

GLOBAL CORPORATE

The commercial banking expertise we have built up over the years is at the core of our operations, but we are seeking to deepen our relationships with customers and win their greater trust and support by responding to the overall financial needs of major corporations by further strengthening our newly-established investment banking operations.

Commercial banking remains the most important element of our business. Although the ongoing shift toward direct financing by major corporations means that bank borrowings continue to lose ground as a proportion of total finance raised, they remain firm in terms of the amount of money involved. Bank borrowings are an extremely flexible way of raising funds, and the corporate need for services offered by banks, including financing, is thought to be related to their borrowing requirements. Our business activities are now directed even more to boosting profits without relying on risk-assets. To this end, we seek to improve our asset efficiency by combining the low-cost, low-risk fund-raising methods offered by our investment banking activities in areas like securitization and derivatives.

In addition to fund-raising, we are responding to the ever-widening needs of major corporate groups by:

- assisting to trim balance sheets through asset liquidation;
- providing comprehensive services for their overseas operations;
- providing fund-clearing and management networks for entire domestic and international corporate groupings;
- restructuring and arranging M&A deals associated with industrial realignments and the reallocation of management resources within corporate groups;

While making the most of our nationwide network of offices, we are utilizing our relationship managers to strengthen our ability to offer highly sophisticated services.

- managing market risk based on derivatives; and
- providing project financing.

We are reinforcing our cooperation with the two product groups that were greatly strengthened by the Head Office reorganization that took place in January of this year, namely the Investment Banking Products & Trading Group, and the Transaction & Information Delivery Services Group. We believe this will enable us to better satisfy the global financial and informational needs of major corporate customers by providing more specialized, more appropriate solutions.

As for our strategy toward dealing with business outlets of corporations, we have always followed a sector-by-sector approach based on exploiting our specialist knowledge of individual business sectors, and strong risk management. We are dynamically reorganizing our sectoral jurisdictions and responding to changes in industrial structures so as to be able to concentrate more on companies involved in new growth areas such as multimedia and data communications. While making the most of our nationwide network of offices, we are utilizing our relationship managers to strengthen our ability to offer highly sophisticated services, and move ahead with consolidating those branches dealing with major corporations, primarily in the Tokyo Metropolitan area and the Kansai region.

Based on our awareness that the Big Bang financial reforms will create new business and provide many new opportunities, we are endeavoring to implement bolder, more flexible business strategies and streamline our organization. These efforts include raising the level of expertise of each relationship manager and product group by introducing a business group system that will provide greater motivation.

We are seeking to deepen our relationships with customers and win their greater trust and support by responding to the overall financial needs of major corporations.

Global Corporate Group

Group Head
Mitsuru Annen
Senior Managing Director

Marketing and Credit Division
Global Corporate Credit Division

Faced by structural stagnation brought about by a maturing economy, Japan is now using deregulation and information technology to effect structural change and set the economy back on the road to growth. Structural changes and intensifying international competition arising from the increasingly borderless economy are leading to a performance-based polarization of companies. They are also encouraging a shift to market-driven corporate governance calibrated by the stock market and credit ratings. The Global Corporate Group is in charge of dealing with the listed companies that are at the head of Japan's economic

restructuring, and their domestic and overseas affiliates.

The finance industry is not exempt from these structural changes. The Big Bang financial reforms legislated in April 1998 have ushered in an era of unprecedented competition to meet the diversifying, increasingly sophisticated global financial needs of customers beginning with major corporations operating in international markets. More specifically, the competition is between financial institutions, both domestic and foreign, in areas such as technology, capital, specialist knowledge and information-

gathering capabilities.

As the trend toward global standards gathers pace, Japanese companies are gravitating toward the use of consolidated accounting standards, and many major corporations are tackling the issue of consolidated management and establishing consolidated financial standards. In 1993, we were one of the first Japanese banks to take concrete steps in this direction. Since then we have aimed to expand group-wide transactions covering not only the parent companies but also their subsidiaries.

By exploiting our broad customer base that we have built up in this fashion, we have established:

- a high degree of specialization through the knowledge and information accumulated in relationship management;
- strong integrated financial services utilizing our offices both at home and abroad; and
- the capability to provide appropriate solutions for customers' needs.

Speeding up the creation of a highly efficient, highly profitable business structure based on these elements is a key component of our current medium-term plan.