

## PROCESSING SERVICES AND INFORMATION TECHNOLOGY GROUP

The Processing Services and Information Technology Group is a new group formed from the merger of the Transaction and Information Delivery Services Group and the systems divisions. We have always ranked high among Japan's banks in terms of information technology and the new group is now able to take advantage of our leading position and solid IT base to strengthen the overall operations of the Bank.

### Processing Services Business Strategy

*Our strategy is to offer customers even greater convenience by building on Fuji Bank's superiority and expertise in settlement services.*

#### **1. The environment facing the processing services business and the Group's role**

We believe that our mission in the area of processing services is to contribute to greater customer convenience and respond to customer needs by offering high-quality, low-cost processing services in the areas of clearing, electronic commerce, foreign exchange, foreign currency deposits, and developing new products.

We have developed our own strong expertise in yen fund clearing services, custody services and electronic commerce using advanced information technologies. The high quality of our services in these areas has earned us a solid reputation among customers in Japan and overseas.



In general processing services, sophisticated know-how is essential, and it is necessary to maintain a consistently high level of investment in costly systems. This means it is not always a particularly efficient sector for corporations and financial institutions to be involved in. Traditionally, processing of this sort has been an internal function, but in the current tough economic environment, where operational efficiency and profitability are under close scrutiny, demand for outsourcing services is growing steadily. Our objective is to make maximum use of the know-how and expertise we have accumulated to date, and fully exploit the merits of scale to respond to customers' requirements by offering higher quality services at lower cost.

We are also actively engaged in developing new foreign currency deposit products and our debit cards, cyber banking, electronic money and trade finance EDI (electronic data interchange) services constitute part of a longer term project to build the framework for a new generation of settlement systems. Our foreign currency deposits with options have proven to be extremely popular in satisfying the rapidly diversifying needs of customers. At the same time, as a leading player among Japanese banks in fields like Internet banking, debit cards and electronic money, we are developing new instruments tailored to customers' needs, and working extremely hard to develop better data processing procedures and higher security standards. In the area of trade finance EDI, we have participated in domestic and international projects such as BOLERO right from the start, and are

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engaged in testing and proving procedures for handling the new trading and processing flows engendered by progress in Internet technology.

As interest in the internationalization of the yen increases, it is important to consider this type of new settlement framework from a global point of view. We believe it is important for us to play a role in this type of project bearing in mind the growing presence of the Japanese economy and the yen in the international arena.

## **2. Concrete strategies and key issues**

Since the revised Foreign Exchange and Foreign Trade Control Law went into force in April 1998, we have offered foreign exchange business services at all branches dealing with corporate clients. Since the beginning of the current fiscal year, we have been working together with foreign banks to develop new products in the trade finance sector, becoming the first Japanese bank to offer a scheme to handle export claims off the balance sheet, among other things. Furthermore, following the launch of the euro at the beginning of 1999, we have started engaging in transactions in the new currency, setting trading spreads and interest rates at very competitive levels compared with those of other banks. As mentioned above, in the area of trade finance EDI, too, we have played a leading role in the BOLERO project and in establishing a framework for providing fully electronic services.

To respond to customers' needs for high-interest investment products that offer greater convenience in a combination with telephone banking, we launched the "Fuji Super Foreign Currency Time Deposit." We also launched foreign currency time deposits with options which offer higher interest rates on a yen basis. We will continue to expand our product lineup as a means of satisfying our customers' increasingly sophisticated and diversifying needs.

Many of our customers already use our electronic banking services, and we continue to work on improving them. Having led the way in creating new clearing services for individual customers, including debit cards, Internet banking and electronic money, our reputation as an innovator is well established. In the area of crossborder cash management services, customers have for some time now made extensive use of our Fuji Global Cash Management Service (CMS) (overseas version of an electronic banking product) in managing the assets of overseas subsidiaries and affiliates, and controlling non-resident deposit accounts registered in the name of the head office. Our entry into the Interactive Business Operating System (IBOS) in February 1999 helped us strengthen our overseas network and offer more convenient services for customers planning to advance into overseas markets. We will continue to develop new products with an eye on constructing more efficient all-round delivery channels.



When investors invest in securities, they normally entrust banks and other financial institutions to handle custody, clearing and proxy services (such as exercising stockholders' rights) on their behalf. We provide such custody services to institutional investors at home and overseas, and have earned a particularly strong worldwide reputation among overseas institutional investors for the speed and accuracy of the processing services that support our yen custody operations. We not only lead Japanese banks in terms of the balance of yen-denominated shares we hold in custody, but our services in this area have been "Top Rated" for seven consecutive years according to the internationally respected *Global Custodian* magazine.

Many overseas financial institutions have entrusted us with their yen fund clearing operations in Japan. And following changes in the foreign exchange/yen clearing system in December 1998, we have started yen fund clearing services on behalf of domestic financial institutions. We are involved in creating new mechanisms to reduce settlement risk through netting and were original members of the Continuous Linked Settlement Bank (CLSB). CLSB is an international project established to reduce the risk arising from settlements of different currencies across different time zones. As a financial institution that undertakes clearing services on behalf of others, we are working harder than ever to reduce settlement, operational and other kinds of risk.



Fuji Multimedia Bank

### Information Technology Strategy

*Our strategy is to utilize our existing, highly advanced system infrastructure as a launching pad for a new generation of IT-based businesses.*

#### **1. The environment facing IT and the Group's role**

As a result of Japan's Big Bang financial system reforms, competition in banking and other financial sectors will intensify, and the management strategies of each banking unit and group and the IT strategies that support them are of vital importance. The Processing Services and Information Technology Group is in charge of our IT strategies.

To date, we have moved steadily ahead with measures to enhance our systems infrastructure, building a new computer center in the Tama suburbs of Tokyo and establishing a network of leased circuits that link key centers around the country.

Our strategy of building a flexible systems infrastructure has put us in a better position to offer the sorts of services customers really want. These include round-the-clock ATM services, cash machines in convenience stores and in-store branches in major supermarkets.

We have also taken a commanding lead in creating advanced customer channels that utilize the most advanced technologies available, including Fuji Cyber Bank, Fuji Multimedia Bank and Fuji Telephone Banking. Our efforts in these areas were rec-

ognized in fiscal 1997 when we received an award from the Ministry of International Trade and Industry (MITI) for our contribution to bringing information technology into business activities. We have thus carved out a leading position for ourselves in the use of IT, and rank high among the very top Japanese banks in this respect.

## **2. Concrete strategies and key issues**

In the new millennium, systems will be required to do much more than simply offer greater streamlining of office procedures. We need systems that support management strategies through customer databases that identify and analyze the needs of individual customers. To this extent, the more effectively a company uses IT, the more likely it is to demonstrate its superiority over others.

For this reason, the Bank will continue to build on its existing infrastructure to develop systems that underpin the management strategies of the Bank's market groups. At the same time, we will explore ways of using the latest IT in developing a new generation of financial businesses as well as expanding the scope of existing business sectors.

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It goes without saying that the Processing Services and Information Technology Group will strengthen its cooperation with the processing services related divisions. This applies in particular to those sectors in which we rank highest among Japanese banks, including firm banking, cash management services, custody services, foreign exchange/yen proxy settlement services, trade finance EDI and other settlement businesses that use IT as a base.

As far as the development of future systems is concerned, it is absolutely essential that we devise solutions that meet the needs of increasingly sophisticated and diverse financial operations. To this end, we intend to keep on building up our well-rounded team of experts with a view to developing systems that offer higher value-added than ever.

