

# The Daiwa Bank, Limited: 82 Years of History



Tokushichi Nomura, Founder

- 1918** Founded as The Osaka Nomura Bank
- 1926** Securities Department separated and established as a securities company (currently known as The Nomura Securities Co., Ltd.)
- 1927** Changed name to The Nomura Bank, Ltd.
- 1929** Designated as the Osaka Prefectural Government's sole authorized banking agency
- 1944** Merged with The Nomura Trust Co., Ltd., to become the first integrated banking organization in Japan engaged in trust banking operations
- 1948** Changed name to The Daiwa Bank, Limited
- 1949** Designated as an authorized foreign exchange bank
- 1958** P.T. Perdania Bank began operations as an affiliate of the Bank in Indonesia. (Name changed to P.T. Bank Daiwa Perdania in 1994)
- 1962** Initiated pension trust business services
- 1987** Established the Dairinkai
- 1989** Established the Daiwa Bank Asia-Oceania Foundation
- 1991** Completed construction of new Head Office building in Osaka
- 1993** Acquired third-party allotment share of Cosmo Securities Co., Ltd., making it a subsidiary of Daiwa Bank
- 1994** Completed construction of new Head Office building in Tokyo  
Completed development of the account-related New Total On-Line System (NEWTON)
- 1995** Disclosed losses incurred by a locally hired contract employee at the New York Branch
- 1996** Discontinued all business operations in the United States  
Completed development of the information-related Daiwa Resolution System for Worldwide Information Management (DARWIN)
- 1998** Established D&I Information Systems Inc., a joint venture with IBM Japan, Limited  
Five-Point Specialization Strategy announced
- 1999** Strategic alliances announced with the Bank of Kinki and the Bank of Osaka  
Preferred shares issued in relation to the injection of public funds  
Pension and Corporate Trust Company established  
Daiwa Bank appointed as Trustee Bank for Sports Promotion Voting Activities (the "Soccer Lottery")  
In the Bank's asset management and administration activities, alliances were concluded with four leading U.S. and European investment advisory companies and with a consulting company engaged in investment management performance evaluation.
- 2000** Kinki Osaka Bank begins operations.  
Establishment of a new trust bank, Japan Trustee Services Bank, Ltd., with Sumitomo Trust & Banking Co., Ltd., to specialize in providing asset administration services  
Introduction of the Executive Officer System

## Foundation

The Osaka Nomura Bank, the forerunner of The Daiwa Bank, Limited, was founded by Tokushichi Nomura in May 1918 and began operations in Osaka, a bustling center of commerce, in August of the same year. The name was later changed to The Nomura Bank, Ltd., in 1927.

At that time, although Tokushichi Nomura was engaged in the securities business in Osaka, he noticed that many banks were primarily dealing with large companies in major industrial fields. Nomura recognized the necessity of providing support for small and medium-sized enterprises. As a result, he decided to establish a bank that would "supply funds to these small and medium-sized enterprises."

## Sovereign Independence

Based on its management philosophy, Daiwa Bank concentrated on supplying funds to small and medium-sized enterprises in addition to promoting securities operations. In 1926, the steadily expanding Securities Department was separated and established as a securities company (currently known as The Nomura Securities Co., Ltd.). This separation, in turn, resolved the issues associated with the concurrent operation of different businesses.

Immediately following the Wall Street financial crash in 1929, the Bank was designated as the Osaka Prefectural Government's sole authorized banking agency. In that the administration of such operations required numerous complex procedures, many banks were unwilling to assume such a heavy

responsibility. In contrast, Daiwa Bank valued the public aspects of managing the main depository, which would in turn promote its credibility.

In 1944, following a merger with The Nomura Trust Co., Ltd., the Bank became the first financial institution in Japan to undertake both ordinary bank and trust businesses.

Such development of a diverse scope of operations depicts the spirit of sovereign independence as set forth by the Bank's founder, Tokushichi Nomura. "Sovereign independence" represents the principle of "self-responsibility," defined by the undertaking of individual plans and actions and the acceptance of full responsibility for the outcome. Daiwa Bank has been faithfully committed to this original precept throughout its unique history—a mainstay throughout the changes of time.

#### **Initiation of Operations as Daiwa Bank**

Following the dissolution of the *zaibatsu*, or large financial conglomerates, in the postwar period, the Bank changed its name to The Daiwa Bank, Limited, in October 1948.

In 1949, the Bank was designated as an authorized foreign exchange bank and began operating as a comprehensive financial institution engaged in commercial banking and trust businesses as well as foreign exchange business.

#### **Issues Related to Separation of Trust Business**

In 1965, the separation of the trust business from concurrently operating banks was promoted under the viewpoint that the trust business should be managed only by banks specialized in this field. However, Takeo Terao, the president of Daiwa Bank during this period, felt that the concurrent operation of ordinary banking and trust businesses correlated with the needs of the times by not only facilitating the popularization of banks but also by allowing institutions to offer a comprehensive range of products and services to customers. He also felt that the expansion of the trust business could be accomplished only when operated by banks with stable income sources and, thus, most effectively managed by banks on a concurrent basis. Backed by rising support mainly from financial circles in the Kansai area, Terao held firmly to this belief and continued to maintain the concurrent operation of banking and trust businesses.

#### **Launch of Pension Trust Business**

In the postwar period, as the Japanese economy began to regain its stability, there was a growing awareness of the need for provisions to ensure the quality of life for Japan's aging population. Under such circumstances, Daiwa Bank launched its pension trust business in 1962. The Bank concentrated its efforts on developing its pension trust business in this field and subsequently became a leading bank in the corporate pension sector

with pension assets under management of ¥6.6 trillion as of March 31, 2000.

#### **Responding to Deregulation of the Financial Sector**

In 1993, Daiwa Bank acquired a stake in one of the leading securities companies in Japan, Cosmo Securities Co., Ltd.—a company sharing the same founder as Daiwa Bank—making the firm a subsidiary. Furthermore, in response to financial deregulation, in 1994 the Bank created a new accounts system, NEWTON, which was followed by a new information system, DARWIN, brought into operation in 1996. In a joint venture with IBM Japan in March 1998, D&I Information Systems Inc. was established, enabling the strategic outsourcing of the information systems division.

#### **The Future for Daiwa Bank**

In 1996, as a result of losses at its New York Branch resulting from the actions of a locally hired contract employee, Daiwa Bank discontinued all business in the United States. The Bank took this as an opportunity to implement a specialization strategy of enhancing capabilities in its strongest areas and withdrawing or scaling down weaker operations. To accelerate the pace and degree of implementation of this strategy, the Five-Point Specialization Strategy was announced in October 1998, including such restructuring operations as the withdrawal from overseas banking operations.

To make further progress in specific implementation of the Bank's specialization strategy, in March 1999, the Bank prepared the Plan to Revitalize Management containing three basic objectives. These were to "contribute to the stability of the Kansai region," "strengthen our pension and corporate trust management operations," and "step up efforts to implement the Five-Point Specialization Strategy," which we introduced in October 1998. Specific accomplishments included the launching of the Kinki Osaka Bank in April 2000, which was a significant stride toward our goal of creating a Superregional Bank with its base in the Kansai region. In addition, in the Tokyo metropolitan area we are working to achieve greater efficiency and concentration of operations into larger branches with the aim of providing a full range of sophisticated services for corporate customers. In the Trust Division, we introduced our in-house company system in April 1999 and established a new trust bank with Sumitomo Trust & Banking Co., Ltd., to specialize in asset administration services. Moreover, the Bank is moving aggressively into new business activities and has become the sole financial institution to be appointed as Trustee Bank for Sports Promotion Voting Activities and, in this capacity, will manage the planned Soccer Lottery.