

# GLOBAL CORPORATE AND INVESTMENT BANKING

The Global Corporate and Investment Banking unit consists of four groups: the Corporate Finance Group and the Investment Banking Group, which are responsible for the major enterprise market at home and overseas; the Trading Group, which handles market business; and the Public and Financial Institutions Group. The unit thus enables us to offer customers one-stop access to high quality cross-border banking services that transcend the traditional boundaries between commercial and investment banking.

## Corporate Finance Group Strategy

*The Group's strategy is to exploit advanced financial technologies in developing comprehensive proposals that match the business strategies of each customer.*

### **1. Concrete strategies for the Japanese market**

We are making every effort to strengthen our one-stop approach to providing comprehensive services that satisfy the needs of large Japanese and middle market Japanese corporate customers on a worldwide bases. To this end, we are building a varied and sophisticated line-up of financial products and services that employ not only traditional commercial banking skills, but also the advanced financial techniques and information technology of the investment banking business. At the same time, we are working to develop the all-round competence necessary for planning tailor-made proposals to match individual customers' business strategies.

To give a more specific example, we identify financial and capital issues of the customer based on their business strategy. We then provide services such as calculating the value of their business using cash flow analysis and other financial services that will meet the customer's requirements.



In developing and offering new products and services, we not only draw on our product development divisions but also enlist the support of the entire Group, including securities and trust banking subsidiaries. These efforts have paid off. We were successful in closing Japan's first MBO and CBO transactions. We were also among the first Japanese banks to offer settlement services to help major corporate customers increase the efficiency of their funding operations and their procedures for collecting sales proceeds. These services include debit cards and an Internet-based electronic settlement system called Fuji Cyber Bank, in which our high-level information technology played a leading role. We are the only Japanese bank to have joined the Interactive Business Operating System (IBOS), which allows us to fulfil a need for cross-border cash flow management services. Meanwhile, the number of customers making use of the pension consulting services offered by Fuji Research Institute Corporation is increasing in response to the revisions occurring in the accounting principles governing company pensions.

On the organizational side, the corporate banking divisions serve corporate customers in major cities and collect information on specific industries as well as know-how that will help satisfy customers' needs with precision. Japan's industry is going through a period of unprecedented structural change, and many of our customers are actively joining alliances and undertaking strategic restructuring of their businesses. To strengthen our sector-by-sector approach, we have reorganized to concentrate

responsibility for multimedia and data communications customers into the Head Office Corporate Banking Division V, and put the International Business Division in charge of foreign companies operating in Japan.

## **2. Concrete strategies for overseas markets**

Fiscal 1998 was a year in which the business environment surrounding us rapidly changed as international rating agencies downgraded Japanese banks. We responded by drastically reorganizing our international operations to focus on certain key businesses. First, we concentrated on our main strengths in foreign markets - transactions with Japanese companies operating overseas and investment banking operations such as acquisition finance and project finance - with a view to achieving top bank status in these areas. We ranked among the top 15 major banks in providing finance to the acquisition finance markets in America and Europe. In the area of project finance, we succeeded in securing substantial financial advisory business and played the role of arranger in setting up financing for the TRI ENERGY power generation project in Thailand. These and our achievements in putting together loan syndicates have earned us a very good reputation in the markets.

The experience in providing new types of products in advanced overseas financial markets, as well as financial techniques and know-how acquired in markets outside of Japan have been actively utilized in our domestic business. In the United States, we were the first Japanese bank to close an arbitrated-type CLO (collateralized loan obligation) management transaction, while at home we successfully arranged the financing for the first full-scale MBO (management buy out) to take place in Japan.



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With regard to the business with non-Japanese customers, we exploited our domestic strengths in expanding transactions with Japan-based foreign companies.

To further enhance the efficiency of our operations, we aggressively reorganized our overseas network, integrating 16 branches and representative offices in fiscal 1998.

In fiscal 1999, we shall continue to sharpen the focus of our overseas operations and make more aggressive use of advanced financial techniques and know-how from overseas in the domestic market. At the same time, we shall move ahead with our ongoing measures to cut costs and improve the efficiency of our organization and management, with special emphasis on restructuring our international network. With regard to the latter in particular, we are creating a business promotion system whose focal points are strategically placed in New York, London, Singapore and Hong Kong so as to enable us to promote business in line with market needs in the American, European and Asian markets.

The Corporate Finance Group must actively engage in international operations if we are to survive the competition with major international banks and become a leading bank in the 21st century. We are firmly resolved to continue concentrating our energies in certain key sectors while at the same time giving domestic customers full access to new financial techniques and know-how from abroad.

### Investment Banking Group Strategy

*The Group's goal is to become a leading bank in the new millennium by offering superior products that meet a wide range of requirements.*

The Investment Banking Group offers advanced, borderless services designed to meet the variety of customer requirements. One of the objectives of our recently-adopted new management structure is to ensure that the Investment Banking Group and the Corporate Finance Group work together seamlessly to satisfy the diversifying needs of major enterprises and promising growth companies through a wide range of superior products and services.

The cornerstone of Japan's Big Bang financial reforms is the complete deregulation of commissions on securities transactions, which is due for implementation in the fall of 1999. Most people expect competition to be so tough thereafter that only a few winners will survive. The investment banking business is likely to become one of the most contentious of the Big Bang battle zones. However, we see it as an integral element in our program to become a customer-oriented, one-stop bank and give us the momentum to succeed in the 21st century.



We have reinforced our ability to offer products in the areas of securitization, M&A and project finance. The environment facing customers has changed dramatically, especially because the intro-

duction of new accounting standards has increased the need for balance sheet controls. This has spurred us into developing new businesses such as structured financing, which focuses on cash flow and the risks hidden in the balance sheet.

There are many other areas in which we can draw on the overall strengths of the Fuji Bank Group and offer services through subsidiaries at home and overseas. For example, Fuji Securities Company serves various issuers of bonds, securities and IPOs, while Fujigin Capital Company provides capital for corporate start-ups. As the regulations on maintaining firewalls between banks and their securities subsidiaries are eased, the shift towards direct corporate financing will accelerate, leading to environmental changes in which MBOs, CBOs and other new financing methods will flourish. The Investment Banking Group is committed to coping with these changes by strengthening cooperative ties with affiliates as a means of creating an organizational structure that can better satisfy the increasingly diverse and sophisticated requirements of customers.

### Trading Group Strategy

*The Group's strategy is to use its sophisticated trading techniques and strengths in numerical analysis to become an increasingly active participant in the credit products market.*

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The Bank is a leading player in the interest, exchange, derivatives and other markets, and the Trading Group fulfils a key role in responding attentively to customers' needs on the one hand and earning profits on the other.

The pace of change in this sector is dizzying, so it is absolutely essential that we constantly devise new trading tools that will enable us to meet customers' funding, investment and hedging needs.

Based on our sophisticated trading know-how and skills in numerical analysis, we are actively developing new types of interest- and exchange-based products. We are also active in the markets for credit-related products such as credit derivatives, CBOs and CLOs, which we expect to grow steadily in the future.

With the introduction of the new accounting standards from fiscal year 2000, a high level of risk management will be required even more. Therefore, we are working to enhance and diversify our trading techniques. For example, we have started research and development work on multi-product trading methods that allow simultaneous transactions covering interest rates, bonds, exchange and equities.

## Public and Financial Institutions Group Strategy

*The Group's strategy is to utilize its specialist expertise in responding to its customers' needs.*

### 1. Strategies for public institutions

The Group's primary mission is to provide reliable handling of operational procedures relating to public money. We also believe we have an important role to play in dealing with more recent funding requirements. These include new fund-raising methods like Private Finance Initiatives (PFIs), which have been very much in the limelight recently, even in the public finance markets.

The Bank specializes in investment banking fields like project finance, and the Group works together with investment banking divisions to satisfy our customers.

### 2. Strategies for financial institutions

Progress in introducing the Big Bang reforms of the Japanese financial system means that the transactional relationships between financial institutions are far broader than they used to be.

Financial institutions have a growing need for risk-hedging instruments and techniques for making profitable investments at a time of extremely low-interest rates in Japan. We are working to deal with these requirements through investment banking operations that include the provision of market-related products and services such as derivatives and asset-backed securities.

We are also putting a great deal of effort into providing products and services that exploit the Fuji Bank Group's specialist know-how in many areas, particularly those that meet the needs of financial institutions for out-sourcing services.

