Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.





November 28, 2024

For Immediate Release

4-1-28 Toranomon, Minato-ku, Tokyo Japan Communications Inc. Naohisa Fukuda Representative Director-President (Code No.: 9424) For enquiries: Mitsuru Kodaira Executive Officer and CFO Tel: +81-3-5776-1700

WELLNET and JCI begin collaboration to build the first "e-money with identity authentication" to reduce social costs

Japan Communications Inc. (Stock code: 9424, hereinafter referred to as "JCI") is pleased to announce that we have begun collaboration with WELLNET CORPORATION (Head office: Sapporo, Hokkaido, President and Representative Director: Kazuhiro Miyazawa, Stock code: 2428, hereinafter referred to as "WELLNET") to achieve a safe, secure, easy and convenient to use "e-money with identity authentication" system with maximum efficiency by utilizing WELLNET's wide-range cashless payment infrastructure and JCI's authentication infrastructure that guarantees identity authenticity.

Through collaboration between the two companies, we will jointly develop "e-money with identity authentication" that combines reliable identity verification and the highest level of person authentication. As the first phase, we aim to provide a globally unparalleled secure payment service using this system, as well as digital tickets using MaaS, by next spring.

1. Background of the collaboration

Japan aims to increase the ratio of cashless payments to approximately 40% by 2025, and to reach 80%, the highest level in the world, in the future. Toward this government goal, cashless payments are being promoted in various industries. Among cashless payments, credit cards are the most used, accounting for over 80% of cashless payments.

Credit cards have a four-digit number (PIN: Personal Identification Number) that is decided by the user at the time of contract, registered on the IC chip. When making a payment in person, the

system mainly compares the PIN registered on the IC chip with the PIN entered to authenticate the user. The IC chip is equipped with a security function that locks the card to prevent fraudulent payments if the PIN is entered incorrectly multiple times, as well as a certificate and a card-specific key used for transaction authentication.

On the other hand, in non-face-to-face payments, even with the same credit card payments, phishing scams are rapidly increasing, and the damage caused by fraudulent transactions in which account information (user ID, password, etc.), credit card number, PIN, etc. are stolen and the person impersonated is rapidly increasing. Naturally, credit cards that have been suspended due to suspected fraudulent use will no longer be usable for face-to-face payments. In addition, even after a credit card has been suspended, fraudulent use that exploits smartphone touch payments (offline) has been reported. Fraud using methods that break through two-factor authentication has also been confirmed.

The damage caused by fraudulent credit card use in 2023 was 54.09 billion yen (an increase of 23.9% from the previous year), which is about five times the amount in the past 10 years. Such damage caused by fraudulent use has led to higher payment fees and increased costs for fraud prevention. Japan's cashless ratio reached 39.3% in 2023. However, as long as fraudulent payments are occurring, it will be difficult for the country to achieve the world's highest level of cashlessness.

2. About the two companies

WELLNET provides major EC operators with a "multi-payment service" that allows them to complete non-face-to-face payments by connecting to a single company, WELLNET. In addition, the e-money-compatible smartphone service "Shiharai-Hisho," which can be linked to bank accounts, has been adopted by almost all electric power companies in Japan. "Altair Triple Star" is an all-in-one cloud service for transportation operators that has been developed since 2017, covers everything from inventory and timetable management for vehicles and events, ticket reservations, purchases, and issuance, to train and bus ticket gate systems using QR codes. This service is becoming more widely used as an effective tool to support the digital transformation of MaaS platforms and transportation companies in various regions. WELLNET aims to contribute to society by providing a service that is "safe, secure, easy and convenient to use" with maximum efficiency through IT, and continues to grow through the expansion of its "payment + alpha platform" that leverages its strengths in its payment infrastructure.

JCI provides mobile communication services and digital authentication infrastructure with authentication technology at its core. JCI's patented FPoS is a technology recognized by the Financial Services Agency as contributing to ensuring the safety and convenience of financial transactions. FPoS uses the digital certificate stored in the IC chip of the My Number card to verify the identity of the user. This method is much safer and more effective than currently widely used methods such as sending a photo of a driver's license. After verifying the user's identity, a private key is generated

and stored in the secure element (IC chip is also a type of secure element) in the customer's smartphone, and at the same time, an digital certification authority certified by the Digital Signature Act issues an digital certificate containing a public key. When using FPoS, the user enters a PIN (can be replaced by face recognition) like a credit card, confirms that the user is the user (personal authentication), and then logs into the service by verifying the signature of the digital certificate.

3. Aim of collaboration

Among cashless payments, in face-to-face payments, the cardholder can be confirmed to be the cardholder by entering a PIN and a card with an IC chip. In non-face-to-face payments, the payer, the recipient (or store, etc.), and the money are all merely digital signals (a combination of 0 and 1) via communication such as the Internet. In non-face-to-face payments, it is important to know whether the payer is the actual user of the payment method and whether the recipient is the intended recipient.

WELLNET and JCI have agreed to utilize WELLNET's cashless payment infrastructure and JCI's authentication infrastructure, which guarantees identity and authenticity, to maximize the efficiency of realizing a safe, secure, comfortable and convenient "identity-authenticated e-money" system for both face-to-face and non-face-to-face payments.

Comments from each company

Kazuhiro Miyazawa, President and Representative Director, WELLNET CORPORATION

"Money stolen through fraudulent use is covered by insurance, but this drives up fees as payment costs. This also leads to increased costs for security measures, customer service, police response, and investigations into fraudulent use. If it is truly safe, the costs will actually be very low. Reducing the cost to society as a whole is what "maximum efficiency" means. I am convinced that "e-money with identity authentication" will definitely solve the social problems of cashless payments and become the infrastructure for DX."

Naohisa Fukuda, President and Representative Director, Japan Communications Inc.

"With the widespread use of My Number cards, it has become possible for the first time to perform reliable, non-face-to-face digital identity verification. Our FPoS makes maximum use of the reliable identity verification function of My Number cards (different from the so-called eKYC*1), and also issues digital certificates certified by the Digital Signature Act in a secure area (secure element) on smartphones. By combining this technology with WELLNET's wide-ranging cashless payment platform, we will provide a secure e-money service that is unparalleled in the world."

*1 eKYC (short for electronic Know Your Customer): The method of uploading and transmitting a photograph of the person along with their identity verification document (the identity verification requirement (π) method stipulated in Article 6, Item 1, Clause 1 of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds) is currently mainstream. However, the government has indicated a policy to standardize in principle on the method of reading IC chips such as those on My Number cards as a measure to protect against specialized fraud and identity theft, and plans to make it mandatory to use the digital certificate for signature stored on the My Number card or the digital certificate issued by a certified certification business operator under the Digital Signature Act.

*All company names and product names used in this release are trademarks or registered trademarks.

About Japan Communications Inc. (JCI)

Japan Communications Inc. is the mobile solution innovator that has created the MVNO industry with its vision since its establishment in 1996. In today's world, where digitalization is advancing and everything is connected through networks, our patented technology, the Personal Wireless Leased Line, has obtained PCI DSS certification, an international security standard, for all its main systems. This technology is adopted in fields that require high levels of security, such as the police, banks, and credit card companies. Furthermore, JCI is building a common platform for secure and reliable digital IDs that provide the highest level of security without compromising convenience. This enables the provision of safe and convenient services for the entire society, including financial transactions using smartphones. We continue to embrace our challenger spirit, aiming to provide a safe mobile environment as a cross-border social infrastructure.