

## ASSET MANAGEMENT GROUP

Asset management is a strategic business segment, which promises rapid growth. Since we began to sell investment trusts, we have invested aggressively in the asset management business, establishing The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd. and strengthening Fuji Investment Management Company. Setting up the Asset Management Group as a separate entity provided further reinforcement.

### Asset Management Group Strategy

*The Group's strategy is to provide expert responses to the diversifying needs of customers by leading the way in providing advanced financial technologies and high quality services.*

#### **1. The environment facing the Asset Management Group and the Group's role**

The asset management sector in Japan appears poised for rapid growth as customer needs diversify and steady progress is made in implementing the Big Bang reforms of the financial system.

Factors such as the removal of the ban on sales of investment trusts by banks and other financial institutions will almost certainly lead to a major diversification of the investment trust market. The scheduled introduction of defined contribution pension schemes should also result in a steady increase in market size.

In the corporate pension market, the sheer scale of the funds involved is likely to lead to

an even greater emphasis on investment performance, providing more business opportunities than ever for investment management companies and trust banks. On the other hand, the new accounting standards for retirement benefits to be introduced in fiscal 2000 require that any shortfalls in the reserves for retirement allowances be shown in the company's balance sheet. Not surprisingly, such shortfalls are now a major issue for the managements of many companies

Mindful of these environmental changes, we have positioned asset management as one of our key strategic business sectors. We have reinforced our efforts in this area by inaugurating sales of investment trusts and aggressively increasing our own investments, establishing The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd. and putting more capital into Fuji Investment Management Company. Further measures to reinforce our activities followed the introduction of our new management structure in May 1999, when we established the Asset Management Group as a separate division that includes Dai-Ichi Kangyo Fuji Trust & Banking and Fuji Investment Management Company.

The Asset Management Group is involved in the following business activities, and is well positioned to satisfy the varied needs of customers through expert services.

- Sales of investment trusts.
- Establishment and management of investment trusts (Fuji Investment Management Co.).
- Investment management (Dai-Ichi Kangyo Fuji Trust & Banking, Fuji Investment Management Co.).
- Custody and stock transfer agency (Dai-Ichi Kangyo Fuji Trust & Banking).



To prepare for the introduction of defined contribution pension schemes, we are carefully examining all the relevant aspects of investment management, trustee and pension scheme designs while keeping a close eye on actual developments.

## **2. Starting sales of investment trusts**

Since the ban on bank sales of investment trusts was lifted in December 1998, we have positioned them alongside deposits in importance as pivotal products. To satisfy customers' increasingly diverse and sophisticated needs for fund management services, we have been active in this area. We pay particular attention to selecting the investment trusts we handle, and have established special teams in Tokyo and New York to evaluate the performance of both the individual trusts and the companies that manage them from a global viewpoint. This has enabled us to bring together a high quality portfolio of various products, which we call the "Fuji All-Stars."

We continue to work on our high-quality consulting sales, developing the Fuji Portfolio Advisory System (F-PAS), and the Portfolio Planning Service which advises individual customers on the most appropriate investment instruments and other financial products according to their lifestyles and the levels of risk they can tolerate. We also provide customers who have bought our products with full support through thoroughgoing aftercare services.

## **3. Establishment of The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd. and its strategic role**

In June 1996, we set up The Fuji Trust and Banking Co., Ltd., a wholly-owned subsidiary, to provide high-quality investment trust products and services to meet customers' diversifying needs. In November 1998, we entered a strategic alliance with The Dai-Ichi Kangyo Bank, Limited. The tie-up was motivated by



ASSET  
MANAGEMENT GROUP

the need to respond to the sweeping changes triggered in Japan's financial system by the Big Bang reforms by offering customers higher quality, broader-ranging investment trust services.

As a result of this alliance, on April 1, 1999, Fuji Trust and Banking and Dai-Ichi Kangyo Trust and Banking merged to form The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd. Furthermore, in October 1999, Yasuda Trust and Banking, is scheduled to transfer the pensions, custody business, and stock transfer agency business of its asset management division to Dai-Ichi Kangyo Fuji Trust & Banking.

Dai-Ichi Kangyo Fuji Trust & Banking has obtained high ratings from domestic and foreign ratings agencies. (Moody's Investors Service: long-term deposits - A3; Fitch IBCA: long-term - A; R&I: long-term bonds - A.)

There are several reasons for these high ratings. Fuji Bank, Dai-Ichi Kangyo Bank and Yasuda Trust and Banking all have large, stable customer bases. They also possess advanced financial expertise and know-how and a solid presence in business sectors like asset investment and asset management. By fusing these advantages, Dai-Ichi Kangyo Fuji Trust & Banking is well-placed to prosper in the two areas where most growth is expected in the future — pension funds and investment trusts — and thus become a leading light in the fund investment and management business.

## Dai-Ichi Kangyo Fuji Trust & Banking — Key Features

### Principal Business Activities

#### *Pensions* (scheduled from October 1999)

Dai-Ichi Kangyo Fuji Trust & Banking offers a full range of pension services, including:

- Asset investment and management for corporate pension schemes such as employees pension funds and tax-qualified retirement pension plans.
- Planning and consulting in connection with pension schemes.
- Handling of administrative work relating to members of pension schemes and pension recipients.

It is also working actively to devise responses to two problems that are of rapidly growing importance to company management - the treatment of retirement benefit claims under new accounting rules to be introduced soon, and the advent of defined contribution pension products.

#### *Custody Business*

As part of its wide-ranging services in the field of asset management, including investment trusts, pension trusts and specified money trusts, it responds to customers' diversifying needs by acting as the investor's agent, providing centralized control of securities deliveries and custody, and collecting dividends.

#### *Stock Transfer Agency Business* (scheduled from October 1999)

Dai-Ichi Kangyo Fuji Trust & Banking is well-placed to satisfy all customer requirements relating to the handling of stocks, from stock transfers, preparing shareholders' registers, custody, issuing stock certificates and paying dividends, to consultation in connection with legal matters concerning stocks.



The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd. opening ceremony.

#### *Securitization of Assets* (monetary claim trusts, movable property in trust)

Dai-Ichi Kangyo Fuji Trust & Banking accepts various kinds of assets from customers (trustors), then uses these assets to back issues of trust beneficiary rights which it sells to investors. This satisfies the trustor's need for a wider range of lower-interest funding instruments that can be handled off the balance sheet, while at the same time offering investors all the advantages of trust beneficiary rights.

#### **4. Strengthening Fuji Investment Management Co., Ltd.**

Fuji Investment Management Company specializes in investment management. It provides services for establishing and managing investment trusts. It also offers discretionary investment management services that are carefully tailored to satisfy the needs of pension funds, institutional investors and similar customers.

To enhance its performance in the areas of investment trust and investment management services, the company is able to make highly efficient use of a tripolar global network based on its Tokyo head office, London, and New York. Fuji-Lord Abbett International, Limited is responsible for operations in London, and Lord, Abbett & Co., a long-established independent US investment management company for operations in New York.

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According to CAPS Ltd., a UK-based independent provider of specialist investment performance evaluation services, our London subsidiary Fuji-Lord Abbett International, Limited ranked first out of 54 funds in terms of equity investment management performance for pension funds in the seven years through March 1998. The superior investment capabilities developed by the company have also been channeled into our “Fuji Global Active Open” investment trust product.

On the personnel side, Fuji Investment Management Company actively recruits capable staff from outside the Fuji Bank Group, in the process creating a team of professional specialists.

It is our firm intention to reinforce Fuji Investment Management Company’s corporate strengths as a means of responding to our customers’ ever-diversifying needs.



## History of Fuji Investment Management Company

### **July 1985**

The former Fuji Investment Management Company, Ltd. established as the investment management arm of the Fuji Bank Group.

### **June 1992**

Fuji Investment Management Co. (Europe) Ltd. established in London.

### **September 1993**

Fuji Investment Trust Management Co., Ltd. established as a subsidiary following the removal of the ban on bank participation in the investment trust management business.

### **November 1995**

Following the removal of the ban on simultaneous engagement in the investment management and investment trust management businesses, the former Fuji Investment Management Company, Ltd. and Fuji Investment Trust Management Co., Ltd. are merged to create Fuji Investment Management Company, Ltd.

### **September 1998**

The capital of Fuji Investment Management Co. (Europe) Ltd. is increased and its organization and business are strengthened. The company’s name is changed to Fuji-Lord Abbett International, Limited after new investment is received from Lord, Abbett & Co. of the USA. The latter is a long-established independent investment manager with which Fuji Bank has developed a strong relationship since the founding of Fuji Investment Trust Management Co., Ltd.