



**SEVEN BANK, LTD.**

# Integrated Report 2018

For the year ended March 31, 2018





“If there was an ATM at Seven-Eleven, it would be more convenient ...”

In response to such comments from customers, Seven Bank was established and it has created ATM services that can be accessed “anytime, anywhere, by anyone, and with safety and security.”

Currently, due to the spread of smartphones, diversification of payment methods, changes in lifestyles and other factors, our business environment is undergoing radical change. It is hard to predict what kind of future awaits us in some years or some decades.

We aim to respond flexibly to such changes in society and diversifying customer needs by continuing to change with the times.

We will continue to provide new kinds of convenience that society requires, for use by anyone, with safety and security.

Together with the times

Together with you





## Corporate Principles

1. We aim to be a sincere company that our customers trust.
2. We aim to be a sincere company that our business partners, shareholders, and local communities trust.
3. We aim to be a sincere company that our employees trust.

## Management Policy

1. We aspire to be a trusted financial service provider that fully meets customer needs.
2. We act to promptly introduce the benefits of technical innovation and pursue self-development.
3. We strive to contribute to the stability and advancement of the financial system by providing a secure and efficient payment infrastructure.

## Charter of Ethics (abridged)

1. Be fully aware of the public nature and social responsibilities of a bank.
2. Provide highly convenient, customer-focused services, matched to current needs.
3. Act with integrity and fairness.
4. Communicate with society.
5. Have respect for humanity.



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### About this publication

This integrated report includes information related to Seven Bank's management policy, business performance, business overview, corporate social responsibility (CSR) and financial position. It has also been prepared to include comprehensive non-financial information that supports our sustainable growth.

**Forward-looking Statements:** This document contains statements concerning the current plans, expectations, strategies and beliefs of Seven Bank, Ltd. ("Seven Bank"). Statements contained herein that relate to future operating performance and that are not historical facts are forward-looking statements. Forward-looking statements may include, but are not limited to, words such as "believe," "anticipate," "plan," "strategy," "expect," "forecast," "predict," "potential," "possibility" and similar words that describe future operating activities, business performance, events or conditions. Forward-looking statements, whether spoken or written, are based on judgments made by the management of Seven Bank, based on information that is currently available to it. As such, these forward-looking statements are subject to various risks and uncertainties, including, but not limited to, changes in the level of demand for the services offered by Seven Bank, challenges Seven Bank faces in achieving further growth and various other factors. As a result of such risks and uncertainties, the actual business results of Seven Bank may vary substantially from the forecasts expressed or implied in forward-looking statements. Consequently, investors are cautioned not to place undue reliance on forward-looking statements. Seven Bank disclaims any obligation to revise forward-looking statements in light of new information, future events or other findings. The information contained in this document does not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe for any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

—Challenging Limitless Possibilities—

## Strengths of Seven Bank

Innovation Born of Our DNA

# 1

# Created in Response to Customer Feedback

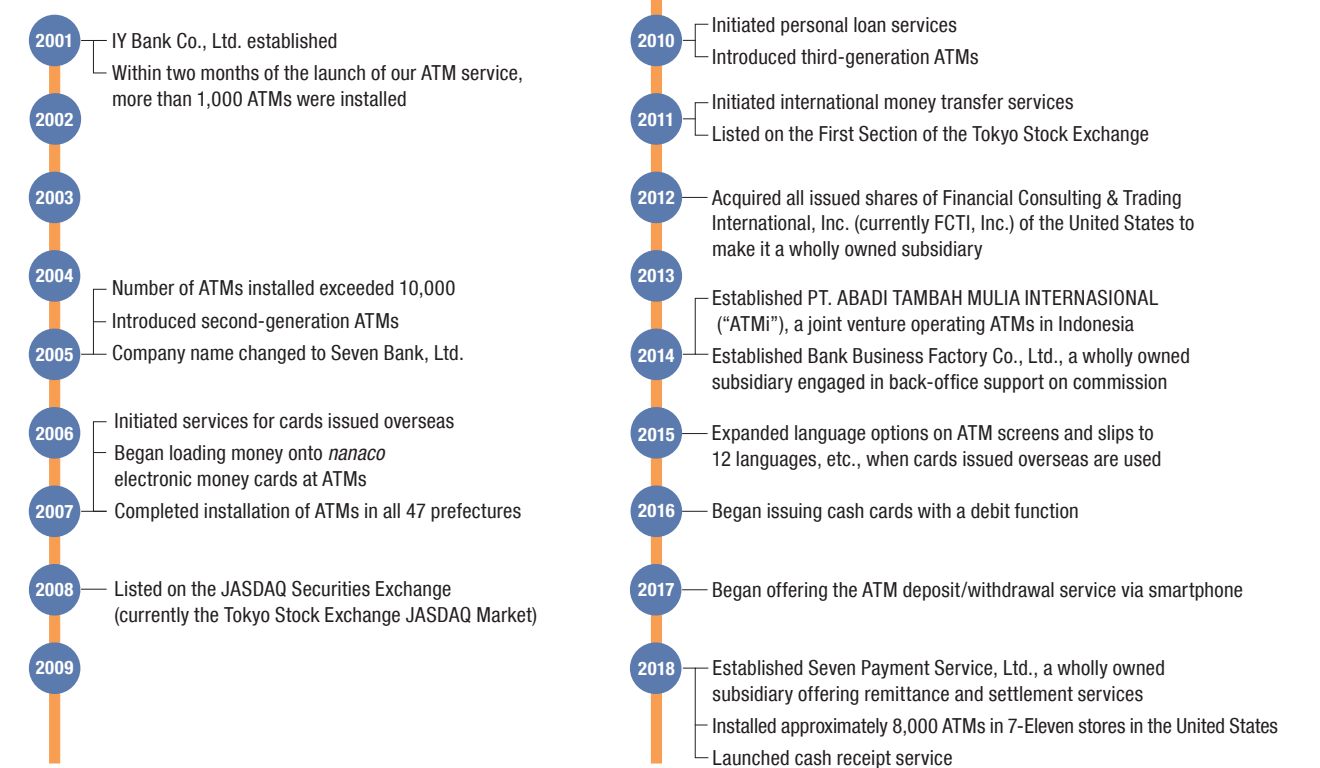


## Unprecedented Business Based on ATM Service

“If there was an ATM at Seven-Eleven, it would be more convenient ...” Seven Bank was created in response to customers’ comments like this. Our commitment to offering ATM services that are really required by customers is the foundation supporting our business.

- ▶ A business created in response to customer feedback
- ▶ Launched in April 2001 as IY Bank Co., Ltd., a spin-off from our logistics and retail business
- ▶ History of our challenges to create a sequence of new ATM-centered services

### Seven Bank’s History



## Strengths of Seven Bank

Growth as Social Infrastructure

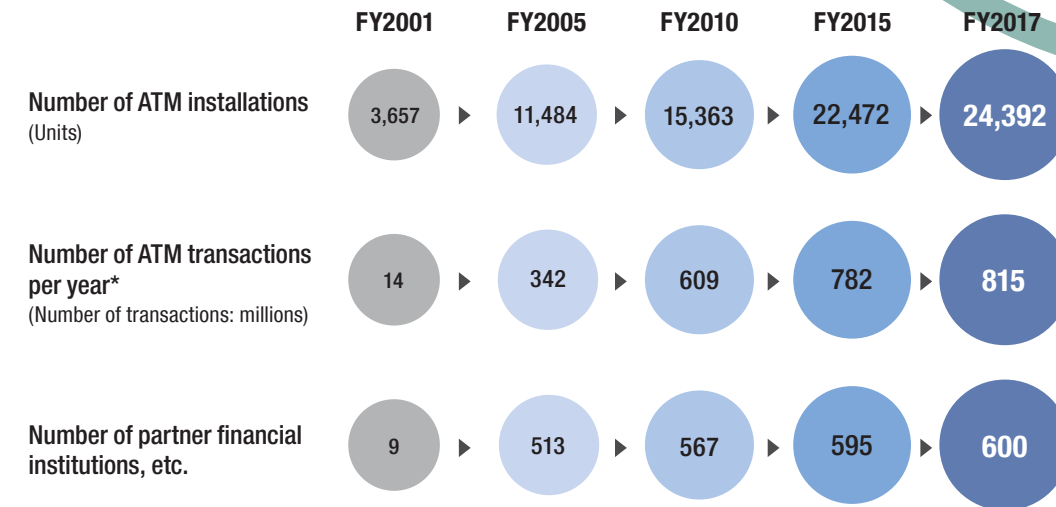
# 2

# Services Embedded in the Fabric of Society



## Performance as Social Infrastructure

Seven Bank is installing ATMs at “nearby and convenient” locations, including Seven-Eleven stores as well as hubs for transportation, logistics and tourism. We have built an ATM service that can be accessed “anytime, anywhere, by anyone, and with safety and security.”



\* Number of transactions: Total number of deposits, withdrawals and money transfers. Balance inquiry, electronic money charge/balance confirmation, PIN number change and usage limit change are not included.

### ATMs Always Available

▶ **The operational rate of our ATMs is 99.98%:**

By collaborating with our contractors to avoid running out of cash and prevent malfunctions and other issues, we have built a system that enables our customers to access ATMs “anytime” with peace of mind, whenever they need them.

### Multilingual Support: 12 Languages

▶ **When a card issued overseas is used:**

Users can select one of the following languages for both the ATM screens and receipts: Japanese, English, Chinese (simplified and traditional), Korean, Thai, Malaysian, Indonesian, Vietnamese, French, German or Portuguese.





## Strengths of Seven Bank

Positioning

# 3

# Unique Business Model



## A Unique Business Model Founded on Coexistence and Co-Prosperity

Seven Bank provides ATM services that can be accessed “anytime, anywhere, by anyone, and with safety and security” throughout Japan. Our services also benefit our partner financial institutions, etc., in various ways in terms of cost and enhanced services.

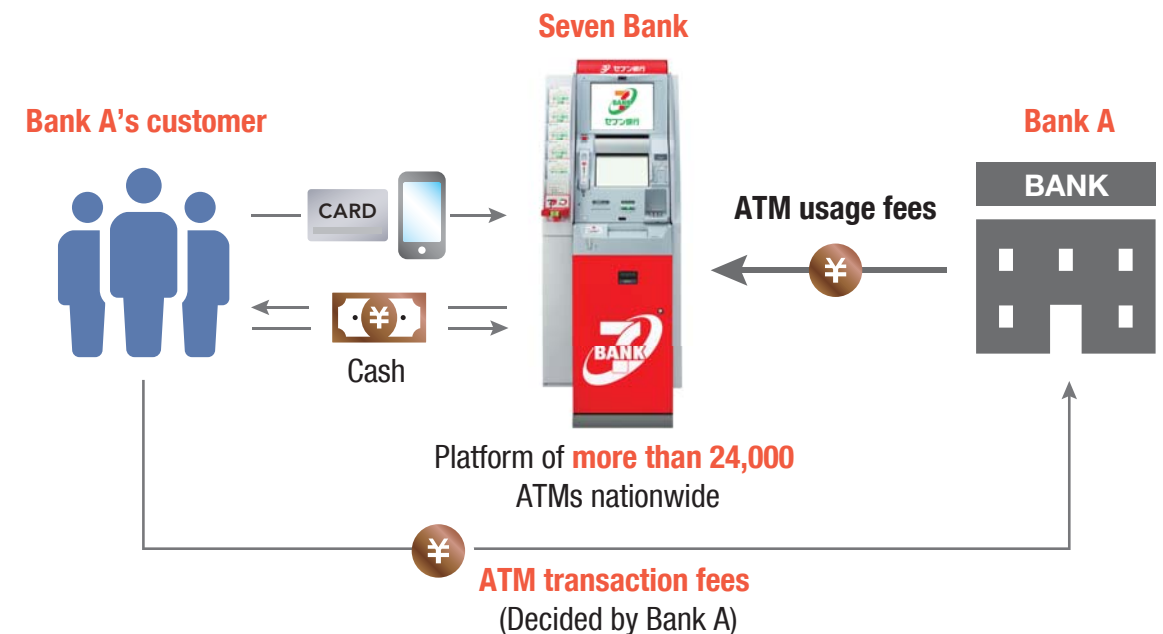
Seven Bank and its partner financial institutions, etc., have built a unique business model founded on coexistence and co-prosperity.

- ▶ **Revenue structure differs from that of conventional banks:**  
Consists mainly of fees from partner financial institutions, etc.
- ▶ **Coexistence and co-prosperity partners:**
  - Partner financial institutions, etc.
  - Contractors supporting the business of Seven Bank
- ▶ **Number of partner financial institutions, etc.: 600** (As of March 31, 2018)

## Superiority in Our Business Environment

- ▶ **Contact with customers:**  
We have contact points with customers via a platform of more than **24,000** ATMs nationwide.
- ▶ **Group strength, including the capability to attract customers and the store network of the Seven & i Group:**  
Group stores have approximately **23 million** customer visits per day.

Business Model for Our ATM Services (in a partnership with a bank)



## Seven Bank Growth Drivers

# Capturing Market Needs that Change with the Times

## Viewing Societal Challenges as Business Opportunities



### Spread of digital settlements

#### Ensuring settlement security

##### ▶ Creation of new styles of ATM usage

In response to our customers' changing lifestyles, we offer safe and secure services, including deposits and withdrawals via smartphone.



### Low childbirth rate and an aging population

##### ▶ Universal design easy for everyone to use

Seven Bank's ATMs employ a universal design that is easy to use for everyone, regardless of age, nationality or disability. We strive to make our ATMs easy for anyone to use by having a universal color design, installing cane/drink holders and providing a voice guidance service. We also focus on nurturing the next generation, including a collaboration for "Mori no Senshi (Guardian of the Forest) Bonolon," a picture book for children, and issuing social contribution-type cash cards.



### Diversifying work styles

##### ▶ Possible to receive cash without going through a bank account

As work styles become more diverse and sharing services grow in popularity, companies have more opportunities to transfer money to individuals. We launched the "cash receipt service" to meet customer needs to send money easily and receive it at any time.



### Labor shortage drawing more foreign workers to Japan

##### ▶ International money transfer services

Seven Bank offers international money transfer services to meet the needs of customers with friends and family overseas. Customers can access the service via Seven Bank ATMs installed nationwide, as well as via devices such as personal computers and smartphones, to send money to approximately 200 countries, in principle, 24 hours a day, 365 days a year. We are also working to contribute to a society of multicultural coexistence, partnering with a municipal public organization to disseminate local information, information about disasters and other material in multiple languages to foreign residents via our "International Money Transfer App."



### Increase in foreign visitors to Japan

##### ▶ Withdrawing Japanese yen with cards issued overseas

Seven Bank offers a service whereby users can withdraw Japanese yen with cash cards and credit cards issued overseas. We are helping to achieve the national government's tourism plan by offering safe and secure services, with support in 12 languages for our screen displays, receipts, etc., to provide foreign visitors to Japan smooth access to ATMs.



### Concentration of financial service locations in major metropolitan areas and hollowed-out rural areas

##### ▶ Responsibility as a company that provides social infrastructure

More people are feeling inconvenienced by phenomena such as the hollowing out of financial service locations. We are installing ATMs in the store network of every company in the Seven & i Group, as well as at transportation, logistics and tourist sites outside the Group. We aim to offer financial services that are "nearby and convenient" in a psychological sense, not only in terms of physical proximity.



### Growing risk of climate change

##### ▶ Seven Bank's third-generation ATMs feature enhanced environmental performance

Third-generation ATMs have superb environmental performance, such as the use of parts with long service lives and recyclable materials, as well as a power consumption per unit that is roughly 48% lower than that of conventional ATMs. We also operate our business in an environmentally conscious manner, including reducing CO<sub>2</sub> emissions from cash transport vehicles, etc., through the stable operation of our ATMs and efficient operations.

## Identifying and understanding material issues

Seven Bank activates internal and external discussions to identify and understand material issues, in order to create common value with society by responding to changes in the Bank's business environment and by solving various social issues.

# Value Co-Creation

Seven Bank's key value is to fulfill the expectations and gain the trust of society through a sincere and honest commitment to helping solve societal issues and co-create value.

We aim to create a better society and increase our corporate value.

## Seven Bank's Core Competencies and Business Model

Management resources and intangible assets that are the source of our competitive advantage

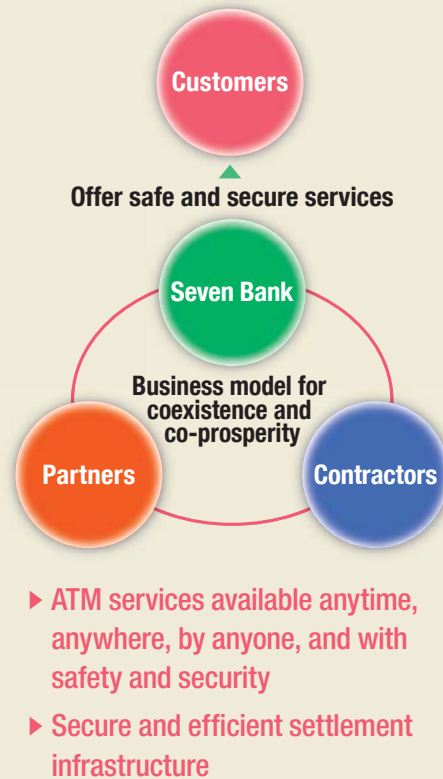
### Key management resources

- ▶ **ATM platform**
  - Network of more than 24,000 ATMs nationwide
  - System and organization to provide always-available 24/365 ATMs
- ▶ **Network with partner financial institutions, etc.**
- ▶ **Customers visiting Seven & i Group stores and the store network**
- ▶ **Functions offering financial services as a bank**

### Key intangible assets

- ▶ **Strong relationship of trust with a variety of corporate partners**
- ▶ **Synergy with Seven & i Group**
- ▶ **Trustworthiness as a bank**
- ▶ **Corporate culture and organization encouraging the tackling of challenges**

### Seven Bank's business model



## Viewing Societal Challenges as Business Opportunities

- Spread of digital settlements
- Ensuring settlement security
- Low childbirth rate and an aging population
- Diversifying work styles
- Labor shortage drawing more foreign workers to Japan
- Increase in foreign visitors to Japan
- Concentration of financial service locations in major metropolitan areas and hollowed-out rural areas
- Growing risk of climate change

## Offered Value

Deepening our ATM service, available anytime, anywhere, by anyone, and with safety and security



- ▶ Offer new ATM services responding to changes in society
- ▶ Offer safer and more secure financial services for everyone living in Japan



Stability and development of the financial system

Create common value by solving social issues and achieving corporate growth through our business activities

### Pursuit of convenience for local communities nationwide

Our aim is to offer familiar and convenient services that have never been seen before, by leveraging our strengths as a comprehensive retail group with diversified business unparalleled anywhere else in the world. We will offer new conveniences needed by society that clearly highlight the Seven & i brand.



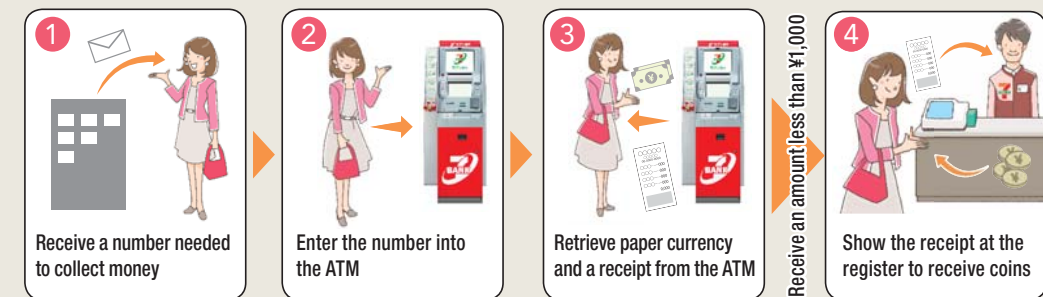
# Offering New Financial Services that Respond to Changes in Society

The Bank's business environment is changing with the spread of smartphones, the appearance of new settlement services and changes in our customers' lifestyles. We are responding to these changes by advancing cash receipt services, partnerships with providers of fund transfer service and smartphone ATM services.



## Launch of a Cash Receipt Service not through a Bank Account

The spread of e-commerce and the sharing economy are creating more opportunities for companies to send money to individuals. Amid this change, we launched our cash receipt service in May 2018. Customers can receive cash at a Seven Bank ATM at any time simply by entering a number sent to them by their company by e-mail, etc. This service greatly increases convenience for both parties, for companies do not need to collect and manage a customer's bank account information, as the transfers do not go through a bank account. In January 2018, we established a subsidiary, Seven Payment Service, Ltd., in anticipation of the launch of this service. We will work to have more companies sign up for the service and to offer convenient, easy-to-use services enabling accessing by more customers.



Customers can also choose to charge their *nanaco* cards or make a donation to the Seven-Eleven Memorial Foundation.

## Partnering to Pioneer New Settlement Fields

As a new initiative, we are advancing new partnerships with non-financial institutions, such as providers of fund transfer service, to enable more customers to access our services. We launched ATM access partnerships with SoftBank Payment Service Corp. in August 2017, with LINE Pay Corporation in October 2017 and with the JCB PREMO Card, offered by JCB Co., Ltd., in March 2018. These partnerships make it possible to charge (make a deposit on) a SoftBank Card<sup>\*1</sup>, LINE Pay<sup>\*2</sup> or a JCB PREMO Card<sup>\*3</sup> from our ATMs.

<sup>\*1</sup>. A prepaid card issued by SoftBank Payment Service Corp.  
<sup>\*2</sup>. A mobile remittance and settlement service offered through the LINE communication app.  
<sup>\*3</sup>. A prepaid card that can be used at JCB PREMO member stores.



Partnership ceremony with LINE Pay



## Advancing Smartphone ATM Services

Smartphone ATM services allow customers to deposit and withdraw money without a card, using only their smartphones, by using an app to scan a QR code displayed on the ATM. We are working to offer this service by further increasing our partner companies so that more companies, not only our existing partner companies, but also settlement service providers that do not issue cash cards and/or those who provide settlement through smartphones can make use of Seven Bank ATMs.



# Offering Safe and Secure Financial Services to Foreign Customers

We offer international money transfer services and services for withdrawing Japanese yen with cards issued overseas, allowing Japan's growing foreign population to access our safe and secure services. Seven Bank is working to create the services our customers seek, incorporating an ESG\* perspective to solve social issues.

\* Environment, Social and Governance



## Offering International Money Transfer Services to Customers with Friends and Family Overseas

Seven Bank offers international money transfer services to meet the needs of customers with friends and family overseas. Customers can access these services via Seven Bank ATMs nationwide, as well as via devices such as personal computers and smartphones, to send money with a simple fee structure, in principle, 24 hours a day, 365 days a year. The ATM transaction screens and the Customer Center support foreign customers in nine languages, allowing them to use the service with ease. To make our international money transfer service more convenient, we offer the "International Money Transfer App," with features that include the ability to check transfer rates, view videos about the money transfer process and search for pickup locations worldwide.

## Initiatives for Multicultural Coexistence and the Promotion of Tourism

We disseminate local information, information about disasters and other material in multiple languages to users of the "International Money Transfer App," to enrich the lives of foreigners living in Japan and promote multicultural coexistence in local communities. In 2016, we concluded an agreement with a municipal public organization in Japan with a large foreign population and are working to promote multicultural coexistence in local communities. We also disseminate tourist information, etc., to foreign visitors to Japan.

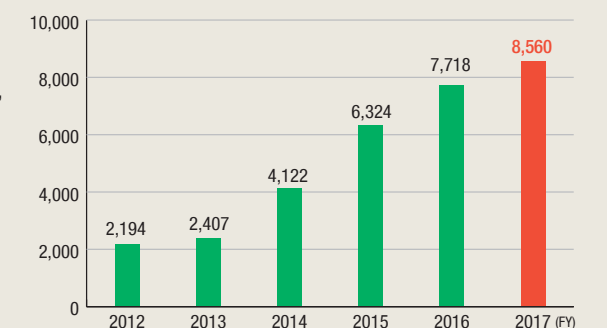


Signing ceremony with Shinjuku Ward

## Customers Can Withdraw Japanese Yen with Cards Issued Overseas

Seven Bank ATMs offer a service whereby customers can also withdraw Japanese yen with cash cards and credit cards issued overseas. Nearly all major card brands are available, including VISA (including PLUS), Mastercard (including maestro and Cirrus), UnionPay, American Express, JCB, Discover and Diners Club. The number of transactions with cards issued overseas is growing steadily, reaching 8.56 million in fiscal 2017. To make the service easy to use for foreign visitors to Japan, we are installing ATMs at Group stores, as well as outside the Group, with a focus on transportation, logistics and tourist sites where people gather.

Number of Transactions Using Cards Issued Overseas (Thousands of transactions)





SEVEN-BANK ATM

24h 365 days

**Top-class financial base**

Capital adequacy ratio

**50.78%**

[Domestic standard]

**Efficient capital management**

ROE

**12.3%**

\* ROE = net income/average total shareholders' equity

**High creditworthiness**

S&P Global Ratings

**A+**

Rating and Investment Information, Inc. (R&I)

**AA**

**Strong cash generation**

EBITDA margin

**43.4%**

\* EBITDA = ordinary profit + depreciation and amortization  
EBITDA margin = EBITDA/ordinary income

**Shareholder returns**

Payout ratio

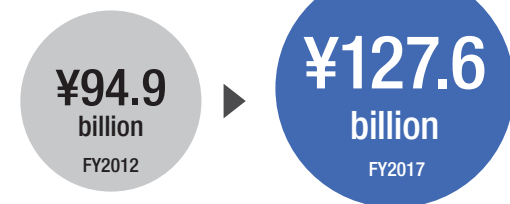
**47.0%**

**High growth**

Earnings per share (EPS)



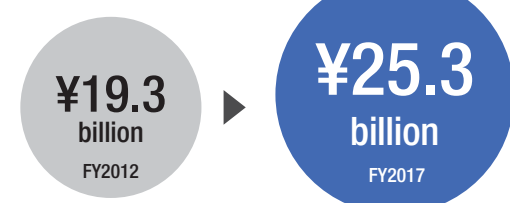
Ordinary income



Ordinary profit



Net income attributable to owners of the parent



**Pursuing sustainable environmental functions (in Japan)**

Energy consumption for third-generation ATMs  
[Approx. 1,200 kWh/year]

**48% reduction**

\* Compared with second-generation ATMs

Recycling rate for scrapped ATMs and UPS batteries

Approx. **100%**

\* UPS: Uninterruptible Power Supply





## Message from the President



Yasuaki Funatake  
President and Representative Director

舟竹 泰昭





Thank you very much for using Seven Bank's services. My name is Yasuaki Funatake. I took office as Seven Bank's President and Representative Director on June 19, 2018.

Since commencing operations in 2001, Seven Bank has been building a secure and efficient payment infrastructure with ATM services that can be used "anytime, anywhere, by anyone, and with safety and security." In addition to ATMs installed within the Seven & i Group, we have been proactively installing ATMs outside the Group, focusing on bases for transportation, logistics and tourism. As of June 30, 2018, we had a total of 24,500 ATMs installed in Japan. These are used by roughly 2.2 million customers daily.

Seven Bank places great emphasis on its sense of values. Through our businesses we aim to "meet the expectations and gain the trust of society" by working "sincerely" and "honestly" to "contribute to the resolution of social issues" and "create value." While striving to create a better society, we also aim to enhance our corporate value.

### Continuing to "achieve growth in our main business as we diversify our operations" under the Medium-Term Management Plan

In May 2017, Seven Bank formulated its Medium-Term Management Plan, covering the period through fiscal 2019, to achieve sustainable growth by maintaining a broad-based earnings structure.

The Medium-Term Management Plan sets a basic policy of "achieving growth in our main business as we diversify our operations" as our first strategy, which aims to build a foundation for long-term growth. The plan started strongly with growth in revenue and profit (record profit) on both a consolidated and non-consolidated basis in fiscal 2017, the first year of the plan. This basic policy will not change under our new structure, and we will continue to make every effort to meet the targets set in the plan.

### Changes in business environment and social issues

Today is said to be an age of the biggest changes in the business environment in 100 years, and Seven Bank's operating environment is changing rapidly. The popularity of smartphones is leading to a rapid spread in digital payments, along with the appearance of many new payment services, as payments become increasingly diversified while still requiring safe and secure settlement. In addition, the development of the sharing economy is leading to the diversification of business formats and work styles, drastically changing the way money flows. We are also seeing increasing globalization. The number of overseas visitors to Japan is setting new records every year, and a shortage of workers means that an increasing number of non-Japanese people are taking up residence in Japan.

Changes in the business environment create new social issues, which in turn present new business opportunities. Seven Bank will use its strengths to create new businesses and services, and through these, we will work to resolve these social issues with the aim of further growth.

### Spread of digital payments presents opportunities for payment diversification

The popularity of smartphones and rapid development of digital payments are bringing about major changes in the area of payments. New categories are forming as non-financial companies that already have many customers for their existing proprietary services and non-financial companies that are developing completely new payment services enter the financial sector.

Without being bound by the traditional concept of ATMs, we are aiming to have non-financial companies newly entering the payment sector use Seven Bank's ATM network as a platform for convenient payments that are safe and secure, and to use ATMs in new ways.

Many people are saying that the linking of digital payments, which seek convenience but have no physical form, with real cash and ATMs is leading to a sense of reality and security for payments in increasingly diverse ways. In addition, non-financial companies place importance on our reliability as a bank, and during fiscal 2017, our ATMs became capable of loading SoftBank-branded prepaid cards, LINE Pay and JCB PREMO cards. We are also working with new partners during fiscal 2018. These tie-ups are developing more quickly than we had expected, and we anticipate major growth in this sector.

### New services that address changes in flows of funds

Due to the popularity of e-commerce and the spread of the sharing economy, companies are increasingly remitting funds to individuals, a trend we addressed by launching our proprietary Cash Receipt Service in May 2018. Using our ATMs as a platform, this new service provides companies with a safe, secure and convenient method of sending funds to individuals. By developing this service, we discovered latent needs at business partners, which led to our taking a new look at specific ways ATMs can be used, and we have already received inquiries from many companies that want to use this service. Not just a new service, the Cash Receipt Service is also compatible with diversified work styles and the development of the sharing economy. We believe this could grow to the point of creating a new payment market.

These are some of the ways Seven Bank uses its unique position to carefully develop new services. Going forward, we will accelerate our development of new services that lead to the identification of new needs.

### Further growth through business diversification

At the same time, we are working in a variety of ways to achieve “business diversification,” using a business model founded on coexistence and co-prosperity with our partner financial institutions and synergies with the Seven & i Group.

Financial institutions are important counterparties for the ATM business, and the business environment for financial institutions is undergoing major changes, resulting in a review of the role of branches and ATMs in an effort to raise productivity. With the increase in the number of overseas visitors to Japan, Seven Bank has already been installing ATMs as a substitute ATM operator for certain financial institutions, primarily in tourist areas and airports. While building up this business, we are also striving for further gains in operational efficiency, so financial institutions can subcontract these operations with peace of mind, and we can contribute to improved productivity at financial institutions.

Furthermore, with financial crimes becoming increasingly sophisticated, the maintenance of a safe and secure payment environment has become a major social issue. Bank Business Factory Co., Ltd. (“BBF”), our consolidated subsidiary for back-office support on commission, has begun undertaking outsourced operations for account transaction monitoring. BBF uses expertise developed at Seven Bank and transaction data to monitor accounts for suspicious account movements and informs the bank when suspicious transactions are discovered. This enables financial institutions to outsource needed operations, providing their customers with safe and secure account services. By aggregating the same type of operations outsourced by financial institutions and concentrating in this area, BBF can provide high-quality service with high productivity. We aim for this to develop into a business that can efficiently build a safe and secure payment environment for the entire financial industry. I sense a convergence of market needs, technological innovation and the Seven Bank Group’s expertise, and hope to

address the needs of society by steadily and continuously pursuing this service.

We commenced international money transfer services in 2011 to meet the needs of non-Japanese residents of Japan. To make these services safe, secure and easy to use, we offered them in multiple languages. Being able to transfer funds in their native language and make inquiries directly to our customer center gives non-Japanese residents of Japan a sense of security. Our smartphone application for international money transfers, “International Money Transfer App,” is also available in nine languages. In addition to being able to confirm transfer rates in local currency, we are promoting initiatives to transmit community information in cooperation with local governments. The transmission of information in multiple languages during disasters and other emergencies allows non-Japanese customers not fluent in Japanese to receive the accurate information they need. We see ourselves providing even greater peace of mind.

Services offered with Seven Bank accounts, including deposits, personal loans and debit, are showing steady growth. We are also developing a new smartphone-based digital payment application that will use Group synergies to diversify our business. Beginning with Seven-Eleven in June 2018, Group companies are launching smartphone applications, and we are planning for roughly 10 million downloads during the first fiscal year. In the spring of 2019, we plan to launch a new digital payment application as “a new platform for settlement” to make shopping more convenient and, in stages, will make it mutually compatible with the applications of other Seven & i Group companies. Through these various forms of communication, we will increase contact points with customers and deepen our relationships, making it possible to create unique financial products and services. I would like to develop new, unique products for the financial sector like Seven-Eleven’s “Seven Premium” products, which involve manufacturers from the product planning stage. Implementing this will require additional time but by analyzing customer feedback and data to identify new needs, I want to develop and offer new financial products and services that feature the “close-by, convenient” characteristics of Seven & i Group stores.

As for overseas business, our consolidated subsidiary in North America, FCTI, has completed the installation of roughly 8,000 ATMs at U.S. 7-Eleven stores. This business will now enter a new stage of full-scale operations that will lead to higher earnings. With existing ATMs, this has

brought the total number of ATMs in operation to approximately 13,000. Going forward, we will enhance our earnings strength by building a solid partnership over the long term with 7-Eleven, Inc., the company that operates 7-Eleven stores in the U.S. We will also use our expertise developed in Japan to offer new services that go beyond conventional ATM services to address local circumstances.

### A corporate culture and organization that make it easy to pursue challenges

We are positioning fiscal 2018 in two ways. The first is to develop businesses launched in previous years, as the second year under our Medium-Term Management Plan. By doing this, we aim to generate solid earnings in fiscal 2019, the final year under the plan, and to achieve the plan’s targets.

The second objective is to sow the seeds for new businesses that will enable Seven Bank to continue to grow beyond fiscal 2020. We expect Seven Bank’s operating environment to undergo even greater change in the future. I believe that changing times present many opportunities, but those opportunities cannot be stored away and will not wait. It will be important for our organization to maintain the diversity and flexibility to respond to those opportunities appropriately. Seven Bank’s employees come from a variety of backgrounds, including distribution, retail and finance, and we have grown and developed by bringing together their knowledge and expertise. This means that internally, the Company is extremely rich in diversity. In other words, without specifically trying, we have created a world of diversity. I believe that having open-minded discussions involving people with diverse opinions and ways of thinking and creating a corporate culture that can pursue challenges form the foundation for a company’s growth and development. We will not hold back in investing and implementing the policies required for further achievements.

### Returns to shareholders

For fiscal 2017, we paid an annual dividend of 10.00 yen per share, which consisted of an interim dividend of 4.75 yen per share and a 0.50 yen increase in the year-end dividend, to 5.25 yen per share. We are planning to pay

an annual dividend of 10.00 yen per share again in fiscal 2018, consisting of a 5.00 yen per share interim dividend and a 5.00 yen per share year-end dividend. Our basic dividend policy of steady increases in the dividend amount—indicated when we announced the Medium-Term Management Plan—is unchanged, with targets of a consolidated payout ratio of at least 40%, while we maintain an appropriate level of equity capital. We will continue to strive for further business growth to meet the expectations of our shareholders.

### To stakeholders

Following our Corporate Principle to be “a sincere company that our customers trust,” we are proactively working to create value for both society and the Company through our main businesses by creating shared value (CSV).

Going forward, we will work sincerely and honestly to address ESG-related issues—including climate change and resource depletion (the environment), a contracting, aging population, an increase in Japan’s non-Japanese population, the concentration of people in large cities and depopulation of rural areas (society), and maintaining highly transparent management and building a healthy corporate governance structure (governance)—to become a company that generates continuous growth. I ask for the continued support of all of our stakeholders.







# DNA of Seven Bank

Masaaki Matsuhashi  
Senior Managing Executive Officer

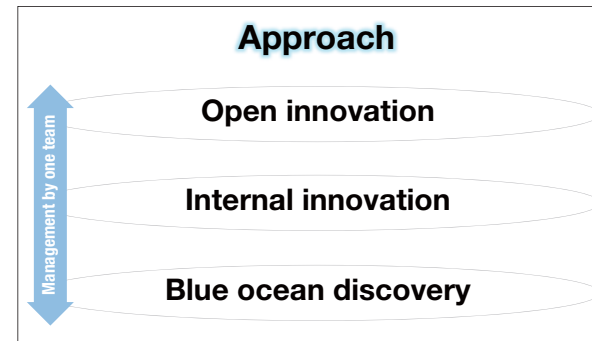
## Efforts of Seven Labo to Promote Innovation

### The roles of Seven Labo and missions to be achieved

**S**even Labo is a team that promotes Companywide innovation in light of changes in the world. Seven Labo is responsible for support and leadership in coordinating internal and external developments, with a focus on activities that cross organizational boundaries. It was named the “amoeba team” by top management and aims

to promote various projects by moving flexibly and swiftly past organizational barriers, free from the constraints of formats, boundaries or territories.

**T**he team has three major missions. The first mission is to promote open innovation and create new businesses centered on partnerships with external companies. The second mission is to further enhance the spirit of innovation inside the Company. The team will further invigorate efforts to “continue changing with the



times, and provide new conveniences that are needed by society, and are safe and easy to use for everyone.” To that end, Seven Labo holds seminars for employees and conducts various business creation programs. The third mission is to locate the seeds of even more new businesses. The team promotes external partnerships, including joint research with universities, as well as activities such as identifying themes through workshops with companies.

### The spirit and organizational culture necessary to give rise to innovation

**I**nnovation is the synthesis of new knowledge, bringing together businesses and technologies that initially appear distant, to create a larger impact. Seven Bank started from the combination of convenience stores with an ATM service, one of the functions of a bank, and has evolved into our current form by continuing to innovate with a consistent focus on optimization. During this process, members with a variety of values and experiences who have a multifaceted understanding of issues have fostered a culture of constantly taking on new challenges, with a rapid awareness of new perspectives and a broader point of view. An important part of this process is to have a spirit of working tenaciously to achieve a desired future. We also recognize the importance of using rapid decision making to move swiftly. We have reaped rewards by having the flexibility to further clarify the future we initially envisioned, as we keep running forward.

**I**n promoting new businesses, we emphasize having the “people who want to do it see it through.” For some projects, we have a structure that allows employees to focus their efforts at Seven Labo for a set period of time, seeing their efforts through until a service is realized



and provided. Furthermore, because various partnerships with people from a wide range of industries are essential for bringing together businesses and technologies that initially seem distant, we believe that it is necessary to further expand our activities to create knowledge networks outside the Company.

### The future direction of innovation that we aim for

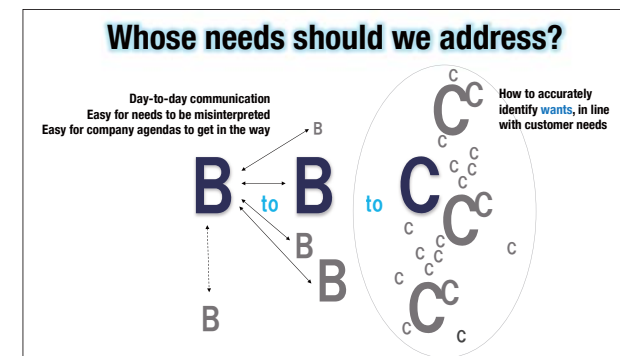
**W**e began with the simple service of offering cash withdrawals and deposits at stores such as Seven-Eleven, basically 24 hours a day, 365 days a year. We then went on to achieve various innovations, including evolving to ATMs that accept bank cards from financial institutions nationwide and offer services for credit cards and electronic money such as *nanaco* in addition to bank cards, offering Japanese yen withdrawals with cards issued abroad for overseas visitors to Japan and offering the new function of making remittances from ATMs in the native languages of foreigners living in Japan.







Examples of open innovation			
<b>Doreming</b> Immediately receive payment for work performed 	 Revitalize local communities 	 Invest with spare change 	<b>Studio Ousia</b> Chatbots/AI 
 Visa assistance for foreigners in Japan 	 Entertainment x finance 	 Security in the IoT era 	 Bank-API 



**Keep trying out new approaches**

**Discovering new business**  
 Think on the GO, create a flow, gather people who want to do it  
 This looks interesting! Value in trying out new things  
 Create opportunities, change the atmosphere,  
**discover and stimulate human resources**

**Open innovation**  
 Value empathy Innovation is far away but it exists  
**See it through** A quick response is good

**W**e believe in discovering social issues and using technology to resolve them. There are problems that have not yet been solved for the customers of the Seven & i Group and for the members of the larger community. Our basic approach is to innovate by actively adopting the technologies needed to resolve each of these issues, one by one. By thinking from the standpoint of customers, we are confident that we will be able to see the way, regardless of the domain.

**C**ollaborative creation with start-up companies through open innovation is an effective way to discover problems. We believe that we can catch up as a business through the efforts of rising start-ups, solving many more problems by creating a new world together. There is no end goal in recognizing and continuing to respond to change. It is important to continue changing with the times.

### Business creation through open innovation

**S**everal services have already been started. The first service is an instant wage payment service by Doreming Co., Ltd. that utilizes our real-time money transfer function. Although wages in Japan are generally billed at the end of the month and then paid the following month, the diversification of work styles, including cloud work and the sharing economy, has led to changes in needs for receiving wages, such as workers requesting immediate payment for work performed. We were able to identify these needs and develop a service through collaborative creation with a start-up company. The ultimate aim of these efforts is to change the conventional wisdom about receiving a wage in Japan. Going forward, we will use this real-time money transfer function to advance multiple partnerships and expand the scope of our activities, including expense

reimbursements, as we pursue convenience, while initially specializing in salary payments.

**I**n addition to creating new services, we are also investing in fields where synergies can be expected. One of these is our investment in TORANOTEC Co., Ltd. (app: toranoko), which makes “investing with spare change” easy, and through a variety of shopping points. We invested at an early stage and are beginning to see an expansion of the service, in various forms. We have also invested in Caulis Inc., a company that develops and provides services that detect unauthorized access. This investment looks to provide a safe and secure platform for the IoT era, which will connect everything to the Internet, from cars to shops, in addition to smartphones and computers. We are also considering new approaches that reflect interests and tastes in the financial services industry, where safety and security are given top priority.

**W**e believe these efforts to create new services not previously available and based on the standpoint of customers will transcend the creation of value as the service of Seven Bank and provide opportunities to bring about social change. We view it as our mission to try various approaches to realize new services appropriate for the times.

### Approaches using the latest technologies

**A**part of Seven Bank’s Management Ethos is that “we act to promptly introduce the benefits of technical innovation and pursue self-development.” In line with our basic stance of actively adopting the technologies necessary to provide new value, we have recently started to provide a bankbook app and an international money transfer app on smartphones, and to use RPA (robotic process automation) and chatbots, etc.

**B**ecause AI is a technology with extremely high potential, we are implementing Companywide projects for its introduction in multiple divisions in the ATM platform business. Currently, three projects are under way. The first is a cash demand forecast project, aiming for more advanced cash demand forecasts at over 24,000 ATMs nationwide. The second project is an approach that will fundamentally change how we handle ATM maintenance. Currently we conduct regular inspections of ATMs, including the periodic replacement of parts to prevent breakdowns, but customers are not able to use these ATMs during inspections. If we could conduct inspections when there was a sign of a breakdown, rather than on a periodic basis, we would be able to minimize downtime and could expect improved convenience. The third project is an approach toward financial crimes in which we are considering whether deep learning can be used to identify suspicious transactions.

### Seven Bank’s strength to continuously bring about innovations

**W**e consider our strength to be the continued creation of new services that are a first for the world and for Japan, based on value judgments centered on “trust and sincerity” and “responding to change while strengthening fundamentals,” which have been inherited from the Seven & i Group. We will continue to think from the standpoint of customers, question “common sense” and repeatedly test hypotheses as we strive to offer more challenging functions. This attitude is rooted in the culture of the entire Company. Seven Bank’s business is supported by many partner companies. We believe that one of our strengths lies in strong coordination with a shared mind-set in thinking and creating a new future together. Our partner

companies are continuously trying out new approaches with us to embody the needs of our customers, considering the ATMs as their own rather than Seven Bank’s. The value of these efforts is immeasurable. In other words, we believe that the fusion of “the employee spirit to continuously take on new challenges” with “team merchandising with partner companies” is the greatest strength of Seven Bank.

**G**oing forward, we will continue building our track record, firmly resolving social issues through our business activities and taking on new challenges.







# PART 2 Value

Value Co-Creation through ATMs  
that meet customers' needs

## ATM Functions That Anyone Can Use with Peace of Mind

Our aim is for Seven Bank ATMs to be capable of being used by anyone at any time, easily and with peace of mind.

### Security button

The security button quickly alerts the security operations center to dispatch security staff immediately.

### Camera

A camera records events when users forget to retrieve their ATM card or cash and when the warning buzzer goes off.

### Interphone

Customers experiencing any problem in ATM operation can contact a call center using the interphone. The call center service is available in Japanese and English 24/365.

### Partitions

The partitions on the right and left sides ensure privacy.

### Electronic money card reader

Money can be loaded onto *nanaco* electronic money cards, and the balance can be checked.  
\* Some ATMs are not compatible.

### ATM screen

ATM displays have a special film to protect customers' privacy such that the screen cannot be seen at an angle from the periphery.

### Smartphone ATM transaction service

Cardless ATM transactions are available by reading a QR code using a compatible smartphone app.  
\* Limited to some partner financial institutions, etc.

### Cane/drink holder

During ATM transactions, customers can put a cane, an umbrella and/or a coffee cup in the holder.  
\* This holder is installed on ATMs inside Seven-Eleven stores.

### Keypad

The keypad is recessed to keep others from viewing what is input.



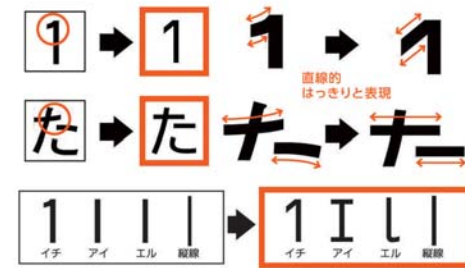
### Measures to protect privacy

Seven Bank ATMs are equipped with "rear-view mirrors" that allow users to see what is behind them, and the screens are coated with a "special side-view prevention film" that stops people standing nearby from seeing the displays when users input the PIN and monetary amount. In addition, the ATM notifies users if they forget to take their card when they start to walk away, in an effort to make transactions safe and give people peace of mind.

### ● Making the Letters Easy to View and Read

With a screen and letters that are easy to view for everyone, the Universal Design Font (UD font) has been adopted for Seven Bank ATMs. The UD font simplifies letters and improves layouts and spaces for easier distinction. It is designed for the comfortable readability of everyone regardless of age, gender or disability.

Example of letters in the UD font used for our ATMs



### ● For Customers with Visual Impairment

The ATM voice guidance service is available at all our ATMs. This service was developed based on feedback from persons with visual impairments. Listening to the voice guidance from the interphone attached to each ATM, customers can operate the buttons to withdraw or deposit money and check their balance. This service is also available to customers of approximately 540 financial institutions (deposit-taking financial institutions including banks and securities companies).



### ● Installing a Cane/Drink Holder for Persons Using a Cane

We have been installing a cane/drink holder on ATMs inside Seven-Eleven stores. During ATM transactions, customers can put a cane, an umbrella and/or a coffee cup in the holder, enhancing their convenience.



Cane/drink holder

### ● Easy-to-View Colors on the Transaction Screen

With easy-to-view colors for everyone's easier use of our products and services, our ATM transaction screen is Color Universal Design certified (CUD certified), excluding the screen with guidance on operational hours and ATM transaction fees.

\* The "Color Universal Design (CUD)" is a concept of providing products and services that are easy to use regardless of the color-blindness type.



### ● Handling Many Languages

For visitors to Japan and all Seven Bank account holders to be able to use our products and services with peace of mind, we are enhancing the use of multiple languages.

#### For Visitors to Japan

Seven Bank ATMs accept cash cards and credit cards issued overseas. For visitors to Japan to be able to use ATMs smoothly, Seven Bank is working to increase the support functions of its ATMs. The ATM screens and receipts are available in 12 languages. After a set period has elapsed without input in case the customer needs assistance operating the ATM, voice guidance will direct the customer to a call center, where English-speaking operators respond on a 24-hour basis.



Twelve languages available

#### For Seven Bank Account Holders

Seven Bank accounts, which offer convenient international money transfer services, are used by many customers of foreign nationalities residing in Japan. ATM transaction screens are available in nine languages—Japanese, English, Tagalog, Chinese, Portuguese, Spanish, Vietnamese, Indonesian and Thai—so that all customers can use them with ease.

#### Services available in nine languages

- ▶ ATM transaction screen for a Seven Bank account
- ▶ "App Bankbook" for checking an account's transactions and other status
- ▶ "International Money Transfer App" for convenient use of the international money transfer services
- ▶ Customer center service



ATM transaction screen available in nine languages

## Topics

### Participating in the Japan Braille Library Open Office

To inform more people about our voice guidance service, Seven Bank participated in the Japan Braille Library Open Office\* in November 2017. Visitors were able to use the voice guidance service and gave positive feedback, including the comment, "It felt like close attention was being paid to the user, and it can be used with peace of mind."

\* Japan Braille Library Open Office: A public event held by the Japan Braille Library featuring workshops to introduce activities being undertaken for persons with visual impairment.



Using the voice guidance system

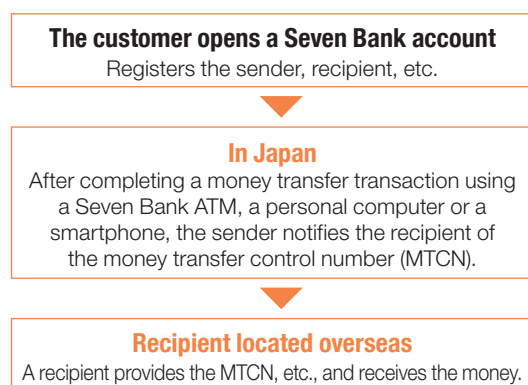


# Convenient Bank Account Just Like a “Wallet”

According to customers' lifestyle, Seven Bank provides account services that can be accessed using Seven Bank ATMs nationwide, a personal computer or a smartphone.

## ● International Money Transfer Services

Seven Bank's international money transfer services allow funds to be sent overseas quickly via our more than 24,000 Seven Bank ATMs across Japan, as well as by personal computer and smartphone. ATM transaction screens and customer center services are available in nine languages, so that they can be used with peace of mind.



### “International Money Transfer App”—loaded with handy features for international money transfer

To enhance convenience of our international money transfer service, we offer the “International Money Transfer App,” which provides transfer rate information, a video guidance on transfer procedures and a search function for available recipient locations worldwide. Also, this app can be accessed in nine languages—Japanese, English, Tagalog, Chinese, Portuguese, Spanish, Vietnamese, Indonesian and Thai.

#### Merits of the International Money Transfer App

1. Can check transfer rates quickly
2. Can add or delete a recipient using only the app
3. Can check notices from Seven Bank and regional information anytime

## ● More Convenient Money Transfers to the Philippines

The Philippines is currently the main destination for international money transfers, and since August 2017, funds can be sent to the Philippines with our International Money Transfer App. This service was realized through a tie-up with BDO Unibank, Inc., the Philippines' largest commercial bank. In addition to sending funds easily and quickly with a smartphone at any time and in any place, the service is also attractive for its low transaction fee.



## Topics

### Receipt of the 2<sup>nd</sup> Green Ocean Award

Besides providing services in multiple languages, the International Money Transfer App also supplies multilingual information about daily life and disaster information. This functionality was awarded the 2<sup>nd</sup> Green Ocean Award at Sustainable Brands 2018 Tokyo\*, held in March 2018. The award was given for developing a new market and resolving social issues, based on the criteria of “resolving issues,” “future potential” and “collaboration.” Going forward, we will continue to work to resolve social issues and contribute to local communities through our business activities.



\* Sustainable Brands 2018 Tokyo:  
An international conference that aims to integrate “sustainability” and “branding,” planting the seeds for next-generation innovation with the participation of 11 countries, 12 cities and 10,000 people.

## ● Deposits

### Ordinary Deposits

Customers can make deposits, withdrawals and other transactions 24/365, in principle.

### Time Deposits

Customers can make quick and easy time deposits starting from 10,000 yen. In addition to being able to select terms ranging from one month to five years, customers can make a partial cancellation of the amount for an early withdrawal.

		0:00	7:00	19:00	24:00
<b>Seven Bank ATM transaction fees</b> (including consumption tax)	Deposit	Free			
	Balance inquiry	Free			
	Withdrawal (including withdrawal for transfer)	¥108	Free	¥108	
<b>Transfer fees</b> (including consumption tax)	To a Seven Bank account	¥54			
	To other financial institution's account	¥216			

\* A transfer transaction can be made 24 hours a day, in principle.

(As of July 1, 2018)

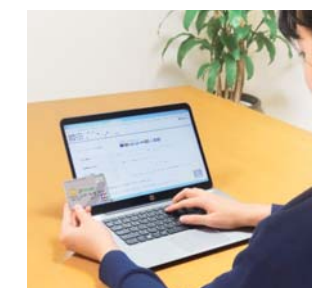
## ● Personal Loan Services

Customers can apply for a personal loan at the same time as they open an account and can choose a credit limit of 100,000 yen, 300,000 yen or 500,000 yen. In addition, customers can apply to increase their credit line (300,000 yen or 500,000 yen) during the contract term.

\* To increase a credit line to 300,000 yen or 500,000 yen, the customer must be at least two months from the initial conclusion of a contract.  
\* Screening is required when applying for personal loan services.

## ● Debit Service

Seven Bank issues the “Seven Bank Debit Card,” a Seven Bank cash card with the “JCB Debit Card” and the *nanaco* electronic money functions. Because the transaction amount is automatically deducted from the card user's deposit account immediately at the time of a transaction, a Seven Bank Debit Card can be used just like cash while shopping.



Internet shopping with a debit card

# Overseas ATM Development

Drawing on its experience in Japan, Seven Bank strives to offer ATM services overseas through its overseas consolidated subsidiaries.

## ● Launch of ATM Services at U.S. 7-Eleven Stores

FCTI, Inc., our North American consolidated subsidiary, began installing ATMs at U.S. 7-Eleven stores in August 2017, and had completed the installation of roughly 8,000 ATMs as of the end of March 2018. This brought the number of ATMs operated by FCTI as of the end of March 2018 to 13,413. Going forward, we will pursue group synergies with 7-Eleven, Inc., the operating company for 7-Eleven stores in the United States, and build a solid partnership over the long term.

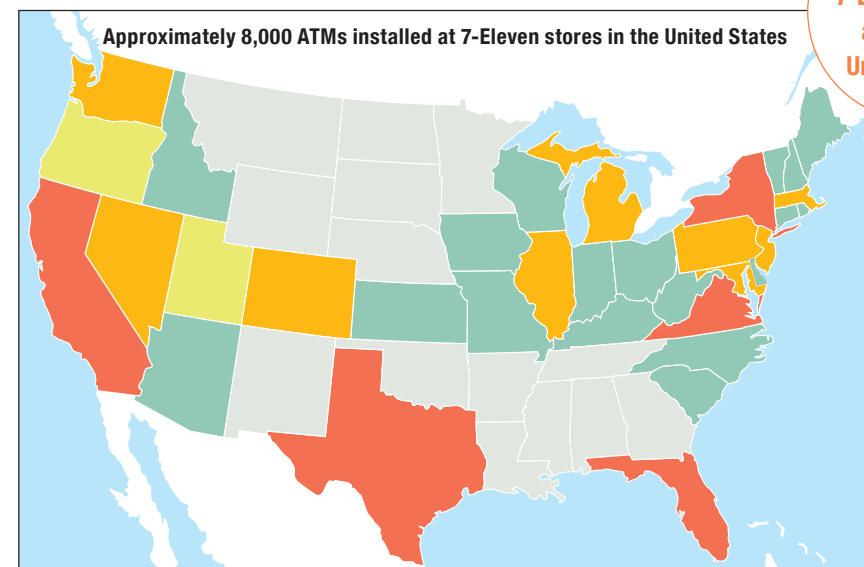


A 7-Eleven store in the United States (urban area)



A 7-Eleven store in the United States (with adjoining gasoline station)

## Number of U.S. 7-Eleven stores (As of December 31, 2017)

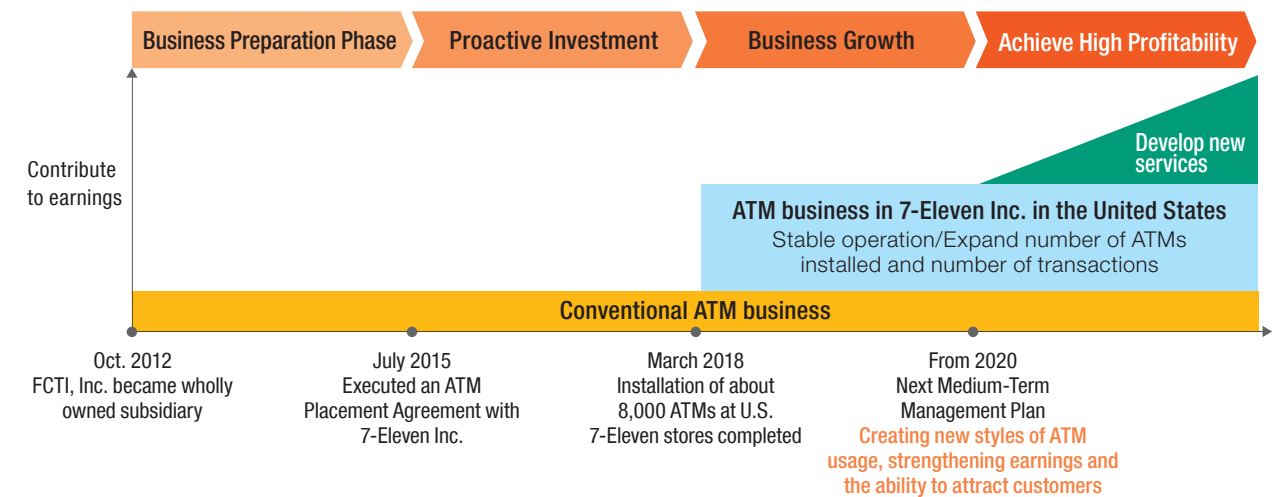


■ 500 or more ■ 200-499 ■ 100-199 ■ up to 99



An ATM in a 7-Eleven store in the United States

## ● Progress in the U.S. Market



## Voice

This was one of the largest projects ever in the U.S. ATM industry, with roughly 8,000 ATMs installed in the half year since the project began in August 2017. With the cooperation of many subcontractors, we were able to overcome issues as they arose, proceed with the installations and complete this big project with no hitches.

The increase in the number of ATMs in operation from these installations also created issues with regard to keeping them supplied with cash, but working together as a team, we were able to identify problems and address them one after another. The physical installations also required a variety of methods because of differing store layouts.

Going forward, we will work with our subcontractors to ensure that all ATMs run smoothly, to increase the number of transactions they handle.



Jesus Carrillo  
ATM Operations  
FCTI, Inc.

## Cultivating New Markets

PT. ABADI TAMBAH MULIA INTERNASIONAL, our consolidated subsidiary in Indonesia, is proceeding with ATM installations at commercial facilities. As of March 31, 2018, the number of ATMs installed was 120.

Building on this project, we will explore entrance into other regions and develop overseas business making full use of Seven Bank's know-how and infrastructure.



An ATM located in Indonesia



# Offering a User Environment Where Safety and Security Are Maximized

For customers to be able to use our ATMs anytime, an optimal structure is in place to quickly address a breakdown or malfunction and restore normal ATM operation as soon as possible.

## Normal Situations

### ● System Base Redundancy

The relay system that forms the backbone of the network and ATM support centers and call centers that are our points of contact with customers have been set up in two locations in eastern and western Japan to prevent interruption of transactions due to a disaster or other reason. The relay system has been structured to maintain normal operations, without a moment of downtime.

### ● Monitoring Cash in ATMs

In cooperation with a partner security firm, we monitor usage at every ATM and work to maintain the proper amount of cash in every ATM at all times. To prevent suspension of service due to running out of cash, the security firm sets the timing of cash refills and collections according to the usage pattern of each ATM, thus keeping the frequency of such work to a minimum.

### ● Security Measures

Seven Bank and its partner financial institutions are connected by a network of dedicated lines. In addition, data is encrypted according to the type of transaction, with automatic detection of unauthorized access.

## Emergencies

### ● Response to Breakdowns and Malfunctions

We manage all ATMs and network systems in real time in cooperation with partner companies. Our system automatically sends out a signal upon the occurrence of a breakdown or malfunction or physical damage to the ATM, enabling a speedy and accurate response.

### ● Measures to Address Blackouts

To be able to complete a transaction uninterrupted even when a blackout occurs during a transaction, Seven Bank ATMs embed Uninterruptible Power Supply (UPS) batteries. Even after the ATM is suspended, the ATM user can still inquire using the interphone, and security functions are maintained for secure and safe ATM use even in an emergency.

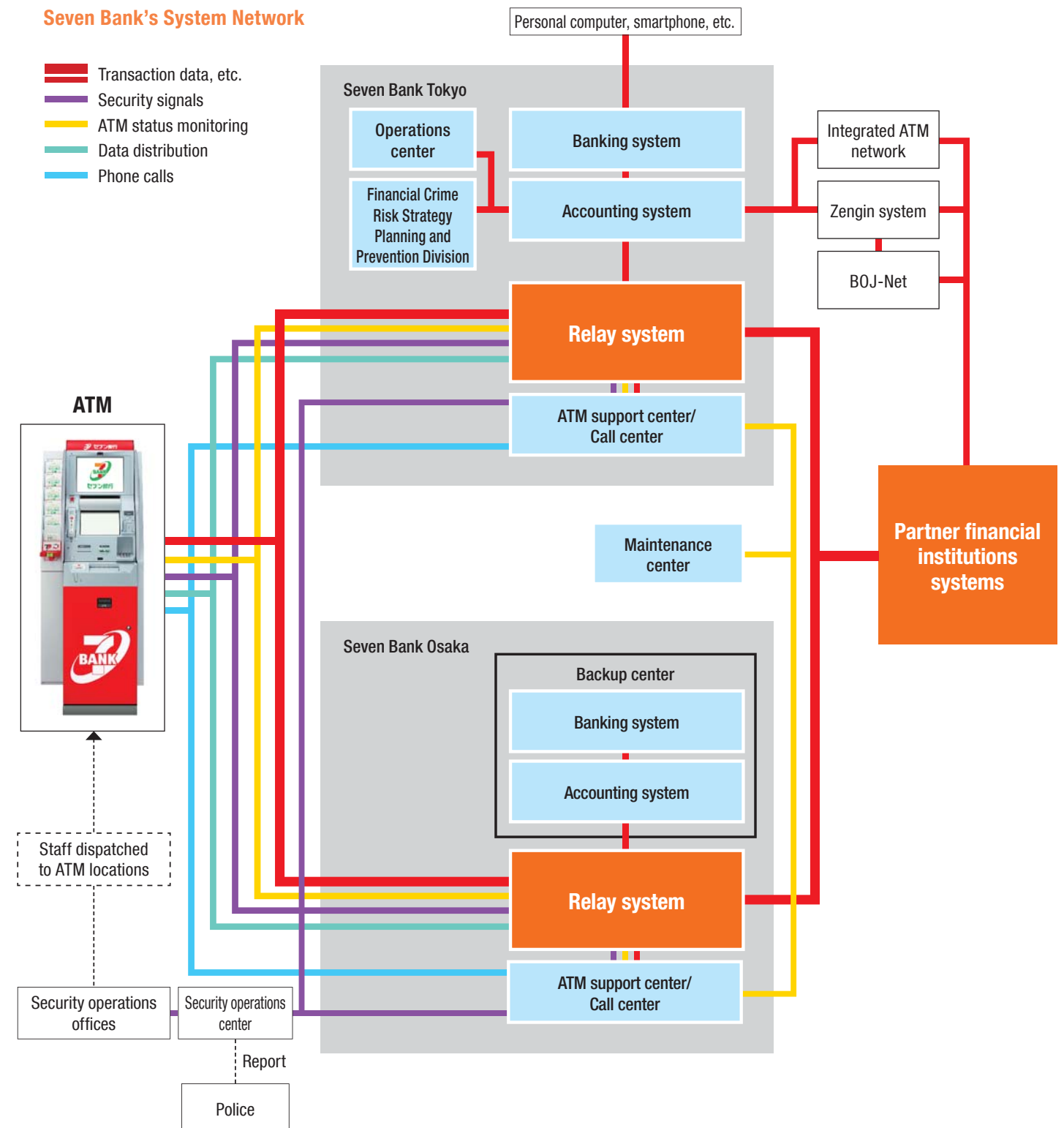
### ● Business Continuity in a Disaster

To continue operations even in the event of a large-scale disaster or an accident, Seven Bank has prepared a business continuity plan (BCP). Various functions of Seven Bank have been duplicated to sustain operations even in the event that either of our operational bases—one in the Tokyo metropolitan area and the other one in Osaka—has shut down due to events such as a disaster, by operating the intact system in the other area.

### Decision to introduce "Tokyo – Osaka Alternating Operation Method" for accounting systems

From 2018, the backbone servers for accounting systems at both the Tokyo and Osaka data centers began alternating operations as primary servers. Previously, operations were divided between primary and backup servers, but by changing to running operations by regularly switching primary servers, business continuity planning (BCP) is enhanced and uninterrupted operations are possible 24 hours a day, 365 days a year.

Seven Bank's System Network



- Relay system:** System to relay the data on ATM transactions with our business partners such as partner financial institutions and transmit/receive data that are necessary for the administration of ATM operations to external operational bases
- Accounting system:** System to provide account services of Seven Bank such as ordinary deposits and personal loan services
- Integrated ATM network:** System network to connect ATMs of financial institutions with different business models such as city and regional banks
- Zengin system:** Abbreviation of "Zenkoku Ginko (nationwide banks) data transmission system" to exchange data regarding transactions such as money transfers between domestic banks and conduct fund settlements. Almost all private financial institutions in Japan such as banks and Shinkin banks participate in this system.

# Measures to Prevent Financial Crime

We are introducing measures to prevent the increasingly diverse types of financial crime, protect customers' valuable assets and ensure safe transactions. We have also established a specialist organization, CSIRT\*1, to combat cyberattacks, which have become increasingly sophisticated and intricate in recent years.

## ● Cyber Security Measures at ATMs

Our ATMs have a camera for recording situations, screens and a keypad designed to keep others from viewing the input. When customers make money transfers using our ATMs, an alert is shown on the screen or by voice to remind the ATM user of a potential crime to prevent fraudulent money transfers. Our ATMs have an embedded device to detect a suspicious object and prevent the fraudulent capturing of card information (skimming).

Moreover, to prevent financial crime from expanding, our ATMs are compatible with international-standard IC cards, and a system has been introduced to detect fraudulent ATM use.

## ● Measures at Seven Bank Accounts

To prevent Seven Bank accounts from being abused for financial crimes, the Bank undertakes strict customer due diligence procedures and identifies persons who have been involved in crimes in the past when customers apply to open new accounts. After a new account is opened, the transaction status is monitored in real time by the Account Monitoring System. To cope with increasingly sophisticated crimes targeting Internet banking, the measures described below have been taken.

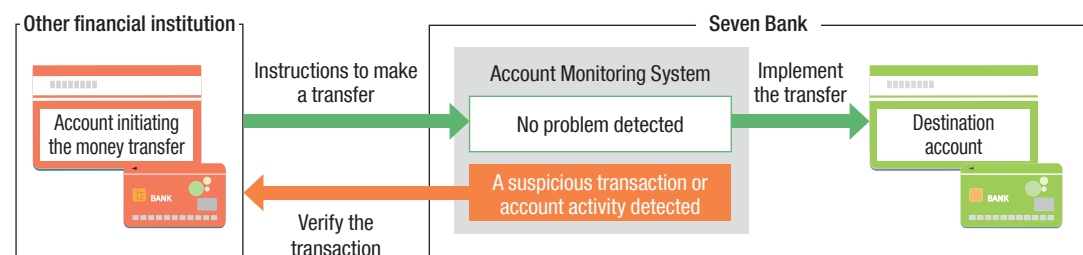
- For individual customers**
- ▶ The Smartphone Authentication\*2 has been adopted for Internet banking.
  - ▶ A system is in place to detect if a customer's personal computer is infected by malware\*3.

- For corporate customers**
- ▶ One-Time Password\*4 has been adopted.

### Account Monitoring System:

We analyze the pattern of an account that was used for suspicious transactions, such as a fraudulent money transfer, and check other accounts that show suspicious activity. In the event a suspicious transaction or account activity is detected, the transfer is temporarily suspended and the transfer is implemented after the authenticity of the transaction is verified with the initiating financial institution.

### Money transfer to a Seven Bank account (scheme)



\*1. CSIRT (Computer Security Incident Response Team): an organization that takes quick and appropriate measures in the event of computer security-related incidents.

\*2. Smartphone Authentication: Method to verify the right user for Internet transactions such as a "Money Transfer to a New Recipient" using a dedicated app for a smartphone. The use of this authentication app requires a registration procedure.

\*3. Malware: A general term referring to harmful software made for the purpose of accessing others' computers in a fraudulent way to attack or cause an information leak.

\*4. One-Time Password: Password that is effective only one time (a certain duration only) to reduce the risk of fraudulent use by a third party.

## Topics

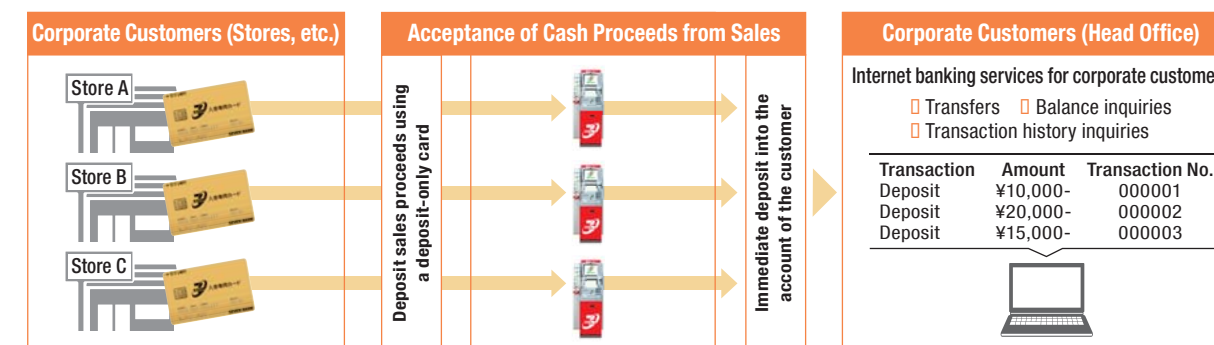
### Commencing Support for Financial Institutions' Measures to Counter Money Laundering!

Measures are being sought daily to counter increasingly intricate types of financial crime. At Seven Bank, we are offering our expertise in preventing fraudulent accounts to Bank Business Factory Co., Ltd., which began undertaking outsourced operations for account transaction monitoring in 2018. This service uses transaction data provided by partner financial institutions and identifies and regularly reports on suspicious transactions. Financial crime countermeasures need to be constantly updated and enhanced, and meeting the needs of partner financial institutions in this area helps them provide safe and secure settlement service.



# Accepting Cash Proceeds from Sales (for Corporate Customers)

To address corporations' need for "collecting sales proceeds from multiple stores quickly and safely," we provide the service of accepting cash proceeds from sales for corporate customers, such as those with multiple branches and sales offices as well as restaurants and gasoline stations that operate until late at night. When a person from a branch, sales office, restaurant or gasoline station deposits sales proceeds with a card designed for that purpose at any Seven Bank ATM nationwide at the customer's convenience, the proceeds are immediately reflected in the customer's account 24 hours a day, 365 days a year, in principle. This deposit-only service, capable of being used every day at different ATMs inside well-lit stores, means that customers can make their deposits at any time in safety and with peace of mind.



### Stable, efficient operation of Seven Bank ATMs

Seven Bank ATMs seek to provide services as social infrastructure 24 hours a day, 365 days a year. This means that we need to prevent service interruption that might happen when an ATM runs out of cash or for another reason. In addition to having security companies replenish cash, sales proceeds from a Seven-Eleven store can be deposited into an ATM. This provides funds to ATMs, which enables their stable, efficient operation and also hedges against the risk of higher interest rates. It also makes store operations more efficient by eliminating the need to take the sales proceeds to a bank for deposit. In addition, reducing the number of times cash has to be delivered to an ATM contributes to a reduction in CO<sub>2</sub> emissions in logistics. In these ways, we maintain an awareness of low-cost operations while achieving an average operating rate of 99.98%.



# PART 3 Governance

Establishing a company  
that provides value to society



## Governance Report

二子 謙輔

Kensuke Futagoishi  
Chairman and Representative Director

The Medium-Term Management Plan formulated in fiscal 2017 strives to diversify our operations while steadily expanding our main ATM service business by reinforcing our ATM platform business, settlement and account business, and overseas business, to create a foundation for long-term growth.

In fiscal 2017, the first year of the plan, we increased both revenues and profit, achieving a new profit record. In our domestic business, in addition to an increase in the number of ATMs installed, services utilizing ATMs in new ways got off to a solid start, and the total number of ATM transactions grew steadily. In our overseas business, our consolidated subsidiary, FCTI, Inc., completed the installation of ATMs at U.S. 7-Eleven stores.

Amid these developments, I would like to report that Yasuaki Funatake was appointed President and Representative Director in June 2018. This change in leadership and the review and revision of our board structure will further reinforce our management structure, and Seven Bank will achieve even greater success by continuing to provide a secure and efficient payment infrastructure to customers.

President Funatake has supported the Bank's ATM business since its early days by building trust with partner financial institutions. He has also produced excellent results by overseeing management strategy, finance, capital policy, human resources, and public relations, IR and CSR activities involving stakeholders. Furthermore, he has been a central figure in building the foundation of and promoting our ATM platform business, settlement and account business, and overseas business, which our Medium-Term Management Plan seeks to further reinforce. He was selected

for the position of President and Representative Director because he is the most qualified person to spearhead the Bank's implementation of the Medium-Term Management Plan and ensure sustainable growth.

Since June 2018, the Board of Directors has comprised 11 Directors, including five new Directors. Among these, four are Outside Directors, including one female. The Bank adopts the organizational form of a Company with Audit & Supervisory Board Members, and the four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members, also attend the Board of Directors meetings.

We recognize corporate governance as a critical management issue and have established and published the Corporate Governance Guidelines. In accordance with these guidelines, we will disclose our actual governance conditions and further incorporate the diverse perspectives of our Outside Directors, who have considerable experience and insight in their areas of expertise, in addition to those of our Directors with executive authority over operations, who are well versed in the Bank's operations. Furthermore, we will enhance our corporate governance system with audits by the Audit & Supervisory Board Members, taking outside criticisms and evaluations to heart, and make every effort to further strengthen our corporate governance.

We will continue to strive for sustainable growth and increased corporate value, coordinating more closely with our Inside and Outside Directors, and engaging in ESG activities based on vigorous debate. We would appreciate the continued support and encouragement of our stakeholders.

# Corporate Governance

## Basic Views

As a bank that owns and operates an ATM network that manages deposits from a large number of customers and has a nature similar to that of public infrastructure, the Bank recognizes that ensuring disciplined corporate management is vital in responding to social trust and seeks to ensure effective corporate governance. This is achieved by maintaining and improving corporate governance and compliance systems to ensure transparent, fair and swift managerial decision making; clarifying the roles and responsibilities of executives and employees; strengthening management oversight functions; and ensuring equitable operations.

The Bank adopts the organizational form of a Company with Audit & Supervisory Board Members. At the Board of Directors, the Bank ensures effective corporate governance through decision making by Directors with executive authority over operations who are well versed in the Bank's operations and Outside Directors who have considerable experience and insight in their areas of expertise as well as through the audits by the Audit & Supervisory Board Members.

## Corporate Governance System Overview

Main items	Value
Organizational design	Company with Audit & Supervisory Board Members
Number of Directors (number of Outside Directors)	11 (4) *as of June 19, 2018
Number of Audit & Supervisory Board Members (number of Outside Audit & Supervisory Board Members)	4 (2) *as of June 19, 2018
Number of meetings of Board of Directors (Average attendance by Outside Directors)	13 (92%) *Fiscal 2017
Number of meetings of Audit & Supervisory Board (Average attendance by Outside Audit & Supervisory Board Members)	14 (100%) *Fiscal 2017
Directors' terms of office	One year
Optional committees of Board of Directors	Compensation Committee
Auditor	KPMG AZSA LLC

## Corporate Governance System

### ● Board of Directors

As of June 19, 2018, the Bank's Board of Directors consisted of eleven Directors, including four Outside Directors. The Board of Directors meets, in principle, once a month to decide on the Bank's basic management policies and important operational issues and to supervise the execution of duties by Directors with executive authority over operations and Executive Officers.

The Board of Directors has established the Executive Committee as a decision-making body concerned with operational implementation within the scope delegated by the Board of Directors. In principle, the Executive Committee meets on a weekly basis to deliberate on the implementation of important operations, including the formulation or amendment of important business plans; the acquisition and disposal of important assets; important credit provision-related issues; the payment of large debts and expenses; important credit management issues; rewards and sanctions for employees; important issues related to employees' working conditions and benefits; the establishment, change and abolition of important elements of the organization; and the formation, revision and elimination of important rules and policies, in addition to conferring on issues to be deliberated by the Board of Directors prior to its meetings. Since June 2006, the Bank has adopted an executive officer system, and the Executive Committee comprises Executive Officers and others nominated by the Board of Directors.

### ● Analysis and Evaluation of Effectiveness of the Board of Directors

The Bank has been conducting an evaluation of the effectiveness of the Board of Directors annually since fiscal 2015.

Concerning the effectiveness of the Board of Directors for fiscal 2017, the Bank conducted a questionnaire study for Directors and Audit & Supervisory Board Members and, based on a summary of the results, discussion and evaluation took place at the Board of Directors meetings. The results of the evaluation are described below.

- (1) The Board of Directors meetings include Outside Directors, thereby collectively possessing diverse knowledge, experience and capabilities. Though active discussions among Directors and Audit & Supervisory Board Members, the Board of Directors has been fully functioning both in decision making and supervision, thereby ensuring the effectiveness of the Board of Directors as a whole.
- (2) At the same time, to address the following issues and make improvements, the Board of Directors shall be required to further devise new ideas regarding the provision of information from the executives.
  - Continue to consider the Bank's form of business and business strategies, etc., from a long-term perspective
  - Enrich the deliberation based on the content, status and position of the items on the meeting agenda

### ● Audit & Supervisory Board

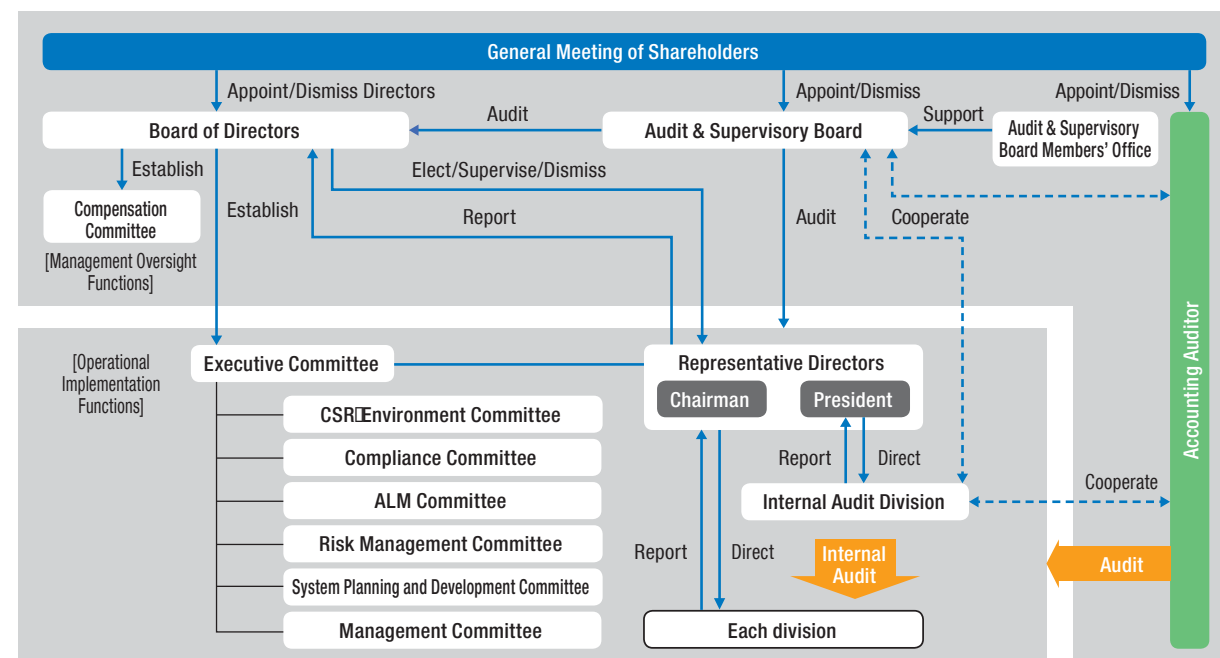
As of June 19, 2018, the Bank's Audit & Supervisory Board consisted of four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members. The Audit & Supervisory Board meets, in principle, at least once a month to receive reports regarding important auditing-related issues and deliberate and make decisions thereof. The Audit & Supervisory Board convenes with Representative Directors, the Internal Audit Division and the Accounting Auditor on a regular basis to exchange opinions and make requests as necessary on issues to be addressed by the Bank, the status of improvements to the Audit & Supervisory Board Members' auditing environment and important auditing-related issues. In addition, the Audit & Supervisory Board Members oversee and verify from the following perspectives the status of fulfillment of legal obligations, including the duty of diligence of a good manager and the duty of loyalty, with regard to resolutions of the Board of Directors and other decision making by Directors.

- (1) There shall be no material and careless errors in recognizing the facts on which a decision is made.
- (2) The decision-making process shall be reasonable.
- (3) The content of a decision shall not violate laws and/or the Articles of Incorporation.
- (4) The content of a decision shall not be apparently unreasonable from an ordinary corporate manager's perspective.
- (5) The interest of the Bank shall be considered first, not the interest of Directors or a third party, in making a decision. To assist the Audit & Supervisory Board Members and facilitate the operation of the Audit & Supervisory Board, the Audit & Supervisory Board Members' Office has been established and employees have been positioned in place.



## Corporate Governance Structure

(As of June 19, 2018)



## Compensation Committee

As an auxiliary organization to the Board of Directors, the Bank has established the Compensation Committee, chaired by an independent Outside Director. The committee is delegated by the Board of Directors to recommend candidates for Director to be put on the agenda at a General Meeting of Shareholders, to recommend candidates for Executive Officer to be put on the agenda at a Board of Directors meeting and to supervise a plan on successors to the position of Director, etc.

The Compensation Committee shall deliberate the following matters regarding the Bank's Directors and Executive Officers.

- (1) Compensation and bonuses
- (2) Other important matters concerning compensation
- (3) Selection of candidates for Director or Executive Officer
- (4) Other important personnel matters regarding Directors

## Reasons for Appointment of Outside Officers

	Name	Reasons for Appointment
Outside Directors	Makoto Kigawa	The Bank can expect that Mr. Makoto Kigawa's experience and insight as Representative Director of YAMATO HOLDINGS CO., LTD., etc., will contribute to the management of the Bank.
	Toshihiko Itami	Mr. Toshihiko Itami possesses insight on corporate legal affairs, etc., nurtured for many years through his career as a prosecutor. We can expect his expertise to contribute to the management of the Bank.
	Koichi Fukuo	The Bank can expect that Mr. Koichi Fukuo's experience and insight as a manager at Honda Motor Co., Ltd., etc., will contribute to the management of the Bank.
	Yukiko Kuroda	The Bank can expect that Ms. Yukiko Kuroda's experience as a corporate manager and her insight related to the development of human resources who can handle global business will contribute to the management of the Bank.
Outside Audit & Supervisory Board Members	Naomi Ushio	The Bank can expect Ms. Naomi Ushio to utilize her expertise and insight gained as a university professor, and her experience as an outside director and outside corporate auditor at other companies, to contribute to improved corporate governance.
	Kunihiro Matsuo	The Bank can expect Mr. Kunihiro Matsuo to utilize his insight accumulated over many years as a prosecutor, and his experience as an outside director and outside corporate auditor at other companies, to contribute to improved corporate governance.

## Independence Standards for Independent Outside Directors

The Bank's Independence Standards for Outside Officers are as follows.

1. Is not a person with executive authority over operations of the Bank's parent company or fellow subsidiary (or has been in such position in the past, hereinafter, the same applies to each item);
2. Is not a person for which the Bank is a major business partner or a person with executive authority over such entity's operations, or a major business partner of the Bank or a person with executive authority over operations of such entity's operations;
3. Is not a consultant, an accounting professional, a legal professional or a person belonging to an organization that receives a significant amount of monetary compensation from the Bank, other than officers' compensation;
4. Is not a major shareholder of the Bank or a person with executive authority over operations of such shareholder; or
5. Is not a close relative to a person that falls under any of the above or a relative by blood or marriage within the second degree to a person with executive authority over operations of the Bank.

## Officers' Compensation

Officers' compensation is determined by comprehensively taking into account factors including contribution to the Bank, content and importance of duties, and performance of duties. The Bank has established the Compensation Committee as an organization under the Board of Directors to propose specific amounts of officers' compensation. The committee is chaired by an independent Outside Director and consists of two Outside Directors and two Representative Directors. The specific amount of compensation for Directors is proposed to the Board of Directors by the Compensation Committee within the annual limits for compensation approved by the General Meeting of Shareholders, and the final decision is made by resolution of the Board of Directors. Compensation for Audit & Supervisory Board Members is determined through discussion at the Audit & Supervisory Board within the annual limits for the compensation approved by the General Meeting of Shareholders.

## Internal Audit and Audit by Audit & Supervisory Board Members

The Bank has in place the Internal Audit Division, which is independent of the Bank's other divisions engaging in business operations, and directly reports to the President and Representative Director.

The Internal Audit Division annually sets a basic policy for internal auditing plans and priority issues to be addressed, which are to be approved by the Board of Directors. Individual internal auditing plans are formulated by the General Manager of the Internal Audit Division, and approval of these plans is obtained from the President and Representative Director, who is the officer in charge of the Internal Audit Division.

Individual internal audits are conducted by investigating and evaluating the following items to discover problems, if any, and suggest how to address them. The results of these audits are reported to the President and Representative Director, the Executive Committee and the Audit & Supervisory Board Members.

- A. Systems for and the current status of legal compliance
- B. Appropriateness and effectiveness of internal controls over financial reporting
- C. Systems for and the current status of customer management, including customer protection
- D. Systems for and the current status of risk management
- E. Internal management systems at each operational department and appropriateness and effectiveness thereof
- F. Appropriateness and effectiveness of internal management systems as a whole, based on items A. through E. above.

Internal audits are conducted on all of the Bank's divisions and systems, including those of its subsidiaries. Audits are also conducted on the operations of the Bank's major outsourcing contractors regarding the status of management by its relevant internal divisions, as well as on the outsourcing contractors themselves, within the scope agreed with them.

Audit & Supervisory Board Members perform audits on the execution of duties by Directors by attending the Board of Directors meetings or other means. In addition to conducting their own operational and accounting audits of the Bank and its subsidiaries, Audit & Supervisory Board Members receive reports on results of external audits by the Accounting Auditor and check the appropriateness thereof.

Audit & Supervisory Board Members receive periodic reports from the Internal Audit Division on its audit plans and results, and request investigations as necessary to ensure that the audit results of the Internal Audit Division are effectively utilized for internal control system audits by Audit & Supervisory Board Members. In addition, Audit & Supervisory Board Members receive reports on the status of improvement and operation of internal control systems regularly or as necessary from the divisions in charge of internal control functions, and ask for detailed explanations as necessary.

The Audit & Supervisory Board prepares audit reports for each fiscal year based on audit reports submitted by individual Audit & Supervisory Board Members. The Audit & Supervisory Board and the Accounting Auditor hold regular meetings to exchange opinions for mutual collaboration.

The Bank has an audit contract with KPMG AZSA LLC, which conducts accounting audits of the Bank. The names of the certified public accountants who performed duties during fiscal 2017, as well as the composition of the supplementary personnel who were involved in the accounting audit duties, are as follows:

**Names of the certified public accountants who performed accounting audit duties**

Hiroyuki Yamada, Designated Limited Liability Partner, Engagement Partner

Hiroshi Umetsu, Designated Limited Liability Partner, Engagement Partner

**Composition of the supplementary personnel who were involved in accounting audit duties**

Seven certified public accountants and nine other persons

● **Status of Improvement and Operation of the Internal Control Systems**

Concerning the system upgrades stipulated in Article 362, Paragraph 4, Item 6 of the Companies Act, the Board of Directors made a resolution on May 8, 2006, on matters to be implemented by the Bank. Progress of the details of this resolution is reviewed each fiscal year. Based on this resolution, Seven Bank strives for good corporate governance and internal control, while ensuring appropriateness in the Seven Bank Group's operations.

**Promoting Close Communication**

Seven Bank aims to deepen the understanding of shareholders and investors in its business activities by providing accurate information on the financial position and management strategies of the Bank. We utilize the evaluation of the Bank on the stock market for our management and further enhance our IR communication, thereby increasing corporate value.

● **To Deepen Communication with Shareholders and Investors**

To facilitate the understanding of shareholders and investors on its business activities, Seven Bank conducts active disclosure of management information that goes beyond statutory disclosure.

**List of Tools for Dialogue**

- ▶ Distribution of videos and audio recording of the financial results presentations for analysts and institutional investors (Japanese and English)
- ▶ Issuance of Business Report in Japanese
- ▶ Issuance of Annual Report in English
- ▶ Issuance of Shareholders Newsletter in Japanese
- ▶ Posting information on the Bank's Web page for individual investors in Japanese



Presentation meetings for individual investors

**IR Calendar (Major activities in fiscal 2017) \*For analysts and institutional investors**

	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
<b>Financial Statements</b>		● Financial results for the fiscal year			● Financial results for the first quarter			● Financial results for the second quarter				● Financial results for the third quarter
		● Presentation about financial results*			● Conference call*			● Presentation about financial results*				● Conference call*
			● Annual General Meeting of Shareholders					● Presentation meetings for individual investors				
<b>Communication Using Useful Tools</b>				● Issuance of Business Report in Japanese				● Issuance of Shareholders Newsletter in Japanese		● Issuance of the Interim Business Report in Japanese		
					● Issuance of Annual Report in English							
<b>Overseas IR Activities</b>			● Europe	● North America				● Asia				



# Seven Bank Management Team (As of July 1, 2018)

## Directors



**Kensuke Futagoishi**  
Chairman and Representative Director



**Yasuaki Funatake**  
President and Representative Director  
In charge of Internal Audit Division



**Kazuhiko Ishiguro**  
Director, Senior Managing Executive Officer  
In charge of System Development Division, ATM Solution Division and Operations Division



**Taku Oizumi**  
Director, Managing Executive Officer



**Hisanao Kawada**  
Director, Managing Executive Officer  
General Manager of Business Promotion Division  
In charge of Business Promotion Division and Retail Banking Division



**Kazutaka Inagaki**  
Director, Executive Officer  
General Manager of Sales Management Division  
In charge of Sales Management Division and ATM Administration Division



**Katsuhiro Goto**  
Director



**Makoto Kigawa**  
Outside Director



**Toshihiko Itami**  
Outside Director



**Koichi Fukuo**  
Outside Director



**Yukiko Kuroda**  
Outside Director

## Audit & Supervisory Board Members



**Isamu Hirai**  
Full-time Audit & Supervisory Board Member



**Akihiko Shimizu**  
Full-time Audit & Supervisory Board Member



**Naomi Ushio**  
Outside Audit & Supervisory Board Member



**Kunihiro Matsuo**  
Outside Audit & Supervisory Board Member

## Executive Officers

**Masaaki Matsuhashi**  
Senior Managing Executive Officer  
In charge of Customer Service Division and Seven Labo

**Tomofumi Oguchi**  
Managing Executive Officer  
In charge of International Money Transfer Division

**Kenichi Yamamoto**  
Managing Executive Officer  
General Manager of General Affairs Division and Human Resources Division  
In charge of General Affairs Division and Human Resources Division

**Hiroshi Takeuchi**  
Managing Executive Officer  
General Manager of Planning Division  
In charge of Planning Division and Treasury Division

**Koji Maekawa**  
Executive Officer  
In charge of Risk Management Division and Financial Crime Risk Strategy Planning and Prevention Division

**Hiroshi Ishimura**  
Executive Officer  
General Manager of Retail Banking Division

**Takashi Koyama**  
Executive Officer  
General Manager of System Development Division

**Miya Kitayama**  
Executive Officer  
General Manager of Business Promotion Division

**Koji Fukasawa**  
Executive Officer  
General Manager of ATM Solution Division

**Tsuneo Nagashima**  
Executive Officer  
On loan to FCTI, Inc.

# Risk Management Initiatives

The “Policy on Risk Control” established by the Board of Directors as an overall risk management policy, risk management policies regarding specific risks and internal organization for risk management and risk management structure have been formulated. Based on the Policy on Risk Control, the Executive Committee has established detailed rules and regulations related to risk management. The Bank’s risk management structure includes the Risk Management Division, which is responsible for supervising overall risk management activities, specific risk management divisions and the Internal Audit Division to perform internal audits. In addition, the Risk Management Committee and the Asset-Liability Management (ALM) Committee act as advisory bodies for the Executive Committee with respect to risk management.

## ● Overall Management of Risk

The Bank observes its basic policies relating to overall risk management, which are governed by the Policy on Risk Control and Overall Risk Management Rules established under the policy. The Bank manages risk comprehensively, evaluating risks by category and comparing them with capital.

## ● Credit Risk

The Bank observes its basic policies relating to credit risk, which are governed by the Policy on Risk Control and the Credit Risk Rules established under the policy. Currently, our risk management activities relating to credit risk are limited to the ATM settlement business, the ALM of interbank deposits placed with top-rated partner financial institutions, bonds, the lending of funds in the call-money market, temporary ATM payment amounts due and small personal loans to minimize credit risk. In addition, the Bank performs self-assessment of asset quality as appropriate and establishes an allowance for credit losses in accordance with its self-assessment and reserve policies and rules.

## ● Market Risk

The Bank observes its basic policies relating to market risk, which are governed by the Policy on Risk Control and the Market Risk Rules established under the policy. The Market Risk Rules include the limits on the maximum level of funds at risk, the market position limits and the loss allowance limits. The Risk Management Division measures and monitors market risk on a daily basis in light of these limits and reports the results to management, including the Executive Committee. At the ALM Committee meeting held once a month, the Bank’s market risk position, expected trends in interest rates and other matters are reported and the policy for the risk management operation is determined.

## ● Liquidity Risk

The Bank observes its basic policies relating to liquidity risk, which are governed by the Policy on Risk Control and the Liquidity Risk Rules established under the policy. The Liquidity Risk Rules include the limits regarding the cash gaps arising from differences between the period of the management of invested funds and the timing of the liquidation. The Risk Management Division measures and monitors liquidity risk on a daily basis in light of these limits and reports the results to management, including the Executive Committee. To prepare for emergency events requiring immediate funding, the Bank has devised preemptive comprehensive countermeasures to be able to take quick and flexible Companywide action by scenario, and therefore does not expect to experience a major liquidity problem.

## ● Overall Management of Operational Risk

The Bank observes its basic policies relating to operational risk, which are governed by the Policy on Risk Control and the Operational Risk Rules established under the policy. The operational risks include, the Bank recognizes, administrative risk, systems risk, reputation risk, legal risk and other operational risks, and these risks have been managed comprehensively from a qualitative and a quantitative standpoint.

## ● Administrative Risk

Seven Bank’s business consists primarily of the execution of transactions, mainly through its ATM network, without involving face-to-face interaction. The Bank observes its Administrative Risk Rules, which were established in accordance with the Policy on Risk Control, which includes a basic policy regarding administrative risks particularly due to this special characteristic of our business. To manage administrative risks, we have improved the administrative rules that are based on transactions without face-to-face interaction. In addition, the Bank works to prevent administrative errors and employee misconduct

through self-monitoring and appropriate audits of all department/divisions, offices and centers and rigorous internal audits by the Internal Audit Division. To address any problem found through scandals, operation-related accidents, complaints and inquiries, the Bank has a system in place to quickly analyze the cause of such problems and determine measures to prevent their recurrence. Furthermore, by verifying administrative error reports and self-monitoring, the Bank strives to recognize the occurrence of administrative errors in all divisions and centers and manage administrative risk, including potential administrative risk.

## ● Systems Risk

The Bank observes its basic policies relating to systems risk, which are governed by the Policy on Risk Control and the Systems Risk Rules established under the policy. The Bank seeks to thoroughly improve systems development efficiency, service quality and safe operation of systems. The system configuration includes the full utilization of the cutting-edge IT (information technology), a dual or multilayered network and hardware equipment, and a backup center designed to engage in the event of a natural disaster or systems failure. Libraries such as files and programs are backed up as appropriate based on the relative importance to operations, and such backup data is stored offsite as a precaution against unforeseeable events. In addition, the Bank takes the utmost care in information management, including the use of firewalls to block unauthorized access to the Bank’s system, monitoring access 24 hours/day and 365 days/year, encrypting all electronic transactions with customers and employing antivirus

software. Furthermore, so that the customers can use the Bank’s services with peace of mind, the Bank has prepared a business continuity plan in advance to prepare for unforeseen events such as service interruptions or disasters, and has set up a framework for conducting regular drills and other measures.

## ● Reputation Risk

The Bank observes its basic policies relating to reputation risk, which are governed by the Policy on Risk Control and the Reputation Risk Rules established under the policy. The Bank works to gather information concerning its reputation on a daily basis and maintains a response system, including a company-wide communication structure and timely and appropriate disclosure to deal with events that affect its reputation.

## ● Legal Risk

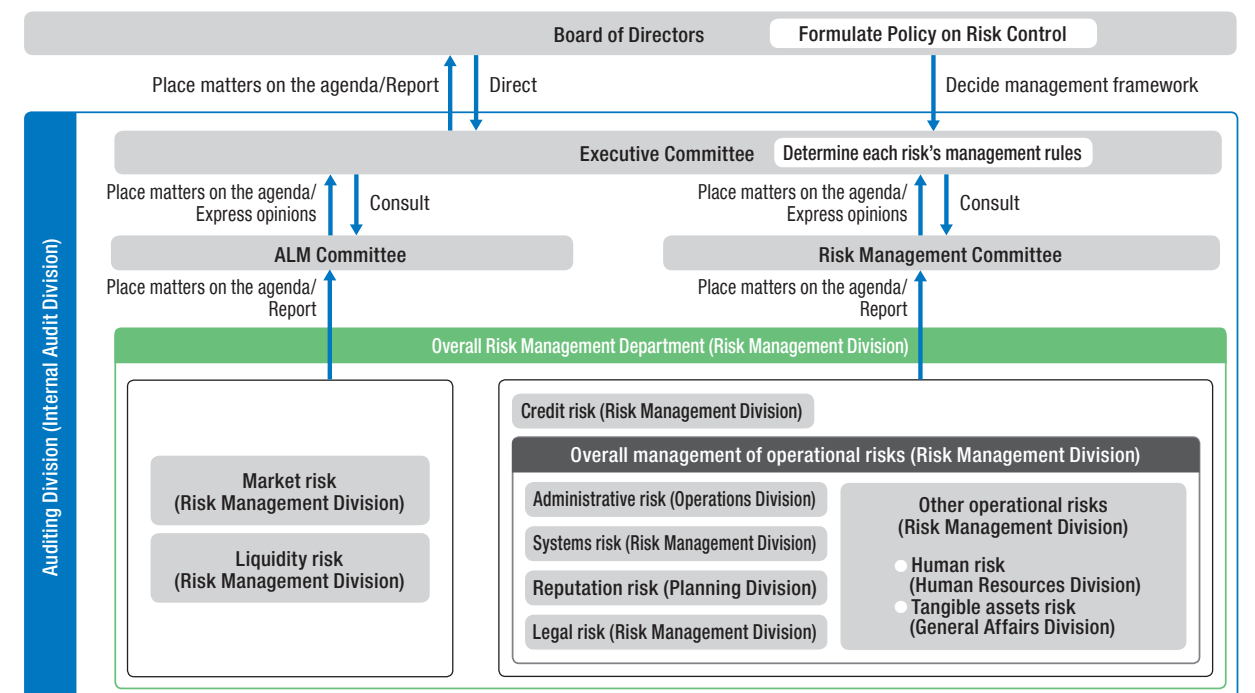
The Bank observes its basic policies relating to legal risk, which are governed by the Policy on Risk Control and the Legal Risk Rules established under the policy. The Bank strives to minimize or prevent the manifestation of legal risks and address such risks accurately and efficiently to avert or minimize losses in the event that such risks materialize.

## ● Other Operational Risks

The Bank observes its basic policies relating to other operational risks, which are governed by the Policy on Risk Control. The major other operational risks recognized are human risk and tangible assets risk and have been managed.

## Risk Management Structure

(As of July 1, 2018)





# Compliance Initiatives

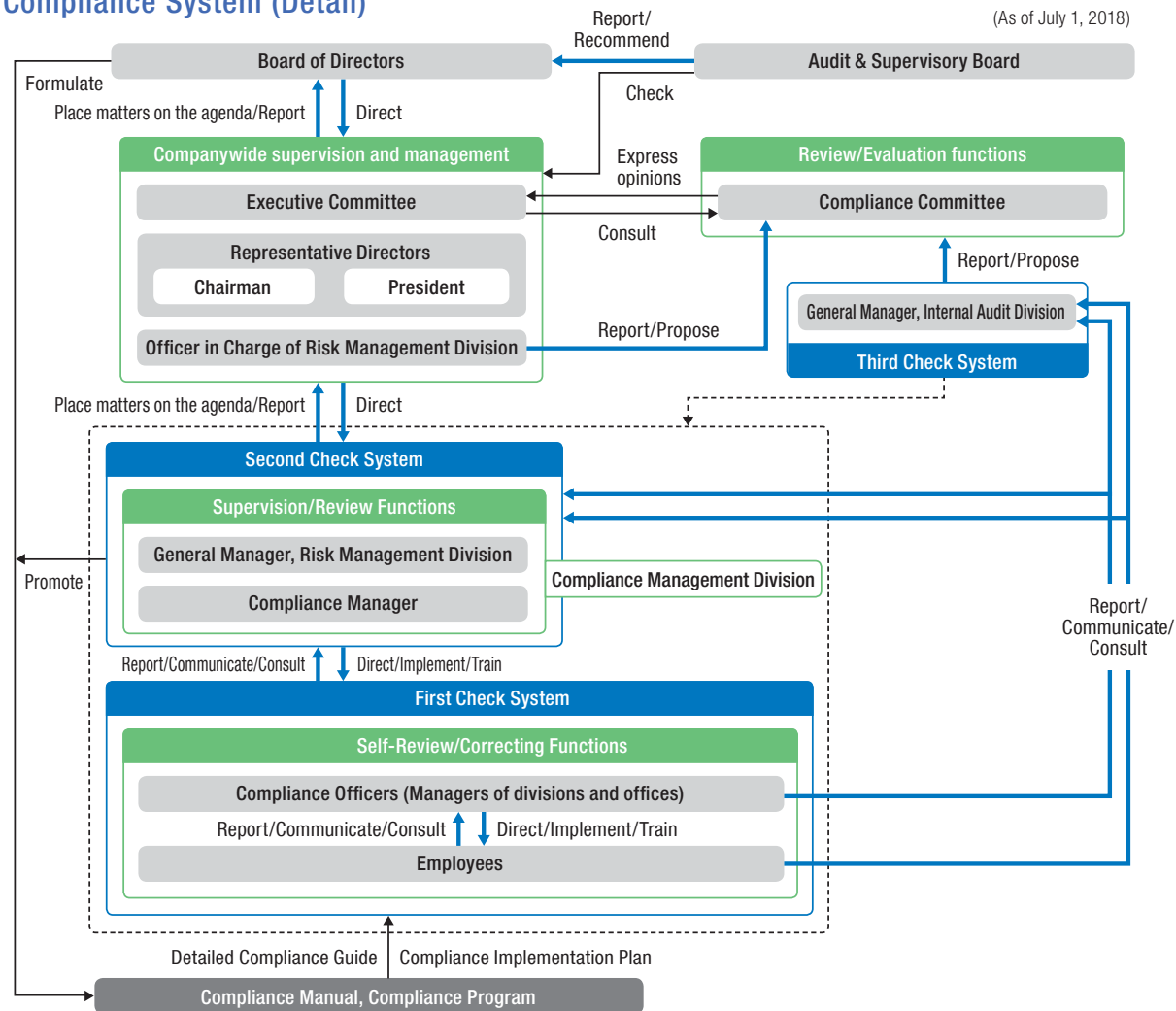
The Bank regards compliance with applicable laws and societal norms as a fundamental prerequisite to earning the trust of society. Being aware of the importance of its public mission and the significance of its societal responsibilities, the Bank has developed the following initiatives to ensure compliance, which is one of the priority issues of management.

## ● Compliance Systems

The Bank designates a responsible person in each internal division as a compliance officer to implement thorough compliance and serve as a point person to consult on compliance-related problems. The Risk Management Division, led by the officer in charge, works as the Bankwide compliance division to

improve accountability and responsibility, self-supportive capabilities and mutual checks to create an organization with an inherent self-monitoring function. In addition, the Compliance Committee, which acts as an advisory body for the Executive Committee, reviews and evaluates all significant compliance-related issues.

## Compliance System (Detail)



## ● Compliance Program

The Bank establishes a compliance program each fiscal year that sets out the compliance implementation plan for that year. The Board of Directors reviews and evaluates the progress and implementation status of the compliance program for the relevant year and, based on such reviews and evaluations, formulates a compliance program for the following fiscal year.

## ● Compliance Manual

To thoroughly implement compliance, the Bank has established a compliance manual and has all employees periodically review it by reading it aloud. The content of the manual has been updated when necessary in line with revisions and abolition of laws and regulations. To disseminate the content of the compliance manual thoroughly, the Bank is implementing various kinds of compliance training sessions.

## ● Main Compliance Issues

### 1. Prevention of Money Laundering and Financial Crimes

The Bank focuses on preventing the opening of fraudulent accounts by conducting strict customer verification and other due diligence procedures when customers apply to open new accounts.

Moreover, the Bank has established the Financial Crime Risk Strategy Planning and Prevention Division as a dedicated unit to combat financial crimes. By monitoring and filtering accounts on a daily basis, this division works to prevent money laundering, eliminate fraudulent accounts, prevent fraudulent bank transfers and other fraudulent activities, and cooperate with the police and other governmental authorities appropriately.

### 2. Response to Antisocial Groups

The Bank has ordinarily been making focused efforts to eliminate any form of relation with antisocial groups and keep such forces away by collecting and accumulating information related to antisocial groups and conducting preliminary reviews based on such information before starting new business transactions. Also, among other steps, since January 2010, the Bank has asked applicants opening accounts to sign an affidavit stating they are not associated with antisocial forces. By including the provisions that explicitly indicate the exclusion of organized crime groups in the transaction rules and other clauses, the Bank can reject the account application and close the account upon finding that the customer falls under or is associated with antisocial

forces. In addition, the Bank conducts regular training for officers and employees to ensure they can take appropriate actions in an organized manner against wrongful demands and other similar events in accordance with internal rules and regulations.

## ● Compliance Consultation System

The Bank has established a Compliance Consultation System to identify and address compliance issues early, and prevent reoccurrences. The system provides contact points for both internal and external consultation and reporting.

As contact points for employees to seek consultations or report issues, a Compliance Consultation Desk within the Company and a Groupwide Help Line (a consultation and reporting contact point for all Seven & i Group companies) outside the Company have been established, and posters with contact information have been posted and booklets with contact information have been distributed to all employees to ensure their awareness of these contact points.

Furthermore, to promote fair transactions and provide safe and secure services for customers, a Suppliers' Help Line (a consultation and reporting contact point for all Seven & i Group companies) has been established for suppliers.

## ● Dissemination of Compliance

With the belief that compliance with laws and regulations is a prerequisite for gaining trust from stakeholders, the Bank positions compliance as a priority managerial issue.



Compliance Standards Card



Groupwide Help Line



Compliance Consultation System



Suppliers' Help Line



# PART 4 Sustainability

Business activities and the pursuit of value in social and environmental areas

## Creating Safe Workplaces That Promote Employees' Growth

“Human resources” are the most important asset for Seven Bank’s continuous growth. We are working to create environments in which all employees can utilize their full potential, while maintaining a system that ensures a healthy work-life balance.

### Providing Opportunities for Growth

Seven Bank provides opportunities for growth through business expansion that utilizes each individual employee’s full potential.

#### Education and Training

##### ● Supporting Employees’ Desire to Grow

For a company to grow, it is important to increase the capabilities of each individual employee. At Seven Bank, we divide employees’ growth into two stages—one for the development of professional abilities and the other for the display of professional abilities—and hold various training programs to give employees the knowledge and skills they need at each stage. We are also emphasizing training that allows employees to communicate in foreign languages, and we support language studies with supplementary correspondence education and outside training.

#### Training and seminars provided by Seven Bank

- ▶ Training for new employees
- ▶ Training for employees who joined the Bank midcareer
- ▶ Send employees to graduate courses (2 employees were sent during fiscal 2017)
- ▶ Overseas training (2 employees were sent during fiscal 2017)
- ▶ Training on communication
- ▶ Aids for various types of e-learning (used by 116 employees during fiscal 2017)

#### Voice

I was selected to participate in the Ministry of Economy, Trade and Industry’s Start Next Innovator 2017, a half-year program in Japan followed by training in Silicon Valley. By interacting with members from other companies with a wide variety of backgrounds, I was able to gain many things: knowledge, skills, mind-set and bonds with important friends. Building on this experience, I approach my job with a deep sense of responding to change while strengthening fundamentals.

Yasuhiko Shimada, Customer Service Division





### ● Valuing an Attitude of Challenge

We value employees who pursue challenges on their own. To motivate employees toward new business creation, we provide a variety of support opportunities. Continuing from the previous year, during fiscal 2017, we held seminars with invited outside entrepreneurs, workshops to devise ideas for new businesses and other programs. One of our activities in the area of open innovation is to collect proposals from inside and outside the Bank for new services and businesses to be provided by our newest generation of ATMs. These proposals are presented to management and cooperating companies. Several ideas have been adopted and we are studying their business potential.



Internal presentation



Announcement of an external event

## Creating Safe Work Environments

Employees need to have a safe work environment to utilize their full potential. We provide various types of support to allow flexible ways of working, so that our human resources, which are very important to the Bank, encounter no individual circumstances that prevent them from displaying their capabilities.

### Embracing Diversity

#### ● Re-Challenge Plan

We have established a plan that helps employees continue working after having children, while caring for children or while caring for family members. This plan also helps people return to work after a temporary leave of absence.

#### ● Work-at-Home System

A work-at-home system has been in place to allow employees experiencing difficulty in commuting for such reasons as pregnancy, child care, nursing care for their family or injury to continue working.

### Data on employees and employment

(As of March 31, 2018)

Number of employees (male/female)*1	468 (297/171)
Number of part-time employees (male/female)*2	13 (7/6)
Number of temporary staff (male/female)	21 (5/16)
Average service years of employees	7.3 years
Ratio of female managers*3	14.7%
Ratio of employment of persons with a disability	2.40%
Ratio of paid leave taken by employees	86.9%

\*1. Excluding officers, executive officers, employees seconded from the Bank to external companies, part-time employees and temporary staff; and including employees seconded from external companies to the Bank.

\*2. Number of part-time employees: average number of workers per month assuming 8 work hours a day

\*3. Ratio of female managers excludes those seconded from the Bank to the Seven & i Group companies and those seconded to the Bank from companies outside the Group but includes those seconded to the Bank from the Group companies.

(Fiscal 2017)

Number of persons promoted to regular employee (male/female)	3 (0/3)
Number of employees who took a leave for child care (male/female)	16 (2/14)
Number of employees who took a leave for nursing care (male/female)	0
Number of employees who used the shorter work-hour system due to child care or nursing care (male/female)	20 (3/17)
Number of employees who used the work-at-home system (male/female)	8 (3/5)
Number of uses of a leave for volunteer activities	15
Occupational accident frequency rate*4	0
Occupational accident severity rate*5	0
Number of contacts received at the Help Line for employees	2
Average employee overtime per month	17.7 hours

\*4. Occupational accident frequency rate = (Number of occupational accidents occurred/Cumulative work hours) × 1,000,000

\*5. Occupational accident severity rate = (Lost work days due to an accident/Cumulative work hours) × 1,000

### ● Regular Employee Promotion System

In fiscal 2016, we introduced a system under which contract employees and associate employees (contract employees who have become permanent hires) who meet certain criteria can be hired as regular employees.

### ● Temporary Employee System

Seven Bank has a system that allows employees who pass the retirement age of 60 to continue working until the age of 65 if they wish.

### ● Employment of Persons with a Disability

From the perspective of normalization, we have a work environment where persons with a disability can work utilizing their abilities and aptitude.

### ● Nursing Care Training

We offer training in nursing care for employees who need to provide such care to learn how to take advantage of Japan's nursing care system and continue working.

### ● Promoting Participation by Women

Having met the criteria in the five evaluation categories for "Eruboshi" certification, we have received Level 3 certification, the highest grade, from the Ministry of Health, Labour and Welfare, as an excellent company in terms of providing an environment that promotes active participation by female employees. Going forward, we will work even harder to create an environment in which employees can perform their jobs in various work styles.

"Eruboshi" certification, based on the Act on Promotion of Women's Participation and Advancement in the Workplace



## Activities Related to the Act on Advancement of Measures to Support Raising Next-Generation Children

We are working to achieve a healthy work-life balance for our employees by "allowing them to take at least a certain amount of child-care leave," "improving the environment to allow both the Bank and the employees to respect daily lives" and "implementing measures that allow employees and their families to think about their work-life balance."

### Received the "Kurumin" Certification Mark\*

In June 2015, Seven Bank received the "Kurumin" certification mark from the Ministry of Health, Labour and Welfare as a childrearing support company, which was our second time receiving this recognition.



\* The "Kurumin" certification mark is awarded to corporations that are highly recognized for activities supporting employees' childrearing based on the Law for Measures to Support the Development of the Next Generation.

## Voice

I was able to take child-care leave twice, which allowed me to spend precious time devoting myself to raising my children. The Bank shared information with me while I was on leave, which reduced my concerns about being away from the office. I returned to the same administrative position that I had before taking leave, and the understanding and support of my supervisor and co-workers have allowed me to continue working while raising my children with peace of mind.

Mamiko Uchida, ATM Solution Division



# For the Development of Local Communities

## Supporting Multicultural Coexistence

For customers who use our international money transfer services, we offer the “International Money Transfer App,” which is available in nine languages. Seven Bank concluded an agreement with a municipal public organization in Japan with a large foreign population to disseminate regional information through this app. We provide information useful for everyday life and alerts on natural disasters for residents in multiple languages.

### Municipalities with which Seven Bank concluded an agreement to promote multicultural coexistence (As of March 31, 2018)

September 2016	Nagoya-shi, Aichi prefecture
February 2017	Kani-shi, Gifu prefecture
March 2017	Aichi prefecture
April 2017	Kanagawa prefecture
May 2017	Kawasaki-shi, Kanagawa prefecture
October 2017	Shinjuku-ku, Tokyo

\* An “Agreement to Promote Tourism” was concluded with Omura-shi, Nagasaki Prefecture, in March 2018.

## Voice

### “Making life more convenient for non-Japanese residents of Japan” Seven Bank is your partner in Japan!

With feedback from customers who use the International Money Transfer service, we learned that non-Japanese people who live in Japan deal with considerable negativity, such as “uneasy,” “inconvenient” and “dissatisfied.” Thinking about what we could do to alleviate such negativity, we began to work with local governments to use our International Money Transfer App to disseminate information in multiple languages. Going forward, we hope to use public-private sector cooperation to contribute to the comfortable coexistence of many cultures through our business activities.



Atsuko Yamada,  
International Money Transfer Division

## Dementia Supporter Training

To deepen employees’ understanding about dementia and help make a more supportive environment for dementia patients and their families so that they can live peacefully, Seven Bank engages in nurturing Dementia Supporters\*. At present, 86 employees have qualified as a Dementia Supporter to contribute to the safety and security of local communities.

\* Persons who have a correct understanding of dementia and provide support for dementia patients and their families with a compassionate attitude

## Participating in Local Volunteer Activities

Seven Bank participates in the Chiyoda Corporate Volunteer Liaison Group, which engages in local community contribution activities conducted by companies that have an office in Chiyoda-ku, Tokyo, and their employees. As a good corporate citizen, we strive to strengthen communication with local communities.

In fiscal 2017, we participated in a volunteer activity at a “Tokubetsu Yogo Rojin Home” (elderly care facility for those who need special care) and a welfare festival held at a municipal office.



A volunteer Santa

## Cosponsoring “Mori no Senshi Bonolon”

Since June 2005, Seven Bank has cosponsored a picture book, “Mori no Senshi (Guardian of the Forest) Bonolon,” for children, distributing approximately 1 million copies per issue during even months at Seven-Eleven stores, Denny’s and Famil restaurants, and York-Benimaru supermarkets, all of which are Seven & i Group companies, as well as at the staffed outlets of Seven Bank.

This picture book was issued to foster communication between children and their parents through reading to children the meaningful content to help nurture their inquisitive minds.

©NSP2005 ©Together with Bonolon 2007



## Topics

### Donating the Picture Book “Mori no Senshi (Guardian of the Forest) Bonolon” to Be Read Aloud at 2,799 Children’s Centers across Japan

Seven Bank has issued social contribution-type cash cards since 2011. For every issue of a cash card with the “Mori no Senshi Bonolon” design, Seven Bank contributes 100 yen to donate picture books to children’s centers nationwide.

In fiscal 2017, 54,783 customers chose the Bonolon cash card, the picture books were produced and donated to 2,799 children’s centers.

In April 2018, a donation ceremony for the picture book was held at the Tairamachi Children’s Hall in Tokyo’s Meguro Ward, and a large version of the book was read aloud to the children who had gathered.



## Support Activities for Disaster Victims and Disaster-Afflicted Areas

Seven Bank conducts a donation activity to support victims of disasters such as earthquakes and typhoons. The Seven Bank Web site has a dedicated Web page that accepts donations from customers and employees.

As a Groupwide initiative, Seven Bank is continuing activities to support victims’ lives and the restoration of disaster-afflicted areas.

Name of disaster	Period of accepting donations	Total amount donated	Destination to which money was delivered
Hualien (Taiwan) earthquake	February 2018	¥112,250	Hualien (Taiwan)

## Seven Bank Click Donation

Using the Seven Bank Web site, we conducted “Click Donation,” donating one yen for every click made by customers (1 click = ¥1).

Name of donation	Period of accepting donations	Total amount donated*	Destination to which money was delivered
“Learn! Spread! ATM Voice Guidance Service Campaign”	December 2017	¥578,989	“Radio Charity Musicson” charity campaign (sponsored by Nippon Broadcasting System, Inc., etc.)

\* “Total amount donated” is the total of donations from Seven Bank account holders and employees in addition to click donations. The total amount donated to “Learn! Spread! ATM Voice Guidance Service Campaign” includes donations contributed according to the number of uses of the ATM voice guidance service.



# Activities to Combat Climate Change

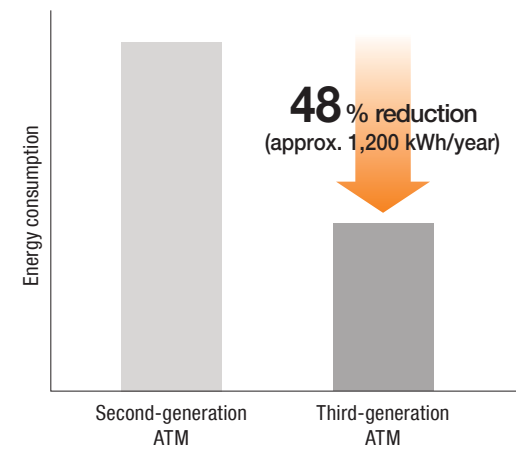
## Focusing on Energy Conservation to Reduce CO<sub>2</sub> Emissions

Energy consumption of our third-generation ATMs is 48% less than that of our second-generation ATMs. As a result of replacing all 24,000 units nationwide with third-generation ATMs, CO<sub>2</sub> emissions were reduced by approximately 16,000 tons\* a year. A significant reduction in energy consumption was achieved by aggressively adopting cutting-edge technologies to set our ATMs on an energy-saving mode when a transaction is not ongoing and by switching the back light of the display to an LED light. We are also promoting the effective use of natural resources by using durable parts and recyclable materials.

We strive to recycle aged ATM units and Uninterruptible Power Supply (UPS) batteries with the help of recycling business operators.

\* CO<sub>2</sub> emissions were calculated assuming 1 Wh = 0.579 g.

Comparison of ATM energy consumption



### Utilization of FSC Certified Paper

We use FSC certified paper for the cash envelopes and various leaflets at our ATMs and copies of the children's picture book "Mori no Senshi (Guardian of the Forest) Bonolon," which are distributed mainly at Seven-Eleven stores.

The international "Forest Stewardship Council (FSC) certification" system awards certification to appropriately managed forests and the appropriate processing and distribution of lumber from such forests. Seven Bank will continue to expand the use of environment-friendly FSC certified paper.



### Initiatives to Raise Environmental Awareness

We are working to raise employees' environmental awareness through a campaign to obtain Eco Test® certification. Employees who pass the test have the full amount of the test fee reimbursed by the Bank. Since fiscal 2014, 110 employees in total have obtained Eco Test® certification.

\* Eco Test®: The Certification Test for Environmental Specialists®, given by the Tokyo Chamber of Commerce and Industry

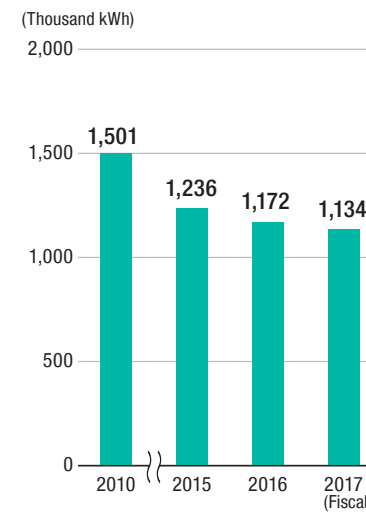
## Environmental Considerations at Our Offices

CO<sub>2</sub> emissions from the production, logistics and disposal of this integrated report are 10,064 kg, which is offset by the domestic credit from supporting the restoration from the Great East Japan Earthquake.

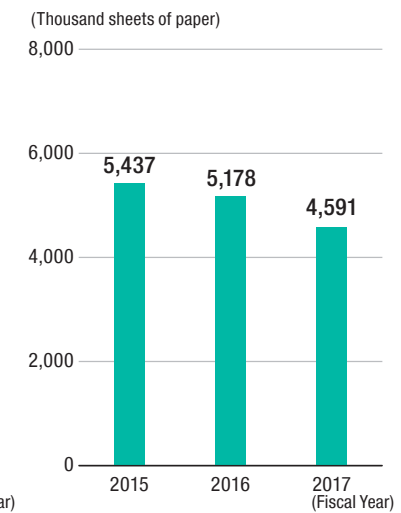


### Environmental Performance Index/Electricity use\*

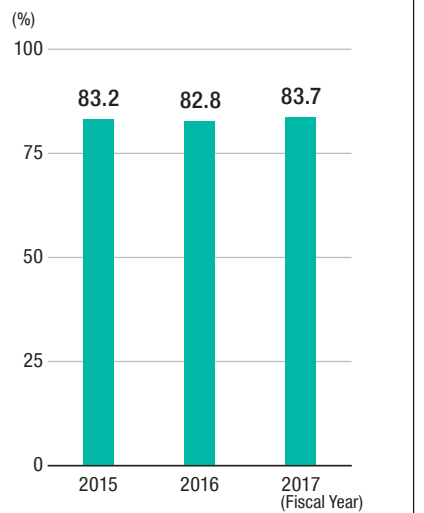
(Offices, staffed outlets, ATM corners directly managed by Seven Bank)



### Environmental Performance Index/Volume of OA paper purchased



### Environmental Performance Index/Ratio of green office supplies purchased



\* Mainly based on requests from the government, with fiscal 2010 used as the standard. The data on 24,000 units of ATMs nationwide are not included in the chart above because the electricity to run the ATMs is from the facilities that house our ATMs.

### Employees' Environmental Preservation Activities

Employees of the entire Group proactively volunteer in various activities, including those carried out by the Bank, to contribute to the preservation of the earth's environment and to local communities.

In September 2017, we worked with the NPO Arakawa Clean-aid Forum to clean roughly 100 meters of shoreline along the Arakawa river, with 83 employees and family members participating. After plastic bottles, plastic bags and other packaging materials were collected, the trash was sorted and weighed, and the volunteers discussed how the amount of trash could be reduced.



Cleanup activity along the Arakawa river

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## Management's Discussion and Analysis

Fiscal Year Ended March 31, 2018: FY2017  
Amounts less than one unit have been truncated.

### Summary of Fiscal 2017

During the fiscal year under review, given positive trends of circular flows of income and expenditure, the Japanese economy expanded moderately with the effect of the economic measures by the Japanese government. The financial environment remained substantially saturated with real long-term interest rates, which is a result of subtracting the anticipated medium- to long-term inflation rate from long-term interest rates, staying negative.

In this operating environment, consolidated results for Seven Bank (the "Bank") for fiscal 2017 were ordinary income of 127,656 million yen, ordinary profit of 38,305 million yen, and net income attributable to owners of the parent of 25,301 million yen.

Non-consolidated results for the Bank were ordinary income of 116,650 million yen, ordinary profit of 42,262 million yen, and net income of 29,106 million yen. The total ATM transactions steadily grew mainly as a result of an increase in the number of ATMs installed, leading to increases in both profits and revenues compared with the previous fiscal year.

Operating results by service segment are as follows:

#### (1) ATM Platform Business (domestic business)

During fiscal 2017, Seven Bank continued to aggressively promote the installation of ATMs within and outside the Seven & i Holdings and its operating companies (the "Group") to enhance the convenience for customers.

During fiscal 2017, to further expand the number of our ATM users, we aggressively promoted new partnerships with fund transfer businesses other than financial institutions as a new business category and launched new ATM uses: the SoftBank Card in August 2017, LINE Pay in October 2017 and JCB PREMO Card in March 2018. As a result of such efforts, as of March 31, 2018, we had partnered with 124 banks, 258 shinkin banks, 127 credit cooperatives, 13 labor banks, JA Bank, JF Marine Bank, Shoko Chukin Bank, 11 securities companies, 8 life insurance companies and 56 other financial institutions, totaling 600 businesses.\*

Within the Group, we have installed ATMs along with new 7-Eleven store openings and steadily increased the number of ATMs installed. As for operations outside the Group, to address customer needs, we continued to promote the installation of ATMs inside each facility for transportation, logistics and tourism.

As a result of such initiatives, the number of our ATMs installed reached 24,392 (up 4.3% compared with the end of March 2017). The average daily transactions per ATM for the fiscal year under review were 94.1 (down 1.4% year over year), and a total of 815 million transactions were recorded (up 2.3% year over year).

Note: JA Bank and JF Marine Bank are each counted as one institution.

#### (2) Settlement and Account Business (domestic business)

The Bank had 1,827 thousand individual customer accounts at the end of March 2018 (up 8.1% compared with the end of March 2017), a balance of deposits of 409,500 million yen (up 3.1% year over year) and a balance of personal loan services of 22,700 million yen (up 14.5% year over year).

The number of accounts of cash cards with a debit function, which we started issuing in October 2016, has steadily increased to 325 thousand.

Bank Business Factory Co., Ltd., the Bank's domestic consolidated subsidiary, is developing businesses of back-office support on commission not only for the Bank but also for other financial institutions, drawing on knowledge obtained through the settlement and account business.

#### (3) Overseas Business

FCTI, Inc., the Bank's consolidated subsidiary in North America, started replacing ATMs in U.S. 7-Eleven stores in August 2017. As of December 31, 2017, the number of ATMs installed in U.S. 7-Eleven stores was 5,948 and the total number of ATMs installed in the United States combining ATMs installed outside 7-Eleven stores was 11,582 (up 85.9% year over year). The total number of ATM transactions for fiscal 2017 were 51 million (up 38.4%).

With regard to business results of FCTI, Inc. for the consolidated fiscal year (from January 2017 to December 2017), ordinary income was 96.5 million U.S. dollars, the ordinary loss was 23.9 million U.S. dollars and the net loss was 27.4 million U.S. dollars.

Although the total number of ATM transactions grew steadily mainly due to the increase in the number of our ATMs installed, revenues increased but profits declined because of increased ordinary expenses such as ATM replacement costs.

PT. ABADI TAMBAH MULIA INTERNASIONAL, the Bank's consolidated subsidiary in Indonesia, promotes ATM business within Indonesia. As of December 31, 2017, the number of ATMs installed by PT. ABADI TAMBAH MULIA INTERNASIONAL was 120.

### Summary of Financial Position of Fiscal 2017

#### Assets

Total assets were 1,022,485 million yen. The majority of this total comprised cash and due from banks required for the operation of ATMs of 710,369 million yen. The remainder mostly consisted of securities held as collateral for domestic exchange settlements and Bank of Japan current account overdraft transactions of 61,939 million yen and ATM-related temporary payments to partner financial institutions of 146,977 million yen.

#### Liabilities

Liabilities were 810,458 million yen. These largely comprised deposits (excluding negotiable certificates of deposit) totaling 622,406 million yen. Of these, the outstanding balance of individuals' ordinary deposits was 268,233 million yen and the balance of time deposits was 141,287 million yen.

#### Net Assets

Net assets were 212,027 million yen. Of these, retained earnings were 146,075 million yen. The consolidated capital ratio was 50.78%.



## Summary of Cash Flows of Fiscal 2017

Cash and cash equivalents increased by 15,780 million yen during the fiscal year under review to 710,369 million yen. Cash flows in each category and the factors behind changes were as follows.

### Cash Flow from Operating Activities

Net cash provided by operating activities was 31,466 million yen. Factors contributing cash included income before income taxes and non-controlling interests of 38,163 million yen and a net increase in deposits of 50,895 million yen. These factors exceeded factors using cash such as a net decrease in loans of 2,886 million yen, a net decrease in call money of 10,000 million yen and a decrease of 15,000 million yen in straight bonds - issuance and redemption.

### Cash Flow from Investing Activities

Net cash used in investing activities was 3,649 million yen. Factors that used cash included purchase of securities of 17,269 million yen, purchase of tangible fixed assets of 8,468 million yen and purchase of intangible fixed assets of 10,927 million yen. These exceeded the factor that provided cash: proceeds from maturity of securities of 33,015 million yen.

### Cash Flow from Financing Activities

Net cash used in financing activities was 11,729 million yen, due to factors including 11,316 million yen in dividends paid.

## Outlook for Fiscal 2018

For our consolidated results for fiscal 2018, we forecast ordinary income of 146,700 million yen (up 14.9% year on year), ordinary profit of 39,800 million yen (up 3.9% year on year), and net income attributable to owners of the parent of 26,800 million yen (up 5.9% year on year).

For non-consolidated results of Seven Bank, we forecast ordinary income of 119,600 million yen (up 2.5% year on year), ordinary profit of 42,500 million yen (up 0.5% year on year), and net income of 29,400 million yen (up 1.0% year on year).

In fiscal 2018, we will continue to increase the number of ATMs installed and work to develop new users. We forecast that the number of ATMs installed will be approximately 25,350 (up 3.9% compared with the end of March 2018), the total number of ATM transactions will be approximately 839 million (up 2.9% year on year), and the average daily transactions per ATM will be 93.1 (down 1.0% year on year). Due to growth in the number of ATMs installed and the total number of transactions as a result of these measures and other factors, we forecast increases in ordinary income, ordinary profit and net income.

\*Exchange rate used: U.S.\$1 = 110.00 Yen

## Risk Factors

Major risks related to Seven Bank's business and other areas that may significantly affect investors' decisions are listed as follows.

Moreover, items that may not qualify as such, but are deemed important for investment decisions of investors are also disclosed below, for the purpose of proactive disclosure to investors. Risks related to the Bank's business and other areas are not limited to

those stated, and the Bank does not guarantee that it is free from risks other than those stated, including those that are unidentified.

Certain items in this section may contain forward-looking statements. However, unless otherwise stated, all judgments were made at the end of the consolidated fiscal year under review.

### 1. Risk Relating to Our Business Strategy

#### (1) ATM Platform Business (domestic business)

Seven Bank substantially depends on the ATM platform business for its revenues. The Bank is steadily increasing the number of ATMs, developing and offering its proprietary new ATM services as well as enhancing security, to increase customers' convenience and sense of security. However, changes that threaten the ATM platform business model, such as those described below, could affect the Bank's results and financial position.

#### A) Increase in the use of non-cash payment methods

The number of ATM transactions is currently increasing. However, the increase in the use of non-cash payment methods, such as credit cards and electronic money, could reduce the number of ATM transactions, which could affect the Bank's results.

#### B) Growing competition from other ATM networks

Seven Bank competes with companies installing ATMs at convenience stores outside the Seven & i Group and other locations. In addition, competition with partner financial institutions that have ATM networks could increase if these institutions actively expand their ATM networks.

Currently, total ATM transactions are continuing to increase. In the future, however, increased competition with the Bank's partner financial institutions could cause such challenges as a decrease in the number of users of the Bank's ATMs or a decrease in ATM-related fee income, which could affect the Bank's results.

#### C) Changes in economic conditions

The level of ATM-related fee income that Seven Bank charges its partners is judged by both parties to be reasonable. However, there is no guarantee that the level will not change in the future. The level of the ATM-related fee income may decline, or failure to agree on ATM-related fee income levels may dissolve partnerships, which could affect the Bank's results and financial position.

#### D) Difficulty in securing ATM locations

Seven Bank has in a stable manner secured and expanded locations for ATMs, centered on the Seven & i Group stores, and is expanding the installation of ATMs at commercial facilities and other non-Group sites. In the future, however, obstacles to maintaining or expanding ATM locations could affect the Bank's results.

#### E) Effect of amendment of laws, etc., on partner companies' business

An amendment of a law or regulation, etc., related to the business of a partner company that results in a substantial decrease in the use of Seven Bank's ATMs by the customers of such partner company could cause a decline in ATM-related fee income and other outcomes that could affect the Bank's results.

#### F) Risk of higher interest rates

Seven Bank procures necessary cash for its ATM business through deposits, loans, bonds, and other means. The cost of this fund procurement is influenced by market interest rate trends.

The Bank takes appropriate steps to minimize the impact of interest rate fluctuations, such as procuring long-term funds at fixed rates. However, substantial interest rate fluctuations could cause an unanticipated rise in fund procurement costs, which could affect the Bank's results and financial position.

#### (2) Settlement and Account Business (domestic business)

In addition to ordinary deposits and time deposits, Seven Bank offers personal loans and international money transfer services for individuals and debit card service, as well as a back-office support on commission for other financial institutions through a subsidiary. However, there is no guarantee that these services will successfully expand.

In addition, Seven Bank may offer new services or establish other new businesses that it is not currently handling to expand the settlement and account business but cannot guarantee that they will succeed. When expanding new businesses, the Bank may also establish new subsidiaries, engage in M&A or form capital alliances with other corporations. However, the inability of the Bank to realize the initially expected effect of these strategic investments and to achieve its strategic objectives could affect the Bank's results and financial position.

#### (3) Overseas Business

Seven Bank has subsidiaries that operate ATMs in the United States, Canada, and Indonesia. The future occurrence of major changes in the political or economic environment surrounding the subsidiaries, an unforeseen event such as a natural disaster, or poor business performance of the subsidiaries could affect the Bank's results. In addition, exchange rate fluctuations could decrease the Bank's profits.

#### (4) Impairment of Fixed Assets

Seven Bank holds tangible fixed assets and intangible fixed assets including goodwill. Factors such as worsening profitability of assets held or subsidiaries or a decline in the value of other assets could make it necessary to record further impairment of these assets, which could affect the Bank's results and financial position.

### 2. Risk Management Systems

Through its Basic Policy on Risk Control, which is determined by the Board of Directors at its meeting, Seven Bank has established Bank-wide risk management policies, management policies for specific risks, and a risk management organization and structure to appropriately recognize and manage all kinds of risks in its operations. In addition, for appropriate risk management, the Bank has established a Risk Management Committee and an Asset-Liability Management (ALM) Committee as advisory bodies to the Executive Committee with respect to risk; the Risk Management Division, which is responsible for supervising overall Bank-wide risk management activities; and risk management divisions for managing specific types of risk.

### 3. System Failure

Seven Bank has established Systems Risk Rules to articulate its fundamental policies related to system risk management and, by developing and operating its systems based on the rules, it is striving to realize efficient system development, improved system quality, and stable system operations. In addition, the Bank has adopted a system configuration that employs two system centers that are always in operation, redundant server network equipment, and 24x7x365 monitoring operations, as well as the implementation of other system failure countermeasures. In addition, in accordance with the importance of files, programs, etc., the Bank performs data backups and has taken measures for remote-location data storage in preparation for unexpected situations.

However, it is impossible to completely eliminate the danger of system function interruptions due to failure resulting from factors including such natural disasters as large earthquakes and typhoons, power outages, network failure, computer viruses, or human error. Such interruptions could affect the Bank's results.

### 4. Deterioration in Relationships with External Contractors

Seven Bank outsources key tasks, including ATM cash replenishment, development and operation of various systems, ATM security and management, and call center operations. In addition, the Bank outsources cash card issuance and mail delivery for new deposit accounts.

Relationships with these external contractors are currently satisfactory. However, increasing fees resulting from deterioration of their operating environments or difficulties in continuing to provide services for any reason could affect the Bank's results.

### 5. Relationship with Seven & i Group

Overall, Seven Bank determines issues including business strategy, personnel policy, and capital policy autonomously after independent consideration. However, the Bank operates its ATM platform business by installing ATMs primarily in the stores of companies that are part of the Seven & i Group.

#### (1) Equity Relationship

Seven Bank is a subsidiary of Seven & i Holdings Co., Ltd. (the "Company") which is listed on the First Section of the Tokyo Stock Exchange. As of March 31, 2018, the Company controls 45.78% of the voting rights of Seven Bank. The Company is expected to remain a major Seven Bank shareholder, and the Bank cannot guarantee that the Company will not influence its policies and decisions.

#### (2) Personnel Relationships

As of June 20, 2018 (the day when the Bank submitted its securities report), Seven Bank's Director Katsuhiko Goto concurrently serves as director of the Company.

In addition, Seven Bank has a cooperative business relationship with the Group that involves personnel exchanges.

### (3) Transactional Relationships

At the end of March 2018, Seven Bank had installed 22,131 ATMs at the Group stores (including 21,510 ATMs at Seven-Eleven stores, 295 ATMs at Ito-Yokado stores, and 326 ATMs at other locations in the Group). In addition, the Bank has installed 2,261 ATMs at locations other than the Group stores. Thus, approximately 90% of the Bank's ATMs are installed at the Group stores. Difficulties in keeping ATMs installed at the Group stores or a marked decrease in customers at the Group stores could affect the Bank's results.

In addition, Seven Bank pays ATM installation fees to the Group, but cannot guarantee that fee terms will not change in the future. Major changes in fee terms could affect the Bank's results.

### 6. Response to Financial Crime

Seven Bank's business consists primarily of the execution of non-face-to-face transactions, mainly via ATMs. As such, the Bank undertakes strict customer due diligence when customers apply to open new accounts. In addition, the Bank monitors the status of usage of ATMs and accounts to prevent them from being abused for financial crimes and focuses on protecting ATMs and customers. However, reputation damage and other factors arising from a temporary failure to keep pace with rapid and diverse changes in criminal techniques could affect the Bank's social standing or its results.

### 7. Litigation

To date, Seven Bank has not been involved in significant litigation. In addition, with a focus on preventative measures, the Bank is working to minimize litigation risk in consultation with attorneys who specialize in this area. However, there is no guarantee that the Bank will not be subject to litigation or disputes that could affect its results and financial position in the future, resulting from legal issues, such as legal violations or inadequate contractual agreements.

### 8. Effects of Legal Amendments

Seven Bank operates its businesses in compliance with current laws and regulations. However, the contents or effects of future legal amendments are difficult to predict or control. Consequently, there is no guarantee that in the future the Bank will be able to continue executing its business plan under initial assumptions.

### 9. Regulations

Based on the regulations in Article 4, Paragraph 1 of the Banking Law, Seven Bank has received a license to operate in the banking business (Financial Supervisory Agency License Number 1812) that enables it to take deposits, handle currency exchange, make loans, and conduct other relevant business. However, based on the regulations in Article 4, Paragraph 4 of the Banking Law (see note), Seven Bank's banking license is subject to certain conditions. Future new businesses such as foreign currency-denominated accounts will require the approval of the commissioner of the Financial Services Agency as the head of the supervisory authority.

Based on the progress in application for approval, Seven Bank may not be able to develop new businesses as planned, which could affect the Bank's results.

In addition, regarding the banking business, Articles 26 and 27 of the Banking Law specify prerequisites for issues including suspension of operations and license revocation, respectively. If these prerequisites are applicable, the Bank may be legally required to suspend its operations or its license may be revoked.

The Bank is currently aware of no reason for these measures to be taken. However, future suspension of operations or license revocation for any reason could obstruct the Bank's business activities and could materially affect the Bank's results.

Note: Article 4, Paragraph 4 of the Banking Law: When the prime minister deems it necessary for the public interest based on consideration of the regulations in the preceding two paragraphs, the prime minister may attach conditions to the license of the first paragraph and modify the license to the extent necessary.

### 10. Capital Adequacy Ratio

Seven Bank does not have sales bases overseas. Therefore, Seven Bank must maintain a ratio of non-consolidated net assets to total assets above 4% according to the domestic standard specified by "Criteria for Judging Whether A Financial Institution's Own Capital Is Sufficient in Light of the Assets Held, etc. under the Provision of Article 14-2 of the Banking Law (Notification Number 19 of 2006, the Financial Services Agency).

Currently, Seven Bank's non-consolidated capital adequacy ratio substantially exceeds the relevant standard. However, the Bank may be unable to meet its required capital adequacy standard if various business or other risks specified by the relevant provisions materialize or the regulations or other relevant items change in the future.

### 11. Personal Information Leakage

Through its banking business, Seven Bank possesses a large amount of customer information, including personal information. As a business handling personal information as specified by Act on the Protection of Personal Information, the Bank announces or otherwise publicizes the purpose for using personal information, safely administers personal information, duly considers requests for disclosure of personal information on file from the subject, and ensures thorough awareness within the Bank to that effect as stipulated by in-house personal information management regulations. Furthermore, the Bank concludes the memoranda with, and conducts strict, thorough management of the handling of personal information by, subcontractors.

However, serious damage to customers from large-scale information leakage may result in orders or punitive measures from regulatory authorities, claims for damages, and reputation damage. These and other factors may affect the Bank's results and financial position.

### 12. Reduced Liquidity due to Ratings Downgrade

Seven Bank currently has a long-term issuer rating of A+ with a stable outlook and a short-term issuer rating of A-1 from S&P Global Ratings. The Bank also has an issuer rating of AA with a stable outlook from Rating & Investment Information, Inc.

However, there is no guarantee that the Bank can maintain these ratings in the future. A rating downgrade may affect the Bank's capital and fund procurement.

### 13. Securing Personnel

Securing the personnel required to continuously expand as a bank centered on the ATM platform business, and to develop new businesses, is an essential part of Seven Bank's business strategy.

Seven Bank competes for personnel not only with other financial institutions, but also with Internet service-related businesses, systems-related businesses, and other entities. Consequently, an inability to continually hire, train, and retain required personnel may affect the Bank's results and future development.

### 14. Reputation

Seven Bank has established Reputation Risk Rules that set the range of reputation risks to be recognized as follows.

- Gossip and rumors among customers, in the markets, on the Internet, in e-mail, etc. (hereafter, "rumors")
- Rumors caused by inaccurate or inadequate reporting by mass media
- A negative public image caused by an inappropriate response to accidents, such as system failure, personal information leakage or operational error, or a fundamental management problem
- Rumors related to financial institutions that are partners in the ATM business, external contractors, or other partners

Seven Bank's basic policy is to respond to these reputation risks accurately and urgently, based on the facts. The Bank will take care to prevent the generation of rumors that may damage it. It also has a framework in place to minimize damage by responding appropriately internally and externally in the event that one of the above-noted risks materializes.

However, because Seven Bank has many business partners and external contractors, it could become involved in various difficulties even if it is not to blame, which has the potential to affect the Bank's reputation and results.



## Status of the Corporate Group

Seven Bank Group comprises six companies, i.e., the Bank and its five consolidated subsidiaries, which conduct the settlement and account business, in addition to the Bank's core businesses—the ATM platform business—in Japan. Overseas, the Bank develops ATM services in North America and Indonesia.

Additionally, Seven Bank is a subsidiary of Seven & i Holdings Co., Ltd., while Seven-Eleven Japan Co., Ltd. is its affiliate.

### (1) Domestic Business

#### • ATM Platform Business

The Bank has installed ATMs in Seven-Eleven and Ito-Yokado stores belonging to companies of the Seven & i Group (the "Group"), as well as at airports, stations, and branches of financial institutions. By cooperating with numerous domestic financial institutions and using its convenient ATM network, which operates 24/365 in principle, Seven Bank operates business that provides ATM services to numerous customers.

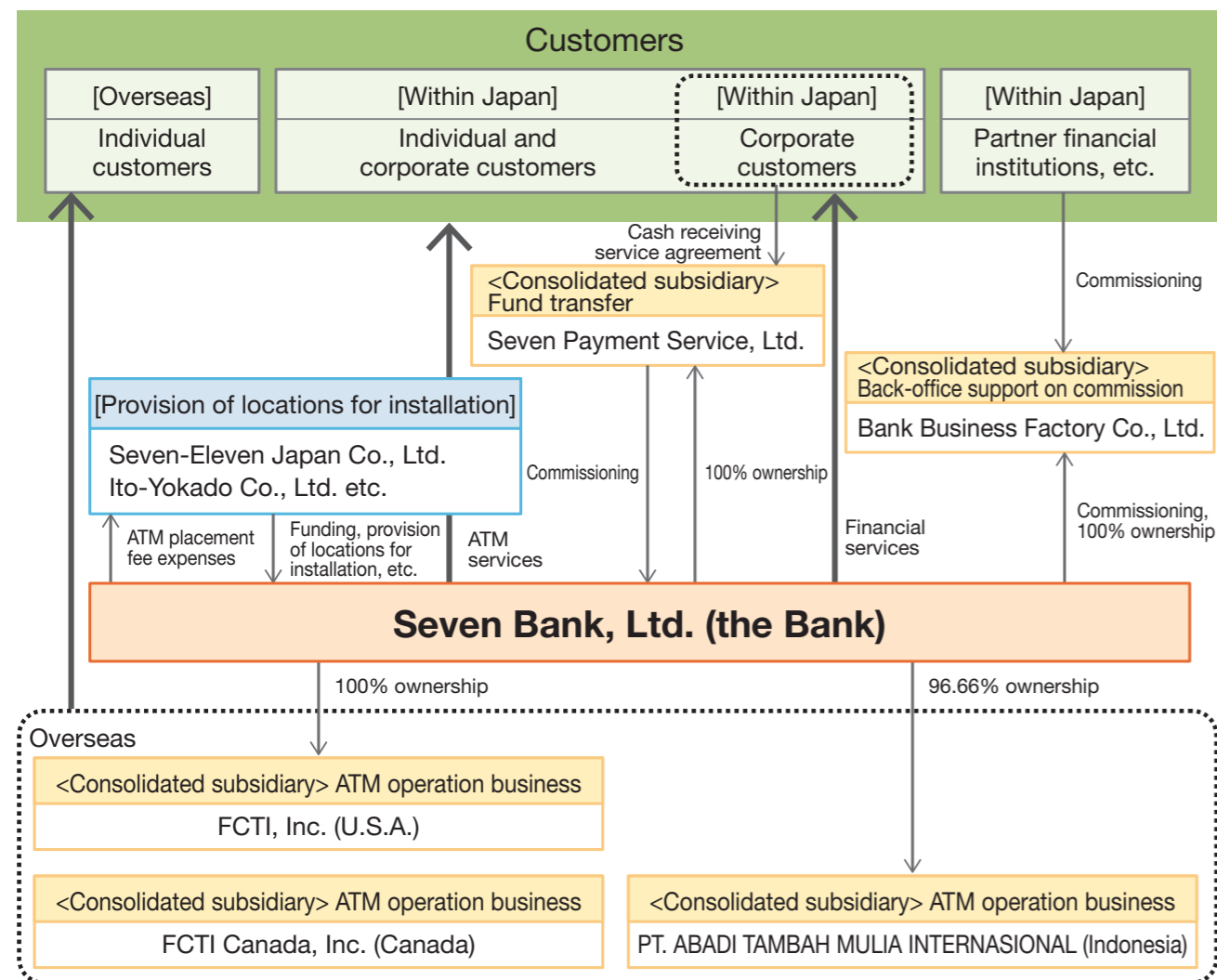
#### • Settlement and Account Business

The Bank provides ubiquitous and convenient account services such as ordinary and time deposits, personal loan services, international money transfer services, and debit services to customers who has an account in the Bank. Moreover, Bank Business Factory Co., Ltd., a consolidated subsidiary of the Bank, provides back-office support on commission for other financial institutions, drawing on knowledge obtained through its settlement and account business, in addition to those commissioned by the Bank.

### (2) Overseas Business

The Bank provides ATM services overseas through its consolidated subsidiaries. ATM services are provided in North America through FCTI, Inc. and FCTI Canada, Inc., consolidated subsidiaries of the Bank. Furthermore, ATM services are also provided in Indonesia through PT. ABADI TAMBAH MULIA INTERNASIONAL, a consolidated subsidiary jointly established with a local company.

## ■ Seven Bank's Operating System



## Management Policy, Management Environment, Issues to be Addressed, etc.

### (1) Management Policies

#### 1. Management Ethos

- We aspire to be a trusted financial service provider that fully meets customer needs.
- We act to promptly introduce the benefits of technical innovation and pursue self-development.
- We strive to contribute to the stability and advancement of the financial system by providing a secure and efficient payment infrastructure.

#### 2. Basic Management Policy

Seven Bank is working to offer safe, accurate, and speedy banking services deeply embedded in customers' daily lives as their "wallets." We aim to achieve this by creating a network of ATMs accessible 24 hours a day, 365 days a year, utilizing the 20,000-plus retail locations of Seven & i Holdings and its operating companies (the "Group") led by Seven-Eleven convenience stores.

The Bank operates under an ethos of coexistence and co-prosperity by encouraging other financial institutions to make use of its easily accessible ATMs, thereby enhancing customer services and improving business efficiency.

Further, by proactively offering financial services sought by customers of the Group, we are working to attract a wider range of customers to the Group stores more often, and we will continue to pursue synergies to enhance the Group profitability.

### (2) Medium-Term Management Plan

In fiscal 2018, our earnings environment is predicted to continue to be strong mainly because the number of our ATMs to be installed is expected to grow along with the opening of more Seven-Eleven stores and further development outside the Group. On the other hand, changes in domestic and overseas macro economies and the increasingly diverse settlement methods as technologies evolve could affect our earnings.

To achieve our sustainable growth under these circumstances, we recognize as a crucial issue the need to create a broad-based earnings structure. To solve the issue, in May 2017 we formulated the Medium-Term Management Plan with fiscal 2019 as its final year.

We regard fiscal 2018, the midyear of our Medium-Term Management Plan, as an important year for achieving the targets of the Medium-Term Management Plan, under which we address changes in our business environment and implement key initiatives.

Positioning the period for the Medium-Term Management Plan as a phase for establishing foundations for sustainable growth of the Bank, we will strive for business expansion by strengthening the following three businesses.

- ATM platform business;
- Settlement and account business; and
- Overseas business

Specific initiatives for the above and the status of progress are as follows:

#### (1) ATM platform business

Positioning our nationwide ATM infrastructure with more than 24,000 units as our platform, we will develop initiatives to increase the number of business partners and customers. To attract more customers to our ATM services, we began providing services that cater to businesses that have newly entered the settlement market in addition to enriching our services for existing business partners such as financial institutions. Also, we will continue to strive to explore new markets through such measures as preparing to provide new "cash receiving services," aiming to create ATM utilization styles that transcend convention.

In addition, while continuing the steady installation of ATMs within the Group, we will aggressively promote the installation of high-operability ATMs outside the Group as well, primarily at each center of transportation, logistics and tourism. Through these initiatives, we will strive to enrich both the quality and quantity of our ATM platform as we expand our ATM services.

#### (2) Settlement and account business

In addition to improving convenience and enhancing profitability of our existing services such as personal loan services and international money transfer services, we will strive to further increase earnings by developing our new proprietary services utilizing new technologies. Also, in coordination with the Group's CRM/Digital Strategy, we will promote initiatives to provide new financial services such as a settlement service for approximately 22 million customers a day who visit stores of the Group.

#### (3) Overseas business

The installation of ATMs inside 7-Eleven stores all over the United States, which was started by FCTI, Inc., the Bank's consolidated subsidiary in North America, in fiscal 2017, has progressed as planned. Also, as an initiative to improve the ATM usage rate, we will make thorough preparations to provide new services to enhance the recognition of our ATMs and pursue synergies with 7-Eleven, Inc. (U.S.), and strive to ensure early stabilization of ATM operation. In our efforts to expand in Indonesia and other regions, we will optimize the Bank's know-how and infrastructure to develop our overseas business.

### (3) Target Management Indicators

We will strive to create ¥44.7 billion of consolidated ordinary profit in fiscal 2019, the final year of the Medium-Term Management Plan.

	Target for FY2019	Results of FY2017
Consolidated ordinary income	¥161.6 billion	¥127.6 billion
Consolidated ordinary profit	¥44.7 billion	¥38.3 billion
Consolidated ROE	13% or higher	13.4%

## Consolidated Balance Sheets

Seven Bank, Ltd. and Consolidated Subsidiaries  
As of March 31, 2018 and 2017

	Millions of yen	
	2018	2017
<b>Assets:</b>		
Cash and due from banks (Notes 2, 3, 4 and 5) .....	¥ 710,369	¥694,588
Securities (Notes 2, 5, 6 and 7) .....	61,939	77,866
Loans (Notes 5 and 8) .....	22,715	19,829
Foreign exchanges .....	0	—
ATM-related temporary payments (Note 5) .....	146,977	89,286
Tangible fixed assets (Notes 2, 9 and 32) .....	24,798	25,740
Intangible fixed assets (Notes 2 and 10) .....	35,958	34,473
Asset for retirement benefits (Notes 2 and 16) .....	264	183
Deferred tax assets (Notes 2 and 26) .....	962	790
Other assets (Notes 2, 5, 7, 11 and 30) .....	18,537	15,064
Allowance for credit losses (Notes 2 and 5) .....	(36)	(30)
<b>Total assets</b> .....	<b>¥1,022,485</b>	<b>¥957,792</b>
<b>Liabilities:</b>		
Deposits (Notes 5 and 12) .....	¥ 623,206	¥572,310
Call money (Note 5) .....	—	10,000
Borrowed money (Notes 5, 13 and 30) .....	10,000	10,000
Bonds (Notes 5 and 14) .....	95,000	110,000
Income taxes payable (Note 2) .....	8,041	6,040
ATM-related temporary advances (Note 5) .....	59,032	37,763
Reserve for bonuses (Note 2) .....	457	471
Liability for retirement benefits (Notes 2 and 16) .....	2	1
Reserve for directors' retirement benefits (Note 2) .....	2	—
Reserve for stocks payment (Note 2) .....	102	—
Deferred tax liabilities (Notes 2 and 26) .....	885	1,170
Other liabilities (Notes 2, 13, 15, 28 and 32) .....	13,727	10,952
<b>Total liabilities</b> .....	<b>810,458</b>	<b>758,710</b>
<b>Net assets</b> (Notes 2, 17 and 27):		
Shareholders' equity:		
Common stock, authorized 4,763,632 thousand shares, issued 1,191,528 thousand shares as of March 31, 2018 and 2017 ...	30,572	30,572
Capital surplus .....	30,554	30,554
Retained earnings .....	146,075	132,093
Treasury stock, at cost, 896 thousand shares as of March 31, 2018 and 0 thousand shares as of March 31, 2017 .....	(380)	(0)
<b>Total shareholders' equity</b> .....	<b>206,823</b>	<b>193,221</b>
Accumulated other comprehensive income:		
Net unrealized gains (losses) on available-for-sale securities, net of taxes (Note 6) .....	244	217
Foreign currency translation adjustments .....	4,308	5,012
Accumulated adjustments for retirement benefit (Note 16) .....	98	73
<b>Total accumulated other comprehensive income</b> .....	<b>4,651</b>	<b>5,303</b>
Subscription rights to shares (Note 31) .....	533	533
Non-controlling interests .....	18	22
<b>Total net assets</b> .....	<b>212,027</b>	<b>199,081</b>
<b>Total liabilities and net assets</b> .....	<b>¥1,022,485</b>	<b>¥957,792</b>

See accompanying notes.

## Consolidated Statements of Income

Seven Bank, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2018 and 2017

	Millions of yen	
	2018	2017
<b>Income:</b>		
Interest income .....	¥ 3,391	¥ 2,848
Interest on loans .....	3,271	2,704
Interest and dividends on securities .....	18	26
Other interest income .....	102	118
Fees and commissions income (Note 18) .....	123,507	118,226
Other operating income (Note 20) .....	279	249
Other income (Note 23) .....	477	283
<b>Total income</b> .....	<b>127,656</b>	<b>121,608</b>
<b>Expenses:</b>		
Interest expenses .....	718	954
Interest on deposits .....	163	321
Interest on call money .....	(28)	(20)
Interest on borrowed money .....	76	105
Interest on bonds .....	506	548
Fees and commissions expenses (Notes 19 and 28) .....	26,583	23,092
Other operating expenses (Note 21) .....	90	—
General and administrative expenses (Notes 22 and 31) .....	61,645	60,781
Other expenses (Note 24) .....	454	236
<b>Total expenses</b> .....	<b>89,492</b>	<b>85,065</b>
<b>Income before income taxes</b> .....	<b>38,163</b>	<b>36,542</b>
<b>Income taxes</b> (Notes 2 and 26)		
Current .....	13,302	11,701
Deferred .....	(437)	(272)
<b>Total income taxes</b> .....	<b>12,864</b>	<b>11,429</b>
<b>Net income</b> .....	<b>25,298</b>	<b>25,113</b>
<b>Net income (loss) attributable to non-controlling interests</b> .....	<b>(3)</b>	<b>(1)</b>
<b>Net income attributable to owners of the parent</b> .....	<b>¥ 25,301</b>	<b>¥ 25,114</b>

Amounts per share of common stock (Note 33):

	Yen	
	2018	2017
Net assets .....	¥177.61	¥166.61
Net income .....	21.24	21.07
Diluted net income .....	21.20	21.04
Cash dividends applicable to the year .....	10.00	9.00

See accompanying notes.



## Consolidated Statements of Comprehensive Income

Seven Bank, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2018 and 2017

	Millions of yen	
	2018	2017
Net income .....	¥25,298	¥25,113
Other comprehensive income (Note 25)		
Net unrealized gains (losses) on available-for-sale securities, net of taxes ...	27	(126)
Foreign currency translation adjustments .....	(704)	(450)
Adjustments for retirement benefit (Note 16) .....	24	67
Total other comprehensive income .....	(653)	(509)
Comprehensive income .....	¥24,645	¥24,604
Comprehensive income attributable to:		
Owners of the parent .....	¥24,649	¥24,605
Non-controlling interests .....	(4)	(1)

See accompanying notes.

## Consolidated Statements of Changes in Net Assets

Seven Bank, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2018 and 2017

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2016 .....	¥30,514	¥30,496	¥117,402	¥ (0)	¥178,412
Changes in items during the period					
Issuance of new shares .....	58	58			117
Cash dividends .....			(10,423)		(10,423)
Net income attributable to owners of the parent ..			25,114		25,114
Purchase of treasury stock .....					—
Net changes in items other than shareholders' equity .....					
Net changes in items during the period ..	58	58	14,691	—	14,808
Balance at April 1, 2017 .....	¥30,572	¥30,554	¥132,093	¥ (0)	¥193,221
Changes in items during the period					
Issuance of new shares .....					—
Cash dividends .....			(11,319)		(11,319)
Net income attributable to owners of the parent ..			25,301		25,301
Purchase of treasury stock .....				(380)	(380)
Net changes in items other than shareholders' equity .....					
Net changes in items during the period ..	—	—	13,982	(380)	13,602
Balance at March 31, 2018 .....	¥30,572	¥30,554	¥146,075	¥(380)	¥206,823

	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2016 .....	¥343	¥5,462	¥ 6	¥5,812	¥545	¥24	¥184,794
Changes in items during the period							
Issuance of new shares .....							117
Cash dividends .....							(10,423)
Net income attributable to owners of the parent ..							25,114
Purchase of treasury stock .....							—
Net changes in items other than shareholders' equity .....	(126)	(450)	67	(508)	(11)	(1)	(522)
Net changes in items during the period ..	(126)	(450)	67	(508)	(11)	(1)	14,286
Balance at April 1, 2017 .....	¥217	¥5,012	¥73	¥5,303	¥533	¥22	¥199,081
Changes in items during the period							
Issuance of new shares .....							—
Cash dividends .....							(11,319)
Net income attributable to owners of the parent ..							25,301
Purchase of treasury stock .....							(380)
Net changes in items other than shareholders' equity .....	27	(703)	24	(652)	—	(4)	(656)
Net changes in items during the period ..	27	(703)	24	(652)	—	(4)	12,946
Balance at March 31, 2018 .....	¥244	¥4,308	¥98	¥4,651	¥533	¥18	¥212,027

See accompanying notes.

## Consolidated Statements of Cash Flows

Seven Bank, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2018 and 2017

	Millions of yen	
	2018	2017
<b>Cash flows from operating activities:</b>		
Income before income taxes .....	¥ 38,163	¥ 36,542
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation of fixed assets .....	17,102	18,766
Amortization of goodwill .....	990	960
Net change in allowance for credit losses .....	6	(34)
Net change in reserve for bonuses .....	(12)	14
Net change in asset or liability for retirement benefits .....	(43)	(16)
Net change in reserve for directors' retirement benefits .....	2	—
Net change in reserve for stocks payment .....	102	—
Interest income .....	(3,391)	(2,848)
Interest expenses .....	718	954
Net foreign exchange losses .....	9	—
Net losses on disposal of fixed assets .....	141	167
Net change in loans .....	(2,886)	(3,620)
Net change in deposits .....	50,895	24,529
Net change in borrowed money .....	—	(5,021)
Net change in call loans .....	—	25,000
Net change in call money .....	(10,000)	10,000
Net change resulting from issuance and maturity of ordinary bonds .....	(15,000)	—
Net change in ATM-related temporary accounts .....	(36,423)	(5,944)
Interest received .....	3,815	3,086
Interest paid .....	(799)	(1,011)
Other – net .....	(689)	(642)
Subtotal .....	42,700	100,882
Income taxes paid .....	(11,239)	(12,802)
Income taxes refund .....	5	38
Net cash provided by operating activities .....	31,466	88,118
<b>Cash flows from investing activities:</b>		
Purchase of securities .....	(17,269)	(33,849)
Proceeds from redemption of securities .....	33,015	21,000
Purchase of tangible fixed assets .....	(8,468)	(6,712)
Purchase of intangible fixed assets .....	(10,927)	(9,256)
Net cash used in investing activities .....	(3,649)	(28,818)
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of stock options .....	—	0
Dividends paid .....	(11,316)	(10,419)
Purchase of treasury stock .....	(380)	—
Other – net .....	(33)	(26)
Net cash used in financing activities .....	(11,729)	(10,446)
Effect of exchange rate changes on cash and cash equivalents .....	(306)	(103)
Net change in cash and cash equivalents .....	15,780	48,750
Cash and cash equivalents at the beginning of the year .....	694,588	645,838
Cash and cash equivalents at the end of the year (Notes 2, 3 and 4) .....	¥710,369	¥694,588

See accompanying notes.

## Notes to Consolidated Financial Statements

Seven Bank, Ltd. and its consolidated subsidiaries  
As of and for the years ended March 31, 2018 and 2017

### 1. Basis of Presenting Consolidated Financial Statements

- (a) The accompanying consolidated financial statements of Seven Bank, Ltd. (the "Bank") and its consolidated subsidiaries (collectively the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.
- The accompanying consolidated financial statements have been reclassified and translated into English (with some expanded descriptions) from the consolidated financial statements of the Group prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.
- (b) In preparing the accompanying consolidated financial statements and notes, Japanese yen figures less than one million yen have been rounded down to the nearest million yen, except for per share data, in accordance with the Financial Instruments and Exchange Law and Enforcement Ordinance concerning the Banking Law of Japan. Therefore, total or subtotal amounts shown in the accompanying consolidated financial statements and notes thereto are not necessarily equal to sums of individual amounts. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the Group's consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.
- (c) The preparation of consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 2. Significant Accounting Policies

#### (a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its five consolidated subsidiaries.

Names of consolidated subsidiaries are as follows: FCTI, Inc., FCTI Canada, Inc., PT. ABADI TAMBAH MULIA INTERNASIONAL, Bank Business Factory Co., Ltd and Seven Payment Service, Ltd.

(Change in scope of consolidation)

Seven Payment Service, Ltd. has been consolidated due to establishment of the company from the fiscal year ended March 31, 2018.

The balance sheet dates of the consolidated subsidiaries are December 31 for three companies and March 31 for two companies. The subsidiaries are consolidated using the financial statements on their own balance sheet dates. Appropriate adjustments have been made for significant intervening transactions occurring during the period from December 31 to March 31.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group are also eliminated.

#### (b) Securities

In principle, available-for-sale securities are stated at their fiscal year-end fair market values. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains or losses on sales of such securities are computed using primarily the moving-average method. Available-for-sale securities whose fair value is extremely difficult to determine are stated at cost using the moving-average method.

#### (c) Tangible fixed assets

Tangible fixed assets are generally stated at cost less accumulated depreciation.

Depreciation of tangible fixed assets of the Bank is calculated by the straight-line method over the estimated useful lives of the assets.

Estimated useful lives of major items as of March 31, 2018 and 2017 are as follows:

Buildings: 6-18 years

ATMs: 5 years

Others: 2-20 years

Depreciation of tangible fixed assets of the consolidated subsidiaries is calculated by the straight-line method over the estimated useful lives of the assets.



**(d) Intangible fixed assets**

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized over its estimated useful life (five years).

**(e) Allowance for credit losses**

Allowance for credit losses is provided as detailed below in accordance with the Bank's internal standards for write-offs and provisions.

The Bank classifies its obligors into five categories for self-assessment purposes, namely, "normal obligors," "obligors requiring caution," "bankruptcy risk obligors," "substantially bankrupt obligors," and "bankrupt obligors."

For credits to those classified as normal obligors or obligors requiring caution, the allowance for credit losses is provided based on the Bank's estimated rate of credit losses.

For credits to obligors classified as bankruptcy risk obligors, the allowance for credit losses is provided for at the amount deemed necessary, after deducting the expected amount recoverable through the disposal of collateral or execution of guarantee.

For credits to obligors classified as substantially bankrupt obligors or bankrupt obligors, the allowance for credit losses is provided for at the full amounts of such credits, after deducting the expected amount recoverable through the disposal of collateral or execution of guarantee.

The Bank's Risk Management Office, which is independent from the Bank's other divisions, evaluates all credits in accordance with its internal rules for self-assessment of assets, and its evaluations are audited by the Internal Audit Division, which is independent from the Bank's other divisions and the Risk Management Office. The allowance is provided for based on the results of these assessments.

**(f) Reserve for bonuses**

Reserve for bonuses for employees is recorded in the amount of estimated bonuses attributed to the relevant fiscal year.

**(g) Reserve for directors' retirement benefits**

Reserve for directors' retirement benefits is recorded by certain consolidated subsidiaries in the amount that is considered to have occurred at the end of the fiscal year based on the estimated amount of retirement benefits to be paid to directors of these subsidiaries.

**(h) Reserve for stocks payment**

Reserve for stocks payment is recorded in the estimated amount of stock benefits as of the end of the fiscal year to prepare for the delivery of the Bank's shares to the Bank's directors (excluding non-executive directors and directors residing overseas) and executive officers (excluding those residing overseas) pursuant to the Share Delivery Rules for directors and executive officers.

**(i) Method of accounting for retirement benefits**

In calculating the projected benefit obligation, projected retirement benefit attributable up to the end of the fiscal year is determined on a benefit formula basis. Also, net actuarial difference is amortized as follows.

Net actuarial difference is amortized using the straight-line method over ten years within the employees' average remaining service period, commencing from the fiscal year after the year of incurrence.

**(j) Foreign currency translation**

Assets and liabilities of the Bank denominated in foreign currencies are translated into Japanese yen mainly at the exchange rate prevailing at the balance sheet date. Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet dates of the consolidated subsidiaries.

**(k) Derivative transactions and hedge accounting**

The Bank uses derivative financial instruments to manage its exposure to fluctuations in interest rates.

Interest rate swaps are utilized by the Bank to reduce the risk of fluctuations in interest rates. The Bank does not enter into derivative transactions for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows. All derivative transactions (except for certain interest rate swaps described in the following paragraph) are recognized as either assets or liabilities and measured at fair values, and gains or losses on derivative transactions are recognized in the consolidated statement of income.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured at fair values, but the difference paid or received under these swap agreements is recognized as, and included in, interest expenses or income (hereinafter, the "special treatment for interest rate swaps").

**(l) Amortization of goodwill**

Goodwill is amortized using the straight-line method over 10 years or fully expensed when incurred if the amount is immaterial.

**(m) Cash and cash equivalents**

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents represent cash and due from banks.

**(n) Income taxes**

Income taxes of the Bank consist of corporation, inhabitants and enterprise taxes. The provision for income taxes is computed based on the pretax income of the Bank with certain adjustments required for tax purposes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

**(o) Consumption taxes**

National and local consumption taxes of the Bank and its domestic consolidated subsidiaries are accounted for using the tax-excluded method.

**(p) Amounts per share**

Net assets per share is calculated by dividing net assets excluding amount of subscription rights to shares and non-controlling interests by the number of shares of common stock outstanding at the end of the fiscal year, excluding treasury stock.

Net income per share is calculated by dividing net income attributable to common shareholders of the parent by the weighted average number of shares of common stock outstanding during the fiscal year, excluding treasury stock.

Cash dividends per share represent the actual amounts declared as applicable to the fiscal year.

**(q) Appropriation of retained earnings**

Cash dividends are recorded in the fiscal year when the relevant proposed appropriation of retained earnings is approved by the Board of Directors and for which notification is given at a general meeting of shareholders.

**(r) Unapplied new accounting standards**

Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018, hereinafter "Standard")

Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018, hereinafter "Implementation Guidance")

**(1) Overview**

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) had been working on a joint project to develop a comprehensive accounting standard on revenue recognition and released "Revenue from Contracts with Customers" (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. Considering the situation that this standard is applied from the fiscal year starting on and after January 1, 2018 for IFRS 15 and fiscal year starting after December 15, 2017 for Topic 606, ASBJ has developed a comprehensive accounting standard on revenue recognition and released it along with its implementation guidance. The ASBJ's basic concept in developing the Standard is to adopt the basic principles of IFRS 15 as a starting point from the perspective of comparability between financial statements that is one of the benefits resulting from the consistency with IFRS 15. In addition, if there are any items that require considerations such as those that have been accepted as practical

accounting treatments in Japan, alternative treatments are to be added to the extent that do not hinder comparability.

**(2) Date of adoption**

The Standard and Implementation Guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

**(3) The effect of adopting the accounting standards**

The effect of adopting the Standard and Implementation Guidance is under evaluation.

**(s) Additional information**

(Performance-Based Stock Compensation Plan for Directors)

The Bank has introduced a Performance-Based Stock Compensation Plan (hereinafter the "Plan") for the Bank's directors (excluding non-executive Directors and Directors residing overseas, the same applies hereinafter) using the Directors' Compensation BIP (Board Incentive Plan) Trust (hereinafter "BIP Trust"), aiming to further raise motivation in contributing to the medium- to long-term enhancement of performance.

The accounting treatment for the said trust agreement is in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF (Practical Issue Task Force) No. 30, March 26, 2015).

**(1) Outline of the transaction**

The plan is a performance-based stock compensation plan whereby the Bank contributes an appropriate amount of money to the BIP Trust, which is used as funds to acquire Bank's shares. The Bank's shares are delivered to directors in accordance with Share Delivery Rules for directors stipulated by the Bank. Directors shall receive delivery of the Bank's shares, etc., in principle, upon their retirement.

**(2) Bank's shares remaining in the BIP Trust**

The Bank's shares remaining in the BIP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses). As of March 31, 2018, the carrying amount and the number of Bank's shares remaining in the BIP Trust are ¥278 million and 656 thousand shares, respectively.

(Performance-Based Stock Compensation Plan for Executive Officers)

The Bank has introduced a Performance-Based Stock Compensation Plan (hereinafter the "Plan") for the Bank's executive officers (excluding those residing overseas; the same applies hereinafter) using the Stock Grant Employee Stock Ownership Plan (ESOP) Trust (hereinafter "ESOP Trust"), aiming to further raise motivation in contributing to the medium- to long-term enhancement of performance.

The Bank adopted "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015) to account

for the said trust agreement.

(1) Outline of the transaction

The plan is a performance-based stock compensation plan whereby the Bank contributes an appropriate amount of money to the ESOP Trust, which is used as funds to acquire Bank's shares. The Bank's shares are delivered to executive officers in accordance with Share Delivery Rules for executive officers stipulated by the Bank. Executive officers shall receive delivery of the Bank's shares, etc., in principle, upon their retirement.

(2) Bank's shares remaining in the ESOP Trust

The Bank's shares remaining in the ESOP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses). As of March 31, 2018, the carrying amount and the number of Bank's shares remaining in the Trust are ¥101 million and 239 thousand shares, respectively.

(3) Risk Management Relating to Financial Instruments

(A) Credit Risk Management

Basic policies related to credit risk are governed by the Policy on Risk Control and by the Credit Risk Rules established thereunder. Currently, the Bank has low credit risk exposures in the limited areas of the ATM settlement operation, ALM management-related interbank deposits placed at highly rated partner financial institutions, pouring money in the call-money market, and temporary ATM payment amounts due. In addition, the Bank performs self-assessment of asset quality as appropriate and sets an allowance for credit losses in accordance with its self-assessment policies and guidelines, reserve policies and guidelines, and related internal rules and regulations.

Credit risks related to issuers of securities and counterparty risks of derivative transactions are managed by the Risk Management Division by periodically collecting updated credit information and fair values of the instruments.

(B) Market Risk Management

Basic policies related to market risk are governed by the Policy on Risk Control and by the Market Risk Rules established thereunder. The Market Risk Rules establish limits on the maximum level of funds at risk, market position limits and loss allowance limits. The Risk Management Division measures and monitors market risk on a daily basis in light of these limits and reports the results to management including the Executive Committee. Risk management operations are also based on decisions at the monthly ALM Committee meeting where the Bank's market risk position and expected trends in interest rates and other matters are reported.

Quantitative Information related to Market Risk

Major market risk for the Bank is interest rate risk. The Bank measures the market risk using Value at Risk (VaR) for the overall assets and liabilities of the Bank. The Bank has adopted the variance-covariance method and calculates VaR with reference to data from the past one year to a 99.9% confidence level assuming a 125-day holding period. As of March 31, 2018, the Bank's market risk quantity (maximum potential loss) is ¥1,071 million in the aggregate. In addition, given the characteristics of the Bank's business, in measuring the market risk, the Bank has recognized the interest period for cash assets and regarded cash assets as five-year zero-coupon bonds (average duration of about 2.5 years). The Bank regularly performs back-testing to compare the VaR calculated by its internal model against actual profit and loss. However, as VaR measures the amount of market risk under certain probabilities statically calculated based on past market volatility, it may underestimate the probability of extreme market movements and, may in some instances, not properly capture those risks.

(C) Management of Liquidity Risk

Basic policies related to liquidity risk are governed by the Policy on Risk Control and by the Liquidity Risk Rules established thereunder. The Liquidity Risk Rules establish limits regarding the cash gaps arising from differences between the duration of invested funds and those procured to meet current cash needs.

The Risk Management Division measures and monitors liquidity risk on a daily basis in light of these limits and reports the results to management, including the Executive Committee. In the event of a cash shortage, according to the measures corresponding to each scenario, which are designed prior to those events, companywide actions are taken to secure the liquidity in a fast and flexible manner. Hence, there shall be no concern on liquidity risk.

(4) Supplementary Explanation on Fair Value of Financial Instruments

The fair value of financial instruments includes, in addition to the value determined based on the market price, a valuation calculated on a reasonable basis in the event where no market price is available. Certain assumptions are used for the calculation of such values.

Accordingly, the results of such calculation may vary if different assumptions are employed.

### 3. Supplemental Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows for the fiscal years ended March 31, 2018 and 2017 consisted of cash and due from banks of ¥710,369 million and ¥694,588 million on the consolidated balance sheets as of March 31, 2018 and 2017, respectively.

### 4. Cash and Due from Banks

Cash and due from banks as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Cash .....	¥632,827	¥605,297
Due from banks .....	77,542	89,290
Total .....	¥710,369	¥694,588

### 5. Financial Instruments

#### 1) Disclosure on Financial Instruments

##### (1) Policy on Financial Instruments

The Bank has its basic policy for both fund procurement and investments, which is designed to keep volatility low and risks minimized, and does not seek profits by aggressive risk taking.

The Bank procures necessary cash for working capital mainly for cash held in ATMs and capital expenditure for ATM- and system-related infrastructure. The Bank raises its base capital taking into account interest rate trends through deposits, long-term borrowing, and bond issuance and uses the call market to raise additional capital to cover the daily fluctuation of its cash needs.

On the asset side, the Bank makes investments such as lending money to individuals with small lots. However, the main operation is in treasury and securities as a limited end user. Investments are limited to securities with high creditworthiness and liquidity, such as bonds, deposits placed at highly rated partner financial institutions, and lending of funds in the call-money market. The Bank does not invest in high risk derivatives and other instruments.

##### (2) Types of and Risks Associated with Financial Instruments

Cash for the operation of the ATM business accounts for most of the financial instruments the Bank holds. The Bank provides unutilized capital to call loan lending and is subject to credit risk of the borrowers. Securities mainly consist of bonds and stocks with high creditworthiness and liquidity, all of which are classified as being held as available-for-sale securities. These securities are subject to borrower and issuers' credit risks, interest rate risk, foreign exchange risk, and market (price) risk. Loans are those for individual customers (revolving card loans), which are subject to credit risks of the borrowers. However, the risk is limited because guarantees are attached to the entire loan amounts.

The Bank conducts banking business and its deposits and negotiable certificates of deposit that account for most of its financial liabilities are subject to interest rate risk. It also uses the call market to raise short-term additional capital and is subject to liquidity risk that it cannot raise necessary capital when needed.

Borrowed money and bonds also entail liquidity risk in that the Bank cannot make necessary payments upon the due dates under certain circumstances where the Bank cannot access the capital market. Additionally, the borrowed money bears floating rate interest payments and is subject to interest rate risk, which, however, is hedged by the use of interest rate swaps.



## 2) Fair Value of Financial Instruments

The following table summarizes the amounts stated in the consolidated balance sheets and the fair value of financial instruments as of March 31, 2018 and 2017 together with their differences. Note that the following table does not include unlisted equity securities for which fair value is extremely difficult to determine (see (Note 2)).

March 31, 2018	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks <sup>1</sup> .....	¥710,367	¥710,367	¥ —
(2) Securities			
Available-for-sale securities .....	59,816	59,816	—
(3) Loans .....	22,715		
Allowance for credit losses <sup>1</sup> .....	(0)		
	22,715	22,715	—
(4) ATM-related temporary payments <sup>1</sup> .....	146,975	146,975	—
Total assets .....	¥939,873	¥939,873	¥ —
(1) Deposits .....	¥623,206	¥623,550	¥ 343
(2) Call money .....	—	—	—
(3) Borrowed money .....	10,000	10,092	92
(4) Bonds .....	95,000	96,436	1,436
(5) ATM-related temporary advances .....	59,032	59,032	—
Total liabilities .....	¥787,239	¥789,111	¥1,872
Derivative transactions to which:			
(1) hedge accounting method is not applied .....	¥ 20	¥ 20	¥ —
(2) hedge accounting method is applied .....	—	—	—
Total derivative transactions .....	¥ 20	¥ 20	¥ —
March 31, 2017	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks <sup>1</sup> .....	¥694,586	¥694,586	¥ —
(2) Securities			
Available-for-sale securities .....	75,490	75,490	—
(3) Loans .....	19,829		
Allowance for credit losses <sup>1</sup> .....	(0)		
	19,828	19,828	—
(4) ATM-related temporary payments <sup>1</sup> .....	89,284	89,284	—
Total assets .....	¥879,191	¥879,191	¥ —
(1) Deposits .....	¥572,310	¥572,823	¥ 512
(2) Call money .....	10,000	10,000	—
(3) Borrowed money .....	10,000	10,159	159
(4) Bonds .....	110,000	111,497	1,497
(5) ATM-related temporary advances .....	37,763	37,763	—
Total liabilities .....	¥740,074	¥742,243	¥2,169
Derivative transactions to which:			
(1) hedge accounting method is not applied .....	¥ —	¥ —	¥ —
(2) hedge accounting method is applied .....	—	—	—
Total derivative transactions .....	¥ —	¥ —	¥ —

Note: 1. Allowance for credit losses corresponding to loans is deducted. However, with respect to items other than loans, the amounts stated in the consolidated balance sheets are ones for which allowances are deducted directly since the amounts of allowance for credit losses corresponding to these items are not material.

(Note 1) Method used for determining the fair value of financial instruments

### Assets

#### (1) Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount. For deposits with maturity, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount due to its short deposit term (within one year).

#### (2) Securities

The fair value of equity securities is determined based on the price quoted by the exchange. The fair value of bonds is determined based on the price quoted by the exchange or the financial institutions from which they are purchased.

See "6. Securities" for notes on securities by category based on purposes of holding the securities.

#### (3) Loans

For loans with variable interest rates, the carrying amount is presented as the fair value, for the loans reflect market rates in a timely manner and the fair value approximates such carrying amount, unless the creditworthiness of the borrower has changed significantly since the loan origination. There is no loan with fixed interest rate.

For receivables from bankrupt, substantially bankrupt, and bankruptcy risk obligors, credit loss is estimated based on factors such as the present value of expected future cash flow or the expected amount to be collected from collaterals and guarantees. Therefore, fair values of these loans are stated at the consolidated balance sheet amounts at the balance sheet date after deducting the current estimated credit losses because this amount closely approximates fair value.

#### (4) ATM-related temporary payments

The remaining terms of the payments are short-term (within one year). Thus, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount.

### Liabilities

#### (1) Deposits

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the carrying amount) is considered to be the fair value. Fixed-rate time deposits are grouped by certain maturity lengths. The fair value of such deposits is the present value of expected cash flow. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits with maturity of within one year, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount.

#### (2) Call money

These transactions have short contractual terms (within one year). Thus, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount.

#### (3) Borrowed money

For borrowed money with fixed interest rates, the fair value is calculated as the present value of expected future cash flows from these borrowings (for the borrowings qualifying for special hedge accounting treatment of interest rate swaps under Japanese GAAP, expected future cash flow based on the interest rate swap rate), grouped by certain maturity lengths, which is discounted at an interest rate generally applicable to similar borrowings reflecting premiums applicable to us.

For the borrowed money with maturity of within one year, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount. There is no floating rate borrowing.

#### (4) Bonds

The fair value of corporate bonds issued by the Bank is determined based on the market prices.

#### (5) ATM-related temporary advances

The remaining terms of the payments are short-term (within one year). Thus, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount.

### Derivative transactions

See "30. Derivative Financial Instruments and Hedging Transactions" for details.

(Note 2) The following table summarizes financial instruments whose fair value is extremely difficult to estimate. These securities are not included in the amount presented under the line item "(2) Securities" in the table summarizing fair value of financial instruments.

	Millions of yen	
	2018	2017
Unlisted equity securities <sup>1</sup> .....	¥ 203	¥ 144
Investments in partnership <sup>2</sup> .....	1,919	2,231
Total .....	¥2,122	¥2,375

Notes: 1. Unlisted equity securities are not included in the scope of fair value disclosure, since they do not have market price and are extremely difficult to estimate the fair value.

2. Investments in partnership are not included in the scope of fair value disclosure, because the partnership assets consist of unlisted equity securities and other items whose fair value is extremely difficult to estimate.

(Note 3) Redemption schedule of monetary claims and securities with maturities

March 31, 2018	Millions of yen					
	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Due from banks <sup>1</sup> .....	¥ 77,542	¥ —	¥ —	¥—	¥—	¥—
Securities:						
Available-for-sale securities with maturity .....	20,630	36,820	1,200	—	—	—
Japanese municipal bonds .....	5,900	16,120	700	—	—	—
Corporate bonds .....	14,730	20,700	500	—	—	—
Loans <sup>2</sup> .....	22,672	—	—	—	—	—
ATM-related temporary payments .....	146,977	—	—	—	—	—
Total .....	¥267,821	¥36,820	¥1,200	¥—	¥—	¥—

March 31, 2017	Millions of yen					
	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Due from banks <sup>1</sup> .....	¥ 89,290	¥ —	¥ —	¥—	¥—	¥—
Securities:						
Available-for-sale securities with maturity .....	32,600	35,060	6,600	—	—	—
Japanese municipal bonds .....	7,500	16,320	4,700	—	—	—
Corporate bonds .....	25,100	18,740	1,900	—	—	—
Loans <sup>2</sup> .....	19,763	—	—	—	—	—
ATM-related temporary payments .....	89,286	—	—	—	—	—
Total .....	¥230,939	¥35,060	¥6,600	¥—	¥—	¥—

Notes: 1. Due from banks with no maturities are included in the "Within one year" category.  
2. For loans, ¥43 million and ¥65 million as of March 31, 2018 and 2017 are excluded for loans that are not expected to be collected, which are for the debtors who are bankrupt, substantially bankrupt, and bankruptcy risk obligors. In addition, loans are disclosed as "Within one year."

(Note 4) Repayment schedule of bonds payable, borrowed money, and other interest bearing debt

March 31, 2018	Millions of yen					
	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Deposits <sup>1</sup> .....	¥519,265	¥ 73,256	¥30,685	¥ —	¥ —	¥—
Call money .....	—	—	—	—	—	—
Borrowed money .....	—	10,000	—	—	—	—
Bonds .....	—	30,000	20,000	15,000	30,000	—
ATM-related temporary advances .....	59,032	—	—	—	—	—
Total .....	¥578,298	¥113,256	¥50,685	¥15,000	¥30,000	¥—

March 31, 2017	Millions of yen					
	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Deposits <sup>1</sup> .....	¥466,895	¥ 68,298	¥37,116	¥ —	¥ —	¥—
Call money .....	10,000	—	—	—	—	—
Borrowed money .....	—	10,000	—	—	—	—
Bonds .....	45,000	30,000	—	20,000	15,000	—
ATM-related temporary advances .....	37,763	—	—	—	—	—
Total .....	¥559,659	¥108,298	¥37,116	¥20,000	¥15,000	¥—

Note: 1. Demand deposits are included in the "Within one year" category.

## 6. Securities

(1) The following tables summarize acquisition cost and carrying amount of securities with available fair values as of March 31, 2018 and 2017:

Available-for-sale securities:

March 31, 2018	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with higher balances than acquisition costs			
Equity securities .....	¥ 151	¥ 683	¥531
Bonds:			
Japanese municipal bonds .....	2,520	2,520	0
Corporate bonds .....	4,019	4,020	0
Total .....	¥6,692	¥7,224	¥532

Securities with the same or lower balances than acquisition costs	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Bonds:			
Japanese municipal bonds .....	¥20,467	¥20,462	¥ (4)
Corporate bonds .....	32,144	32,128	(15)
Total .....	¥52,611	¥52,591	¥ (19)
Grand total .....	¥59,303	¥59,816	¥513

March 31, 2017	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with higher balances than acquisition costs			
Equity securities .....	¥ 151	¥ 540	¥388
Bonds:			
Japanese municipal bonds .....	13,745	13,747	2
Corporate bonds .....	25,659	25,664	5
Total .....	¥39,556	¥39,952	¥396

Securities with the same or lower balances than acquisition costs	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Bonds:			
Japanese municipal bonds .....	¥15,259	¥15,255	¥ (3)
Corporate bonds .....	20,292	20,282	(9)
Total .....	¥35,551	¥35,538	¥ (13)
Grand total .....	¥75,108	¥75,490	¥382

(2) Net unrealized gains (losses) on available-for-sale securities on the consolidated balance sheets were as follows:

March 31	Millions of yen	
	2018	2017
Unrealized gains (losses):		
On available-for-sale securities .....	¥ 352	¥313
Deferred tax liability .....	(107)	(95)
Net unrealized gains (losses) on available-for-sale securities, net of taxes .....	¥ 244	¥217

Note: Unrealized gains (losses) on investments in partnership whose fair value is extremely difficult to estimate of ¥(160) million and ¥(69) million as of March 31, 2018 and 2017, respectively, are included in "Available-for-sale securities."



## 7. Assets Pledged

Available-for-sale securities were pledged as collateral for exchange settlements and overdraft transactions with the Bank of Japan. The securities amounted to ¥59,132 million and ¥74,940 million as of March 31, 2018 and 2017, respectively.

Other assets included guarantee deposits of ¥1,296 million and ¥905 million as of March 31, 2018 and 2017, respectively.

## 8. Loans

Loans to bankrupt borrowers and delinquent loans were ¥2 million and ¥41 million as of March 31, 2018, and ¥1 million and ¥64 million as of March 31, 2017, respectively.

Loans to bankrupt borrowers are non-accrual loans, after write-off, to borrowers who are legally bankrupt as defined in Article 96 (1) (iii) and (iv) of the Corporation Tax Act Enforcement Ordinance (Article 97 of 1965 Cabinet Order), for which interest is not recognized as there is substantial doubt on collectability because they are past due for a considerable period.

Delinquent loans are non-accrual loans other than loans to bankrupt borrowers and loans of which payments of interest are deferred in order to assist or facilitate the restructuring of borrowers in financial difficulties.

There were no loans past due three months or more as of March 31, 2018 and 2017. Loans past due three months or more are loans on which the payment of principal and/or interest is past due for three months or more from the due date, and which are not included in loans to bankrupt borrowers or delinquent loans.

There were no renegotiated loans as of March 31, 2018 and 2017. Those loans are ones on which terms and conditions have been amended in favor of borrowers, in order to facilitate or assist the borrowers' restructuring by reducing the rate of interest, by providing a grace period for the payment of principal or interest or by debt forgiveness, and are not classified in any of the above categories.

The totals of loans to bankrupt borrowers, delinquent loans, loans past due three months or more, and renegotiated loans were ¥43 million and ¥65 million as of March 31, 2018 and 2017, respectively. The amounts above are before deduction of allowance for credit losses.

Overdraft facilities are contracts under which the Bank lends money to customers in good standing upon request up to the contracted limit. Unused overdraft facilities amounted to ¥9,198 million and ¥8,065 million as of March 31, 2018 and 2017, respectively. Unused overdraft facilities for contracts with a term of within one year also amounted to ¥9,198 million and ¥8,065 million as of March 31, 2018 and 2017, respectively.

## 9. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Buildings .....	¥ 1,691	¥ 1,724
ATMs .....	19,804	19,867
Other .....	3,301	4,148
Total .....	¥24,798	¥25,740

The accumulated depreciation of tangible fixed assets as of March 31, 2018 and 2017 amounted to ¥55,825 million and ¥46,970 million, respectively.

## 10. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Software .....	¥16,873	¥19,424
Goodwill .....	4,672	5,845
Other .....	14,412	9,203
Total .....	¥35,958	¥34,473

## 11. Other Assets

Other assets as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Accrued income .....	¥ 9,822	¥ 8,976
Prepaid expenses .....	7,158	4,912
Other .....	1,557	1,176
Total .....	¥18,537	¥15,064

## 12. Deposits

Deposits as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Deposits .....	¥622,406	¥571,510
Negotiable certificates of deposit .....	800	800
Total .....	¥623,206	¥572,310

## 13. Borrowed Money and Lease Obligations

Borrowed money and lease obligations as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Borrowed money from banks and insurance companies .....	¥10,000	¥10,000
Lease obligations .....	38	75

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2018 and 2017 was 0.70% and 0.70%, respectively.

The weighted average interest rate applicable to the balance of lease obligation (excluding amounts due within one year) as of March 31, 2018 was 12.34%, while the weighted average interest rate applicable to amounts due within one year of lease obligations as of March 31, 2018 was 11.66%.

The repayment schedule on borrowed money and lease obligations as of March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
<b>Borrowed money</b>		
Within one year .....	¥ —	¥ —
Over one year but within two years .....	10,000	—
Over two years but within three years .....	—	10,000
Over three years but within four years .....	—	—
Over four years but within five years .....	—	—
Over five years .....	—	—
<b>Lease obligations</b>		
Within one year .....	¥ 34	¥ 35
Over one year but within two years .....	3	35
Over two years but within three years .....	0	4
Over three years but within four years .....	—	—
Over four years but within five years .....	—	—
Over five years .....	—	—

#### 14. Bonds

Bonds as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
<b>Unsecured:</b>		
0.39% unsecured bonds due June 20, 2017, date of issue May 31, 2012 .....	¥ —	¥ 30,000
0.61% unsecured bonds due June 20, 2019, date of issue May 31, 2012 .....	10,000	10,000
0.24% unsecured bonds due March 20, 2018, date of issue March 7, 2013 .....	—	15,000
0.46% unsecured bonds due March 19, 2020, date of issue March 7, 2013 .....	20,000	20,000
0.80% unsecured bonds due March 20, 2023, date of issue March 7, 2013 .....	20,000	20,000
0.53% unsecured bonds due December 20, 2024, date of issue December 17, 2014 .....	15,000	15,000
0.39% unsecured bonds due September 17, 2027, date of issue October 20, 2017 .....	30,000	—
<b>Total .....</b>	<b>¥95,000</b>	<b>¥110,000</b>

The repayment schedule on bonds as of March 31, 2018 and 2017 was as follows:

	Millions of yen	
	2018	2017
Within one year .....	¥ —	¥45,000
Over one year but within two years .....	30,000	—
Over two years but within three years .....	—	30,000
Over three years but within four years .....	—	—
Over four years but within five years .....	20,000	—
Over five years .....	45,000	35,000

#### 15. Other liabilities

Other liabilities as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Accrued expenses .....	¥ 8,893	¥ 6,541
Asset retirement obligations .....	355	353
Other .....	4,478	4,057
<b>Total .....</b>	<b>¥13,727</b>	<b>¥10,952</b>

#### 16. Employees' Severance and Retirement Benefits

The Bank has an employee pension plan that is a contributory funded defined benefit pension plan. Certain overseas consolidated subsidiaries have lump-sum retirement payment plan as defined benefit plans.

Fiscal years ended March 31, 2018 and 2017

##### (1) Movement in projected benefit obligation

	Millions of yen	
	2018	2017
Balance at the beginning of the year .....	¥2,514	¥2,327
Service cost .....	221	220
Interest cost .....	25	23
Actuarial difference .....	161	20
Benefits paid .....	(109)	(78)
Other .....	(0)	0
<b>Balance at the end of the year .....</b>	<b>¥2,812</b>	<b>¥2,514</b>

##### (2) Movement in plan assets

	Millions of yen	
	2018	2017
Balance at the beginning of the year .....	¥2,696	¥2,395
Expected return on plan assets .....	67	59
Actuarial difference .....	175	81
Contributions paid by the employer .....	244	236
Benefits paid .....	(109)	(77)
<b>Balance at the end of the year .....</b>	<b>¥3,074</b>	<b>¥2,696</b>

##### (3) Reconciliation from projected benefit obligation and plan assets to liability and assets for retirement benefits recorded on the consolidated balance sheet

	Millions of yen	
	2018	2017
Funded projected benefit obligation .....	¥ 2,809	¥ 2,512
Plan assets .....	(3,074)	(2,696)
	(264)	(183)
Unfunded projected benefit obligation .....	2	1
<b>Total net liability (asset) for retirement benefits at the end of the year .....</b>	<b>(261)</b>	<b>(182)</b>
Liability for retirement benefits .....	2	1
Asset for retirement benefits .....	(264)	(183)
<b>Total net liability (asset) for retirement benefits at the end of the year .....</b>	<b>¥ (261)</b>	<b>¥ (182)</b>



#### (4) Retirement benefit costs

	Millions of yen	
	2018	2017
Service cost .....	¥221	¥220
Interest cost .....	25	23
Expected return on plan assets .....	(67)	(59)
Amortization of actuarial difference .....	22	36
Other .....	(0)	2
Retirement benefit costs .....	¥200	¥223

#### (5) Adjustments for retirement benefit

The components of items recognized in adjustments for retirement benefit (pre-tax) were as follows:

	Millions of yen	
	2018	2017
Actuarial difference .....	¥36	¥97
Total amount recognized for the year .....	¥36	¥97

#### (6) Accumulated adjustments for retirement benefit

The components of items recognized in accumulated adjustments for retirement benefit (pre-tax) were as follows:

	Millions of yen	
	2018	2017
Unrecognized actuarial difference .....	¥(142)	¥(106)
Total balance at the end of the year .....	¥(142)	¥(106)

#### (7) Plan assets

(a) Plan assets comprise:

	2018		2017	
Bonds .....	45%		43%	
Equity securities .....	38%		39%	
Other .....	17%		18%	
Total .....	100%		100%	

(b) Long-term expected rate of return on plan assets

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

#### (8) Actuarial assumptions

The principal actuarial assumptions, presented in weighted average rates, as of March 31, 2018 and 2017 were as follows:

	2018		2017	
Discount rate .....	0.5%		1.0%	
Long-term expected rate of return on plan assets .....	2.5%		2.5%	
Expected rate of salary increase .....	2.9%		2.9%	

Note: Disclosure of information on overseas consolidated subsidiaries was omitted since it is immaterial.

## 17. Net Assets

Under the Company Law of Japan (the "Company Law"), the entire amount of the issue price for shares is required to be accounted for as capital, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The payment of dividends by the Bank is subject to restrictions under Article 18 of the Banking Law of Japan (the "Banking Law"). The Banking Law provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of the legal earnings reserve and additional paid-in capital equals 100% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by a resolution of a shareholders' meeting or may be capitalized by a resolution of the board of directors. On condition that the total amount of the legal earnings reserve and additional paid-in capital remains equal to or exceeds 100% of common stock, they are available for distributions or certain other purposes by a resolution of a shareholders' meeting.

The maximum amount that the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Company Law.

## 18. Fees and Commissions Income

Fees and commissions income for the fiscal years ended March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Remittance-related fee income .....	¥ 2,582	¥ 2,358
ATM-related fee income .....	116,854	112,051
Other .....	4,070	3,815
Total .....	¥123,507	¥118,226

## 19. Fees and Commissions Expenses

Fees and commissions expenses for the fiscal years ended March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Remittance-related fee expenses .....	¥ 1,466	¥ 1,359
ATM placement fee expenses .....	20,853	18,693
ATM-related fee expenses .....	2,375	1,527
Other .....	1,888	1,511
Total .....	¥26,583	¥23,092

## 20. Other Operating Income

Other operating income for the fiscal years ended March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Gains on foreign exchange transactions .....	¥279	¥249
Total .....	¥279	¥249

## 21. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Bond issue costs .....	¥90	¥—

## 22. General and Administrative Expenses

Main items and amounts of general and administrative expenses for the fiscal years ended March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Salary and allowance .....	¥ 6,477	¥ 5,999
Retirement benefit costs .....	210	223
Depreciation of fixed assets .....	17,102	18,766
Business outsourcing expenses .....	18,515	17,861

## 23. Other Income

Other income for the fiscal years ended March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Reversal of allowance for credit losses .....	¥ —	¥ 34
Other .....	477	248
Total .....	¥477	¥283

## 24. Other Expenses

Other expenses for the fiscal years ended March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Losses on disposal of fixed assets .....	¥141	¥167
Provision of allowance for credit losses .....	6	—
Other .....	306	68
Total .....	¥454	¥236

## 25. Other Comprehensive Income

Other comprehensive income for the fiscal years ended March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Net unrealized gains (losses) on available-for-sale securities, net of taxes		
Amount arising during the year .....	¥ 29	¥(181)
Reclassification adjustment .....	9	—
Amount before income tax effect .....	39	(181)
Income tax effect .....	(11)	55
Total .....	¥ 27	¥(126)
Foreign currency translation adjustments		
Amount arising during the year .....	¥(704)	¥(450)
Reclassification adjustment .....	—	—
Amount before income tax effect .....	(704)	(450)
Income tax effect .....	—	—
Total .....	¥(704)	¥(450)
Adjustments for retirement benefit		
Amount arising during the year .....	¥ 14	¥ 60
Reclassification adjustment .....	22	36
Amount before income tax effect .....	36	97
Income tax effect .....	(11)	(29)
Total .....	¥ 24	¥ 67
Total other comprehensive income .....	¥(653)	¥(509)



## 26. Income Taxes

Income taxes of the Bank and its domestic consolidated subsidiaries in the consolidated statements of income consist of corporation tax, inhabitants tax and enterprise tax.

(1) Significant components of the deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Deferred tax assets:		
Net operating loss carry forwards	¥ 1,163	¥ 678
Enterprise tax	428	271
Depreciation of fixed assets	202	180
Stock option expenses	163	163
Reserve for bonuses	129	131
Asset retirement obligations	108	108
Accounts payable (Formerly recorded as reserve for retirement benefits for directors and statutory auditors)	45	45
Reserve for stocks payment	31	—
Allowance for credit losses	11	9
Other	86	72
Subtotal deferred tax assets	2,369	1,661
Valuation allowance	(873)	(16)
Total deferred tax assets	¥ 1,496	¥ 1,644
Deferred tax liabilities:		
Intangible fixed assets recognized with business combination	¥ (885)	¥ (1,560)
Net unrealized gains (losses) on available-for-sale securities	(107)	(95)
Adjustment for tangible fixed assets related to asset retirement obligations	(33)	(35)
Other	(392)	(332)
Total deferred tax liabilities	(1,418)	(2,024)
Net deferred tax assets (liabilities)	¥ 77	¥ (380)

Note: Net deferred tax assets (liabilities) are included in the following items in the consolidated balance sheets.

	Millions of yen	
	2018	2017
Deferred tax assets	¥962	¥ 790
Deferred tax liabilities	885	1,170

(2) Reconciliation of the material difference between the statutory tax rate and the effective income tax rate for the fiscal year ended March 31, 2018 was as follows:

	2018	2017
Statutory tax rate	30.86%	—%
Non-deductible expenses, including entertainment expenses	0.11	—
Increase (decrease) in valuation allowance	3.54	—
Changes in tax rates in foreign subsidiaries	(1.23)	—
Amortization of goodwill	0.80	—
Other	(0.38)	—
Effective tax rate	33.70%	—%

For the fiscal year ended March 31, 2017, reconciliation of the material difference between the statutory tax rate and the effective income tax rate is not disclosed because the difference is less than 5% of the statutory tax rate.

(3) Adjustments to deferred tax assets and deferred tax liabilities due to the change in income tax rate

In the U.S., Tax Cuts and Jobs Act was passed on December 22, 2017, and the federal corporate income tax rate was lowered from 35 % to 21% on and after January 1, 2018.

As a result of this tax rate change, deferred tax liabilities (after deducting deferred tax assets) and income taxes deferred decreased by ¥471 million and ¥468 million, respectively.

## 27. Changes in Net Assets

(1) Information on shares issued and treasury stock:

Type and number of shares issued and treasury stock for the fiscal years ended March 31, 2018 and 2017 were as follows:

Year ended March 31, 2018	Thousands of shares			
	April 1, 2017	Increase	Decrease	March 31, 2018
Shares issued				
Common stock	1,191,528	—	—	1,191,528
Total	1,191,528	—	—	1,191,528
Treasury stock				
Common stock <sup>1and2</sup>	0	896	—	896
Total	0	896	—	896

Notes: 1. Increase in number of shares of treasury stock: 896 shares due to acquisition of the Bank's shares by the BIP Trust and ESOP Trust.  
2. The number of treasury shares as of March 31, 2018 includes 896 thousand shares of the Bank held by the BIP Trust and ESOP Trust.

Year ended March 31, 2017	Thousands of shares			
	April 1, 2016	Increase	Decrease	March 31, 2017
Shares issued				
Common stock <sup>1</sup>	1,191,001	527	—	1,191,528
Total	1,191,001	527	—	1,191,528
Treasury stock				
Common stock	0	—	—	0
Total	0	—	—	0

Note: 1. Increase in number of shares of common stock: 527 thousand shares due to exercise of subscription rights to shares.

(2) Information on subscription rights to shares:

Year ended March 31, 2018	Thousands of shares					Balance at March 31, 2018 (Millions of yen)
	Type of shares	April 1, 2017	Increase	Decrease	March 31, 2018	
Details of subscription rights to shares						
Subscription rights to shares as stock options			—			¥533
Total			—			¥533

Note: There are no treasury subscription rights to shares.

Year ended March 31, 2017	Thousands of shares					Balance at March 31, 2017 (Millions of yen)
	Type of shares	April 1, 2016	Increase	Decrease	March 31, 2017	
Details of subscription rights to shares						
Subscription rights to shares as stock options			—			¥533
Total			—			¥533

Note: There are no treasury subscription rights to shares.

(3) Information on dividends:

(a) Dividends paid in the fiscal years ended March 31, 2018 and 2017

Year ended March 31, 2018 (Millions of yen, except per share amounts)

Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock <sup>1</sup>	¥5,659	Retained earnings	¥4.75	March 31, 2017	June 1, 2017
Common stock <sup>2</sup>	¥5,659	Retained earnings	¥4.75	September 30, 2017	December 1, 2017

Notes: 1. Date of resolution: Board of Directors meeting held on May 26, 2017  
 2. Date of resolution: Board of Directors meeting held on November 10, 2017  
 Aggregate amount of dividends determined by the resolution of Board of Directors on November 10, 2017 includes ¥4 million of dividends on the Bank's shares held by the BIP Trust and ESOP Trust.

Year ended March 31, 2017 (Millions of yen, except per share amounts)

Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock <sup>1</sup>	¥5,359	Retained earnings	¥4.50	March 31, 2016	June 1, 2016
Common stock <sup>2</sup>	¥5,063	Retained earnings	¥4.25	September 30, 2016	December 1, 2016

Notes: 1. Date of resolution: Board of Directors meeting held on May 25, 2016  
 2. Date of resolution: Board of Directors meeting held on November 4, 2016

(b) Dividends to be paid in the fiscal year ending March 31, 2019

(Millions of yen, except per share amounts)

Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock	¥6,255	Retained earnings	¥5.25	March 31, 2018	June 1, 2018

Note: Date of resolution: Board of Directors meeting held on May 25, 2018  
 Aggregate amount of dividends to be paid includes ¥4 million of dividends on the Bank's shares held by the BIP Trust and ESOP Trust.

Cash dividends per share based on business results for the fiscal year ended March 31, 2018 were ¥10.00 annually with the year-end dividend of ¥5.25 added to the interim dividend of ¥4.75

28. Related Party Transactions

(1) Transactions with related parties

Related party transactions for the fiscal years ended March 31, 2018 and 2017 were as follows:

(a) Parent company and major shareholders

Year ended March 31, 2018

Related party	Category	Amounts of transactions		Balance at the end of fiscal year	
		Description of transactions	Millions of yen	Account title	Millions of yen
Seven-Eleven Japan Co., Ltd. <sup>1</sup>	Other related companies	Payment of ATM placement fee expenses <sup>2</sup>	¥13,024	Other liabilities (Accrued expenses) <sup>3</sup>	¥1,203

Notes: 1. 38.07% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2018.  
 2. Terms and conditions as well as decision policies of terms and conditions:  
 The terms and conditions as well as decision policies of terms and conditions associated with ATM placement fees are determined by comprehensively taking into account of compensation for delegated administrative work and Seven-Eleven Japan's infrastructure costs.  
 3. The accrued expenses include consumption tax.

Year ended March 31, 2017

Related party	Category	Amounts of transactions		Balance at the end of fiscal year	
		Description of transactions	Millions of yen	Account title	Millions of yen
Seven-Eleven Japan Co., Ltd. <sup>1</sup>	Other related companies	Payment of ATM placement fee expenses <sup>2</sup>	¥12,681	Other liabilities (Accrued expenses) <sup>3</sup>	¥1,160

Notes: 1. 38.07% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2017.  
 2. Terms and conditions as well as decision policies of terms and conditions:  
 The terms and conditions as well as decision policies of terms and conditions associated with ATM placement fees are determined by comprehensively taking into account of compensation for delegated administrative work and Seven-Eleven Japan's infrastructure costs.  
 3. The accrued expenses include consumption tax.

(b) Company that has the same parent company as the Bank, and subsidiaries of the Bank's other related companies  
 There is no material transaction to be noted for the fiscal years ended March 31, 2018 and 2017.

(2) Notes on the parent company or any significant affiliated company

(a) Parent company  
 Seven & i Holdings Co., Ltd. (listed on the Tokyo Stock Exchange)

29. Lease Transactions

Finance Leases:

Disclosure is omitted as it is immaterial.

Operating Leases:

Future minimum lease payments under non-cancelable operating leases as of March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Due within one year .....	¥191	¥679
Due after one year .....	169	298
Total .....	¥361	¥977

30. Derivative Financial Instruments and Hedging Transactions

Derivative transactions to which the hedge accounting method is not applied:

For derivative transactions to which the hedge accounting method is not applied, the following table shows contract or notional amounts, fair values, and methods of fair value calculation as of the consolidated balance sheet date for each type of instrument. The contract or notional amounts, however, do not represent the magnitude of market risk associated with the derivative transactions.

Currency related transactions:

March 31, 2018

Category	Type	Contract or notional amount	Millions of yen		
			Over one year	Fair value	Unrealized Gains/(Losses)
Over-the-counter	Foreign exchange forward:				
	Sell	US dollar	¥1,105	¥—	¥20

Notes: 1. The above transaction is measured at fair value and unrealized gains or losses are recognized in the consolidated statement of income.  
 2. Fair value is determined by the discounted cash flow method, etc.

Derivative transactions to which the hedge accounting method is applied:

For derivative transactions to which the hedge accounting method is applied, the following table shows contract or notional amounts, fair values, and methods of fair value calculation as of the consolidated balance sheet date for each type of hedging instrument and hedge accounting method. The contract or notional amounts, however, do not represent the magnitude of market risk associated with the derivative transactions.

Interest related transactions:

March 31, 2018

Hedge accounting method	Hedging instruments	Hedged items	Millions of yen		
			Contract or notional amount	Over one year	Fair value
Special treatment for interest rate swap	Interest rate swaps Receive variable, pay fixed	Borrowed money	¥10,000	¥10,000	Note

Note: Derivatives accounted for by the special treatment for interest rate swaps are valued in conjunction with the hedged item, i.e., borrowed money. Hence, the fair value is included in the fair value of the borrowed money shown in "5. Financial Instruments."



March 31, 2017				Millions of yen	
Hedge accounting method	Hedging instruments	Hedged items	Contract or notional amount	Over one year	Fair value
Special treatment for interest rate swap	Interest rate swaps Receive variable, pay fixed	Borrowed money	¥10,000	¥10,000	Note

Note: Derivatives accounted for by the special treatment for interest rate swaps are valued in conjunction with the hedged item, i.e., borrowed money. Hence, the fair value is included in the fair value of the borrowed money shown in "5. Financial Instruments."

### 31. Stock Options

Share-based compensation expenses of ¥105 million are recorded as general and administrative expenses in the fiscal year ended March 31, 2017. No expenses were recorded in the fiscal year ended March 31, 2018.

Outline of stock options and changes were as follows:

#### (1) Outline of stock options

	First grant-1	Second grant-1
Title and number of grantees	5 directors	4 directors
Number of stock options <sup>1</sup>	184,000 common shares	171,000 common shares
Grant date	August 12, 2008	August 3, 2009
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as a director
Requisite service period	No provisions	No provisions
Exercise period	From August 13, 2008 to August 12, 2038	From August 4, 2009 to August 3, 2039
	Second grant-2	Third grant-1
Title and number of grantees	5 executive officers	5 directors
Number of stock options <sup>1</sup>	38,000 common shares	423,000 common shares
Grant date	August 3, 2009	August 9, 2010
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)	Within 10 days from the day following the day that a subscription holder loses his/her position as a director
Requisite service period	No provisions	No provisions
Exercise period	From August 4, 2009 to August 3, 2039	From August 10, 2010 to August 9, 2040
	Fourth grant-1	Fourth grant-2
Title and number of grantees	5 directors	8 executive officers
Number of stock options <sup>1</sup>	440,000 common shares	118,000 common shares
Grant date	August 8, 2011	August 8, 2011
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 9, 2011 to August 8, 2041	From August 9, 2011 to August 8, 2041

	Fifth grant-1	Fifth grant-2
Title and number of grantees	6 directors	7 executive officers
Number of stock options <sup>1</sup>	363,000 common shares	77,000 common shares
Grant date	August 6, 2012	August 6, 2012
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 7, 2012 to August 6, 2042	From August 7, 2012 to August 6, 2042

	Sixth grant-1	Sixth grant-2
Title and number of grantees	6 directors	7 executive officers
Number of stock options <sup>1</sup>	216,000 common shares	43,000 common shares
Grant date	August 5, 2013	August 5, 2013
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 6, 2013 to August 5, 2043	From August 6, 2013 to August 5, 2043

	Seventh grant-1	Seventh grant-2
Title and number of grantees	6 directors	8 executive officers
Number of stock options <sup>1</sup>	193,000 common shares	44,000 common shares
Grant date	August 4, 2014	August 4, 2014
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 5, 2014 to August 4, 2044	From August 5, 2014 to August 4, 2044

	Eighth grant-1	Eighth grant-2
Title and number of grantees	6 directors	9 executive officers
Number of stock options <sup>1</sup>	138,000 common shares	39,000 common shares
Grant date	August 10, 2015	August 10, 2015
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 11, 2015 to August 10, 2045	From August 11, 2015 to August 10, 2045

	Ninth grant-1	Ninth grant-2
Title and number of grantees .....	6 directors	9 executive officers
Number of stock options <sup>1</sup> .....	278,000 common shares	72,000 common shares
Grant date .....	August 8, 2016	August 8, 2016
Condition for vesting .....	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period .....	No provisions	No provisions
Exercise period .....	From August 9, 2016 to August 8, 2046	From August 9, 2016 to August 8, 2046

Note: Number of stock options means total shares to be issued upon exercise of subscription rights to shares. As of December 1, 2011, the Bank implemented a stock split with 1,000 common shares for one common share; therefore, the number of shares from First grant-1 to Fourth grant-2 was adjusted to reflect the stock split.

## (2) Scale and changes in stock options

The following describes scale and changes in stock options during the fiscal year ended March 31, 2018.

The number of stock options is converted into the number of shares.

### Fiscal year ended March 31, 2018:

Number of stock options

	First grant-1	Second grant-1
Before vested		
As of March 31, 2017 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
After vested		
As of March 31, 2017 .....	120,000	133,000
Vested .....	—	—
Exercised .....	—	—
Forfeited .....	—	—
Outstanding .....	120,000	133,000

	Second grant-2	Third grant-1
Before vested		
As of March 31, 2017 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
After vested		
As of March 31, 2017 .....	9,000	342,000
Vested .....	—	—
Exercised .....	—	—
Forfeited .....	—	—
Outstanding .....	9,000	342,000

	Fourth grant-1	Fourth grant-2
Before vested		
As of March 31, 2017 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
After vested		
As of March 31, 2017 .....	356,000	55,000
Vested .....	—	—
Exercised .....	—	—
Forfeited .....	—	—
Outstanding .....	356,000	55,000

	Fifth grant-1	Fifth grant-2
Before vested		
As of March 31, 2017 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
After vested		
As of March 31, 2017 .....	299,000	40,000
Vested .....	—	—
Exercised .....	—	—
Forfeited .....	—	—
Outstanding .....	299,000	40,000

	Sixth grant-1	Sixth grant-2
Before vested		
As of March 31, 2017 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
After vested		
As of March 31, 2017 .....	179,000	20,000
Vested .....	—	—
Exercised .....	—	—
Forfeited .....	—	—
Outstanding .....	179,000	20,000

	Seventh grant-1	Seventh grant-2
Before vested		
As of March 31, 2017 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
After vested		
As of March 31, 2017 .....	161,000	28,000
Vested .....	—	—
Exercised .....	—	—
Forfeited .....	—	—
Outstanding .....	161,000	28,000



	Eighth grant-1	Eighth grant-2
Before vested		
As of March 31, 2017	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2017	115,000	27,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	115,000	27,000

	Ninth grant-1	Ninth grant-2
Before vested		
As of March 31, 2017	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2017	278,000	72,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	278,000	72,000

Price information	First grant-1	Second grant-1
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date <sup>1</sup>	¥236,480 per subscription right to shares	¥221,862 per subscription right to shares

Price information	Second grant-2	Third grant-1
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date <sup>1</sup>	¥221,862 per subscription right to shares	¥139,824 per subscription right to shares

Price information	Fourth grant-1	Fourth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date <sup>1</sup>	¥127,950 per subscription right to shares	¥127,950 per subscription right to shares

Price information	Fifth grant-1	Fifth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date <sup>1</sup>	¥175,000 per subscription right to shares	¥175,000 per subscription right to shares

Price information	Sixth grant-1	Sixth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date <sup>1</sup>	¥312,000 per subscription right to shares	¥312,000 per subscription right to shares

Price information	Seventh grant-1	Seventh grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date <sup>1</sup>	¥370,000 per subscription right to shares	¥370,000 per subscription right to shares

Price information	Eighth grant-1	Eighth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date <sup>1</sup>	¥537,000 per subscription right to shares	¥537,000 per subscription right to shares

Price information	Ninth grant-1	Ninth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date <sup>1</sup>	¥302,000 per subscription right to shares	¥302,000 per subscription right to shares

Note: The number of shares to be issued upon exercise of one subscription right to shares shall be 1,000 common shares. As of December 1, 2011, the Bank implemented a stock split with 1,000 common shares for one common share; therefore, exercise prices from First grant-1 to Fourth grant-2 were adjusted to reflect the stock split. In addition, average stock price at exercise represents the average stock price of the Bank at the time when stock options were exercised.

### (3) Valuation method for estimating per share fair value of stock options

Not applicable for the fiscal year ended March 31, 2018.

### (4) Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have actually been forfeited is reflected.

## 32. Asset Retirement Obligations

### (1) Overview of asset retirement obligations

Asset retirement obligations are based upon estimated future restoration obligations pursuant to real estate lease agreements of head office and others.

### (2) Method of calculating the amount of the asset retirement obligations

Estimated useful life: 3-18 years

Discount rate: 0.4-1.9%

### (3) The changes in asset retirement obligations for the fiscal years ended March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Balance at the beginning of the year	¥353	¥350
Increase due to acquisition of tangible fixed assets	5	2
Accretion expense	5	5
Obligations settled in current period	9	4
Balance at the end of the year	¥355	¥353

### 33. Per Share Data

Amounts per share as of March 31, 2018 and 2017 and for the fiscal years then ended were as follows:

March 31	Yen	
	2018	2017
Net assets per share .....	¥177.61	¥166.61

Years ended March 31	Yen	
	2018	2017
Net income per share .....	¥21.24	¥21.07
Net income per share (diluted) .....	¥21.20	¥21.04

Notes: 1. Net assets per share is calculated based on the following: During the fiscal year ended March 31, 2018, the Bank has introduced the BIP Trust and ESOP Trust. The Bank's shares held by these Trusts are included in treasury stock that is deducted from the total number of shares issued at the fiscal year end when calculating net assets per share. The number of shares deducted was 896 thousand.

March 31	Millions of yen, except thousands of shares	
	2018	2017
Net assets .....	¥ 212,027	¥ 199,081
Amount excluded from net assets .....	552	556
Subscription rights to shares (inclusive) .....	533	533
Non-controlling interests .....	18	22
Net assets attributable to common stock at the fiscal year end .....	¥ 211,475	¥ 198,525
Number of shares of common stock at the fiscal year end used for the calculation of net assets per share .....	1,190,631	1,191,527

2. Net income per share and net income per share (diluted) are calculated based on the following: During the fiscal year ended March 31, 2018, the Bank has introduced the BIP Trust and ESOP Trust. The Bank's shares held by these Trusts are included in treasury stock that is deducted from the average number of shares during the fiscal year when calculating net income per share and diluted net income per share. The average number of shares deducted during the year was 564 thousand.

Years ended March 31	Millions of yen, except thousands of shares	
	2018	2017
Net income per share		
Net income attributable to owners of the parent .....	¥ 25,301	¥ 25,114
Amount not attributable to common shareholders .....	—	—
Net income attributable to common shareholders of the parent .....	¥ 25,301	¥ 25,114
Average number of shares of common stock during the year .....	1,190,963	1,191,431
Net income per share (diluted)		
Adjustment for net income attributable to owners of the parent .....	¥ —	¥ —
Increase in number of shares of common stock .....	2,228	2,200
Subscription rights to shares (inclusive) .....	2,228	2,200
Description of dilutive shares not included in the calculation of net income per share (diluted) because the shares have no dilutive effects .....	—	—

### 34. Segment Information

#### (1) Outline of reportable segments

The Group's reportable segments are units of the Group for which discrete financial information is available and are subject to the periodical review by the Board of Directors, which is the decision maker to determine the allocation of management resources and assess performances. The Group has two reportable segments: "Domestic business segment" and "Overseas business segment." Domestic business segment consists of banking services focusing on ATM business in Japan while Overseas business segment consists of ATM business engaged primarily in the U.S. and Indonesia.

(Changes in reportable segments)

The Group has omitted this information because there was only one segment until the fiscal year ended March 31, 2017. However, during the fiscal year ended March 31, 2018, the Bank's consolidated subsidiary, FCTI, Inc., has made steady progress of installing ATMs at U.S. 7-Eleven stores, which provided an opportunity to review and change the reportable segments to two segments: Domestic business segment and Overseas business segment that includes FCTI, Inc., a consolidated subsidiary.

In addition, the segment information for the fiscal year ended March 31, 2017 is prepared based on the revised segment classification.

#### (2) Calculation method for ordinary income, segment profit or loss, assets, liabilities and other material items by reportable segment

Accounting treatment for reportable segments is consistent with those described in "2. Significant Accounting Policies."

Segment profit is based on ordinary profit.

Ordinary income from internal transactions is based on transaction prices between third parties.

#### (3) Information on ordinary income, segment profit or loss, assets and other items is as follows:

Year ended March 31, 2018

	Millions of yen			Adjustments	Consolidated
	Domestic	Overseas	Total		
Ordinary income:					
External customers	¥ 116,749	¥10,907	¥ 127,656	¥ (0)	¥ 127,656
Internal transactions	4	—	4	(4)	—
Total	¥ 116,754	¥10,907	¥ 127,661	¥ (5)	¥ 127,656
Segment profit	¥ 42,333	¥ (4,183)	¥ 38,150	¥ 154	¥ 38,305
Segment assets	¥1,022,955	¥28,080	¥1,051,036	¥(28,550)	¥1,022,485
Other:					
Depreciation	¥ 15,763	¥ 1,338	¥ 17,102	¥ —	¥ 17,102
Amortization of goodwill	—	990	990	—	990
Interest income	3,383	9	3,393	(1)	3,391
Interest expenses	711	11	722	(4)	718
Increase in tangible and intangible fixed assets	12,388	6,898	19,286	—	19,286

Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.

2. Adjustments are mainly elimination of internal transactions.

Year ended March 31, 2017

	Millions of yen			Adjustments	Consolidated
	Domestic	Overseas	Total		
Ordinary income:					
External customers	¥113,111	¥ 8,497	¥121,608	¥ —	¥121,608
Internal transactions	—	—	—	—	—
Total	¥113,111	¥ 8,497	¥121,608	¥ —	¥121,608
Segment profit	¥ 38,880	¥ (2,169)	¥ 36,710	¥ —	¥ 36,710
Segment assets	¥955,630	¥26,654	¥982,285	¥(24,493)	¥957,792
Other:					
Depreciation	¥ 17,614	¥ 1,152	¥ 18,766	¥ —	¥18,766
Amortization of goodwill	—	960	960	—	960
Interest income	2,822	26	2,848	—	2,848
Interest expenses	945	9	954	—	954
Increase in tangible and intangible fixed assets	14,337	1,204	15,542	—	15,542

Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.

2. Adjustments are mainly elimination of internal transactions.

#### Related Information

##### (1) Information by service

The amount of ordinary income attributable to external customers for ATM-related business exceeds 90% of that on the consolidated statements of income for the fiscal years ended March 31, 2018 and 2017; therefore, information by service is omitted.

## Independent Auditor's Report

### (2) Information by geographical area

#### a. Ordinary income

The amount of ordinary income attributable to external customers in Japan exceeds 90% of that on the consolidated statements of income for the fiscal years ended March 31, 2018 and 2017; therefore, geographical information is omitted.

#### b. Tangible fixed assets

For the fiscal year ended March 31, 2018

Millions of yen			
Japan	U.S.	Other	Total
¥17,506	¥7,165	¥126	¥24,798

For the fiscal year ended March 31, 2017

Millions of yen			
Japan	U.S.	Other	Total
¥24,188	¥1,427	¥124	¥25,740

### (3) Information by major customer

Disclosure is omitted because there were no specific customers whose ordinary income accounts for 10% or more of ordinary income in the consolidated statements of income for the fiscal years ended March 31, 2018 and 2017.

### Information on amortization of goodwill and its remaining balance for each reportable segment

For the fiscal year ended March 31, 2018

	Millions of yen				
	Reportable segment			Other	Total
	Domestic	Overseas	Subtotal		
Amortization of goodwill	¥—	¥ 990	¥ 990	¥—	¥ 990
Balance at the end of the year	¥—	¥4,672	¥4,672	¥—	¥4,672

For the fiscal year ended March 31, 2017

	Millions of yen				
	Reportable segment			Other	Total
	Domestic	Overseas	Subtotal		
Amortization of goodwill	¥—	¥ 960	¥ 960	¥—	¥ 960
Balance at the end of the year	¥—	¥5,845	¥5,845	¥—	¥5,845

## 35. Significant Subsequent Events

None



### Independent Auditor's Report

To the Board of Directors of Seven Bank, Ltd.:

We have audited the accompanying consolidated financial statements of Seven Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Seven Bank, Ltd. and its consolidated subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

August 7, 2018  
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



# Company Information (As of June 30, 2018)

## The Company

<b>Company Name</b>	Seven Bank, Ltd.	<b>Number of Employees</b>	474 (Non-consolidated, excluding officers, executive officers, part-time employees and temporary staff)
<b>Head Office</b>	1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan	<b>Credit Ratings</b>	[S&P] Long-term counterparty issuer rating "A +" Outlook "stable" Short-term counterparty issuer rating "A-1" [Rating & Investment Information, Inc. (R&I)] Issuer rating "AA" Outlook "stable"
<b>Chairman and Representative Director</b>	Kensuke Futagoishi		
<b>President and Representative Director</b>	Yasuaki Funatake		
<b>Established</b>	April 10, 2001		
<b>Initiated Operations</b>	May 7, 2001		
<b>Common Stock</b>	30,679 million yen		
<b>Number of Shares Issued</b>	1,192,464,000		

## Subsidiaries

Company Name	Head Office	Representative (title/name)	Established	Common Stock	Business Description	Percentage of Voting Rights Held by the Bank	Percentage of Voting Rights Held by Subsidiaries, etc.
<b>FCTI, Inc.</b>	Los Angeles, California, USA	CEO: Robel Gugsa	August 25, 1993	19 million U.S. dollars	ATM operation business	100%	—
<b>FCTI Canada, Inc.</b>	Toronto, Ontario, Canada	CEO: Robel Gugsa	July 8, 2015	200 thousand Canadian dollars	ATM operation business	—	100%
<b>PT. ABADI TAMBAH MULIA INTERNASIONAL</b>	Jakarta Special Capital Region, Indonesia	President Director: Akira Teshigawara	June 10, 2014	90,000 million Indonesian Rupiah	ATM operation business	96.66%	—
<b>Bank Business Factory Co., Ltd.</b>	Hodogaya-ku, Yokohama-shi, Kanagawa Prefecture, Japan	President and Representative Director: Yasuyuki Yanaba	July 1, 2014	50 million yen	Back-office support on commission	100%	—
<b>Seven Payment Service, Ltd.</b>	Chiyoda-ku, Tokyo, Japan	President and Representative Director: Satoshi Wada	January 11, 2018	150 million yen	Remittance and settlement services	100%	—

# Name and Address of Branches and Outlets (As of March 31, 2018)

**Headquarters** Location: 1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan

**Branches** Location: 1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan

Each branch has been assigned a name of a flower suitable for each month. (As our bank engages in non-face-to-face transactions mainly through ATMs, we do not conduct over-the-counter services at these branches. We receive and handle all inquiries from customers at our Call Center).

Month when Account was Opened	Branch Name	Month when Account was Opened	Branch Name	Month when Account was Opened	Branch Name
January	Margaret	May	Carnation	September	Salvia
February	Freesia	June	Iris	October	Cosmos
March	Pansy	July	Rose	November	Cattleya
April	Tulip	August	Hibiscus	December	Poinsettia

For corporate customers, we open corporate accounts providing services necessary for business operations, such as ATM tie-ups and acceptance of cash proceeds from sales. Branches offering services to corporate customers are as follows.

Name of Branches	Number of locations	Number of ATMs
Corporate Business Division I		
Corporate Business Division II		
Corporate Business Division III		
Corporate Business Division IV		
Corporate Business Division V		
<b>Total</b>	<b>22,668</b>	<b>24,392</b>

- Outlets (Staffed outlets)**
- Ito-Yokado Kawaguchi Store Outlet of the Headquarters**  
Location: Ito-Yokado Kawaguchi store 1F, 1-79, Namikimotomachi, Kawaguchi-shi, Saitama Prefecture
  - NAGOYA · SAKAE Outlet of the Headquarters**  
Location: Nagoya Hirokoji Place Building 1F, 4-2-29, Sakae, Naka-ku, Nagoya-shi, Aichi Prefecture
  - Kawasaki Azalea Outlet of the Headquarters**  
Location: Inside Kawasaki Azalea, 26-2 2036, Ekimae Honcho, Kawasaki-ku, Kawasaki-shi, Kanagawa Prefecture
  - Ueno Outlet of the Headquarters**  
Location: Ameyoko Center Building 3F, 4-7-8, Ueno, Taito-ku, Tokyo

### Joint Outlets

### Bank Agency

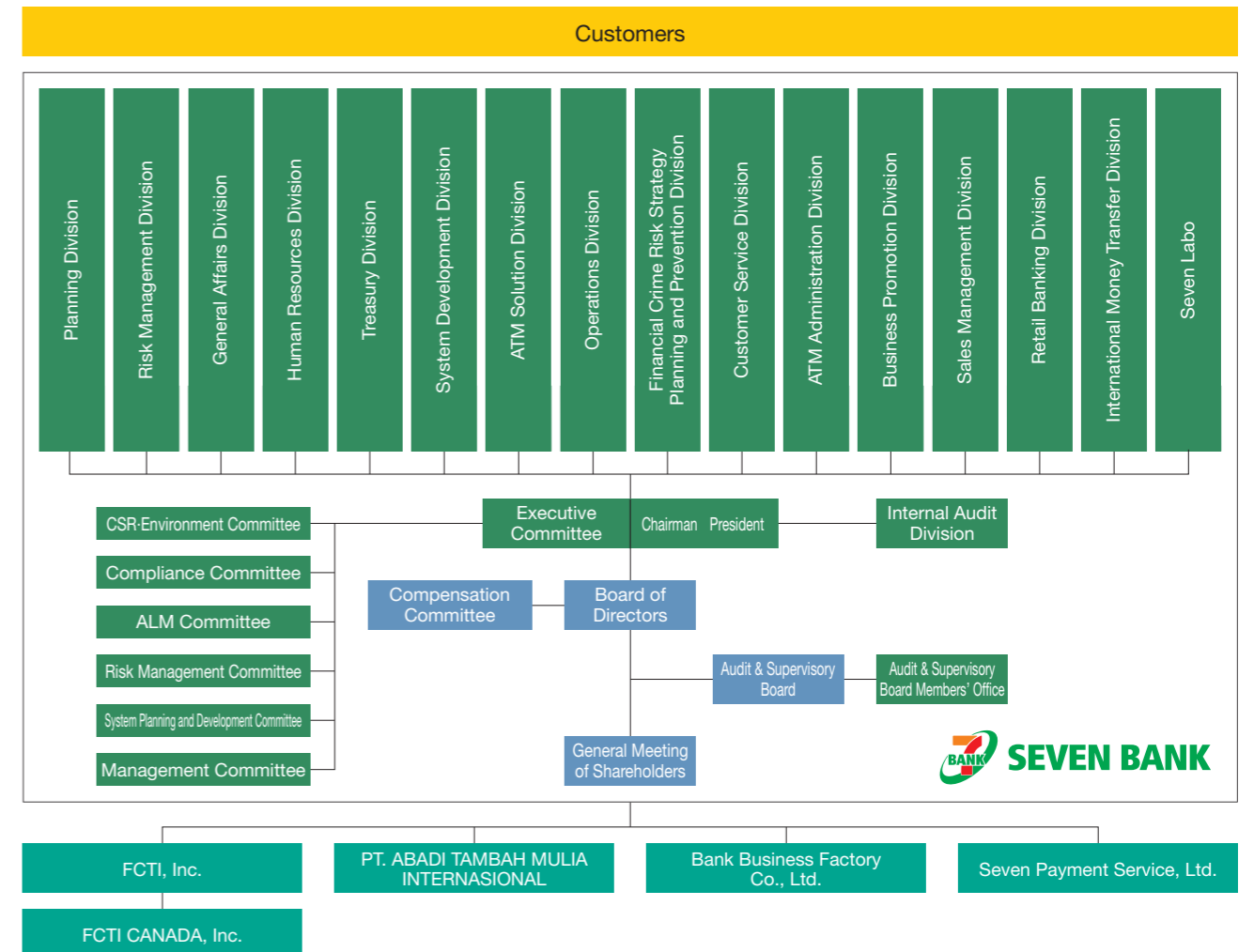
### Number of ATM installation locations and number of ATMs installed according to outlet

	Number of locations	Number of ATMs
Seven-Eleven	20,165	21,510
Others	2,503	2,882
<b>Total</b>	<b>22,668</b>	<b>24,392</b>

\* Please refer to the Seven Bank Web site (<http://www.sevenbank.co.jp/english/>) for the latest information on ATMs.

- Relia, Inc.**  
Location: 2-6-5, Yoyogi, Shibuya-ku, Tokyo

# Organization Chart (As of July 1, 2018)

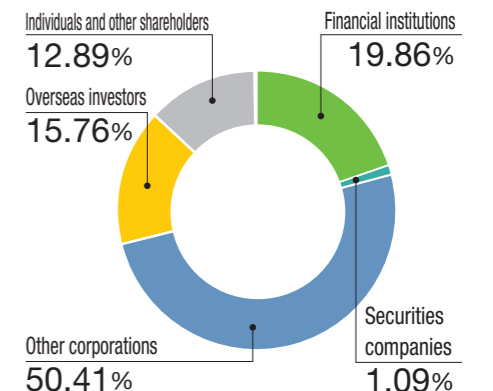


# Status of Major Shareholders (As of March 31, 2018)













Shareholder name/title	Number of shares (Thousands of shares)	Holding (%)
Seven-Eleven Japan Co., Ltd.	453,639	38.07
Ito-Yokado Co., Ltd.	46,961	3.94
York-Benimaru Co., Ltd.	45,000	3.77
Japan Trustee Services Bank, Ltd. (trust account)	35,896	3.01
The Master Trust Bank of Japan, Ltd. (trust account)	34,510	2.89
Sumitomo Mitsui Banking Corporation	15,000	1.25
The Dai-ichi Life Insurance Company, Limited	15,000	1.25
Japan Trustee Services Bank, Ltd. (trust account 5)	14,136	1.18
Japan Trustee Services Bank, Ltd. (trust account 9)	13,439	1.12
STATE STREET BANK WEST CLIENT - TREATY 505234	11,152	0.93

(Amounts have been truncated to the second decimal place.)

# Composition of Shareholders (As of March 31, 2018)



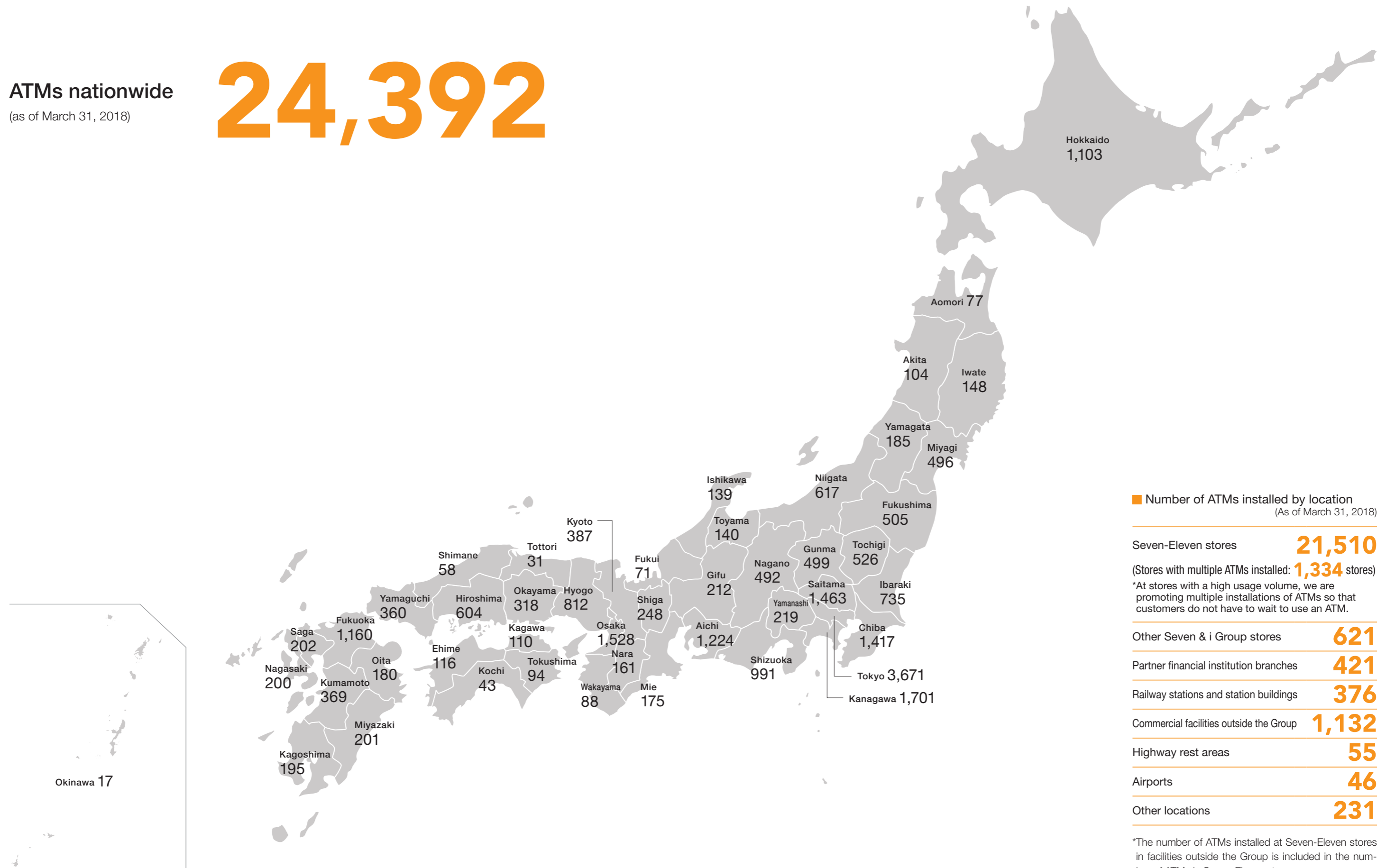
# History (As of July 1, 2018)

<p>2001</p> <p>April 6 Preliminary license received</p>  <p>Preliminary license received</p> <p>April 10 IY Bank Co., Ltd. established (common stock: 20,205 million yen)</p>  <p>アイフイバンク銀行</p> <p>April 25 Banking business license received</p> <p>May 7 Initiated operations (began accepting applications for new accounts)</p>  <p>IY Bank cash card</p> <p>May 15 Initiated ATM services</p>  <p>Ceremony for the start of ATM services</p>  <p>First-generation ATM</p> <p>May 23 Joined Japanese Bankers Association (full member)</p> <p>June 11 Connected to Zengin system</p> <p>June 13 Connected to BANCS</p> <p>June 18 Initiated money transfer services</p> <p>July 13 Number of ATMs installed exceeded 1,000</p> <p>August 30 First third-party allocation of shares (common stock: 30,805 million yen)</p> <p>December 17 Initiated Internet, mobile and telephone banking services</p>	<p>2002</p> <p>March 27 Second third-party allocation of shares (common stock: 61,000 million yen)</p> <p>2003</p> <p>March 24 Number of ATMs installed exceeded 5,000</p> <p>2004</p> <p>July 7 Established Customer Service Division</p> <p>2005</p> <p>April 1 Initiated operation of ATM Call Center (Osaka)</p> <p>April 4 Number of ATMs installed exceeded 10,000 Began handling time deposits for defined contribution pension plans</p> <p>April 27 Established first staffed outlet in Ito-Yokado Soga store</p> <p>July 26 Introduction of second-generation ATMs</p>  <p>Second-generation ATM</p> <p>October 11 Company name changed to Seven Bank, Ltd.</p>   <p>Seven Bank IC cash card</p> <p>2006</p> <p>January 3 Began operation of new accounting system</p> <p>March 20 Began providing time deposit service</p> <p>April 3 Began accepting IC cash cards</p> <p>September 1 Common stock reduced (common stock of 61,000 million yen reduced by transfer of 30,500 million yen to capital surplus)</p> <p>2007</p> <p>June 25 First dividend paid since establishment Began receiving outsourcing of ATM operation and administration</p> <p>July 11 Initiated services for cards issued overseas</p>  <p>Ceremony for the start of services for cards issued overseas</p>	<p>September 3 Began loading money onto <i>nanaco</i> electronic money cards at ATMs</p> <p>September 27 Completed installation of ATMs in Seven-Eleven and Ito-Yokado operating areas (36 prefectures at the time)</p> <p>November 26 Initiated ATM services for visually impaired customers (voice-guided transactions)</p> <p>December 17 Completed installation of ATMs in all 47 prefectures</p> <p>2008</p> <p>February 29 Listed on the JASDAQ Securities Exchange (currently the Tokyo Stock Exchange JASDAQ Market)</p> <p>2009</p> <p>April 1 Established the Financial Crime Prevention Office (now the Financial Crime Risk Strategy Planning and Prevention Division)</p> <p>2010</p> <p>January 25 Initiated personal loan services</p> <p>July 7 Established directly managed ATM corner</p>  <p>Shinjuku Kabukicho corner (internal view)</p> <p>November 5 Number of ATMs installed exceeded 15,000</p> <p>November 29 Introduction of third-generation ATMs</p>  <p>Third-generation ATM</p> <p>2011</p> <p>March 22 Initiated international money transfer services (initiated Internet and mobile banking services)</p> <p>July 19 Initiated international money transfer services by ATM</p> <p>December 1 1,000-for-1 stock split Adopted share unit number system with 100 shares per unit</p>	<p>December 26 Listed on the First Section of the Tokyo Stock Exchange</p>  <p>Listing ceremony</p> <p>2012</p> <p>June 27 Number of Seven Bank accounts exceeded 1 million</p> <p>October 6 Acquired all issued shares of Financial Consulting &amp; Trading International, Inc. of the United States to make it a wholly owned subsidiary</p> <p>2013</p> <p>February 1 Customer Service Center for International Money Transfers began operation</p> <p>September 27 U.S.-based subsidiary Financial Consulting &amp; Trading International, Inc. acquired the ATM business of Global Access Corp.</p> <p>2014</p> <p>January 8 Initiated Seven Bank account ATM transaction screens in nine languages</p> <p>June 10 Established PT. ABADI TAMBAH MULIA INTERNASIONAL ("ATMi"), a joint venture operating ATMs in Indonesia</p> <p>July 1 Established Bank Business Factory Co., Ltd., a wholly owned subsidiary engaged in back-office support on commission</p> <p>July 31 Number of ATMs installed exceeded 20,000</p> <p>2015</p> <p>July 8 U.S.-based subsidiary Financial Consulting &amp; Trading International, Inc. established FCTI Canada, Inc., a subsidiary operating ATMs in Canada</p> <p>October 1 Financial Consulting &amp; Trading International, Inc., a subsidiary in the United States, changed its name to "FCTI, Inc."</p> <p>December 16 Expansion of language options on ATM screens and slips to 12 languages, etc. when cards issued overseas are used</p> <p>2016</p> <p>October 17 Began issuing cash cards with a debit function</p> <p>2017</p> <p>March 27 Began offering the ATM deposit/withdrawal service via smartphones</p> <p>2018</p> <p>January 11 Established Seven Payment Service, Ltd., a wholly owned subsidiary, which conducts remittance and settlement services</p>
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# Principal Data

ATMs nationwide  
(as of March 31, 2018)

# 24,392



■ Number of ATMs installed by location  
(As of March 31, 2018)

Seven-Eleven stores	<b>21,510</b>
(Stores with multiple ATMs installed: 1,334 stores)	
*At stores with a high usage volume, we are promoting multiple installations of ATMs so that customers do not have to wait to use an ATM.	
Other Seven & i Group stores	<b>621</b>
Partner financial institution branches	<b>421</b>
Railway stations and station buildings	<b>376</b>
Commercial facilities outside the Group	<b>1,132</b>
Highway rest areas	<b>55</b>
Airports	<b>46</b>
Other locations	<b>231</b>

\*The number of ATMs installed at Seven-Eleven stores in facilities outside the Group is included in the number of ATMs in Seven-Eleven stores.





# Principal Data

(Fiscal Year)

## Financial Highlights

### Non-consolidated

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Items on the Statement of Income:	Ordinary income (Millions of yen)	83,663	89,815	88,830	83,964	88,318	94,105	99,832	105,648	110,465	113,109	116,650
	Fees and commissions income (Millions of yen)	82,471	88,741	88,350	83,644	87,711	93,242	98,892	104,015	107,894	109,830	112,484
	Fees and commissions expenses (Millions of yen)	8,328	9,183	9,691	10,011	10,705	11,765	12,911	14,131	15,698	17,440	18,426
	Income before income taxes (Millions of yen)	24,650	28,751	30,407	27,449	29,557	32,013	37,142	38,258	39,002	38,911	42,262
	Net income (Millions of yen)	13,830	16,988	17,953	16,008	17,267	19,515	22,325	24,457	26,107	26,871	29,106
	EBITDA <sup>*1</sup> (Millions of yen)	36,141	44,153	43,253	39,052	41,912	45,865	48,841	53,300	56,489	56,507	58,007
	Depreciation and amortization (Millions of yen)	11,491	15,402	12,846	11,603	12,355	13,852	11,699	15,096	17,487	17,596	15,744
Items on the Balance Sheet:	Total assets (Millions of yen)	488,137	493,360	502,782	600,061	652,956	809,465	785,380	850,369	910,801	955,644	1,023,201
	Deposits <sup>*2</sup> (Millions of yen)	219,138	229,311	219,008	333,382	372,271	394,615	438,348	502,285	547,865	572,353	623,581
	Total liabilities (Millions of yen)	399,162	394,966	392,843	485,522	527,326	672,374	634,237	683,554	727,627	756,042	806,165
	Total net assets (Millions of yen)	88,974	98,393	109,939	114,539	125,629	137,091	151,142	166,814	183,174	199,602	217,036
Per share data <sup>*3</sup> :	Net income (Yen)	11.80	13.92	14.71	13.19	14.49	16.38	18.74	20.53	21.92	22.55	24.43
	Net assets (Yen)	72.93	80.61	90.03	96.05	105.30	114.86	126.59	139.68	153.34	167.07	181.83
	Dividends (Yen)	4.20	4.90	5.20	5.20	6.20	6.75	7.50	8.00	8.50	9.00	10.00
Management indicators:	EBITDA margin <sup>*4</sup> (%)	43.1	49.1	48.6	46.5	47.4	48.7	48.9	50.5	51.0	49.9	49.7
	ROE <sup>*5</sup> (%)	16.8	16.9	16.1	13.2	13.5	14.0	14.7	14.7	14.3	13.5	13.4
ATM indicators:	Number of ATMs installed (Units)	13,032	13,803	14,601	15,363	16,632	18,123	19,514	21,056	22,472	23,368	24,392
	Daily average transactions per ATM (Transactions/ATM/day)	109.0	114.3	114.4	112.3	112.6	111.1	107.8	100.9	98.8	95.5	94.1
	Total number of transactions (Millions of transactions)	498	555	590	609	655	698	736	743	782	796	815

\*1. EBITDA = ordinary profit + depreciation and amortization

\*2. Including negotiable certificates of deposits

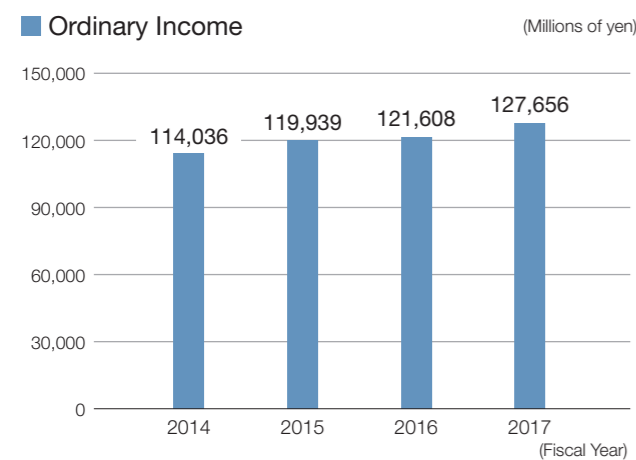
\*3. On December 1, 2011, Seven Bank conducted a 1,000-for-1 stock split. Per share data before fiscal 2010 reflect the stock split.

\*4. EBITDA margin = EBITDA/ordinary income

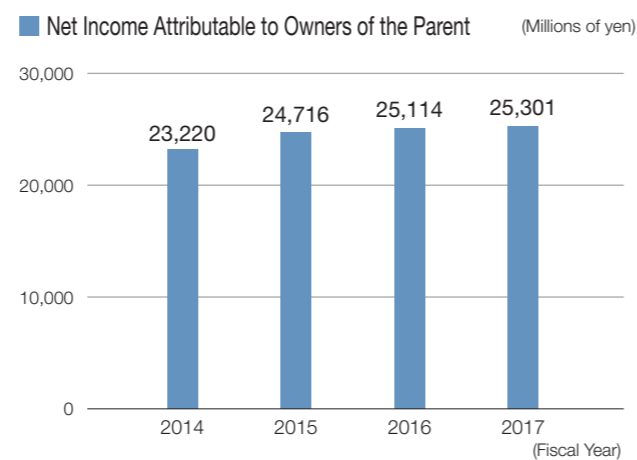
\*5. ROE = net income/average total shareholders' equity

## Consolidated

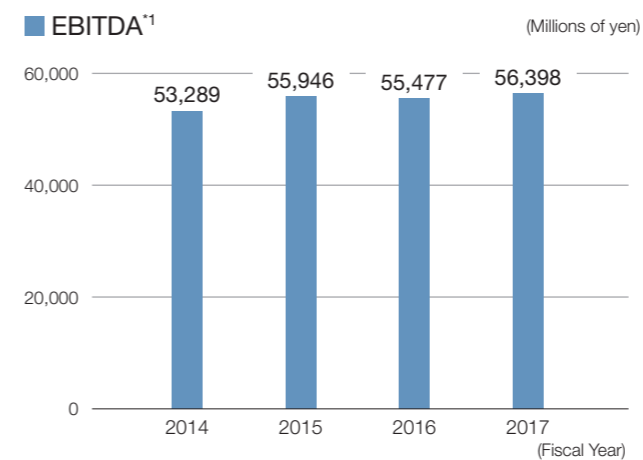
### Ordinary Income



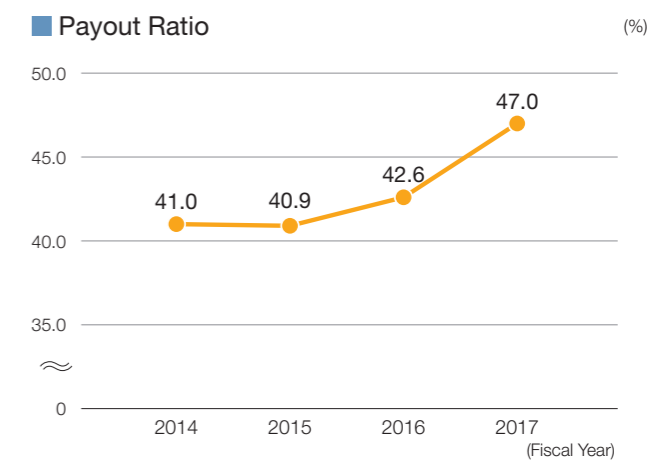
### Net Income Attributable to Owners of the Parent



### EBITDA<sup>\*1</sup>



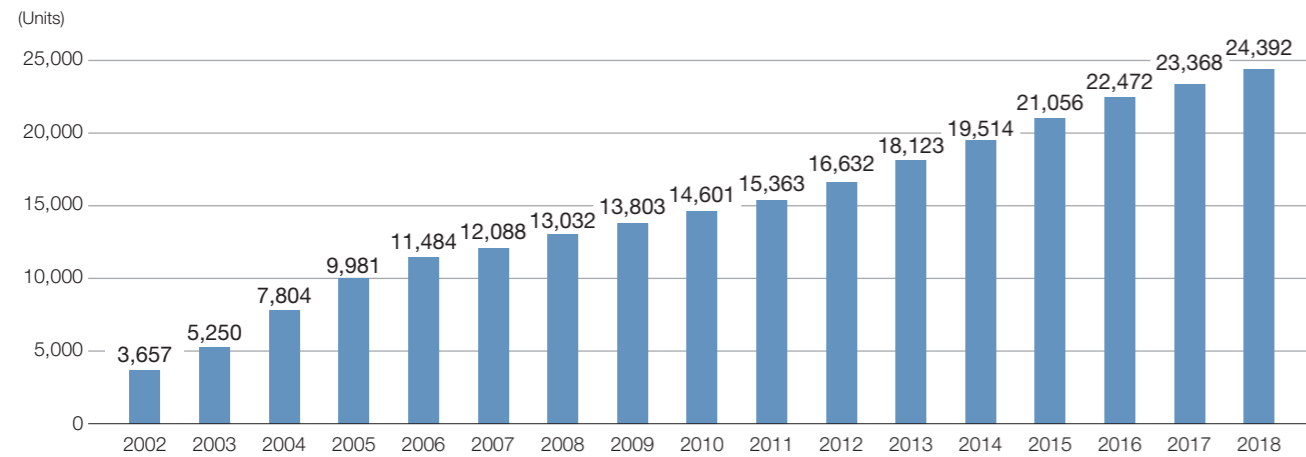
### Payout Ratio (%)



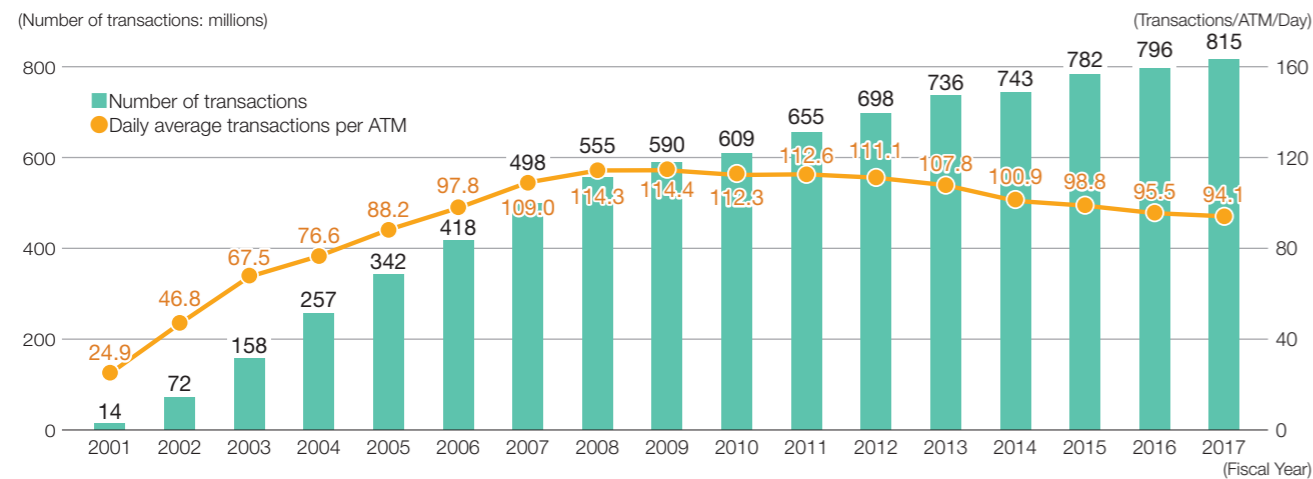
# Principal Data

## Growth Trajectory of Seven Bank's ATM

### Number of ATMs installed as of March 31



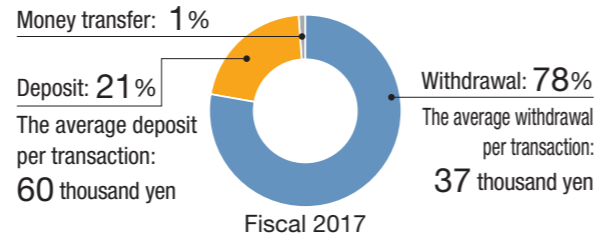
### Number of ATM transactions per Fiscal Year<sup>1</sup> and Daily Average Transactions per ATM<sup>1</sup>



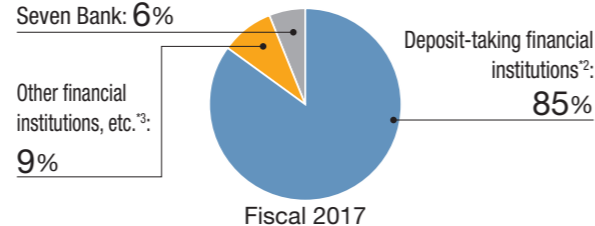
### Number of ATMs Installed by Location (as of March 31, 2018: 24,392 units)

Within Seven & i Group	Total	Outside the Group	Total
Seven-Eleven (Stores with multiple units installed: 1,334)	21,510	Commercial facilities	1,132
Ito-Yokado	295	Financial institutions	421
York-Benimaru	167	Railway stations and station buildings	376
York Mart	76	Highway rest areas	55
Seibu	13	Airports	46
Sogo	12	Others	231
LOFT	6		
Akachan Honpo	3		
Denny's	7		
Directly managed ATM corner	13		
Headquarters, etc.	29		

### Number of ATM Transactions by Service<sup>1</sup> Breakdown (excluding Seven Bank)



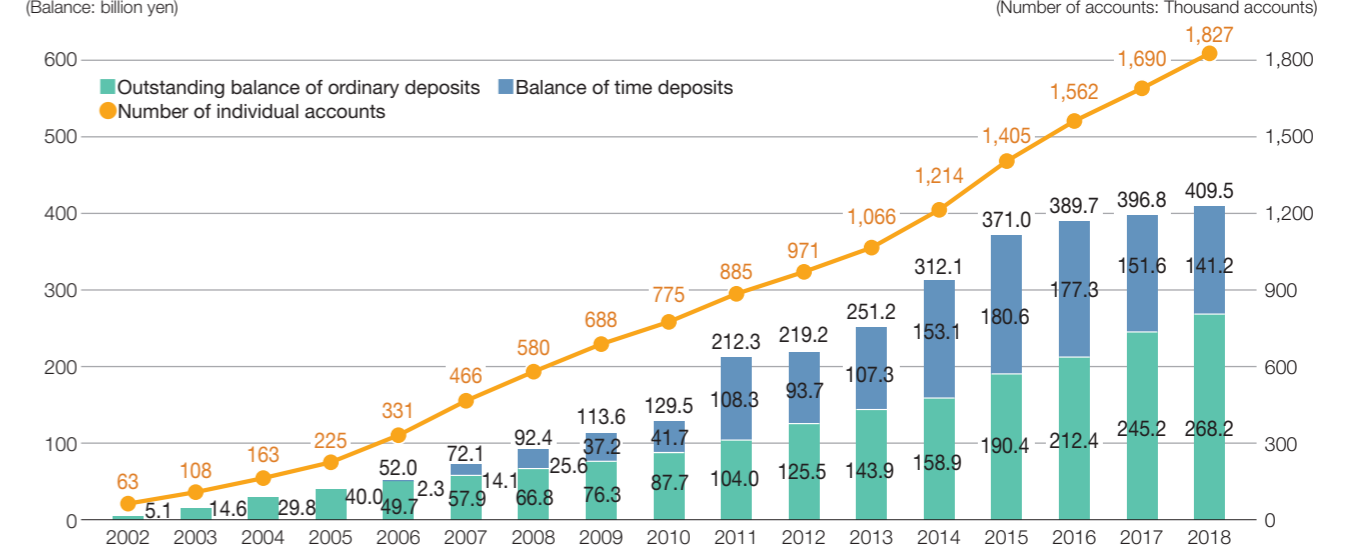
### Number of ATM Transactions by Business Category<sup>1</sup> Breakdown



<sup>1</sup> Number of transactions: Total number of deposits, withdrawals and money transfers. Balance inquiry, electronic money charge/balance confirmation, PIN number change, and usage limit change are not included.  
<sup>2</sup> Deposit-taking financial institutions: Banks (excluding Seven Bank), Shinkin banks, credit cooperatives, labor banks, the JA Bank, the JF Marine Bank, the Shoko Chukin Bank.  
<sup>3</sup> Other financial institutions, etc.: securities companies, life insurance companies, credit card companies, consumer finance companies, business loan providers, operating companies, cards issued overseas.

## Growth Trajectory of Seven Bank's Accounts (individuals)

### Growth in Total Balance and Number of Accounts (individuals) as of March 31



## Financial Highlights

### Changes in Profit/Loss (non-consolidated)

