

“We are aiming to increase our competitiveness and profitability by taking a leap forward in responsiveness, drawing on our ability to anticipate customer needs, sense market trends, and then take quick action.”

Market & Trading C o m p a n y

*Takayasu Tanaka
President, MTC*



Operating Strategy of the Market & Trading Company

The Market & Trading Company (MTC) comprises the Market & Trading Planning Office, the Treasury Products Division, the Investment Banking Division, and the Treasury & Securities Division. MTC is also responsible for the operations of subsidiaries engaged in securities activities

as well as trust and banking and for overseas subsidiaries. MTC will work to develop its operations in line with the two following policies, emphasizing foresight and speed, based on a “sense” for the market.

MTC has two key operating policies:

- The first is to enhance DKB’s financial technology and act as the source of high-value-added products and services based on the close monitoring

of changes in the business environment. The anticipated growth in interest among corporate customers in cash flow management is likely to provide excellent business opportunities to assist customers in restructuring their balance sheets. DKB entered this area earlier than its competitors and is providing high-value-added solutions to customer needs. To further develop these services, MTC is working to bolster its capabilities

for sufficiently grasping customer needs and inputting this information directly into the development of new products. To this end, MTC is expanding its professional staff in this field to strengthen its customer relationship activities and sales capabilities. In addition, MTC is improving its compliance system to enhance transparency and earn the trust and confidence of its customers.

- The second operating policy is to focus and concentrate MTC's resources. The activities of MTC are closely linked with DKB's three core customer markets, namely, individuals; small, medium-sized, and upper middle market companies; and certain large corporations that have close relationships with DKB. Accordingly, MTC is focusing its business development efforts on the most profitable services for these customer groups. Specifically, some of the growth fields where demand from DKB's core markets will be strong are asset management and securitization—a field where DKB has particular strengths—including the issuance of asset-backed securities. MTC is allocating resources to these businesses on a priority basis. At the same time, however, MTC is carefully appraising the content of all of its businesses and may exercise the option of

reducing its involvement in or exiting certain less-promising fields.

To measure the contribution of various businesses, MTC has introduced the following indicators to facilitate profitable and efficient management. Return on equity (ROE), return on risk capital (ROC), and ordinary profit have been chosen as key management indicators. Return on VAR (ROV) and usage of VAR have been adopted to judge the performance of trading operations, and return on risk assets (RORA) is also being used, mainly in banking operations. These indicators are being employed to achieve the proper allocation of risk and the most efficient use of MTC's resources.

Deregulation is having a major impact on market-related operations, and activities to increase competitiveness and profitability through the conclusion of alliances, mergers,

and other business tie-ups across industries and national boundaries are becoming increasingly common. For example, DKB has concluded comprehensive arrangements with J.P. Morgan in the investment trust management field. DKB-J.P. Morgan Investment Trust Management Co., Ltd., set up jointly by the two partners, is now providing its customers with original brand investment trust products it has developed and managed.

Based on the two operating policies described above, MTC—as a team of specialists in advanced financial technology—will substantially strengthen the competitiveness of its products and services.

First Corporate Plan—MTC's Business Plans

- DATA (as of March 1999)
No. of Employees: 503
Risk Assets: ¥1,387 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	¥95.2	¥82.8	¥87.1	¥85.6	(9.6)
Expense	23.5	20.3	19.5	19.0	(4.5)
Net Operating Profit	71.7	62.5	67.6	66.6	(5.1)
Ordinary Profit*	75.2	65.6	70.7	69.7	(5.5)

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