

Merrill Lynch “The 2nd Japanese Banks & Financial Services Conference”

The Japan Net Bank Ltd.

<http://www.JapanNetBank.co.jp>

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Agenda

- 1. What's Japan Net Bank?**
- 2. Basic Concepts - Merits of Independent Entity**
- 3. Financial Products & Services**
- 4. Access Channels**
- 5. Business Promotion**
- 6. Market Segmentation (Japan Net Bank / Parent Bank)**
- 7. Solid Risk Management**
- 8. Position in Sakura's / SMBC's Group Strategy**



1. What's Japan Net Bank ?

Japan's first internet/online specialized bank

**Establish “ de facto standard” in Japan
as a internet specialized bank for consumers**

Launched on October 12, 2000



1. What's Japan Net Bank? - Outline

Name of Company	The Japan Net Bank, Limited
Capital	\20 billion
Shareholders	Sakura Bank (50%) , Sumitomo Bank (10%) , Fujitsu (10%) , Nippon Life Insurance (10%) , Tokyo Electric Power (5%) , Mitsui & Co. (5%) , NTT DoCoMo (5%) , NTT East (5%)
Directors & Employees	52 as Directors & full-time employees and around 50 as customer center stuff (around 100 in total)
Head Office	Shinjuku Mitsui Building, Shinjuku-ku, Tokyo (real channel = Head Office only)
ATMs	Sakura Bank (4,159 ATMs) , am/pm • @B N K (981 ATMs) (as of end of September 2000) (From April 2001, approx.3200 ATMs of Sumitomo Bank will be available)
Business Hour	Basically 24 hours, 365 days
Products/Services	Ordinary Deposit , "Net" Term Deposit , Money Transfer , Card Loan, Auto Loan, Credit Card etc.
Access Channel	internet, i-mode, telephone, mail
Business Target	< Volume > FY2002: Number of accounts = 1 million , Deposit balance = \1 trillion , Loan balance = \ 84 billion < Profit > FY2002: Getting into the black, FY2004: Operating Profit = \10 billion



2. Basic Concepts - Merits of Independent Entity (1)

Establishment of new brand for Internet users
in Japan



Establish “Japan Net” brand!!
(not “Sakura”, not “Sumitomo Mitsui”)

Main target = Sharply expanding Internet users



2. Basic Concepts - Merits of Independent Entity (2)

Low-cost structure



Realize highly competitive interest rates / fee schedule

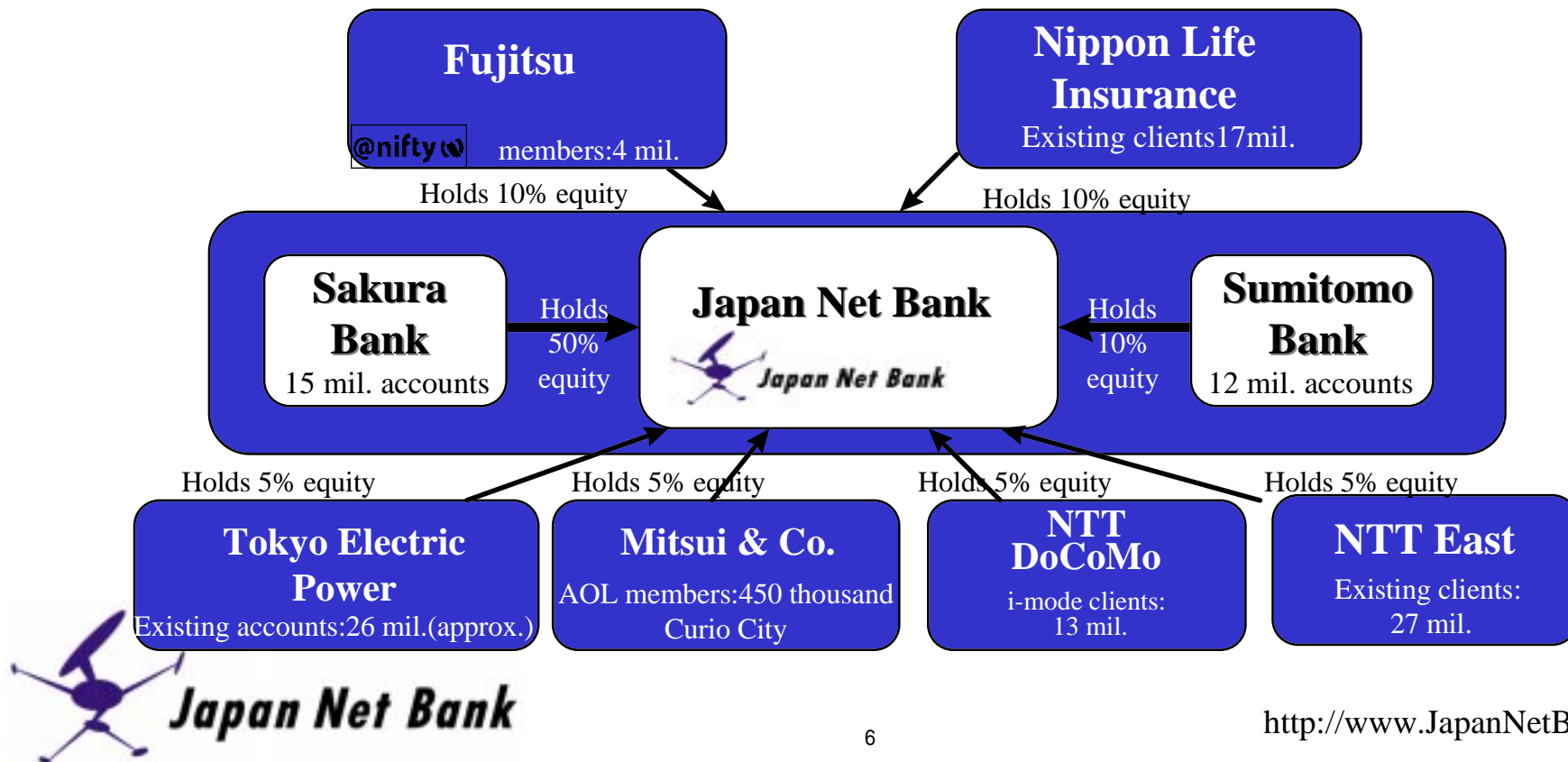
(Please refer to page 12 about comparison between Japan Net Bank and average of city banks in several services and fees)



2. Basic Concept - Merits of Independent Entity

Alliance with major providers/retailers through equity holding

Maximize alliance merits by joint marketing / business development



2. Basic Concepts - Merits of Independent Entity (4)

Open & light system



Ability to adopt IT forefront flexibly at any time

Differentiation from existing banks' mainframe systems

- easy and inexpensive system modification & upgrade



2. Basic Concepts - Merits of Independent Entity (5)

Quick decision making



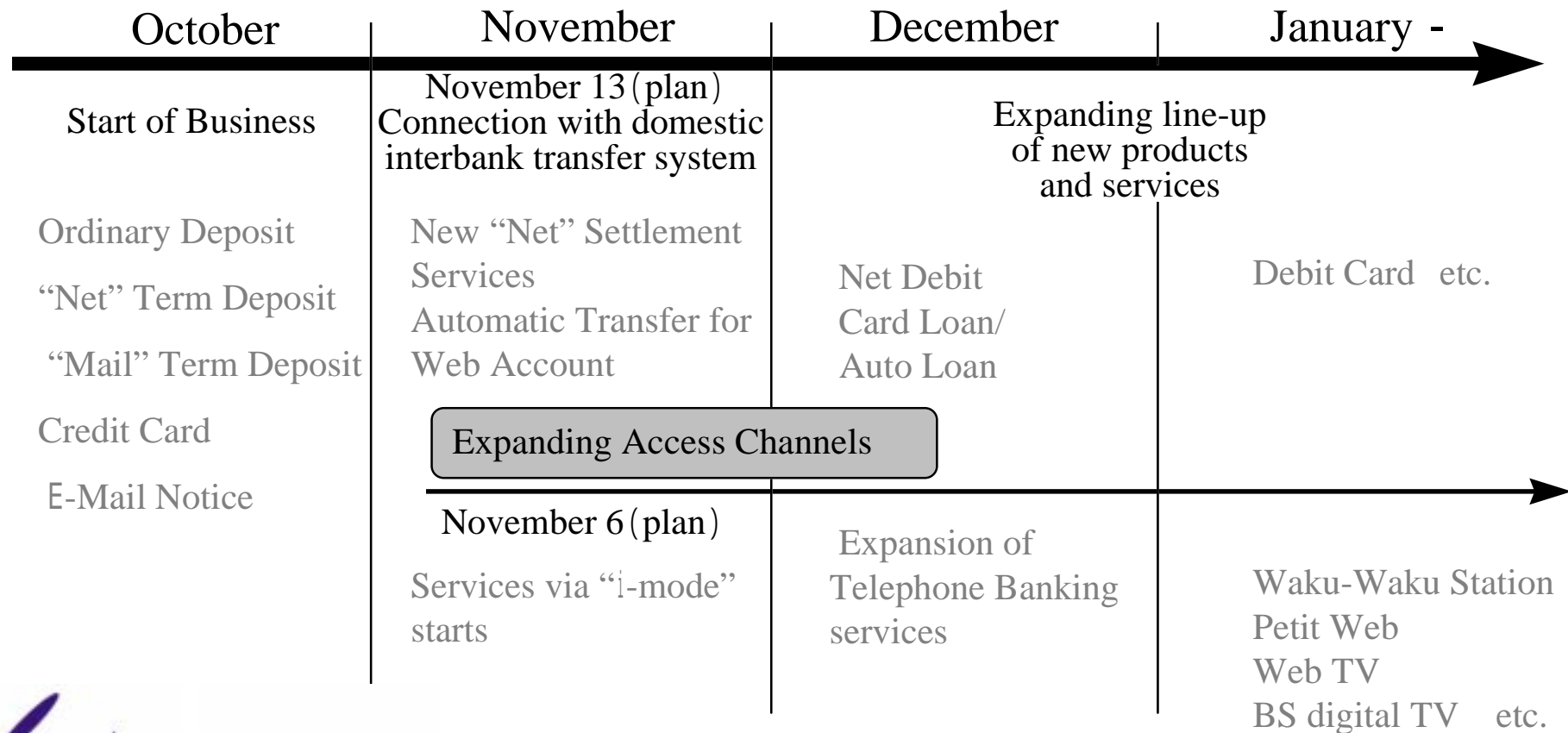
Ability to change itself quickly and flexibly in Internet business field

- **Can existing large enterprises provide highly appropriate net banking services to satisfy “net users” while time flies like *Dog year / Cat year*?**
- **Speedy & flexible decision making & execution system is essential to survive in net business field!!**



3-(1) Financial Products & Services - Schedule

Schedule from Oct. '00



3-(2) Financial Products / Services Four Keywords

1

Convenient

Accessible any time, anywhere, as it's at Internet!!
Easy, and convenient operation

3

Customized

Specific information for each customer.

2

Competitive

Attractive interest rates and fee schedule.
Please compare these with others!!

4

Confidential

The top level security system



3-(2) Four Keywords (1) - “*Convenient*”

**More convenient, seamless financial functions
/ net settlement functions**

Various services in collaboration with tie-up companies

**New net settlement service - developed jointly with Fujitsu
etc.**

**After the connection with domestic interbank fund transfer
system (Zengin System) on November 13, Japan Net Bank
will announce / start various services successively.**

✦ Don't miss it!! ✦



3-(2) Four Keywords (2) “Competitive”

Competitive interest rates & Fee Schedule

Attractive interest rates & Fee Schedule

(as of October 12, 2000)

Products / Services			Japan Net Bank	Average of city banks(**)	Notes
Ordinary Deposit	%		0.200	0.102	
“Net” Term Deposit (1 year)	%		0.400	0.155	City banks : Super Term Deposits (1year, less than Y3mil.)
Charge of Fund Transfer to other banks (*)	less than ¥30,000	Y	168	420	City banks : • telegraphic transfer • operated through ATM by cash
	¥30,000 or over	Y	262	630	
Charge of Fund Transfer within Japan Net Bank (*)	less than ¥30,000	Y	52	105	
	¥30,000 or over	Y	52	315	

* No necessity to pre-register remittees

Transfer charge would be reduced depending on the customers' whole transactions.

**Source: media base

ATM Charge: Credit : Free

Debit : (up to 3 times /month) = Free

(after the 4th time /month) = Y157 (ATM debit charge would be reduced depending on the customers' total transactions.)

“Account Maintenance Charge” (Y1,050./ month) :

charged to the A/C with average balance less than Y300,000

(Free during the opening campaign until Mar. 31, '01)



3-(2) Four Keywords (3) - “*Customized*”

Offering personal information

Offer information customized for each customer.

Message only for you, about financial products and services accessible at our home page.

E-mail notice

Inform customers of transaction details by e-mail.

Expiration of term deposit, credit by fund transfer, and error of automatic account transfer are informed by e-mail as well.

Notice to i-mode is also available at customers' request.



3-(2) Four Keywords (4) - “*Confidential*”

Security

Customers' information flow through the network is encoded by SSL(Secure Sockets Layer) 128bit which is global de facto standard as encode techniques.

The data base and the server for customers' information recording is protected by fire wall and access-surveillance-system.

All the Internet banking transactions are protected by password. Money transfer is also guarded by ID code.

Last login date and time is always indicated. Customers can check illegal access to their accounts.

Privacy

Confidentiality of customers' private information is strictly secured.

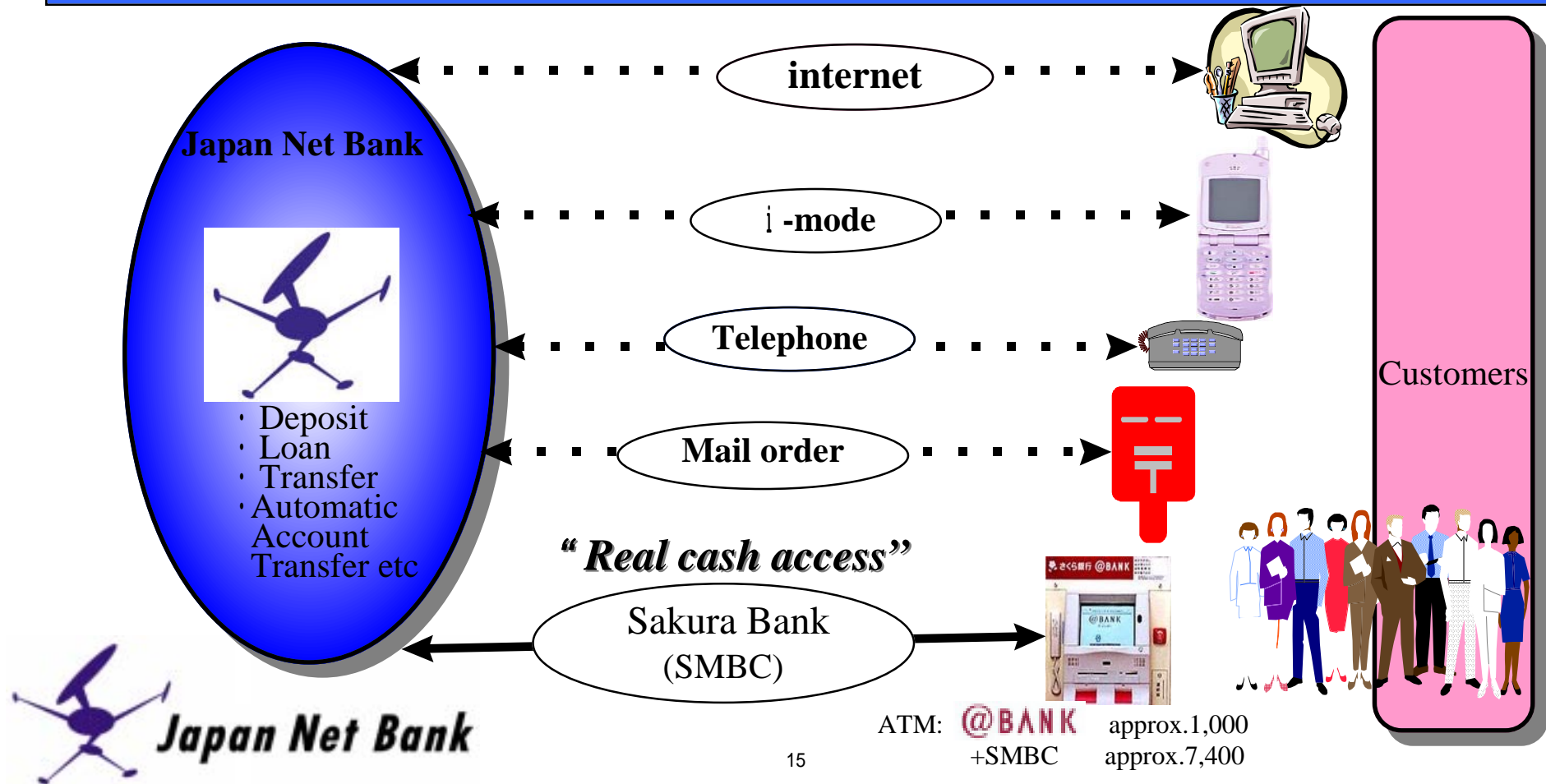
Private information is used only with customers' agreement.



4. Access Channel

Highly convenient Multi-Access Channels

Real cash access through Sakura's/SMBC's ATMs + @BANK



5. Business Promotion (1)

Opening special campaigns

Opening


Campaign	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Notes
Opening Campaign	[Bar]						Opening presents of BMW, Fujitsu PC, etc. (lottery)
Cash back ¥1,000		[Bar]					Credit ¥500 at the end of Dec./'00 to all a/c holders at the end of Nov. Credit another ¥500 at the end of Apr./'01 to all a/c holders at the end of Mar.
Special exemption of account maintenance fee		[Bar]					Exemption of account maintenance fee (¥1,050 / month, in case average balance is less than ¥300,000)
Money calendar		[Bar]					Present of housekeeping money book software "Money-bo" to the first 100,000 account holders



5. Business Promotion (2)

Alliance marketing

Opening

Campaign	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Notes
							
@nifty club point present		[Red bar]					Present of @nifty club point “\500” to @nifty members who open new accounts at Japan Net Bank
@nifty closed campaign		[Red bar]					Present of special goods to @nifty members who have accounts at Japan Net Bank with balance of \5,000 or over (lottery)
<p><i>Joint campaigns with other alliance partners</i></p>							



5. Business Promotion (3)

Effective Promotion

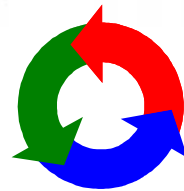
Announcement effect by Mass Media

“First Mover Advantage” !!

Joint Marketing with Sakura Bank (SMBC) Group



@BANK



@Loan
アットローン



6. Market Segmentation (Japan Net Bank / Parent Bank)

Difference of target segmentation

「Expanding Internet users」

“Japan Net Bank”

Establish a completely new customer base
at internet society

e.g.

Business persons

Professionals

Active housewives

IT oriented senior citizens

etc ...

「Sakura & Sumitomo's existing customers」

“Parent Bank”

Continues upgrading/adding various
Browser (Net) Banking functions



Increase the retention of the current
clients

Number of customers as of the end of Sep. '00

(Sakura: approx. 150 thousand) (No. 1 among banks in Japan)
(Sumitomo: approx. 110 thousand)



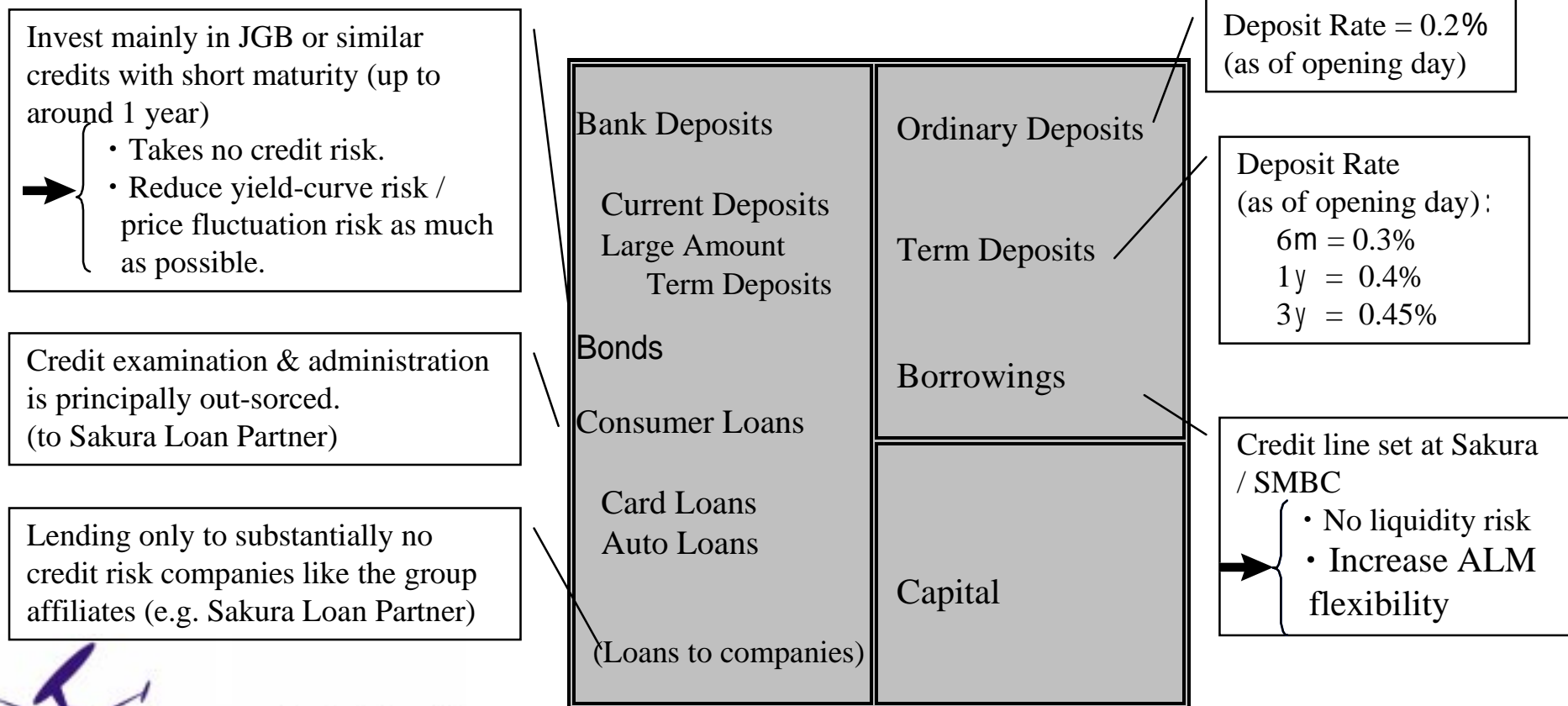
7. Solid Risk Management

- Reliable Models Set-up by Low-cost (1)

ALM

Simple operation and risk minimization

Maximizing the efficiency as the bank's group



7. Solid Risk Management

- Reliable Models Set-up by Low-cost (2)

Operational risk management

Japan Net Bank has established know-how & systematic internal rules to manage process risk / system risk by itself.

Sakura Bank / SMBC manages Japan Net Bank's operational risk as consolidated basis.

Fujitsu, the main system provider and one of the shareholders, realized Japan Net Bank's highly secured system environment, in cooperation with Japan Net Bank.



8. Position in Sakura's / SMBC's Group Strategy (1)

One of the SMBC's five major business targets :

“ Displaying leadership in Internet-related financial businesses ”



Japan Net Bank

=

One of core businesses for SMBC's further growth in the new era



8. Position in Sakura Bank (SMBC) Group Strategy - (2)

Business Model jointly promoted
by three Vehicles



- Develop business efficiently
- Realize synergy effect

Sakura Loan Partner (@ L o a n)

Credit examination & administration
for consumer loans are out-sourced to
Sakura Loan Partner.

(Loans are guaranteed by Sakura Loan Partner)

@ B N K (convenience store banking)

JNB, the first virtual bank in Japan,
can offer highly convenient real cash
access, by the tie-up with @B NK



Sakura Loan Partner (@ L o a n)

Expanding
Loan Consultation Box
network
to 300 “am/pm” stores
by end of 2000

- established on Jul. 27, '00
- capital : Y10bil.
(SMBC: 70%)

Japan Net Bank



Japan Net Bank

@BANK

SMBC's Convenience Store ATM
with 24 hour Multi- Banking functions
serving as a common platform
for entire SMBC / @Loan / JNB.

1,000 CVS network at “am/pm”



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This material contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors.

The following items are among the factors that could cause actual results to differ materially from the forward looking statements in this material: business conditions in the banking industry, the regulatory environment, new legislation, competition with other financial services companies, changing technology and evolving banking industry standards and similar matters.