

MEDIUM-TERM BUSINESS PLAN

“Business Strategy Heading into the 21st Century”

Acknowledging the need to secure a strong, sound financial base, and to realize superiority in products and services that clearly distinguish us from other financial institutions in order that we can enhance our a competitive advantage in the new financial era, we implemented a new medium-term business plan —“Strategic Plan 120”— (running from fiscal 1998 through 2000) this April. The plan aims to enhance our competitiveness that will prepare us for heading into the 21st century.

The objectives of the plan are outlined below:

Primary Objective

To make the Fuji Bank Group a highly efficient, highly profitable global financial services group that is the customer’s first choice and offers the most suitable services for each customer segment.

Measurable Targets

Targets to be attained by the end of Strategic Plan 120:

- Consolidated return on equity of more than 7%
- BIS capital adequacy ratio of 10%
- Ratings in the upper range of single A

Basic Goals

Specifically, we will be paying particular attention to the following five areas:

- ① **Establish a strong and sound financial base.**
We will realize a strong and sound financial base in accordance with global standards by aggressively accelerating the recovery and disposal of problem loans.
- ② **Bolster high-end risk management systems.**
We will establish an advanced, comprehensive risk management system for credit, market, legal and operational risks that will cope with risk of increasing diversity and complexity.
- ③ **Strengthen five specific business areas.**
We will enhance our competitiveness in specific business areas in which we can claim to be the first choice of our customers. They are outlined below:

**Financial technology and information services*

Enhance specialized services that utilize sophisticated risk management skills, advanced financial techniques and high value-added information, such as high-quality loan assets, derivatives, securitization and other new types of finance, project finance, provision of business information, assisting in business alliances, M&A, and business consultation.

**Personal loans*

Develop various types of consumer finance such as housing, auto and card loans that improve the quality of life of individual customers.

**Asset management*

Offer profitable investment management products and services, namely investment trusts, foreign currency deposits, investment advisory and investment consultation.

**Settlement services*

Provide safe, low-cost settlement services that use advanced data processing technologies based on our accumulated expertise, such as electronic banking, telephone banking, electronic money and cyber banking, global cash management services (CMS), and domestic and global custody services.

**Trading*

Develop our dealing business by implementing solid asset liability management and advanced market risk management systems.

- ④ **Establish superior marketing channels.**
We will build an organization capable of providing customers with optimal services speedily and efficiently through a wide range of customer-friendly channels, including relationship managers, head office product development divisions, as well as technologically advanced channels like telephone banking and cyber banking.
- ⑤ **Strengthen the expertise of all employees.**
We will create a financial services group in which highly trained specialists can meet the sophisticated financial needs of our customers worldwide.

Achieving the Primary Objectives, Measurable Targets and Basic Goals

In order to achieve the primary objectives, measurable targets and basic goals of Strategic Plan 120 as quickly as possible, we have initiated four concrete strategy programs. They are: Marketing Strategy, Product Strategy, Managerial Infrastructure Strategy and Restructuring.

I. Marketing Strategy

In order to establish superior marketing channels, we realize that it is essential to grasp the specific needs of each individual and corporate customer and provide them with tailor-made products and services via the most appropriate channels.

This means tailoring products and services to suit the modes of customer activity while simultaneously striving to set appropriate pricing levels according to the nature of the products and services provided and the transaction costs involved. Customers who require sophisticated specialist services can benefit from the joint efforts of relationship managers, who have expert knowledge of customer needs, and the head office product development divisions, which specialize in advanced services. Customers who seek convenience at low cost can make use of sophisticated channels such as dial centers and cyber banking.

II. Product Strategy

This strategy will focus on the allocation of management resources on the five specific business areas referred to above. The aim is to sustain and strengthen the areas in which we are particularly strong by providing sophisticated specialist services that match customer needs, and to establish new sources of profits that do not rely on risk-assets.

III. Managerial Infrastructure Strategy

1. Creation of a business group system

With the primary objective of strengthening our specialist know-how, improving productivity, and

achieving the objectives and goals of Strategic Plan 120, we carried out organizational changes that involved the introduction of a business group structure in January 1998. (Please refer to the organizational chart on page 100.)

More specifically, we built a flexible organizational structure which makes clear each group’s roles, tasks and responsibilities which will enable us to swiftly adapt and deal with changes in the business environment. The overall structure (which includes our affiliates) has been formed emphasizing specialization and comprises of five groups responsible for business with segmented customers and two groups in charge of developing and providing superior products and services.

Each group is responsible for making full and effective use of management resources, maximizing customer satisfaction and business performance, and maintaining our competitive edge. Through this organizational structure, we aim to develop a cohesive flow among the groups, improve the quality of our products and services, and enhance customer satisfaction which will subsequently boost our business performance.

2. Improvements in personnel system

In order to strengthen the expertise and increase the motivation of all the employees, we abolished the system whereby employees in our domestic operations are promoted according to seniority and introduced a new personnel system that rewards performance. We also intend to bolster our training program that focuses on specialization. We will also make more use of experts outside the Bank.

3. Introduction of a new of management accounting system

We have introduced a new management accounting system which enables us to monitor earnings after deducting for various costs such as credit and capital costs, and business indexes such as ROE, on a consolidated basis by market segment, product segment and business group.

IV. Restructuring

Based on our awareness that our cost structure has a direct impact on our competitiveness, we have been actively implementing restructuring programs since fiscal 1992. Under Strategic Plan 120, we have redoubled our efforts by adopting more sweeping measures to streamline our management base and establish a slimmer but more powerful management base that ensures far greater cost competitiveness.

1. Restructuring of domestic and overseas offices

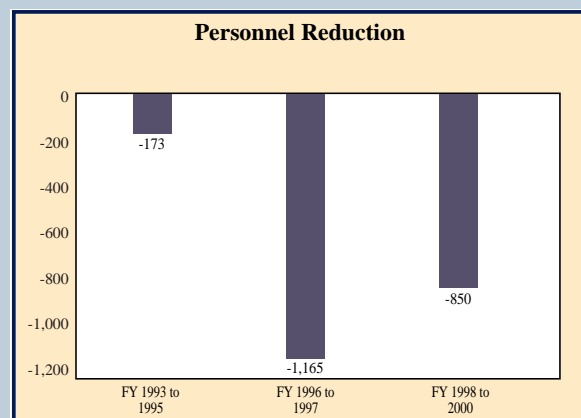
In the domestic market, we will change our marketing channel strategy for our offices by reviewing our current full service strategy. We will develop a new marketing strategy which is supported by leading-edge information technology. This will enable us to provide customers with greater convenience while greatly reducing running costs. As a consequence, our domestic and overseas offices will be subject to operational downsizing, and we will limit the number of new offices to be opened to the absolute minimum necessary.

Status of Office Restructuring (Fiscal 1993 – 2000)

	FY1993 to 1995	FY1996 to 1997	FY1998 to 2000
Domestic Offices:			
Change	-13	-12	-38
Open	14	5	2
Close/Consolidation	27	17	40
Trimming of Business Areas	—	—	60
Overseas Offices:			
Change	+ 3	+ 2	-4
Open	9	6	4
Close/Consolidation	6	4	8
Trimming of Business Areas	—	—	6

2. Personnel reductions

By streamlining the workforce of our business outlets, we will allocate human resources to strategic business areas in order to strengthen our capability to provide our customers with superior, specialized products and services. Over the next three years, we plan to trim our workforce by 850 employees, bringing total staff cuts to 2,000 since reductions were initiated in fiscal 1996. This is a 13% reduction compared with the number of employees at the end of fiscal 1995.



3. Reduction of Expenses

(1) Investments

Overall investments will be strictly limited to carefully selected strategic business areas as earlier mentioned. Consequently, the total amount of investment will be reduced.

(2) Personnel expenses

By reviewing current levels of bonuses and allowances, together with the new personnel system and staff reductions, personnel expenses for fiscal 2000 will be reduced by ¥11 billion, or a 7% decrease compared with fiscal 1997.

(3) Reduction of expenses

Excluding costs that significantly affect customer services and costs that cannot be cut owing to legal compliance or contractual obligation, we will strive to reduce current expenses by 10% compared with the fiscal 1997 figure as soon as possible. The objective is to curb cost increases by using these savings to cover extra investments necessary for improving services.

4. Reduction in the number of board members and decrease in remuneration

We will reduce the number of directors by three from forty-one by fiscal 2000. At the same time, remuneration to directors will be reduced by a maximum of 30% for the time being.