

## 9th JCB World Conference Held in Kyoto

The 9th JCB World Conference was held on October 18 to 20 at the Westin Miyako Hotel in Kyoto, Japan. The conference was attended by 469 representatives from 261 JCB partner companies in 47 countries and territories around the world. The theme of the conference was "Next-generation solutions offered by JCB as global partner".

Presentations were made by top JCB management and regional speakers from JCB partners Bank of China Limited, the Philippine's Equitable CardNetwork, Inc., Germany's B+S Card Service, GmbH, Global Payments, Inc. from the U.S. and Japan's Toyota Financial Services. Featured guest speakers included Taichi Sakaiya, author of *The Knowledge Value Revolution* and former State Minister for Economic Planning, as well as Masao Nakamura, President of NTT DoCoMo, Inc.

"We at JCB were proud to host the 9th World Conference as a way to form even closer ties with worldwide business partners, from Japan and abroad. It was a good opportunity to reaffirm JCB's goal of being a global brand leading into the 21st century", said Hiroya Nobuhara, President & CEO at JCB.

The conference opened with demonstrations of JCB's latest developments, highlighting contactless credit card payment solutions, such as those used in the e-METI JCB Business Card trial for employee purchases at METI canteens, and Mobile Offica and QUICPay™ contactless payment by mobile phone handsets. There was also a demonstration of JCB's contactless credit on MOPASS card, using mobile phone memory slot.

Participants each received a contact/contactless interface plastic credit card as well as a G-Shock watch equipped with RFID contactless credit,



and had a chance to simulate contactless credit payment purchases at street stalls during a mock Japanese festival.

The 9th World Conference closed with a farewell party at the World Heritage Site Ninnaji Temple, founded in 888 AD. After welcoming remarks delivered by Rougi Sato, the 47th reverend priest of the temple, the participants were entertained with a number of Kyoto's traditional performing arts including the Renjishi dance and taiko drumming.

JCB will continue to hold the JCB World Conference every two years in order to achieve a common understanding of the strategy and future direction of the JCB international brand with JCB acquirers, issuers, processors and other business partners across the globe and to give JCB partners a chance to share expertise and information on local markets.

## INDEX

9th JCB World Conference Held in Kyoto .....	1	Wacoal I-Card Smart Card Launched in Taiwan .....	8
Next-generation Solutions Offered by JCB as Global Partner ...	2	JCB and AirPlus Partner to Provide Global Business Travel Management Service .....	9
JCB's Global Strategy .....	5	One More Hawaii! JCB Card Promotion .....	9
JCB and Bulgaria's Transcard Sign License Agreements for Merchant Acquiring and Operations, Card Issuing .....	7	Guam Card Promotion JCB Lucky Draw! .....	9
Bhutan National Bank Starts JCB Merchant Acquiring Operations .....	7	JCB Develops Contactless Credit for MOPASS .....	10
Equitable CardNetwork Launches EasyPay JCB Card in the Philippines .....	7	QUICPay Contactless Payment System Goes Mobile .....	10
JCB and EURO 6000 Sign Acquiring License for Spain .....	8	Hong Kong's AsiaPay Launches J/Secure™ Program for Internet Merchants .....	11
JCB and Cosmos Bank Form Card-Issuing Partnership in Taiwan .....	8	Japan Duty Free 1,000 yen Bonus with JCB .....	12



# The 9th JCB World Conference Speeches

## Next-generation Solutions Offered by JCB as Global Partner

*Hiroya Nobuhara*

*President and Chief Executive Officer, JCB Co., Ltd.  
Chairman and Chief Executive Officer, JCB International Co., Ltd.*

I would like to thank all of you for coming to the 9th JCB World Conference. With 469 participants from 261 companies, representing 47 countries and territories, this is the largest JCB World Conference ever. The JCB World Conference is an important opportunity to share an understanding of the strategy and direction of the JCB international brand with you, our partners. The JCB World Conference has been a valuable forum to meet and talk together with you since the first one held in Tokyo in 1988.

First, I would like to talk about JCB's history and current status as an international brand.

JCB was founded in 1961, about 10 years after the credit card made its first appearance in the United States. During the struggle to build a cardmember base, merchant network and infrastructure, JCB fortunately chose to make service its competitive edge. With consumer support, JCB rose to be the largest credit card company in Japan.

In the 1970s the number of people traveling from Japan overseas grew steadily in pace with the rapid economic growth of the country. There were 2 million overseas travelers in 1973, and more than 4 million in 1979. As this growth continued, JCB set out on the path of independent international expansion in 1981. International expansion as an independent brand was an enormous challenge, and JCB took the first step with "high quality service" as its watchword.

In 1982 JCB started its franchisee business in Japan, and licensee issuing in 1983. As we continued rapid international and domestic growth, the 1st JCB World Conference was held in 1988 for all of our world partners.

Our goal at the 1st JCB World Conference was to establish an overseas merchant network with 500,000 merchants. At the time we had 150,000 merchants in 102 countries around the world. In the 16 years since then we have greatly surpassed that goal, and now have a network of 6,140,000 merchants in 189 countries outside Japan.

Now I would like to present the figures representing our overseas expansion from 1981 until the most recent fiscal year, ending in March 2004.

First, there are now a total of 11.71 million JCB merchants worldwide. 5.57 million are in Japan and 6.14 million are outside Japan, representing a change in the relative proportion of domestic to overseas merchants. Also, the number of countries and territories where the JCB card is accepted, including Japan, stands at 190, with the addition of Bhutan in September of this year.

Next, the JCB cardmember base worldwide is now 51.62 million. 3.7 million cardmembers reside outside of Japan, in the other 18 countries and territories where the JCB card is issued.

In 2003, JCB had annual sales turnover of 5.7 trillion yen, a substantial 9.9% increase over the year before. Outside Japan, sales reached a peak



of 7.8 billion US dollars in 2001. Due to the impact of SARs among other influences, sales decreased after that, but have recovered to where we anticipate 8.0 billion US dollars in 2004.

Next, the number of JCB brand partners. In Japan, there are 71 partners under franchisee contracts, these are financial institutions and their affiliated companies. There are 52 licensee issuers, to which we provide the JCB merchant network and a portion of services, and 609 other companies and associations issuing JCB affinity cards. Outside Japan, there are more than 200 JCB partners, including 66 issuers.

There have been two major factors driving the dramatic growth of the JCB brand. One is that JCB was able to pursue international expansion in pace with Japan's economic growth and the increasing numbers of Japanese traveling overseas. The other is the fact that we were able to build strong business relationships with you, our partners.

I would like to talk about the first factor, Japan's economic growth and increasing numbers of Japanese traveling abroad. Japan's economic growth during the 1980s was 3.7% on average, with a peak of 6.8%. The number of Japanese traveling abroad rose from 4 million in 1981, the year JCB began international expansion, to 10 million by 1990. During these 10 years of economic growth and increasing numbers of overseas travelers, JCB built its foundation as the international brand for the Japanese people.

Then, at the beginning of the 1990s, Japan faced the bursting of the economic bubble. During the next 10 years, Japan's lost decade, the country experienced a continuing economic slump. Despite this downturn in the national economy, JCB continued to achieve remarkable growth. And the factor that provided the momentum for that growth was our partnerships.

While the number of partnerships in Japan has continued to grow from the start in 1982, overseas the start of licensing partnerships in 1989 marked the acceleration of growth in the JCB merchant network. And, while JCB has been issuing cards overseas since 1985, it was in 1993 that we began full-scale licensee issuing.



During the 1990s the number of overseas cardmembers grew to more than 3 million, thus making it a decade of JCB's evolution into a global brand. We anticipate that the number of cardmembers overseas will reach 4 million during this year.

Next I would like to turn to the topic of current global business trends. These include the state of maturity of the world's credit card markets, population and economic trends. Then I will talk about JCB's direction in the future, based on that information.

First, let us look at the overall status of the world credit card market. In Korea, the credit card share of consumer spending, that is, the degree of market maturity, has risen dramatically in recent years to 50.3%. Also noteworthy are the USA, the birthplace of the credit card, at 23.9% and its neighbor Canada at 27.1%, and Australia at 29.3%. However, in other countries, not least JCB's home market of Japan, the share held by credit card payment is less than 10%. Debit card spending is becoming widespread in Europe, China and North America. In summary, the credit card market in many countries is now developing, and it is clear that there is much room for expansion in the future.

Now I would like to talk about the macro environment, in terms of world population and GDP. The world workforce, that is, the population aged 15 to 60, now stands at 3.73 billion. When we look at the geographic distribution of this workforce, we see that East Asia, including China, has 1 billion, or about 26.7% of the world's total labor resources. If we add the ASEAN countries and South Asia, for a total of 56.4%, then the Asian region alone has over half of the global workforce.

Next, when we look at a projection for 2030, we see that the total world population is expected to grow to 8.1 billion, with a substantial increase in Asia.

Next, in terms of distribution of GDP, North America and Western Europe have the large share. Even though they have only 12.8% of the world's workforce, they have 63.7% of the world's GDP. On the other hand, Asia, with more than half of the world's workforce, has only 23.1% of the world's GDP.

Based on the data I have just presented, we turn our attention to the future of Asia.

It is universally acknowledged, based on Asia's large share of the world's population and workforce and the trend of rapid economic development since the 1990s, that an Asian mega economy is certain to emerge, an economy even larger than North America or Europe. JCB, the only international brand to be based in Asia, is committed to taking advantage of this economic growth to further expand business in Asia.

In addition, expansion in the credit card industry is linked to acquiring growth in other regions. Based on WTO data, the number of people in East Asia and the ASEAN countries traveling to other countries is increasing every year, with 45.65 million travelers this year. 8.86 million Asians travel to North America and 8.36 million to Europe. This means that the expansion of the Asian economy also has a major effect on other regions around the world. And, I am sure, contributes to the business of all of you, our partners around the world. JCB is committed to a strategy of comprehensive cardmember recruitment in this Asia market. Specifically, we want to increase the cardmember base for cards issued outside of Japan to 20 million by the year 2010. We may encounter many difficulties in the face of this new challenge, but I am confident we will achieve this goal.

Next I would like to speak about business trends affecting the credit card industry in Japan, mentioning some specific examples here at JCB.

Credit card sales are rising steadily year after year in Japan, and have approximately doubled in the 10 years from 1993 to 2002. On the other hand, total consumer spending only rose by 8.2% during the same period. Growth in credit card sales is, in the first stages, the combined effect of growth in total consumer spending and the shift from cash payment to card payment. Until the mid-1990s, there was a close relationship between growth in total consumer spending and growth in credit card sales, with both increasing steadily. Then, from the end of the 1990s, with deflation and a stagnating economy, consumer spending remained flat. However, credit card sales continued to expand, with annual growth rates exceeding 6%.

The credit card market continues to grow while total consumer spending stays the same: this shows that the shift from the cash payment market to credit card payment is progressing. As a result, the percent of total consumer spending represented by card payments grew from 4.9% in 1993 to 8.6% in 2002, and I believe this trend will continue.

Based on chronological sales data from JCB merchants, we can see that over the past few years typical credit card use in Japan has been expanding from the traditional major purchases and overseas tours to more day-to-day expenditures including public utility bills, highway tolls and internet shopping.

When we look at growth in sales from last year by merchant category, we see that utilities show outstanding growth. The high rates of growth in that area and others reflect the progress of credit card payments into new markets, which is supporting sales overall.

Now I would like to speak about 3 examples in Japan that provided the opportunity to expand into new markets: no signature payment, mobile payment, and automatic billing.

In Japan no-signature payment is contributing greatly to the convenience of credit card use. No-signature payment was first introduced by JCB at Tokyo Disneyland in 1988, and has since spread nationwide in the small payment and service markets. Eliminating the need to sign a sales voucher, which up to now has caused consumers to hesitate to pay small amounts by card, or to take the time to pay by card when there are lines at the cash register, has contributed to the spread of credit card payment into day-to-day expenditures. And, speedier card payment reduces the amount of time the customer spends at the cash register, a fact welcomed by merchants as well, serving as another opportunity for increasing acceptance of the credit card. Also, technological advances in the payment system infrastructure have helped spur growth in the card payment market.

For example, there is JET-Mobile, a lightweight, rechargeable, portable payment terminal that functions as a card authorization terminal with mobile phone data transmission capability. This mobile terminal is steadily gaining popularity in the taxi industry, and now about 80% of the cabs in the Tokyo area accept the JCB card. And for catalog and internet shopping, where goods are delivered to the customer's home, the ability to pay by credit card on delivery is an extremely welcome development.





# The 9th JCB World Conference Speeches

In Japan public utility bills are usually paid by bank transfer or in cash, but the trend to credit card payment is progressing. The customer only has to register once in order for this system to automatically pay the public utility or other monthly bill by credit card on a regular, continuing basis. We call this type of system automatic credit card billing. JCB took the lead in utility payments in September 2002, when we launched card payment for the major utility company Kansai Electric Power. This market now includes mobile phone, gas and other charges, and will continue to expand in the future.

These are some specific examples in the Japanese market, but in Japan card payments are still only 8.6% of total consumer spending. JCB will continue to develop card payment in new markets, and in the cash payment market, to increase convenience for our customers. Now, I would like to speak about how the JCB brand can help you.

The theme of this conference is, "Next-generation Solutions Offered by JCB as Global Partner". However, what I want to stress here is that our goal is not simply to develop next-generation solutions. These advanced technologies and services are the means to meet our true goal of providing products and services that fulfill the customer's needs.

At this point, I would like to introduce an example of what JCB is doing as an issuer.

First, part of JCB's CRM strategy is to customize the information on the magazine mailed out with customer statements on an on-demand basis to meet the individual's demographics, preferences and consumption patterns. A different version can be printed for each and every customer, for example, with information on discounts at JCB merchants in that customer's neighborhood, or on tours or tickets for events that match that customer's interests and preferences. In short, we have brought one-to-one marketing to the mass retail business. In fact, it is theoretically possible for there to be 8 million different versions of the same month's insert. Actual sales data reveals that sales for cardmembers who are being sent on-demand inserts rose 5.2% more year-on-year than those cardmembers who received a standard version.

Now I would like to talk about JCB card link, in which separate cards for specific purposes can be linked to the cardmember's primary card account. One example is the JCB Offica solution for the corporate market. The Offica card has functions that include office access control and computer access, and also features contactless cashless payment at the office through a link to the employee's JCB credit card.

Next, there is QUICPay, for use where speedy payment is essential, such as at the supermarket. Unlike e-money, there is no need to load value on the card before using it, instead, the card is linked to the customer's regular credit card and they pay for purchases afterwards, along with the rest of their credit card charges. Mobile payment with an NTT DoCoMo handset is another payment method that we are pleased to be demonstrating here at the conference. The JCB card link can enable payment through a wide variety of media, including the G-Shock watch that you have all received.

JCB anticipates that by linking many different kinds of media to the credit card, card payment will become commonplace in more and more different situations. We are aiming to provide a flexible payment answer for every kind of situation.

These two examples are only a small portion of JCB's efforts. We will continue to actively develop new products and services to meet customer needs, and to share that expertise with you, our partners, in Japan and overseas.

The next topic I would like to speak about is the development of next

generation computer systems. In order to support future JCB products and services, we have started work on system development, by introducing the latest in component technology based on our deep familiarity as a credit card company with the requirements for every aspect of the card business. We are investing 50 billion yen in building an open system that can support new products and services, backed by dramatic improvement in flexibility, scalability and maintainability.

For example, JCB as a payment scheme provider will be building a versatile system with e-money capability using smart card technology. Also, as an operations service provider, we will be building a system that supports credit card and an even wider range of operation services. This next-generation system, with extensive functionality, will improve cost efficiency as it can be used not only by JCB but by other credit card companies as well.

Cutover to the new system is scheduled for 2006 for acquiring functions and 2008 for issuing and brand holder functions. We strongly believe that this system, and the expertise acquired during the process of building it, will be of great use to all of you, our partners.

Finally, I would like to speak about the JCB philosophy. We at JCB are connected to our customers through payment systems, an integral part of consumer life. We want to enrich our customer's lives through payment systems, by providing advanced support and high quality service.

At the same time that JCB is a brand holder, we are also an acquirer, an issuer, a processor and a network operator. We want to share with you, our partners, the know-how we have cultivated through our successes, and through the mistakes that led to those successes, and we want to grow together with you, meeting your needs, as a "dialogue-based brand".

The JCB slogan is "Future, together". This slogan expresses our enthusiasm toward our cardmembers, and toward you, our partners.

Over the 20 years since we began our independent international expansion, JCB has built a position as an international brand. This is due entirely to the support of all of you here today. However, we are still continuing to grow, and in light of the rapidly changing business environment, we will still have many challenges to face.

"Future, together!" I sincerely hope that we will together create a future that is convenient and safe. I would like to conclude my speech by expressing my profound gratitude to all of you who have supported JCB thus far, and ask for your continuing favor.

Thank you for your kind attention.





## JCB's Global Strategy

Kunio Yoshizawa

*President and Chief Operating Officer, JCB International Co., Ltd.*

### JCB's Global Strategy

Good morning, ladies and gentlemen. In my comments over the next 15 minutes, I would like to focus on the international side of our business development. As the World Conference planned two years ago in Bali was cancelled because of the terrorist attack there, I will start my presentation by updating you on our progress in the four years since the 7th World Conference in Madrid. Then, I will talk about the challenges we face as a global payment brand, and our strategies for the mid-term. Finally, I will close my speech by describing the plans for future development we hope to achieve with your cooperation and support.

### Our Progress in the Four Years since the 7th JCB World Conference in Madrid

As Chairman Nobuhara has already mentioned some of the key figures, I would like to focus on the progress of our business over the four years since the Madrid Conference.

#### - Number of JCB Sales Establishments

First of all, the number of sales establishments accepting the JCB card outside Japan has grown, to more than 6 million in 189 countries and territories across the world. This figure covers the main markets of the world, and I think it represents a powerful network in terms of the tourist markets. Indeed we have almost doubled the network in the last four years. This 6-million merchant network does not merely comprise contracts with 6-million merchants, but it is an effective body of high-quality merchants, whose transactions are processed in a speedy and secure system environment with an on-line execution rate of 99.8%. We achieved this level through the efforts of our acquiring and processing partners, our network companies, and POS providers worldwide. I would like to express my gratitude especially to those of you attending today.

#### - Number of JCB Cardmembers (outside Japan)

Since we started full-scale expansion of issuing outside Japan around 10 years ago, we have now reached a level of 4-million cardmembers. I would like to take this opportunity to thank you, our more than 60 licensee issuing partners outside Japan, who have made such good progress in this direction.

#### - JCB Sales Volume (outside Japan)

The sales volume of the last couple of years reflects the combined factors of the terrorist attack, the wars that followed, a recession in worldwide tourism and SARS. However, the number of Japanese tourists has already recovered to the levels prevailing before those events. In addition, the expansion of card issuance outside Japan is creating sales in local markets as well. This year we are estimating more than 30% increase over the previous year, and we are well on the way back to the path of growth.

Of course, we need your support to maintain the growth, and I would like to ask our issuing partners to encourage your cardmembers to use their JCB cards more positively when they travel abroad, and our acquiring partners to open your merchant networks as fully as possible. I trust that in doing so, our partners can profit even more from JCB business.

For example, in England, where we have no local issuing partner, London Underground Limited opened their entire underground railway network for JCB, and more than 200 underground stations now experience JCB tourist transactions every month. In Greece, our

excellent partner has made a tremendous effort to establish a perfect JCB merchant network, which our cardmembers greatly appreciated during the recent Olympic games in Athens. I am confident that joint efforts of our issuing and acquiring partners will bring you even higher benefits.



### Our Challenges as a Global Payment Brand and our Mid-term Strategy for the International Market

Now I would like to bring up the challenges we face in order to transcend to a higher level as a global payment brand. They can be summarized in the following three steps:

Number 1, we will make our utmost effort to ensure sufficient transactions for our acquiring and issuing partners to benefit from JCB business.

Number 2, for this purpose, we will expand our cardmember base from Japan to Asia, and in the EMEA (Europe and Middle East), and Americas regions, which will lead to increased worldwide business opportunities in both tourist and local markets.

Number 3, in order to expand issuing, we will provide high-quality service and attractive promotions for our issuing partners and cardmembers.

Specifically within Asia, there is no doubt that China is the center of attention for all industries and sectors. We are honored to be currently discussing the issuing business with a number of Chinese banks. As a payment brand based in Asia and as one of the largest credit card companies in this industry, we will share our knowledge and experience with our excellent partners in China, and contribute to the evolution of this important market.

We have millions of JCB cardholders in Korea and Taiwan. Furthermore, we have very substantial cardmember bases in Thailand, the Philippines, and a number of other Asian countries. We have found that local issuing leads not only to increases in local sales by local cardmembers, but also to greater overall recognition of the JCB brand in these markets. As a result, it also increases the sales of Japanese and other foreign cardmembers visiting these areas.

#### Synergy between International and Domestic Cardmember Use

For example, in Taiwan, where there has been a substantial increase in the number of local cardmembers, our sales expanded nine times over the eight years from 1995 to 2003. The same thing is happening in Korea, Thailand, the Philippines, Hong Kong, Singapore, and other Asian markets. Sales will expand even further when local cardmembers visit other countries. We aim to extend this virtuous cycle throughout the world.

As we promote our overseas issuing, we are also putting much effort into improving our customer service network and providing promotional support for our issuing partners. I am confident this will differentiate JCB more effectively from the other payment schemes.



# The 9th JCB World Conference Speeches

## JCB Plaza Network

We now have JCB Plazas, a network of customer service lounges, in the heart of 31 major world cities. Our cardmembers can get direct access at JCB Plazas to such concierge type services as tourist and sightseeing information, theatre ticket arrangements, restaurant and hotel reservations and much more. Since all JCB Plazas are directly operated by JCB and connected by an on-line network, you can reserve a ticket to the opera in Vienna, a restaurant in Paris or Beijing, or a sporting event in the US at any JCB Plaza in the world.

If your JCB card is lost or stolen, you can just visit the nearest JCB Plaza, and we can issue you with a temporary card by utilizing our on-line network. We have also launched our "JCB Emergency Assist 24" service this year, to assist our cardmembers in a range of languages at any hour of the day or night.

We would like our issuing partners to utilize these services and make their JCB cards even more attractive. In the future, we will work on the possibility of linking our on-line service facility with your customer service centres, and expanding our network interactively to provide an even better service to our mutual customers.

## JCB World Promotions & JCB Sponsorship

In addition to improving customer service, we are encouraging our issuing partners to actively promote JCB cards. Our achievements of last year include the "JCB Million Dollar Campaign", in which all JCB issuers were welcome to participate. Other achievements include the expansion of the JCB web page in four languages, the sponsorship of the Asian Football Confederation, and a variety of promotional programmes for overseas cardmembers visiting Japan. We will continue to provide various promotions targeting your cardmember demand.

With the efforts I mentioned earlier and, more importantly, together with your support, we aim for the following goals in two-thousand-ten (2010).

## Numerical Targets in 2010

As for the number of overseas cardmembers, we aim to increase this to 20 million.

As for annual overseas sales volume, we are aiming for an amount of 18 billion US dollars.

As for the number of overseas merchants, we aim to increase this to 10 million.

You may think that these are very challenging targets. However, the strong economic growth of many Asian countries will continue over the next five or six years. This will also drive the growth of local credit card markets and we regard these goals as minimum requirements. Whilst it

is true that we are focusing on issuing in Asia for the time being, we will also continue to look for further issuing opportunities in EMEA and the Americas.

I am very pleased to see that a number of new issuing projects in the EMEA region are now underway. In addition, the recent decision of the US Supreme Court will give us the opportunity to expand our issuing business in the United States. We are determined to put many resources and efforts into achieving these targets.

Lastly, I would like to explain our plans for emerging payment solutions.

## J/Smart & J/Secure

As you know, EMV migration is one of the hot issues in many countries, and we believe that the next two or three years will be the peak of this transition. JCB has developed its own payment application, J/Smart, which is compliant with EMV standard, and we have migrated more than 20 million JCB cards to J/Smart in Japan.

Outside Japan, we have already introduced J/Smart into various countries, in line with the readiness of each market. In addition, in the rapidly growing e-commerce market, we have also developed our own J/Secure specification, compatible with 3D Secure, and have already introduced J/Secure in several countries. We will continue to deploy J/Smart and J/Secure in accordance with the state of development in each market, and would like to ask for your continuing cooperation. Needless to say, J/Smart and J/Secure are only a part of our challenge.

As Chairman Nobuhara mentioned, JCB has deployed successful and innovative products such as ETC for highway toll payment and Offica in Japan, together with major alliance partners.

We are aware that the demand for new services and products from the market is never-ending. And we are fully committed to emerging technologies in order to create a convenient and secure payment environment for our mutual customers.

As I touched on earlier, the global credit card market is growing. From now on, we expect that it will grow dramatically, faster than ever before. JCB is prepared to ride this wave. However, we cannot accomplish this alone. JCB needs you to join us in riding this great wave into the future, together!

Thank you!





# JCB and Bulgaria's Transcard Sign License Agreements for Merchant Acquiring and Operations, Card Issuing

JCB International Co., Ltd. signed acquiring and card issuing license agreements with Transcard SA, based in Sofia, Bulgaria, on October 20 at the 9th JCB World Conference in Kyoto. Transcard is planning to start merchant operations by March 2005 and card issuing by September 2005.

"We are delighted with this new alliance in Bulgaria, it's a powerful addition to the network of bank partnerships we have been building throughout Europe and around the world", said Mr. Eiji Tamura, Senior Vice President of JCB International. "Through these merchant acquiring and card issuing agreements, we are combining Transcard in-depth local knowledge with our global capabilities to reach a far greater number of Bulgarian consumers seeking innovative financial products that deliver premium value and service."

"Transcard was the first non-bank entrant to the Bulgarian credit card industry, and we are looking to the JCB cobrand card to further extend our share of the market", commented Mr. Christo Georgiev, Chairman of Transcard. "Bulgaria is ready to join the EU in 2007, the perfect opportunity for making the Transcard JCB card the must-have

international brand card."

Transcard entered the credit card business in 2002, when there were only about 50,000 credit cards in Bulgaria. Offering cash-back benefits that vary from 1 to 30%, Transcard built a substantial base of over 60,000 cardholders with 100,000 cards in two short years. It offers Classic and Gold cards for individuals, a Business card for corporate clients, and a Fleet card for use at gasoline stations and expects to issue 30,000 of the new JCB cards in the first year. In merchant acquiring, Transcard is planning to achieve a coverage rate of 80% of merchants accepting credit cards in Bulgaria by the end of 2004.

JCB is committed to strengthening its presence in Bulgaria and the rest of Eastern Europe, and to a stronger cardmember base in Europe. JCB's partnerships in Bulgaria include United Bulgarian Bank, and now, Transcard. The Transcard JCB card is expected to rapidly become a leading international credit card in the Bulgarian market.



## Bhutan National Bank Starts JCB Merchant Acquiring Operations

JCB International Co., Ltd., signed an acquiring license agreement with Bhutan National Bank on September 15, for JCB brand acquiring and processing business in Bhutan.

"This is the first JCB acquiring license to be granted to a Bhutanese bank," said Mr. Makoto Saito, Manager at JCB International (Thailand). "Since 25% of foreign visitors to Bhutan are Japanese, this agreement means more complete service for JCB cardmembers with a broader merchant network in Bhutan," he added.

Mr. Kipchu Tshering, Bhutan National Bank's Managing Director, commented, "We are looking forward to the benefits this new alliance will bring. By adding the JCB international brand to our product line, we now can meet the needs of merchants that are interested in Japanese travelers."

Bhutan is located on the southern slopes of the majestic Himalayas, and as a travel destination boasts a beautiful natural environment and a unique culture. Bhutan National Bank, headquartered in Thimphu, was established in 1997. The Bank provides acquiring services to merchants, including souvenir shops, handicrafts emporiums, hotels and others merchants popular with foreign tourists.

With this agreement, the JCB brand will be phased in at all the bank's merchants. With the addition of Bhutan, the JCB brand is now accepted in 190 countries and territories around the world.



## Equitable CardNetwork Launches EasyPay JCB Card in the Philippines

Equitable CardNetwork, Inc. (ECN), the Philippines largest credit card company, launched the EasyPay JCB Card on November 14. The EasyPay JCB Card is specifically designed to appeal to the ordinary worker with an annual fee only one-third of the average annual fee of other credit cards, and a unique installment plan tailored to the ordinary worker's salary payment cycle.

Salaries are paid every two weeks in the Philippines, and the EasyPay plan allows cardholders to pay for every purchase in four equal payments, twice a month over a period of two months. While other international credit cards in the Philippines have the usual revolving balance payment system, the EasyPay JCB Card is the first international branded card to offer twice-a-month payment. ECN is positioning the EasyPay JCB Card for the mass market as the card for ordinary people with an easy-to-understand, prudent and affordable payment plan.

"From a market niche, the EasyPay JCB Card will solidify ECN's hold

on a broader segment. This is a true people's card that will give more of the public entry to credit card payment", said Mr. Fol Rana, Vice President of Card Sales & Marketing Department at ECN.



Currently there are approximately 4 million people with credit cards in the Philippines, about 5% of the total population, but most of these are from the top layer of the affluent classes. The Easy Pay JCB Card features are targeted to a much wider market, and ECN anticipates issuing 30,000 of the innovative EasyPay product in the first year.

JCB has had a presence in the Philippines since 1983, and has been partners with ECN since 1998 when ECN began JCB merchant operations and JCB credit card issuing.



## JCB and EURO 6000 Sign Acquiring License for Spain

**J**CB International Co., Ltd. and EURO 6000 S.A., one of Spain's three payment network providers, concluded a license agreement for JCB acquiring operations at EURO 6000 headquarters in Madrid on September 8. General Director Santiago Ballesteros Estevez signed on behalf of EURO 6000, and JCBI was represented by President & COO Kunio Yoshizawa. This was the first JCB acquiring license to be granted to a payment network in Spain.

This agreement with EURO 6000 completes JCB business relationships with the major Spanish acquirers. EURO 6000 merchant acquiring operations and sales processing are scheduled to begin by the end of March 2005. Thirty-five banks, primarily regional savings banks, participate in EURO 6000's payment network and processing center services, for a total of approximately 260,000 merchants.

"We are delighted with our new relationship with EURO 6000, as this agreement means an increase of another 30% of the total merchant network in Spain. In fact, Spain ranks sixth among European nations in the number of Japanese tourists, at about 240,000 a year, with Spain's many world heritage sites such as Cordoba and the Alhambra Palace leading in popularity among travelers from Japan", said Mr. Shunji Yoshioka, Senior Vice President at JCB International Co., Ltd.

"Through this agreement we have another strong local partner who will be able to meet the needs of a growing merchant base, and we will have enhanced payment services throughout Spain to better meet the needs of traveling JCB cardmembers."



JCB card acceptance will be phased in, starting with about 140,000 merchants in the first year and 250,000 by the end of the third year. As a result the JCB card acceptance rate in the Spanish market will nearly double, benefiting not only the La Caixa JCB Card cardmembers who live in Spain, but also the large number of visitors from other European countries.

JCB is meeting the changing needs and desires in tourist trends by increasing JCB card acceptance in regional areas as well as major cities in Spain, while EURO 6000 is helping its merchants take advantage of these trends by adding the JCB brand to its existing line-up of international credit card brands. Both organizations benefit by this new alliance.

## JCB and Cosmos Bank Form Card-Issuing Partnership in Taiwan

**C**osmos Bank, a leading Taiwan commercial bank, launched the Cosmos Bank Platinum JCB Card on November 8.

Cosmos Bank is a strong player in the retail market, and the cardmember base for its George and Mary cash-advance card is the largest in Taiwan. JCB's international credit and unique customer services will enable Cosmos to offer significantly added-value products to both new and existing customers. Also, as a leader in introducing new technology the bank has already issued more than one million smart cards, and the Cosmos Bank Platinum JCB Card itself features the Multos IC chip.

Cosmos Bank is planning a JCB brand product line-up that will eventually include affinity and segment cards to appeal to the discriminating consumer market in Taiwan.



Since 1994 JCB International has been actively promoting card issuing in Taiwan, a strategically important market for expanding the cardmember base in Asia. More than 2 million JCB cards have been issued by 31 partner banks in Taiwan.

## Wacoal I-Card Smart Card Launched in Taiwan

**T**he Wacoal I-Card, a Java platform smart card, was launched in Taiwan in September in cooperation with E. Sun Bank and Taiwan Wacoal Corp. (Wacoal), a major Japanese apparel company.

The Wacoal smart cards issued by E. Sun Bank provide credit payment function through JCB's EMV-compliant application J/Smart™ on Java Card platform. The card is the first to carry Taiwan's National Credit Card Center's own chip-based loyalty program. The loyalty program lets cardmembers earn points at more than 200 Wacoal merchants throughout Taiwan.

"The Taiwan credit card market is mature, and most people have several cards to their name, so we had to dream up something more attractive. This card is primarily targeted at women, and it offers a unique emphasis on beauty and a more pleasant shopping experience. Above all, we are very happy to tie-up with major companies such as E. Sun Bank and Wacoal", said Mr. Osamu Hino, General Manager of JCB International (Taiwan). "With our significant experience and expertise, JCB is active in promoting card issuance and forming alliances with many different partners here in Taiwan.

This is one card that can make the most of the business opportunity in this competitive market."

The new Wacoal I-Card motif puts the emphasis on the woman as an individual, with appealing catch phrases including "I can choose", "I can have", "I can enjoy". The card offers a progressive cashback scheme and a generous point program. In fact, for the first three months the cardmember is rewarded with up to NTD 300 in discounts on purchases, and triple points on the first three purchases. The new Wacoal card has other unique features such as an innovative design and a sensor measuring the strength of ultraviolet exposure, targeting in particular the attention and concerns of young women, who tend to be sensitive about protecting their skin.



Wacoal I-Card Smart Card

Starting with the first JCB smart card in 1999, JCB has been aggressive in developing a wide range of multi-functioned chip cards.



# JCB and AirPlus Partner to Provide Global Business Travel Management Service

The JCB AirPlus Travel Payment Solution (JATPS) was launched October 1 by JCB and AirPlus, a global leader in business travel payment solutions, to provide a distinctive and broad business travel management (BTM) solution to AirPlus multinational clients with operations in Japan.

"We at JCB are delighted that AirPlus has recognized our expertise as a comprehensive payment solution and chosen to work with us. We believe that its global corporate clients will benefit from our advanced business travel management system", said Mr. Hiroya Nobuhara, President and CEO of JCB Co., Ltd. "This is part of our overall strategy of evolution from a credit card company to a comprehensive payment solution provider on a global basis."

"In JCB, we have found a partner that is ideally positioned in the Japanese market. JCB's existing payment systems and long experience are an excellent fit with our know-how in international business travel management. With JCB we now have the basis for sustained growth in the region", commented Mr. Peter Metzler, Managing Director at AirPlus.

JCB created the new JATPS business model with AirPlus by combining two of its corporate solution products, the JCB international air ticket purchasing system and the JCB corporate credit card. The first, the JCB AirPlus Company Account, provides a convenient, integrated payment method for corporate purchases of air tickets and a wealth of data including air carrier name, route and seat class as well as the usual itemized information. Companies use this central billing solution to simplify payment for air tickets from all major international airlines.

The second solution product, the JCB AirPlus Corporate Card, allows employees to pay for their other business-related expenses. During business trips, the JCB AirPlus Corporate Card serves as

a powerful payment tool for all sorts of travel and entertainment-related expenses. Corporate travellers may conveniently use their card to gain access to numerous Asian points of sale and JCB Plaza services as well as extensive insurance benefits and a wide range of other advantages.

The new JCB AirPlus Travel Payment Solution offers AirPlus clients the benefit of JCB solution product information through the AirPlus Information Manager system, an intelligent cost analysis tool that provides detailed expense reports which assist businesses to identify potential saving opportunities, thereby providing them with an excellent basis for price negotiations with airlines, hotels, car rental companies and other service providers. The new combination will allow JATPS client corporations to enjoy unparalleled transparency of costs and new levels of analysis of expense data from around the world.

Over 22,000 corporate customers in over 23 countries rely on AirPlus for their business travel management needs and benefit from AirPlus presence in all the leading business travel markets worldwide. In Japan, the top 500 companies in the AirPlus customer base are the key target group for JATPS. JCB is committed to developing and providing innovative solutions for partners such as AirPlus, making the most of its expertise in domestic and international payment systems.



## One More Hawaii! JCB Card Promotion

The One More Hawaii! JCB card promotion offering a chance to win a trip to Hawaii and other prizes runs from July 26, 2004 to January 15, 2005.

JCB cardmembers bring their card sales receipts to the JCB Plaza Honolulu in order to receive one chance per USD 200 spent in Hawaii for a lucky draw with prizes that include a trip to Hawaii (up to 100,000 yen) and gift certificates for Ala Moana Shopping Center, DFS and ABC Stores.

The campaign is designed both to promote JCB card use in Hawaii and to encourage cardmembers to visit the JCB Plaza Honolulu. The JCB Plaza can then make recommendations and reservations for local JCB merchants including restaurants and shops. JCB Plaza service not

only increases JCB cardmember customer loyalty, but also promotes increased card use. Cardmembers that visit a JCB Plaza spend more with their JCB card than non-visitors. During the current campaign, the number of visitors to the JCB Plaza Honolulu in the month of August rose to a new high of more than 17,000.



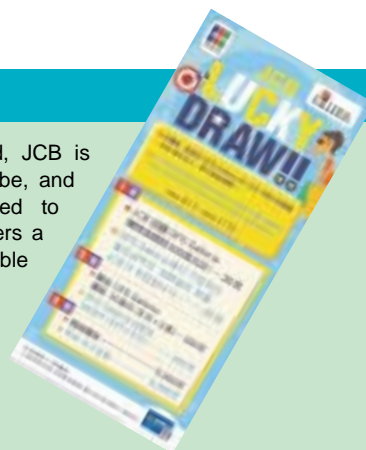
Locally focused campaigns such as One More Hawaii! are one important tool that JCB is using to promote card use across the world.

## Guam Card Promotion JCB Lucky Draw!

JCB is offering a lucky draw to customers who use the JCB card to make a purchase at DFS Galleria in Guam or Saipan. The campaign runs from August 1, 2004 to January 15, 2005. Customers spending over USD 200 are also given a chance in a lucky draw to win prizes including a USD 500 DFS Galleria gift certificate.

JCB cardmembers visiting DFS Galleria in Guam or Saipan receive a leaflet in Japanese, Korean and Chinese at the main entrance promoting the campaign. All JCB cardmembers, from Japan or abroad, are eligible to participate.

As an international brand, JCB is advancing around the globe, and always remains committed to providing JCB cardmembers a level of service unavailable with any other brand.





# JCB Develops Contactless Credit for MOPASS

JCB has developed contactless credit for MOPASS cards conforming to ISO/IEC14443 for Type B communications. The MOPASS card (MOBile PASSport), created in cooperation with Hitachi Ltd., combines smart card microprocessor functions with the flash memory card format for use in PCs, mobile phones, PDAs and other information devices with a memory card slot. JCB demonstrated the card at the 9th JCB World Conference on October 18 and 19 in Kyoto, Japan.

"The portability of the MOPASS card means that you can use a lot of different devices as your credit card", said Mr. Yosuke Hamada, Assistant Vice President of JCB's Strategic Market Development Department. "In fact, the large memory makes it possible to provide other, value-added services in addition to credit, making MOPASS ideal for creating new demand in the market."

Combining smart card microprocessor functions with the flash memory card format not only provides MOPASS with large memory capacity, but advanced security without a special reader/writer, a particular advantage for the authentication functions required by mobile commerce using smaller devices such as mobile phones and PDAs. A MOPASS card equipped with proprietary credit and other applications developed by JCB can



Contactless credit payment with MOPASS inserted in mobile phone slot.

perform all the functions of a conventional-size IC-chip credit card.

The JCB World Conference demonstration highlighted both JCB's contactless credit function using the MOPASS card in a mobile phone memory card slot, and PC lock, log-in authentication and file encryption functions on a personal computer. This demonstration was the world's first implementation of MOPASS contactless credit by an international credit card brand, and JCB will be actively moving ahead with further development and trials of MOPASS-based products and services, including in-house trials next spring.

Contactless postpayment is an integral part of JCB's Offica and Mobile Offica multi-function corporate solutions, currently in use by 10 companies within Japan. JCB has conducted a trial of the QUICPay™ contactless payment system, which offers simple and speedy offline payments in less than one second using a variety of contactless chip media. The trial implemented the system in mobile phones compatible with NTT DoCoMo's mobile wallet service.



PC lock, log-in authentication and file encryption with MOPASS inserted in card reader.

*i-mode is a registered trademark of NTT DoCoMo, Inc. in Japan and other countries.  
FeliCa is a registered trademark of Sony Corporation.*

## QUICPay Contactless Payment System Goes Mobile

JCB's QUICPay™ contactless payment system went mobile in a two-month trial project starting November 2004. The QUICPay system offers users simple and speedy offline payments in less than one second, and can be used in a variety of contactless chip media. The trial project implemented the system in mobile phones compatible with NTT DoCoMo's mobile wallet service.

Twenty employees of the Kanachu Hire taxi company, based in Atsugi, in the suburbs of Tokyo, received NTT DoCoMo mobile wallet service handsets to download the QUICPay application, while about 30 of the company's cabs were equipped with contactless readers. The POS readers and data processing system at Kanachu Hire were provided by SAXA, Inc.

"Everybody knows that people are busy in the Tokyo metro area. That's where the convenience and speed of QUICPay can make a big difference. QUICPay is signature-free and stress-free – just tap and go," said Mr. Go Masaki, Assistant Vice President of JCB's Strategic Market Development Department. "Not only is payment more convenient for the customer, but the time saved frees the cab driver to serve the

next fare even faster than before."

QUICPay ("Quick and Useful IC Payment") is significantly faster and more convenient than cash. Part of the customer's existing credit limit is assigned to a contactless IC chip, which may be embedded in a plastic card, or incorporated in the customer's i-mode® FeliCa® mobile wallet service phone as in this trial project. The QUICPay amount is billed to the customer's existing credit card just like any other card purchase.

Payment of taxi fares with a credit card used to mean a cumbersome process in which the driver used a manual imprinter to capture data on a sales voucher. But in recent years, more automated on-line processing of card payments at some taxi companies has already resulted in a significant increase in payment by card. "Credit cards eliminate the problem in paying the fare in cash when the driver has to handle big bills and make change. And now with QUICPay, payment is going to be easier and smoother than ever before," commented Masaki.

(continued ↗)





JCB is using the feedback provided by riders and drivers at the end of the trial in preparation for the full-scale release of the QUICPay system in the spring of 2005. The significant reduction of payment transaction times makes QUICPay suitable for a number of markets where quick throughput is critical, such as supermarkets and convenience stores.

Recent advances in JCB product development include the Offica™ corporate solution, as well as projects involving mobile payment system implementations and biometric authentication. JCB is continuing to move forward both in international standardization and in devising innovative solutions targeting specific local market needs, which will benefit both merchants and consumers.

*i-mode* is a registered trademark of NTT DoCoMo, Inc. in Japan and other countries.  
*FeliCa* is a contactless IC chip technology developed by Sony Corporation and a registered trademark of Sony Corporation.



From left: The card reader has a mag-stripe reader on one side, and a contactless reader on the other for use with NTT DoCoMo's mobile wallet handset.

## Hong Kong's AsiaPay Launches J/Secure™ Program for Internet Merchants

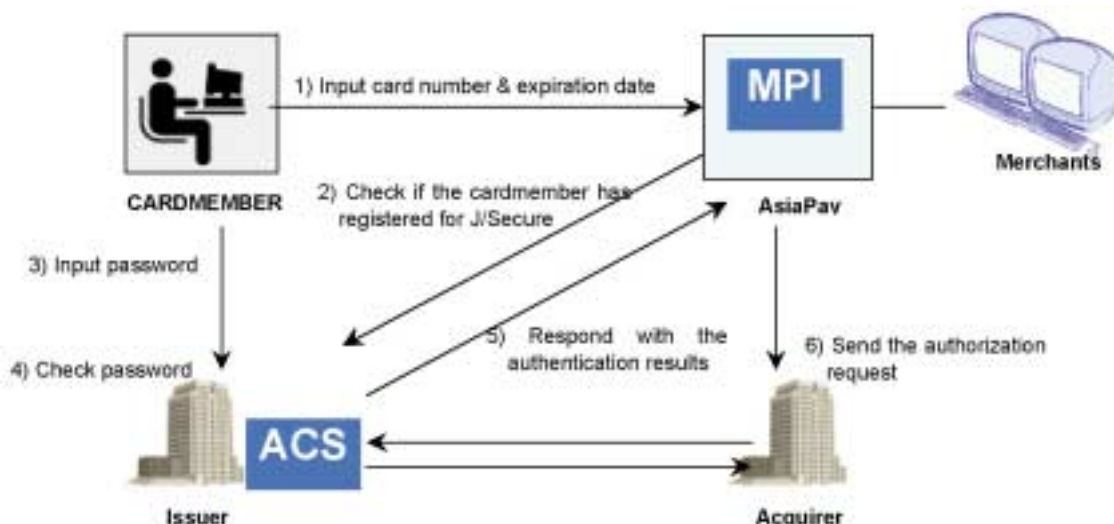
AsiaPay (HK) Limited, a leading Asian payment service provider, has adopted J/Secure™, the JCB payer authentication program. 20 major AsiaPay client merchants including Sinomedia Holdings (HK) Ltd and U Domain Web Hosting Co Ltd began using the J/Secure program for online shopping in August, with an additional 300 AsiaPay e-commerce client merchants following.

JCB designed the enhanced security of J/Secure to be an important tool in preventing credit card fraud online to protect its customers and provide greater confidence in credit card payment on the internet. J/Secure adds an important secret password identification step to the traditional online shopping process, verifying the identity of the person entering the card information. AsiaPay's merchant server is equipped with merchant server plug-in software (MPI) compliant with J/Secure technology, performing the authentication checking for the payment service provider's client merchants.

"J/Secure implementation provides a lot of benefits, as online shopping volume will only increase with time. We can protect our growing online payment transactions and avoid business losses due to card fraud, and this certainly gives JCB cardmembers more peace of mind when they shop on the internet", said Hiroshi Takahashi, Managing Director of JCB International (Asia) Limited.



JCB launched the J/Secure program in April 2004, and has been implementing it in e-commerce markets worldwide. AsiaPay's adoption of the program is the first in Hong Kong. JCB will continue to promote and deploy J/Secure providing higher levels of security worldwide, in response to the current and emerging needs of the global payment market.





# Japan Duty Free 1,000 yen Bonus with JCB

JCB is offering a joint campaign with Japan Duty Free shops in the Narita and Haneda airports from April 1, 2004 to March 31, 2005. Customers presenting a JDF coupon receive 1,000 yen more free with purchases of at least 8,000 yen with the JCB card.

Customers can get a coupon at the JCB Service Desk in Narita Airport. The JCB Service Desk provides information on JCB Plazas, campaigns and other tips to support travelers going abroad.

The campaign is designed to promote carrying the JCB card abroad, as well encouraging card sales at the destination location by promoting card use at the airport. JCB is committed to differentiating the independent JCB international brand with unique services and special customer benefits such as this campaign.



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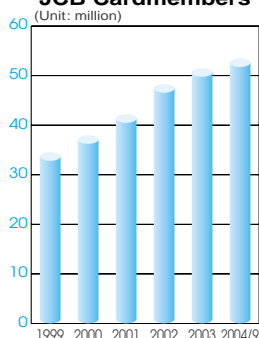
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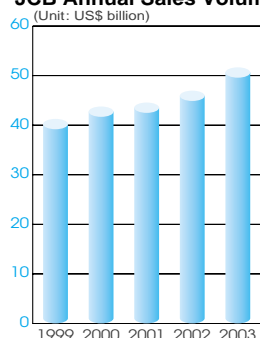
as of September 2004

## Corporate Statistics

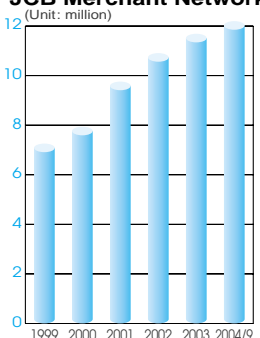
### JCB Cardmembers



### JCB Annual Sales Volume



### JCB Merchant Network



## Key Statistics

(as of September 2004)

- Annual Sales Volume: ¥5.69 trillion (approx. US\$ 51.8 billion)\*
- Cardmembers: 53.59 million
- Merchant Outlets: 12.22 million
- Countries/territories where JCB is accepted: 190

\*Annual sales volume is for April 2003 thru March 2004. Figures based on average 2003 exchange rate of 1US\$=¥110