

“IBC confirms its continued commitment to international business.

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International Banking

C o m p a n y



*Takatsugu Murai
President, IBC*

Operating Strategy of the International Banking Company

As one of the leading commercial banks in Japan, DKB takes immense pride in the close relationships it maintains with its overseas customers, which include multinational corporations as well as foreign governments and banks. Through its global operations, DKB is dedicated to providing the

highest-quality financial services that are tailored to the needs of such overseas customers. The newly established International Banking Company (IBC) will work to further enhance transactions with its overseas customers. IBC's global approach to relationship management and customer services makes use of its extensive network of branches, affiliates, and representative offices in 29 countries and territories.

While a partial recovery has been made from the turmoil in the international financial markets, caused by the 1997 Asian currency crisis, and the long-term slowdown in the Japanese economy, the economic outlook continues to be uncertain. In this difficult business environment, we are reviewing and carrying out a comprehensive restructuring of our international operations in order to focus our competitive strengths

and aim for future growth. While increasing the efficiency of its international operations, IBC will concentrate its resources on highly profitable strategic business areas.

As part of IBC's U.S. operations, in 1998 the Americas Specialized Finance Division was set up in New York. This specialized division handles cutting-edge financial products, including such structured financing as securitization transactions, and will offer advanced financial expertise and high-value-added services tailored to the needs of customers.

In Europe, IBC has established a firm position in the interbank market, with notable results in project finance transactions, in such areas as PFI and energy.

High growth rates are projected in the Asian region for the medium-to-long term, and this region is viewed as the core field for the company's international operations in the long term. Accordingly, we are putting significant efforts into business promotion in this area, including co-financing with various international institutions.

In our relationships with foreign banks, we will promote further correspondent banking business, such as yen-vostro accounts. At the same time, DKB continues to seek tie-ups in foreign countries with major foreign banks and leading companies.

Recently, foreign direct investment into Japan—DKB's home market—by multinational

corporations has been increasing at a rapid pace. Accordingly, IBC is aiming to further expand transactions with foreign companies operating in Japan. We will make efforts to expand such transactions through the utilization of our strengths, which include an enhanced domestic network, a vast customer base, and an extensive range of services.

It goes without saying that an appropriate balance between centralized risk management at the Head Office and decentralization based on detailed knowledge of local markets is necessary for us to efficiently develop our business operations on a global level. Further reinforcement of the risk management system, including the enhancement of credit risk management, will be achieved by strengthening Head Office functions. In addition, the position of General Manager of Asia has been newly established,

reinforcing the current structure comprising the General Manager of the Americas and General Manager of Europe. Specialized business management systems that are flexible and conform to the special characteristics of the region will be established, with management of each region carried out primarily by the corresponding regional General Manager.

IBC is committed to being an active and leading player in international financial markets. Aiming for future growth and the reinforcement of operations in potential core business areas, we will fundamentally restructure our international network and concentrate management resources in highly profitable and strategically important business areas. Through these efforts, IBC will offer high-value-added services to meet the increasingly diversified and sophisticated needs of its customers.

First Corporate Plan—IBC's Business Plans

- DATA (as of March 1999)

No. of Employees: 2,777 (including overseas staff)

Loans Outstanding: ¥2,540 billion (loans to overseas Japanese companies excluded)

- EARNINGS PROJECTION

(management accounting basis, non-Japanese business only*)

	Fiscal 1998 Actual Results	Fiscal 1999 Projections	Fiscal 2000 Projections	Fiscal 2001 Projections	Change (98-01)
(¥ billion)					
Non-Consolidated					
Gross Profit	¥32.2	¥25.3	¥27.4	¥27.8	(4.4)
Expense	22.4	18.5	17.5	16.8	(5.6)
Net Operating Profit	9.7	6.8	9.9	11.0	1.3
Ordinary Profit (Loss)**	(64.0)	(4.8)	2.5	4.9	68.9
Consolidated					
Ordinary Profit***	(6.0)	27.9	38.3	41.3	47.3

* Excludes overseas dealing, transactions with overseas Japanese companies, and foreign currency and trade-related transactions conducted in Japan.

** Ordinary Profit (Loss) is Net Operating Profit less Credit Cost (Reserve for Possible Loan Losses and credit-related losses). Of the total fiscal 1998 Credit Cost (¥73.7 billion), the majority was for deteriorating Asian exposures.

***Chekiang First Bank and 11 other subsidiaries are included; CIT Group Inc. and one other affiliate are included, per the Equity Method.