

OPERATIONAL PRODUCTS

Custody Services and Yen Fund Clearing Services

When investors invest in stocks, they normally entrust the management of custody, clearing and proxy services (the exercising of stockholders' rights) to financial institutions such as banks. Our FUJI KABUTO provides excellent custody services to institutional investors at home and abroad, and has earned a particularly strong worldwide reputation for the speed and accuracy of the operational services that back the yen custody services we offer institutional investors overseas. In fact, we are not only the leading Japanese bank in terms of the balance of yen-denominated shares we hold in custody, but our services in this area have been "Top Rated" among Japanese banks for six consecutive years according to the internationally respected *Global Custodian* magazine, and as the best offered by any Japanese bank by *ICB* magazine.

We have been appointed by a number of large-scale global custodians as their local custodian, which has resulted in our yen custody assets increasing significantly. Furthermore, we have responded to increasing demands of customers for high-grade services such as timely reporting, proxy voting, securities lending-related services and daily evaluation of portfolios.

We have also earned a solid reputation among domestic investors for our global custody services, which we have built up on the basis of our yen custody know-how.

With respect to our yen fund clearing services, we have developed advanced products and services, and enhanced "SWIFT" reporting. Several major global banks have already selected us as their main yen clearer and made use of our tailor-made products and other high-quality services including pooling facility and global cash management. Based on our accumulated specialist know-how, we have started yen fund clearing services on behalf of domestic financial institutions, and are actively

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involved in pooling and eliminating settlement risk.

Trade-related Business (Foreign Currency Exchange/Remittance/Deposit)

When the revised Foreign Exchange and Foreign Trade Control Law went into effect in April 1998, we were the first bank to offer high-quality trade-related business services through virtually all our domestic branches. We are also working to provide better services to customers by establishing new trade-related services, such as foreign currency overdrafts and telephone banking services in connection with foreign currency deposits.

Electronic Banking

We are working hard to upgrade our electronic banking services, which many of our customers are already using. Our product line-up is growing rapidly and now includes Windows 95-compatible packages and the Fuji Global Cash Management Service (CMS). And, as mentioned earlier, we are actively participating in the new generation of services that will decide the future of banking, including electronic money, cyber banking, financial EDI and electronic commerce.

Settlement Risk Control

As one of the leading banks in Japan, we have taken the initiative to reduce the settlement risk not only in the Japanese but also in the global financial markets. We made a significant effort to change the Foreign Exchange Yen Clearing System in Japan, and we were an original member of the Continuous Linked Settlement Bank (CLSB) project in the global market.

The CLSB project was initiated by the G20 (Group of Twenty) as a project to find a means, through collective private sector action, to significantly reduce foreign exchange settlement risk and to provide certainty with respect to finality of payment.

Transaction & Information Delivery Services Group

Group Head
Hiroaki Shinoda
Managing Director

- Planning Division
- Multimedia Business Division
- Trade Services Division
- Settlement & Clearing Services Division
- └─ Fuji Kabuto Custody & Proxy

The primary mission of the Transaction & Information Delivery Services Group is to develop safer, faster, cheaper clearing services that better meet customers' needs and provide convenience, and make them available to customers via attractive delivery channels.

As a major international financial institution, Fuji Bank is entrusted with yen fund clearing business worth over 10 trillion yen per day, and yen custody business worth over 16 trillion yen. We have already established our expertise in these areas, but we intend in the future to capture more of the expanding business in

outsourced clearing services by strengthening our know-how, human resources and systems still further. We believe a stronger position in yen clearing will boost our international presence and contribute to improvements in service.

We continue to take up the challenge of providing our customers with world-class services that will win their ongoing support for years to come. The infrastructure necessary for providing world-class clearing services was finally put into place last year when we established a new settlement processing center in Tokyo. As a result, the progress we have

made in reengineering, including business tie-ups and sub-contracting, has enabled us to offer services that are internationally competitive in terms of price and quality.

We are also active in establishing the new generation of clearing frameworks needed to cope with future businesses like trade finance EDI (Electronic Data Interchange), cyber banking and electronic money. World interest in settlement risk is also rising, and we are actively participating in the creation of new international mechanisms to reduce such risk through netting and the elimination of Herstatt

risk (risk arising from settlements of different currencies across different time zones). In this way, we continue to contribute to strengthening the yen's presence in international currency markets.