

2. Management Policies

(1) Management Policies

Ahead of the establishment of other major financial groups in Japan, on September 29, 2000, The Dai-Ichi Kangyo Bank, Ltd. (DKB), The Fuji Bank, Ltd. (Fuji) and The Industrial Bank of Japan, Ltd. (IBJ) (collectively, the “Three Banks”) established Mizuho Holdings, Inc. (MHHD) by way of a stock-for-stock exchange. As a result of this transaction, Mizuho Financial Group (MHFG) was launched and each of the Three Banks became a wholly owned subsidiary of MHHD.

Furthermore, on October 1, 2000, DKB Securities Co., Ltd., Fuji Securities Co., Ltd. and IBJ Securities Co., Ltd. merged to become Mizuho Securities Co., Ltd. (Mizuho Securities). On the same date, The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd. and IBJ Trust and Banking Co., Ltd. merged to form Mizuho Trust & Banking Co., Ltd. (Mizuho Trust & Banking).

MHFG, making maximum use of our comprehensive financial strengths and backed by a strong customer base as well as state-of-the-art information and financial technologies, will aim to become an innovative financial group that will lead the new era through cutting-edge, comprehensive financial services.

MHFG’s “Five Basic Principles” are as follows:

1. Offer a wide range of the highest-quality financial services to our customers.
2. Maximize shareholders’ value and, as the leader of Japan’s financial services industry, earn the trust of society at large.
3. Offer attractive and rewarding job opportunities for employees.
4. Fully utilize the advantages and strengths of each bank and maximize the benefits of the consolidation through cost reductions.
5. Create a financial group with a new corporate climate and culture.

(2) Principles of Profit Distribution

MHFG will strengthen its profitability by expanding business base through synergies and reinforce its financial base by enforcing further restructuring. Through these efforts, MHFG will accumulate earnings steadily to meet the shareholders’ expectations.

(3) Group Management

MHHD carries out the management and administration of MHFG as a whole. MHFG is implementing an effective management structure through legally separate subsidiaries according to customer segments and business lines. This group management organization has been created in order to meet client needs, to provide high-level and specialized financial services, and to quickly respond to future changes in its business environment.

Specifically, in Phase 1 which runs from September 29, 2000 through March 2002, MHHD will manage and administer the group as a whole by means of a business unit structure determined by customer segments and business lines.

In Phase 2, from April 2002, subject to the related authorities' approval, the Three Banks will be integrated and reorganized as "Mizuho Bank" to serve individual customers, small and medium-sized domestic companies and local municipal entities, and as "Mizuho Corporate Bank" principally to serve large companies, financial institutions, public entities/agencies and overseas corporations. At the same time, Mizuho Securities and Mizuho Trust & Banking plan to become subsidiaries directly owned by MHHD.

In June 2001, MHHD, with a view to facilitating the separation of decision-making processes and operations as well as to enhancing the effectiveness of its supervision, invited three outside directors to join the Board of Directors. By adding these directors, all of whom have specialized knowledge and considerable experience, we believe that we can make more sophisticated management decisions and achieve more adequate supervision in an environment which requires an expansion of the business activities of the group in response to the increasingly diversified and advanced needs of our clients for specialized financial services.

(4) Primary Tasks

The slowdown in the Japanese economy has continued, due to the significant reduction in domestic production, which has had spillover effect on employment and individual income, as a result of a deceleration in the economic growth of the U.S. Consequently, net exports and capital investment are decreasing. Housing investments have declined, and personal consumption is also on a downward trend. In addition, there are concerns about the influence of the terrorist attacks in the U.S. upon the world economy and there is uncertainty over the future of the economy.

Given these circumstances, The Bank of Japan took measures to further ease its monetary policy in August 2001 and, to enhance the effective permeation of monetary easing effects, cut its discount rate in September 2001. In order to promote structural reform, the Japanese government launched the Reform Time Table for proposed reforms in September 2001 and introduced the Advanced Reform Program effective October 2001.

In the financial sector, the ongoing financial reforms initiated by the so-called "Big Bang" are still in progress. As consolidation and collaboration among financial institutions continue, and companies from other sectors enter into the financial services, competition among financial institutions has become intense.

In such an environment, MHFG plans to achieve competitive advantage and to realize management's vision of being "an innovative financial group that will lead the new era through cutting-edge comprehensive financial services." We plan to achieve these objectives through "client responsiveness"; by meeting the further diversified and heightened client needs accurately and quickly, and through heightened "reliability" supported by the financial strength.

Specifically, we have identified the areas and tasks described below as continuing to be of strategic and of primary importance for us.

1. "Improvement in Customer Satisfaction" – aiming at a top class customer service.
2. "IT Strategy" – improving the infrastructure that will support MHFG's business strategies and objectives of the various business units.
3. "Global Strategy" – using our broad international network to provide a wide range of financial services, including arrangement of complex transactions, M&A advisory services and cash management services to corporate customers both in Japan and overseas, as one of the most reliable business partners.
4. "Distribution Channel Strategy" – creating and expanding new and convenient distribution channels capable of meeting the needs of customers.
5. "e-Business" – creating new business models which enable us to offer the cutting-edge services with the highest quality.
6. "Asset Securitization and Syndication Businesses" – aiming for a switch from a "stock-based" business model to a "flow-based" business model, which will result in drastically increased efficiency in the use of assets, by aggressively developing securitization and loan-syndication businesses.

Furthermore, we are continuing to move forward with the completion of strategic projects such as Defined Contribution Plan Services Co., Ltd., The em-town Corporation, Trust & Custody Services Bank, Ltd., Wincam Property Trust Management Co., Ltd. and World Gateway, Inc.

In addition to a customer-oriented corporate culture, MHFG will continue to expand and enhance the types of products and range of services in order to meet our clients' broad and diverse needs. For example, for our individual clients, DKB and Fuji started to sell insurance products such as "Fire Insurance for Mizuho Housing Loans," "Housing Loans Repayment Support Insurance," and "Overseas Travel Casualty Insurance" in April 2001. We also started charging wire transfer fees on bank transfers among the Three Banks through ATMs, etc., at the same rate as for inter-branch transfers. We will continue to proactively promote the development and sales of strategic products and expand the line up of loan products. For our corporate customers, we reformed the framework of our investment banking operations in May, integrated the investment banking operations carried out by each of the Three Banks into Mizuho Securities, and established a framework of providing full line investment banking services. In addition, we are striving to upgrade our sales force to be able to offer the best solutions with up-to-date information and cutting-edge financial technologies.

We consider further acceleration of the disposal of problem loans to be one of management's most important tasks. We will accelerate the collection of problem loans and continue to be proactive in the final disposal of problem loans. Provisions for problem loans have also been increased in order to maintain a sufficient financial cushion for future losses in light of deteriorating operating performance of customers and decline in value of the real estate pledged as collateral under the ailing domestic economy.

In this way, MHFG can contribute to the development of the financial services sector in Japan and to economic society as the leading financial group in Japan, through the improvement in management efficiency and the strengthening of our business expertise and functions coupled with the establishment of legally separate subsidiaries according to customer segments and business lines. At the same time, MHFG, as one of the leading financial institutions in the world, will aim to become one of the top five global financial institutions. In October, we introduced a new "brand logo," "brand colors," and a brand statement "Value Communication," which symbolize "Mizuho brand." The brand identity will be introduced through a variety of communications activities in a consistent and effective manner.

In terms of providing customer-oriented financial services, we will strive to develop a corporate culture, which focuses on maintaining "heart-to-heart" relationships with our customers.