



Initiatives for the Electronically Recorded Monetary claims Business

Using the creditworthiness of blue chips to provide fundraising
vehicles for small and medium-sized enterprises

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

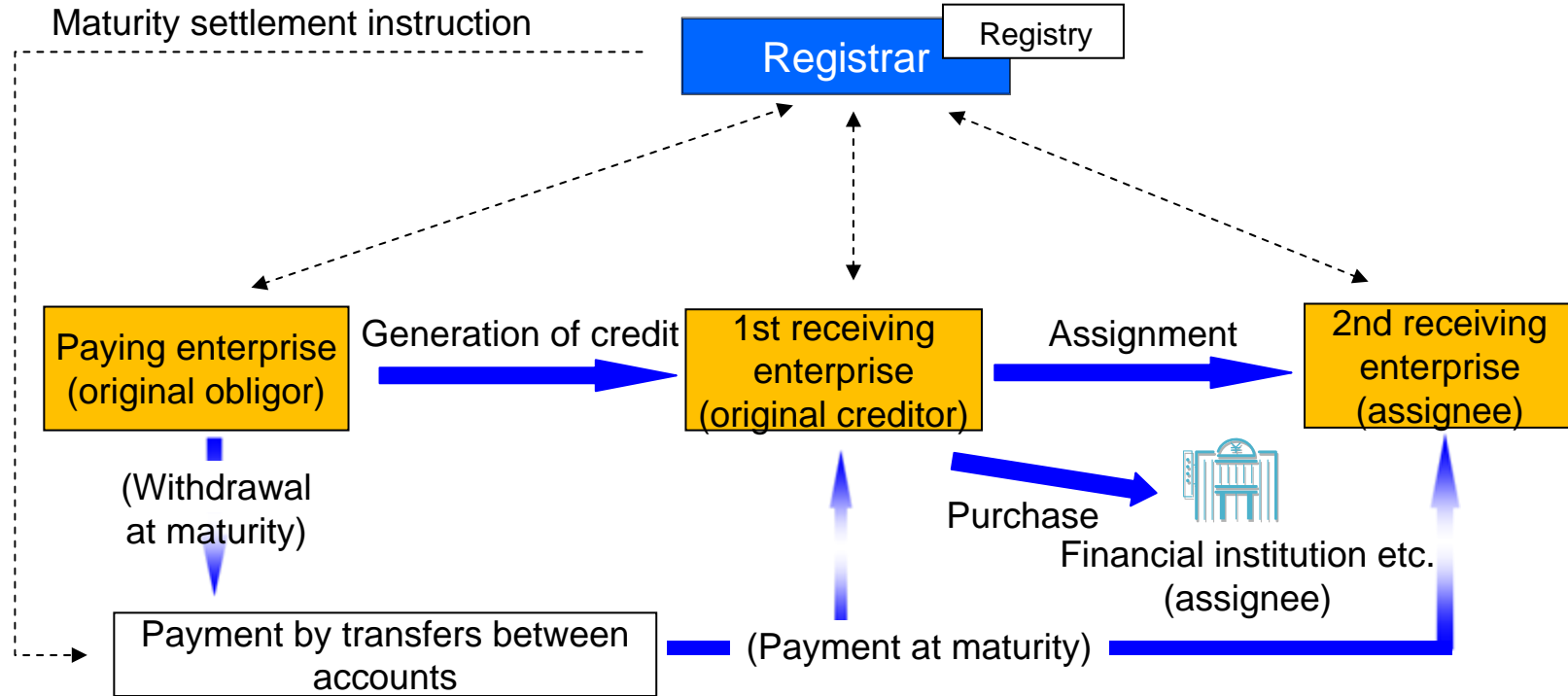
<Facilitation for easy fundraising by small and medium-sized enterprises is necessary>

- 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

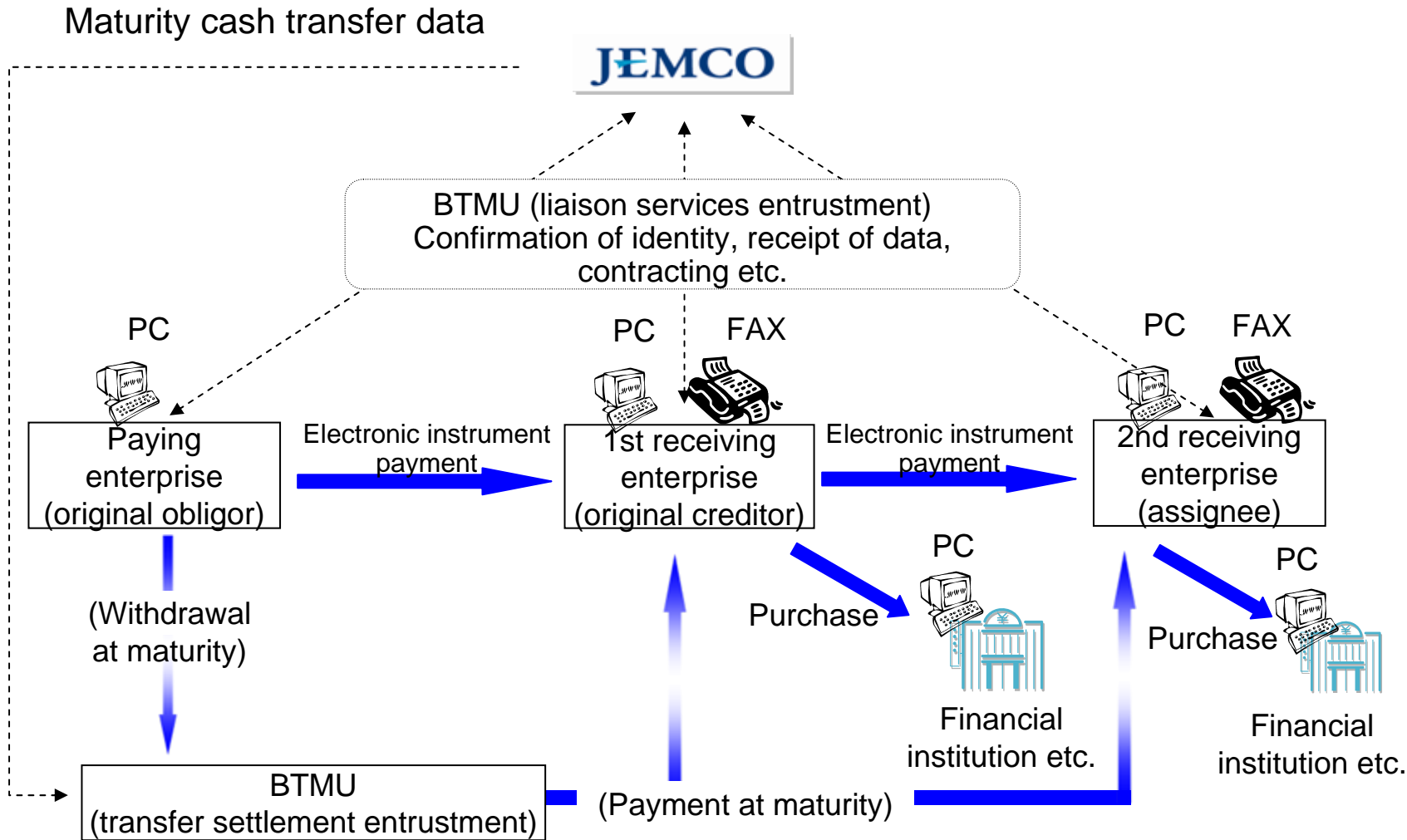


	Discount	Assignment (endorsement)	Collection
Bill	OTC (Over-the-Counter)	Hand delivery/mail	OTC
Electronically recorded monetary claim	WEB, FAX	WEB, FAX	Unnecessary
Commercialized service	Electronic instrument purchase	Electronic instrument settlement	

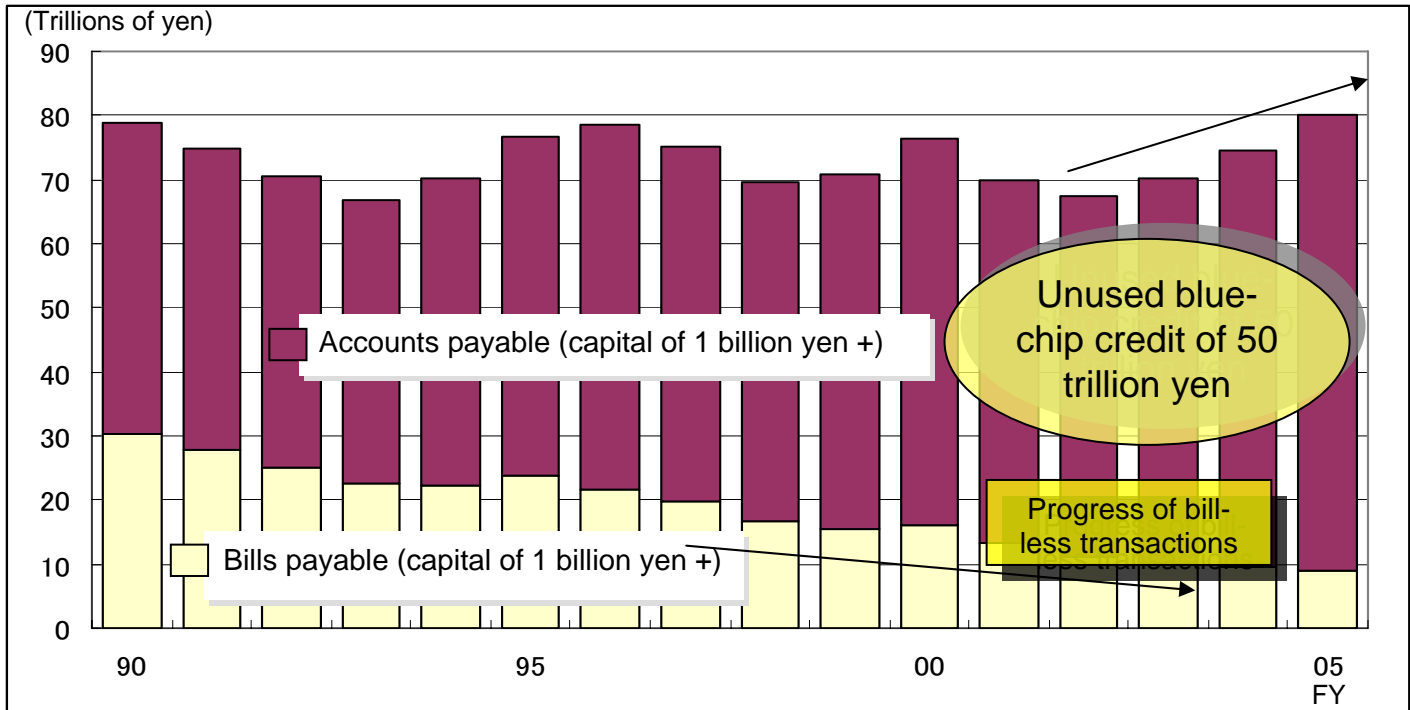
Division	Stamp tax
No	Yes
Yes	No
Electronic instrument settlement	—

Commercialization initiatives

Service overview



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

Concept

- Banks intermediate between registrar and users to provide a more convenient environment in which users do not incur the burden of specialized recording procedures

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

- Studying mechanisms for coexistence with local financial institutions where small and medium-sized enterprises already have dealings in order to encourage introduction of among smaller receiving enterprises

⇒ 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)

電手 三井東京UFJ銀行
お問合せ: 03-0000-0000

お客様番号 : 0000001 債権者EFGH株式会社 様
前回ログイン日時 : 2004/05/03 23:11

証明書更新 ユーザ管理 パスワード変更 ログアウト

メインメニュー **債権残高照会/割引申込** 債権残高照会/譲渡申込 振込履歴照会 [操作マニュアル](#)

債権残高照会/割引申込

① You can raise only the funds needed

■本日時点での債権状況
本日現時点での債権残高合計は **¥4,000,000 円** です。

債権記録番号	支払企業名	支払期日	債権金額	割引希望金額	想定割引料
0800000010000	支払企業A社	2004/12/24	¥1,000,000		
0800000020000	支払企業B社	2004/11/30	¥2,000,000		
0800000030000	支払企業C社	2004/10/29	¥1,000,000		
0800000040000	支払企業D社	2004/10/10	¥0		

② Designate transaction date

想定割引計算 1.375 % 計算 割引希望日

2005/01/01 の形式で入力してください。

※各債権の割引希望額・割引希望日・計算レートを入力後に「想定割引料計算」ボタンをクリックすると、各債権の想定割引料が
※各債権の割引希望額・割引希望日を入力後に「割引申込」ボタンをクリックすると、割引のお申込ができます。

③ Just one more click

■定期割引
指定日: 発生日即日 指定金額: 全額 休日のお取扱い: 前営業日

■本日以降の随時割引申込状況

割引希望日	指定方式	割引請求金額	詳細
2005/01/17	債権指定	¥1,000,000,000	<input type="button" value="表示"/>
2005/01/18	金額指定	¥2,000,000	<input type="button" value="表示"/>
2005/01/18	債権指定	¥1,000,000	<input type="button" value="表示"/>
2005/01/19	WEB申込	¥1,000,000	<input type="button" value="表示"/>
2005/01/20	WEB申込	¥1,000,000	<input type="button" value="表示"/>
2005/01/21	WEB申込	¥1,000,000	<input type="button" value="表示"/>

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

List of scheduled future discounts

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Future tasks

➤ Creation of environment that addresses the needs of the large enterprises with strong creditworthiness that are the obligors

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

➤ Educational activities for receiving enterprises, particularly small and medium-sized enterprises

⇒ Need of the cooperation activities by government and private sectors to promote the system

⇒ Active approaches to tax accountants and other peripheral business sectors

➤ Investigation of new business models

⇒ 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