

To Our Shareholders and Customers

— The Dawn of a New Era —

For the Japanese financial sector, fiscal 1999 marked the start of a totally new era in the history of finance in Japan.

In August 1999, The Fuji Bank, Limited, The Dai-Ichi Kangyo Bank, Limited, and The Industrial Bank of Japan, Limited, reached full agreement to consolidate their operations into a comprehensive financial services group to be called the Mizuho Financial Group. In the following six months after the announcement, several other major Japanese financial institutions announced mergers and consolidations of one form or another.

At the same time, conditions in the financial sector changed dramatically as foreign-owned financial institutions began in earnest to expand their presence in Japan, companies from other sectors started to move into the financial business, and a number of Internet-based strategic alliances were formed across different sectors and industries. We believe that our ability to anticipate and adapt to change, and to do so with speed, is the key to succeed in this business environment.

In keeping with this, in fiscal 1999, we continued to work at top speed toward the achievement of our challenging management goal of becoming a leading bank in the 21st century. The following sections summarize the specific policies implemented in fiscal 1999 and the key issues we face in fiscal 2000.

Review of Fiscal 1999

During fiscal 1999, we strengthened our management infrastructure and corporate structure by improving business performance, restructuring operations, strengthening risk management and managing consolidated business activities under a stronger group strategy.

• *Improving Business Performance*

We have identified the domestic corporate and retail markets as our priority business areas. Our goals in these markets are to enhance our products and services to meet the wide-ranging needs of our customers, and to improve customer convenience by using information technology to diversify our service channels.

With respect to enhancing products and services, we focused on services provided to members of the Fuji First Club, a membership reward program that offers special benefits to member customers, and on our product lineup in the strategic area of housing loans. We also made further enhancements to marketing systems for asset management services. In addition, our sales organization and loan products were expanded to meet the changing financial needs of our customers especially focusing on small and medium-sized enterprises.

One key focus of our efforts to improve customer convenience through the diversification of our service channels was the enhancement of Internet banking services provided through the Fuji Cyber Bank. We also introduced the Fuji Mobile Banking service based on mobile



telephones connected to NTT DoCoMo's "i-mode" system. Another enhancement was the launch of the Fuji Everyday Bank, which allows customers to access banking services on weekends and public holidays through fully functioning in-store branches. We also began full-scale development of debit card services.

• ***Restructuring Operations***

We exceeded our restructuring and cost cutting targets through increased efforts in such areas as branch rationalization and the reduction of our payroll, including board members and executives. We improved the efficiency of our branch network by closing and amalgamating manned branches in Japan and overseas, while taking care to maintain customer convenience. We reduced our work force by approximately 400 people and worked to reduce expenses while maintaining a sufficient level of information technology (IT) investment.

• ***Strengthening Risk Management***

Because we consider the development of strong risk management an essential aspect of the banking business, we further reinforced our risk management system. At the same time, we established the Executive Committee and specialist committees to deal with particular types of risk, including credit and market risk. To provide overall management across the entire spectrum of risk, we established the position of Chief Risk Officer (CRO). In addition, we created the Credit Assessment and Audit

Division and the Internal Audit Division as part of a major enhancement of our asset assessment system and the auditing system for group companies and other organizations. We further strengthened the compliance system in the head office, domestic and overseas branches, and group companies.

• ***Managing Consolidated Business Activities under Stronger Group Strategy***

We worked to strengthen our consolidated business management to enhance our ability to provide customers with the best possible services based on our total group resources. We brought affiliated companies into our business groups and strengthened cooperation among the various business units. At the same time, we continued to improve the management and evaluation of group performance on to a consolidated footing and created the position of Chief Financial Officer (CFO). As part of our efforts to bolster group strategy, we fostered closer cooperation between The Yasuda Trust and Banking Co., Ltd. (YTB) and The Dai-Ichi Kangyo Fuji Trust and Banking Co., Ltd. The former became a consolidated subsidiary in March 1999, and the latter took over YTB's asset management and administration operations, including pension trust, custody and stock transfer agency services, on October 1, 1999. Fuji Securities Co., Ltd. was recapitalized in preparation for a full-scale involvement in the equity business. We fully underwrote its ¥30 billion rights issue.

(Formation of the Mizuho Financial Group)

In August 1999, Fuji Bank, Dai-Ichi Kangyo Bank and Industrial Bank of Japan reached agreement on forming the Mizuho Financial Group.

Japan's financial institutions are entering a new era with the globalization of the economy and the powerful impact of "Big Bang" financial reforms, as well as environmental changes that include dramatic advances in financial and information technology. In order to be successful in the face of escalating competition in an increasingly borderless world and establish themselves as major international players, Japanese financial institutions will need to improve themselves in two areas. First, enhance their ability to respond quickly and appropriately to the increasingly sophisticated financial needs of their customers. Second, enhance creditworthiness supported by solid financial strength. In the 21st century, a powerful leader of the Japanese financial services industry is needed that will serve as an anchor for the stabilized financial system, contributing to the development of the economy and the enhancement of the international competitiveness of Japanese industry.

It was with this view of the financial environment as a backdrop that Fuji Bank, Dai-Ichi Kangyo Bank and Industrial Bank of Japan decided to form the Mizuho Financial Group, an integrated financial services group with the aim of becoming a mainstay of the Japanese financial system, and to earn the full confidence of the Japanese public.

The Mizuho Financial Group intends to become a leading Japanese player in global financial markets and to establish itself as one of the top five financial groups in the world. It will achieve this goal by improving its business efficiency, taking full advantage of its sectoral

and functional expertise in various business areas, and integrating and building on its various strengths. Its activities as a provider of financial services will be based on a total commitment to putting the customer first, and on recognition of the importance of "heart to heart" relationship with customers and business partners.

In preparation for establishing a holding company in September 2000, the three banks are developing new, common products and services, including the following:

- Introduction of the "Spark Card," which integrates cash cards and credit cards, was launched in March 2000 by Fuji Bank and Dai-Ichi Kangyo Bank.
- In April, the three banks made their cash dispenser and ATM networks available to each other's customers so customers would not be charged interbank transaction fees.
- In May, the three banks established the Mizuho Venture Fund, the largest of its type in Japan.
- Plans were announced in May for the development of the "em-town" business, under which the three banks will jointly develop new Internet businesses that transcend traditional business format boundaries with the participation of more than 60 leading companies in Japan.
- In May, the three banks, together with Itochu Corporation and Marubeni Corporation, announced the establishment of a new company to provide trading-related business-to-business e-commerce services.
- In May, we announced a decision to create a real estate fund jointly with Mitsui Fudosan Co., Ltd.
- Kankaku Securities Co., Ltd. announced in May that it would change its name to The Mizuho Investors Securities Co., Ltd. in October this year, and plans to develop its business as a retail securities company assuming a role of developing the middle/retail business of the Mizuho Financial Group.



The three banks will continue to promote numerous joint projects designed to realize as rapidly as possible the benefits of the formation of the Mizuho Financial Group.

(Financial Results)

In fiscal 1999, Core Net Business Profits, the amount after subtracting Net Gains Related to Bonds from Net Business Profits, increased by ¥24.6 billion to ¥251.7 billion, although Net Business Profits (before Provision of General Reserve for Possible Loan Losses) amounted to ¥258.6 billion, a decline of ¥48.0 billion from the previous year's level. We continued to make appropriate provisions and write off problem loans as part of our ongoing efforts to build a solid financial base. Expenses Related to Portfolio Problems in fiscal 1999 amounted to ¥344.0 billion, a reduction of ¥257.3 billion compared with the previous year's total. In line with our policy of reducing the stock portfolio, we continued to sell off shares, resulting in a Net Gains on Stocks of ¥338.0 billion. Unrealized Gains on Stock at the end of fiscal 1999 amounted to ¥548.2 billion, an increase of ¥364.2 billion over the position at the end of the previous fiscal year.

Ordinary Profits increased by ¥812.2 billion to ¥223.3 billion, and Net Income increased by ¥495.0 billion to ¥102.1 billion. These figures exceeded initial forecasts for the year by ¥133.3 billion and ¥42.1 billion, respectively. Our consolidated Capital Adequacy Ratio (uniform international standard) remained high at 11%.

We are committed to continuing our efforts to optimize our business performance.

As in the previous fiscal year, the annual dividend for common shares was set at ¥7 per share. The annual dividend for preferred shares was maintained at the level set previously by the Board of Directors according to the various types of preferred shares issued.

Issues for Fiscal 2000

The environment in which the financial industry operates is changing rapidly. The current year will be an extremely important turning point, both as the final year of our Strategic Plan 120, and as the year in which the Mizuho Financial Group will be created. The issues we must tackle during this fiscal year are as follows.

First, we will strive to maximize our earnings by expanding our portfolio of high-quality loan assets, increasing assets under management, and pursuing a wide range of earning opportunities. We will place particular emphasis on supporting venture businesses and start-up companies and on lending to small and medium-sized enterprises. We will work to achieve substantial growth in our assets under management by offering asset management products that meet a wide range of customer needs. We will also seek to diversify our earning opportunities by maximizing synergies with affiliated companies.

Second, we will develop markets and accelerate expansion in new business areas by providing leading-edge products and services in

strategic areas set down in our Strategic Plan 120. In particular, these include investment banking, asset management, information technology and the Internet.

Third, we will further strengthen our management structure and risk management systems. The management structure will be enhanced by the acceleration of decision-making under the Executive Director system, which was introduced in June 2000. In the area of risk management, we will further enhance our risk management system relating to specific types of risk, such as credit risk, market risk and operational risk. Another priority will be the reinforcement of our compliance procedures.

The Mizuho Financial Group will commence integrated operations under Mizuho Holdings, Inc., which will be established through a stock-for-stock exchange (*kabushikiten*) on September 29, 2000. By the spring of 2002, we intend to reorganize operations into legally separate subsidiaries according to customer segments and business lines.

With the establishment of the holding company, all three banks will be linked by a business-unit structure based on customer market segments and business lines. This structure will allow the group to capitalize on the strengths and characteristics of each business unit, which will use various sales channels to provide products and services designed to meet the increasingly diverse and sophisticated needs of customers, as well as opportunities for cross-selling. In addition, the Mizuho Financial Group will create and develop new business areas by taking full advantage of its comprehensive financial service capabilities,

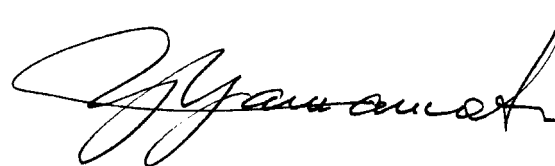
including its financial technology and specialized knowledge.

The future concept is to aim to be an innovative financial services group that will lead the new era through cutting-edge comprehensive financial services. We are determined to make a powerful start as one of Japan's leading comprehensive financial groups and to earn strong support from customers in Japan and overseas by offering superior services that anticipate change in the financial and economic environment.

In Conclusion

This year will be the first year of a new era in which the true value of Fuji Bank will become increasingly apparent as we take the first steps toward a new phase of growth and success as part of the Mizuho Financial Group. At this time of dramatic change in our economic and social structures, speed must remain a priority as we build a new future for the Mizuho Financial Group. We are committed to continuing our efforts to achieve our management goals, and we look forward to the continuing support of our shareholders, customers and friends.

July 2000



Yoshiro Yamamoto
President and Chief Executive Officer