



#4 Japan Equity Conference

Collaboration between CVS and Banking, and its future developments

December 7th, 2000



Planning Div. / Integration Strategy Dept.



Basic Understanding about Business Environment



<Japan>

Problem Loans prevented Japanese
Banks' tie-up and merger



Capital injection in Mar. 1999 stabilized
Japanese Financial System



Japanese Major Banks are going to
form four Big Financial Groups



toward Worldwide Competition



Changes of Business Environment Surrounding Banks

Changes of Business Environment

Deregulation

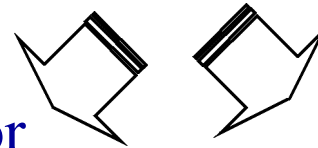
- Variety of financial products
- Variety of financial channels
- Lowering barriers among financial industries

Impact of Internet

- Information about Financial Products is Available at any time/any where



Expansion of growth possibility for commercial banking business in mass-retail market



Increased opportunities for existing financial business

New tendency of entrance by foreign banks, and other retailers



Action to the Change of Business Condition (1)

Maximum Market valuation and Customers' Appreciation are required



Proposal of both Stable Business and Growing Business Vision

- “Innovation in Commercial Banking”
- “Development of New Business Area—Consumer Business”

Tactics

- Increase the Access Points to the Customer in aspect of Infrastructure and Contents
- “Consumer Business” supported by its critical customer share



Action to the Change of Business Condition (2)

Financial Infrastructure/Network Other Infrastructure/Network

Real	<p>@B NK - Clearing Service</p> <p>Sakura Loan Partner - Consumer Loan</p>	<p>Multi media kiosk</p>
Virtual	<p>Japan Net Bank Sony Bank, other internet specialized bank internet securities, Financial Portal</p>	<p>Search Engine Internet shopping mall ⋮</p>

New Customer Creation in Consumer Market

Strategy

- Establish innovative Business Models for the new Consumer Markets
- Pursue 'First Mover Advantage'

Market Condition

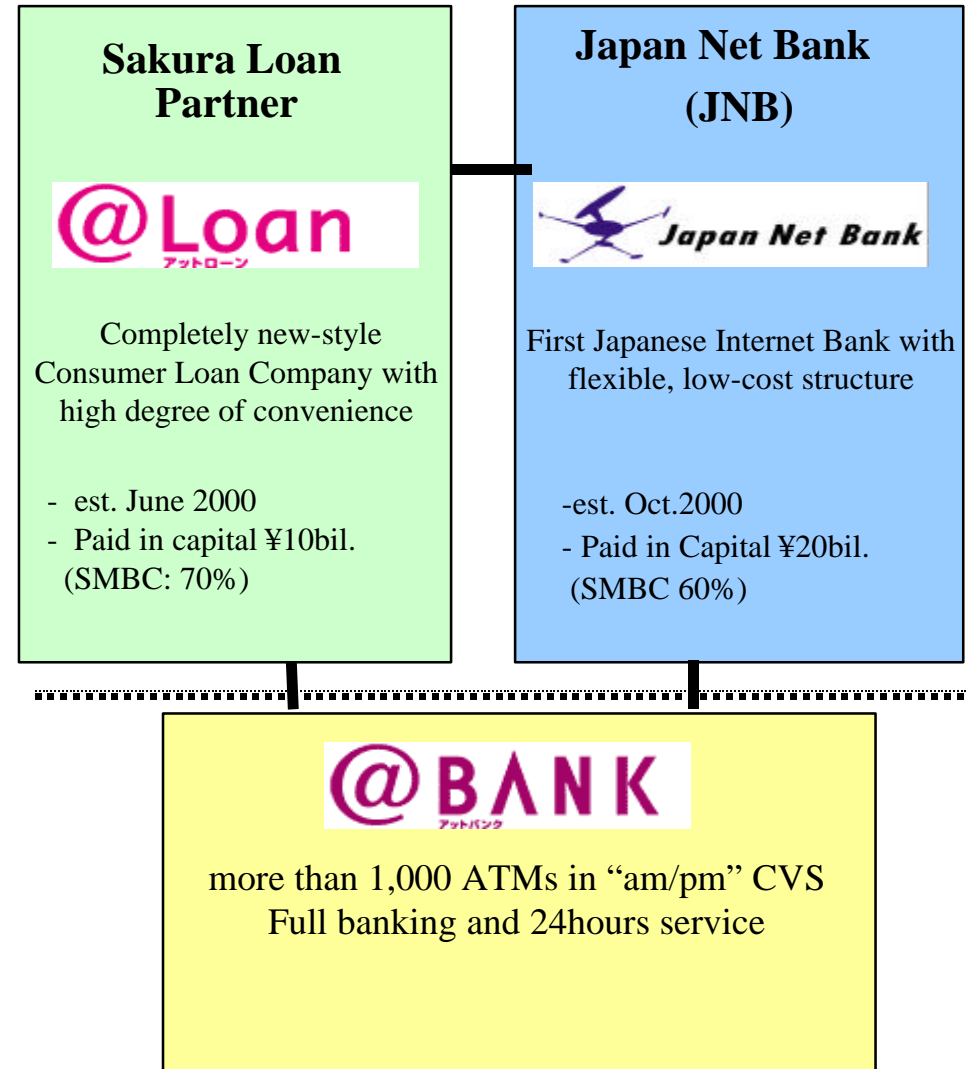
- Large potential demand for
 - Banking functions over the Internet
 - Consumer loan of 'Low-Middle risk, middle return'

Position

- First Mover/Innovator in each market
- Alliance with major providers/retailers having large client base/expertise

Target

@Loan: Operating Profit (FY2004) ¥40bil.
 JNB: Operating Profit (FY2004) ¥10bil.



Background of @B NK Project

Necessity to expand cash points as a Mega Retail Bank

Sumitomo-Mitsui's own cash points* = About 1,000

(Ref.) Top-class retail chain* = About 2,000-3,000

*Tokyo Met, Kanagawa, Saitama, Chiba Pref.

 1,000-2,000 More Cash Points are required

Deregulation

Deregulation allowed CVS ATMs



We planned CVS Banking Project ” @B NK ”





Synergy between CVSs and Banks

Coincidence with CVS Nature as Multi Station

Customer Attraction

24hours Service

- Synergy with ATM 24 hours operation

CVS Network in Urban Area

- High Correlation with City Bank Network

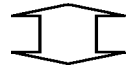




Basic Strategy of @B NK

Network as Own Channel of the Bank

➔ Strategic expansion to strengthen the competitiveness



ATM Network as National Infrastructure

BANCS, MICS, ATMs at Post office, E-net, etc.

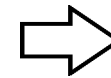
➔ Participation for maintaining the competitiveness

Realize High Level Convenience

Full banking

24hours Operation

Intensive Network in Urban Area



Crucial differentiation
in Clearing Needs

Channel Cost Reduction





Current Status of ATM in Japan

About 130,000 ATM are operating in Japan

【The Number of ATM in Japan (Mar. 2000)】

Private sector Financial Institution	112,921
Banks	78,256
Major Banks	28,582
Regional Banks	34,938
Other	14,736
Shinyo-Kumiai	2,620
Nokyo	10,875
Misc.	21,170
Post Office	16,825
Grand Total	129,746

The Center for Financial Industry Information Systems



Market Size of CVS Banking (1)

Frequency of Withdrawal (Other bank) is about Y0.4 billion p.a.

Market Size of CVS Banking is estimated Y50 - 100 billion

Number of ATM, Number of TRX(Other bank), Market Size of CVS Banking

	1998FY	1999FY	2000FY	2002FY	2004FY
	Estimate				
Number of TRX(Other Bank) (mil.)	394	401	431	504	521
Using ATM in CVS	-	2	43	135	139
Other	-	398	388	369	382
Estimated Market Size of CVS Banking(bil. Yen)	120	130	130	150	160

(Source: Estimation by Research Div. of Sakura Bank)

Market Size of CVS Banking (2)

Positive Factor

- TRX through ATM will increase
 - One shot withdrawal amount will tend to be smaller due to improvement of convenience

Negative Factor

- The Number of TRX crossover the Banks are supposed to decrease, because of Banking sector reorganization
- Downward Pressure in Fee level due to Price Competition
- Downtrend of Cash Delivery Needs
 - For the time being, “Cash” Maintains Major role in Clearing



Market Size of CVS Banking (estimation):

Y200-300 billion, 2-3 times larger than the present



Three Factors that realized “@B NK”

Speedy acquisition of customer base
by the prompt expansion of the @B NK network

Reduced investment in @B NK network, and
sequence of quick return of the investment

Intimate collaboration with am/pm





Cost of @B NK ATM Network

Remarkable cost-down in @B NK ATMs
by selected necessary functions
“open platform” of the system

<@B NK ATMs compared with our ordinary ATMs>

Initial Cost 1/4 ~ 1/5

Running Cost 1/3



Large scale ATM network can be established in a
short term

Additional cost cut by abolishing independent ATMs



The Number of @B NK ATMs

Mar.31,2000
509



Sept.30,2000
981

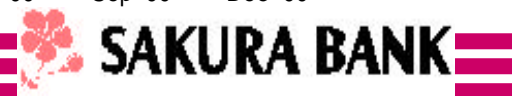
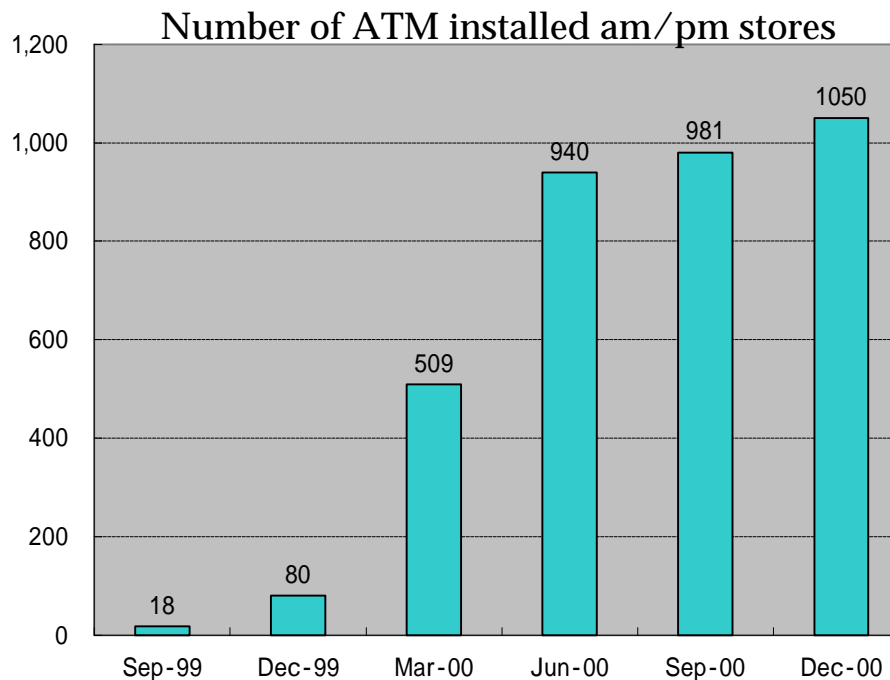


Mar.31,2001
1,100 +

<@B NK Network expansion plan>

Basic policy : further expansion along with the expansion of am/pm network

New development : co-working with major regional banks (Fukuoka, Gunma)



Turnover of @B NK ATMs

@B NK ATMs attained the (assumed) break-even level, average turnover of 100 transactions /day, six to nine months after the installation

<ATM installations and turnovers>

ATMs installed before May 99 : average transactions / day = more than 100

ATMs installed afterwards : steady increase of the number of transactions along with the increase of public recognition

<Effect by the @ B NK>

Public Recognition as the highly convenient bank

new “Brand Value” / “Media Effect”



(medium - long term)

Increase of “core” individual customers’ base

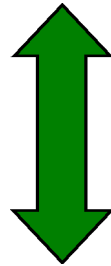




Synergy between am/pm and @B NK

Convenience Store Sector :
Downtrend in Average Daily Sales
per branch

- Reduction of Consumer Spending
- Intensified Competition



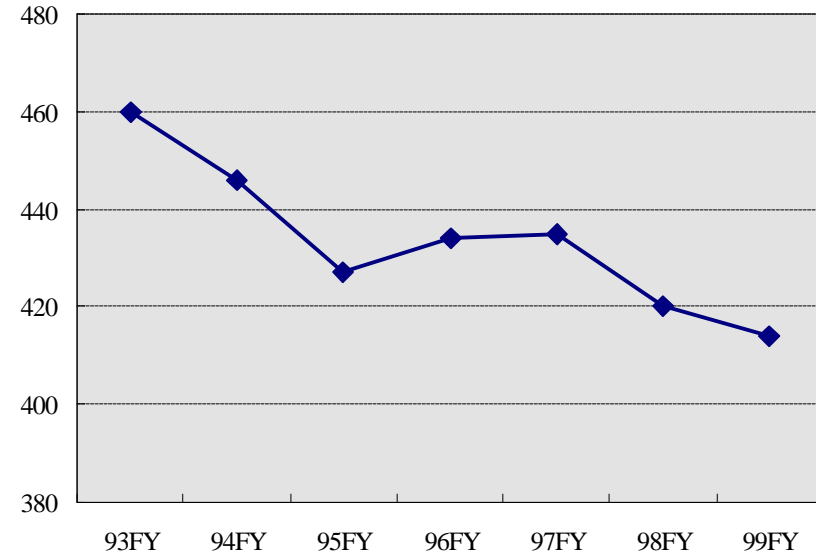
am/pm :

Average Daily Sales per branch with @B NK ATM

= +3% increase compared with the year before

- 20% of ATM users purchase goods at am/pm
- Bank customers become am/pm customers

Trend in Average Daily Sales(Thousand ¥)
-Convenience Store Sector





Future Objective of @B NK Strategy

We confirmed @B NK is a feasible business model for consumer banking in urban area

- Intensive usage of @B NK is seen in urban area
- Target on consumers who are willing to pay commissions for convenience



<Objective for the Future>

Establishment of a new business model for consumer banking in suburban area





Collaboration with am/pm

Alliance producing mutual benefit

- Focusing on the synergy, with minimum basic charges

Installation of @B NK ATMs at all am/pm stores

“@B NK” signboard at am/pm stores

- Quick increase of the presence / recognition of @B NK
- Notification as City Bank ATM

Intensive Network in Urban Area





Opportunity of Future Development in Collaboration of CVS and Banks

Multi- Utilization of ACMs in CVSs

(ACM = Automatic Consulting Machine)

Collaboration with Home delivery services

(i.e. am/pm's "Derisu-bin")

Electronic Money

Service of @B NK ATMs

	Cash Service Corner in branches	ATM out of branches	@B NK
Business hours	Weekday: 7:00-23:00 Weekend and holiday: 7:00-19:00		24 hours exception: 21:00-24:00 (Sunday) 0:00- 7:00 (Monday)
Available cash card	<ul style="list-style-type: none"> • Ordinary deposit (including card loan) • Saving account • Current account (till 15:00) 		<ul style="list-style-type: none"> • Ordinary deposit and card loan • Saving account
Deposit	<ul style="list-style-type: none"> • Upper limit: Y1mil. • Coin: available. 	<ul style="list-style-type: none"> • Upper limit: Y1mil. 	<ul style="list-style-type: none"> • Upper limit: Y0.5mil. • After-hours of Cash Service Corner: available with charge
Withdrawal	<ul style="list-style-type: none"> • Upper limit: Y1mil. • Y1tho. Bill: available • Coin: available 	<ul style="list-style-type: none"> • Upper limit: Y1mil. • Y1tho. Bill: available 	<ul style="list-style-type: none"> • Upper limit: Y0.1mil.
Fund Transfer	<ul style="list-style-type: none"> • By cash card: available • By cash: available • "Transfer card": available • Mail transfer: available 	<ul style="list-style-type: none"> • By cash card: available • "Transfer card": available • Mail transfer: available 	<ul style="list-style-type: none"> • By cash card: available • By cash: available • "Transfer card": available (only by cash)
Card loan	Application for "My Plus 10": available	Application for "My Plus 10": available	Application for "Prime 10": available
Passbook	Available		Not available
Others	Account open, pamphlet request, PIN Change: available		



Basic Strategy of Sakura Loan Partner (SLP)

< Basic Strategy >

Provide “Convenient Loan ”

- with Brand-new Concept
- targeting Uncultivated Segment (Low-Middle risk)
- which has High Potential Growth

Network

Maximized utilization of am/pm CVS network (No points with SLP worker)

Application : accepted at ACM (w/immediate card issue), internet, FAX and mail.(card received at ACM)

Cash delivery : through ATM channel of Sakura Bank including @B NK

Low Cost Operation

Credit Risk Control (most innovated credit supervising model)

Efficient Business Process (full usage of IT, no proper branch)



Current Status and Future Development of SLP

The Number of @LoanBOX

Aug. 2000
30



Dec. 2000
300



Plan
1,000

<Phase One>

Examination
of business model

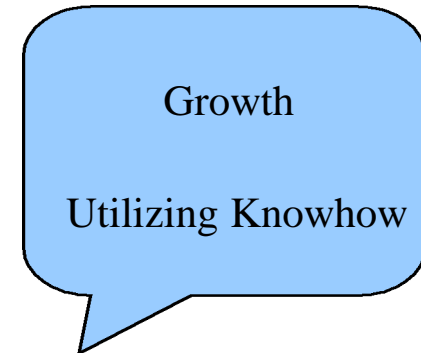
Fine tuning
of business process

<Phase Two>

Network expansion strategy

Promotion strategy

Group synergy strategy



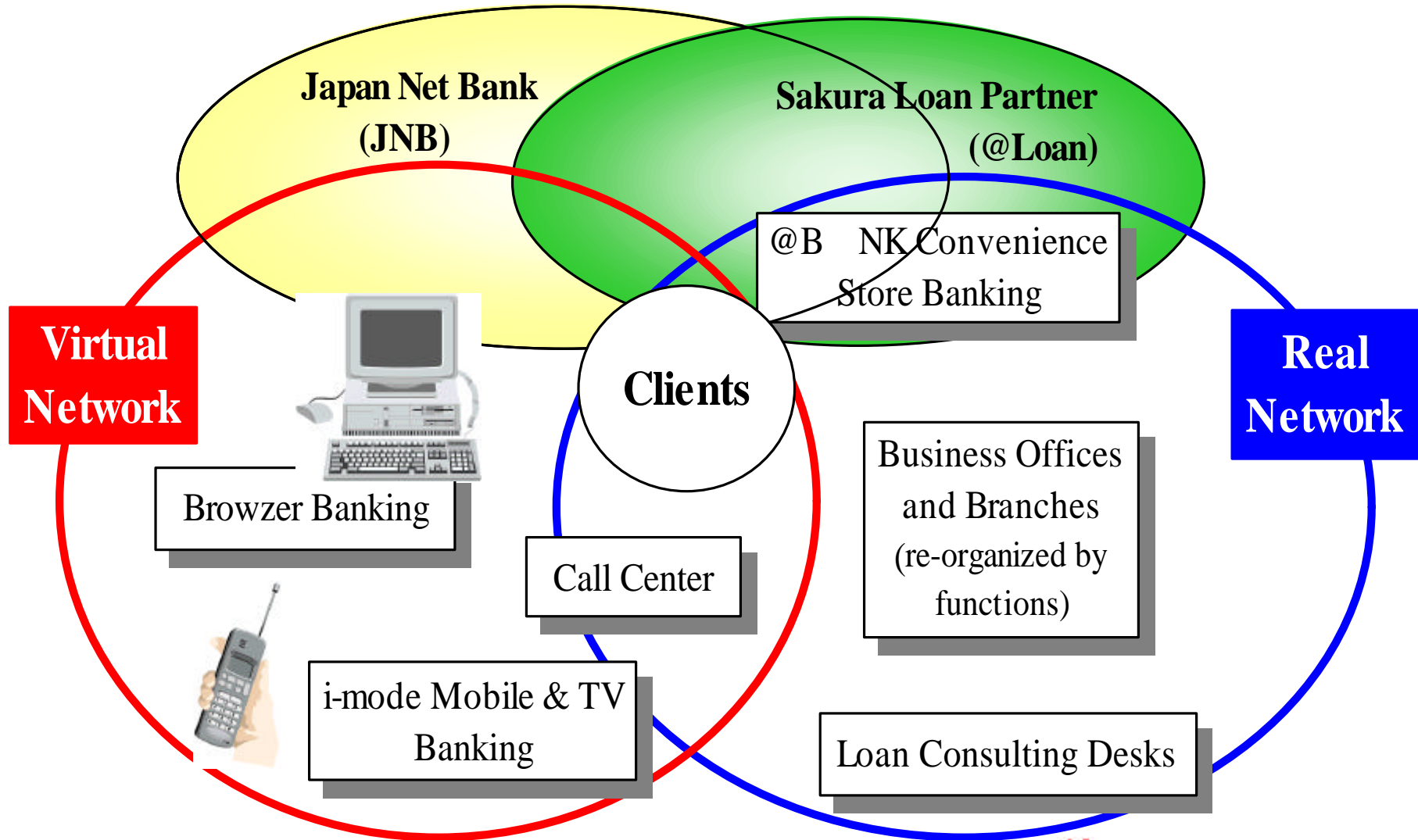
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SLP will start intensive advertisement next year to increase the customer base & the presence





New Retail Banking Channel





SAKURA BANK

<http://www.sakura.co.jp/bank/>



@BANK アットバンク **@Loan** アットローン

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In addition, 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.

