

CONSUMER BANKING

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Japan's Big Bang is bringing a review and liberalization of various regulations. Total personal financial assets in Japan amount to approximately ¥1,200 trillion, and about 55% of these are held in deposits. As the implementation of the Big Bang proceeds and deregulation takes place, customer needs are expected to become more diverse and shift from focusing primarily on deposits to a broader range of investment instruments.

DKB is well positioned to respond to these developments as it has one of the largest customer bases in the retail banking sector, including transactions with 12 million



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persons, as well as the largest and most sophisticated marketing and service program in Japan's banking industry, "Ace of Hearts," which is used by about two million customers. Building on this strong base, the Bank plans to expand the range of useful and convenient services for its retail customers.

Specifically, the Bank began to offer its "Foreign Currency Deposits for Individuals" in December 1997 and, in April 1998, began to market a commodity fund, "World Success 98-I," at all its branches, the Bank's first investment product with dividends based on performance. As these two examples suggest, the Bank is developing and marketing a broader range of investment products to meet evolving customer requirements. Also, to enhance the convenience of its services, the Bank extended evening operating hours for certain of its CD/ATM corners on weekdays by two hours to offer service from 8:00 A.M. to 11:00 P.M. In September 1997, to increase the convenience of its services, the Bank introduced "Telephone Banking," allowing customers to make fund transfers as well as balance and other inquiries on a 24-hour basis. In addition, the Bank is expanding its range of loan products, especially mortgage loans, in response to client needs.

In addition, the Private Banking Advisory Office in the Head Office is working closely with the Bank's branches to provide comprehensive advice on asset management and funding, ranging from assisting customers in dealing with inheritance and business succession issues and developing their real estate holdings to the management of their monetary assets and portfolio establishment.

The Bank will continue to develop new products and services for the retail market, acting as a financial partner for its customers throughout their lives, offering them assistance in asset management, and obtaining finance at each stage of their lives.

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CORPORATE BANKING

> LARGE CORPORATE MARKET

Japan's leading enterprises are increasingly relying on direct financing from capital markets, and the role of bank lending is therefore declining. At the same time, Japan's Big Bang will bring increased competition with

foreign financial institutions and financial service providers outside the banking industry. Deregulation, however, will remove constraints on the services banks can provide and thus expand the range of business opportunities for the DKB Group.

The Bank is already responding to the increasingly sophisticated requirements of leading Japanese companies, offering not only deposits and loans but also a broad spectrum of such specialized services as derivatives, securities, trust business, and international banking. For example, DKB Securities Co., Ltd., established in 1994, ranked seventh as lead manager of domestic straight bonds among all securities companies in Japan and second among securities subsidiaries of Japanese city banks. Similarly, DKB Trust and Banking Co., Ltd., established in 1995, offers financial products specially designed for specific client requirements in asset management and funding as well as securitization, an area of increasing demand in recent years.

DKB will strengthen its advanced financial and information services by strategically allocating limited resources to areas where the Bank has been traditionally strong, can establish a solid competitive advantage, and can offer high-value-added services. These areas will include securities, asset securitization, project finance, derivatives, M&A, electronic banking, and risk management. Moreover, to provide specific and exact responses to the increasingly sophisticated and diversified needs and the variety of issues confronting core clients, the Bank will not only draw on its own capabilities but will also arrange tie-ups and alliances with other service vendors, thereby expanding its lineup of products and services.

Thus, in the large corporate market the Bank will endeavor to expand its fee income by offering a diverse range of financial and information services, as typified by its investment banking activities, to assist its clients in strengthening their competitive position in global markets.

#### > MIDDLE MARKET

Small and medium-sized companies continue to rely on bank borrowings as the principal method of financing their activities. Income from credit transactions with this market segment is the largest source of earnings for banks, and meeting the financing needs of this market is one of the Bank's important social responsibilities. The

*DKB strategically allocates resources to areas in which it can provide high-value-added services to meet the increasingly diverse needs of its clients in the large corporate market.*



#### DAI-ICHI KANGYO TRUST & BANKING Co., LTD.

Trust Liabilities (Trust Business)	1997 (billions of yen)	%
Pecuniary Trusts Other than Money Trusts	¥ 136.4	10.9
Securities Investment Trusts	41.4	3.3
Money Claims Trusts	507.1	40.5
Securities Trusts	561.4	44.8
Land Trusts	6.7	0.5
<b>Total</b>	<b>¥1,253.1</b>	<b>100.0</b>

Bank ranks as one of the top financial institutions in acquiring new customers and capturing lead bank status in this market (first in the medium-sized company market and second in the small company market) and therefore also has significant responsibilities to serve these markets.

The Bank fulfills these responsibilities by supplying stable and high-quality funding and offering first-rate services. Furthermore, in consideration of the need to maintain long-lasting transactions with customers based on relationships of mutual trust, the Bank, in an advisory role to the management of these companies, provides useful information and makes proposals regarding financial and management issues in an effort to increase the



*One key to the successful and profitable expansion of corporate banking activities is the ability of the Bank to draw on its expertise and make strategic proposals to assist clients in meeting their objectives.*

level of customer satisfaction. In addition, with the aim of strengthening client relationships, the Bank uses its extensive capabilities, including its internal rating system and research on companies, to provide a wide range of services, encompassing far more than deposits and lending. These include the provision of consulting, information services, and computer network products to highly promising clients with diverse needs and prospects for expanding their transaction relationships with the Bank.

Along with the aforementioned improvements in services, the Bank aims to enhance its competitiveness and implement extensive cost reductions through the drastic revision of its operating procedures, including the structure and running of its business promotion units, application procedures, and credit supervision.

Fully utilizing its customer base, which is one of the strongest among Japanese banks, DKB's strategy is to increase its capabilities to make strategic proposals and provide valuable services while prospering together with its customers and maximizing return in proportion to risk and cost.

#### > ASSISTANCE FOR CLIENTS' INTERNATIONAL EXPANSION

The Bank draws on its experience and the resources of its global network to provide value-added services for the overseas business operations of its corporate clients. Specific services related to entry into overseas markets and conducting transactions overseas include not only giving advice regarding funding but also providing information—gathered in cooperation with local attorneys, accountants, and foreign government organizations—on the economy and investment climate as well as information and services regarding the acquisition of foreign companies. As part of these activities, the Bank prepares investment guides and information brochures for its clients and holds seminars on overseas investment. For example, the Bank has published investment guides for 23 countries as well as 30 brochures that provide timely information. During the fiscal year, the Bank held seminars on the Asian currency crises and European monetary union (EMU) that were well received by clients.

To assist clients in financing their overseas activities, the Bank has developed a number of schemes that permit access to funds from local financial institutions, including

insurance companies in Taiwan and China, the European Investment Bank, and the Bank's U.S. subsidiary CIT. The Bank has gained a favorable reputation among its clients by drawing on its expertise in the design of new financing schemes that fit customer needs.

To provide for the enhanced coordination of its services, in January 1998 the Bank combined formerly separate units offering support for entry into overseas markets together with those providing follow-up assistance. Although overseas investment in Asia outside Japan has dropped following the outbreak of currency and economic crises, requirements for risk hedging have risen, and the Bank is therefore stepping up its efforts to provide information and hedge products. Because clients also have a strong interest in EMU, the Bank is continuing to provide strategic advice. Similarly, following the implementation of revised foreign exchange regulations in Japan in April 1998 permitting the opening of overseas bank accounts, the Bank is focusing on developing its International Cash Management Service and other systems to allow clients to conduct overseas transactions more efficiently. Another significant trend among corporate clients has been the establishment of regional headquarters, principally in Asia and Europe. Accordingly, the Bank is strengthening its capabilities for providing advice not only on individual countries but also regarding broader global strategies.

The Bank also supplies assistance to foreign companies entering the Japanese market, working in close concert with its overseas offices. These services are broad in scope and include advice on market entry, loans, foreign exchange, derivatives, securitization, cash management, M&A, bond underwriting, and commissioned bank services. During the year under review, the Bank worked to increase its presence among foreign companies and successfully arranged Japan's first syndicated loan for a foreign corporation.

*Increasing its presence in the world's major financial markets, DKB responds to the requirements of leading Japanese and non-Japanese corporations for capital market finance.*



## INVESTMENT BANKING

## CAPITAL MARKET OPERATIONS

### > CAPITAL MARKET ACTIVITIES

With the implementation of the Big Bang, many operating restrictions are being eliminated, and, in October 1997, domestic securities subsidiaries of Japanese banks received permission to deal in the secondary market for convertible bonds, bonds with warrants, and detached warrants as well as to handle listed stock index futures