

Market & Trading Company



*Takayasu Tanaka
President, MTC*



Our Strategy

"We will press forward to strengthen our capabilities for offering products and services as professionals in advanced financial fields."



Message from the Company President

The Market & Trading Company (MTC) is responsible for the market and asset-liability management (ALM) divisions as well as securities and investment banking divisions from a global and specialist perspective. The MTC has two key operating policies.

The first is to substantially enhance DKB's financial technologies and act as the source of high-value-added products and services. During the fiscal year under review, the MTC was actively engaged in providing financial advice related to

the first property securitization transaction pursuant to the "SPC Law," M&A initiatives directly linked to management strategies and balance sheet restructuring and control. These activities led to the conclusion of a substantial number of deals and enabled us to garner a high evaluation from our customers and the market. With our sophisticated trading methods, we will continue to supply market-based products, and drawing on our know-how in securities and investment banking, we will further strengthen our capabilities for offering proposals in

MTC Performance

	Fiscal 1998	Fiscal 1999	(¥ billion) Change
Gross Profit	¥95.2	¥66.7	¥(28.5)
Investment Banking	5.4	10.2	4.8
Marketing	89.8	56.5	(33.3)
Expenses	23.5	20.0	(3.5)
Net Operating Profit	71.7	46.7	(25.0)
Ordinary Profit*	75.2	48.8	(26.4)
ROE (%)	24.7	16.6	(8.1)

*Ordinary Profit (Loss) is Net Operating Profit plus gains on money held in trust.

a wide range of areas in order to provide our customers with high-value-added business solutions.

The second operating policy is to conduct operations with a full awareness of compliance requirements. We always make comprehensive judgments regarding the suitability of financial products for each customer. Moreover, by giving appropriate explanations of our products, we endeavor to increase the transparency of transactions and gain the trust and confidence of our customers.

We are actively proceeding with preparations for the three-bank consolidation in the areas of market and ALM operations as well as securities and investment banking. In advance of the establishment of Mizuho Securities Co., Ltd. in October 2000, which will represent the first step in the integration of our activities, we are combining the product and sales capabilities developed thus far by the securities subsidiaries of the three banks. Our objective is to have systems ready to offer our customers high-value-added solutions.

As professionals in advanced financial fields, the MTC will press forward to strengthen our capabilities in offering at competitive prices products and services that are recognized by the market and in responding to the needs of our customers.

Review of Businesses

Securities Operations

The basis for DKB's strategy in the securities business is maintaining close teamwork among the DKB Group's departments and associated companies

in the securities field to respond to the growing sophistication and diversity of the funding and investment needs of its customers. With DKB Securities Co., Ltd. as the core, in October 1999 we made Kankaku Securities Co., Ltd. a subsidiary, thereby enabling us to offer the full range of securities services, from wholesale to retail and from bonds to equities. This has enabled us to serve a great variety of customer needs, drawing broadly on the capabilities of the DKB Group.

In response to the funding needs of our customers, DKB Securities works closely with DKB's overseas securities subsidiaries to offer all-around financial advice on bonds and stocks, providing an optimal menu of products and services. In domestic bond underwriting activities, DKB Securities has a top-class record of accomplishments based on its strong sales capabilities. In asset-backed securities (ABS), DKB Securities has earned an excellent reputation for product development that meets the needs of both issuers and investors. As a pioneer in this area, DKB Securities has thus made a significant contribution to the development of Japan's ABS market.

In October 1999, accompanying the removal of government restrictions on the activities of bank-affiliated securities companies, DKB Securities entered the equities underwriting business, including business related to initial public offerings (IPOs). DKB Securities has concluded an operating agreement with Kankaku Securities covering principally underwriting and sales of equities. Under the agreement, the two companies are now cooperating in a number of areas; in particular, Kankaku Securities is responsible for the sales of equities underwritten by DKB Securities.

To meet the fund management needs of their customers, DKB Securities and Kankaku Securities are cooperating to offer a groupwide response. DKB Securities is responsible for wholesale bond trading and offers high-value-added product development and research services. Kankaku Securities, on the other hand, utilizes its domestic network of 55 branches for its equities trading operations and for sales of bonds, equities and investment trusts to the middle and retail markets.

In conjunction with the establishment of the Mizuho Financial Group, in October 2000, DKB Securities will merge with Fuji Securities Co., Ltd. and IBJ Securities Co., Ltd. to form Mizuho Securities Co., Ltd. With its vast customer base, Mizuho Securities will work to realize the maximum synergy effect in product development and other areas as well as to aim for the position of a top-class securities company and investment bank in the domestic market.

Kankaku Securities, on the other hand, will be renamed The Mizuho Investors Securities Co., Ltd. (MIS) as of October 1, 2000, and will become the Mizuho Financial Group securities company responsible for serving the middle and retail markets. In order to meet the asset management needs of individual investors, MIS will work closely with Mizuho Securities in offering services, and to this end, MIS will also strengthen its ties with departments and companies in the Mizuho Financial Group that provide services to the retail market as well as asset management and trust business services.

Trading

DKB's trading operations are conducted in Tokyo and at four overseas offices—New York, London, Singapore and Hong Kong. In overseas trading operations, DKB tailors its activities to the features of different markets. In New York and London, for example, we focus on transactions in major currencies. In Singapore and Hong Kong, emphasis is placed on transactions in Asian currencies.

DKB's trading centers cooperate closely in exchanging various types of market information. This collaboration enhances the skill and flexibility of our traders in responding to market fluctuations.

At the same time, DKB regards the continuing improvement of its risk-management capabilities as indispensable. Through constant upgrading of dealing systems, DKB is also able to strictly manage risk and profitability.

In addition, with the aim of enhancing customer services, DKB is working to craft solutions to a

broad range of customer requirements. To hedge against foreign exchange risk, we offer a variety of currency option embedded products. On the other hand, we also suggest higher-yield products as alternative investment tools in the low-interest market environment in Japan.

Derivatives

DKB conducts its derivative operations in close cooperation with the DKB Financial Products Group, which has offices in New York, London and Hong Kong. This global derivatives team provides services that are highly responsive to the interest rate and currency risk management needs of DKB customers and has earned a reputation as a major interbank market maker among Japanese financial institutions both in Japan and abroad.

In addition, securities subsidiary DKB International Public Limited Company in London began integrated securities and derivatives operations. This integration of operations will enhance the DKB Group's ability to utilize derivatives products in structuring sophisticated ABS arrangements.

In equity derivatives, securities subsidiary DKB Securities is working to meet the needs of industrial corporations and other customers for hedging price risk and increasing the liquidity of equity holdings.

Securitization

The ABS market is undergoing extremely rapid development in Japan. In this area as well, the DKB Group is a front-runner, leading in the development of the market and consistently offering superior services.

From fiscal 1996 through fiscal 1999, ¥1,200 billion in ABS was issued publicly in Japan, and DKB Securities acted as lead manager for ¥430 billion of the total. This makes DKB Securities both a top player as well as one of the pioneers in developing Japan's ABS market.

During fiscal 1999, DKB arranged a large number of ABS issues. These included the first property securitization transaction by a newly developed shopping center pursuant to the “SPC Law,” the securitization of the head office building of a major corporation and other arrangements. As a consequence, DKB has established a strong reputation in this area among its customers.

Since the beginning of fiscal 2000, DKB has continued to introduce innovative securitization structures to the market. Pioneering arrangements include the securitization of residential mortgages—which had previously been difficult because of the complexity of legal rights associated with residential mortgages in Japan—through the first full-scale issue of residential mortgage backed securities (RMBS) in the Japanese market arranged through the efforts of Group companies.

By continuing to offer products that meet customer needs, the DKB Group is committed to continuing to press forward with the development of Japan’s securitization market, as a pioneer and market leader.

M & A Services

The need to restructure corporate business portfolios has become greater than ever before. In addition, the introduction of new accounting and legal systems—such as consolidated accounting, holding companies, stock-for-stock exchanges and corporate divestitures—has generated increasingly greater demand for M&A advisory services.

DKB has positioned M&A advisory services—a central element in the formulation of corporate strategies—as one of the core businesses within investment banking and offers total advisory services to customers. In these activities, DKB responds aggressively to M&A needs both in Japan and overseas and structures arrangements responsively to meet the customers’ strategic needs.

DKB continues to offer M&A and corporate strategy advisory services to companies engaged in

the restructuring of their operations and enterprises aggressively expanding their business opportunities. Furthermore, DKB will provide the full range of advisory services to corporations regarding their financial strategies, covering securitization and other initiatives, while working to expand the number of opportunities for providing a broad spectrum of investment banking services.