

Customer & Consumer Banking Company



Tadashi Kudo
President, CCBC



Our Strategy

"Our objective is to acquire the number one position in domestic retail and small and medium-sized corporate markets."



Message from the Company President

The Customer & Consumer Banking Company (CCBC) is the section responsible for domestic individual customers and small and medium-sized companies. These customer groups form the core of DKB's business activities.

Since the introduction of the Customer Segment-Based Business Management System a year ago, the market environment has undergone rapid changes. Developments driving this evolution have

been intense competition with domestic and foreign financial institutions and the entry of new competitors from other industries. We adopted the motto "Provide a Quick Response to Customer Needs" and, while offering high-quality products and services, worked to become "Number One in the Domestic Retail Market."

In offering services for our individual customers, we are aiming to become their "Lifelong Financial Partner" and provide products and services that

CCBC Performance

	Fiscal 1998	Fiscal 1999	(¥ billion) Change
Gross Profit	¥379.2	¥395.6	¥ 16.4
Individual	167.4	154.7	(12.7)
Corporate	210.1	238.1	28.0
Overseas Japanese- Affiliated Companies	1.7	2.8	1.1
Expense	281.1	262.2	(18.9)
Net Operating Profit	98.1	133.4	35.3
Ordinary Profit (Loss)*	(405.6)	49.5	455.1
ROE (%)	(38.6)	4.3	42.9

*Ordinary Profit (Loss) is Net Operating Profit less Credit Cost (Reserve for Possible Loan Losses and other credit-related losses).

respond to their needs at various life stages. For example, during fiscal 1999 we were successful in increasing the balance of investment trusts outstanding by approximately ¥300 billion. We did this not just by increasing the selection of investment trusts but also by gaining customer understanding through careful and steady marketing of investment trust products developed in cooperation with the J.P. Morgan Group and especially tailored to meet customers' requirements. We are planning to maintain this marketing stance while also strengthening our consulting capabilities to meet increasingly sophisticated and diverse asset management needs.

In the business banking market, we have stepped up our drive to increase our portfolio of high-quality loans to small and medium-sized companies while ensuring the soundness of our loan portfolio through the recovery of problem loans and thoroughgoing risk management. In particular, to reach our objective of expanding quality loans, we allocated about 100 additional personnel to specialize in new business development. These staff members are actively engaged in identifying and building relationships with top-quality companies and expanding transactions with newly emerging companies.

Moreover, to strengthen our capabilities for responding to corporate needs and to act as a solutions provider, we have formed a Business Solutions Team in the Head Office. The mission of this team is to concentrate the full resources of the DKB Group to provide timely suggestions and solutions

to the full range of management needs not only in finance but also in the fields of securities, international development of business activities, personnel matters and labor management.

In planning and implementing delivery channel strategies, we are placing strategic emphasis on automated modes of service delivery. In addition to expanding telephone and Internet banking functions, we have begun ATM services in convenience stores and debit card services that allow customers to use their bank cards for purchases in retail stores. We are also moving ahead with the development of distribution channel networks that enable us to provide the "desired products at the desired time through the desired channels."

Review of Businesses

Private Banking

DKB is working to build highly professional consulting capabilities to respond quickly and accurately to the increasingly sophisticated and diverse fund management and funding needs of individual customers.

In fiscal 1999, DKB assigned approximately 110 Area Financial Planners (FPs) to branches to be directly in charge of providing for customers' financial consulting needs. DKB's Area FPs are professionally trained staff members who provide in-depth consulting services matched to each customer's life plan to assist them in achieving more favorable results in their asset management, asset maintenance and related matters. Plans call for continuing gradual expansion of these services.

In addition to various types of financial advice and loans, in private banking DKB provides global asset management services, including foreign currency deposits and investment trusts developed by Dai-Ichi Kangyo J.P. Morgan Investment Management Co., Ltd.

Product Development for Financing Needs

DKB has formed a new product development team to actively engage in developing and offering new products with the objective of providing small and medium-sized companies with highest-quality services that meet their needs accurately and speedily.

For example, to meet the requirements of customers who would like to hedge against the risk of future increases in interest rates, DKB has developed new financial products that incorporate derivatives.

DKB has also developed a new asset-based loan product, "Vendor Finance Loan," for small and medium-sized companies. Under this loan scheme, DKB provides financing, with users pledging machinery as collateral and a DKB Group leasing company providing a guarantee of purchase.

Consulting Services

Staff of DKB's Head Office and Dai-Ichi Kangyo Research Institute, the think-tank and consulting company of the DKB Group, provide business customers with advice on a broad range of subjects. This service includes the formulation of such management strategies as those related to M&A, entry into new business fields, the structuring of management supervisory systems in preparation for stock listings, the revision of rules of employment, the development of new compensation schemes, the obtainment of ISO 9000 and ISO 14000 series certifications and the solution of problems related to trademarks and intellectual property rights.

Support in Developing Overseas Operations

DKB's Head Office staff members offer customers various types of advice on doing business in overseas markets. This includes information on the investment climate, legal matters, taxation and accounting and banking practices.

Business Development Assistance and Real Estate Information

Head Office personnel also actively assist customers in their business operations by providing introductions to potential customers, information on real estate throughout Japan (including data on transactions, rents, possible development opportunities and other matters) as well as other helpful advice.

Assistance in Increasing Efficiency

In response to the requirements of customers interested in upgrading the efficiency of their accounting systems, DKB offers accounts receivable management services, blanket payment services for public utility charges and centralized cash management and supervisory services.

For those customers considering the rationalization of their operations through the introduction of computer systems, DKB Information Systems Inc., the computer systems engineering company of the DKB Group, provides software, systems development and systems consulting and insourcing services to assist customers in a wide range of systems-related areas.

Assistance to Venture Businesses

DKB is constantly seeking to identify venture businesses with superior technology and know-how that will contribute to economic growth and development in the 21st century. To actively support these companies, DKB has joined with The Fuji Bank, Limited, and The Industrial Bank of Japan, Limited, in establishing the Mizuho Venture Fund, one of Japan's largest venture investment funds.

DKB, through its investment in the Mizuho Venture Fund, is actively supporting funding of venture businesses. In addition, DKB has formed a New Business Support Team and is expanding the capabilities of Tokyo Venture Capital Co., Ltd., the venture investment company of the DKB Group. The New Business Support Team and Tokyo Venture Capital offer management consulting to venture businesses where investments had been made, along with information on alliances, business

development assistance and other matters. Advice is also provided on stock listings, and full support is offered to assist in the development of venture businesses.

Strategy for Service Delivery Channels

To take best advantage of the expanding range of channels for the delivery of customer services, DKB is building a leading position in the development of new distribution channels. These include the establishment of branches in retail stores (“in-store branches”) and the installation of additional ATMs as well as the provision of telephone and Internet banking services.

To further enhance customer services, DKB is actively engaged in upgrading its infrastructure for debit cards and other new methods for making monetary settlements. Recent activities in this area have included the following:

—In-store Branches

In April 1999, DKB established its first branch in a large-scale retail complex, in Yokohama. Open until 7 P.M. every day, including Saturdays and Sundays, this office provides consultation and forwards requests for transactions.

—ATMs

DKB began 24-hour operation of its ATMs in 11 locations, including Shibuya and Ikebukuro, major shopping and entertainment districts in Tokyo.

—Joint Access to ATMs

DKB jointly established with other companies the E-net Co., Ltd., which is installing and operating ATMs, principally in convenience stores. DKB began to offer ATM services in convenience stores as of June 2000.

—Telephone Banking

DKB is continuing to diversify telephone banking services to include the expansion of foreign currency deposit services and 24-hour on-line services.

—Internet Banking

DKB began balance notification, record of transactions and funds transfer services via the Internet in June 2000.

—Debit Cards

DKB began full-scale debit card services in March 2000, and these services are available 24 hours a day.