

# JCB WORLD REPORT

## JCBI & JCB Executive Changes

### Greetings from Mr. Hiroya Nobuhara, JCBI Chairman & Chief Executive Officer



It is my pleasure to introduce myself as the new Chairman and CEO of JCB International, a position to which I was assigned this June as successor to Mr. Nakanishi.

Prior to joining JCB, I worked for Sanwa (UFJ) Bank and then for UFJ Card Co., Ltd. in positions that involved comprehensive banking and the card business both in Japan and overseas. I view this new opportunity to participate in the international credit card market as part of the JCB team as an exciting moment in my career.

To stay ahead of diversifying consumer needs and the rapidly changing market, JCB is focusing on aggressively implementing strategic new programs - as well as further research and development - in such areas as expanding the card payment sector, providing incentive points and other innovative support functions, and building new business models in the business-to-business market. Above all, we are steadily progressing in the transition to the smart card, preparing for the new generation of card technology that is now becoming the standard.

We are now establishing the JCB Vision 2010 of International Business: Evolution for the Future, our long term managerial business plan as an international card brand. I am committed, and privileged as Mr. Nakanishi's successor, to leading the JCB international brand in expanding our business through opening new markets and providing products and services at ever-higher levels of quality to meet the customers' needs.

#### Personal History

April 1965	Joined Sanwa Bank, Ltd.
June 1991	Director of Sanwa Bank, Ltd.
May 1994	President of Sanwa Bank California
June 1999	Deputy President of Sanwa Bank, Ltd.
January 2002	Deputy President and Senior Executive Officer of UFJ Holdings, Director of UFJ Bank, Ltd. (name changed from Sanwa Bank Ltd. in 2003)
June 2002	Joined UFJ Card Co., Ltd., President and Chief Executive Officer
June 2003	Joined JCB Co., Ltd. as President, Chairman and Chief Executive Officer of JCBI.

Effective June 2003, we would like to inform you of the JCBI & JCB executive changes as follows:

#### JCB International Co., Ltd.

*Hiroya Nobuhara* appointed Chairman & Chief Executive Officer.  
Former Chairman & Chief Executive Officer *Isao Nakanishi* retired.  
*Kunio Yoshizawa* appointed President & Chief Operating Officer.  
Former President & Chief Operating Officer *Atsushi Niimura* retired.

#### JCB Co., Ltd.

*Hiroya Nobuhara* appointed President & Chief Executive Officer.  
Former President & Chief Executive Officer *Isao Nakanishi* retired.

We would sincerely appreciate your continued support of JCB business.

## No.36 Summer & Autumn 2003

### INDEX

JCBI & JCB Executive Changes .....	1	JCBI Signs Agreement with Ceskoslovenska obchodni banka ....	3
Alliance with CUP Aims to Expand JCB's Business in China .....	2	JCBI Strengthens the Relationship with Partners through Various Events .....	3
New My Dream JCB Card Launched in the Philippines .....	2	JCB Emerging Technology .....	4, 5
JCBI and Bangkok Bank Sign Licensing Agreement for Expansion of Business in Thailand .....	3	Corporate Statistics .....	6

## Alliance with CUP will expand JCB's Business in China

JCB International signed a service agreement in January 2003 with China UnionPay (CUP), the company that operates and manages the interbank settlement network for card transactions in China. The agreement allows CUP to connect its system network to JCB's, and makes it possible for CUP's member banks to perform merchant acquiring and settlement operations for JCB cards.



JCB began merchant acquiring in mainland China in 1982 through an agent bank, and set up its Beijing representative office in 1990. Now it has 3 offices in Beijing, Shanghai and Dalian. Through cooperation with many local banks, a widespread network of more than 40,000 merchants has been built up.

With China's entry into WTO, followed by Beijing being selected for the 2008 Olympic Games and Shanghai for EXPO 2010, swift economic development is expected to drive the growth of China's credit card business, and the expansion of the merchant network will help enable China to become one of the most important markets for issuing international credit cards.

Through the alliance between CUP and JCB in China, more and more local financial institutions are able to participate in enlarging JCB's merchant network, helping CUP and JCB to better serve the needs of international JCB cardmembers in China brought by the boom in tourism and investment. Both parties will benefit greatly from this alliance.

CUP was established in March 2002 by the People's Bank of China, the central bank of China. The main purpose was to combine the various separate old bankcard systems into a new unified settlement network. As of this time the network has been opened for cross-bank and cross-territory transactions in 40 cities throughout China. Furthermore, in response to the request of a number of local financial institutions, CUP is also conducting acquiring operations including authorization and settlement within China for international credit cards. Since CUP will be the core of China's credit card business in the future, the signing of this agreement means the further expansion of the JCB card merchant network, and the JCB card will become more and more convenient to use in China.

## New *My Dream* JCB Card launched in the Philippines

The Philippines' major credit card company Bankard Inc., in partnership with JCB International Co., Ltd., launched the new *My Dream JCB Card* on April 29, 2003. The credit card market in the Philippines currently has only about 3.5 million credit cards for a population of 76 million, leaving significant room for growth. The first JCB brand card was issued in 1996 by Rizal Commercial Banking Corporation, followed by JCB partnerships with equitable cardnetwork in 1997 and then with Bankard in 2001. Until now credit card issuance in the market has focused primarily on the affluent segment of society.

The new *My Dream JCB Card* has a low annual fee of 800 pesos, compared to the usual 1,200 pesos, and a finance charge rate of 2.5%, compared to the usual range of 3.25 - 3.5%. The price features of the card make it uniquely suited to supporting ordinary people as they strive to build a new lifestyle and make their dreams come true. These advantages, combined with the added value of the independent JCB international credit card brand will provide major benefits to Bankard customers not offered by any other card. The *My Dream JCB Card* is being issued only with the JCB brand, not any of the other international brands. In addition, not only will JCB's brand recognition rise in the market, but also the credit card market itself is expected to expand more rapidly with the issuance of this new card. Issuing is anticipated at 120,000 cards in the first year, and a total of 360,000 in the first three years alone.



Advertisement in Philippines' newspapers

## JCBI and Bangkok Bank Sign Licensing Agreement for Expansion of Business in Thailand

JCBI International Co., Ltd. and Thailand's largest commercial bank, Bangkok Bank Public Company Limited have signed a licensing agreement for merchant acquiring and servicing, including sales processing to begin in April 2003. Bangkok Bank has a 40% share of the credit card market in Thailand, and with this agreement the bank's approximately 50,000 new merchants will begin phased acceptance of the JCB card. In addition the bank will be starting new JCB merchant acquiring and merchant sales transaction processing.

JCBI entered into a merchant servicing agreement with the Siam Commercial Bank Public Co., Ltd. in 1989 and issuing of JCB cards by the same company began in 1990. AEON Thana

Sinsap began issuing operations under license in 2000. JCBI has been focusing on local issuing in south-east Asia for some time now, and with this new agreement with the country's largest commercial bank, Thailand's JCB cardmembers, as well as travelers from around the world, will be able to use their JCB card much more widely within the country. In addition the alliance with Bangkok Bank is expected to result in broader cardmember and merchant bases, with greater acceptance and recognition for the JCB brand.

This new agreement between JCBI and Bangkok Bank will contribute to the increasing strength of the JCB brand worldwide in its international merchant network and cardmembership.

## JCBI Signs Agreement with Ceskoslovenska obchodni banka

On December 12, 2002, Ceskoslovenska obchodni banka, a.s. (CSOB) and JCB International Co., Ltd. (JCBI) concluded a license agreement for merchant acquisition in the Czech Republic. The signing ceremony took place at the Hotel Palace Prague. Representing the respective companies were Mr. Tomas Broucek, Executive Director of CSOB, and Mr. Kunio Yoshizawa, President & COO (then Deputy President) of JCBI.

In the Czech Republic, JCBI has already granted merchant acquiring licenses to Ceska sporitelna and Komerční banka. By welcoming CSOB as the third licensing partner, JCB's merchant network will be significantly strengthened to meet the expanding needs of JCB cardmembers. Furthermore, this agreement gives CSOB the benefit of offering its member merchants the convenience of processing JCB, VISA, MasterCard, American Express and Diners Club through one single POS terminal. CSOB plans to start acquiring JCB card transactions from this August.

CSOB was established in 1964. From 1999 CSOB has been operating in cooperation and coordination with a new majority owner after a successful privatisation; the Belgian KBC Bank is a



member of the KBC Banking and Insurance Group which is among the largest and strongest financial groups in Europe. Today CSOB

is one of the three largest banks in the Czech Republic which dominate the payment card market.

### JCBI strengthens the relationship with partners through various events

We at JCBI think that relationship-building with our partners is very important. The following events are examples, which took place in the first half of this year.



On March 18 2003, to celebrate and appreciate successful development in Taiwan with our partners, JCBI held a golf outing event at The Orient Golf and Country Club, the most renowned country club in Taipei, inviting 24 executives from 15 JCB partner organizations. All participants enjoyed a good golf day, followed by a party with entertainment until late in the evening. At the ceremony Mr. Nakanishi, former chairman of JCBI, expressed our appreciation for their support and presented a 20-inch liquid crystal television set to the winner of the golf event.

We also have been welcoming many delegations from all over the world to Tokyo. In June 2003, a delegation organized by several JCB partners in Korea visited JCBI's new headquarters in Aoyama and the JCB Card Center in Mitaka. 25 delegates participated in lectures and presentations given by several of JCB's departments and also were given a tour of the operations area, where they saw JCB's domestic card operations including card issuance, merchant acquiring, transaction processing and customer service.

JCBI considers these types of events and conferences to be an important part of its strategy to strengthen ties with partners worldwide.

## JCB Emerging Technology

### DualPlus™

JCB's new DualPlus™ single chip smart card for FeliCa and EMV applications now on the market

JCB Co., Ltd., in cooperation with Toppan Printing under license granted by Sony Corporation, has developed DualPlus™ the world's first smart card combining FeliCa contactless interface and EMV contact interface capability in a single IC chip. The sophisticated dual interface technology incorporates a linkage function that allows access to shared data on the chip from both contact to contactless interface applications, offering significantly higher functionality at a lower cost than current 'hybrid' cards with two separate chips.

JCB anticipates that the DualPlus™ card will answer growing

demand in Japan, Asia and the world, with enormous potential for offering flexible and multiple functionalities in one card. Sony's FeliCa contactless technology boasts high speed processing, ideal for applications such as metropolitan transport systems, while EMV is the world standard for financial applications. The linkage function enables further potential benefits such as the inclusion of contactless payments in the cardholder's loyalty point program through a home card-reader. Also, in the future the addition of type B communication capacity, coming into wider use in government applications, promises even greater flexibility.

### Offica™

JCB Offica™ Corporate Smart Card Solution at New JCB Headquarters

JCB Co., Ltd. started marketing its new corporate smart card solution Offica™. The solution offers corporations a diverse menu of functions to be incorporated into a single contactless smart card for multifunctionality and high security at a low cost. All staff in the new headquarters have been equipped with the JCB's own Offica™ corporate smart card solution, introduced to the market in April 2003.



Contactless functions include building and floor access control as well as cafeteria and vending machine postpayment, while

contact applications support employee benefits. One important advantage over conventional cards is the postpayment capability linked to an employee's own JCB credit card. This eliminates the need for administering cash to load value onto the card. As the first practical application of DualPlus™, some cards are also equipped with the contact interface EMV-standard credit application J/Smart™.

The Offica™ corporate smart card package is only one of JCB's many initiatives as a comprehensive payment solution provider, developing products and services to meet the needs of business and individual customers around the globe.



## JCB and KDDI Mobile Phone Credit Card Payment Service

JCB Co., Ltd. teamed up with KDDI Corporation, Japan's second largest telecommunications carrier, and three other credit card companies (Toyota Finance Corporation, Sumitomo Mitsui Card Co., Ltd., and UC Card Co., Ltd.) in implementing a trial of a credit settlement service via mobile phone network, beginning in March 2003.

The trial is for Japan's first credit settlement service using mobile phones equipped with next-generation UIM cards<sup>1</sup>, newly-developed multi-purpose IC cards that feature PKI technology<sup>2</sup> and contain credit application software from the credit card companies.

This trial uses two payment technologies, one for online

shopping and an infrared system for in-store shopping.

Participants for the Kei-Credit trial were recruited from JCB's web-site, and are now shopping with the new mobile phone payment system. Trial merchants include 20 virtual retailers that offer books, magazines, CDs, and food products, and 400 in-store retailers, including department stores, shopping malls and restaurants. Currently JCB is only providing online shopping service.

Now KDDI is planning release of a mobile phone equipped with an IC chip for the credit payment application in 2004. As the mobile phone becomes an increasingly indispensable item in ↗



## Convex

### JCB's Convex Letter Card: the world's first for international brand certification

JCB Co., Ltd. has begun the international brand certification process for the new Convex Letter Card technology for cards that are not suitable for embossing, such as smart cards with contactless IC chips or employee identification cards with photographs. This technology is used on JCB's own new combined employee ID and credit card since the company's relocation to a new building in May of this year.



The system produces convex letters in clear plastic on the face of the card plastic without causing depressions on the reverse of the card. This avoids the problems of illegible printing or malformed photographs. In addition, the internal antenna and IC chip used in contactless smart cards are not damaged.

This new technology is used on JCB's own new combined employee

The new card technology makes use of the Convex Letter System developed by Toppan Printing Co., Ltd. and Maxell Seiki Ltd., which form raised letters meeting JIS standards. Toppan, Maxell Seiki and JCB have worked closely together to improve product quality and have achieved a level high enough to begin the certification process for global use by the JCB international

ID and credit card with the DualPlus™ chip. This is a field test for evaluation and provides the necessary verification for certification. When brand certification is complete, JCB will be combining the technology with its existing solutions for the public transport, retailing and corporate markets, and at the same time deploying it into the international market through JCB brand card issuers.

## Suica JCB

### JR East to offer JCB brand View Suica card

View Suica JCB Card started being issued by JR East in June 2003. The new card combines the 'Suica' contactless prepaid smart card for paying transport fares, the View credit card for purchasing and cash advances at JR East outlets and affiliated merchants with the international acceptance and superior customer service of the JCB brand credit card.

'Suica' prepaid smart card payment at 462 JR East stations in the greater Tokyo area, and 9 Tokyo monorail stations which provide access to Haneda International Airport. More than 6 million commuters are using the 'Suica' prepaid smart card. Adding credit capability to the 'Suica' prepaid smart card brings

more usefulness from commuting to shopping to commuters having only one card.



Utilizing these new state-of-the-art technologies, JCB strongly believes that smart cards have unlimited possibilities to expand your business opportunities and make our life much better. Bringing "High Quality & Better Services" to JCB cardmembers and partners all around the world, JCB is determined to realize the smart card environment, which is beneficial to everyone.

➤ daily life, JCB is developing new business models to open new market segments for credit card payment. JCB strives to offer greater convenience in payment options to all generations, with an increased focus on expanding credit card use among young adults.

#### \*1 UIM Card

The UIM (User Identity Module) card is an IC-card for personalization of mobile phones developed incorporating SIM (Subscriber Identity Module) card technology, which is based upon European GSM standards.

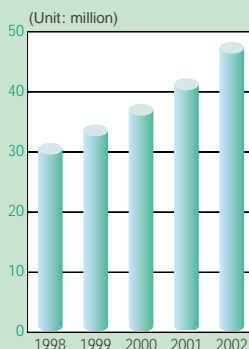
#### \*2 PKI (Public Key Infrastructure)

Based on public key encryption technology, this method provides a secure environment for transferring sensitive data via the Internet. The application of PKI reduces the risk of fraud and theft associated with electronic commerce.

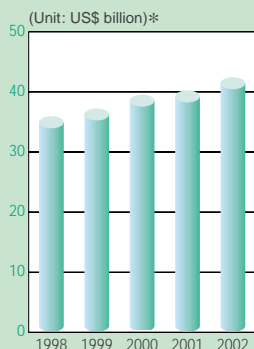


# Corporate Statistics

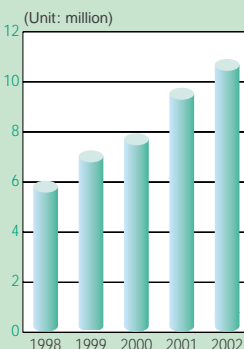
## JCB Cardmembers



## JCB Annual Sales Volume



## JCB Merchant Network



## 2002 Key Statistics

(as of March 2003)

Annual Sales Volume: ¥5.18 trillion  
(approx. US\$ 42.5 billion)\*

Cardmembers: 48.40 million

Merchant Outlets: 10.93 million

Countries/territories where JCB is accepted: 189

\*Annual sales volume is for April 2002 thru March 2003. Figures based on average 2002 exchange rate of 1US\$=¥122

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On June 2, 2003 JCB relocated its world headquarters to a new 16-story office tower in Aoyama.

Aoyama is one of Tokyo's most fashionable districts, featuring wide boulevards lined with internationally renowned brand shops.

The administrative head office in the new building extends over 13,500 m<sup>2</sup> for the approximately 900 staff. The operational side continues to be located at the Mitaka Card Center.

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