



Initiatives for the Electronically

Agenda

Legislative initiatives for electronically recorded monetary claims

- Background
- System overview

Commercialization initiatives

- Market potential (general, specific segments)
- Structure of DENTE(electronic Bill)* services
 - ✓ Concept
 - ✓ Main features
 - (Ex.) Web page image
 - (Ex.) Simple operation with dedicated fax sheet

Future tasks

- * DENTE(Electronic Bill): A general term used by the bank to refer to all of the electronically recorded monetary claims treated as payment instruments in commercial transactions



Legislative initiatives for electronically recorded monetary claims

Background

Legislative background

<Decline in bill/check transactions>

➤ Declining use of paper media due to storage costs, loss risks and other problems

<Difficulty in Early liquidation of accounts receivable>

➤ Low liquidity due to cost of confirming existence of credit and risk of double assignment

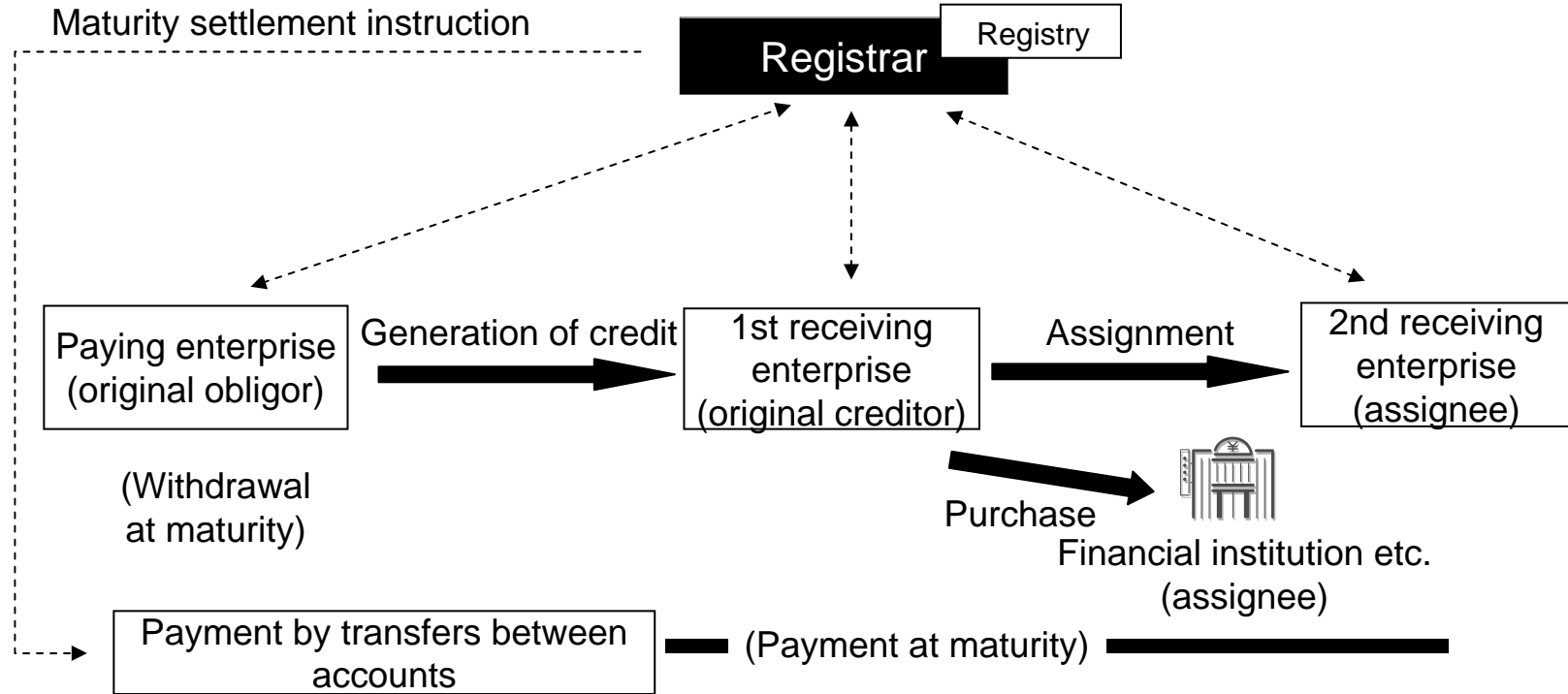
<Facilitation for easy fundraising by small and medium-sized enterprises is necessary>

➤ Create new system that uses electronic entries to stipulate the nature of rights, thereby ensuring the safety and liquidity of transactions while also protecting users

Course of investigations

- | | |
|----------------|---|
| ✓2004 | “Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society” issues recommendations to the government |
| ✓2006 | Deliberation by the Legislative Council and Financial System Council |
| ✓June 2007 | Passage and promulgation of the Electronically Recorded Monetary Claims Act |
| ✓December 2008 | Act enters into effect |

System overview



	Discount	Assignment (endorsement)	Collection
Bill	OTC (Over-the-Counter)	Hand delivery/mail	OTC
Electronically recorded monetary claim	WEB, FAX	WEB, FAX	Unnecessary
Commercialized service	Electronic instrument purchase	Electronic instrument settlement	

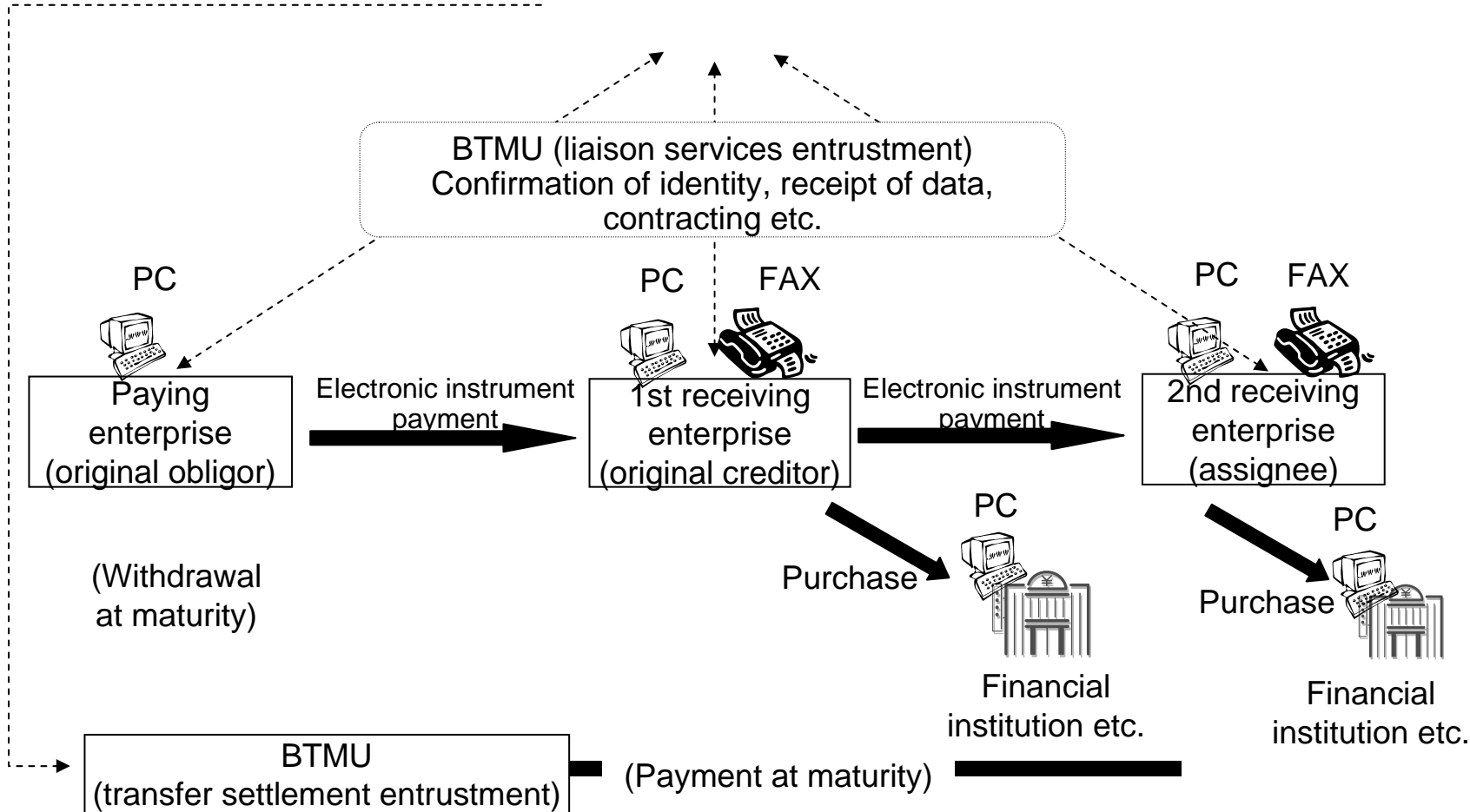
Division	Stamp tax
No	Yes
Yes	No
Electronic instrument settlement	—



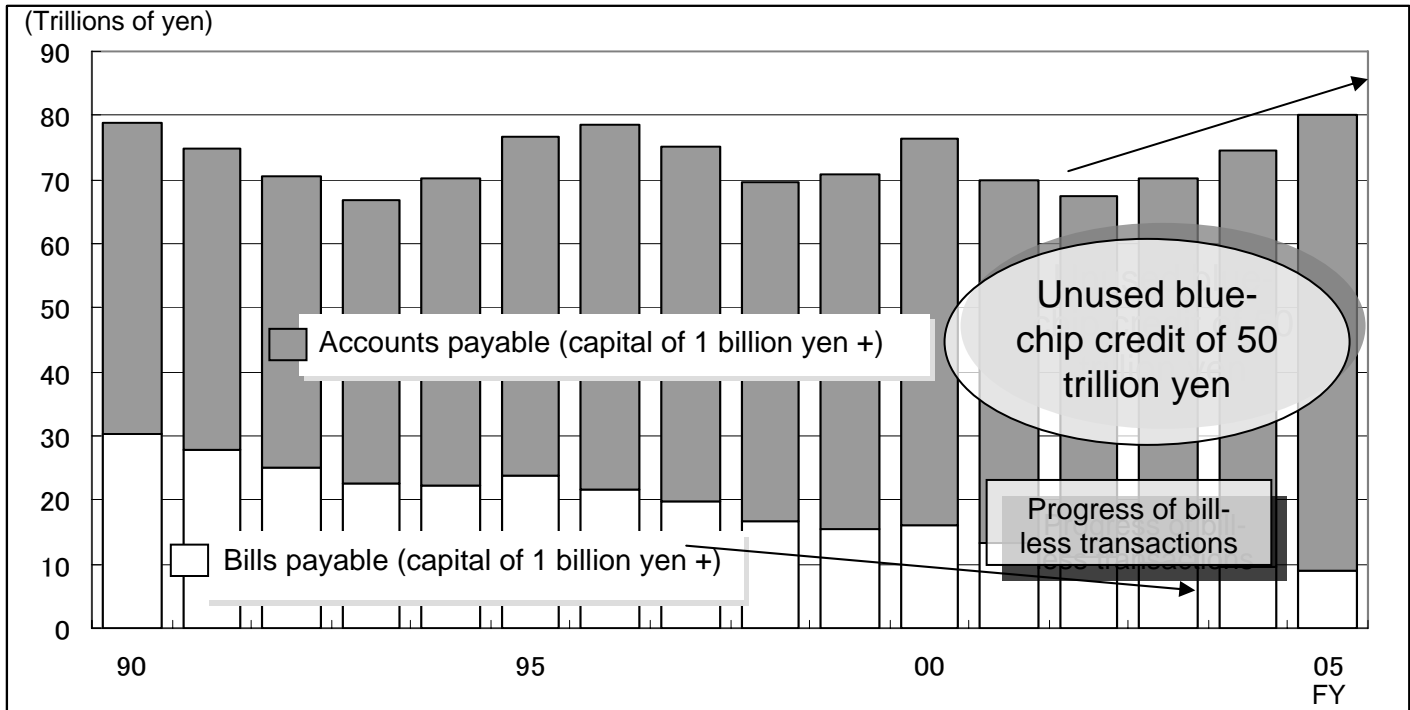
Commercialization initiatives

Service overview

Maturity cash transfer data



Market potential 1 (General)



(Trillions of yen)

	1990	2005
Large enterprise accounts payable	49	71
Large enterprise bills payable	30	9

Of which

➔ <Used portion> --20 trillion yen
 Lump sum factoring: 12 trillion yen
 ABCP (est. 3 megs): 7 trillion yen

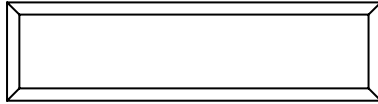
Market potential 2 (47 leading companies)

(Numbers of companies: 10,000 companies; Market size: Trillions of yen)

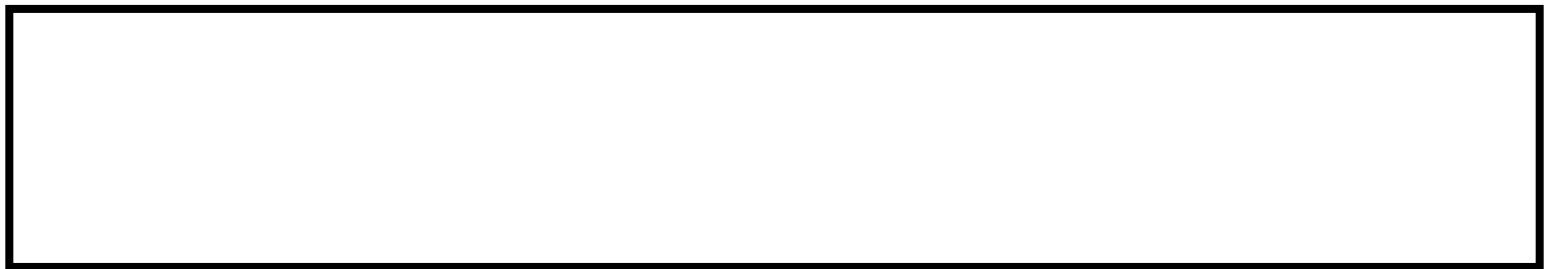
	Electric machinery (10 companies)	Automotive (10 companies)	Steel/ nonferrous (8 companies)	Construction (6 companies)	Chemicals (8 companies)	Industrial machinery (5 companies)
1st receiving enterprises	3	0.9	1	3	0.6	0.9
2nd receiving enterprises	21	13	15	26	9	11
3rd receiving enterprises	34	35	36	28	34	33
Total	58	48	52	57	44	45

Market size	11.3	5.1	3.6	3.3	2.5	2.2
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Electronic instruments business initiatives 1



⇒ Customers merely input deadline, amount and payee (assignee) by web or fax



- ⇒ Promote introduction at receiving enterprises to encourage bill-less transactions (use of DENTE) at large enterprises
- ⇒ Existing accounts can be used for receiving enterprise settlement accounts (including accounts with other institutions)
- ⇒ Use operational alliances etc. to open necessary base infrastructure to the discounting services of other institutions

Electronic instruments business initiatives 2

Main features

- Shorter period to liquidation than bills by skipping the time for mailing, transportation and screening

[Ex.]

Bill discount: Issuance → (Mail 1-2 days) → Receipt → (Transportation to office) → Screening → Deposit

Electronic instrument discount: Issuance → (Web/Fax) → Receipt +1 click → Deposit

- Discounting provides dynamic fund-raising in increments of 1 yen from a minimum of 1,000 yen
 - ⇒ Not a face-to-face transaction, so no need to be "considerate" of bank tellers' time when raising small amounts
- Funds can be released on the same day of payment (for bills, funds are released on the 2nd business day from payment)
 - ⇒ End-of-month payment by DENTE can be used as end-of-month cash immediately.

Electronic instruments business initiatives 3 (Web-based discount application)

① *You can raise only the funds needed*

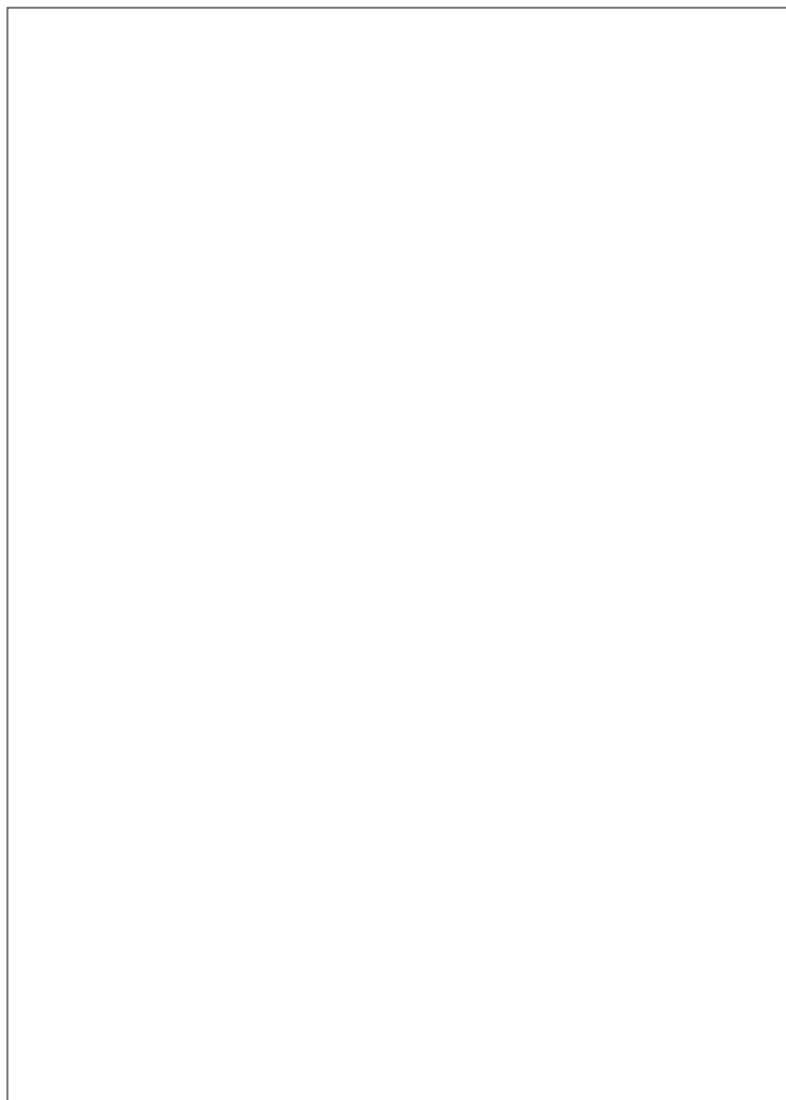
② *Designate transaction date*

③ *Just one more click*

If registered in advance, discount automatically performed and deposit automatically made to account on credit date

List of scheduled future discounts

Electronic instruments business initiatives 4 (Fax-based discount application)



PIN

*Designate
transaction date*

You can raise only the funds needed

Future tasks

⇒ Clarify positioning vis-à-vis the Subcontracting Law and other systems (promotion as national policy)

- ⇒ Need of the cooperation activities by government and private sectors to promote the system
- ⇒ Active approaches to tax accountants and other peripheral business sectors

- ⇒ Streamline operations at small and medium-sized businesses by linkage with accounting systems etc.
- ⇒ Development of secondary market for electronically recorded monetary claims
- ⇒ Use of the transaction business as base infrastructure