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INVESTMENT BANKING

The operations and products offered by the Investment Banking Products & Trading Group cover two key areas, customer transactions and market dealing operations.

Customer transactions involve investment banking and asset management. Investment banking includes securitization, bond issues, equity finance, M&A, derivative and foreign exchange transactions, investment trusts, and venture capital. Asset management covers the creation and sale of investment trusts, and pension management services.

As a matter of priority, we are currently allocating managerial resources to the following products with a view to achieving high levels of excellence in them.

Derivatives

Fuji Bank is one of the most active players in the interest and currency derivatives markets.

Interest and currency derivative transactions are now used by corporate customers as basic, standard tools alongside deposits, loans and foreign exchange. We plan to vastly upgrade our product development capabilities and the skills of our business promotion staff so that we can exploit the techniques we have developed in the market. We also aim to take an aggressive approach to tackling credit derivatives and other promising new derivative products.

Securitization

Securitization has enjoyed rapid growth as a new method of raising funds and slimming down the financial positions of corporate customers since last year. In the United States, approximately 25% of receivables held by corporations have been liquidated, compared

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with only 1% in Japan. Many people expect securitization to become the most competitive sector of the investment banking business.

During the current financial year, steps are to be taken to streamline the legal framework for asset-backed securities, making it much easier to liquidate a wide range of assets, including trade receivables, lease receivables and guaranteed deposits. We intend to reinforce our structuring capabilities to ensure that the Fuji Bank becomes one of the leading banks in this field.

Asset Management

Asset management is the business of managing burgeoning pension funds and the assets of individuals who are no longer satisfied with simple deposits. To differentiate our asset management operations from those of other institutions, we have adopted a fund mix strategy. This strategy involves systematic research, evaluation and selection of superior trust funds around the world in order that we can provide combinations of funds that match customers' needs. From December this year, banks will be allowed to sell investment trusts, and we intend to strengthen our efforts to satisfy the asset management needs of corporate and private customers around this fund mix strategy. The same strategy will be applied to our corporate customers for investment management business.

Trading

In recent years, profit on trading has become one of our key sources of earnings. However, in order to maintain a constant level of trading profits over a continuous period of time, it is always necessary to develop new trading techniques. We will continue to refine our dealing capabilities to handle a broad cross-section of products, including interest, foreign exchange and equity products.

Investment Banking Products & Trading Group

Group Head
Atsushi Takano
Managing Director

- Planning Division
- Financial Engineering Division
- Asset Management Division
- Corporate Advisory Division
- Treasury Division
- Capital Markets Trading Division
- International Treasury Division
- Derivative Products Division

As with the Big Bang in the U.K. in 1986, Japan's Big Bang will result in the complete deregulation of the financial environment in Japan. And because of this development, restrictions on banks will be lifted in terms of securities services. In addition to debt transactions, which we already handle, equity transactions and direct sales of mutual funds will be added to the services we can provide.

The medium-term business plan of the Investment Banking Products & Trading Group focuses on ways in which Fuji can be fully prepared to face this new financial environment.

For customer transactions, there are two

major action plans in our plan. The first is to set three target areas in our investment banking operations. And the second is to strengthen our asset management.

With regard to the first, we are focusing our attention on the following three areas: securitization, derivatives and equity.

In the field of securitization, once the regulatory barriers are removed this fall, the market is expected to expand significantly. We will establish our leading position in this field by developing and adopting the most advanced techniques.

As for derivatives, we plan on working closely with medium-sized corporations and

expanding our transactions considerably.

With regard to equity, we will focus our emphasis on initial public offerings (IPO) through our solid relationship with a large number of medium-sized corporations.

In relation to the enhancement of investment banking operations, strengthening our asset management will also be an important goal of our plan.

Of the ¥1,200 trillion (approximately US\$9 trillion) of domestic personal assets, only 3% is invested in mutual funds, a remarkably low figure compared to the 10% in the U.S. The figure, however, is set to change in Japan. Major

deregulatory measures will be implemented in December which will allow banks to sell mutual funds over the counter.

We are actively advancing our asset management operations and we aim to achieve a portfolio combining mutual fund and pension fund management amounting to ¥2 trillion (approximately US\$15 billion) in three years' time.

As one of the groups in which the Bank is going to heavily invest in connection with its medium-term plan, the Investment Banking Products & Trading Group is confident that we are ready to face the challenges of this new era of deregulation.