

insurance companies in Taiwan and China, the European Investment Bank, and the Bank's U.S. subsidiary CIT. The Bank has gained a favorable reputation among its clients by drawing on its expertise in the design of new financing schemes that fit customer needs.

To provide for the enhanced coordination of its services, in January 1998 the Bank combined formerly separate units offering support for entry into overseas markets together with those providing follow-up assistance. Although overseas investment in Asia outside Japan has dropped following the outbreak of currency and economic crises, requirements for risk hedging have risen, and the Bank is therefore stepping up its efforts to provide information and hedge products. Because clients also have a strong interest in EMU, the Bank is continuing to provide strategic advice. Similarly, following the implementation of revised foreign exchange regulations in Japan in April 1998 permitting the opening of overseas bank accounts, the Bank is focusing on developing its International Cash Management Service and other systems to allow clients to conduct overseas transactions more efficiently. Another significant trend among corporate clients has been the establishment of regional headquarters, principally in Asia and Europe. Accordingly, the Bank is strengthening its capabilities for providing advice not only on individual countries but also regarding broader global strategies.

The Bank also supplies assistance to foreign companies entering the Japanese market, working in close concert with its overseas offices. These services are broad in scope and include advice on market entry, loans, foreign exchange, derivatives, securitization, cash management, M&A, bond underwriting, and commissioned bank services. During the year under review, the Bank worked to increase its presence among foreign companies and successfully arranged Japan's first syndicated loan for a foreign corporation.

Increasing its presence in the world's major financial markets, DKB responds to the requirements of leading Japanese and non-Japanese corporations for capital market finance.



INVESTMENT BANKING

CAPITAL MARKET OPERATIONS

> CAPITAL MARKET ACTIVITIES

With the implementation of the Big Bang, many operating restrictions are being eliminated, and, in October 1997, domestic securities subsidiaries of Japanese banks received permission to deal in the secondary market for convertible bonds, bonds with warrants, and detached warrants as well as to handle listed stock index futures

and options. During fiscal 1998, restrictions on handling over-the-counter stock index options are also scheduled to be removed. These liberalization measures are expected to generate increasingly sophisticated and diverse client needs, and competition among foreign and domestic financial institutions is forecast to intensify.

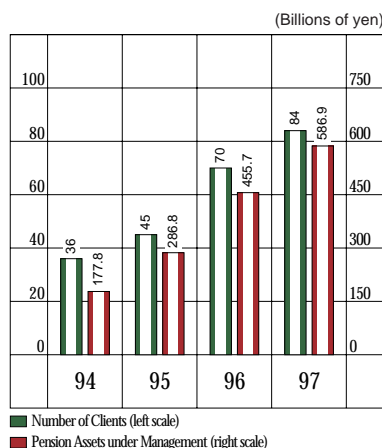
DKB views these reforms as likely to bring new business opportunities, and, to build even-stronger ties with clients, the Bank plans to offer high-value-added services that will respond appropriately to client funding and investment requirements.

To pursue these plans, however, it will be essential to strengthen the Bank's capabilities in securitized and

other advanced financial products that incorporate derivatives. Accordingly, in April 1997 the Structured Finance & Derivatives Division was formed. Also, to expand securities and derivatives operations in tandem and from a global perspective, in London the Bank integrated securities subsidiary DKB International Public Limited Company (DKBI) and derivatives subsidiary DKB Financial Products (UK) Limited.

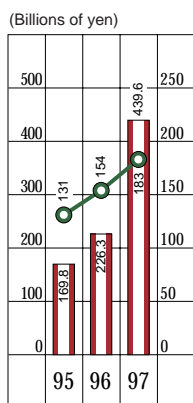
Another key aspect of the Big Bang will be to provide a broader range of investment instruments for the approximately ¥1,200 trillion in personal financial assets of Japanese households. From December 1998, banks in Japan will be permitted to sell investment trust products directly through their branches, and the key to success will be to offer an attractive and comprehensive product line based on strengthened asset management capabilities. In October 1997, Dai-Ichi Kangyo Investment Management Co., Ltd., the Asahi Investment Trust Management Co., Ltd., and Kankaku Capital Management Co., Ltd., merged to begin operations as Dai-Ichi Kangyo Asahi Asset Management Co., Ltd. (DKA). Combining the accumulated asset management know-how of these three firms, the new company is well positioned to respond appropriately to the asset management requirements of both individual and institutional investors.

DKA's Pension Assets



■ Number of Clients (left scale)
■ Pension Assets under Management (right scale)

DKB Securities' Underwriting of Straight Bonds for Public Subscription (Domestic Market)



■ Value of Issues Underwritten (left scale)
● Number of Issues Underwritten (right scale)

Notes:

- Figures for fiscal 1994 to fiscal 1996 are the sum of the totals of Dai-Ichi Kangyo Investment Management Co., Ltd., and Kankaku Capital Management Co., Ltd.
- The figure for fiscal 1997 is the total for Dai-Ichi Kangyo Asahi Asset Management Co., Ltd., after the merger.

> DKB SECURITIES CO., LTD.

DKB Securities began operations as a wholly owned domestic subsidiary in November 1994. To meet client financing needs, DKB Securities works closely with the Bank's overseas securities subsidiaries to offer bond underwriting services both in Japan and in principal overseas capital markets. DKB Securities' capabilities for structuring and distribution are highly regarded by both issuers and investors. For example, according to a survey conducted by the *Nihon Keizai Shimbun*, Japan's leading economic daily, two bond issues arranged by DKB Securities in 1997 were chosen to receive "Deal of the Year" awards. These included the 14th straight bond issue by Ajinomoto Co., Inc., and the third asset-backed securities issue of Orico Asset Funding Japan Co., Ltd.

To meet the needs of investors, DKB Securities offers a wide range of services, including, in particular, transactions of public and corporate bonds in both primary

and secondary markets as well as brokerage services for Japanese government bond futures and options transactions. The company is also aggressively offering new products and services, including products with imbedded derivative components, such as structured bonds, as well as securitized products, investment trusts, and commodity funds.

DKB Securities is making preparations for its activities following the complete lifting of the ban on equity-related operations, expected in the latter half of fiscal 1999, and plans to develop and offer its clients high-value-added products to meet their advanced requirements.

> COMMISSIONED BANK SERVICES

DKB maintains one of the leading positions in Japan as a commissioned bank and fiscal agent for bond issues. Based on its extensive experience and know-how in this area, the Bank offers a broad range of assistance in funding to both domestic and overseas issuers in the Tokyo market. During fiscal 1997, the Bank was appointed lead-commissioned bank for the public bond offerings of Nippon Telegraph and Telephone Corp. group companies, KDD, and other blue-chip Japanese corporations. As the appointment of fiscal agents has become common practice in recent years, the Bank acted as fiscal agent for a large number of leading corporations, including Kawasaki Steel Corp., Fujitsu Ltd., and ITOCHU Corp.

The Bank continued to assist foreign borrowers issuing Samurai bonds (yen-denominated bonds issued by overseas borrowers in Tokyo) and acted as lead-commissioned bank for the third series of European Investment Bank Dual-Currency Japanese Yen/Australian Dollar Bonds issued in fiscal 1997. The Bank also maintained its top position as lead-commissioned bank for corporate Samurai bonds and Shogun bonds (foreign currency denominated bonds issued by overseas borrowers in Tokyo), acting in this capacity for 13 of the 71 issues made through the end of fiscal 1997.

> GLOBAL NETWORK

DKB is engaged in the development of securities business in major markets around the world, with London-based DKBI playing a central role in the coordination of these efforts. During fiscal 1997, DKBI lead managed a

DKB is engaged in the development of securities business in major markets around the world and offers first-rate financial products through the use of derivatives, including asset-backed securities.



¥10.0 billion Euroyen bond issue for NTT Mobile Communications Network, Inc., as well as other issues for leading Japanese corporations. In addition, DKBI was appointed lead manager of Eurodollar bond issues for leading non-Japanese corporations, including a US\$350 million issue by GLAXO KABUSHIKI KAISHA, the Japanese subsidiary of GLAXO WELLCOME plc, and a US\$200 million issue by the Dow Chemical Co. DKBI has increased emphasis on high-value-added products by making use of derivatives, including asset swaps, structured financing through MTN programs, and, more recently, asset-backed securities. In February 1998, for example, DKBI acted as lead manager for Orient Corp.'s

US\$300 million Euro-ABS issue, which was backed by automobile loans.

On the European continent, Dai-Ichi Kangyo Bank (Deutschland) AG and Dai-Ichi Kangyo Bank (Schweiz) AG conduct full-service securities businesses in their respective markets. During fiscal 1997, DKB Deutschland was the only securities subsidiary of a Japanese bank in Germany to undertake the issuance of warrant bonds for Japanese corporations, acting as lead manager for a DM80 million issue by NIKKISO CO., LTD. DKB Deutschland is also placing emphasis on providing underwriting for non-Japanese borrowers and participated in the underwriting syndicate for a DM2,000 million Global Pfandbrief issue by Bayerische Vereinsbank AG. DKB Deutschland plans to work substantially closer



Fund managers of the DKB Group provide investment advisory services primarily to pension funds and respond to the needs of investors through the effective coordination of its global network.

with DKBI and other subsidiaries of the Bank in preparation for the expansion of the market that is expected to follow the introduction of the euro.

DKB Schweiz acted as lead manager for Swiss franc denominated issues by several Japanese clients in fiscal 1997 and held one of the leading positions in the volume of customer assets among Swiss subsidiaries of Japanese banks in the field of portfolio management.

In New York, DKB Securities (USA) Corporation continued to focus mainly on trading in U.S. Treasury bonds while expanding its activities to include underwriting and dealing in commercial paper as well as brokerage of private-placement bond issues.

In Asia, market environments have deteriorated because of the impact of the currency crises, but DKB Asia Limited, in Hong Kong, worked closely with DKB Securities and other members of the Bank's international network to strengthen client transaction relationships, gather information on the bond issuing needs of Japanese-affiliated companies, and identify other business opportunities.

> INVESTMENT MANAGEMENT SERVICES AND OTHER ACTIVITIES

The principal activities of Dai-Ichi Kangyo Asahi Asset Management Co., Ltd. (DKA), are providing investment advisory services, mainly to pension funds, as well as managing and marketing investment trusts to individual and corporate investors. In response to the growing needs of pension funds for global investment services because of the low interest rate environment in Japan, DKB Investment Management International Limited (DKBIMI) has an arrangement with Hill Samuel Asset Management Ltd. to offer high-quality global investment management services.

Although competition for the management of pension funds and investment trusts is becoming intense in terms of the balance of both pension funds and investment trusts under management, DKA maintained a top ranking among affiliates of Japanese city banks and is one of the leading Japanese investment management companies, with ¥586.9 billion in pension fund assets and ¥901.1 billion in investment trust assets as of March 31, 1998.

Administrative services, which are closely linked to asset management activities, are provided by Dai-Ichi Kangyo Trust and Banking Company, Ltd., in Japan, and Dai-Ichi Kangyo Bank (Luxembourg) S.A. for overseas operations. In addition, the DKB Group provides custodian and agency services worldwide through the coordinated efforts of Dai-Ichi Kangyo Trust Company of New York and Dai-Ichi Kangyo Bank of California as well as the Tokyo Head Office.

SECURITIES INVESTMENT

> DOMESTIC SECURITIES INVESTMENT

Long-term interest rates declined in fiscal 1997, principally due to the following three factors that led to a deterioration in economic conditions:

- the slump in consumer spending triggered by the April 1997 rise in the national consumption tax rate and other factors,
- the impact of the economic crisis in Asia, and
- the concern over the financial system triggered by insolvencies of major financial institutions that began in November 1997.

In managing its securities investment portfolio, the Bank adopted a policy of maintaining a stable net interest income balance while managing price fluctuation risk, based on guidelines set by the ALM Committee (please refer to the Risk Management section on page 29). Specifically, the Bank emphasized liquidity and credit quality, thus investing mainly in Japanese government bonds while making use of the basis-point-value and value-at-risk approaches to manage its risk. Appropriate risk hedges were arranged, making use of futures, options, and other techniques, and high returns were realized for the fiscal year under review. In addition, the Bank was active in repo transactions (involving the lending and borrowing of securities secured by cash collateral) for short-term funding and the enhancement of returns on its securities portfolio.

The Bank has set a strategy of continuing to increase returns and minimize risks by hedging operations using derivatives in the event of interest rate hikes.

DKB makes investments with emphasis on credit quality, liquidity, and high returns while observing stringent risk management guidelines set by the ALM Committee.



> INTERNATIONAL SECURITIES INVESTMENT

Despite the adoption of relatively tight monetary policies in major markets overseas, including the United States, the United Kingdom, and Germany, medium- and long-term interest rates fell, leading to a pronounced flattening of the yield curve. This was due to declining concerns about inflation, improvement in the demand and supply balance in the markets as the U.S. government eliminated its fiscal deficit and major countries in Europe adopted more restrained fiscal policies to meet the requirements for EMU, and the flight to quality

that ensued following the outbreak of the economic crisis in Asia.

In the management of its international securities portfolio, the Bank emphasized credit quality and liquidity as in previous years. Investments were made principally in U.S. and European government bonds, and high returns were achieved while following risk management guidelines. In addition, through the use of repo transactions, the Bank was able to minimize the effects of the so-called "Japan premium." No investments were made in Asian or emerging market securities and no losses were recorded from such securities holdings.



The Bank's overseas trading offices in New York, London, Singapore, and Hong Kong actively engage in foreign exchange and money market operations on a round-the-clock basis.

In fiscal 1998, the Bank is continuing its policy of investing primarily in bonds issued by major countries to meet criteria for credit quality and liquidity while studying alternative investments in securities that are less sensitive to market fluctuations.

TRADING

> MONEY MARKET AND FOREIGN EXCHANGE

The Bank's Tokyo Head Office and its four directly managed trading offices in New York, London, Singapore, and Hong Kong work closely in gathering information and are actively engaged in foreign exchange and money market operations, including trading in spot foreign exchange, currency options, foreign exchange forward, interest rate future, bond future, floating-rate agreement, interest rate swap, and other markets.

During fiscal 1997, financial markets fluctuated significantly because of several factors, including the economic turmoil in Asia, concerns about Japan's financial system, and movements in the interest rate and foreign exchange markets for European currencies stemming from the movement toward EMU.

Amid this environment, the Bank's foreign exchange trading sections were active in spot and forward foreign exchange markets and currency options, while treasury operations focused mainly on interest rate swaps of U.S. and European currencies, thus realizing trading gains for the Bank.

Owing to strong interest in trends in Asian currencies, the Bank's offices, principally in Tokyo and Singapore, gathered information and held seminars for clients. Greater emphasis was placed on arranging currency options to assist clients in hedging risk. To this end, the Bank worked to strengthen its product development capabilities and stepped up its marketing activities.

In fiscal 1998, markets are likely to be strongly influenced by trends in Asian currencies, the continuing movement toward EMU, and the implementation of Japan's Big Bang. In addition to these circumstances, BIS's Basle Accord, which covers market risk as well, has taken effect, implying the need for efficient trading operations closely adapted to market conditions. The Bank will therefore carefully tailor its foreign exchange and money market trading operations in each of its trading offices in Asia, Europe, and

the Americas to suit individual market characteristics, including currency, products, client segments, and market size. The Bank intends to continue to expand its services for clients, including significantly enhancing its capabilities for trading in Asian currencies and currency option transactions.

> TREASURY OPERATIONS

Key factors influencing the operating environment included the continued stagnation of the Japanese economy—stemming mainly from reduced government investment, the slump in consumer spending, and instability in the financial system. Short-term interest rates showed occasional sharp fluctuations but remained generally low during the fiscal year under review. Along with the deterioration in economic prospects, bond prices rose to record levels.

In this low interest rate environment, the Bank's treasury operations focused on active money market trading to take advantage of the spread over funding costs. As concerns about the financial system grew in November and subsequent months, short-term interest rates rose because of the emergence of the Japan premium, and funds were shifted to commercial paper.

Through these activities, money market operations contributed to the Bank's trading income. In bond trading as well, steady contributions to income were made by concentrating on short-term buying and selling, principally bond futures; arbitrage transactions; the conduct of operations in anticipation of the flattening of the yield curve; and systems trading developed by the Bank. Emphasis was also placed on bond repo transactions, as the Bank's traders actively arbitrated their positions in this market.

The Bank also remained active in selling various financial market instruments to its clients, providing them with value-added information and responsive services, thereby gaining a favorable evaluation.

As deregulation proceeds at a rapid pace, the Bank will endeavor to meet the increasingly diverse needs of its clients. Treasury operations will be closely coordinated with other sections that are engaged in trading, and these activities will be expanded to cover a broader range of yen instruments covering the full range of maturities. Risk management operations will be conducted with close attention to detail, making use of VAR, BPV, Vega, and other indicators.

The Bank's Structured Finance & Derivatives Division is active in providing advanced derivatives products to meet client needs for effective risk management.



SECURITIZATION AND DERIVATIVES

Perhaps the most important DKB securitization of the year was the landmark bond issue in November 1997 by our Cayman subsidiary, Advanced Real Estate Securitization, Ltd. This was the first time a Japanese bank publicly sold collateral on problem loans repackaged as bonds. In a departure from tradition in the Japanese domestic market, DKB disclosed the details of the underlying collateral. Although a solution to the crisis in the Japanese property market will require many tools, we are confident that similar transactions will follow.

In the past year, DKB also made great strides in putting our asset-backed structuring and distribution skills to work for our clients. For example, in September 1997, DKB Securities Co., Ltd., brought to market bonds backed by a pool of 20,000 Japanese auto loans that were originated by Orient Corporation (Orico). DKB Financial Products, Inc. (DKBFP), absorbed the prepayment risk with a “balance guarantee” swap. This novel swap simplified the structure for investors and reduced the issuer’s cost of funds. According to a survey by the weekly *Nikkei Bond Market Newsletter*, institutional investors rated this transaction as the best asset-backed deal of the year. In March 1998,

DKB International Public Limited Company (DKBI) underwrote Orico’s inaugural Eurobond issue, tapping into an expanded investor base. This time, DKBFP provided a cross-currency balance guarantee swap to create the first bond backed by Japanese consumer receivables that is denominated in a currency other than Japanese yen. Since then, Orico has issued several more domestic bonds and a second Eurobond through DKB to satisfy growing demand from investors who have come to appreciate the reliable behavior of Japanese consumers.

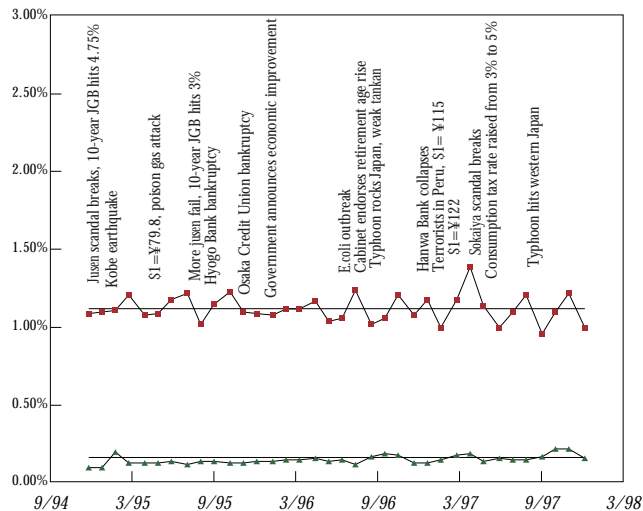
DKB continues to make active use of its domestic commercial paper conduit to finance customers’ receivables. Outstanding receivables reached ¥196.2 billion as of March 31, 1998, up from ¥9.3 billion one year earlier.

Derivatives have become an essential tool in the deleveraging process. For our own balance sheet and for clients, DKBFP has enjoyed a busy year advising on and providing the necessary derivatives for restructuring bonds, receivables, yen package loans, and term loans to resell to investors. In recognition of the convergence of derivatives and securities markets, DKB integrated the U.K. leg of its global derivatives business with its London-based securities company DKBI.

In 1997, DKB extended its innovative arrangement for a third year with Merrill Lynch’s triple-A subsidiary, Merrill Lynch Derivative Products, Inc. (MLDP). DKBFP’s clients receive DKBFP prices and structuring, while MLDP provides triple-A credit intermediation. This arrangement allows DKB to maintain its long-standing derivatives dealing relationships with supranational, sovereign and highly rated multinational counterparties until its own credit rating recovers.

Deleveraging will remain a theme for our derivatives and securities businesses for the near future. But in the long run, an even more important challenge lies in creating value-added products to distribute to Japanese investors. Japan’s aging population needs to earn far better returns on its tremendous wealth. DKB must address this need by structuring global equity and debt products for its vast retail client base.

Orico Prepayment and Default Rates by Date Deviations from Average



This chart, taken from DKB’s *Investors’ Guide to Japanese Auto Loan Backed Securities*, illustrates the low default rates and stable behavior of individual borrowers.

SYNDICATED LOANS

There were substantial differences in levels of activity by region in syndication markets during fiscal 1997. In the

United States and Europe, the market remained active, while in Asia the currency turmoil that began in Southeast Asia brought a shrinkage in syndication activities.

In the Americas, the market for high-yield loan syndications for borrowers with bond ratings below investment grade was active. The principal factor accounting for this was the relative decline in risk of lending to new, high-growth companies as the U.S. economy continued robust expansion.

In Europe, conditions in the former Comecon region took a turn for the better, supported especially by strong economic conditions in Western Europe, and the level of syndication activity and the range of countries funding through syndications expanded. DKB's syndication operations are concentrated in London, and during the fiscal year numerous deals were arranged for borrowers in Central Europe, Eastern Europe, Turkey, South Africa, and elsewhere. In particular, DKB was successful in arranging a DM400 million (approximately ¥30.0 billion) loan for Zagrebačka banka, the leading commercial bank in Croatia. This syndication attracted considerable attention in the market and was the largest loan to date to a private-sector borrower in Croatia. A total of 54 banks from around the world participated in the syndication and DKB acted as agent.

Because of the currency turmoil in Asia, triggered by the devaluation of the Thai baht, the overall market for loan syndications shrank during the fiscal year. Ensuing economic crises in Thailand, Korea, and Indonesia grew progressively worse, leading to deterioration in other economies in the region. Despite this environment, the Bank worked to strengthen its private-placement capabilities among investors in Taiwan, where the effects of the Asian economic crises were limited, and successfully concluded several arrangements. The Bank plans to continue its syndication operations while giving careful attention to the progress toward economic reforms in the countries of Asia.

Another important development in fiscal 1997 was the emergence of a syndicated loan market in Japan. Because of the liquidity crunch at the end of calendar 1997, syndications received renewed attention as an alternative means of funding. The Bank set up a Syndication Group within the International Finance Division and, as a result of the high priority placed on domestic syndications, was able to offer a new financial service that met the growing diversity of client needs.

DKB established the Syndication Group within its International Finance Division to meet the growing demand for domestic syndication as an alternative method of funding.



PROJECT AND AIRCRAFT FINANCE

DKB draws on its know-how and experience in project finance to participate in infrastructure and other major projects around the world and has established a reputation as one of the most innovative banks in this field. The Bank has groups of specialists in New York, London, Hong Kong, Singapore, and Tokyo that work closely together, providing their know-how to arrange the optimal financing methods for each project.

Making arrangements for projects involving cross-border coordination skills and for private finance initiative (PFI) projects in Japan—drawing on its network of

overseas offices and a domestic network that covers all 47 prefectures—is one of the Bank’s core competencies. PFI project services have earned an excellent reputation among clients, and the Bank is continuing to develop new types of financing arrangements that respond to emerging needs and meet the expectations of clients.

The Bank’s capabilities in aircraft finance are widely recognized in the market. The financing schemes developed by the Bank, drawing on the capabilities of government financial institutions in various countries and the know-how of the Bank’s U.S. subsidiary The CIT Group, Inc., have drawn the attention of leading airlines.



DKB has an excellent reputation in PFI projects and aircraft finance, offering various services through the effective coordination of its domestic and overseas networks.

Important deals concluded in fiscal 1997 included:

- *The COCO III Project* Despite challenging economic conditions, the Bank acted as financial advisor for Cogeneration Company, a leading private electric power generation company in Thailand, and successfully arranged US\$400 million in financing from 10 banks for that company’s facilities.

- *U.K. Correctional Facilities* The PFI approach to project financing was developed to facilitate the participation of private-sector interests in public-sector projects. In 1996, the Bank ranked second among all financial institutions in the number of PFI projects arranged. Of the five correctional facilities built to date in the United Kingdom using the PFI approach, the Bank has handled three of these, for one of which a contract was signed in fiscal 1997.

- *Air China 747* The Bank successfully arranged approximately US\$180 million in financing for a Boeing 747 aircraft for Air China, the leading airline in China. Airlines in China take delivery of more aircraft than those in any other country, resulting in a highly competitive market, but the Bank concluded these arrangements profitably and further raised its profile in the market.

M&A AND OTHER ADVISORY SERVICES

> MERGERS AND ACQUISITIONS

M&A activities in Japan are at record levels. In addition to deals that have been conducted thus far, including those with the objectives of expanding business operations, entering new fields, and answering to the needs of current owners for cashing out or meeting other objectives, the number of instances of companies selling affiliated companies or divisions—with the aim of restructuring and focusing on core businesses—has increased.

DKB’s professional staff make use of the information-gathering and research capabilities of the Bank’s global network to provide advisory services closely linked to corporate strategy for companies in Japan and overseas. Deals arranged in fiscal 1997 included:

- advice to a leading industrial group based in Asia on choosing a joint venture partner and assistance in setting up the new joint venture company in Japan and

- advice to a Japanese logistics company for an asset purchase scheme with an existing dealer in the ASEAN region, including assistance in the conduct of related contract negotiations.

In Japan, the Bank successfully recommended the merger of two listed trading companies. In addition, the number of foreign companies making acquisitions and investing in Japanese companies is rising, and this has become one of the important characteristics of Japan's M&A market in recent years. The Bank has compiled an impressive record of successful deals, and its resources include skilled and experienced professional staff as well as an extensive database to respond effectively to the needs and interests of present and potential clients.

> ENVIRONMENT-RELATED SERVICES

As awareness of environmental issues rises and government regulations are tightened, substantial growth is forecast in a wide range of environment-related business sectors. DKB has a large base of clients that are leaders in various fields connected with environmental problems. These include consulting companies providing advice on environmental systems, plant engineering enterprises supplying waste processing equipment, industrial waste management companies engaging in recycling, general contractors supplying cogeneration facilities, transportation companies engaging in the recovery of wastes and other used materials through nationwide networks, enterprises making a business of restoring former factory sites and other polluted environments, companies providing services to gather data on dioxin levels and other pollutants, insurance companies analyzing and providing coverage for environmental risks, and companies providing information on the environment via telecommunications and other media.

The Bank is working to introduce the PFI approach and the Project Management Method to the financing and operation of environment-related undertakings. A feasibility analysis has already been completed for employing the PFI approach to privatize public waste processing systems, and, based on the research results provided by the Dai-Ichi Kangyo Research Institute, a committee has been formed to consider ways to implement such projects. The Bank plans to work closely with companies in the environment-related fields listed

DKB has established an impressive record of successful M&A deals, making use of its experience and resources that include skilled professional staff and an extensive database.



previously and act on behalf of local governments and other interests by performing the roles of financial advisor and overall organizer of such projects, from planning through funding, operation, and maintenance.

ELECTRONIC BANKING

With the implementation of the Big Bang, the most important tasks for the Bank in its electronic banking services are, first, to provide high-value-added services in a timely way to meet increasingly sophisticated and diverse customer needs that are emerging with the rapid

progress in technology and, second, to develop new delivery channels that will lower costs and increase operational efficiency.

Important developments in fiscal 1997 included the promotion of a sophisticated IC card system employing electronic money (e-money) and the full-scale development of the Bank's International Cash Management Service (DKB-WEB).

Specifically, the Bank developed an IC card system for use in university campus stores and began operations in December 1997. This system combines an ATM card and the store membership that students formerly had to present to make purchases at the campus store and



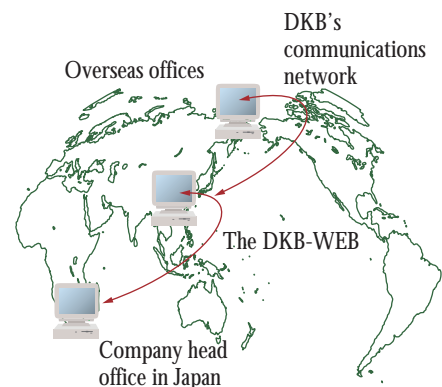
The Bank has been active in providing high-quality electronic banking services and is developing new delivery channels to increase operational efficiency.

cafeteria in a single e-money card. During fiscal 1997, this system was adopted by five university stores, and further expansion is expected in fiscal 1998 and later. Furthermore, in the category of services for the general public, the Bank has decided to participate in trials of Super Cash and Visa Cash that will begin in or after 1998, especially because these are the largest such ongoing projects with the objective of promoting standardization in Japan.

With the deregulation of Japan's foreign exchange restrictions—one of the first steps in the implementation of the Big Bang—requirements among corporations for global financial management and enhanced efficiencies in processing have grown, and the Bank has responded aggressively to this trend through the development and introduction of its DKB-WEB. The service has begun in Japan and at nine offices overseas. DKB has been a pioneer in this area and has more than 200 companies in Japan and overseas using the services. DKB-WEB has been highly evaluated for its superior capabilities.

The Bank's strategy in electronic banking is to focus on the full-scale development of Internet banking services. In Japan, there are more than 10 million users with access to the Internet. Making full use of this infrastructure to provide banking services will result in improvements in convenience for customers and cost reductions for the Bank.

The DKB-WEB



In January 1997, the DKB-WEB cash management service was launched through our Dutch subsidiary, Dai-Ichi Kangyo Bank Nederland N.V.

The service was expanded to our offices in Asia, North America, and Europe, and in July 1997 the head office in Japan started offering the service.

Using PC networks, the head office of a company in Japan and its subsidiaries, affiliates, and other units located outside the country can exchange detailed information on money transactions involving the corporate group. Overseas offices can also request funds from the head office via the system.

Plans call for using the Internet to not only provide customers with conventional services but also other completely new, high-value-added services. In anticipation of the introduction of such services, the Bank completely revised its web site during the fiscal year under review. (URL: <http://www.dkb.co.jp/english/>)

GLOBAL ACTIVITIES

Utilizing its international network primarily covering Asia, the Americas, and Europe, DKB has established an organizational structure that is capable of responding to the wide-ranging financial needs of its clients as they pursue business opportunities internationally. With the increasing globalization of financial activity, customers' business strategies have become increasingly sophisticated. In response to these developments, the Bank is strengthening its operating structure, aiming to significantly enhance the efficiency of its overseas offices.

ASIA

Over the past several years, DKB has worked to expand its network and presence in Asia because of the high growth rates that prevailed in the region and the strong demand for financial services to finance both the operations of the Bank's Japanese clients in the region and

*With its balanced network in Asia,
DKB offers a wide range
of high-quality services, such as
syndicated loans, project finance,
and aircraft finance.*



Loans Outstanding to Borrowers in Asia
(Balance Outstanding as of March 31, 1998,
by Location of Borrowers)

Loans Outstanding (Millions of U.S. dollars)				
Country Name	Total	Japanese	Non-Japanese	Public
Thailand	\$ 1,834.3	\$ 829.4	\$ 948.9	\$ 56.0
Indonesia	1,421.8	430.0	914.0	77.8
Malaysia	385.1	95.0	271.5	18.6
Philippines	155.7	5.1	127.2	23.4
Singapore	1,303.6	745.2	520.0	38.4
Hong Kong	3,164.7	930.4	2,138.4	95.9
Taiwan	623.2	342.0	281.2	0.0
South Korea	1,608.5	54.4	1,290.3	263.8
People's Republic of China	1,563.7	423.7	756.8	383.2
India	238.4	0.0	106.9	131.5
Total	\$12,299.0	\$3,855.2	\$7,355.2	\$1,088.6

*Non-Consolidated Basis

local industrial infrastructure projects. As a result of the Asian currency crises, triggered by the decline in the value of the Thai baht beginning in July 1997, the Asian economies are projected to enter a period of adjustment. However, economic growth over the medium-to-long term is still projected in Asia, and the region is expected to continue to be an important target for investors around the world. In addition, many Japanese corporations have operations in the region and will continue to require financial services. For these reasons, the Bank continues to regard Asia as an important area in its international activities and will continue to promote its operations there.