

RESTRUCTURING APPROACHES COMPLETION

Since fiscal 1992, we have been working aggressively to improve our competitiveness. The main thrust of these efforts has been to create a leaner, low-cost organization through cuts in personnel and business expenses.

Our medium-term “Strategic Plan 120” calls for the completion by fiscal 2000 of further drastic reorganization as a means of establishing a streamlined management structure that will lay the foundations for achieving our objective of becoming a leading bank in the 21st century.

1. Consolidate Corporate Banking Unit and Strengthen Specialist Product Sectors

■ We have resolved to establish a system whereby we can rapidly and efficiently provide services that meet the increasingly diverse and sophisticated needs of corporate customers. To this end, we have consolidated branches to allow them to focus on dealing with corporate customers, and accelerated the redeployment of personnel to divisions that specialize in providing sophisticated professional services in areas like securitization, M&A and derivatives.

■ We have also strengthened and expanded our Business Finance Center, which serves as a direct marketing channel to smaller businesses, and have been active in providing speedy, low-interest financing services through the Fuji Small- and Medium-size Business Development Fund and other vehicles.

2. Stronger, Broader Private Banking Services

■ One of our primary goals has been to create a stronger multi-channel network that offers customers convenient, low-cost services. In addition to diversifying services based on personal relationships through branches that specialize in consumer and private banking, we have strengthened our “remote channels,” which include telephone banking and cyber banking. We have also played a leading role in introducing debit cards. At the same time, we have made great strides in cutting channel operation costs through extensive efforts to consolidate and centralize operations.

■ We have also invested aggressively in advanced strategic systems in order to strengthen our relationship marketing. Our objective is to encourage our customers to continue and expand their transactions with us by providing the most appropriate services for each customer in the most convenient manner possible.



3. Focus on Strengths in Overseas Banking

■ In addition to concentrating our main management resources in key locations like New York and London, we now focus on one of our key strengths - transactions with the overseas subsidiaries and affiliates of Japanese companies - as well as specialized key investment banking activities, including MBOs and project finance.

■ We also take advantage of advanced financial techniques and our team of highly experienced personnel to develop new business in similar areas in the Japanese market, including MBOs, CBOs, PFIs and syndication.

MBO: Management Buy-out

An MBO occurs when the management of a company's subsidiary or business division acquires the right to manage the subsidiary or business division by purchasing its shares from the parent company or owner. In December 1998, we arranged the first major MBO in Japan and provided the necessary finance.

CBO: Collateralized Bond Obligations

These securities use plural corporate bonds as their underlying assets and are issued and sold in the financial markets. In December 1998, Fuji Securities Co., Ltd. put together the first such package in Japan. These instruments are attracting a great deal of attention as a new fund-raising method for companies that issue corporate bonds.

PFI: Private Finance Initiatives

These schemes encourage the private sector to take the initiative in exploiting private capital and know-how to create social infrastructure, including roads and hospitals. We are playing an active role in such schemes, providing the central and local governments with advice and finance.

Syndication

This involves the formation of syndicates consisting of several financial institutions that join together in raising the finance necessary for larger projects. Our syndication record is among the best of the top banks in the international market, and we are increasingly making the most of this know-how in the Japanese domestic market.

Progress Made in Streamlining Management

1. Closure and Consolidation of Offices

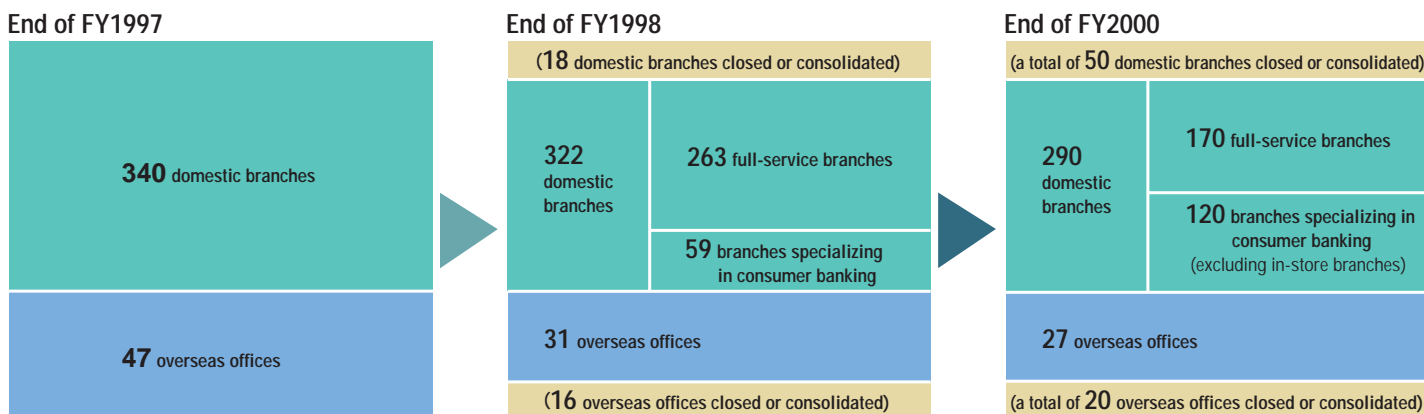
Domestic Offices

■ By consolidating the branches dealing with corporate clients, we will reduce the number of full-service domestic branches to 170 (50% of total) and close or consolidate a further 50 (15% of total) by the end of fiscal 2000. The remaining 120 domestic branches are to reduce their operational load by specializing in consumer banking. During fiscal 1998, we closed or

consolidated 18 branches and transformed 59 into specialist consumer banking branches.

Overseas Offices

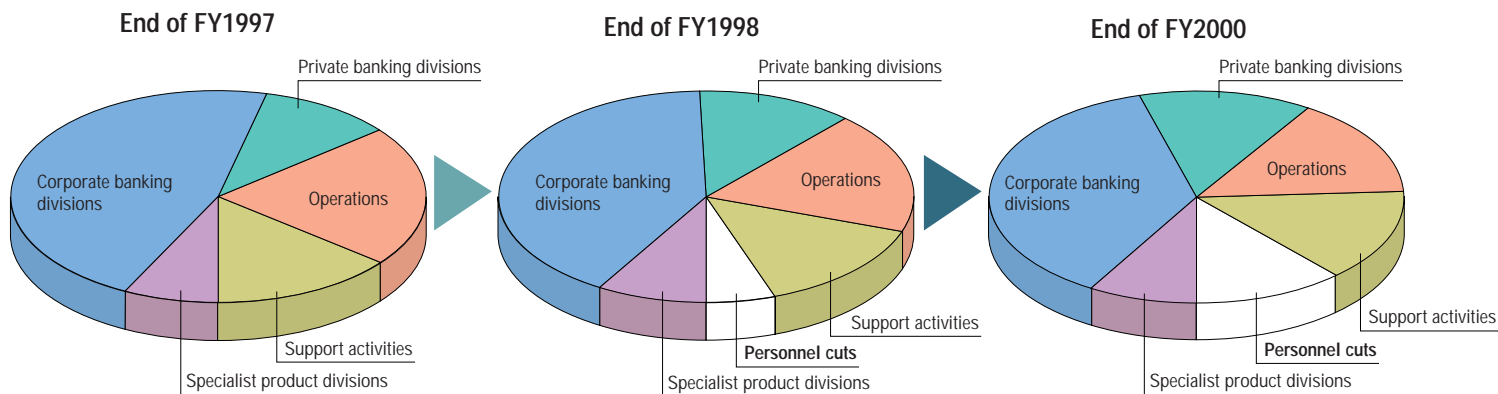
■ Our plan is to reduce our 47 overseas offices to 20 key centers. In fiscal 1998, we closed or consolidated 16 offices.



2. Personnel Reductions

■ We expect closures and the consolidation of domestic and overseas offices, as well as the centralization of operational processes, to free up some 2,200 personnel. Of these, personnel cutbacks will affect 1,700 (1,350 employed in Japan and 350 employed overseas). Of the remaining staff, we will reassign 200 people to specialist product

divisions and 300 to private banking divisions in order to strengthen our services in the key areas of corporate and private banking. In fiscal 1998, we reduced our personnel by 880, and reassigned 200 personnel each to specialist product and private banking divisions to reinforce their operations.



3. Expense Reductions

Personnel Expenses

■ While personnel reductions will have an impact on personnel expenses, we also plan to cut bonuses by 20-30%, abolish or reduce housing and other allowances, and review other employee benefits. Compared with fiscal 1997, we expect this to yield savings on personnel expenses of ¥20 billion by fiscal 2000.

Non-personnel Expenses

■ Several factors are likely to boost expenses. Greater use of outsourcing to increase operational efficiency will result in higher outsourcing expenses. Strategic investments to strengthen services will increase the depreciation burden. And sales of commercial real estate will increase rental expenses. Nevertheless, we will work hard to reduce total non-personnel expenses by sharply reducing current premises and equipment expenses and focusing our investments with a view to maximizing gain.

4. Reductions in the Numbers of Directors and Remuneration

■ By the end of fiscal 1999, we intend to reduce the numbers of directors and overseers by 8 to 34. Establishing in-house banking units and other recognition measures are also expected to enhance operational efficiency.

■ Since fiscal 1998, we have reduced remuneration by 30% for the Chairman and the President and CEO, and by an average of 20% for all member of the board of directors. (Member of the board of directors have not been paid bonuses since fiscal 1995.)

Plan for Strengthening of Management

In March of 1999 the Bank received public funds totaling ¥1 trillion under the “Law Concerning Emergency Measures for the Early Strengthening of the Function of the Financial System.” Coinciding with this, the Bank submitted its “Plan for Strengthening of Management” to the Financial Reconstruction Commission as part of the application for public funds.

Accordingly, the Bank implemented a 5-year earnings plan which started in fiscal 1998 as outlined below.*

Earnings Plan

The 5-year plan has been divided into two periods. They are the restructuring period and the acceleration period.

■ Restructuring Period (fiscal 1998–2000): Three years of business prioritization and restructuring as set down in the Bank’s medium-term business plan “Strategic Plan 120.”

■ Acceleration Period (fiscal 2001–2002): Period of acceleration heading into the 21st century as a leading bank.

Preconditions of the Earnings Plan

Economic Trends

(on the assumption Japanese economy gradually recovers from fiscal 2000)

	2nd half FY1998	FY1999	FY2000	FY2001	FY2002
Real GDP Growth Rate	-2.2%	-0.4%	0.7%	1.0%	1.7%

Interest Rates

(on the assumption interest rates gradually rise accompanied by the recovery of the Japanese economy)

	2nd half FY1998	FY1999	FY2000	FY2001	FY2002
3-month TIBOR (ave. during term)	0.62%	0.68%	0.90%	1.75%	2.55%
5-year SWAPS (ave. during term)	1.02%	1.54%	2.35%	3.13%	2.85%

Foreign Exchange: Exchange rate at ¥120.00/US\$ during the period

Nikkei Average: ¥13,500 during the period



Earnings Plan

	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002
Gross Profits	670.1	670.0	635.0	685.0	752.0	795.0
General & Administrative Expenses	378.5	370.0	365.0	355.0	357.0	355.0
Personnel Expenses	158.5	153.0	143.0	138.0	138.0	138.0
Non-personnel Expenses	191.1	194.0	197.0	194.0	196.0	196.0
Net Business Profits (Before Transfers to General Reserve)	291.5	300.0	270.0	330.0	395.0	440.0
Credit Costs	980.6	580.0	120.0	112.0	80.0	60.0
Transfer to General Reserve for Possible Loan Losses	-28.8	120.0	-8.0	-8.0	-8.0	-8.0
Net Gains & Losses on Securities	209.5	-280.0	-30.0	-40.0	-40.0	-10.0
Ordinary Profits	-576.3	-710.0	90.0	150.0	240.0	340.0
Net Income after Tax	-518.7	-380.0	60.0	90.0	150.0	200.0
BIS Capital Ratio	9.41%	10.61%	10.57%	10.74%	10.38%	10.77%

Note: FY1998 numbers are projected in the plan, not actual results.

Principal targets for such as profit, profit margin and restructuring have been achieved for fiscal 1998.

* The discussion regarding the Earnings Plan contains projections and statements that constitute forward looking statements, which are based on numerous assumptions including but not limited to a change in economic trends, interest and foreign exchange rates, demand for credit, the value of real estate in Japan, and the effect of new legislation or government directives. There is no assurance that all or any of such assumptions will be realized; accordingly, such forward looking statements are not guarantees of the future performance and involve risks and uncertainties, and actual results may differ from those in the forward looking statements.