



### Developments in Japan's Financial Industry

Looking back over fiscal 1998, ended March 31, 1999, important developments included further progress toward the implementation of Japan's financial Big Bang reforms, the conclusion of corporate alliances across borders and industries, and a substantial increase in competition. At the same time, due to the prolonged recession in Japan and the non-performing loan problems of Japan's financial sector, the operating environment for Japanese financial institutions became increasingly challenging during the fiscal year. However, it is important to note that the economy started to show signs of improvement in early 1999.

### First Corporate Plan Introduced

DKB launched its "First Corporate Plan" in April 1999, covering the three-year period from fiscal 1999 through fiscal 2001.

The management policy of the First Corporate Plan is to make the DKB Group a financial services group with high value, capable of responding to the trust and confidence placed in us by customers, shareholders, the market, and society and securing a leading position in the post-Big Bang era.

DKB will aim to realize this management policy by

- providing products and services that are competitive in the market and adapted to customer needs,
- establishing strong risk management capabilities supported by a financial position characterized by sound asset quality and a powerful earnings base, and
- creating superior brand-value to gain the long-term confidence and support of customers.

### Strategic Alliances

During fiscal 1998, DKB and its associated companies took important steps toward strengthening their capabilities in strategic areas. These included forging a comprehensive tie-up for investment trust management with J.P. Morgan and making arrange-

ments to set up a joint venture in the trust and banking business with The Fuji Bank, Limited. These new alliances will go into full operation in fiscal 1999. We are committed to responding appropriately to the increasingly sophisticated and diversified needs of our customers by drawing on the broad range of resources and capabilities of the DKB Group.

### Introduction of the Customer Segment-Based Business Management System

Along with the commencement of the First Corporate Plan and with the full intention of realizing the policy contained therein, DKB has thoroughly reviewed its organization and management systems and, in April 1999, introduced the Customer Segment-Based Business Management System, which calls for the establishment of independent business units—called “Companies”—within DKB. The three objectives of this system are to

- respond quickly and appropriately to customer needs,
- revitalize the organization through the greater delegation of authority, and
- clarify the roles and increase specialization of each Company.

Under this system, each Company is expected to exhibit strong “initiative,” “autonomy,” and “creativity” with the objective of optimizing customer service by providing the most suitable products quickly and through the best channels.

### Dealing with Problem Loans

DKB has given the highest managerial priority to dealing with problem loans. In accordance with DKB’s policy of making write-offs and additions to reserves for possible loan losses at the earliest possible time, DKB took a significant and precautionary step in fiscal 1998 to deal with its problem loans. The amount of reserves we set aside was far larger than the amount under the previous criteria we adopted. As a consequence, DKB regrettably reported a substantial net loss for the third consecutive fiscal year.

### Application for Public Funds and Business Improvement Plan

To increase its capital and strengthen its financial position, DKB issued ¥700 billion in preferred stocks and borrowed ¥200 billion in term subordinated debt under the terms of the Law Concerning Emergency Measures for Early Strengthening of the Financial Function. Moreover, along with this capital increase, DKB prepared a Business Improvement Plan with the objective of offering customers sophisticated financial services by implementing positive measures to restructure operations and rationalize management. Through these efforts, DKB will contribute to the proper functioning of the Japanese financial system.

DKB has thus announced its management vision for the 21st century and prepared the corporate structure necessary for making the vision a reality. Through the implementation of DKB’s First Corporate Plan, DKB will become a strong and reliable financial institution, worthy of the trust and confidence of our stakeholders. As we work toward our objectives, we look forward to the continuing support and advice of our shareholders and many business associates.

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