

Review of Operations

IBU

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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.

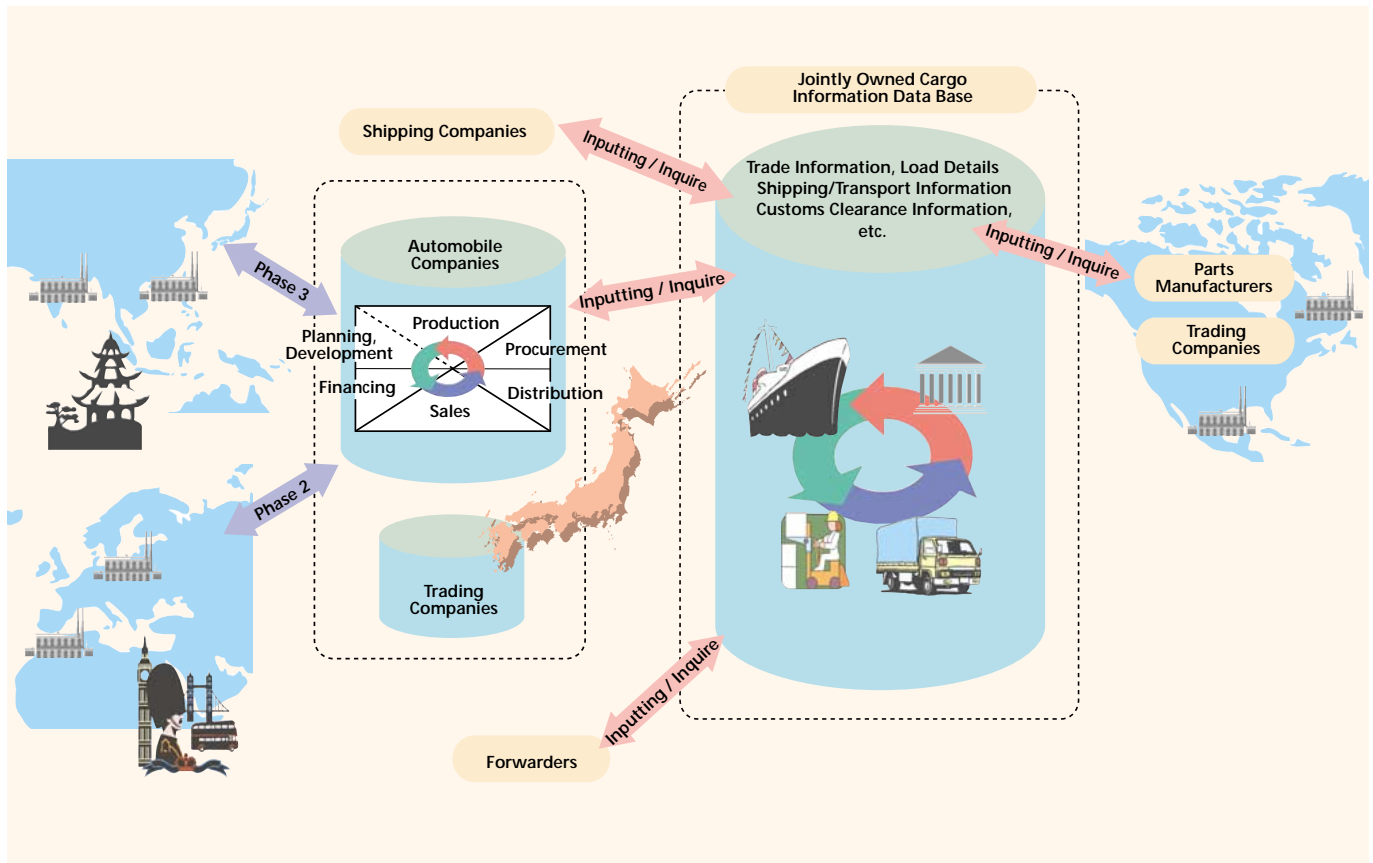
From April 2000, capital has been allocated to each business unit on an independent budget basis and senior management evaluates the performance of each business unit employing the RAROC yardstick. Utilizing this management framework, the Bank is optimizing its business portfolio by the most efficient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



Review of Operations

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: ITs, 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.

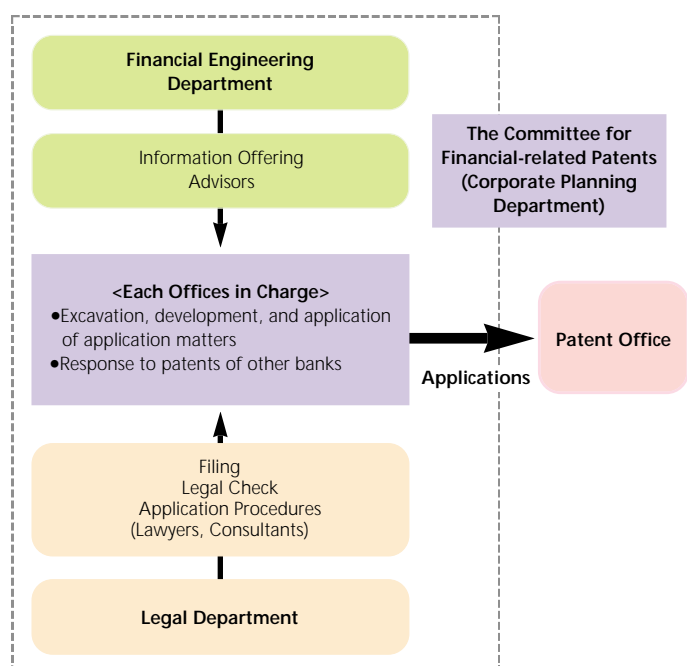
Moreover, the Bank is currently testing the AutoTrans System developed to support trade finance by processing electronic data interchange for the automobile parts and components industry. When launched, this Internet-based system will supersede paper-based trade documentation such as ordering and confirmation 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, ITs 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. (NI-GIA) 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)

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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.

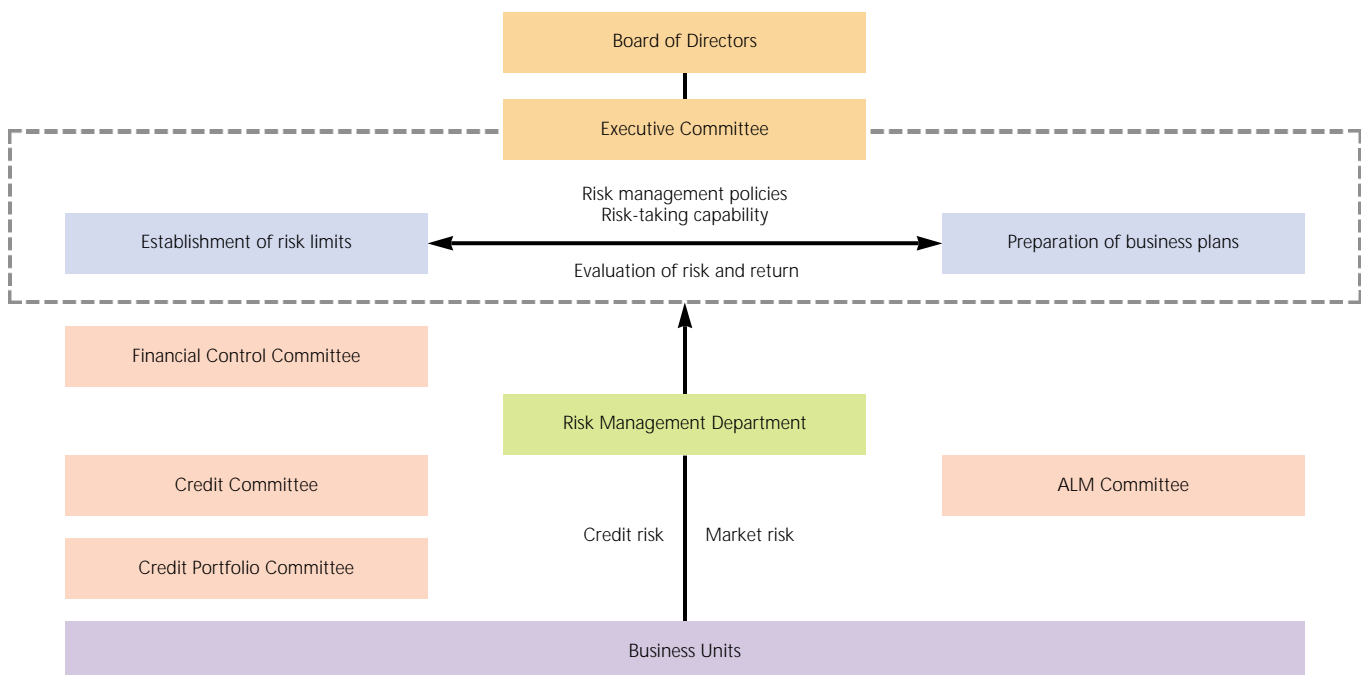
Credit Risk

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

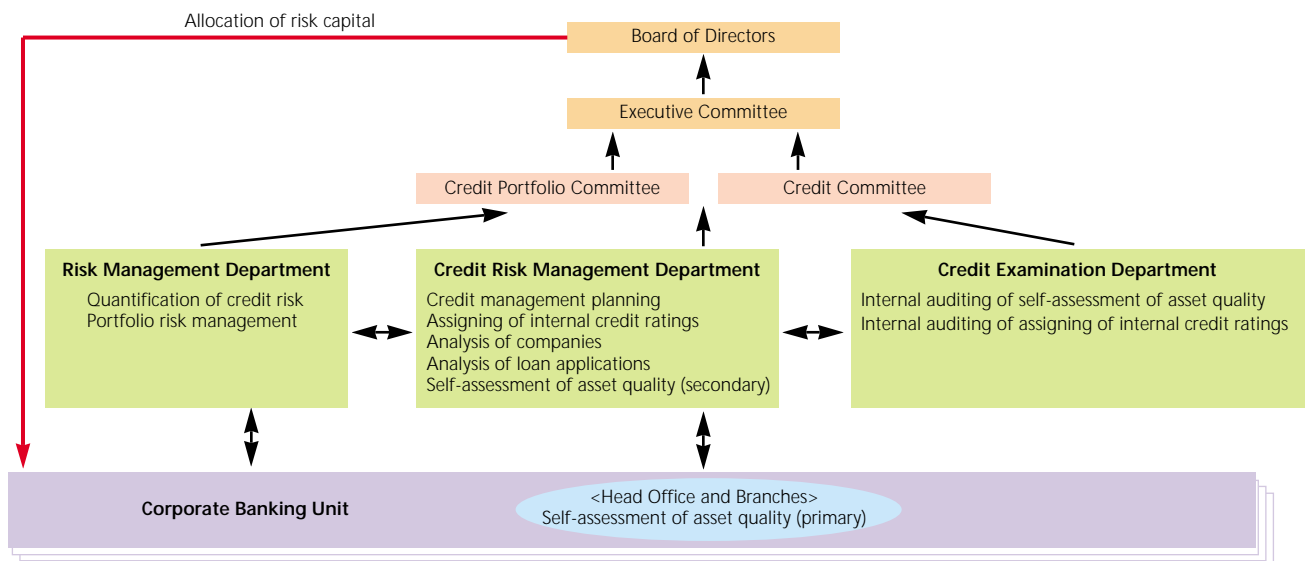
each credit extension, whether originated in Japan or overseas. The Risk Management Department also handles the "macro" risk of the total loan portfolio, employing financial engineering techniques to quantify, monitor, and control overall risk.

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



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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.

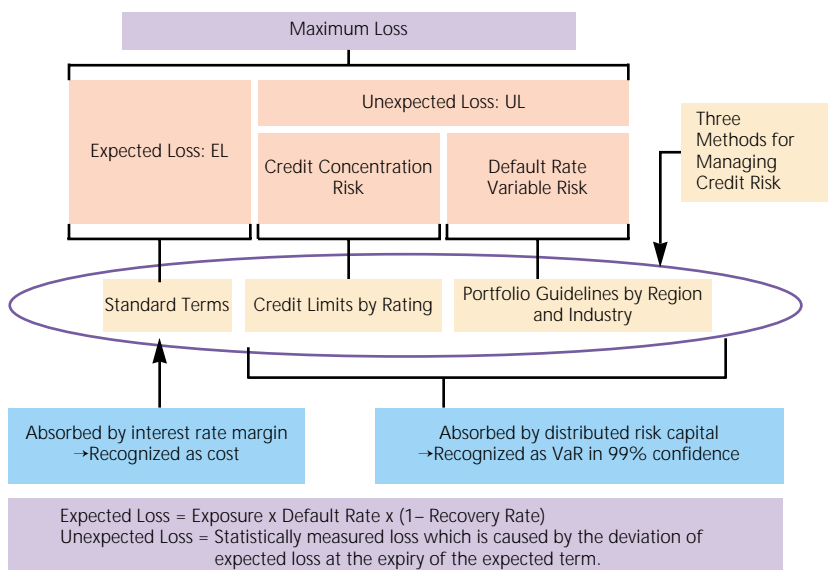
Market Risk

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.

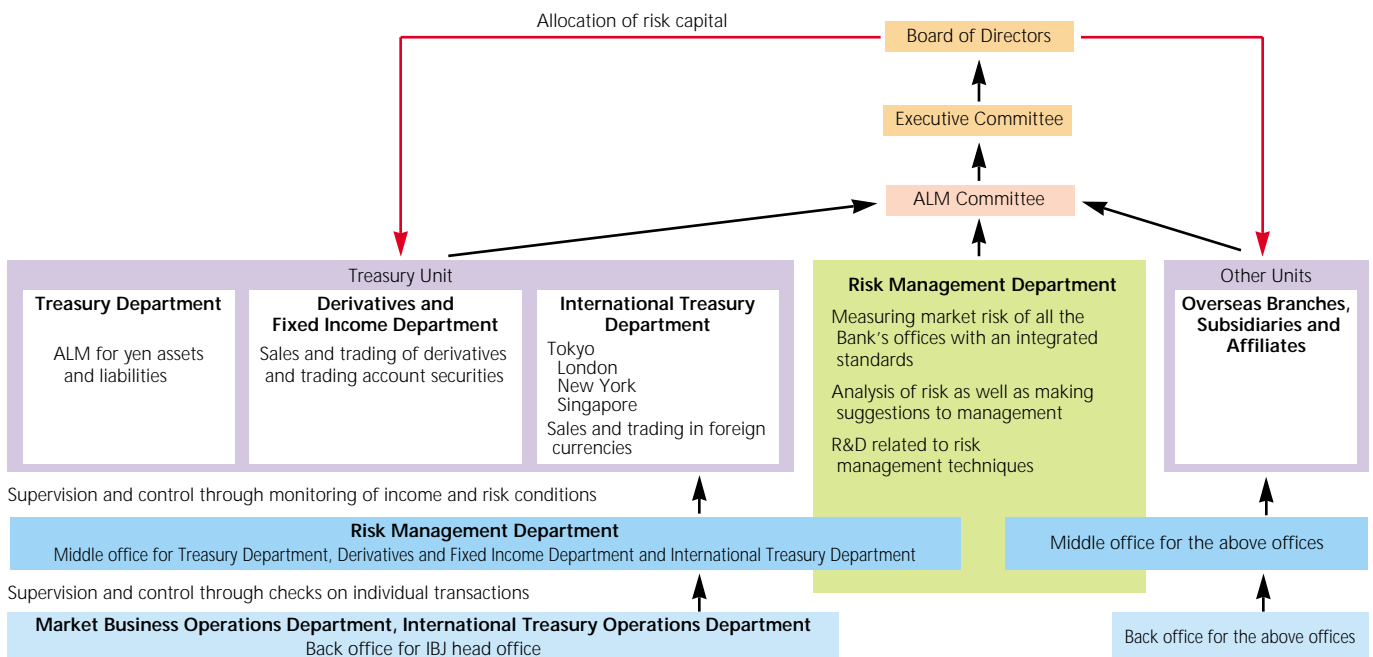
The Bank's risk management activities are based on an understanding of the most advanced financial theories. Staff well versed in this area have been assigned to risk management and are engaged in R&D related to risk management techniques.

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



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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 centrally 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

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

		VaR
Fiscal 1998	Year-end value	162.4
	Year-end value	38.2
Fiscal 1999	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:

- 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.
- Yen figures are based on transactions of Treasury Department.
- U.S. dollar, euro, and other figures are based on transactions of International Treasury Department (including New York, London, and Singapore Divisions).

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 C VaR Results in Trading Business** (¥ billion)

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

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

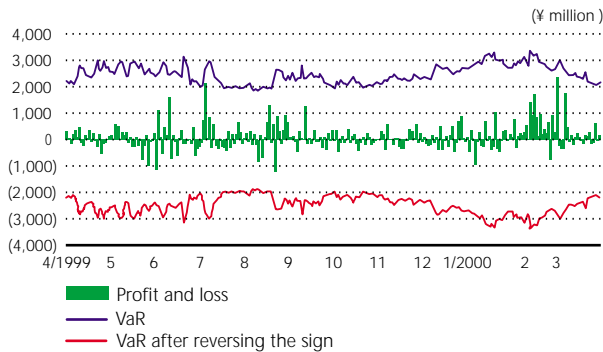
Table D shows the results of back testing for the year under review. On the 262 business days in that year, there were no instances when the actual loss exceeded VaR. These results verify the accuracy of the Bank's internal model.

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,"

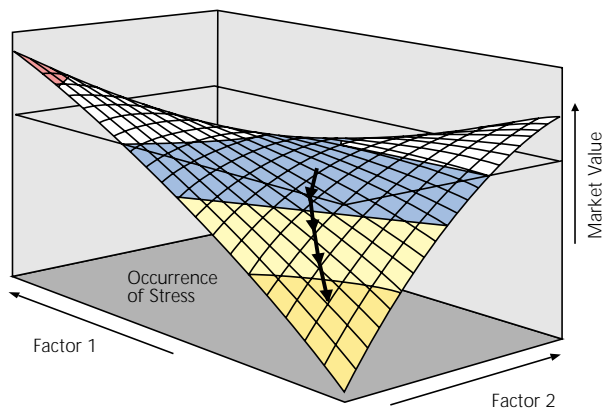
maximum loss is derived by estimating the worst market scenario based on the characteristics of its trading portfolio. This takes into account the volatility and correlation of approximately 200 risk factors, such as yen interest rate and dollar-yen exchange rate movements. Table E is a plot of the Bank's 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.

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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.

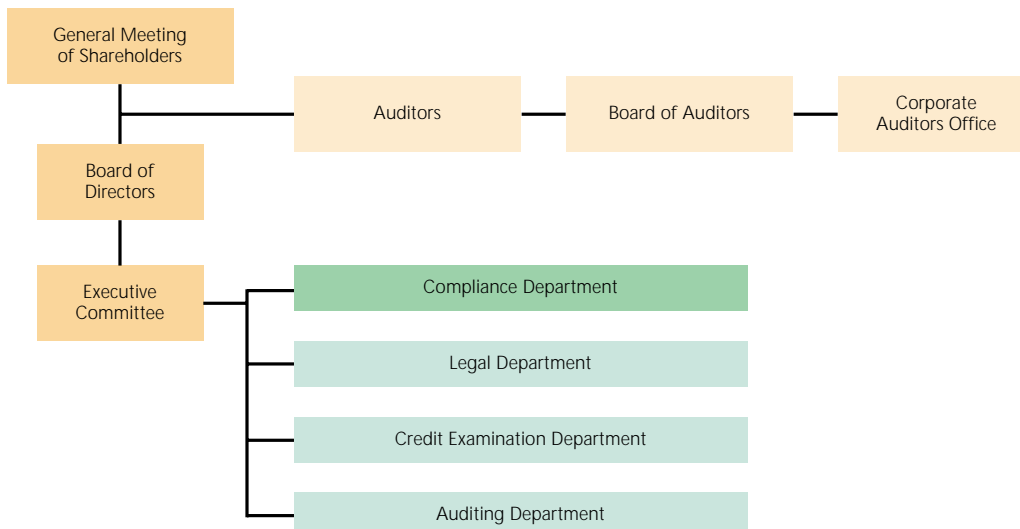
In line with the Bank's reorganization in June 1999, the Compliance Division was raised to departmental status. To guarantee its integrity, it was further upgraded and made fully independent. It supervises the compliance activities of the Legal Department, the Credit Examination Department, and the Auditing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

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

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Operational Review

Corporate Banking Unit

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

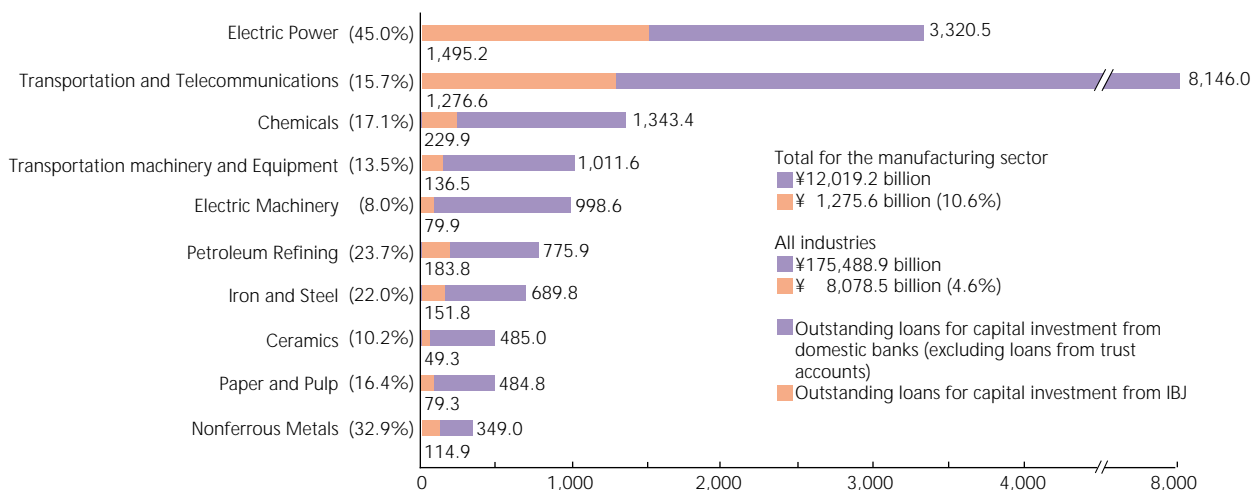
The Corporate Banking Unit offers a wide range of services to large corporations integrating the functions of both commercial banking and investment banking. As a prominent participant in corporate finance, it provides a diverse array of fund-raising support and other high value-added financial services. 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)

Review of Operations

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.

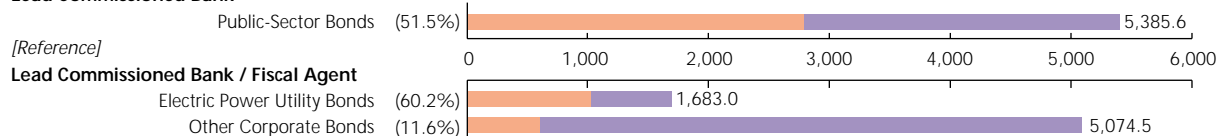
The Corporate Banking Unit extends direct funding via loans, as well as indirect funding in the form of SPARCS, Suppliers' Account Receivables Control System, which helps customers securitize their receivables and raise working capital.

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)

Lead Commissioned Bank



Amount for which IBJ acted as Lead Commissioned Bank
Note: Figures in parentheses are IBJ's share of the total.

(Fiscal 1999)

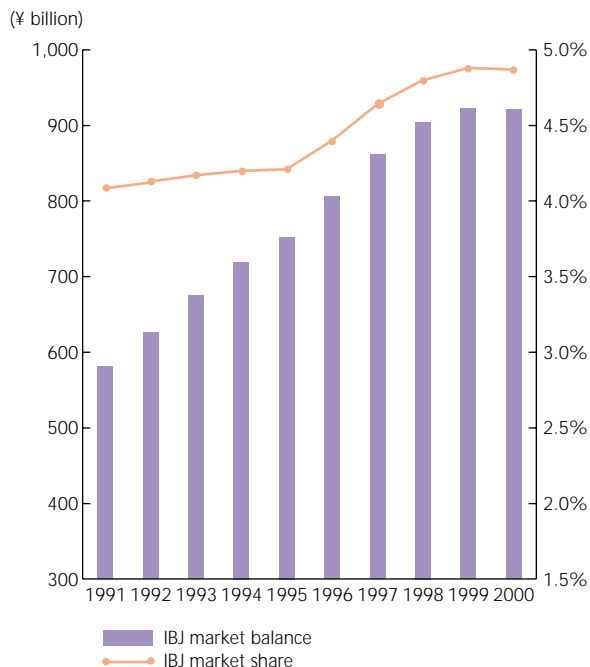
Individuals

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.

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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.





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

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Investment Banking Unit

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 Japan’s 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.”

Review of Operations

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.

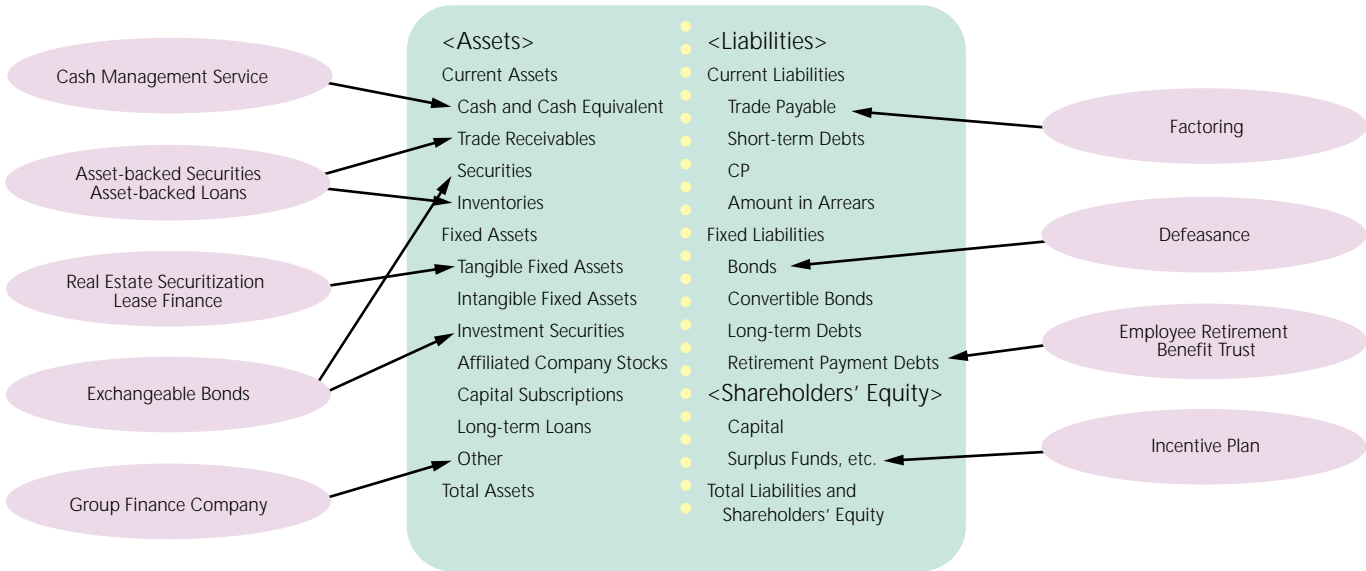
The Unit centers its global operations on structured finance, financial advisory services including M&A and management buyouts (MBOs) advice, and project finance. It draws heavily on the IBJ Group’s extensive capabilities in derivatives, research, and distribution. Employing such instruments as asset 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.

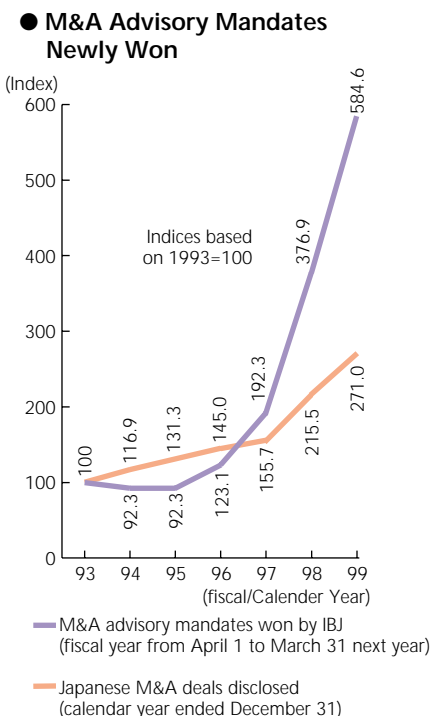
The Unit has developed and marketed tailor-made structured finance schemes not only in Japan, the U.S., and Europe but also in various regions around the world. By marketing these services and making full use of the know-how gained in Japan, it researches the special features of the legal, accounting, 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 Advisors Rankings by Value for Japanese-related Deals from January 1, 1999 to December 31, 1999**

Announced Deals Not Withdrawn Credit to Target & Acquisition Advisors	
Advisor	in millions of U.S. dollars
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**

Announced Deals Not Withdrawn Credit to Target & Acquisition Advisors	
Advisor	in millions of U.S. dollars
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

Review of Operations

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

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.

Review of Operations

Operational Review Treasury Unit

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."

Review of Operations

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 entity 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.

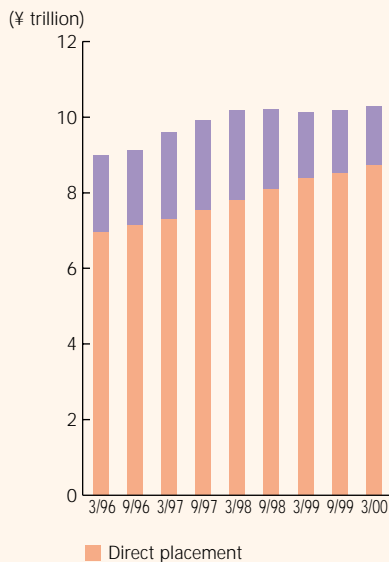
Trading Business

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



Review of Operations

Operational Review Treasury Unit

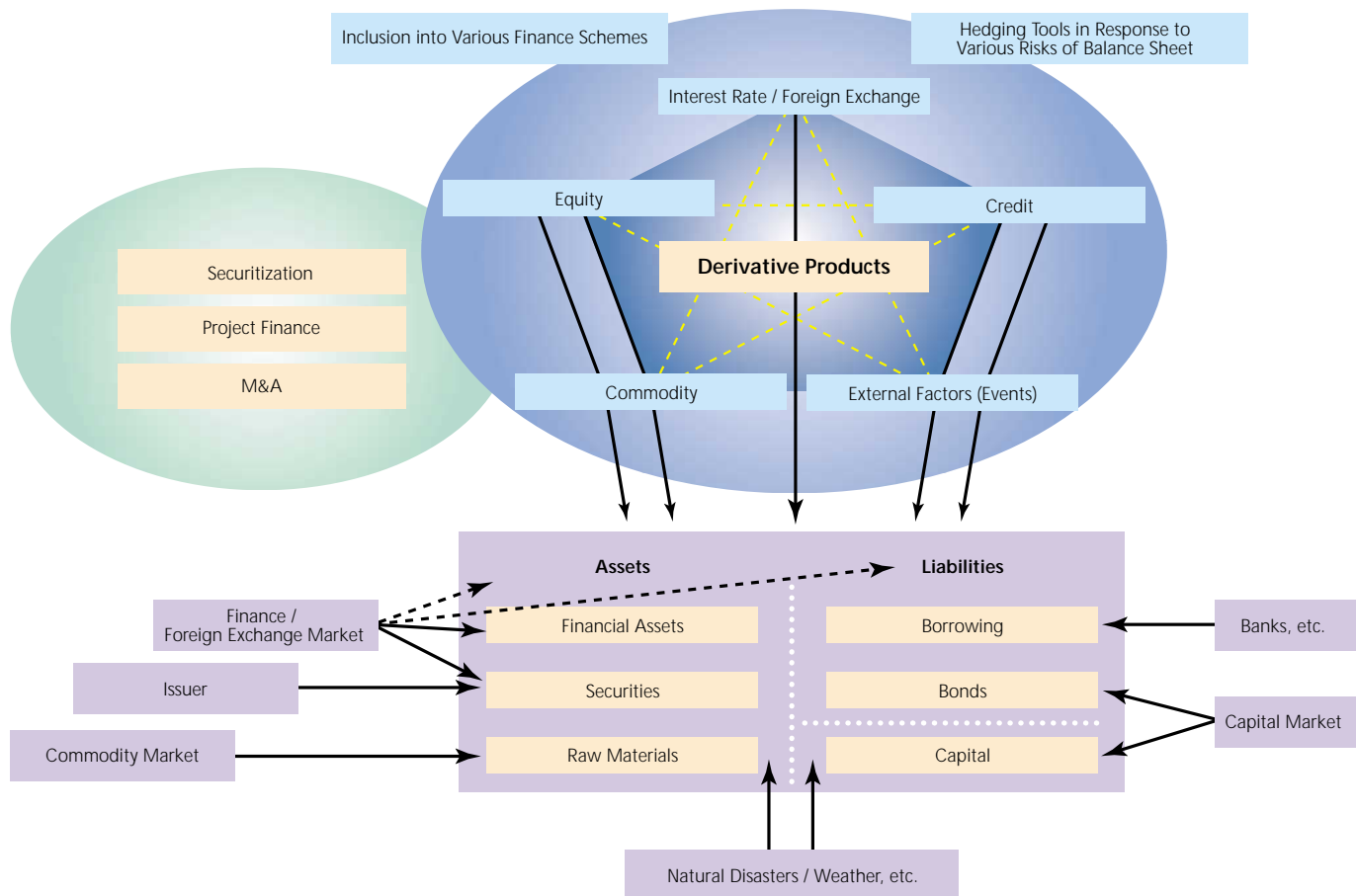
Derivatives

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

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:

Review of Operations

Operational Review

Securities & Asset Management Unit

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.”

Review of Operations

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.

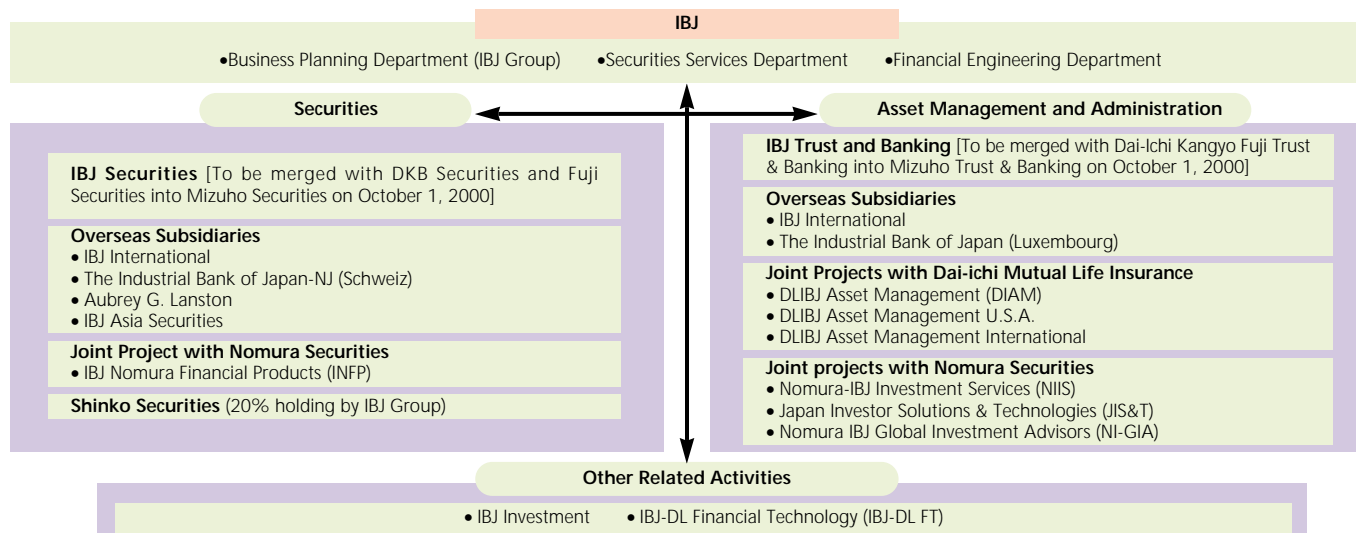
In the year under review, IBJ Securities lead-managed 38 domestic straight bond issues, accounting for an 8.8% share of the market as lead manager and 7.4% as underwriter. These results ranked IBJ Securities just behind Japan's Big Three securities houses. It also did very well domestically in convertible 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)

	1999	1998
For the Fiscal Year		
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.

Review of Operations

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 depositories, 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.

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.

● 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

Review of Operations

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

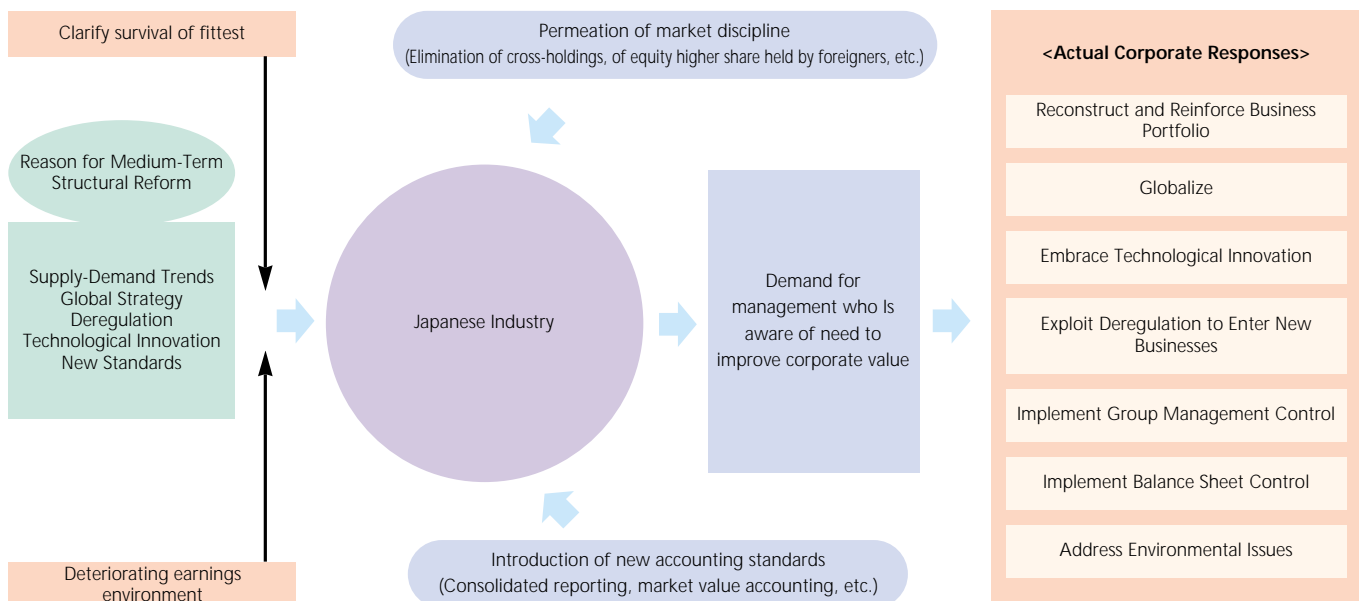
Corporate Banking Unit, works from a long-term global perspective to identify issues currently facing each industry and the future directions of development and offer specific solutions and policies that contribute to industrial restructuring. The Department issues research reports for use by customers 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 <i>Outlook for the Japanese Economy</i>	Quarterly	IBJ's forecast for the Japanese economy for approximately the next one-year period.
<i>IBJ Industry Research</i>	Annually	IBJ's special report on trends and outlook in Japanese major industries.
In Japanese <i>Kogin Chosa</i>	Occasionally	IBJ's industrial report. Each issue focuses on a specific industry.

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



Review of Operations

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.

Review of Operations

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

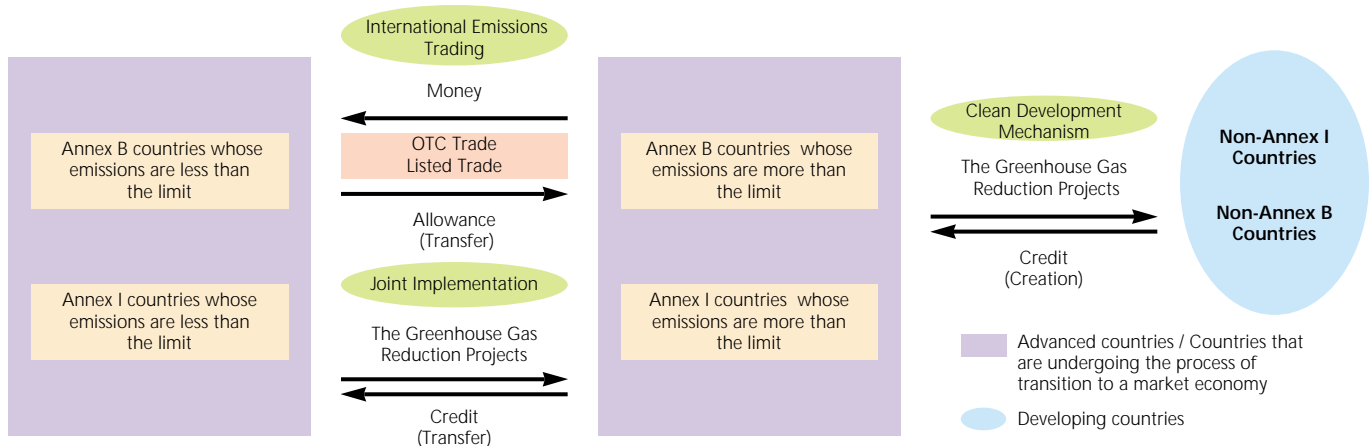
IBJ aims to meet customer requirements while endeavoring to address the public interest in terms of environmental problems and thereby reducing credit risk. The Bank uses an internal credit rating system to evaluate credit to each customer. This

● 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

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.