

## THE FIRST

# Corporate Plan

In view of the rapid changes in the operating environment, including the implementation of Japan's financial Big Bang, DKB is aiming at reforms that will make it possible for it to adapt to and remain ahead of these changes. With this objective in mind, DKB prepared and began to implement a new corporate plan beginning in April 1999. As this plan will be the first extending into the 21st century and will be "the first step toward creating a new Dai-Ichi Kangyo Bank," it has been named the "First Corporate Plan" (the "Plan").

The Plan has been formulated to provide DKB with a highly competitive organizational structure and a strong financial base as it heads into the 21st century. The three primary goals of the Plan are to establish DKB as the number one commercial bank in the Japanese retail market; make DKB a top-class domestic wholesale bank; and secure an international network that will enhance DKB's international operations and support DKB's presence in the domestic market. The Plan is basically similar in content to the Business Improvement Plan (refer to page 25 for further details) submitted at the time of DKB's application for public funds. Accordingly, the steady implementation of the Plan will lead to the attainment of the final goals of the Business Improvement Plan, which are to increase retained earnings and repay funds received from the government.

### Overall Management Vision

The objective of the Plan may be summarized as follows: "To transform the DKB Group into a highly valued financial services group that is capable of responding to the confidence placed in it by customers, shareholders, the market, and society."

Japan's financial industry continues to undergo change due to the financial Big Bang reforms that have been implemented. As competition becomes more intense, DKB must be able to respond more than ever to the confidence placed in it by

- customers, who are the focal point of all of DKB's activities;
- shareholders, as management principles move toward emphasis on shareholder value and the efficient use of capital;
- the market, as market principles are introduced and become the norm in financial markets around the globe; and
- society, as the proactive disclosure of business information and strict compliance with applicable legal standards become increasingly essential.

Under the Plan, DKB will respond in a balanced way to the confidence of all these stakeholder groups to become a highly valued financial services group with strong profitability and a well-established brand name. To make the Plan's vision a reality, the following management policies will be implemented.

*(1) Providing products and services that are competitive in the market and suited to customer needs.*

As a result of the relaxation of regulations and progress in technology, financial products and services are expected to become increasingly diversified and sophisticated. Banks cannot simply provide the same products and services to all customers but must strive to match their offerings to the needs of their customers more precisely while upgrading and strengthening their marketing capabilities.

To consistently offer products and services that are competitive in the market, delivered to customers through appropriate delivery channels, and marketed at proper prices, as well as to maximize the value of these offerings for each customer, DKB must take decisive measures to significantly expand and strengthen the comprehensive capabilities of the DKB Group.

*(2) Establishing strong risk management capabilities supported by a financial position that is characterized by soundness of assets and a powerful earnings base.*

The scope of banking operations is expanding due to the relaxation of banking regulations. To cope with the increasingly diverse and complex

risks that confront financial institutions, DKB will structure and continually upgrade comprehensive risk management systems that can monitor risks accurately and control them appropriately within acceptable limits.

Moreover, to increase the level of confidence placed in DKB by its customers and respond to their wide-ranging needs, DKB aims to build a sound and strong financial position. Measures necessary include improving asset quality—through the disposal of non-performing loans and other means—as well as active efforts to enhance the earnings structure through strengthening basic earning power and expanding capital.

*(3) Creating a superior brand to gain the confidence and support of customers for the long term.*

Since the establishment of DKB, we have aimed to create a “heart-to-heart” relationship with our customers, and this is reflected in our use of the heart mark as DKB’s symbol. Carefully cultivated over many years, the DKB brand name and symbol are well-known and readily recognized. On the firm foundation of DKB’s strong brand image, we will take steps under the Plan to further enhance our capabilities to offer high-quality products and services as well as provide expert leading-edge consulting and problem solving services. Through these efforts, we will work to become the “financial partners” of our customers, enjoying their long-term trust and support.

To implement these management policies successfully, we have set the following management targets for the three years covered by the Plan.

*(1) Improve competitiveness and become the number one commercial bank in the domestic middle and retail markets.*

DKB has targeted individuals; small, medium-sized, and upper middle market companies; as well as large corporations having close relationships with DKB as its core customer groups. Serving the

banking needs of these customer groups, DKB is working to achieve a leap forward in profitability by concentrating resources in these market segments and striving to become number one in these areas.

*(2) Establish comprehensive DKB Group strengths appropriate to the post-Big Bang era, principally in core businesses.*

To develop the necessary range of Group capabilities—principally in core businesses—and ensure a strong competitive advantage into the future, DKB is creating a strategic, flexible, and efficient Group structure and management system emphasizing overall Group performance.

*(3) Attain key financial targets: Tier I capital ratio of 6.5%, BIS capital ratio of 12%, and return on equity (ROE) of 7%.*

To gain the strong confidence of customers, shareholders, the market, and society at large, DKB has selected these key management indicators and set quantitative goals. DKB regards the attainment of these targets over the coming three years as essential and is working to rationalize its operations and strengthen its earnings base.

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

DKB has introduced the Customer Segment-Based Business Management System with the objective of strengthening its organization and management systems to facilitate the early and efficient implementation of various strategies and policies as well as to address the issues posed by the Plan. Through the introduction of the new business management system, DKB is moving from its former organizational structure, which was based on business and functional lines, to an organization divided according to customer market segments. The goal of this transition is to adapt to rapid changes in the business environment and respond more appropriately

to customer needs through faster decision making and policy implementation.

Specifically, DKB has set the goal of meeting increasingly diversified and sophisticated customer needs quickly and accurately by organizing its activities into separate business units, or “Companies,” and clarifying the positioning of the markets these Companies serve within DKB’s overall management strategy. Moreover, the Customer Segment-Based Business Management System is intended to create a system for quickly and flexibly restructuring its operations in response to changes in the business environment and achieving an effective allocation of management resources into priority businesses. Each of these Companies is organizationally an independent unit with a service delivery system that is integrated, from product development through marketing. Each Company, therefore, is responsible for developing and marketing products and services that are best suited to the needs of its customers. In addition, DKB has delegated the functions and authority that heretofore have been concentrated in the Head Office to the Companies. As a consequence, each Company can demonstrate its initiative, autonomy, and creativity

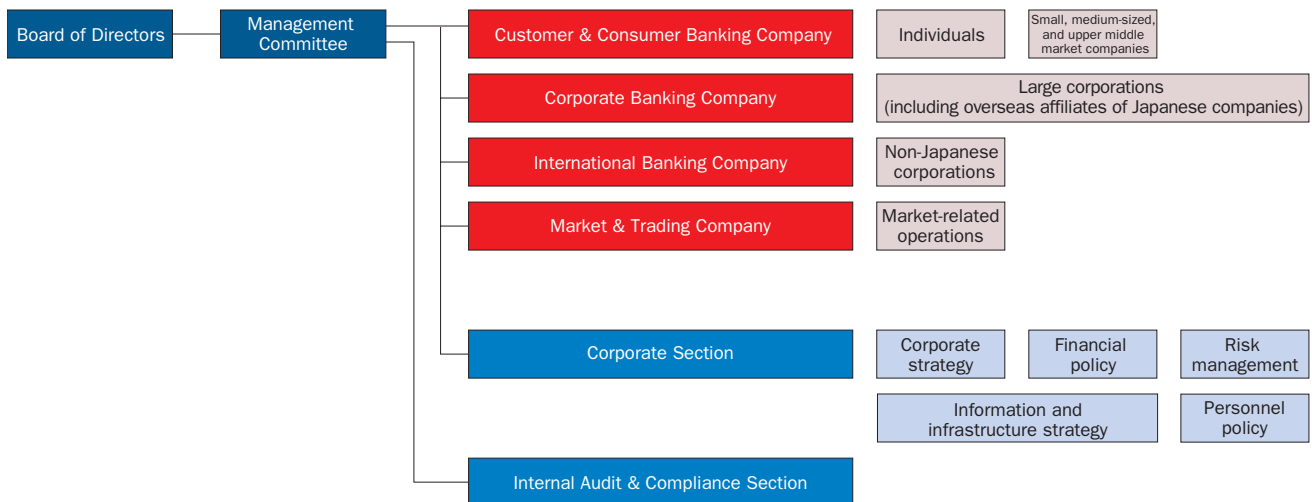
and develop its activities strategically and responsively. At the same time, DKB has clarified the responsibilities of the Companies in their respective markets, and each Company is working to make efficient and effective use of the management resources allocated to it, maximize the value of the services it provides to customers, and thereby enhance its performance.

To ensure that the management strategies and direction of business development are best suited to each market, DKB has divided its operations into four Companies and the Corporate Section and the Internal Audit & Compliance Section. Each of the Companies has the status of an independent business unit for accounting purposes.

The four Companies are as follows:

**CUSTOMER & CONSUMER BANKING COMPANY (CCBC)**—In charge in principle of the entire individual market and the market for small, medium-sized, and upper middle market companies that are served by DKB’s domestic branch network;

*The Customer Segment-Based Business Management System*



CORPORATE BANKING COMPANY (CBC)—Responsible for DKB’s large corporate customers, including overseas affiliates of Japanese companies;

INTERNATIONAL BANKING COMPANY (IBC)—In charge principally of non-Japanese corporations that are served through overseas offices, subsidiaries, and other offices; and

MARKET & TRADING COMPANY (MTC)—Responsible in principle for all market-related (non-customer-related) activities of the DKB Group.

CORPORATE SECTION—Provides bankwide staff functions, including business strategy planning, financial strategy planning, risk management, information technology and infrastructure planning, and personnel planning.

INTERNAL AUDIT & COMPLIANCE SECTION—As an independent section from other Companies and the Corporate Section, strengthens DKB’s audit and compliance functions and checks DKB’s functions for granting credit.

Along with the introduction of the Customer Segment-Based Business Management System, DKB has clarified the authority, responsibilities, and expected roles of each of the Companies. Under this new system, DKB has restructured its systems for managing Group operations to function more professionally, strategically, and efficiently and is exerting its fullest efforts to respond to the trust of its customers.

### Overview of Risk Management Systems

DKB’s specialized divisions and offices conduct their activities within the risk limits allocated to them and strictly manage the risks inherent in their operations. Accompanying the introduction of the

Customer Segment-Based Business Management System in April 1999, a member of the Board of Directors was appointed in the Corporate Section to be in overall charge of the management of market, liquidity, and credit risk from a bankwide perspective. Through these activities, DKB is working to continually upgrade its systems for risk management. To facilitate the comprehensive and professional management of various forms of risk from a managerial perspective, DKB formed the ALM & Market Risk Management Committee and the Credit Risk Management Committee.

The ALM & Market Risk Management Committee is responsible for reviewing market risk management, including policies for the optimal composition of assets and liabilities and trading activities, taking account of financial market trends. Similarly, the Credit Risk Management Committee reviews basic credit policies and credit risk management policies. These two committees report periodically on these policies and risk management activities to the management of DKB and conduct checks to ensure that risk volumes are not excessive.

Liquidity risk is managed by accurately monitoring conditions in both yen and foreign currency money markets. Based on analyses of its funding capacity and taking-lending position, DKB conducts precise liquidity management operations. Moreover, DKB has newly established the Global Transaction Services Planning Division within the Corporate Section to centralize the management of risks that may arise from time zone differences in foreign exchange operations and other risks related to domestic and international settlements.

Similarly, for information technology (IT), legal, and other forms of risk, DKB has appointed a member of the Board of Directors and established an administrative unit within the Corporate Section and the Internal Audit & Compliance Section to take responsibility for supervising such risks from a bankwide perspective and making reports to the Management Committee. These various organizational systems enable DKB’s management to supervise such risks from an overall perspective.