

*“Our objective is to become the number one commercial bank, for our customers and for the market”*

## *Customer & Consumer Banking*

**C o m p a n y**



*Tadashi Kudo  
President, CCBC*

### **Operating Strategy of the Customer & Consumer Banking Company**

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The Customer & Consumer Banking Company (CCBC) is responsible for individuals and for small, medium-sized, and upper middle market companies in Japan. These customer groups form the core of DKB's business activities. DKB is in a leading position among

Japanese city banks in these market segments, with approximately 12 million individual customers and 100,000 business enterprises.

Accompanying the implementation of Japan's financial Big Bang reforms, intense competition has emerged among domestic and international financial institutions. As the Company responsible for the domestic middle and retail markets, CCBC has adopted

the goal of taking full advantage of its strong relationships and will work to become the number one commercial bank serving these market segments.

To attain this goal, to realize the advantages of the Customer Segment-Based Business Management System to the fullest and to promote the development of its operations, CCBC has set the objectives of “speed-up, skill-up and return-up”.

- “Speed-up” implies the acceleration of the decision-making and processing functions. The aims include gaining the advantages of securing a leading position in new product and service areas by taking the initiative and speeding up the product development and other processes. By always providing quick responses to customers’ requests, we will work to secure the leading position in customer service.

- “Skill-up” means that staff members work to improve their skills and become financial experts with specialized capabilities who are better prepared to respond to rapid changes in the operating environment and the growing diversity of customer needs. This will promote skills in developing and offering higher-quality products.

- “Return-up” implies that we will work to attain the optimal balance of return and cost by reviewing business processes and taking every opportunity to lower costs. To achieve this objective, CCBC has adopted a policy of making results and responsibility clear. This policy will allow CCBC to maximize the vitality and efficiency of the organization through the full integration of activities, from product development to marketing.

Strategies by market segment are as follows:

For individuals, CCBC has adopted a policy of segmenting and providing services to customers in this market according to their needs and other attributes. We aim to become the lifelong financial partner of individual customers by offering the best products and services to satisfy fund management and funding needs that arise at various stages in their lives.

For example, in the area of investment trusts, DKB has concluded an arrangement with J.P. Morgan Investment Management Inc., one of the leading companies in the fields of asset management and financial technology. CCBC has improved its capabilities for responding to the asset management needs of its customers mainly by employing 130 specialists from leading securities and other companies and assigning them as financial advisors to major branches throughout Japan. Investment

trusts are now offered in all of DKB’s branches nationwide. In addition, in the field of housing loans, CCBC has substantially increased its marketing capabilities. Based on its broad relationships with corporate customers, DKB is adding to its portfolio of high-quality assets by actively marketing housing loans arranged through corporate customers. CCBC has also expanded the number of housing loan marketing centers—which are an interface for close relationships with housing construction companies—to 31 nationwide and increased the number of marketing center personnel.

In the corporate middle market, in addition to actively working to deepen its relationships with quality companies, CCBC is increasing its efficiency. Moreover, CCBC is working to strengthen its capabilities for collecting non-performing loans and for managing risk with the objectives of enhancing

### *First Corporate Plan—CCBC’s Business Plans*

- DATA (as of March 1999)  
No. of Employees: 10,176  
Loans Outstanding: ¥18,100 billion
- EARNINGS PROJECTION  
(management accounting basis)

	Fiscal 1998 Actual Results	Fiscal 1999 Projections	Fiscal 2000 Projections	Fiscal 2001 Projections	(¥ billion) Change (98-01)
Gross Profit	<b>¥379.2</b>	¥385.7	¥395.6	¥409.1	29.9
Expense	<b>281.1</b>	281.1	274.5	267.2	(13.9)
Net Operating Profit	<b>98.1</b>	104.6	121.1	141.9	43.8
Ordinary Profit (Loss)*	<b>(405.6)</b>	45.2	83.1	110.4	516.0

\*Ordinary Profit (Loss) is Net Operating Profit less Credit Cost (Reserve for Possible Loan Losses and other credit-related losses).

the quality of its assets and building a stable earnings base.

As a specific policy to increase efficiency in processing smaller loans, consideration is being given to the introduction of an automatic credit analysis model that makes use of a scoring system. To respond more effectively to the needs of certain corporate customers, we are concentrating their transactions in specific specialized branches. Similarly, to develop relationships with new and promising customers, specialized business development staff will also be concentrated in these branches.

To substantially accelerate the collection of non-performing loans, non-performing loans above a specified amount were transferred to specialized units in Tokyo and Osaka in April 1999 for centralized supervision.

Finally, along with progress in information and telecommunications technologies, delivery channels for DKB's services are expected to take on substantial strategic importance. We will therefore work to allocate resources appropriately to conventional manned branches and automated outlets as well as other channels based on the needs of various customer segments and profitability considerations.

An additional number of manned branches, which are the direct interface between

DKB and its customers, have been converted to lower-cost offices specializing in banking for individuals. Moreover, certain offices with overlapping geographical coverage, as well as less profitable branches, are being closed or merged with other offices, but CCBC has a policy of maintaining the number of branches at the current level to the greatest extent possible. In this connection, rationalization policies are being implemented to make thoroughgoing improvements in the efficiency of processing operations. These measures include additional investment in systems, such as a seal image inquiry system, an image processing system, and state-of-the-art banking terminals. We are also reorganizing divisions so that processing operations are concentrated for greater efficiency.

Maintaining the number of manned branches is becoming increasingly important for providing high-value-added, face-to-face customer services, as typified by asset management, developing new accounts, and undertaking certain other activities. Similarly, we are planning to open smaller offices requiring less equipment. For such outlets, CCBC has a policy of not only reducing costs but also of drawing more customers by offering more-convenient services, such as extending business

hours and offering service on holidays. The first of these smaller branches was opened in Mycal Honmoku, a large, newly opened retail complex in Yokohama, and met with a favorable response from customers.

At the same time, expanding unmanned service delivery channels is also believed to be extremely important for meeting more diverse customer needs and for rationalizing and enhancing the efficiency of branch processing operations. Therefore, we have taken steps to improve our telephone banking services and actively worked to introduce services over the Internet. In addition, we are planning to expand our network of ATMs located in convenience stores and other locations that can be used jointly with other financial institutions on a nationwide basis. This will greatly expand DKB's network coverage and make a substantial contribution to expanding ties with individuals.

Through these measures, we are working to respond quickly and accurately to customer needs as well as strengthen DKB's financial position and customer base with the objective of becoming the number one commercial bank in the middle and retail markets.