

## **II. Principles and Management**

### 1. Basic Principles of Management

The Bank's basic management principles are as follows:

- To provide higher value-added services to our customers and together with them achieve growth.
- To create sustainable shareholder value through business growth.
- To provide a challenging and professionally rewarding work environment for our dedicated employees.

Under these principles, the Bank will endeavor to meet customer and market expectations and its economic and social responsibilities in order to acquire solid customer credibility and market credibility.

### 2. Dividend Policy

With respect to the interest of shareholders, the Bank subscribes to a fundamental policy of conducting appropriate dividends, with certain outlook for enriching capital and preserving sound management basis.

The Bank will pay dividends on common stock for the year-end of Fiscal 2001 by 4.00 yen per share (4.00 of annual dividends, a decrease by 2.00 yen compared as the previous year) because the Bank examined the level of retained earnings and determined to give a priority to preserving appropriate retained earnings by restraining outflow of profit.

The dividend on preferred stock will be kept as prescribed: 10.50 yen annually per share for First Series Type 1, 28.50 yen annually per share for Second Series Type 1, 13.70 yen annually per share for Type 5.

### 3. Policy concerning the Reduction of Investing Unit

The Bank recognizes that stock market participation of personal investors is necessary to establish the stable and active market. Therefore, the Bank is trying to improve both the quality and quantity of our information sent to personal investors by utilizing our homepage, annual report and so on.

The Bank will examine the reduction of the investment unit with giving careful attention to the stock market conditions.

### 4. Management Strategy

The business environment has changed remarkably for banks in recent years with the implementation of various regulatory reforms, the globalization of the financial sector and other parts of the economy, and the changes in the structure of industry and society. In order to achieve further growth by capturing various business chances amid these environmental changes, the Bank will concentrate on the following courses of action:

- (1) Improving profitability in consumer banking through refined customer segmentation, increased sales of profitable products and services, and a lower cost structure.
- (2) Achieving higher asset efficiency in the transactions with domestic and overseas corporations.
- (3) Renewed initiatives in international banking business based on a selective regional focus and targeted strategies.
- (4) Strategic investment in IT in order to heighten competitiveness in database marketing and providing network platforms to serve small and medium-sized corporate customers.

(5) Establishing a leading position in Internet-related financial business.

## 5. Issues to be Addressed

Japanese banks are facing very tough business environment, the Bank is making concerted efforts to build strong operating and financial foundations capable of withstanding even the most difficult business conditions. To meet these challenges head on, the Bank has been undertaking the following action plans.

### (1) Improving asset quality

The Bank has been further accelerating the improvement of asset quality. In this fiscal year, the Bank implemented the work-out of non-performing loans and at the same time made sufficient reserves to deal with future deterioration in its loan portfolio. The Bank has been tailoring its plans toward each borrower as part of its effort to deal with problem loans in a proactive and uncompromising manner.

### (2) Bolstering capability to withstand stock market volatility

The Bank has been further bolstering its ability to absorb risks associated with stock market volatility. The Bank has already been selling holdings to reduce the size of its stock portfolio, in preparation for the limit on bank stockholdings that will take effect in fiscal 2004.

### (3) Additional restructuring initiatives

The Bank has implemented additional restructuring initiatives. The Bank has been speeding up the integration of overlapping branches and reexamining its branch network strategy. In addition, the Bank has further reduced the head count by streamlining administrative sections and also improved administrative efficiency by realizing the post-merger benefits in system investment.

### (4) Reengineering business practices

In order to build a more robust profit structure, the Bank has been reengineering business practices. To achieve its sustained growth, the Bank will shape an organization that can maintain high profitability as well as excellent asset and capital efficiency by radically altering its envisioned approach to all major businesses.

## 6. Financial Targets

The Bank aims to achieve banking profit (excluding transfer to general reserve) of 950.0 billion yen and consolidated ROE of more than 10% in FY2004 through business restructuring and strengthening of earning power.

## 7. Pursuit of Enlightened Corporate Governance

The Bank has two principle institutions for corporate governance: the Board of Directors and Executive Officers. The Executive Officer system aims to clearly divide the responsibility for policy implementation and the responsibility for providing strategic direction and oversight for the Bank's operations. The role of the Board of Directors to supervise the Bank's operation on behalf of shareholders has come to be more emphasized than before, and the day-to-day running of the Bank is in the Executive Officers' charge.

In addition, the Risk Management Committee, Compensation Committee, and Nominating Committee have been

constituted from within the Board of Directors. These committees include outside directors and have been established in order to objectively deliberate from a broad and objective perspective matters such as risk management, compliance, and compensation and personnel affairs of members of the Board of Directors and Executive Officers.

And as the supplemental council to the Chairman of the Board and the President, the Bank has an Advisory Board consisting of members such as top executives of blue-chip companies and leading management consultants to provide wide-ranging and unhindered management advice.

er share for Second Series Type 1, 13.70 yen annually per share for Type 5.