

CONSUMER AND COMMERCIAL BANKING

The Consumer and Commercial Banking unit is made up of the Commercial Finance Group, which looks after the middle, and small- and medium-sized businesses, and the Consumer and Private Banking Group, which looks after the business with individuals. This division of roles is designed to strengthen relationship marketing to provide services that are extremely well matched to the needs of each customer.

Commercial Finance Group Strategy

The Group's strategy is to provide speedy services that satisfy the increasingly diversified and sophisticated requirements of customers through advanced multiple channels.

1. The environment facing the Commercial Finance Group and the Group's role

As the backbone of Japan's economy, Japan's highly diversified middle, and small- and medium-sized businesses constitute one of our most important target business sectors, and we are concentrating on it more and more. The Commercial Finance Group specializes in this market, helping the Bank fulfil a major social role by providing energetic support for meeting customers' funding needs, and ensuring that the financial system functions and expands smoothly. The Group works to satisfy the increasingly diverse and sophisticated needs of customers by offering the most appropriate services speedily and more efficiently. To this end, it is strengthening its multi-channel networks, which bring together the specialist functions of key business offices, head office and subsidiaries in a dynamic fusion that brings it closer to realizing its goal of offering customers greater satisfaction than any other bank.

It is also strengthening its credit risk management systems to maintain and improve the health of its loan assets and create a strong, sound financial structure.

2. Concrete strategies and key issues

The Commercial Finance Group emphasizes the following three policies as a means of achieving its goals.

First, we are responding positively to support middle, and small- and medium-sized customers. Hand-in-hand with the use of the Fuji PC Banking Service and the Collection Management Service, the Fuji Small- and Medium-size Business Development Fund (amounting to 600 billion yen) allows companies to receive the most preferential interest rates available according to the loan maturity period.

We have established a new Commercial Finance Business Division which is staffed with selected expert personnel who can deal with the wide-ranging management issues that affect businesses in the middle market and growth industries, including asset utilization, stock exchange listing support and business inheritance. In addition to providing corporate and asset information, they engage aggressively in consulting activities. To round off our unique, comprehensive services in this area, we work together with The Yasuda Trust and Banking Co., Ltd., which offers superior financial advisory services.

In order to nurture and encourage new business ventures, we provide support through the Charitable Trust for Fuji New Business Fund. The Fuyo New Business Forum and the Fuyo Eco-Business Conference also tackle the task by aggressively supporting new business start-ups. In this way, we are fulfilling an extremely important role in the development of the new technologies and



businesses that will underpin the Japanese economy in the future. Furthermore, Fuji Research Institute Corporation has established a home page on the Internet to provide information on patents, technologies, business information and other intellectual property belonging to members of the Fuyo Group and our customers. Known as the Fuyo Techno Library, it aims to promote distribution and interchange of ideas as a means of encouraging technology transfers between companies. All these activities are designed to encourage the development of new enterprises and the improvement of industrial technologies in a wide range of areas.

Second, we are constantly working to enhance our advanced, multi-channel network to provide our corporate customers with greater convenience at low cost.

- We are increasing the number of branches specializing in corporate transactions, deploying professionals strategically in areas close to corporate customers so that we can provide specialist products and services on a highly competitive basis.
- In addition to our commercial banking business, we have established the new regional business unit "Commercial Finance Division" to concentrate on transactions with large and middle market enterprises that require more specialized services in areas like investment banking.
- We have boosted our head office staff of experts in financing to strengthen the functions of our Business Finance Center, which specializes in direct marketing to small- and medium-sized businesses.
- We have reinforced our specialist product divisions which focus on areas like M&A, derivatives and IT-based settlement business in order to respond to the increasingly sophisticated needs of our customers in a timely and accurate fashion.
- Anticipating the imminent arrival of the new era of consolidated management and accounting, we are working to enhance the synergy of our services through dynamic fusion of our subsidiary company functions in areas like the trust business, leasing, factoring and finance.



The Fuyo Techno Library is a completely new type of Internet business site. Prepared by the expert staff of the Fuji Research Institute Corporation, it matches the needs of organizations such as major companies and universities that wish to sell the patents, technologies and other intellectual property or business information in their possession with those of middle, and small- and medium-sized businesses who wish to buy them. In addition to providing a forum whereby hidden potential can be realized in this way, it also allows the networks of the Fuji Bank and the Fuyo Group to be used in following up any business developments that may ensue.

By aggressively creating multiple channels for transactions with companies, we are steadily establishing a structural framework that enables us to provide customers with prompt, efficient services that match their increasingly diverse and sophisticated needs.

Third, we are striving to accelerate progress in improving our asset and profit structures. At the same time, as we enhance the health and efficiency of loan assets, we are creating a firmly established profit structure that seeks to expand our profit sources without over-reliance on risk-adjusted assets. We are strengthening our management control structure, which is built around a risk management system that spans the entire bank. Risk management itself has been reinforced by a drastic overhaul of the credit divisions of the Commercial Finance Group, improvements in our in-house credit rating system and tougher credit risk management and credit examination systems.

As a vitally important component of the Consumer and Commercial Banking unit, the Commercial Finance Group is aggressively tackling these issues in order to ensure that the Fuji Bank becomes a leading bank in the 21st century.

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Consumer and Private Banking Group Strategy

The Group's strategy is to build the best possible relationship with each individual customer and create a strong sense of mutual trust.

1. The environment facing the Consumer and Private Banking Group and the Group's role

The first point to note about the environment facing the Consumer and Private Banking Group is that competition is intensifying as a result of Japan's Big Bang financial reforms. Increasingly, the companies offering financial services include distribution companies, non-banks and other entities from different business sectors, as well as foreign financial institutions. Japan has really entered an era of full-scale competition, and market conditions are becoming tougher by the day.

The second key factor is the growing focus on individual customers. Since customers face a rapidly increasing range of diversified choices, they have the extremely tough task of deciding which financial institution or financial services best suit their own lifestyles and sense of values. In other words, the true value of banking as a service industry has come under very close scrutiny. To ensure that customers continue to select Fuji Bank under such circumstances, it is essential that we offer services that meet the needs of each individual and continue to provide customer satisfaction.



2. Concrete strategies and key issues

The Consumer and Private Banking Group emphasizes the following three issues as a means of achieving its role.

The first issue is strong relationship marketing. This requires that we get to know individual customers better so that we can provide them with improved services and thus ensure a higher level of customer satisfaction.

The first and core feature of our strategy is the Fuji First Club (FFC). Its objective is to create a steadily increasing group of satisfied "Fuji fans" through closer, long-term relationships and mutual communications with FFC members. Inaugurated in March 1998, FFC has undergone numerous upgrades, including a point system for deregulated interest time deposits, and discounted charges for using ATMs outside normal business hours. We are delighted that in a period of only 12 months, over 200,000 customers have become FFC members.

The second feature of our efforts to strengthen relationship marketing has been our program to upgrade our database infrastructure. We believe this is the best way to build closer relationships with our customers and ensure better, more timely communications. Development work has already been completed and we are now making steady progress in putting the system into practical use.

The third feature of our efforts to strengthen relationship marketing is our tie-up with Yasuda Trust and Banking. Yasuda Trust and Banking offers sophisticated services like asset management and investment that are beyond the capabilities of ordinary commercial banks. Our relationship with Yasuda Trust and Banking enables us to provide high quality services to customers with widely diversified needs.

The second issue is making efforts to develop better channels for individual customers.

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First, we are creating branches that specialize in consumer banking. This means transforming former full banking branches into branches that deal specifically with individual customers, which enables us to offer services that are better tailored to individual customers' needs. In April 1999, we established our first in-store branch to offer full services on Saturdays and Sundays at a major suburban shopping center.

Second, we are steadily enhancing the convenience of our ATM network. In September 1998, our ATMs commenced 24-hour operation. We have also expanded our 24-hour cash delivery points dramatically through tie-ups with Daiei and Lawson which are major supermarket and convenience store chains.

Third, we have pushed ahead with the development of remote channels that can respond to the rapid changes in individual lifestyles. These include the introduction of debit card services that allow the use of cash cards for purchases, and the inauguration of round-the-clock telephone banking services. We have also greatly upgraded our Internet banking service, the Fuji Cyber Bank. All of these channels are designed to provide individual customers with more convenient services.

The third issue is enhancing our products and services. Our first priority has been to strengthen our housing loan services. In addition to launching new 15- and 20-year fixed interest housing loans and schemes to allow borrowers to replace existing loans with loans on better terms, and loans for new house purchases, we have established home loan counters that open on weekends and holidays. We plan to develop and upgrade our products so as to be able to provide customers with expert financial assistance at important stages in their lives.

Second, we have reinforced our asset management operations by selling investment trusts in December 1998. We are unique among Japanese banks in that we have established investment trust evaluation teams in both Tokyo and New York, and now offer a portfolio of high quality products from a global viewpoint. We have also established investment advisory desks at 75 branches and introduced our Fuji Portfolio Advisory System (F-PAS) at all our domestic branches, thereby helping to meet customer needs for portfolio proposals and ideas. Simultaneously with the start of investment trust sales, we launched the Japanese equivalent of the Cash Management Account (CMA) called the Fuji Management Account (FMA). In addition to the standard functions traditionally offered by banks, such as settlement and deposits, our FMA with its groundbreaking investment management function enables us to offer our customers a more comprehensive range of investment management services.

