥51,802	¥53,936	¥9,467	$488,016
Trading Expense:				
Net Losses on Securities Held to Hedge Trading Transactions	¥ 171	¥ —	¥ 401	$ 1,617
Other Trading Expense	—	—	8,051	—
Total	¥ 171	¥ —	¥8,452	$ 1,617
Net	¥51,631	¥53,936	¥1,014	$486,399

25. Other Operating Income

Other Operating Income for fiscal 1999, 1998 and 1997, consisted of the following:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1999	Fiscal 1998	Fiscal 1997	Fiscal 1999
Gains on Foreign Exchange Transactions	¥ 8,550	¥ 17,127	¥ 12,066	$ 80,549
Gains on Sales of Bonds	993,790	817,294	444,595	9,362,137
Gains on Redemption of Bonds	4,800	10,635	11,372	45,227
Others	4,842	8,993	5,400	45,621
Total	¥1,011,984	¥854,050	¥473,434	$9,533,534

26. Other Income

Other Income for fiscal 1999, 1998 and 1997, consisted of the following:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1999	Fiscal 1998	Fiscal 1997	Fiscal 1999
Gains on Sales of Stocks and Other Securities	¥280,787	¥383,365	¥373,162	$2,645,198
Gains on Money Held in Trust	5,053	201	8,751	47,606
Gains on Sales of Premises and Equipment	15,287	7,506	5,418	144,018
Others	25,190	15,069	10,606	237,312
Total	¥326,319	¥406,143	¥397,938	$3,074,134

27. Other Operating Expense

Other Operating Expense for fiscal 1999, 1998 and 1997, consisted of the following:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1999	Fiscal 1998	Fiscal 1997	Fiscal 1999
Amortization of Debenture Issuance Costs	¥ 4,637	¥ 5,132	¥ 6,849	$ 43,693
Losses on Sales of Bonds	1,006,020	768,513	418,194	9,477,351
Losses on Redemption of Bonds	474	9,144	2,234	4,472
Losses on Devaluation of Bonds	386	69	2,058	3,640
Others	3,992	11,908	2,577	37,608
Total	¥1,015,512	¥794,768	¥431,913	$9,566,764

28. Other Expense

Other Expense for fiscal 1999, 1998 and 1997, consisted of the following:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1999	Fiscal 1998	Fiscal 1997	Fiscal 1999
Provision of Reserve for Possible Loan Losses	¥175,645	¥613,741	¥522,358	$1,654,687
Written-off Claims	12,538	140,667	62,468	118,120
Losses on Sales of Stocks and Other Securities	31,685	35,356	35,297	298,498
Losses on Devaluation of Stocks and Other Securities	37,493	12,416	267,247	353,210
Losses on Money Held in Trust	26	300	1,187	248
Enterprise Taxes (1)	—	—	(34,416)	—
Losses on Dispositions of Premises and Equipment	4,176	1,016	1,585	39,350
Others (2)	73,758	134,796	85,768	694,853
Total	¥335,324	¥938,295	¥941,497	$3,158,966

(1) Enterprise Taxes for fiscal 1999 and 1998 were included in Income Tax Expenses (Benefits) in the Consolidated Statements of Income. Enterprise Taxes for fiscal 1997 had credit balances due to recognition of deferred income taxes.
(2) Others included the following IBJ losses:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1999	Fiscal 1998	Fiscal 1997	Fiscal 1999
Provision of Reserve for Possible Losses on Loans Sold	¥ 4,840	¥44,026	¥15,805	$ 45,601
Provision of Reserve for Possible Losses on Support of Specific Borrowers	18,892	—	—	177,980
Provision of Reserve for Contingency	13,938	—	—	131,306
Losses on Sales of Loans to CCPC	—	2,158	21,701	—
Other Losses on Sales of Loans	15,418	60,471	28,882	145,250

29. Income Taxes

Starting March 31, 1999, the reconciliation of the difference between the Legally Defined Effective Tax Rate and Ratio of Income Taxes on Income before Income Taxes and Others was disclosed under the new disclosure requirement as follows:

	Fiscal 1999	Fiscal 1998
Legally Defined Effective Tax Rate	41.9%	47.9%
Influence of the Change of Tax Rate (1) (2)	18.2%	(16.3%)
Dividend Received Deduction	(8.1%)	n/a
Others	(2.0%)	0.9%
Ratio of Income Taxes on Income before Income Taxes and Others	49.9%	32.5%

(1) Tokyo Metropolitan Government enacted the Municipal Ordinance Relating to Special Business Taxes for Banks in Tokyo (Tokyo Municipal Ordinance No. 145, April 1, 2000). This resulted in a change in the effective tax rate used in calculation of Deferred Tax Assets and Liabilities from 42.3% at March 31, 1999, to 39.0% at March 31, 2000. Therefore, Deferred Tax Assets at March 31, 2000 decreased by ¥30,409 million and Income Taxes Expenses - Deferred for fiscal 1999 increased by the same amount. Deferred Tax Liabilities related to Land Revaluation as of March 31, 2000, decreased by ¥5,336 million, and Surplus from Land Revaluation as of March 31, 2000, increased by the same amount.

(2) Adjustments due to the change of tax rate resulted in the decrease of Deferred Tax Assets of ¥27,652 million at March 31, 1999.

On June 9, 2000, Osaka Prefectural Government promulgated the Municipal Ordinance Relating to Special Business Taxes for Banks in Osaka (Osaka Municipal Ordinance No. 131, June 9, 2000). This ordinance, when it becomes effective for fiscal 2001, changes the effective tax rate used in calculation of Deferred Tax Assets and Liabilities from 39.0% at March 31, 2000, to 38.4% at March 31, 2001. Had this rate been used in calculation of deferred tax assets and liabilities as of March 31, 2000, Deferred Tax Assets at March 31, 2000, would have decreased by ¥5,191 million, and Income Taxes Expenses - Deferred for fiscal 1999 would have increased by the same amount. Deferred Tax Liabilities related to Land Revaluation as of March 31, 2000, would have decreased by ¥911 million, and Surplus from Land Revaluation as of March 31, 2000, would have increased by the same amount. However, actual changes in deferred tax assets and liabilities would be different from these amounts as they will be calculated using temporary differences in existence at March 31, 2001.

30. Subsequent Events

Merger Agreement of IBJ Securities Co., Ltd.

On May 25, 2000, IBJ Securities Co., Ltd., a subsidiary of IBJ, entered into a merger agreement with DKB Securities Co., Ltd., and Fuji Securities Co., Ltd. A summary of the merger agreement is as follows:

(1) Purpose

This merger will be effected in accordance with the consolidation agreement between IBJ, The Dai-Ichi Kangyo Bank Limited, and The Fuji Bank Limited signed in December 1999.

(2) Details of the Merger

a. Merger date: October 1, 2000

b. This will be an equal merger of IBJ Securities Co., Ltd., DKB Securities Co., Ltd., and Fuji Securities Co., Ltd. IBJ Securities Co., Ltd. will be the surviving legal entity.

c. Merger ratio for stocks: The merger will be effected using the following merger ratios:

	IBJ Securities	DKB Securities	Fuji Securities
Merger Ratio	1.00	1.12	0.87

(3) IBJ Securities Co., Ltd. will change its name to Mizuho Securities Co., Ltd. after the merger.

(4) Common Stock after the merger will be ¥150.2 billion.

(5) This merger will be subject to approval from regulators.

Appropriation of Retained Earnings

The following appropriation of Retained Earnings of IBJ was approved at the shareholders' meeting held on June 28, 2000:

	(in millions of yen)	(in thousands of U.S. dollars)
Cash Dividends:		
Preferred Stock First Series Class II	¥1,225	$11,540
Preferred Stock Second Series Class II	376	3,548
Common Stock	9,238	87,032

31. Segment Information

(a) Segment Information by Type of Business

The IBJ Group is engaged in securities, trust, leasing and other activities. Such segment information, however, has not been presented, as the percentages of those activities are insignificant.

(b) Segment Information by Geographic Area

Segment Information by geographic area for fiscal 1999, 1998 and 1997 were as follows:

(in millions of yen)

					Fiscal 1999	March 31, 2000
Geographic Area	Ordinary Income from Outside Customers	Inter-segment Ordinary Income	Ordinary Income	Ordinary Expense	Ordinary Profit	Total Assets
Japan	¥2,369,538	¥38,909	¥2,408,447	¥2,287,952	¥120,495	¥35,153,327
Americas	372,888	16,893	389,782	361,247	28,534	4,552,117
Europe	166,280	15,572	181,853	173,693	8,159	2,946,463
Asia/Oceania excluding Japan	75,279	950	76,230	69,738	6,491	1,473,170
Total	2,983,986	72,326	3,056,313	2,892,632	163,680	44,125,078
Elimination and General Corporate Assets	—	(72,326)	(72,326)	(64,227)	(8,099)	(1,658,627)
Consolidated Results	¥2,983,986	¥ —	¥2,983,986	¥2,828,405	¥155,581	¥42,466,450

(in millions of yen)

					Fiscal 1998	March 31, 1999
Geographic Area	Ordinary Income from Outside Customers	Inter-segment Ordinary Income	Ordinary Income	Ordinary Expense	Ordinary Profit (Loss)	Total Assets
Japan	¥2,455,776	¥22,670	¥2,478,446	¥2,690,213	¥(211,766)	¥35,802,233
Americas	528,673	3,519	532,192	508,626	23,566	6,575,174
Europe	270,990	20,451	291,442	297,542	(6,099)	3,665,924
Asia/Oceania excluding Japan	123,154	585	123,739	190,032	(66,292)	2,387,531
Total	3,378,594	47,226	3,425,821	3,686,414	(260,592)	48,430,862
Elimination and General Corporate Assets	—	(47,226)	(47,226)	(44,438)	(2,788)	(2,264,453)
Consolidated Results	¥3,378,594	¥ —	¥3,378,594	¥3,641,975	¥(263,381)	¥46,166,409

(in millions of yen)

					Fiscal 1997	March 31, 1998
Geographic Area	Ordinary Income from Outside Customers	Inter-segment Ordinary Income	Ordinary Income	Ordinary Expense	Ordinary Profit (Loss)	Total Assets
Japan	¥2,150,983	¥37,772	¥2,188,755	¥2,488,417	¥(299,661)	¥36,334,490
Americas	512,243	20,278	532,522	514,477	18,045	7,064,997
Europe	337,136	30,609	367,745	403,542	(35,797)	5,367,504
Asia/Oceania excluding Japan	303,890	617	304,507	312,820	(8,313)	2,856,405
Total	3,304,253	89,277	3,393,530	3,719,258	(325,727)	51,623,398
Elimination and General Corporate Assets	—	(89,277)	(89,277)	(85,826)	(3,450)	(2,393,612)
Consolidated Results	¥3,304,253	¥ —	¥3,304,253	¥3,633,431	¥(329,178)	¥49,229,785

(in thousands of U.S. dollars)

Geographic Area	Ordinary Income from Outside Customers	Inter-segment Ordinary Income	Ordinary Income	Ordinary Expense	Ordinary Profit	Total Assets
					Fiscal 1999	March 31, 2000
Japan	$22,322,545	$366,555	$22,689,100	$21,553,959	$1,135,141	$331,166,529
Americas	3,512,848	159,148	3,671,996	3,403,184	268,812	42,883,822
Europe	1,566,466	146,706	1,713,172	1,636,303	76,869	27,757,546
Asia/Oceania excluding Japan	709,180	8,955	718,135	656,981	61,154	13,878,193
Total	28,111,039	681,364	28,792,403	27,250,427	1,541,976	415,686,090
Elimination and General Corporate Assets	—	(681,364)	(681,364)	(605,061)	(76,303)	(15,625,320)
Consolidated Results	$28,111,039	$ —	$28,111,039	$26,645,366	$1,465,673	$400,060,770

(1) Geographic analyses of the IBJ Group's operation are presented based on geographic contiguity, similarities in economic activities, and relation of business operations.
(2) Ordinary Income represents Total Income less certain special income and Ordinary Expense represents Total Expense less certain special expense.
(3) Ordinary Profit represents Ordinary Income less Ordinary Expense.
(4) Americas includes the United States of America and Canada, etc., Europe includes the United Kingdom and Republic of France, etc., and Asia/Oceania excluding Japan includes Hong Kong and the Republic of Singapore, etc.
(5) Effects of changes in accounting policies for fiscal 1998 on the segment information are as follows:
  (i) The change in valuation method of Securities resulted in a decrease in Ordinary Expense of ¥189,666 million, ¥54 million, and ¥742 million for "Japan", "Europe" and "Asia/Oceania excluding Japan", respectively.
  (ii) The change in depreciation methods and depreciable life for property and equipment resulted in an increase in Ordinary Expense of ¥189 million, ¥1 million, ¥2 million, and ¥2 million for "Japan", "Americas", "Europe" and "Asia/Oceania excluding Japan", respectively.
(6) As noted in the Note 1(j) to the consolidated financial statements, IBJ Group changed its balance sheet classification for Reserve for Possible Loan Losses in accordance with a revision in the Implementation Guide to the Long-Term Credit Bank Law. Such change resulted in a decrease in total assets of ¥841,318 million, ¥19,157 million, ¥6,003 million, and ¥53,550 million for "Japan", "Americas", "Europe", and "Asia/Oceania excluding Japan", respectively.

(c) Ordinary Income of Overseas Entities

Ordinary Income of overseas entities for fiscal 1999 was analyzed as follows:

	(in millions of yen) Fiscal 1999	(in thousands of U.S. dollars) Fiscal 1999
Ordinary Income of Overseas Entities (1)	¥ 614,448	$ 5,788,494
Total Ordinary Income	2,983,986	28,111,039
Ordinary Income of Overseas Entities' Ratio (2)	20.5%	20.5%

(1) For fiscal 1999, Ordinary Income of Overseas Entities is presented in lieu of Sales as is the case for non-financial companies.
(2) Ordinary Income of Overseas Entities replaced Ordinary Income from International Operations so as to reflect more accurately the overseas transactions of IBJ Group. Ordinary Income of Overseas Entities represents Ordinary Income recorded by overseas branches of IBJ and overseas subsidiaries excluding internal transactions. These transactions are very voluminous, and therefore, geographic analyses relating to Ordinary Income of Overseas Entities are not presented.
(3) Ordinary Income from International Operations for fiscal 1998 and 1997 was as follows:

(in millions of yen)

	Fiscal 1998	Fiscal 1997
Ordinary Income from International Operations (4) (5)	¥1,429,157	¥1,555,875
Total Ordinary Income	3,378,594	3,304,253
International Operations' Ratio	42.3%	47.0%

(4) For fiscal 1998 and 1997, Ordinary Income from International Operations is presented in lieu of Sales as is the case for non-financial companies.
(5) Ordinary Income of International Operations for fiscal 1998 and 1997, includes ordinary income from domestic transactions denominated in foreign currencies, transactions denominated in Japanese yens relating to letters of credit for imports/exports, transactions denominated in Japanese yens with non-resident aliens, Special International Finance Transactions, as well as Ordinary Income recorded by overseas branches of IBJ and overseas subsidiaries excluding internal transactions. These transactions are very voluminous and therefore, geographic analyses relating to Ordinary Income from International Operations are not presented.

32. Market Value of Securities

The market value of Securities at March 31, 2000 was as follows:

(in millions of yen)

	March 31, 2000				
	Book Value	Market Value	Net Unrealized Gain		
Listed Securities:				Unrealized Gain	Unrealized Loss
Japanese Bonds	¥1,047,478	¥1,024,099	¥ (23,379)	¥ 2,119	¥ 25,498
Japanese Stocks and Shares	2,752,529	2,910,639	158,109	609,353	451,243
Others	993,194	983,230	(9,963)	7,322	17,285
Total	¥4,793,202	¥4,917,969	¥124,766	¥618,794	¥494,027

(in thousands of U.S. dollars)

	March 31, 2000				
	Book Value	Market Value	Net Unrealized Gain		
Listed Securities:				Unrealized Gain	Unrealized Loss
Japanese Bonds	$ 9,867,912	$ 9,647,666	$ (220,246)	$ 19,966	$ 240,212
Japanese Stocks and Shares	25,930,562	27,420,056	1,489,494	5,740,491	4,250,997
Others	9,356,518	9,262,652	(93,866)	68,979	162,845
Total	$45,154,992	$46,330,374	$1,175,382	$5,829,436	$4,654,054

(1) Trading Securities and Securities Held to Hedge Trading Transactions are included in Trading Assets and excluded from the above tables as they are marked to market and the valuation gains or losses are recognized in the Consolidated Statements of Income.
(2) Japanese Bonds include Japanese National Government Bonds, Japanese Local Government Bonds and Japanese Corporate Bonds.
(3) The market value of listed securities is mainly based on the closing prices on the Tokyo Stock Exchange.
(4) Others consisted mainly of foreign securities.
(5) The estimated market value of non-listed securities for which it is practicable to evaluate market value was as follows:

(in millions of yen)

	March 31, 2000				
	Book Value	Estimated Market Value	Net Unrealized Gain		
Non-listed Securities:				Unrealized Gain	Unrealized Loss
Japanese Bonds	¥1,423,099	¥1,419,660	¥ (3,438)	¥ 1,384	¥4,822
Japanese Stocks and Shares	29,566	68,088	38,521	40,953	2,432
Others	161,180	167,651	6,471	7,894	1,423
Total	¥1,613,846	¥1,655,400	¥41,554	¥50,232	¥8,678

(in thousands of U.S. dollars)

	March 31, 2000				
	Book Value	Estimated Market Value	Net Unrealized Gain		
Non-listed Securities:				Unrealized Gain	Unrealized Loss
Japanese Bonds	$13,406,492	$13,374,099	$ (32,393)	$ 13,042	$45,435
Japanese Stocks and Shares	278,539	641,433	362,894	385,810	22,916
Others	1,518,423	1,579,387	60,964	74,371	13,407
Total	$15,203,454	$15,594,919	$391,465	$473,223	$81,758

(6) The market value of non-listed securities is mainly based on the following:
(i) Over-the-Counter securities
Trading price table published by the Japan Securities Dealers Association.
(ii) Publicly offered non-listed securities
Securities bid-offer table published by the Japan Securities Dealers Association.
(iii) Beneficiary certificates of securities investments trusts
Market prices announced by authorized fund management companies.
(iv) Over-the-Counter securities in the United States of America
Trading price table published by NASDAQ.

(7) The book value of securities excluded from above tables consisted of the following:

	(in millions of yen)	(in thousands of U.S. dollars)
	March 31, 2000	March 31, 2000
Japanese Bonds	¥418,330	$3,940,941
Japanese Stocks and Shares	88,359	832,405
Others	667,043	6,283,969

Information on market value of Securities at March 31, 1999, was prepared on a non-consolidated basis only, therefore is not presented.

33. Market Value of Money Held in Trust

The Market Value of Money Held in Trust at March 31, 2000 was as follows:

(in millions of yen)

	March 31, 2000				
	Book Value	Market Value	Net Unrealized Gain		
				Unrealized Gain	Unrealized Loss
Money Held in Trust	¥10,123	¥10,135	¥11	¥11	¥—

(in thousands of U.S. dollars)

	March 31, 2000				
	Book Value	Market Value	Net Unrealized Gain		
				Unrealized Gain	Unrealized Loss
Money Held in Trust	$95,365	$95,478	$113	$113	$—

(1) The market value is calculated by the trustee of the money held in trust as following:
(i) The market value of listed securities is mainly based on the closing prices on the Tokyo Stock Exchange.
(ii) The market value of over-the-counter securities is based on the Trading Price Table published by the Japan Securities Dealers Association.

Information on market value of Money Held in Trust at March 31, 1999, was prepared on a non-consolidated basis only, therefore is not presented.

34. Derivatives Information

(a) Derivatives Transactions

Derivative Financial Products Dealt

Derivative financial products that IBJ and Consolidated Subsidiaries transacts include interest rate related products (interest swaps, forward rate agreements, caps, floors, swaptions, interest futures, and interest futures options), foreign exchange rate related products (forward rate contracts, currency options, currency futures, and currency swaps), commodity related products (commodity swaps) and other such as weather derivative products.

Policies and Objectives

IBJ Group utilizes derivative financial products for banking purposes and trading purposes. For banking purposes, derivative products such as interest swaps are used to mitigate risks related to assets and liabilities of IBJ Group as a part of asset liability management (“ALM”). For trading purposes, derivative products such as interest swaps and options are used to meet various needs of the customers or for short-term trading activities of IBJ Group. The banking and trading activities are conducted by independent groups within IBJ Group.

Risks Involved in Derivative Transactions

Dealing with derivative financial products involves market risks, credit risks and liquidity risks. Market risks represent risks to IBJ Group’s income arising from fluctuation in market values. Credit risks represent risks involving inability of the counter-parties to fulfill their obligations to IBJ Group as well as risks of increased cost to re-engage in the transactions in the market at a later date (potential exposure). Liquidity risks represent risks involving unavailable or stagnating markets for the derivative products or negative impact on IBJ Group’s cash flows from subsequent cancellation of the derivative products.

Risk Management for Derivative Transactions

Recognizing the potential impact of derivative financial products on its income, IBJ Group has established the ALM Committee. This committee monitors market economy, earning power, and capital adequacy; formulates policies relating to market activities; and overseas market operations of IBJ Group.

IBJ Group has created strict risk control framework based on various existing internal policies. The risk management, risk control procedures, and early-warning reporting system are summarized in IBJ Group's "Policies & Procedures".

IBJ Group separated market front groups from back support groups for each of the market-related divisions in order to strengthen their risk control functions. IBJ Group also established the Risk Management Department ("RMD") to monitor overall risk management. RMD is responsible for comprehensively managing risks within IBJ Group including those of the banking and trading transactions, and periodically report the results to the board of directors.

Utilizing sophisticated ALM methodology, RMD monitors risks involved in banking derivative transactions by comprehending the nature of the transactions for both on-balance and off-balance items such as loans, coupon debentures and interest swaps by converting them into various risk indices (Delta, Gamma, etc.). This methodology enables IBJ Group to quickly react and adjust its risk exposures by analyzing in detail its risk environment.

For trading derivative transactions, IBJ Group is equipped with a system that enables it to monitor fair values and risk exposures real time. Risk exposures for the trading transactions as a whole is measured on a daily basis using Value at Risk ("VaR") internal modeling. Volatility and correlation factors are updated daily so as to reflect up-to-date market conditions in measurement of risks.

Credit risks are controlled on a re-engaged cost basis along with loans through quantified maximum allowable risk exposures. IBJ Group also reduces credit risk amounts by entering into legally binding netting contracts.

VaR as of March 31, 2000, and for fiscal 1999 were as follows:

(in millions of yen)

	Fiscal 1999			March 31, 2000
	MAX	MIN	Average	
VaR	¥3,365	¥1,855	¥2,473	¥2,162

(in thousands of U.S. dollars)

	Fiscal 1999			March 31, 2000
	MAX	MIN	Average	
VaR	$31,703	$17,484	$23,305	$20,373

The figures in these tables are indices related to trading accounts and foreign exchange accounts assuming the holding period of one day and the confidence interval of ninety-nine percentile (99%).

Credit Equivalent Amount at March 31, 2000 was as follows:

	(in millions of yen) March 31, 2000	(in thousands of U.S. dollars) March 31, 2000
Interest Swap	¥1,259,543	$11,865,699
Currency Swap	514,563	4,847,517
Forward Foreign Exchange	598,750	5,640,603
Interest Option (Bought)	29,342	276,425
Currency Option (Bought)	27,801	261,910
Others	32,930	310,223
Net	(852,834)	(8,034,236)
Total	¥1,610,098	$15,168,141

The figures in this table are credit equivalent amounts based on the consolidated risk-based capital ratio (BIS capital ratio).

(b) Market Value of Derivatives

The market value of derivatives at March 31, 2000 was as follows:

In the following tables:

(i) Contract value represents notional amounts for swap transactions and contract amounts for other transactions.

(ii) Amounts shown in *italic* characters represent book values of option premium assets/liabilities on the Consolidated Balance Sheets.

(iii) Market value of standardized contracts are based on the closing prices of the Tokyo Stock Exchange and the Tokyo International Financial Futures Exchange and others. Market value of over-the-counter contracts are based on the discounted value of future cash flows or option pricing models.

(1) Interest Rate Related Transactions

			(in millions of yen)				(in thousands of U.S. dollars)			
			March 31, 2000				March 31, 2000			
			Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)
Standardized Contracts										
Futures										
Sold			¥21,373,075	¥7,355,902	¥21,249,089	¥123,986	$201,347,866	$69,297,241	$200,179,834	$1,168,032
Bought			21,013,696	7,281,242	20,885,257	(128,438)	197,962,281	68,593,904	196,752,306	(1,209,975)
Options										
Sold	Call		1,359,423	212,300			12,806,623	2,000,000		
			572		306	266	*5,393*		2,886	2,507
	Put		2,105,900	212,300			19,838,915	2,000,000		
			1,044		1,220	(175)	*9,840*		11,496	(1,656)
Bought	Call		1,096,798	53,075			10,332,530	500,000		
			770		224	(545)	*7,254*		2,117	(5,137)
	Put		2,537,278	265,375			23,902,769	2,500,000		
			2,059		2,503	443	*19,406*		23,584	4,178
Over-the-Counter Contracts										
FRAs										
Sold			1,110,146	—	376	379	10,458,280	—	3,548	3,575
Bought			1,738,353	—	(454)	(458)	16,376,383	—	(4,285)	(4,323)
Swaps	Rec: Fix	Pay: Flt	27,323,701	20,413,441	381,634	171,336	257,406,516	192,307,506	3,595,234	1,614,097
	Rec: Flt	Pay: Fix	20,853,874	17,488,536	(472,782)	(339,055)	196,456,656	164,753,055	(4,453,905)	(3,194,120)
	Rec: Flt	Pay: Flt	5,384,321	4,608,019	13,300	10,813	50,723,710	43,410,456	125,298	101,872
	Rec: Fix	Pay: Fix	75,690	75,690	2,147	969	713,054	713,054	20,229	9,137
Swaptions										
Sold	Call		22,932	13,000			216,040	122,468		
			327		197	130	*3,085*		1,857	1,228
	Put		42,449	11,536			399,898	108,676		
			398		1,034	(531)	*3,755*		9,745	(5,012)
Bought	Call		3,027	—			28,518	—		
			—		—	—	—		—	—
	Put		35,449	11,853			333,959	111,666		
			714		162	(552)	*6,735*		1,532	(5,203)
Caps										
Sold			552,437	334,341			5,204,310	3,149,706		
			761		4,686	(4,179)	*7,175*		44,150	(39,371)
Bought			342,002	314,495			3,221,876	2,962,748		
			686		4,996	4,352	*6,468*		47,069	41,000
Floors										
Sold			153,623	409			1,447,233	3,859		
			9		137	(62)	*93*		1,293	(589)
Bought			5,671	2,457			53,432	23,152		
			9		49	(2)	*88*		465	(23)
Total						¥(161,324)				$(1,519,783)

(1) Derivatives included in Trading Transactions at March 31, 2000 are excluded from the previously mentioned tables, as they were marked to market and the valuation gains or losses were recognized in the Consolidated Statements of Income. The contract value and market value of derivatives included in Trading Transactions at March 31, 2000 were as follows:

			(in millions of yen)		(in thousands of U.S. dollars)	
			March 31, 2000		March 31, 2000	
			Contract Value	Market Value	Contract Value	Market Value
Standardized Contracts						
Futures						
	Sold		¥ 8,200,849	¥8,151,380	$ 77,257,174	$76,791,154
	Bought		8,310,085	8,262,347	78,286,252	77,836,528
Options						
	Sold	Call	594,744		5,602,869	
			480	57	*4,528*	543
		Put	460,347		4,336,763	
			546	708	*5,146*	6,674
	Bought	Call	959,203		9,036,306	
			662	218	*6,245*	2,058
		Put	420,045		3,957,093	
			467	731	*4,401*	6,892
Over-the-Counter Contracts						
FRAs						
	Sold		1,486,315	170	14,002,032	1,606
	Bought		1,500,208	(187)	14,132,907	(1,763)
Swaps		Rec: Fix Pay: Flt	34,277,384	438,939	322,914,600	4,135,091
		Rec: Flt Pay: Fix	34,612,625	(450,795)	326,072,783	(4,246,781)
		Rec: Flt Pay: Flt	1,705,528	(3,132)	16,067,158	(29,510)
		Rec: Fix Pay: Fix	178,456	(5,598)	1,681,172	(52,743)
Swaptions						
	Sold	Call	542,721		5,112,780	
			7,295	7,274	*68,725*	68,528
		Put	511,365		4,817,384	
			5,571	4,901	*52,487*	46,176
	Bought	Call	537,960		5,067,930	
			5,830	6,425	*54,929*	60,529
		Put	546,160		5,145,172	
			7,654	5,948	*72,107*	56,041
Caps						
	Sold		1,779,788		16,766,727	
			12,114	13,396	*114,128*	126,206
	Bought		1,421,662		13,392,962	
			9,121	16,027	*85,934*	150,985
Floors						
	Sold		540,907		5,095,693	
			4,184	2,151	*39,419*	20,269
	Bought		624,356		5,881,835	
			4,405	3,130	*41,503*	29,496

(2) Currency-Related Transactions

Currency	(in millions of yen) March 31, 2000 Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)	(in thousands of U.S. dollars) March 31, 2000 Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)
Over-the-Counter Contracts								
Currency Swaps								
USD	¥3,449,557	¥2,909,411	¥27,243	¥19,790	$32,497,005	$27,408,493	$256,649	$186,435
GBP	71,438	71,049	5,118	(812)	672,999	669,333	48,221	(7,657)
EUR	221,784	158,445	35,331	(1,501)	2,089,348	1,492,654	332,846	(14,148)
Others	340,221	249,366	27,349	(305)	3,205,101	2,349,186	257,647	(2,878)
Total	¥4,083,001	¥3,388,272	¥95,042	¥17,169	$38,464,453	$31,919,666	$895,363	$161,752

(1) The difference between market value and unrealized gains or losses for over-the-counter contracts is a sum of differences in rates between contract date and year-end for the currency swaps recorded on the Consolidated Balance Sheets and the accrued interest.

(2) Derivatives included in Trading Transactions at March 31, 2000 are excluded from the previously mentioned tables, as they were marked to market and the valuation gains or losses were recognized in the Consolidated Statements of Income. The contract value and market value of derivatives included in Trading Transactions at March 31, 2000 were as follows:

Currency	(in millions of yen) March 31, 2000 Contract Value	Market Value	(in thousands of U.S. dollars) March 31, 2000 Contract Value	Market Value
Over-the-Counter Contracts				
Currency Swaps				
USD	¥5,654,125	¥(69,774)	$53,265,429	$ (657,318)
GBP	149,899	(17,570)	1,412,153	(165,530)
EUR	704,169	102,595	6,633,718	966,513
Others	799,728	105,649	7,533,950	995,288
Total	¥7,307,923	¥120,899	$68,845,250	$1,138,953

(3) The contract value of foreign exchange forward contracts and currency options at March 31, 2000 was as follows:

			(in millions of yen)	(in thousands of U.S. dollars)
			March 31, 2000	March 31, 2000
			Contract Value	Contract Value
Standardized Contracts				
Futures				
	Sold		¥ 69,522	$ 654,950
	Bought		—	—
Options				
	Sold	Call	—	—
			—	—
		Put	—	—
			—	—
	Bought	Call	—	—
			—	—
		Put	—	—
			—	—
Over-the-Counter Contracts				
Forwards				
	Sold		9,647,508	90,885,620
	Bought		8,140,027	76,684,192
Options				
	Sold	Call	473,226	4,458,089
			4,466	*42,081*
		Put	677,092	6,378,637
			11,998	*113,031*
	Bought	Call	510,562	4,809,820
			7,025	*66,182*
		Put	551,927	5,199,502
			9,962	*93,854*
Others				
	Sold	Call	—	—
			—	—
		Put	—	—
			—	—
	Bought	Call	—	—
			—	—
		Put	—	—
			—	—

(3) Stock-Related Transactions

	(in millions of yen)				(in thousands of U.S. dollars)			
	March 31, 2000				March 31, 2000			
	Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)
Standardized Contracts								
Index Futures								
Sold	¥ —	¥ —	¥ —	¥ —	$ —	$ —	$ —	$ —
Bought	—	—	—	—	—	—	—	—
Index Options								
Sold Call	—	—			—	—		
	—		—	—	—		—	—
Put	—	—			—	—		
	—		—	—	—		—	—
Bought Call	—	—			—	—		
	—		—	—	—		—	—
Put	—	—			—	—		
	—		—	—	—		—	—
Over-the-Counter Contracts								
Options								
Sold Call	—	—			—	—		
	—		—	—	—		—	—
Put	—	—			—	—		
	—		—	—	—		—	—
Bought Call	—	—			—	—		
	—		—	—	—		—	—
Put	—	—			—	—		
	—		—	—	—		—	—
Others								
Sold	—	—			—	—		
	—		—	—	—		—	—
Bought	—	—			—	—		
	—		—	—	—		—	—

(1) Derivatives included in Trading Transactions at March 31, 2000 are excluded from the previously mentioned tables, as they were marked to market and the valuation gains or losses were recognized in the Consolidated Statements of Income. The contract value and market value of derivatives included in Trading Transactions at March 31, 2000 were as follows:

	(in millions of yen)		(in thousands of U.S. dollars)	
	March 31, 2000		March 31, 2000	
	Contract Value	Market Value	Contract Value	Market Value
Standardized Contracts				
Index Futures				
Sold	¥18,659	¥19,008	$175,781	$179,071
Bought	*1,263*	1,253	11,903	11,812
Index Options				
Sold Call	11,171		105,243	
	230	176	*2,169*	1,667
Put	34,355		323,646	
	32	72	*304*	679
Bought Call	13,964		131,554	
	183	277	*1,728*	2,612
Put	11,163		105,163	
	99	69	*935*	654
Over-the-Counter Contracts				
Options				
Sold Call	188		1,771	
	5	10	*53*	97
Put	—		—	
	—	—	—	—
Bought Call	188		1,771	
	5	10	*51*	97
Put	—		—	
	—	—	—	—
Others				
Sold	—		—	
	—	—	—	—
Bought	—	—	—	—
	—	—	—	—

(4) Bond-Related Transactions

			(in millions of yen) March 31, 2000 Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)	(in thousands of U.S. dollars) March 31, 2000 Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)
Standardized Contracts										
Futures										
	Sold		¥14,428,098	¥ —	¥14,559,226	¥(131,127)	$135,921,797	$ —	$137,157,105	$(1,235,308)
	Bought		13,419,901	—	13,406,667	(13,233)	126,423,939	—	126,299,271	(124,668)
Futures Options										
	Sold	Call	30,606	—			288,328	—		
			(155)		380	(225)	*1,461*	—	3,585	(2,124)
		Put	63,690	—			600,000	—		
			(1,272)		388	884	*11,984*		3,656	8,328
	Bought	Call	30,606	—			288,328	—		
			(373)		380	7	*3,518*	—	3,585	67
		Put	63,690	—			600,000	—		
			(1,446)		388	(1,058)	*13,625*		3,656	(9,969)
Over-the-Counter Contracts										
Options										
	Sold	Call	—	—			—	—		
			—		—	—	—		—	—
		Put	—	—			—	—		
			—		—	—	—		—	—
	Bought	Call	—	—			—	—		
			—		—	—	—		—	—
		Put	—	—			—	—		
			—		—	—	—		—	—
Total						¥(144,753)				$(1,363,674)

(1) Derivatives included in Trading Transactions at March 31, 2000 are excluded from the previously mentioned tables, as they were marked to market and the valuation gains or losses were recognized in the Consolidated Statements of Income. The contract value and market value of derivatives included in Trading Transactions at March 31, 2000 were as follows:

			(in millions of yen) March 31, 2000 Contract Value	Market Value	(in thousands of U.S. dollars) March 31, 2000 Contract Value	Market Value
Standardized Contracts						
Futures						
	Sold		¥121,477	¥121,691	$1,144,392	$1,146,406
	Bought		69,430	69,981	654,082	659,273
Futures Options						
	Sold	Call	28,335		266,935	
			202	158	*1,905*	1,494
		Put	32,119		302,585	
			64	42	*603*	401
	Bought	Call	33,489		315,494	
			173	258	*1,634*	2,432
		Put	33,835		318,750	
			146	76	*1,380*	723
Over-the-Counter Contracts						
Swaptions						
	Sold	Call	—		—	
			—	—	—	—
		Put	25,000		235,516	
			156	62	*1,474*	591
	Bought	Call	79,383		747,845	
			214	311	*2,016*	2,932
		Put	31,500		296,750	
			40	15	*384*	150

(5) Commodity-Related Transactions

The contract value and market value of derivatives included in Trading Transactions at March 31, 2000 were as follows:

	(in millions of yen)		(in thousands of U.S. dollars)	
	March 31, 2000		March 31, 2000	
	Contract Value	Market Value	Contract Value	Market Value
Over-the-Counter Contracts				
Options				
Sold	¥5,351		$50,413	
	228	¥ 228	*2,154*	$2,154
Bought	5,351		50,413	
	206	228	*1,947*	2,154

(6) Weather Derivatives Transactions

The contract value and market value of derivatives included in Trading Transactions at March 31, 2000 were as follows:

	(in millions of yen)		(in thousands of U.S. dollars)	
	March 31, 2000		March 31, 2000	
	Contract Value	Market Value	Contract Value	Market Value
Over-the-Counter Contracts				
Sold	¥125		$1,178	
	25	¥7	*236*	$68
Bought	125		1,178	
	13	7	*130*	68

Information on market value of derivatives at March 31, 1999, was prepared on a non-consolidated basis only, therefore is not presented.

Report of Independent Certified Public Accountants

ChuoAoyama Audit Corporation

PricewaterhouseCoopers

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

To the Board of Directors,
The Industrial Bank of Japan, Limited:

We have audited the accompanying non-consolidated balance sheets of The Industrial Bank of Japan, Limited ("IBJ") as of March 31, 2000 and 1999, and the related non-consolidated statements of income and shareholders' equity for each of the three years in the period ended March 31, 2000, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the non-consolidated financial position of IBJ at March 31, 2000 and 1999, and the non-consolidated results of its operations for each of the three years in the period ended March 31, 2000, in conformity with accounting principles and practices generally accepted in Japan (See Note 1) consistently applied during the periods, except for the change with which we concur, in the accounting for Securities as described in Note 2 to the accompanying non-consolidated financial statements.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying non-consolidated financial statements.

ChuoAoyama Audit Corporation

Tokyo, Japan
June 28, 2000

Non-Consolidated Balance Sheets

	March 31, 2000 (in millions of yen)	March 31, 1999 (in millions of yen)	March 31, 2000 (in thousands of U.S. dollars)
Assets			
Cash and Due from Banks	¥ 841,161	¥ 1,167,336	$ 7,924,272
Call Loans and Bills Purchased	558,002	1,345,925	5,256,739
Commercial Paper and Other Debt Purchased	7,197	128,064	67,805
Trading Assets	2,163,616	2,197,033	20,382,637
Money Held in Trust	10,123	59,806	95,365
Securities	7,703,889	9,024,595	72,575,503
Loans and Bills Discounted	22,232,483	22,872,065	209,444,028
Foreign Exchanges	222,663	277,821	2,097,630
Other Assets	3,090,749	2,377,508	29,116,814
Premises and Equipment	257,462	278,285	2,425,458
Deferred Debenture Charges	8,742	15,396	82,364
Deferred Tax Assets	363,922	406,253	3,428,379
Customers' Liabilities for Acceptances and Guarantees	1,491,724	1,939,210	14,052,983
Reserve for Possible Loan Losses	(901,118)	—	(8,489,109)
Total Assets	¥38,050,621	¥42,089,303	$358,460,868

	March 31, 2000 (in millions of yen)	March 31, 1999 (in millions of yen)	March 31, 2000 (in thousands of U.S. dollars)
Liabilities and Shareholders' Equity			
Liabilities			
Debentures	¥19,933,842	¥19,866,858	$187,789,380
Deposits	6,299,480	8,175,082	59,345,081
Call Money and Bills Sold	2,084,358	3,261,224	19,635,970
Commercial Paper	164,000	30,000	1,544,984
Borrowed Money	1,537,621	1,585,575	14,485,362
Trading Liabilities	908,652	1,465,170	8,560,079
Foreign Exchanges	60,271	20,390	567,797
Other Liabilities	3,561,784	2,833,002	33,554,259
Reserve for Possible Loan Losses	—	1,116,278	—
Reserve for Retirement Allowances	49,332	51,888	464,744
Reserve for Possible Losses on Loans Sold	47,506	48,144	447,539
Reserve for Possible Losses on Support of Specific Borrowers	167,198	—	1,575,111
Reserve for Contingency	13,938	—	131,306
Other Reserves	1	5	12
Deferred Tax Liabilities Related to Land Revaluation	63,484	72,518	598,063
Acceptances and Guarantees	1,491,724	1,939,210	14,052,983
Total Liabilities	36,383,195	40,465,350	342,752,670
Shareholders' Equity			
Preferred Stock	175,000	175,000	1,648,610
Common Stock	498,605	498,605	4,697,176
Capital Surplus	570,132	570,132	5,371,005
Legal Reserve	84,387	80,369	794,981
Surplus from Land Revaluation	99,212	98,920	934,646
Retained Earnings	240,087	200,926	2,261,780
Total Shareholders' Equity	1,667,425	1,623,953	15,708,198
Total Liabilities and Shareholders' Equity	¥38,050,621	¥42,089,303	$358,460,868

See accompanying "Notes to Non-Consolidated Financial Statements" which are an integral part of these statements.

Non-Consolidated Statements of Income

			(in millions of yen)	(in thousands of U.S. dollars)
	Fiscal 1999*	Fiscal 1998*	Fiscal 1997*	Fiscal 1999*
Income				
Interest Income on:				
Loans and Bills Discounted	¥ 531,095	¥ 656,425	¥ 800,004	$ 5,003,252
Securities	180,375	239,541	212,073	1,699,254
Others	621,769	795,316	1,069,039	5,857,465
Fee & Commission Income	66,515	67,300	94,774	626,620
Trading Income	18,160	25,334	2,788	171,082
Other Operating Income	1,007,451	843,416	470,977	9,490,831
Other Income	298,782	398,819	390,874	2,814,721
Reversal of Other Reserves	4	2	12,467	40
Total Income	2,724,155	3,026,156	3,053,000	25,663,265
Expense				
Interest Expense on:				
Debentures	255,932	293,581	350,756	2,411,045
Deposits	128,825	231,601	356,871	1,213,618
Borrowings and Rediscounts	50,904	54,839	57,542	479,549
Others	662,691	826,549	1,038,649	6,242,972
Fee & Commission Expense	14,861	17,624	18,744	140,003
Trading Expense	171	3,206	9,077	1,617
Other Operating Expense	1,005,385	778,830	428,075	9,471,367
General and Administrative Expenses	140,684	156,809	166,498	1,325,340
Other Expense	326,266	1,008,522	968,564	3,073,633
Total Expense	2,585,723	3,371,565	3,394,779	24,359,144
Income (Loss) before Income Taxes	138,432	(345,408)	(341,778)	1,304,121
Income Tax Expenses (Benefits):				
Current	37,811	74	190	356,211
Deferred	40,388	(149,754)	—	380,485
Net Income (Loss)	¥ 60,232	¥ (195,727)	¥ (341,969)	$ 567,425

Per Share of Common Stock			(in yen)	(in U.S. dollars)
Net Income (Loss)				
Basic	¥ 21.60	¥ (76.27)	¥ (134.65)	$ 0.203
Diluted	19.59	n/a	n/a	0.185
Cash Dividends	7.00	7.00	8.50	0.066

See accompanying "Notes to Non-Consolidated Financial Statements" which are an integral part of these statements.

** Fiscal 1999, 1998 and 1997 represent the fiscal years ended March 31, 2000, 1999 and 1998, respectively.*

Non-Consolidated Statements of Shareholders' Equity

(in millions of yen)

	Preferred Stock	Common Stock	Capital Surplus	Legal Reserve	Surplus from Land Revaluation	Retained Earnings	Total Shareholders' Equity
Balance at March 31, 1997	¥ —	¥465,105	¥361,632	¥72,112	¥ —	¥531,649	¥1,430,500
Transfer from Retained Earnings to Legal Reserve	—	—	—	4,318	—	(4,318)	—
Cash Dividends	—	—	—	—	—	(21,586)	(21,586)
Net Loss	—	—	—	—	—	(341,969)	(341,969)
Balance at March 31, 1998	—	465,105	361,632	76,431	—	163,775	1,066,944
Adoption of Accounting for Deferred Tax	—	—	—	—	—	256,498	256,498
Issuance of Preferred Stock	175,000	—	175,000	—	—	—	350,000
Issuance of Common Stock	—	33,500	33,500	—	—	—	67,000
Transfer from Retained Earnings to Legal Reserve	—	—	—	3,937	—	(3,937)	—
Transfer from Liabilities	—	—	—	—	98,920	—	98,920
Cash Dividends	—	—	—	—	—	(19,681)	(19,681)
Net Loss	—	—	—	—	—	(195,727)	(195,727)
Balance at March 31, 1999	175,000	498,605	570,132	80,369	98,920	200,926	1,623,953
Transfer from Retained Earnings to Legal Reserve	—	—	—	4,018	—	(4,018)	—
Transfer from Surplus from Land Revaluation to Retained Earnings	—	—	—	—	(3,035)	3,035	—
Transfer from Deferred Tax Liabilities Related to Land Revaluation and Others	—	—	—	—	3,328	—	3,328
Cash Dividends	—	—	—	—	—	(20,088)	(20,088)
Net Income	—	—	—	—	—	60,232	60,232
Balance at March 31, 2000	¥175,000	¥498,605	¥570,132	¥84,387	¥99,212	¥240,087	¥1,667,425

(in thousands of U.S. dollars)

	Preferred Stock	Common Stock	Capital Surplus	Legal Reserve	Surplus from Land Revaluation	Retained Earnings	Total Shareholders' Equity
Balance at March 31, 1999	$1,648,610	$4,697,176	$5,371,005	$757,128	$931,890	$1,892,855	$15,298,664
Transfer from Retained Earnings to Legal Reserve	—	—	—	37,852	—	(37,852)	—
Transfer from Surplus from Land Revaluation to Retained Earnings	—	—	—	—	(28,597)	28,597	—
Transfer from Deferred Tax Liabilities Related to Land Revaluation and Others	—	—	—	—	31,353	—	31,353
Cash Dividends	—	—	—	—	—	(189,245)	(189,245)
Net Income	—	—	—	—	—	567,425	567,425
Balance at March 31, 2000	$1,648,610	$4,697,176	$5,371,005	$794,980	$934,646	$2,261,780	$15,708,197

See accompanying "Notes to Non-Consolidated Financial Statements" which are an integral part of these statements.

1. Basis of Presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by The Industrial Bank of Japan, Ltd. ("IBJ") in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Accounting Standards.

Certain items presented in the non-consolidated financial statements submitted to the Director of Kanto Finance Bureau (the "DKFB") in Japan are reclassified for the convenience of readers outside Japan. In addition, the Non-Consolidated Statements of Shareholders' Equity is prepared and included in non-consolidated financial statements, though they are not required to be filed with the DKFB.

The amounts indicated in millions of yen are rounded down by truncating the figures below one million. Totals may not add up exactly because of such truncation.

The non-consolidated financial statements are not intended to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the conveni-ence of readers outside Japan. The rate of ¥106.15 = US$1.00, the rate of exchange on March 31, 2000, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

2. Significant Accounting Policies

Refer to Notes to Consolidated Financial Statements.

3. Subsequent Events

Refer to Notes to Consolidated Financial Statements.

THE INDUSTRIAL BANK OF JAPAN, LIMITED

■ *Head Office*
3-3, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8210, Japan
Phone: 81-(3)3214-1111
Telex: J22325 (KOGIN J22325),
J23215 (KOGIN J23215)
Cable: KOGIN TOKYO
Fax: 81-(3)3201-7643
SWIFT: IBJT JP JT

■ *Established*
1902

■ *Capital*
¥673,605 million

■ *Authorized Shares*

Common Stock	6,000,000,000
Class Ⅰ Preferred Stock	200,000,000
Class Ⅱ Preferred Stock	400,000,000

■ *Outstanding Shares*

Common Stock	2,639,579,392
First Series Class Ⅱ Preferred Stock	140,000,000
Second Series Class Ⅱ Preferred Stock	140,000,000

■ *Number of Shareholders*

Common Stock	30,636
First Series Class Ⅱ Preferred Stock	1
Second Series Class Ⅱ Preferred Stock	1

■ *Stock Exchange Listings*
Tokyo Stock Exchange
Osaka Securities Exchange

■ *Independent Certified Public Accountants*
ChuoAoyama Audit Corporation

■ *Branches in Japan*
23 Branches

■ *Overseas Network*
15 Branches and Agencies
4 Loan Production Offices
1 Marketing Office
8 Representative Offices
60 Subsidiaries and Affiliates

■ *Number of Employees*

Consolidated:	7,394
Non-consolidated:	4,807

URL: http://www.ibjbank.co.jp

■ *Principal Shareholders*

<Common Stock>

Name of Shareholder	Number of Shares Held (thousands)	Percentage of Total Shares Outstanding (%)
The Dai-ichi Mutual Life Insurance Company	184,204	6.97
Meiji Life Insurance Company	98,831	3.74
Nippon Life Insurance Company	80,415	3.04
The Sumitomo Trust and Banking Company, Limited	55,316	2.09
The Mitsui Trust and Banking Co., Limited	43,519	1.64
The Mitsubishi Trust and Banking Corporation	43,312	1.64
Nissan Motor Co., Ltd.	38,597	1.46
The Daiwa Bank, Limited	38,215	1.44
Nippon Steel Corporation	37,277	1.41
STATE STREET BANK AND TRUST COMPANY	35,444	1.34

<Preferred Stock>

	Name of Shareholder	Number of Shares Held (thousands)	Percentage of Total Shares Outstanding (%)
First Series ClassⅡ	The Resolution and Collection Bank	140,000,000	100.00
Second Series ClassⅡ	The Resolution and Collection Bank	140,000,000	100.00

■ *Changes in Paid-in Capital*

Date	Amount of Capital Increase	Paid-in Capital after Increase	Type of Issue (¥ million)
February 1, 1972	¥ 16,000	¥ 48,000	Allotment (Par value, 0.5 share for 1 share held)
February 1, 1975	16,000	64,000	Allotment (Par value, 1/3 share for 1 share held)
February 1, 1978	22,400	86,400	Allotment (Par value, 0.35 share for 1 share held)
August 1, 1981	17,280	103,680	Allotment (Par value, 0.2 share for 1 share held)
October 1, 1987	108,898	212,578	Allotment (Price between par and market, 0.05 share for 1 share held)
October 1, 1988	139,466	352,045	Allotment (Price between par and market, 0.08 share for 1 share held)
November 1, 1996	113,059	465,105	Allotment (Price between par and market, 0.08 share for 1 share held)
December 25, 1998	33,500	498,605	A third-party allotment of shares
March 31, 1999	175,000	673,605	A third-party allotment of shares

For further information, please contact the Public Relations Department.

(As of March 31, 2000)

Investor Information on Mizuho Holdings, Inc.

■ ***Purpose***

The purpose of Mizuho Holdings, Inc. (the "Company") shall be to engage in the following businesses as a bank holding company and a long-term credit bank holding company:

(i) operation and management of banks, long-term credit banks, specialized securities companies or other companies which the Company may own as its subsidiaries under the Banking Law or the Long-Term Credit Bank Law; and

(ii) any other business incidental to the foregoing.

■ ***Head Office***

Marunouchi Center Building, 6-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo

■ ***Date of Establishment***

September 29, 2000

■ ***Paid-in Capital***

¥2,572 billion

■ ***Total Number of Shares***

Common Stock:	9,205,856.53 shares
Class I Preferred Stock:	33,000 shares
Class II Preferred Stock:	100,000 shares
Class III Preferred Stock:	100,000 shares
Class IV Preferred Stock:	150,000 shares
Class V Preferred Stock:	52,411 shares
Class VI Preferred Stock:	150,000 shares
Class VII Preferred Stock:	125,000 shares
Class VIII Preferred Stock:	125,000 shares
Class IX Preferred Stock:	140,000 shares
Class X Preferred Stock:	140,000 shares

■ ***Accounting Auditors***

Century Ota Showa & Co.
ChuoAoyama Audit Corporation

■ ***Stock Listing***

Application will be made for the listing of the common stock (as a new listing) of the Company on the Tokyo Stock Exchange and the Osaka Securities Exchange.

The listing date(s) will be determined in accordance with the rules of each stock exchange. However, at present the listing date is planned for September 28, 2000, the date on which the stock-for-stock exchange is to be effected.*

In connection with the stock-for-stock exchange, each of The Dai-Ichi Kangyo Bank, Limited, The Fuji Bank, Limited and The Industrial Bank of Japan, Limited will delist their currently-listed common stock as of September 22, 2000.

* With respect to the share transfer, one share of Mizuho Holdings, Inc. shall be allocated to 1,000 shares of each of the three banks.

■ ***Convocation of General Meetings of Shareholders***

A regular general meeting of shareholders of the Company shall be convened no later than three months from the last day of each business year, and an extraordinary general meeting of shareholders shall be convened whenever necessary.

■ ***Record Date***

The Company shall deem shareholders having voting rights appearing on the last register of shareholders (including the register of beneficial shareholders; the same shall apply hereinafter) as of March 31 of each year as the shareholders who shall be entitled to exercise their rights at the regular general meeting of shareholders for the corresponding fiscal term.

The Company may, whenever necessary, set an extraordinary record date, pursuant to a resolution of the Board of Directors and upon issuing prior public notice thereof.

■ ***Dividends***

Dividends on shares shall be paid to the shareholders or registered pledgees appearing on the last register of shareholders as of March 31 of each year and to the holders of fractional shares appearing on the last register of holders of fractional shares as of March 31 of each year.

■ ***Interim Dividends***

The Company may, by a resolution of the Board of Directors, make cash distributions pursuant to the provisions of Article 293-5 of the Japanese Commercial Code to the shareholders or registered pledgees appearing on the last register of shareholders as of September 30 of each year and to the holders of fractional shares appearing on the last register of holders of fractional shares as of September 30 of each year.

■ ***Transfer Agent***

The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd.

* The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd. and IBJ Trust and Banking Co., Ltd. will be merged into Mizuho Trust & Banking Co., Ltd. on October 1, 2000.

ちきゅうにやさしい
古紙の利用
000731

“Environmental Protection Product Awarded by
the Eco Mark Office of the Japan Environmental Association”

IBJ

The Industrial Bank of Japan, Limited

Printed in Japan