



**SEVEN BANK, LTD.**

Annual Report **2015**

For the year ended March 31, 2015



# Innovations for Customer Convenience



## Profile

Seven Bank, Ltd. is a one-of-a-kind bank specializing in ATM services that was created in 2001 in response to requests from Seven-Eleven customers for in-store ATMs. Since it began operations in 2001, Seven Bank has kept a consistent focus on its customers' viewpoint in offering

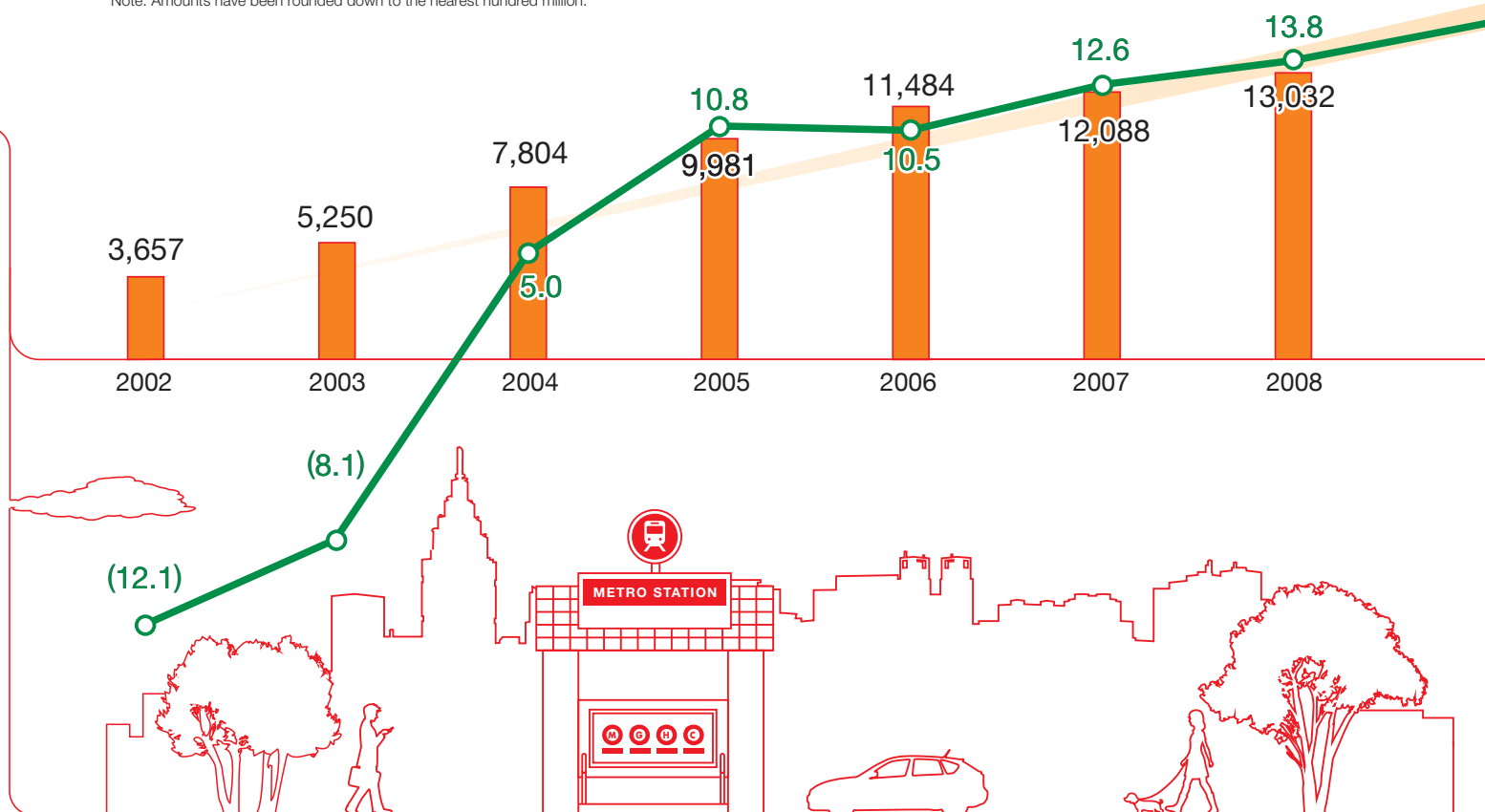
### Growth Trajectory

(Years ended March 31)

 Number of ATMs installed at end of term (Units)

 Non-consolidated net income (loss) (Billions of yen)

Note: Amounts have been rounded down to the nearest hundred million.



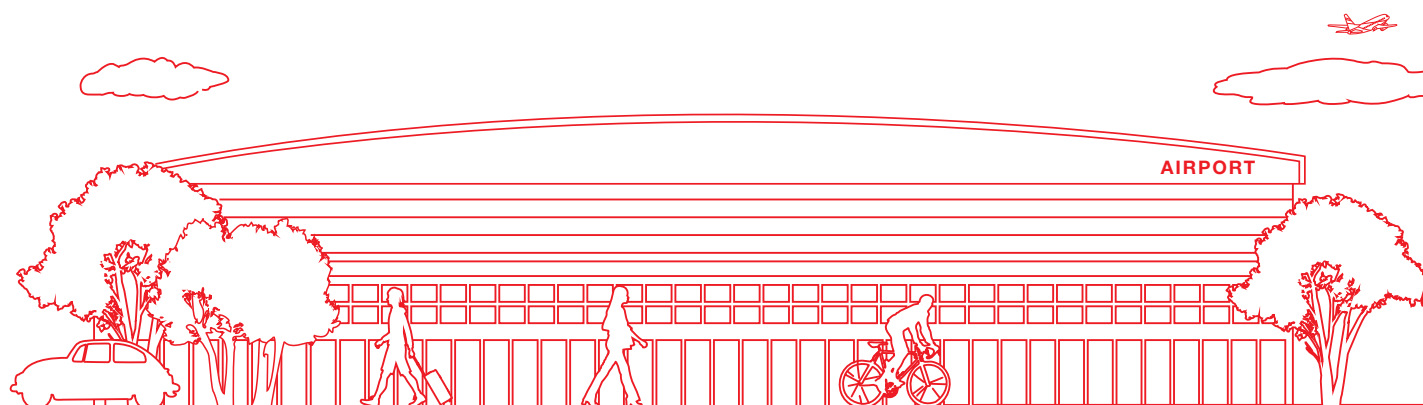
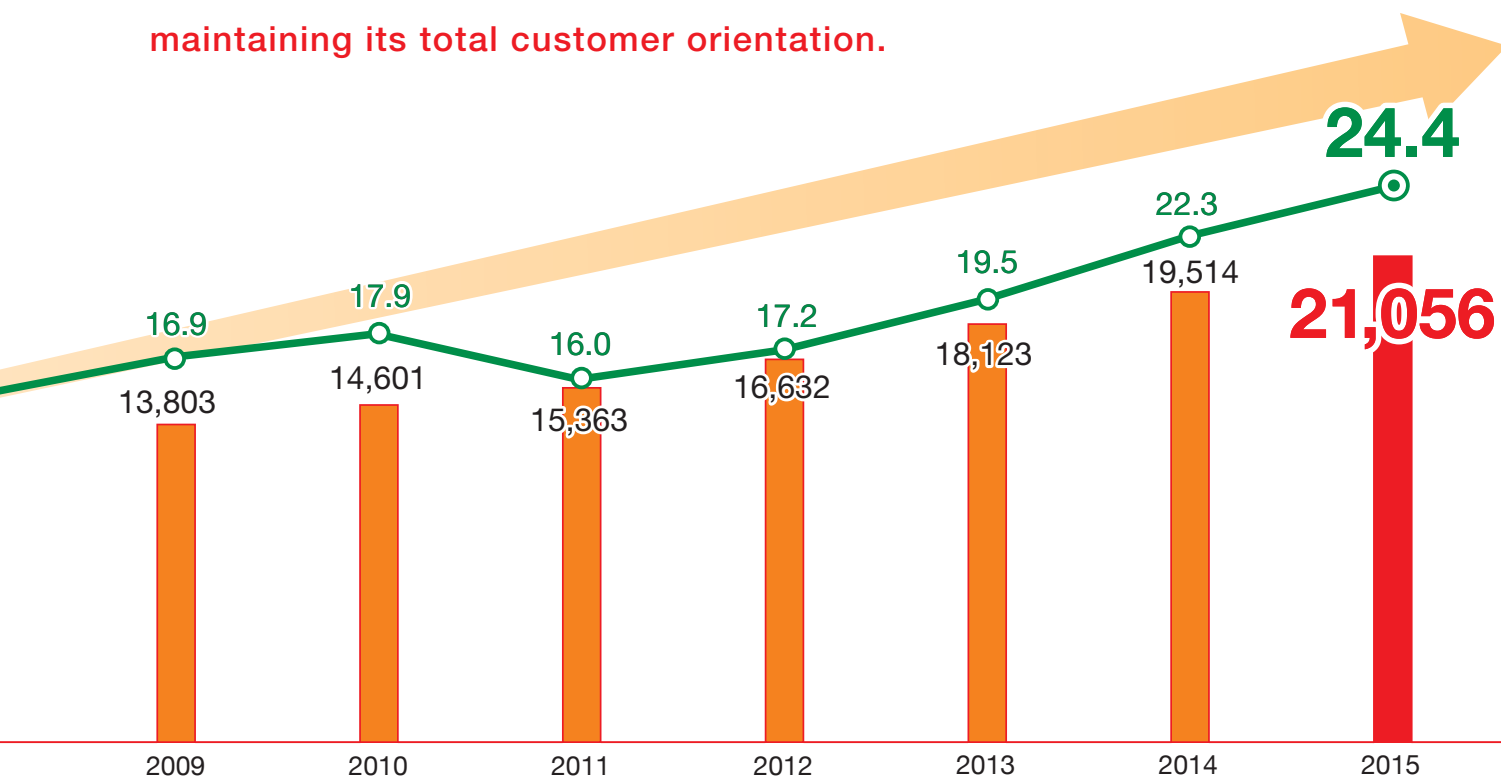
### Corporate Principles

1. We aspire to be a sincere company that is trusted by its customers.
2. We aspire to be a sincere company that is trusted by its shareholders, business partners and society.
3. We aspire to be a sincere company that is trusted by its employees.

### Management Ethos

1. Seven Bank strives to be a trustworthy bank that accurately meets its customers' needs.
2. Every single staff member will swiftly adopt the benefits of technological innovation and aim for self-improvement.
3. Seven Bank contributes to the stability and development of Japan's financial system by offering a safe and efficient transaction settlement infrastructure.

ATM services that can be accessed “anytime, anywhere, by anyone, and with safety and security” and in creating new services that build on those ATM services. Seven Bank will continue to evolve while maintaining its total customer orientation.



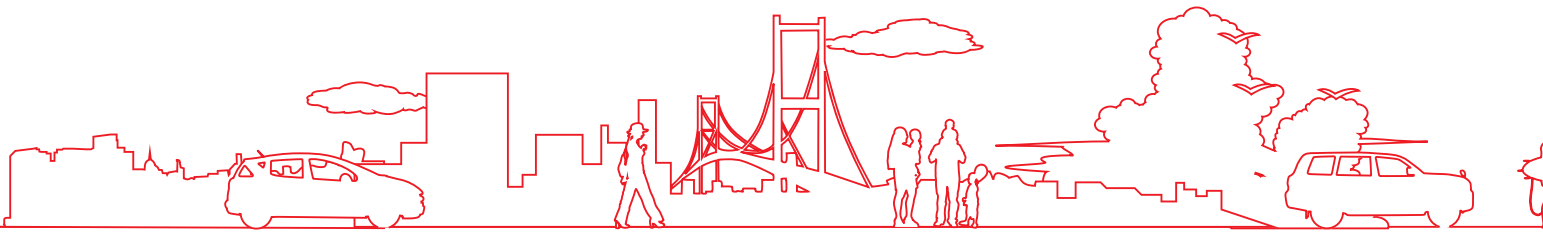
**Forward-looking Statements**

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.

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# Business Overview



## Customers

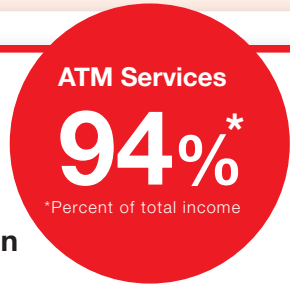
ATM services that can be accessed “anytime, anywhere, by anyone, and with safety and security” all over Japan

Account services that are easy to use, convenient, reasonably priced, and serve as an “instant wallet”

## Seven Bank’s Business Areas

### ATM Services

- ATM services through the stores of the Seven & i Holdings Group
- ATM services available from our machines in other public and commercial facilities
- Our own ATM corner facilities
- A full range of services for operating and managing the ATMs of other financial institutions



### < ATM Locations >

#### Seven & i Holdings Group

- Seven-Eleven
- Ito-Yokado
- Other companies

#### ATMs outside Group company premises

- |  |  |
|--|--|
| • Airports                               | • Commercial facilities                |
| • Railway stations and station buildings | • Office buildings and other locations |

### Bank Account Services

#### Services for individuals

- Time deposits
- Ordinary deposits
- Loans
- Online payment
- International money transfers
- Automatic payments

#### Services for corporations

- Acceptance of cash proceeds from sales
- Cash pickup and delivery services



Seven Bank operates an ATM business and a financial services business based on its network of ATMs and creates “new kinds of convenience” by expanding partnerships with financial institutions and partners. ATM usage fees collected from partner financial institutions in the ATM business account for 93% of Seven Bank’s total income.



## Partner Financial Institutions

### Deposit-taking financial institutions

- Banks
  - *Shinkin* banks
  - Credit cooperatives
  - Labor banks
  - JA Bank
  - JF Marine Bank
  - Shoko Chukin Bank

### Non-banks

- Securities companies
- Life insurance companies
- Credit card companies
- Credit companies
- Consumer finance companies
- Business loan providers
- Business companies

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**Contribution to improving the efficiency of the financial system**

**Creation of a symbiotic business model with partner financial institutions**

- Tie-ups for ATM use
- Full turnkey services for ATM operation and management
- Bank agency service





***We will increase our corporate value by continuing to provide customer-driven services that capitalize on our ATM infrastructure.***



安高 隆

**Takashi Anzai**  
Chairman and Representative Director



二子石 謙輔

**Kensuke Futagoishi**  
President and Representative Director

Seven Bank has achieved stable growth by developing an innovative business model of collecting ATM usage fee income from partner financial institutions. With our unique approach, we have built Japan's preeminent ATM network, which is highly valued by customers and partner financial institutions, and is indispensable to people's daily lives as part of Japan's social infrastructure.

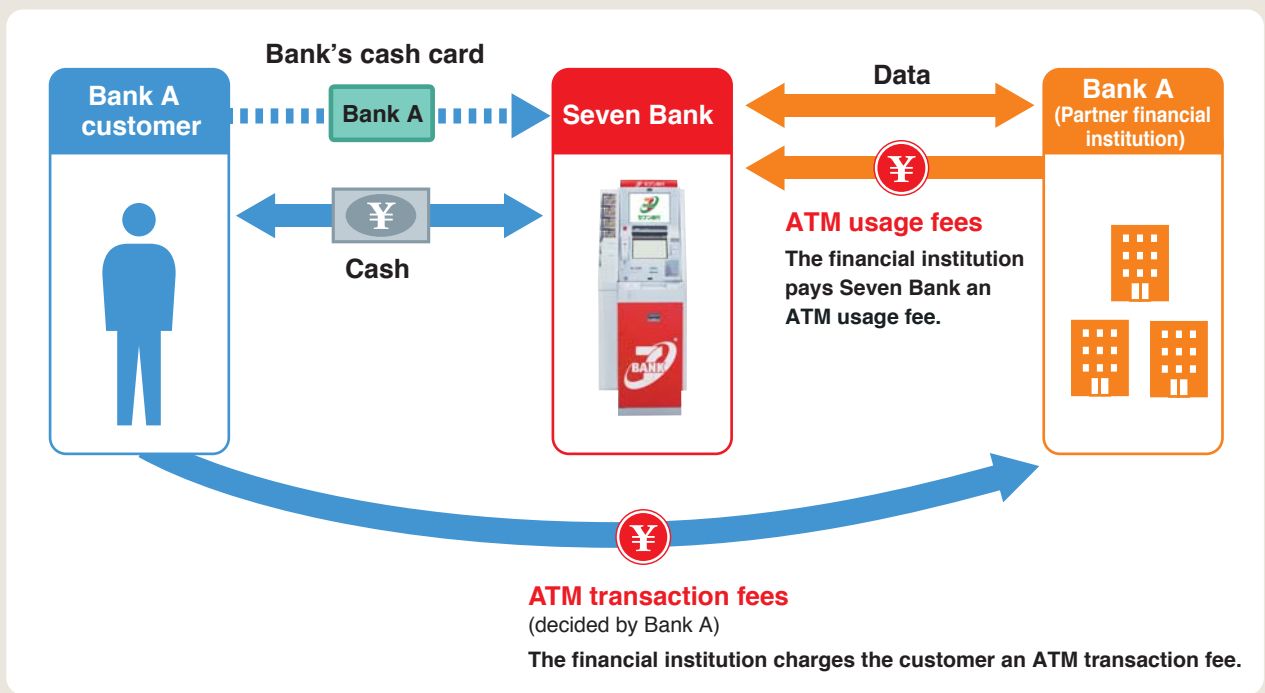
Targeting further growth, we are expanding our operating bases internationally as we continue to create new services from the perspective of our customers.

Seven Bank's ATM-based business has unlimited potential. We aim to increase our corporate value through expansion and growth while continuing to take on new challenges.

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

Seven Bank's ATM business originates from an ATM network that enables withdrawals and deposits "anytime, anywhere, by anyone, and with safety and security." We have built a unique business model founded on coexistence and co-prosperity that benefits not only the customers who use our ATMs but also our partner financial institutions.

## A One-of-a-Kind Bank with a Business Centered on ATM Usage Fees from Financial Institutions



### Benefits for Customers

#### Convenient ATM service hours and locations

- 24/365 availability
- Customers can use their usual bank card to access a network of 594 financial institutions
- No need to carry large sums of cash for business or leisure trips within Japan
- Access to identical services from any Seven Bank ATM throughout Japan

#### Safety and security

- Security due to installation in convenience stores

### Benefits for Financial Institutions

Access to nationwide network of ATMs operating 24/365 without the cost of owning ATMs

#### Utilization as own ATMs

- Each financial institution decides its own transaction fees
- Screens are identical to the financial institution's own ATMs



Marketing strategy that uses Seven Bank ATMs



We proactively partner with various financial institutions and non-banks so their customers can use whatever cards they hold at our ATMs. As of March 31, 2015, we had 594 partners among financial institutions throughout Japan.

## Partner Deposit-Taking Financial Institutions

### Banks by location of head office

#### Hokkaido/Tohoku region



#### Kanto region



#### Chubu region



#### Kinki region



#### Chugoku/Shikoku region





## Kyushu region



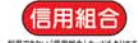
## Overseas banks



### Shinkin banks (262)



### Credit cooperatives (131)



### Labor banks (13)



### JA Bank



### JF Marine Bank



### Shoko Chukin Bank



## Non-Banks

### Securities companies



### Life insurance companies



### Credit card companies, credit companies, consumer finance companies, business loan providers, business companies



## Alliance Network

### Cards issued overseas (international brands)



Notes: 1. Some cards with the same marks are not accepted.  
2. As of July 1, 2015

### Back-Office Support for Our Partner Banks

Bank Business Factory Co., Ltd., a subsidiary mainly engaged in back-office support outsourcing, capitalizes on Seven Bank's know-how in the administration of banking office work to provide secure, high-quality operation services. As of July 2015, the company provided outsourcing services to four banks.

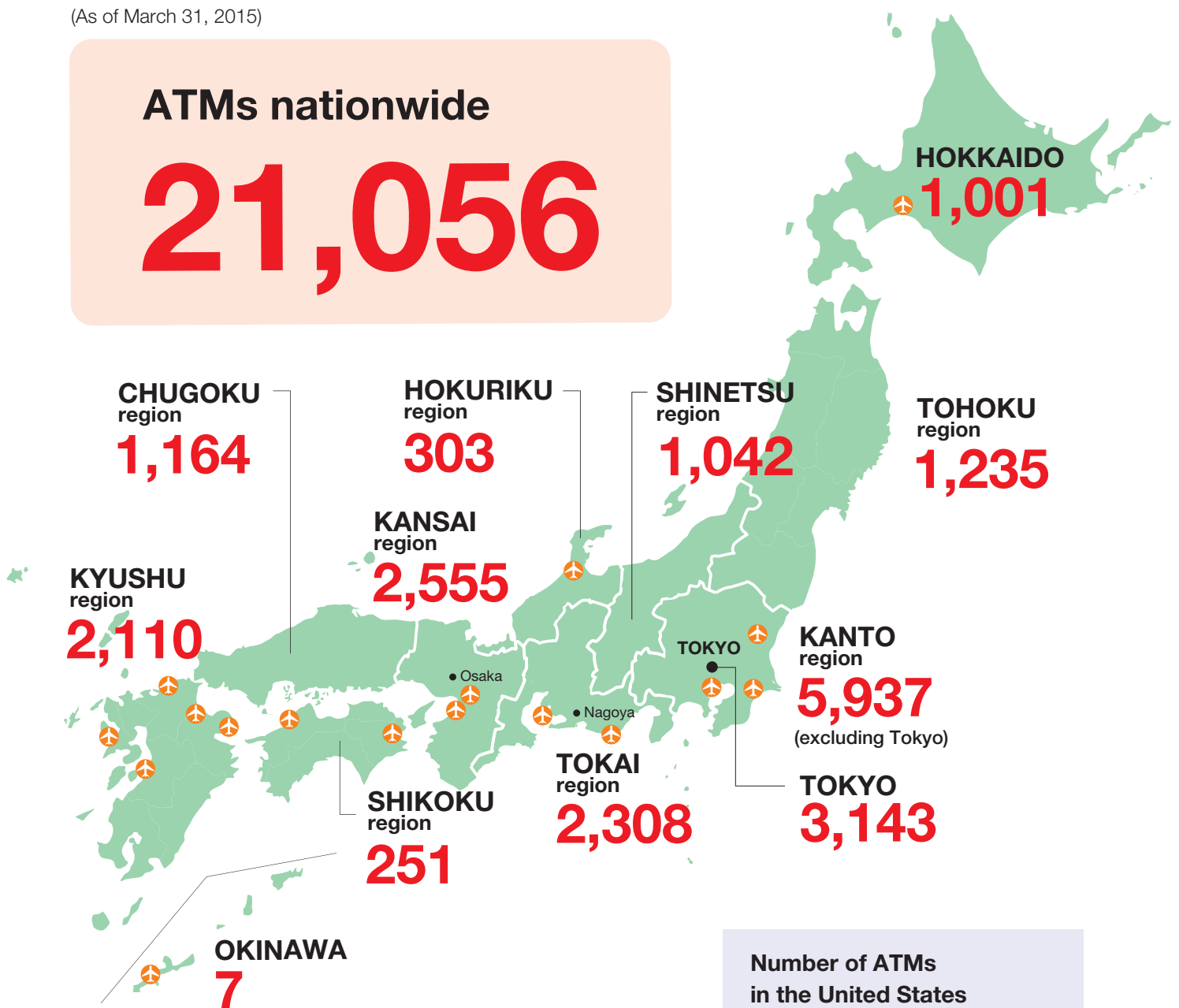


We have installed ATMs throughout Japan to provide close-by, convenient ATM services. In addition to installation at stores of the Seven & i Holdings Group – primarily Seven-Eleven, which holds the overwhelming top share of Japan’s convenience store market – we are expanding installations at commercial facilities, railway stations and elsewhere outside the Group. We have also expanded our operating bases to include the United States, where local subsidiary FCTI operates ATMs, and Indonesia.

(As of March 31, 2015)

**ATMs nationwide**

**21,056**



Number of ATMs in the United States

**6,377**

Airports with Seven Bank ATMs

## ATMs in Seven & i Holdings Group Locations

### Seven-Eleven stores



Seven-Eleven Stores with Multiple ATM Installations:

# 1,244

We are increasing multiple ATM installations so customers do not have to wait to use an ATM.

# 18,782

### Ito Yokado stores



# 315

### Other Group stores



# 238



## ATMs in Locations Outside the Seven & i Holdings Group

### Commercial facilities



749

### Partner financial institution branches



538

### Railway stations and station buildings



166

### Highway rest areas



53

### Airports



39

### Other locations



176

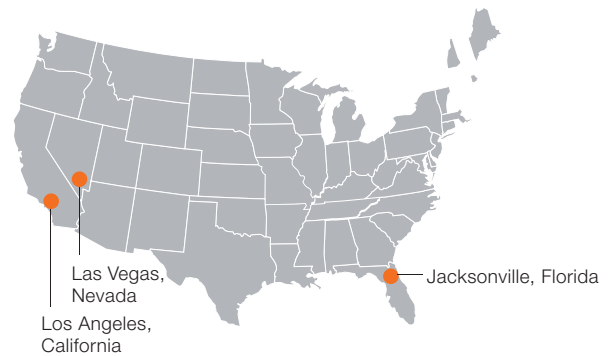
## International ATM Business

### Subsidiary in the United States (FCTI)



- In September 2013, Financial Consulting & Trading International, Inc. (“FCTI”), a wholly owned subsidiary headquartered in California, U.S.A., acquired the ATM business of another company.
- FCTI now operates approximately 6,300 ATMs and is building the infrastructure for a rollout of business nationwide.

#### Distribution of FCTI Bases



#### FCTI Results and Forecast (Non-consolidated)

(Millions of U.S. dollars)

	FY2013 Actual Results	FY2014 Actual Results	FY2015 Forecast	
			Full Year	Interim
Ordinary income	58.9	79.6	89.0	40.7
Ordinary expenses	58.6	77.8	86.9	39.9
Ordinary profit	0.3	1.7	2.1	0.7
Net income	1.0	1.0	1.3	0.4
EBITDA	6.4	8.0	10.0	4.1

Notes: 1. Amounts less than one unit have been truncated.  
2. EBITDA = ordinary profit + depreciation and amortization cost + interest expenses

#### Overview of U.S. Business Plan

	FY2013 Actual Results	FY2014 Actual Results	FY2015 Forecast
Number of ATMs installed at end of term (Units)	7,176	6,329	8,200
Number of directly owned ATMs (Units)	5,126	4,846	6,500
Total number of transactions (Millions)	24.6	38.0	45.0

Note: ATMs that are not directly owned belong to the owner of the facility where they are located.

### Joint Venture Company in Indonesia (ATMi)



- In June 2014, Seven Bank established a joint venture company in Indonesia that plans to begin ATM services in summer 2015.
- The company aims to install more than 3,000 ATMs over the next five years, mainly in the Jakarta area.

#### Overview of the Joint Venture Company

Name	PT. ABADI TAMBAH MULIA INTERNASIONAL
Abbreviated name	ATMi
Location	THE H TOWER BUILDING Lantai 17 Jl. HR. Rasuna Said Kav C 20 Jakarta, Indonesia
Shareholding ratio	Seven Bank: 70% PT. ALTO NETWORK: 30%

#### [Reference] ATMs per Million People

United States	1,500
Japan	1,400
Thailand	800
South Korea	2,500
Indonesia	300

Note: Seven Bank survey

Seven Bank conducts thorough system maintenance and enhances the functions of its network of approximately 21,000 ATMs operating 24/365 throughout Japan so that customers can use the ATMs safely and securely.

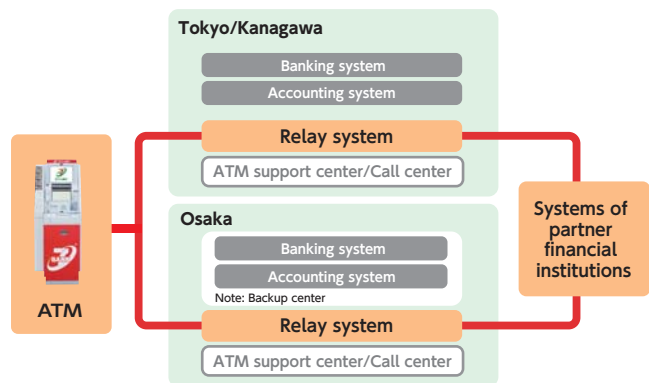
## A Network System That Achieves Stable Operation

Seven Bank has set up a secure network system that customers can use whenever they need it.

### Normal Conditions

#### 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 each ATM and work to maintain the proper amount of cash in each 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 Using Dedicated Lines

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 operate all ATMs and network systems in real time in cooperation with partner companies. Upon the occurrence of a breakdown or malfunction, a signal is automatically sent out, and we work to keep service downtime to a minimum with a speedy and accurate response.

#### Business Continuity in a Disaster

To continue operations even during a large-scale disaster or accident, Seven Bank has prepared a business continuity plan (BCP). In our BCP, we have defined three priority businesses that must continue to operate even in the event of a large-scale disaster or accident: the ATM business, the fund settlement business serving banks and ATM partners, and deposit, withdrawal and money transfer operations. During fiscal 2014, we successfully conducted a large-scale drill to maintain our three priority businesses using only our base in Osaka, assuming the suspension of functions in the Tokyo metropolitan area.



BCP drill



## ATMs for Safe Transactions

Many Seven Bank ATMs are installed in convenience stores, railway stations and other locations open to the general public. Consequently, we use various measures in the areas of design and function that prioritize secure use by customers. To help prevent unlawful use of ATMs, we accept IC cards for domestic bank transactions, and plan to expand service to include IC cards issued overseas during fiscal 2015.



### Camera

Records events when users forget to receive their ATM card or cash.



### Security Button

The security button quickly alerts the security operations center.



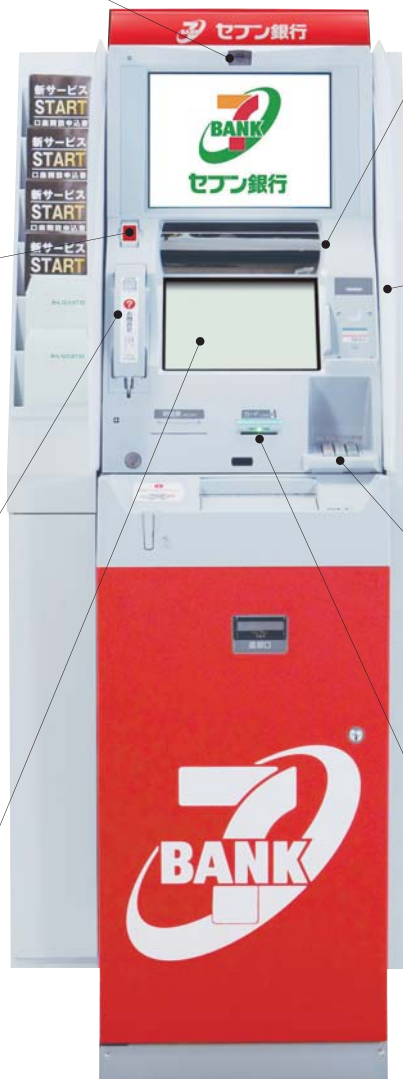
### Interphone

Customers experiencing problems can contact a call center using the interphone.



### ATM Screen

ATM displays have a special film so that the screen cannot be seen at an angle from the periphery.



### Mirror

A mirror lets users check behind themselves while using the ATM.



### Partitions

Users can adjust the partitions so that ATM operation cannot be viewed from the left or right.



### Keypad

The keypad is recessed to keep others from viewing input.



### Flashing Light and Warning Buzzer

A flashing light and stress-free warning buzzer make sure users do not forget to take their items.

# Enhancing Account Services for Individual Customers

Seven Bank offers account services for transactions including ordinary deposits, time deposits, loans and automatic payments using personal computers and cell phones as well as at Seven Bank ATMs throughout Japan.

## Time Deposits

Customers with a Seven Bank account 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 necessary amount for an early withdrawal.

## Ordinary Deposits

Customers can make deposits, withdrawals and other transactions 24 hours a day, 365 days a year, in principle. Transactions at Seven Bank ATMs are free of charge between 7 a.m. and 7 p.m, not only on weekdays, but also on Saturdays, Sundays and holidays.

## Loans

Customers can apply for a 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.

Note: Screening is required when applying for loan services.



## Online Payment

Customers can easily and securely make payments for online purchases from securities companies and web stores affiliated with Seven Bank's online payment service.

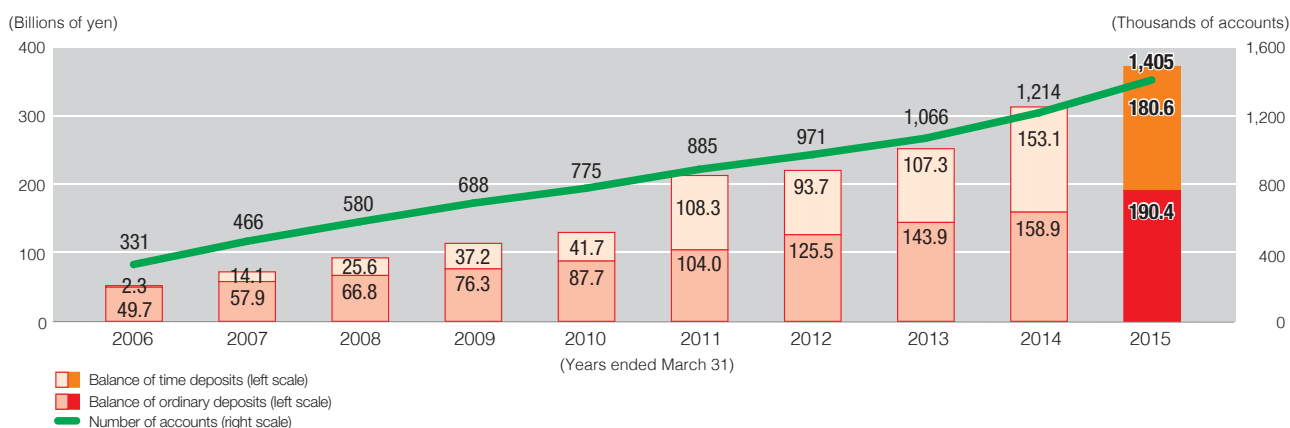
## International Money Transfers

Customers who want to send money from Japan to family or friends living overseas can make transfers to more than 500,000 locations in more than 200 countries and regions.

## Automatic Payments

This service makes it easy to pay credit card bills, cell phone fees, insurance premiums and other charges. Registered customers receive e-mail notices of payment details as well as notifications in the event payments exceed their account balance.

Balance of Time Deposits, Balance of Ordinary Deposits and Number of Accounts



## International Money Transfer Service

Seven Bank offers international money transfer services to meet the needs of foreigners living in Japan and Japanese with family or friends overseas.

### Features of International Money Transfer Service

- Transfers can be made 24/365, in principle, from a Seven Bank account using an ATM, personal computer, smartphone or cell phone
- Simple and reasonable transfer charges
- Money can be received at more than 500,000 locations affiliated with Western Union in more than 200 countries and regions. Direct transfers to bank accounts in China and the Philippines are also available from March 2015.
- As little as two to three minutes time from sending to receipt (When received at a Western Union-affiliated location)

The customer opens a Seven Bank account and registers the sender, recipient, etc.



Japan

**95% of transfers made from ATMs**

Seven Bank ATM



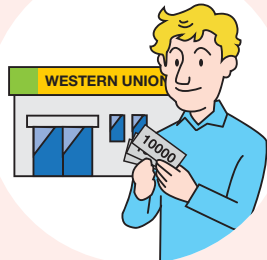
Cell phone



Personal computer/ Smartphone

### Overseas

After the transfer from the account, the recipient is given a money transfer control number (MTCN).



Recipient provides MTCN and receives money.

### A Support System in Nine Languages

We have built a system that foreign customers can use with peace of mind, with a help desk for international money transfers that provides support in nine languages: Japanese, English, Tagalog, Chinese, Portuguese, Spanish, Vietnamese, Indonesian and Thai.



ATM transaction screens in nine languages



Help desk for international money transfers



Explanatory video for ATM operation in nine languages

### International Money Transfer Service App

In September 2014, Seven Bank began offering a free international money transfer service app. The app's functions are displayed in nine languages, and can be downloaded on a smartphone to make it even easier to use the service. In addition to checking current exchange rates, viewing explanations of transfer procedures and searching locations where money can be received in countries worldwide, customers can receive a notification when the exchange rate reaches a previously set level.



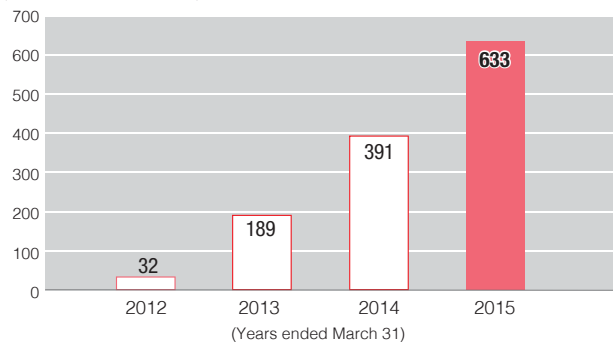
International money transfer service app screen



Language selection screen (9 languages available)

### Number of International Money Transfers

(Thousands of transactions)



# Financial Highlights

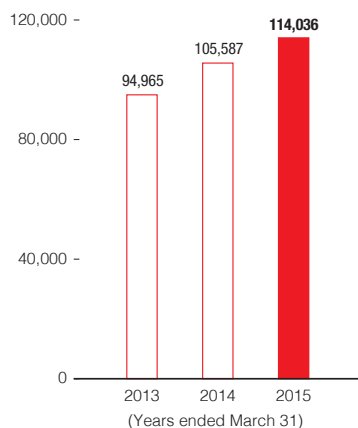
Seven Bank, Ltd. and consolidated subsidiaries for the years ended March 31, 2015, 2014, and 2013

## Consolidated

	Millions of yen		
	2015	2014	2013
<b>For the year:</b>			
Total income	¥114,036	¥105,587	¥ 94,965
Fees and commissions income	112,274	104,533	94,046
Fees and commissions expenses	19,174	16,291	12,217
Income before income taxes	36,842	34,758	31,370
Net income	23,220	21,236	19,377
EBITDA (Note 1)	53,289	48,279	45,872
<b>At year-end:</b>			
Total assets	¥856,415	¥790,377	¥812,531
Deposits	502,173	438,348	394,615
Total liabilities	686,525	636,968	674,486
Total net assets	169,890	153,408	138,045
Yen			
<b>Per share data:</b>			
Net income	¥ 19.49	¥ 17.83	¥ 16.27
Net assets	142.24	128.49	115.66
Dividends	8.00	7.50	6.75
<b>Management indicators:</b>			
EBITDA margin (%) (Note 2)	46.7	45.7	48.3
Return on equity (ROE) (%) (Note 3)	14.4	14.6	14.7
Return on assets (ROA) (%) (Note 4)	2.8	2.6	2.6
Tier 1 capital ratio (Domestic standard) (%)	50.53	45.27	43.13
Payout ratio (%)	41.0	42.0	41.4

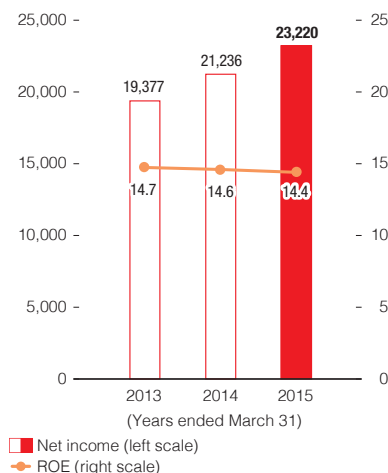
### Total Income

(Millions of yen)



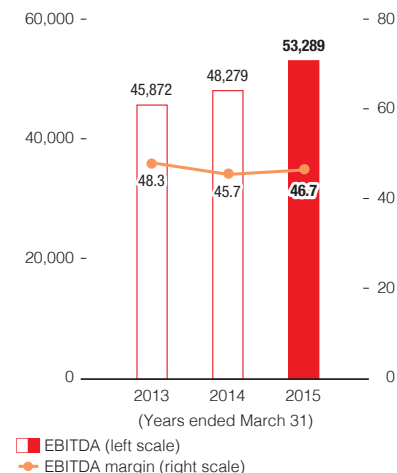
### Net Income/ROE

(Millions of yen)



### EBITDA/EBITDA Margin

(Millions of yen)

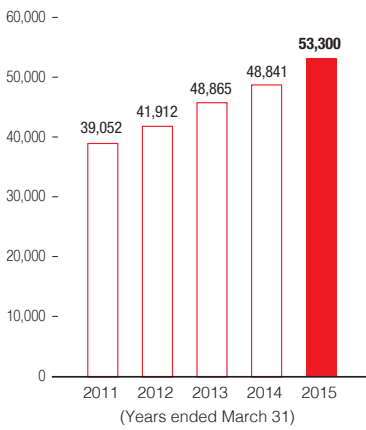


- Notes: 1. EBITDA = ordinary profit (Japanese GAAP) + depreciation and amortization  
 2. EBITDA margin = EBITDA/ordinary income (Japanese GAAP)  
 3. Return on equity = net income/average total shareholders' equity  
 4. Return on assets = net income/average of total assets

## Non-consolidated

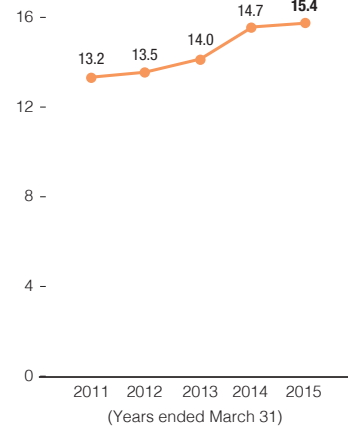
### EBITDA

(Millions of yen)



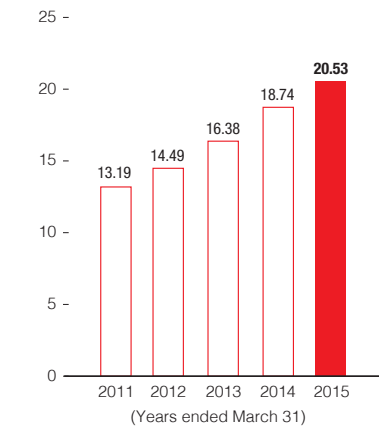
### ROE

(%)



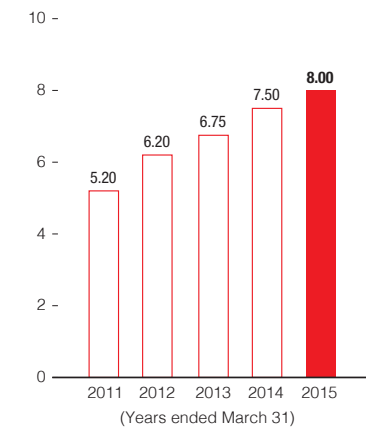
### Earnings Per Share (EPS)

(Yen)



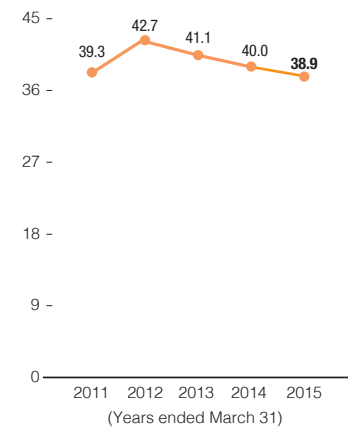
### Dividends

(Yen)



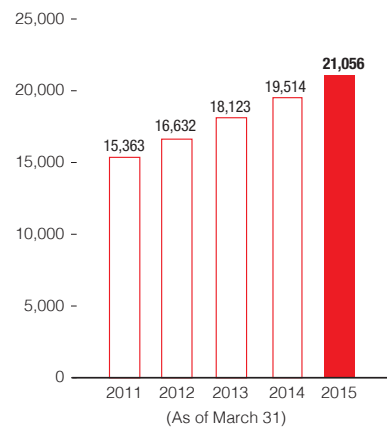
### Payout Ratio

(%)



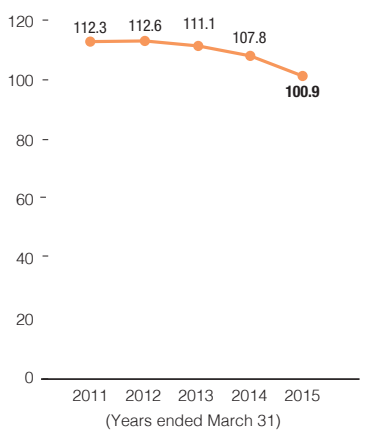
### Number of ATM Installations

(ATMs)



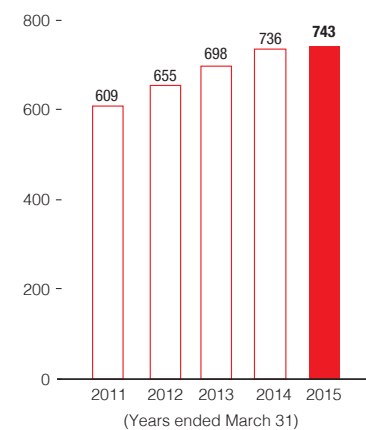
### Daily Average Transactions per ATM

(Transactions/ATM/Day)



### Total Number of Transactions

(Millions of transactions)



### Credit Ratings

Standard & Poor's

**AA-**

Rating & Investment  
Information, Inc.

**AA**

## Non-consolidated Eleven-Year Summary of Selected Financial Data

	2015	2014	2013	2012
For the year:				
Total income	¥105,648	¥ 99,832	¥ 94,105	¥ 88,318
Fees and commissions income	104,015	98,892	93,242	87,711
Fees and commissions expenses	14,131	12,911	11,765	10,705
Income before income taxes	38,086	36,135	31,512	29,300
Net income	24,457	22,325	19,515	17,267
EBITDA (Note 1)	53,300	48,841	45,865	41,912
Depreciation of fixed assets	15,096	11,699	13,852	12,355
At year-end:				
Total assets	¥850,369	¥785,380	¥809,465	¥652,956
Deposits	502,173	438,348	394,615	372,271
Total liabilities	683,554	634,237	672,374	527,326
Total net assets	166,814	151,142	137,091	125,629
Per share data (Note 2):				
Net income	¥ 20.53	¥ 18.74	¥ 16.38	¥ 14.49
Net assets	139.68	126.59	114.86	105.30
Dividends (Note 3)	8.00	7.50	6.75	6.20
Management indicators:				
EBITDA margin (%) (Note 4)	50.5	48.9	48.7	47.4
Return on equity (ROE) (%) (Note 5)	15.4	14.7	14.0	13.5
Tier 1 capital ratio (Domestic standard) (%)	54.01	52.47	50.13	53.25
Return on ATM cash (%) (Note 6)	7.08	6.58	6.61	7.04
Payout ratio (%)	38.9	40.0	41.1	42.7
ATM indicators:				
Number of ATM installations	21,056	19,514	18,123	16,632
Daily average transactions per ATM (Transactions)	100.9	107.8	111.1	112.6
Total number of transactions (Millions of transactions)	743	736	698	655

Notes: 1. EBITDA = ordinary profit (Japanese GAAP) + depreciation and amortization

2. On December 1, 2011, Seven Bank conducted a 1,000-for-1 stock split. Per share data for previous fiscal years have been restated to reflect the change.

3. The year-end dividend for the fiscal year ended March 31, 2012 included an extra 1 yen to commemorate the Bank's listing on the First Section of the Tokyo Stock Exchange.

4. EBITDA margin = EBITDA/ordinary income (Japanese GAAP)

5. Return on equity = net income/average total shareholders' equity

6. Return on ATM cash = (ATM-related fee income - interest expenses - ATM placement fees - general and administrative expenses)/daily average balance of cash and due from banks



Millions of yen

	2011	2010	2009	2008	2007	2006	2005
¥	83,964	¥ 88,830	¥ 89,842	¥ 83,667	¥ 75,427	¥ 64,628	¥ 47,967
	83,644	88,350	88,741	82,471	74,875	63,973	47,917
	10,011	9,691	9,183	8,328	6,491	4,845	3,753
	26,999	30,306	28,736	23,343	21,009	16,601	9,944
	16,008	17,953	16,988	13,830	12,667	10,590	10,843
	39,052	43,253	44,153	36,141	30,433	23,720	13,649
	11,603	12,846	15,402	11,491	5,412	4,311	3,574

¥600,061	¥502,782	¥493,360	¥488,137	¥532,757	¥361,338	¥313,305
333,382	219,008	229,311	219,138	275,136	196,880	189,776
485,522	392,843	394,966	399,162	458,907	294,257	256,797
114,539	109,939	98,393	88,974	73,849	—	—

Yen

¥	13.19	¥ 14.71	¥ 13.92	¥ 11.80	¥ 10.73	¥ 8.68	¥ 8.88
	96.05	90.03	80.61	72.93	63.31	54.98	46.31
	5.20	5.20	4.90	4.20	5.00	—	—
	46.5	48.6	49.1	43.1	40.3	36.7	28.4
	13.2	16.1	16.9	16.8	17.0	15.8	21.1
	51.19	49.58	45.99	43.86	37.91	233.35	182.20
	7.58	9.05	8.30	7.83	8.73	6.26	3.71
	39.3	35.3	35.1	35.5	46.5	—	—
	15,363	14,601	13,803	13,032	12,088	11,484	9,981
	112.3	114.4	114.3	109.0	97.8	88.2	76.6
	609	590	555	498	418	342	257

## Interview with President Kensuke Futagoishi



**Offering convenience to customers is the source of growth for Seven Bank. We will grow as we continue to create new value.**

**Kensuke Futagoishi**  
President and  
Representative Director

### Q1

**Looking back at fiscal 2014, what is your personal evaluation of the year?**

**It was a year of achieving acceptable results, as we recorded our fourth consecutive year of increases in revenues and profits under severe conditions.**

The operating environment was severe in fiscal 2014, as our partner financial institutions began charging customer transaction fees and we recorded depreciation expenses associated with the switchover to third-generation ATMs, among other factors. However, we recorded our fourth consecutive year of increases in revenues and profits, so I view fiscal 2014 as a year of achieving acceptable results.

The main factor in our revenue and profit growth is an increase in the number of ATMs installed and the total number of transactions. This was due to both the opening of new Seven-Eleven stores and our progress in proactively installing ATMs outside the Seven & i Holdings Group (the “Group”) at airports, train stations and elsewhere. In the financial services business, we saw expansion in the field of account-related services such as international

money transfers and personal loans. Fee income from banks and other financial institutions accounts for about 93% of our revenue, but revenue from these account-related services is growing year on year. We hope to increase their proportion to between 10% and 20% in the future.

Moreover, in June 2014, we established a new back-office support outsourcing company that provides its services to other financial institutions. Together with Financial Consulting & Trading International, Inc. ("FCTI"), a subsidiary we acquired in 2012, and a joint venture we established in Indonesia in 2014, we were able to roll out our services to build an infrastructure in Japan and overseas during fiscal 2014.

## Q2

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**The ATM business is the mainstay of your operations. How do you intend to promote its growth in the future?**

**While further increasing the number of installations within the Group, we will proactively promote installations outside the Group that capitalize on our benefits for overseas tourists visiting Japan.**

The key to future growth in the ATM business lies in increasing the number of units installed. We plan to operate 22,000 ATMs by March 31, 2016, a net increase of approximately 1,300 units compared with the end of fiscal 2014.

Of this amount, we expect the number of ATMs within the Group to grow in proportion to the increase in the number of Seven-Eleven stores, since ATMs are an indispensable feature of the stores. In addition, we plan to have 1,550 ATMs at stations of Tokyo Metro subway lines, other banks and elsewhere outside the Group by the end of fiscal 2015, for a net increase of approximately 300 units during the year. The expansion of installations outside the Group is backed by the accelerating inbound demand from overseas tourists visiting Japan. Seven Bank began accepting cards issued overseas in 2007, and initially recognition was slow to build, but use has risen rapidly in tandem with the increase in overseas visitors to Japan in recent years. These visitors are very happy with Seven Bank's ATMs, which offer round-the clock service with transaction screens and receipts in four languages for secure withdrawals in Japanese yen using cards issued overseas. Demand for new installations is rising rapidly against this backdrop.

I believe this demand will enable Seven Bank to achieve co-existence and co-prosperity with other banks using a business model that clearly differentiates Seven Bank from other banks. We will continue to clearly ascertain our break-even point while working to lower it as far as we can to continue to meet customer needs to the fullest extent possible.

# Q3

## **Tell us about Seven Bank's financial services business.**

**We will work for the growth of existing services and the development of new services that offer convenience for customers.**

In addition to cash withdrawals and deposits, we currently offer services including personal loans, international money transfers and acceptance of corporate customers' cash proceeds from sales at Seven Bank ATMs. These services are growing smoothly, with the international money transfer service in particular expanding notably. We expect further growth in the future with the increase in foreign workers from ASEAN and other countries in Japan. We will work to increase convenience with Internet-based services including a smartphone app and service in more languages.

In addition to expanding these existing services, we will develop new services that originate from customer needs. In developing new services, starting with the fourth-generation ATM that is now under development, I have told our employees to discard the concept of an ATM as a machine that handles cash. Even amid the progress of the cashless society, I think we can assume that the ingrained culture and customs of using cash will not die out so easily. Nevertheless, even in a world without cash, we can handle many needs by viewing an ATM as a single contact point for financial services that is close by and can be used safely around the clock. We could partner with Internet-based service companies in addition to banks, and our partners can view Seven Bank ATMs as part of their own networks. There are most likely transactions and services that can be conducted conveniently and safely because our ATMs are located in Seven-Eleven stores, where goods are sold. I believe the possibilities are limitless.



## Q4

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**How is Seven Bank's international expansion progressing?**

**We will develop our international businesses into a pillar of further growth by establishing new business models that take account of local characteristics.**

About two years have passed since we acquired FCTI in anticipation of installing our ATMs in 7-Eleven stores in the United States. During that time, we have been able to achieve profitability on a non-consolidated basis and reinforce its management foundation. Moreover, we have learned quite well that ATMs in the United States and Japan have completely different characteristics in areas such as transaction volume, methods of use and profitability. To strengthen the ATM business in the United States, we need to establish a new model that can achieve both quality and profitability. We intend to create this model using the expertise we have accumulated over more than a decade in Japan. As we enter a phase of increasing our added value, we plan to reduce costs through improvements in operating efficiency in addition to expanding profit by increasing the number of ATMs installed. I am still unable to report anything about installations in U.S. 7-Eleven stores, but in consideration of the time constraints, we are making our best efforts to enter into an agreement soon.

As for our subsidiary in Indonesia, only about a year has passed since it was established, so there is still some way to go. It is a market with unlimited potential, but we are still at the stage of searching out installation locations one by one and earning trust while building up a track record. As for new services, things will speed up once we get on track, but until then it is an arduous process. Our future is linked to our ability to withstand these conditions, so we will be persistent in consolidating our foundation.

## Q5

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**Please explain your outlook for results in fiscal 2015 and Seven Bank's dividend policy.**

**We forecast another year of increases in revenues and profits and ongoing stable dividends.**

We expect continued increases in revenues and profits in fiscal 2015, with a forecast of 121.0 billion yen in total income and 24.8 billion yen in net income attributable to owners of the parent on a consolidated basis.

Our basic policy on returns to shareholders is to provide stable and sustained cash dividends, emphasizing an appropriate return of profits while considering an appropriate balance with retained earnings. We target a minimum consolidated payout ratio of 35%. In fiscal 2014, we increased annual dividends per share by 0.50 yen from the previous fiscal year to 8.00 yen in light of our business

results. For fiscal 2015, we plan to pay annual dividends at the same level of 8.00 yen per share, consisting of annual and year-end dividends of 4.00 yen per share each. In addition, Seven Bank views return on equity (ROE) as a key performance indicator and sets great store on its level. Single-digit ROE is typical among financial companies, but Seven Bank's ROE was 14.4%, and we intend to maintain it at the 13%-14% level.

## Q6

**What can you tell us about your aspirations for the future and the points you will be emphasizing in corporate management?**

**We will continue to take our customers' perspective while keeping our focus both on the future and on-site.**

I am conscious of keeping my focus both on the future and on-site at all times. In our business, the results of what we are doing at the moment will not materialize in the same year. The current year's performance is the result of work we did years ago. That is why we must keep our focus on the future, ten or twenty years from now, when the things we do today will lead to results. At the same time, I feel that keeping our focus on-site, where our staff is working and our customers are using our services, sharpens our imagination for looking into the future.

By aiming to provide convenience to customers while constantly looking ahead as a financial services business with the advantages of a bank, we aim to establish a presence that is not so much number one in its industry as the only one of its kind.

June 2015

### **Update** (As of July 7, 2015)

Since conducting this interview, there has been a change in the circumstances of Seven Bank's business in the United States, which was discussed in question four.

On July 7, 2015, Seven Bank announced that FCTI had executed an ATM Placement Agreement with 7-Eleven, Inc. Under this agreement, from July 2017 FCTI will be able to install and operate ATMs in 7-Eleven stores in the United States. We believe that this will result in the expansion of business scale as well as better cost competitiveness and profitability, which will further accelerate the growth of the business.

Please see "Subsequent Events" on page 74 for more details on this matter.



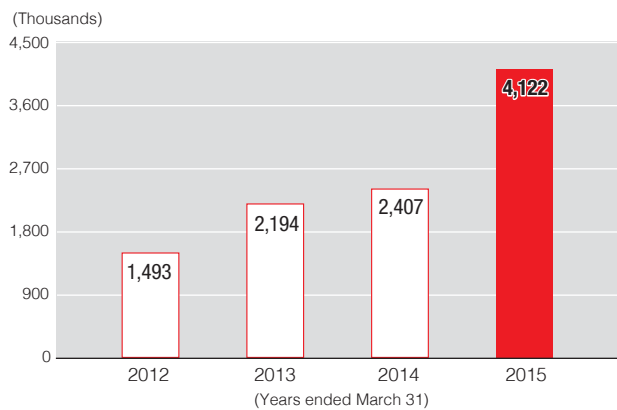
## Dealing with Inbound Demand: ATMs That Handle Cards Issued Overseas

The Japanese government aims to promote Japan as a tourist destination, and is working to set up conditions to handle its target of an annual 20 million overseas visitors to Japan by 2020. The number of ATMs in Japan that can handle cash cards, credit cards and other cards issued overseas is limited. However, withdrawals of Japanese yen can be made using cards issued overseas at Seven Bank ATMs, making them

very appealing to visitors to Japan.

In fiscal 2014, the number of transactions using cards issued overseas exceeded four million, a substantial increase from the previous fiscal year.

### Number of Transactions Using Cards Issued Overseas



## Increasing ATM Functions

Seven Bank is working to increase the functions of its ATMs. In addition to displaying guidance from the call center after a set period has elapsed without input in case the customer needs assistance operating the ATM, we are enhancing the language capability of our ATM screens, receipts and ATM voice instructions. In December 2015, we plan to add service in eight new languages for a total of 12 languages.

## Working to Raise Brand Awareness

We conduct promotional activities in various locations to raise awareness of the Seven Bank brand. We began advertising in 15 airports and seaports throughout Japan in February 2015 in addition to placing ads at 14 stations on 24 railway lines in the Tokyo metropolitan area in February and March 2015. These advertisements were all written in foreign languages (English, simplified and traditional Chinese and Korean) to raise awareness of Seven Bank's services among visitors to Japan from overseas.



Advertisements in a railway station



Advertisements in an airport

# Corporate Governance

## Corporate Governance

### Corporate Governance Policy

Seven Bank (the "Bank") recognizes that good corporate governance plays a vital role in raising its corporate value. The Bank works to maintain and improve its corporate governance and compliance systems in order to ensure swift managerial decision making, clarify the roles and responsibilities of executives and employees, maintain effective management oversight, and ensure equitable operations.

### Corporate Governance Initiatives

#### 1. Details

As of March 31, 2015, the Board of Directors consisted of 11 directors, including five outside directors. The Board of Directors meets at least once a month to decide on the Bank's basic operational policies and important operational issues, and to supervise the execution of directors' duties.

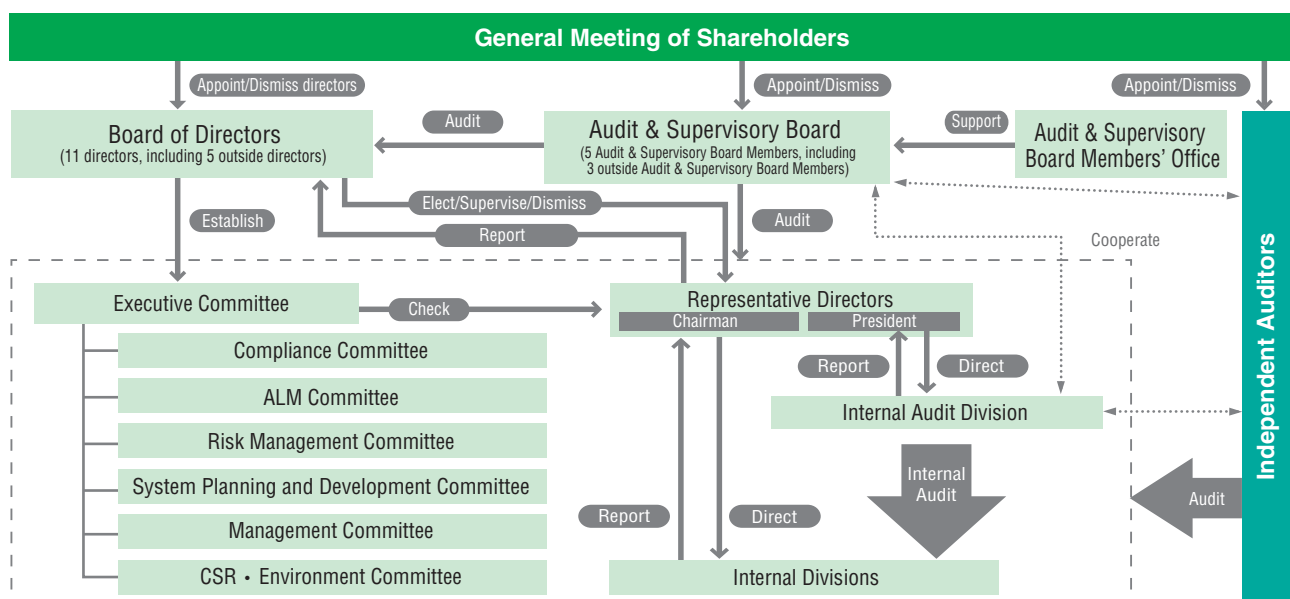
The Board of Directors has established an Executive Committee as a deliberative body concerned with operational implementation within the scope delegated by the Board of Directors. In principle, the Executive Committee meets on a weekly basis to supervise the formulation or amendment of business plans; the acquisition and disposal of assets; credit provision-related issues; the payment of debts and expenses; credit management issues; rewards and sanctions for employees; issues related to working

conditions and benefits; the establishment, change, and abolition of elements of the organization; and the formation, revision, and elimination of 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.

As of March 31, 2015, the Audit & Supervisory Board consisted of five Audit & Supervisory Board Members, including three outside Audit & Supervisory Board Members. The Audit & Supervisory Board meets, in principle, at least once a month to deliberate and make decisions regarding important auditing-related issues reported to it. The Audit & Supervisory Board convenes with a representative director and the Internal Audit Division on a regular basis to exchange opinions and make requests as deemed necessary on issues the Bank is addressing, issues related to 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 the status of fulfillment of legal obligations, including the duty of care of a good manager and the duty of loyalty, with regard to resolutions of the Board of Directors and other decision making by directors.

### Corporate Governance Organization

(As of March 31, 2015)



## 2. Preparation of Internal Control Systems

The Board of Directors decided on May 8, 2006 to implement system upgrades stipulated in Company Law Article 362, Paragraph 4, Item 6. Details of this decision are reviewed each fiscal year in a Progress Review.

### Oversight or Audits by Outside Directors or Outside Audit & Supervisory Board Members; Cooperation with Internal Audits, Audit & Supervisory Board Audits and Accounting Audits; and Relationship with the Internal Control Department

The outside Audit & Supervisory Board Members are responsible for asking frank questions and submitting their opinions to the Representative Directors and Board of Directors from an independent standpoint, in keeping with their independence and reasons for appointment. To fulfill these responsibilities, the outside Audit & Supervisory Board Members receive information gathered by the full-time Audit & Supervisory Board Members, who are responsible for ensuring the effectiveness of audits in cooperation with the Internal Audit Division and the department in charge of internal control functions. In addition, the Audit & Supervisory Board, which is composed of all Audit & Supervisory Board Members including outside Audit & Supervisory Board Members, regularly exchanges opinions with the accounting auditors for mutual collaboration.

The outside directors do not collaborate with the Internal Audit Department, accounting auditors and Internal Control Department directly. However, they fulfill their management oversight function from a position of independence from business execution based on their reasons for appointment and on the questions and opinions submitted at Board of Directors meetings by outside Audit & Supervisory Board Members, who share information with the full-time Audit & Supervisory Board Members who collaborate with those departments.

### Approach to Roles and Appointment of Outside Directors and Outside Audit & Supervisory Board Members

#### A. OUTSIDE DIRECTORS

Mr. Yoji Ohashi was appointed in order to utilize his experience and insight as Representative Director of ANA Holdings Inc. and as Vice Chairman of the Japan Business Federation (Nippon Keidanren) in the Bank's management. In addition, the Bank has notified the Tokyo Stock Exchange that Mr. Ohashi is an independent officer as stipulated by said exchange.

Ms. Yuko Miyazaki was appointed in order to utilize her legal knowledge and extensive experience as an attorney at law specializing in tax law and corporate legal affairs in the Bank's management.

Mr. Shuji Ohashi was appointed in order to utilize his specialized knowledge as a certified public accountant, broad insight as a management consultant and extensive experience as a company manager in the Bank's management. In addition, the Bank has notified the Tokyo Stock Exchange that Mr. Ohashi is an independent officer as stipulated by said exchange.

Ms. Yuri Okina was appointed in order to utilize her many years of research into financial systems and financial administration and her experience on the Financial System Council of the Financial Services Agency in the Bank's management. In addition, the Bank has notified the Tokyo Stock Exchange that Ms. Okina is an independent officer as stipulated by said exchange.

#### B. OUTSIDE AUDIT & SUPERVISORY BOARD MEMBERS

Mr. Tetsuya Katada was appointed in order to oversee the Bank's management in general, utilizing his extensive experience as a corporate manager, his broad insight in various economic organizations and his many years of experience in monetary policy deliberations. In addition, the Bank has notified the Tokyo Stock Exchange that

## Compensation of Directors and Audit & Supervisory Board Members in the Fiscal Year Ended March 31, 2015

(Millions of yen)

	Number of Recipients	Amount of Compensation				
			Basic Remuneration	Stock Options	Bonuses	Retirement Benefits
Directors (excluding outside directors)	6	342	271	71	—	—
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	2	41	41	—	—	—
Outside Directors and Outside Audit & Supervisory Board Members	8	70	70	—	—	—

Mr. Katada is an independent officer as stipulated by said exchange.

Ms. Naomi Ushio was appointed in order to oversee the Bank's management in general, utilizing her expert knowledge and insight as a university professor. In addition, the Bank has notified the Tokyo Stock Exchange that Ms. Ushio is an independent officer as stipulated by said exchange.

Mr. Kunihiro Matsuo was appointed in order to oversee the Bank's management in general, utilizing his insight accumulated over many years as a public prosecutor and his experience as an outside director and outside auditor at other companies in the Bank's auditing. In addition, the Bank has notified the Tokyo Stock Exchange that Mr. Matsuo is an independent officer as stipulated by said exchange.

### Policy for Determining the Amount and Method of Calculation of Compensation for Directors and Audit & Supervisory Board Members

Compensation for directors and Audit & Supervisory Board Members of the Bank is determined by taking into consideration factors including contribution to the Bank, content and importance of duties, performance of duties, and years in office.

The Bank has established the Compensation Committee, which is chaired by an outside director and composed of one independent outside director, one non-executive director and two representative directors, as an organization that makes proposals for the system of compensation for directors and Audit & Supervisory Board Members and specific amounts of compensation (including stock option compensation). The Compensation Committee proposes to the Board of Directors specific amounts of compensation for directors, within the annual limits for directors' compensation and stock option compensation approved by the General Meeting of Shareholders, and the final decision is made by resolution of the Board of Directors.

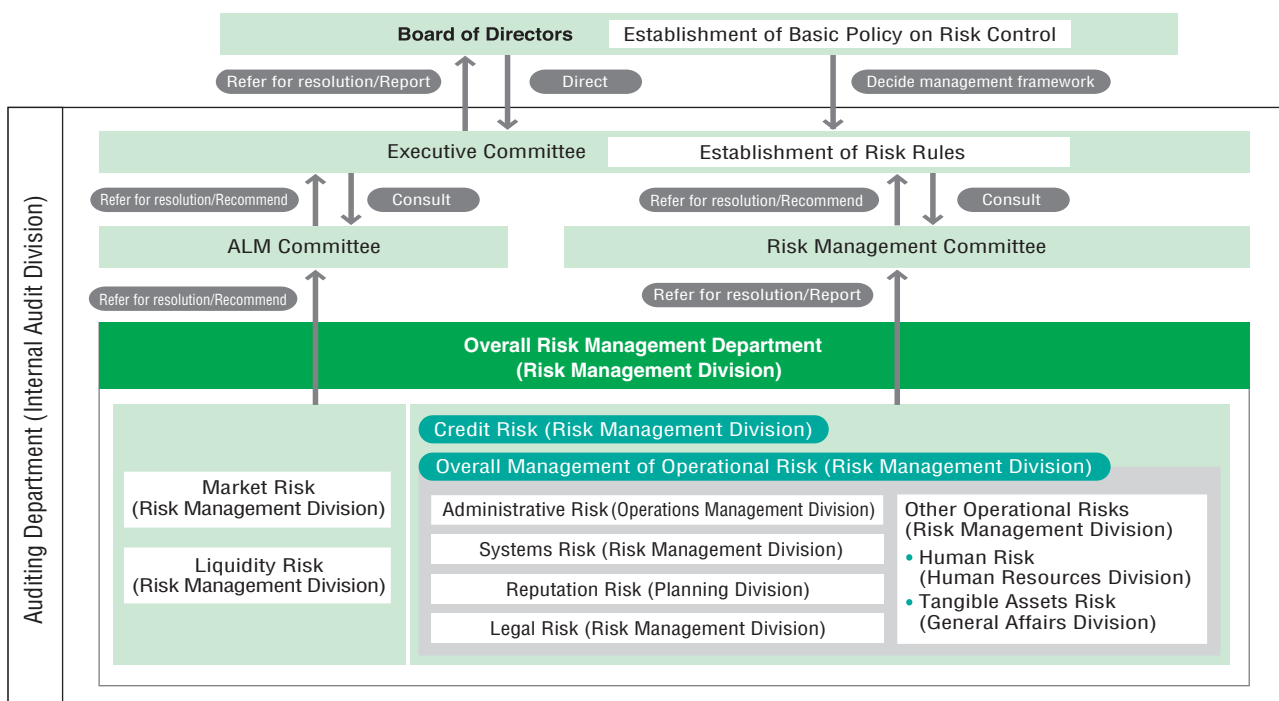
## Risk Management

### Risk Management Initiatives

Seven Bank has designed a risk management system to ensure the soundness and efficiency of management by recognizing and appropriately managing specific types of

risk faced in conducting business. The Board of Directors has established the Basic Policy on Risk Control as an overall risk management policy, a risk management policy regarding specific risks, and internal structures and

### Risk Management System



systems to manage risk. Based on the Basic Policy on Risk Control, the Executive Committee has established detailed rules and regulations governing day-to-day 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 to the Executive Committee with respect to risk management.

### Formulation of Business Continuity Plan (BCP)

Seven Bank has defined three priority business operations to maintain in the event of a major disaster or accident to fulfill its social obligation as a bank. These operations are the ATM business, fund settlement with other banks and partner financial institutions, and deposit, withdrawal and money transfer operations. In addition, to ensure that these important business operations can continue even if a disaster or accident occurs, each department has created a business continuity plan (BCP). The departments conduct BCP drills on a regular basis that assume cases in which data centers and other facilities are damaged for varying periods of time.

In the Great East Japan Earthquake of March 2011, an emergency headquarters headed by the president was set up in accordance with the business continuity management policy. The headquarters held a response meeting to decide policies and measures for the quick restoration and stable operation of ATMs and other matters, and immediately moved to implement them.

### Overall Management of Risk

Basic policies relating to overall risk management are governed by the Basic Policy on Risk Control. The Bank manages risk comprehensively, evaluating risks by category and comparing them with capital.

### Credit Risk

Basic policies relating to credit risk are governed by the Basic Policy on Risk Control and by the Credit Risk Rules established thereunder. Currently, 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, the lending of

funds in the call-money market, temporary ATM payment amounts due, and small personal loans. 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 guidelines, reserve guidelines, and related internal rules and regulations.

### Market Risk

Basic policies relating to market risk are governed by the Basic 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 the monthly reports of the ALM Committee regarding the Bank's market risk position, expected trends in interest rates, and other matters.

### Liquidity Risk

Basic policies relating to liquidity risk are governed by the Basic 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 available 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 the Executive Committee. The Bank has devised comprehensive countermeasures for a number of constrained funding scenarios to enable a quick and flexible Bank-wide response, and therefore does not expect to experience liquidity problems.

### Overall Management of Operational Risk

Basic policies relating to operational risk are governed by the Basic Policy on Risk Control and by the Operational Risk Rules established thereunder. The Bank recognizes administrative risk, systems risk, reputation risk, legal risk, and other operational risks as operational risks, and comprehensively manages risk 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, that do not involve face-to-face interaction. The Administrative Risk Rules, which were established in accordance with the Basic Policy on Risk Control, are designed to reflect this special characteristic and ensure accuracy and fairness in administrative operations. In addition, the Bank works to prevent administrative errors and employee misconduct through self-monitoring and appropriate audits of all divisions, offices, and centers by the Internal Audit Division. The Bank is organized to quickly analyze the cause of problems it has identified, such as scandals, work-related accidents and complaints, and determine measures to prevent their recurrence. The Bank also manages administrative risk, including potential administrative risk, by verifying administrative error reports and self-monitoring in order to understand the occurrence of administrative errors in all divisions and centers.

## Systems Risk

Basic policies relating to systems risk are governed by the Basic Policy on Risk Control and by the Systems Risk Rules established thereunder. The Bank seeks to improve systems development efficiency, service quality, and systems safety. Initiatives in systems construction include one or more layers of redundancy in network and hardware equipment and a backup center designed to engage in the event of a natural disaster or systems failure. File libraries and programs are backed up as appropriate based on relative importance to operations, and such backup data is stored off-site as a precaution against unforeseeable events. In addition, the Bank takes the utmost care in

information management, including using firewalls to block unauthorized systems access, monitoring access 24 hours a day, 365 days a year, encrypting all electronic transactions with customers, and employing antivirus software. Furthermore, in order for its customers to use the Bank's services with peace of mind, the Bank prepares for unforeseen events such as service interruptions or disasters and has prepared a business succession plan in advance, and has set up a framework for conducting regular drills and other measures.

## Reputation Risk

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

## Legal Risk

Basic policies relating to legal risk are governed by the Basic Policy on Risk Control and by the Legal Risk Rules established thereunder. The Bank works to minimize or prevent the manifestation of legal risks, and respond accurately and efficiently to avert or minimize losses in the event that such risks materialize.

## Other Operational Risks

Basic policies relating to other operational risks are governed by the Basic Policy on Risk Control. The main other operational risks recognized and managed are human risk and tangible assets risk.

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## Compliance

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### Compliance Initiatives

Seven Bank considers compliance with applicable laws and societal norms to be a fundamental prerequisite to earning the trust of society. 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, one of the most important responsibilities of management.

### Compliance Systems

The Bank designates a responsible person in each of its internal divisions as a compliance officer to implement compliance and serve as a point-person to consult on compliance-related problems and other issues. The Risk Management Division, led by the officer in charge, works as the Bank-wide compliance department to improve accountability and responsibility, self-help capabilities, and reciprocal monitoring as a means of creating an organization with an inherent self-monitoring function. The Internal Audit Division



independently audits the Bank-wide compliance system. In addition, the Compliance Committee, which acts as an advisory body to the Executive Committee, reviews and evaluates all significant compliance-related issues as they arise.

**Compliance Program**

The Bank establishes a compliance program each fiscal year that sets out the specific compliance plan for that year. The Board of Directors reviews and evaluates the progress and the practical results of the compliance program for the relevant year and, based on such reviews and evaluations, designs and adopts the compliance program for the following fiscal year.

**Compliance Manual**

To enhance compliance, the Bank publishes a compliance manual that is distributed internally to all employees, while implementing compliance training sessions in order to continually keep employees informed about compliance.

**Main Compliance Issues**

**1. Prevention of Fraudulent Accounts and Money Laundering**

The Bank focuses on preventing the opening of fraudulent accounts by strictly enforcing customer due diligence

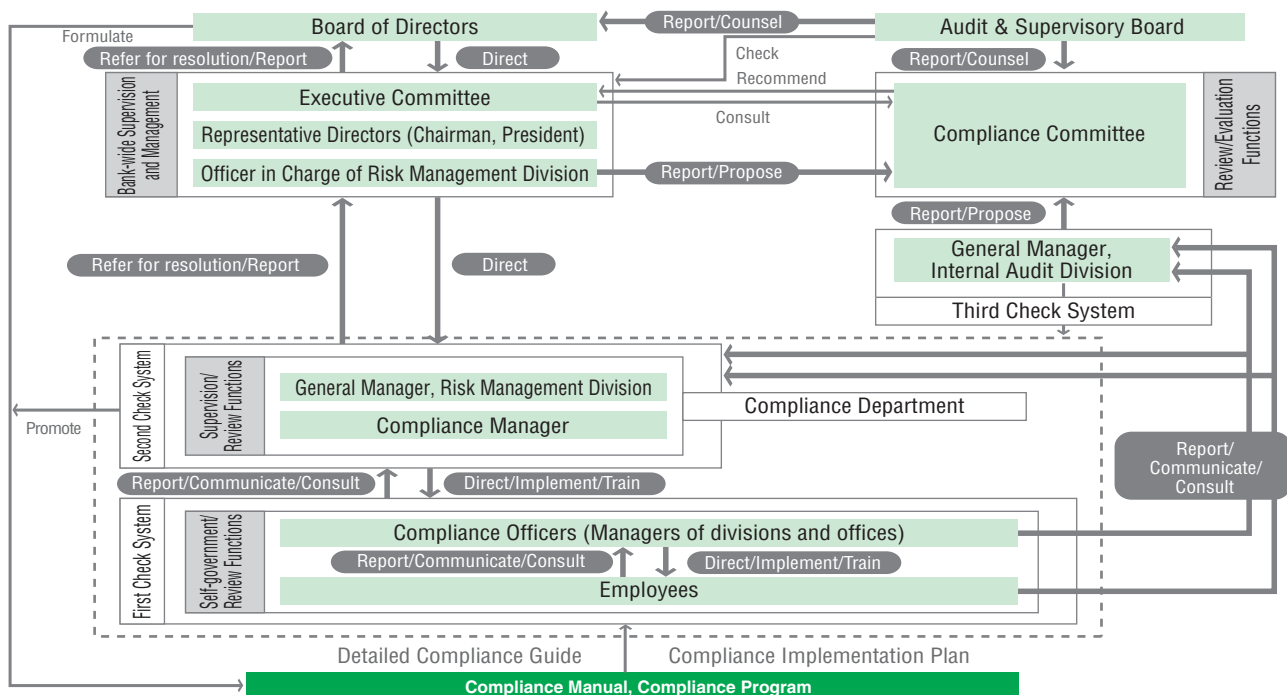
procedures when customers apply to open new accounts.

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

**2. Response to Antisocial Groups**

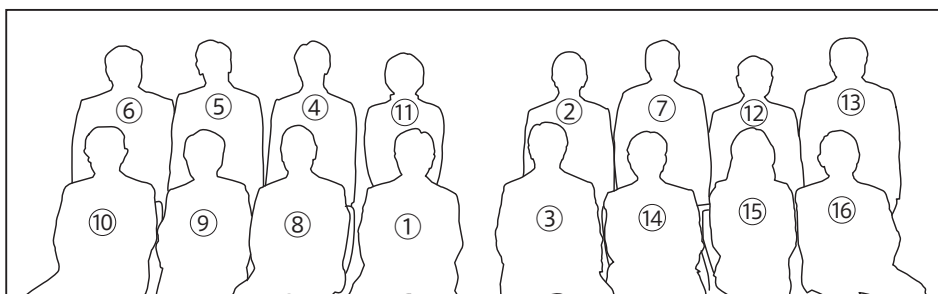
The Bank concentrates on eliminating connections with antisocial groups by continuously gathering and accumulating information concerning these organizations and conducting preliminary reviews based on this information before starting new business transactions. Also, among other steps since January 2010, the Bank has asked customers applying to open accounts to sign an affidavit stating they are not associated with antisocial forces, has included rules and other clauses that provide explicitly for the exclusion of organized crime groups, and has enabled account application rejection and account closure for customers associated with antisocial forces. In addition, the Bank conducts regular training for officers and employees to ensure they respond appropriately, and as an organization, to wrongful demands and other events in accordance with internal rules and regulations.

**Compliance System**



# Management Team

As of July 1, 2015



## Directors

- ① Chairman and Representative Director  
**Takashi Anzai**
- ② Director, Vice Chairman, Executive Officer  
**Masatoshi Wakasugi**
- ③ President and Representative Director  
**Kensuke Futagoishi**  
In charge of Internal Audit Division
- ④ Director, Senior Managing Executive Officer  
**Yasuaki Funatake**  
In charge of Planning Division, Research Division

## Executive Officers

Managing Executive Officer  
**Tsutomu Yamazaki**  
In charge of General Affairs Division, Business Support Division, Customer Service Division, Corporate Business Division

Managing Executive Officer  
**Shinichi Hayashi**  
In charge of Human Resources Division

Managing Executive Officer, General Manager of ATM Solution Division  
**Masaaki Matsunami**  
In charge of ATM Solution Division

Managing Executive Officer, General Manager of Product Promotion Division  
**Tomofumi Oguchi**  
In charge of Product Promotion Division



## Audit & Supervisory Board Members

⑤ Director, Managing Executive Officer  
**Kazuhiko Ishiguro**

In charge of System Development Division,  
Business Development Division

⑥ Director, Managing Executive Officer  
**Taku Oizumi**

In charge of Treasury Division,  
ATM Administration Division,  
International Business Division

⑦ Director  
**Akihiko Shimizu**

⑧ Outside Director  
**Yoji Ohashi**

⑨ Outside Director  
**Yuko Miyazaki**

⑩ Outside Director  
**Shuji Ohashi**

⑪ Outside Director  
**Yuri Okina**

⑫ Audit & Supervisory  
Board Member  
**Toshiaki Ikeda**

⑬ Audit & Supervisory  
Board Member  
**Isamu Hirai**

⑭ Outside Audit &  
Supervisory Board Member  
**Tetsuya Katada**

⑮ Outside Audit & Supervisory  
Board Member  
**Naomi Ushio**

⑯ Outside Audit & Supervisory  
Board Member  
**Kunihiro Matsuo**

Notes: 1. Mr. Takashi Anzai and Mr. Kensuke Futagoishi concurrently act as executive officers.  
2. Mr. Yoji Ohashi, Mr. Shuji Ohashi, Ms. Yuri Okina, Mr. Tetsuya Katada, Ms. Naomi Ushio, and Mr. Kunihiro Matsuo have been reported as independent officers to the Tokyo Stock Exchange.

Managing Executive Officer, General Manager of Business Promotion Division  
**Hisanao Kawada**  
In charge of Business Promotion Division

Executive Officer, General Manager of Risk Management Division  
**Nobuyoshi Motegi**  
In charge of Risk Management Division, Operations Management Division,  
Financial Crime Risk Strategy Planning and Prevention Division

Executive Officer, General Manager of Sales Management Division  
**Kouji Maekawa**  
In charge of Sales Management Division

Executive Officer, General Manager of Customer Service Division  
**Hiroshi Ishimura**

Executive Officer, General Manager of Planning Division  
**Kenichi Yamamoto**

# Corporate Social Responsibility

## Basic CSR Policy

Seven Bank defines corporate social responsibility (CSR) as “the primary obligation to be fulfilled to coexist with the environment and society from which Seven Bank derives its customer and social support.” To continue to pursue and further develop business operations, we are fully aware that our CSR activities are indispensable. To fulfill our responsibilities, we have established a basic policy of conducting effective and continuous CSR initiatives based on our Corporate Principles, Management Policy, and Charter of Ethics.

In addition, in promoting CSR, Seven Bank aims to enhance its CSR activities to meet the demands of the international community, with reference to the ISO 26000 international guidelines for social responsibility.

## Conducting CSR Activities from Six Standpoints

To conduct ongoing and effective CSR activities, we have established the following six standpoints for the implementation of CSR activities, under our Basic CSR Policy.

1. How do our business activities contribute to society's economic well-being?
2. Is Seven Bank sufficiently attentive to the natural environment, and does it make sufficient efforts to address environmental problems?
3. What responsibility do we bear for our products and services toward our customers, and to what extent are these responsibilities fulfilled?
4. Does Seven Bank maintain a safe and comfortable working environment and respect the human rights of its employees and the employees of its business partners?
5. Does Seven Bank work closely with society as a good corporate citizen and actively undertake activities that contribute to society?
6. Do we maintain a policy that strongly opposes antisocial groups?

## Overview of Seven Bank's CSR Activities

Core Subjects of ISO 26000	Seven Bank Initiatives
Organizational governance	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Risk management</li> </ul>
Human rights	<ul style="list-style-type: none"> <li>Ensuring equal opportunity and diversity in employment</li> <li>Compliance</li> </ul>
Labor practices	<ul style="list-style-type: none"> <li>Helping employees to achieve good work-life balance</li> <li>Ensuring diversity</li> <li>Establishing education and training programs</li> </ul>
The environment	<ul style="list-style-type: none"> <li>Reducing environmental impact of ATM services</li> <li>Environmental protection through employee participation</li> </ul>
Fair operating practices	<ul style="list-style-type: none"> <li>Cooperating with partner companies</li> <li>Compliance</li> </ul>
Consumer issues	<ul style="list-style-type: none"> <li>Stable operation of the ATM system network</li> <li>Providing safe and secure services</li> <li>Considering the diversity of customers</li> <li>Dialogue with customers</li> </ul>
Community involvement and development	<ul style="list-style-type: none"> <li>Communication with society</li> </ul>

Visit the Seven Bank website for more information on its CSR activities.

<http://www.sevenbank.co.jp/english/ir/csr/>



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# Management's Discussion and Analysis

Seven Bank, Ltd. and consolidated subsidiaries for the years ended March 31, 2015, 2014 and 2013/Seven Bank, Ltd. for the years ended March 31, 2012 and 2011.

## Operating Results

### Summary of Fiscal 2014

The Japanese economy continued on a moderate recovery path, despite apparent weakness in the trend toward improvement in personal consumption in some sectors.

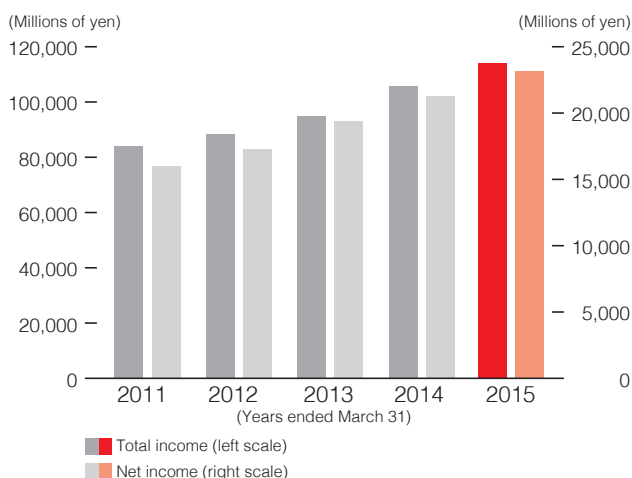
With fiscal easing, conditions for fund procurement were favorable as corporations' fund procurement costs remained relatively low and financial institutions' lending stance continued to improve. Demand for funding increased moderately, mainly for working capital or related to corporate acquisitions.

In this operating environment, consolidated results for Seven Bank (the "Bank") for fiscal 2014 were total income of 114,036 million yen and net income of 23,220 million yen.

Non-consolidated results for the Bank were total income of 105,648 million yen and net income of 24,457 million yen.

Both revenues and profits increased compared with the previous fiscal year due to factors including growth in total ATM transactions as a result of an increase in the number of ATMs installed and an increase in fee income per transaction.

### Total Income and Net Income



### ATM Business

During fiscal 2014, Seven Bank worked to enhance convenience for customers when they use its ATMs through methods such as continuing to add ATMs within and outside the Seven & i Holdings Group (the "Group").

The Bank established new partnerships during fiscal 2014 with MINAMI NIPPON BANK, LTD. (April 2014), The Bank of Okinawa, Ltd. (November 2014) and The Tajima Bank, Ltd. (March 2015) as well as one *shinkin* bank and three other financial institutions. As a result, we now partner with 122 banks,<sup>1</sup> 262 *shinkin* banks,<sup>2</sup> 130 credit cooperatives,<sup>3</sup> 13 labor banks, the JA Bank, the JF Marine Bank, the Shoko Chukin Bank, 11 securities companies, eight life insurance companies, and 45 other financial institutions.<sup>4</sup> Thus, we had a total of 594 business partners<sup>5</sup> as of March 31, 2015.

Within the Group, we smoothly increased the number of ATMs in tandem with new Seven-Eleven store openings. Outside the Group,

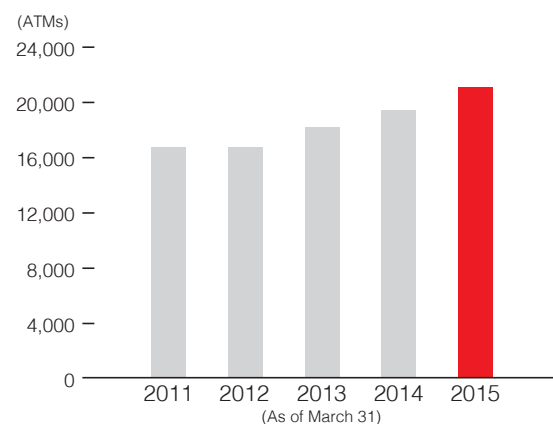
we proactively installed ATMs at airports, railway stations and elsewhere to address the need for ATMs that can handle cards issued overseas at locations visited by foreign tourists, and had installed 39 ATMs at airports and 154 ATMs at train stations as of the end of March 2015. In addition, we took over the management and operation of ATMs in some branches of Shinsei Bank in September 2014, with a total of 67 ATMs installed at 31 branches as of the end of March 2015. We also installed ATMs at commercial facilities and other locations with high demand for customer use, and installations outside the Group reached a record high of 381 ATMs in fiscal 2014, a net increase of 349 ATMs.

Furthermore, to enrich our ATM services, we are promoting replacement with third-generation ATMs with higher processing speed, improved operability, enhanced security and energy efficiency. The replacement with the new ATMs has been completed for approximately 80% of all our ATMs. (The number of third-generation ATMs in place as of March 31, 2015 was 17,603).

As a result of such initiatives, the number of our ATMs installed reached 21,056 (up 7.9% compared with the end of March 2014). The average daily transactions per ATM were 100.9 (down 6.4% year on year), and a total of 743 million transactions were recorded (up 1.0% year on year).

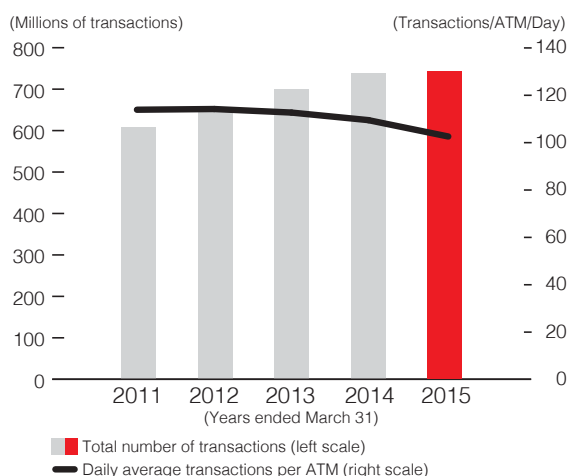
- Notes:
1. Compared with the 119 banks with which we had partnerships at the end of March 2014, three banks were newly added as partners, resulting in 122 bank partnerships at the end of March 2015.
  2. Compared with 261 *shinkin* banks with which we had partnerships at the end of March 2014, one *shinkin* bank was newly added as a partner, resulting in 262 partnerships at the end of March 2015.
  3. Compared with 131 credit cooperatives with which we had partnerships at the end of March 2014, one credit cooperative ceased to be a partner due to a merger, resulting in 130 partnerships at the end of March 2015.
  4. Compared with 43 other financial institutions with which we had partnerships at the end of March 2014, three financial institutions were newly added as partners and one financial institution ceased to be a partner due to a merger, resulting in 45 partnerships at the end of March 2015.
  5. JA Bank and JF Marine Bank are each counted as one institution.

### Number of ATM Installations





## ATM Transactions



## Financial Services Business

Seven Bank had 1,405,000 individual customer accounts at the end of March 2015 (up 15.7% compared with the end of March 2014), a balance of deposits of 371,000 million yen (up 18.8% year on year) and a balance of personal loan services of 10,400 million yen (up 97.9% year on year).

With regard to the international money transfer service, the number of contract accounts and money transfers both increased steadily. The number of money transfers during fiscal 2014 was 633,000 (up 61.5% year on year). Moreover, in January 2015 we set up the Fukuoka Branch in Fukuoka Prefecture as a new operational base for our international money transfer service. In March 2015, we began international money transfers to bank accounts in China and the Philippines, thereby enhancing convenience for customers.

Furthermore, Bank Business Factory Co., Ltd., a subsidiary of the Bank established in July 2014, conducts a back-office support outsourcing business for other financial institutions in addition to back-office support outsourcing for the Bank.

## Overseas Subsidiaries

Financial Consulting & Trading International, Inc. ("FCTI"), a subsidiary of the Bank, had 6,329 ATMs as of December 31, 2014. With regard to FCTI's business results for its consolidated fiscal year (from January 2014 to December 2014), ordinary income was 79.6 million U.S. dollars, ordinary profit was 1.7 million U.S. dollars and net income was 1.0 million U.S. dollars.

In addition, ATM operating business company PT. ABADI TAMBAH MULIA INTERNASIONAL, a subsidiary of the Bank established in June 2014 through a joint venture with a local company in Indonesia, began operations for installation of ATMs.

## Outlook for Fiscal 2015

For our consolidated results for fiscal 2015, we forecast total income of 121,000 million yen (up 6.1% year on year) and net income attributable to owners of the parent of 24,800 million yen (up 6.8% year on year).

For non-consolidated results of Seven Bank, we forecast total income of 110,500 million yen (up 4.5% year on year) and net income of 26,000 million yen (up 6.3% year on year)

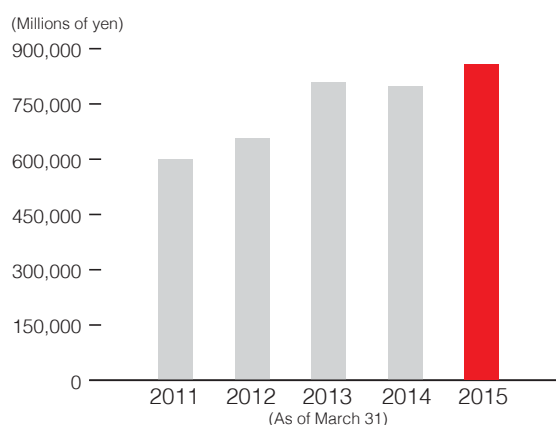
In fiscal 2015, we will continue to increase the number of ATMs installed and work to develop new users. We forecast that the number of ATMs installed will increase 6.3% year on year to approximately 22,400, the total number of ATM transactions will increase 5.6% to approximately 785 million, and average daily transactions per ATM will decrease 1.9% to approximately 99.0. Due to growth in the number of ATMs installed and the total number of transaction as a result of these measures and other factors, we forecast increases in total income and net income.

## Analysis of Financial Position

### Assets

Total assets were 856,415 million yen. The majority of this total comprised cash and due from banks required for the operation of ATMs of 600,859 million yen. The remainder mostly consisted of securities held as collateral for domestic exchange settlements and Bank of Japan current account overdraft transactions of 71,853 million yen and ATM-related temporary payments to partner financial institutions of 81,617 million yen.

### Total Assets



### Liabilities

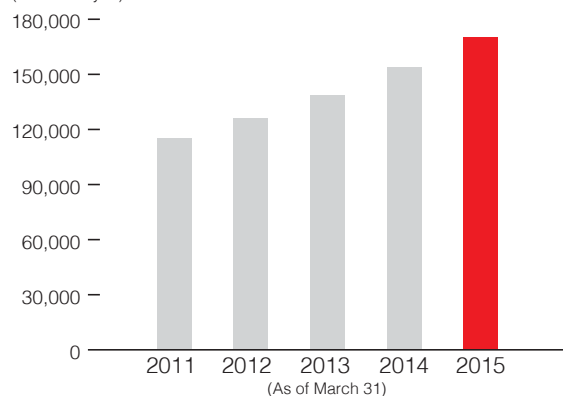
Liabilities were 686,525 million yen. These largely comprised deposits (excluding negotiable certificates of deposit) totaling 501,413 million yen. Of these, the outstanding balance of individuals' ordinary deposits was 190,465 million yen and the balance of term deposits was 180,605 million yen.

## Net Assets

Net assets were 169,890 million yen. Of these, retained earnings were 102,511 million yen. The consolidated capital ratio was 50.53% (preliminary figure).

### Net Assets

(Millions of yen)



## Cash Flows

Cash and cash equivalents increased by 95,872 million yen during fiscal 2014 to 600,859 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 99,931 million yen.

Factors contributing cash included income before income taxes and minority interests of 36,842 million yen and net increase in deposits of 63,824 million yen. These factors exceeded factors using cash such as net increase in loans of 5,149 million yen and net decrease in borrowed money of 5,000 million yen.

### Cash Flow from Investing Activities

Net cash provided by investing activities was 4,994 million yen.

Factors that provided cash included proceeds from maturity of securities of 50,500 million yen. These exceeded factors that used cash such as purchases of securities of 25,411 million yen and purchase of tangible fixed assets of 13,489 million yen.

### Cash Flow from Financing Activities

Net cash used in financing activities was 9,204 million yen, due to factors including 9,231 million yen in dividends paid.

### Cash Flow Highlights

(Years ended March 31)	Millions of yen		
	2015	2014	2013
Net cash provided by operating activities	99,931	91,940	118,550
Net cash provided by (used in) investing activities	4,994	(50,668)	(6,927)
Net cash used in financing activities	(9,204)	(8,333)	(8,157)
Cash and cash equivalents at the end of the year	600,859	504,987	472,012

## Basic Policy on Profit Distribution and Dividends in Fiscal 2014 and Fiscal 2015

Seven Bank regards returning profits to shareholders as an important

management issue. With the aim of providing a fair return to shareholders, the Bank's basic policy is to pay a sustained and stable cash dividend while maintaining an appropriate balance between dividend payments and internally retaining a suitable level of earnings. Seven Bank targets a minimum dividend payout ratio of 35% and maintains a basic policy of paying dividends twice a year (interim and year-end dividend payments).

For fiscal 2014, we paid an interim dividend of 3.75 yen and a year-end dividend of 4.25 yen, resulting in an annual dividend of 8.00 yen per share. For fiscal 2015, we intend to pay an annual dividend of 8.00 yen (comprising an interim dividend of 4.00 yen and year-end dividend of 4.00 yen).

Retained earnings will be allocated to provide working capital for ATM operations and to fund capital investment. Retained earnings will also be set aside for growth investments.

## Management Policies

### 1. Basic Management Policies

#### (1) Management Ethos

- Seven Bank strives to be a trustworthy bank that accurately meets its customers' needs.
- Every single staff member will swiftly adopt the benefits of technological innovation and aim for self-improvement.
- Seven Bank contributes to the stability and development of Japan's financial system by offering a safe and efficient transaction settlement 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 "instant wallets." We aim to achieve this by creating a network of ATMs accessible 24 hours a day, 365 days a year, utilizing the 17,000-plus retail locations of Seven & i Holdings'-related companies 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 Seven & i Holdings and its affiliates, we are working to attract a wider range of customers to Seven & i Holdings' stores more often, and we will continue to pursue synergies to enhance Seven & i Holdings' profitability.

### 2. Target Management Indicators

Seven Bank aims to maintain consistent, steady growth in net income with the aim of maximizing corporate value over the medium-to-long term. Other performance metrics that the Bank focuses on include daily average transactions per ATM, return on ATM cash (see note below), and the overhead ratio.

Note: Return on ATM cash = (ATM-related fee income – interest expenses – ATM placement fees – general and administrative expenses)/daily average balance of cash and due from banks

### 3. Medium-to-Long-Term Management Strategies

Initiatives to achieve sustained growth include 1) further strengthening the ATM business; 2) deepening the financial services business; and

3) working to build international and new businesses. We will work to enhance our earnings structure through these initiatives.

- (1) In the ATM business, we will work to maximize ATM network use by approaching financial institutions that are not yet partners and conducting initiatives such as providing new services for existing partner financial institutions. Regarding increasing the number of ATMs installed, we will continue to steadily install ATMs at Group locations while further increasing our proactive efforts to install more ATMs at non-Group locations. We also intend to raise the overall ATM usage rate by thoroughly strengthening notifications and recognition to meet inbound needs through alliances for strategies to attract foreign visitors to Japan and pursuing synergies with Group stores and other locations where ATMs are installed. In addition, we will steadily phase in third-generation ATMs, which we began introducing on a full-scale basis in fiscal 2011, and work to establish spaces where customers can use ATMs with safety and security.
- (2) In the financial services business, the Bank will improve the convenience of its accounts and work to provide products and services that meet needs for financial services and fund settlement in line with the Group's omni-channel strategy. For our international money transfer services, we will promote further expansion of use by working to enhance convenience and provide services that take advantage of the Bank's unique characteristics. For personal loan services, we intend to raise awareness of our services in order to increase the number of contract accounts. In addition, we will work to enhance our service of accepting cash proceeds from sales using ATMs.
- (3) In international businesses, we will generate synergies with our U.S. subsidiary by sharing knowhow and expertise and supplementing each other, and we will nurture human resources who can achieve this objective. Moreover, we intend to expand our business by using Indonesia, which we entered in fiscal 2014 through a joint venture with a local company, as a bridgehead to incorporate the growth potential of Asia. Regarding other new businesses, we intend to cultivate new business opportunities for which we can fully utilize our knowhow and infrastructure.

## Risk Factors

### 1. Risk Relating to Our Business Strategy

#### (1) ATM business

Seven Bank substantially depends on the ATM business for its revenues. The Bank is increasing the number and concentration of ATMs installed, as well as enhancing security, to increase customers' convenience and sense of security. However, changes that threaten the ATM 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 Holdings 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 continue 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 Seven & i Holdings 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) Financial services business

In addition to ordinary deposits and term deposits, Seven Bank offers card loans and international money transfer services for individuals, as well as a back-office support outsourcing business for other financial institutions through a subsidiary from fiscal 2014. 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 financial services 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) Risks of overseas subsidiaries

Seven Bank has a subsidiary that operates ATMs in the United States, and established a subsidiary through a joint venture with a local company in Indonesia in fiscal 2014. The future occurrence of major changes in the political or economic environment surrounding that subsidiary or an unforeseen event such as a natural disaster could affect the Bank's results. In addition, exchange rate fluctuations could increase or decrease the Bank's profits.

### (4) Impairment of fixed assets

Seven Bank holds tangible fixed assets and intangible fixed assets including goodwill. Although the Bank applies impairment accounting, 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, Seven Bank has established Bank-wide risk management policies, 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 deteriora-

tion 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 Holdings Group

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

As of March 31, 2015, the relationship between Seven Bank and the Seven & i Holdings Group was as follows.

### (1) Equity relationship

Seven Bank is a subsidiary of Seven & i Holdings Co., Ltd., which is listed on the First Section of the Tokyo Stock Exchange. Seven & i Holdings controls 45.81% of the voting rights of Seven Bank. The Seven & i Holdings Group is expected to remain a major Seven Bank shareholder, and the Bank cannot guarantee that the Seven & i Holdings Group will not influence its policies and decisions.

### (2) Personnel relationships

Seven Bank's Chairman and Representative Director Takashi Anzai and Director Akihiko Shimizu concurrently serve as directors of Seven & i Holdings Co., Ltd.

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

### (3) Transactional relationships

At the end of March 2015, Seven Bank had installed 19,335 ATMs at Seven & i Holdings Group stores (including 18,782 ATMs at Seven-Eleven stores, 315 ATMs at Ito-Yokado stores, and 238 ATMs at other locations in the Seven & i Holdings Group). In addition, the Bank has installed 1,721 ATMs at locations other than Seven & i Holdings Group stores.

Thus, 91.8% of the Bank's ATMs are installed at Seven & i Holdings Group stores. Difficulties in keeping ATMs installed at Group stores or a marked decrease in customers at Seven & i Holdings Group stores could affect the Bank's results.

In addition, Seven Bank pays ATM installation fees to Seven & i Holdings Group companies, 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 of 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 the Personal Information Protection Act, 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 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 AA- with a negative outlook and a short-term issuer rating of A-1+ from Standard & Poor's Ratings Services. 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 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 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.



# Consolidated Balance Sheets

Seven Bank, Ltd. and Consolidated Subsidiaries  
As of March 31, 2015 and 2014

	Millions of yen	
	2015	2014
<b>Assets:</b>		
Cash and due from banks (Notes 2, 3, 4 and 5).....	¥600,859	¥504,987
Call loans (Note 5) .....	13,000	15,000
Securities (Notes 2, 5, 6 and 7).....	71,853	98,322
Loans (Notes 5 and 8) .....	10,406	5,257
ATM-related temporary payments (Note 5) .....	81,617	92,786
Tangible fixed assets (Notes 2, 9, 32 and 34) .....	31,673	28,588
Intangible fixed assets (Notes 2 and 10).....	35,625	34,568
Asset for retirement benefits (Notes 2 and 16) .....	60	—
Deferred tax assets (Notes 2 and 26).....	951	1,290
Other assets (Notes 2, 7, 11 and 16).....	10,411	9,633
Allowance for credit losses (Notes 2 and 5).....	(46)	(56)
Total assets .....	¥856,415	¥790,377
<b>Liabilities:</b>		
Deposits (Notes 5, 12 and 28) .....	¥502,173	¥438,348
Borrowed money (Notes 5, 13 and 30).....	16,000	21,000
Bonds (Notes 5 and 14).....	110,000	115,000
Income taxes payable.....	7,217	8,481
ATM-related temporary advances (Note 5).....	37,857	40,966
Reserve for bonuses (Note 2) .....	449	396
Liability for retirement benefits (Notes 2 and 16).....	0	120
Deferred tax liabilities (Notes 2 and 26) .....	2,154	1,899
Other liabilities (Notes 2, 15, 28 and 32) .....	10,672	10,756
Total liabilities.....	686,525	636,968
<b>Net assets (Notes 2, 17 and 27):</b>		
Shareholders' equity:		
Common stock, authorized 4,763,632 thousand shares, issued 1,191,001 thousand shares in 2015 and 1,190,949 thousand shares in 2014.....	30,514	30,509
Capital surplus.....	30,514	30,509
Retained earnings.....	102,511	88,520
Treasury stock, at cost, 0 thousand shares in 2015 and 2014 .....	(0)	(0)
Total shareholders' equity .....	163,539	149,539
Accumulated other comprehensive income:		
Net unrealized gains (losses) on available-for-sale securities, net of taxes (Note 6).....	360	3
Foreign currency translation adjustments.....	5,500	3,613
Accumulated adjustments for retirement benefit (Note 16) .....	13	(119)
Total accumulated other comprehensive income .....	5,874	3,497
Subscription rights to shares (Note 31) .....	449	371
Minority interests .....	26	—
Total net assets .....	169,890	153,408
Total liabilities and net assets.....	¥856,415	¥790,377

See accompanying notes.



# Consolidated Statements of Income

Seven Bank, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

	Millions of yen	
	2015	2014
<b>Income:</b>		
Interest income.....	¥ 1,372	¥ 809
Interest on loans .....	1,157	613
Interest and dividends on securities .....	150	118
Other interest income .....	65	76
Fees and commissions income (Note 18) .....	112,274	104,533
Other operating income (Note 20).....	161	81
Other income (Note 23) .....	227	163
Total income.....	114,036	105,587
<b>Expenses:</b>		
Interest expenses .....	1,254	1,806
Interest on deposits (Note 28).....	559	515
Interest on call money.....	14	14
Interest on borrowed money .....	141	308
Interest on bonds.....	539	967
Fees and commissions expenses (Notes 19 and 28) .....	19,174	16,291
Other operating expenses (Notes 6 and 21).....	53	0
General and administrative expenses (Notes 22 and 31).....	56,419	51,693
Other expenses (Note 24).....	291	1,038
Total expenses .....	77,193	70,829
Income before income taxes and minority interests .....	36,842	34,758
Income taxes (Notes 2 and 26)		
Current.....	13,544	13,885
Deferred .....	79	(363)
Total income taxes .....	13,624	13,522
Income before minority interests.....	23,218	21,236
Minority interests in loss of subsidiary .....	(2)	—
Net income .....	¥ 23,220	¥ 21,236

Amounts per share of common stock (Notes 2, 27 and 33):

	Yen	
	2015	2014
Net assets .....	¥142.24	¥128.49
Net income.....	19.49	17.83
Diluted net income.....	19.46	17.80
Cash dividends applicable to the year.....	8.00	7.50

See accompanying notes.

## Consolidated Statements of Comprehensive Income

Seven Bank, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

	Millions of yen	
	2015	2014
Income before minority interests .....	¥23,218	¥21,236
Other comprehensive income (Note 25)		
Net unrealized gains (losses) on available-for-sale securities, net of taxes ...	357	(18)
Foreign currency translation adjustments .....	1,889	2,520
Adjustments for retirement benefit (Note 16) .....	132	—
Total other comprehensive income .....	2,378	2,502
<b>Comprehensive income</b> .....	<b>¥25,597</b>	<b>¥23,738</b>
Comprehensive income attributable to:		
Owners of the parent .....	¥25,597	¥23,738
Minority interests .....	(0)	—

See accompanying notes.

# Consolidated Statements of Changes in Net Assets

Seven Bank, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2013 .....	¥30,509	¥30,509	¥ 75,621	¥(0)	¥136,639
Changes in items during the period					
Issuance of new shares .....					—
Cash dividends .....			(8,336)		(8,336)
Net income .....			21,236		21,236
Purchase of treasury stock .....				(0)	(0)
Net changes in items other than shareholders' equity .....					
Net changes in items during the period ....	—	—	12,899	(0)	12,899
Balance at April 1, 2014 .....	¥30,509	¥30,509	¥ 88,520	¥(0)	¥149,539
Changes in items during the period					
Issuance of new shares .....	4	4			9
Cash dividends .....			(9,230)		(9,230)
Net income .....			23,220		23,220
Purchase of treasury stock .....					—
Net changes in items other than shareholders' equity .....					
Net changes in items during the period ....	4	4	13,990	—	14,000
Balance at March 31, 2015	¥30,514	¥30,514	¥102,511	¥(0)	¥163,539

	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	Minority interests	Total net assets
Balance at April 1, 2013 .....	¥ 21	¥1,092	¥ —	¥1,114	¥291	¥ —	¥138,045
Changes in items during the period							
Issuance of new shares .....							—
Cash dividends .....							(8,336)
Net income .....							21,236
Purchase of treasury stock .....							(0)
Net changes in items other than shareholders' equity .....	(18)	2,520	(119)	2,383	80		2,463
Net changes in items during the period ...	(18)	2,520	(119)	2,383	80	—	15,363
Balance at April 1, 2014 .....	¥ 3	¥3,613	¥(119)	¥3,497	¥371	¥ —	¥153,408
Changes in items during the period							
Issuance of new shares .....							9
Cash dividends .....							(9,230)
Net income .....							23,220
Purchase of treasury stock .....							—
Net changes in items other than shareholders' equity .....	357	1,887	132	2,376	78	26	2,481
Net changes in items during the period ...	357	1,887	132	2,376	78	26	16,481
Balance at March 31, 2015	¥360	¥5,500	¥ 13	¥5,874	¥449	¥26	¥169,890

See accompanying notes.

# Consolidated Statements of Cash Flows

Seven Bank, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

	Millions of yen	
	2015	2014
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests.....	¥ 36,842	¥ 34,758
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation of fixed assets.....	16,251	12,493
Amortization of goodwill .....	933	1,121
Net change in allowance for credit losses .....	(9)	(9)
Net change in asset or liability for retirement benefits.....	23	38
Interest income .....	(1,372)	(809)
Interest expenses .....	1,254	1,806
Net foreign exchange gains .....	(14)	—
Net (gains) losses related to securities .....	(19)	0
Net losses on disposal of fixed assets .....	195	1,028
Net change in loans.....	(5,149)	(1,869)
Net change in deposits.....	63,824	43,733
Net change in borrowed money .....	(5,000)	(13,000)
Net change in call loans .....	2,000	15,000
Net change in call money .....	—	(28,300)
Net change resulting from issuance and maturity of ordinary bonds .....	(5,000)	(24,000)
Net change in ATM-related temporary accounts.....	8,060	61,313
Interest received.....	1,407	988
Interest paid .....	(1,302)	(2,064)
Other – net .....	1,811	1,376
Subtotal .....	114,737	103,605
Income taxes paid.....	(14,805)	(11,664)
Net cash provided by operating activities .....	99,931	91,940
<b>Cash flows from investing activities:</b>		
Purchase of securities .....	(25,411)	(97,046)
Proceeds from sales of securities .....	1,687	1,000
Proceeds from maturity of securities.....	50,500	70,500
Purchase of tangible fixed assets .....	(13,489)	(15,853)
Purchase of intangible fixed assets.....	(8,352)	(8,193)
Payments for transfer of business (Note 3) .....	—	(1,074)
Other – net .....	60	—
Net cash provided by (used in) investing activities .....	4,994	(50,668)
<b>Cash flows from financing activities:</b>		
Proceeds from share issuance to minority shareholders .....	26	—
Proceeds from exercise of stock options.....	0	—
Dividends paid .....	(9,231)	(8,333)
Purchase of treasury stock.....	—	(0)
Net cash used in financing activities .....	(9,204)	(8,333)
Effect of exchange rate changes on cash and cash equivalents .....	149	36
Net change in cash and cash equivalents.....	95,872	32,975
Cash and cash equivalents at the beginning of the year .....	504,987	472,012
Cash and cash equivalents at the end of the year (Notes 2, 3 and 4).....	¥600,859	¥504,987

See accompanying notes.

# Notes to Consolidated Financial Statements

Seven Bank, Ltd. and its consolidated subsidiaries  
As of and for the years ended March 31, 2015 and 2014

## 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 3 (1 in 2014) consolidated subsidiaries. Names of consolidated subsidiaries are as follows: Financial Consulting & Trading International, Inc., PT. ABADI TAMBAH MULIA INTERNASIONAL, Bank Business Factory Co., Ltd. (Change in scope of consolidation)

PT. ABADI TAMBAH MULIA INTERNASIONAL and Bank Business Factory Co., Ltd. have been consolidated due to establishment of these companies from the fiscal year ended March 31, 2015.

The balance sheet dates of the consolidated subsidiaries are December 31 for two companies and March 31 for one company. 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 (excluding leases)

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, 2015 and 2014 are as follows:

Buildings:	6-18 years
ATMs:	5 years
Others:	2-20 years

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

**(d) Intangible fixed assets (excluding leases)**

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, 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, 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) 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, prior service cost and net actuarial difference are amortized as follows.

Prior service cost is amortized using the straight-line method over ten years within the employees' average remaining service period at incurrence. 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.

**(h) 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.

**(i) 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 derivatives transactions for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows. All derivative transactions 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.

**(j) Amortization of goodwill**

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



**(k) 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.

**(l) 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.

**(m) Consumption taxes**

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

**(n) Amounts per share**

Net assets per share is calculated by dividing net assets excluding amount of subscription rights to shares 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 shareholders 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.

**(o) 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.

**(p) Changes in accounting policies**

Effective from the fiscal year ended March 31, 2015, the Bank has adopted the provisions set forth in article 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter "Retirement Benefits Standard")) and article 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015 (hereinafter "Retirement Benefits Guidance")). Accordingly, the Bank has revised

the calculation method for projected benefit obligation and service cost, where it has changed the method of attributing the projected retirement benefit to periods of services from a point basis to a benefit formula basis, and also changed the method of determining the discount rate from using the discount rate based on the terms closely related to the employees' average remaining service years to using a single weighted average discount rate that reflects the estimated term and amount of benefit payments.

These changes had no impact either on retained earnings at the beginning of the fiscal year ended March 31, 2015, and income before income taxes and minority interests for the fiscal year ended March 31, 2015.

**(q) Unapplied new accounting standards****Accounting standard for business combination (September 13, 2013)****(1) Overview**

Accounting standard for business combination has been amended mainly on the following items; (i) accounting treatment for changes in the parent's ownership interests in a subsidiary when the parent continues to retain control of that subsidiary such as the additional acquisition of the subsidiary's shares, (ii) accounting treatment for acquisition-related costs, (iii) provisional accounting treatment, and (iv) presentation of net income as well as the change of minority interests to non-controlling interests.

**(2) Date of adoption**

The bank will adopt the revised accounting standard from the beginning of the fiscal year starting April 1, 2015.

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

The effect of adopting the revised accounting standard is currently under evaluation.

**3. Supplemental Cash Flow Information****(1) Cash and cash equivalents**

Cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2015 and 2014 consisted of cash and due from banks of ¥600,859 million and ¥504,987 million on the consolidated balance sheets as of March 31, 2015 and 2014, respectively.

## (2) Assets acquired and liabilities assumed by transfer of business

Financial Consulting & Trading International, Inc., which is the Bank's subsidiary, carried out transfer of business in the fiscal year ended March 31, 2014.

A summary of assets acquired and liabilities assumed by the transfer of business, the acquisition cost of transfer of business and net cash used for the transfer of business were as follows:

	Millions of yen
	2014
Assets .....	¥1,114
Liabilities.....	(225)
Goodwill .....	186
Acquisition cost of transfer of business.....	1,074
Cash and cash equivalents acquired from the transfer of business .....	—
Difference: Net cash used for the transfer of business.....	¥1,074

## 4. Cash and Due from Banks

Cash and due from banks as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Cash .....	¥521,353	¥479,533
Due from banks.....	79,505	25,453
Total .....	¥600,859	¥504,987

## 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 Japanese government 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 Japanese government bonds, Japanese municipal bonds, and stocks, 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.

**(3) Risk Management Relating to Financial Instruments****(A) Credit Risk Management**

Basic policies related to credit risk are governed by the Basic 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 guidelines, reserve 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 Basic 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 days holding period. As of March 31, 2015, the Bank's market risk quantity (maximum potential loss) is ¥956 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 movement 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 Basic 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.

## 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, 2015 and 2014 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, 2015

	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks <sup>1</sup> .....	¥600,858	¥600,858	¥ —
(2) Call loans <sup>1</sup> .....	12,960	12,960	—
(3) Securities			
Available-for-sale securities .....	70,730	70,730	—
(4) Loans .....	10,406		
Allowance for credit losses <sup>1</sup> .....	(0)		
	10,406	10,406	—
(5) ATM-related temporary payments <sup>1</sup> .....	81,616	81,616	—
Total assets .....	¥776,572	¥776,572	¥ —
(1) Deposits .....	¥502,173	¥502,604	¥ 431
(2) Borrowed money .....	16,000	16,262	262
(3) Bonds .....	110,000	111,248	1,248
(4) ATM-related temporary advances .....	37,857	37,857	—
Total liabilities .....	¥666,030	¥667,972	¥1,941

### March 31, 2014

	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks <sup>1</sup> .....	¥504,986	¥504,986	¥ —
(2) Call loans <sup>1</sup> .....	14,956	14,956	—
(3) Securities			
Available-for-sale securities .....	98,178	98,178	—
(4) Loans .....	5,257		
Allowance for credit losses <sup>1</sup> .....	—		
	5,257	5,257	—
(5) ATM-related temporary payments <sup>1</sup> .....	92,784	92,784	—
Total assets .....	¥716,162	¥716,162	¥ —
(1) Deposits .....	¥438,348	¥438,920	¥ 571
(2) Borrowed money .....	21,000	21,277	277
(3) Bonds .....	115,000	115,686	686
(4) ATM-related temporary advances .....	40,966	40,966	—
Total liabilities .....	¥615,314	¥616,849	¥1,535

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. There is no deposit with maturity.

##### (2) Call loans

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

**(3) 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.

**(4) 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 amounts that are the consolidated balance sheet amounts at the balance sheet date after deducting the current estimated credit losses because this amount closely approximates fair value.

**(5) ATM-related temporary payments**

The remaining terms of the payments are short-term (less than 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 discounted expected cash flow. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits with maturity of less than a year, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount.

**(2) 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 less than a year, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount. There is no floating rate borrowing.

**(3) Bonds**

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

**(4) ATM-related temporary advances**

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

(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 "(3) Securities" in the table summarizing fair value of financial instruments.

	Millions of yen	
	2015	2014
Unlisted equity securities <sup>1</sup> .....	¥ 144	¥144
Investments in partnership <sup>2</sup> .....	979	—
<b>Total</b> .....	<b>¥1,123</b>	<b>¥144</b>

Notes: 1. Unlisted equity securities do not have market prices to quote. Since it is extremely difficult to estimate the fair value of these securities, their fair value is not included in the scope of fair value disclosure.

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, 2015

	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> .....	¥ 79,505	¥ —	¥—	¥—	¥—	¥—
Call loans.....	13,000	—	—	—	—	—
Securities:						
Available-for-sale securities with maturity .....	49,000	21,000	—	—	—	—
Japanese government bonds.....	30,500	—	—	—	—	—
Corporate bonds .....	18,500	21,000	—	—	—	—
Loans <sup>2</sup> .....	10,371	—	—	—	—	—
ATM-related temporary payments .....	81,617	—	—	—	—	—
Total.....	¥233,495	¥21,000	¥—	¥—	¥—	¥—

March 31, 2014

	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> .....	¥ 25,453	¥ —	¥—	¥—	¥—	¥—
Call loans.....	15,000	—	—	—	—	—
Securities:						
Available-for-sale securities with maturity .....	50,500	45,500	—	—	—	—
Japanese government bonds.....	50,500	30,500	—	—	—	—
Corporate bonds .....	—	15,000	—	—	—	—
Loans <sup>2</sup> .....	5,250	—	—	—	—	—
ATM-related temporary payments .....	92,786	—	—	—	—	—
Total.....	¥188,990	¥45,500	¥—	¥—	¥—	¥—

Notes: 1. Due from banks with no maturities are included in the "Within one year" category.

2. For loans, ¥35 million and ¥6 million as of March 31, 2015 and 2014 is 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, 2015

	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> .....	¥402,391	¥ 54,809	¥44,972	¥—	¥ —	¥—
Borrowed money.....	1,000	5,000	10,000	—	—	—
Bonds .....	—	45,000	30,000	—	35,000	—
ATM-related temporary advances.....	37,857	—	—	—	—	—
Total.....	¥441,249	¥104,809	¥84,972	¥—	¥35,000	¥—

March 31, 2014

	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> .....	¥353,893	¥47,294	¥37,160	¥ —	¥ —	¥—
Borrowed money.....	5,000	6,000	—	10,000	—	—
Bonds .....	20,000	—	45,000	30,000	20,000	—
ATM-related temporary advances.....	40,966	—	—	—	—	—
Total.....	¥419,859	¥53,294	¥82,160	¥40,000	¥20,000	¥—

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, 2015 and 2014:

Available-for-sale securities:

March 31, 2015	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with higher balances than acquisition costs			
Equity securities .....	¥ 338	¥ 720	¥382
Bonds:			
Japanese government bonds.....	30,500	30,508	7
Corporate bonds .....	28,499	28,502	2
Total .....	¥59,338	¥59,731	¥393

Securities with the same or lower balances than acquisition costs	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Bonds:			
Corporate bonds .....	¥11,000	¥10,998	¥ (2)
Total .....	¥11,000	¥10,998	¥ (2)
Grand total .....	¥70,339	¥70,730	¥391

March 31, 2014	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with higher balances than acquisition costs			
Equity securities .....	¥ 151	¥ 281	¥129
Bonds:			
Japanese government bonds.....	81,023	81,059	36
Corporate bonds .....	12,997	13,001	3
Total .....	¥94,173	¥94,342	¥169

Securities with the same or lower balances than acquisition costs	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Equity securities .....	¥ 2,000	¥ 1,836	¥(164)
Bonds:			
Corporate bonds .....	2,000	1,999	(0)
Total .....	¥ 4,000	¥ 3,835	¥(164)
Grand total .....	¥98,173	¥98,178	¥ 4

(2) Proceeds from sales of available-for-sale securities consisted of the following:

March 31, 2015	Millions of yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities .....	¥1,833	¥19	—
Total .....	¥1,833	¥19	—

March 31, 2014	Millions of yen		
	Proceeds	Realized Gains	Realized Losses
Bonds:			
Japanese government bonds.....	¥1,000	¥—	¥0
Total .....	¥1,000	¥—	¥0

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

March 31	Millions of yen	
	2015	2014
Unrealized gains (losses):		
On available-for-sale securities.....	¥ 532	¥ 4
Deferred tax liability.....	(172)	(1)
Net unrealized gains on available-for-sale securities, net of taxes.....	¥ 360	¥ 3

Note: ¥141 million of unrealized gains (losses) on investments in partnership whose fair value is extremely difficult to estimate is included in "On 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 ¥67,510 million and ¥96,060 million as of March 31, 2015 and 2014, respectively.

Other assets include guarantee deposits of ¥873 million and ¥823 million as of March 31, 2015 and 2014, respectively.

## 8. Loans

Loans to bankrupt borrowers and delinquent loans were ¥1 million and ¥34 million as of March 31, 2015, and ¥0 million and ¥6 million as of March 31, 2014, 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 (i) loans to bankrupt borrowers and (ii) 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, 2015 and 2014. 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, 2015 and 2014. 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 ¥35 million and ¥7 million as of March 31, 2015 and 2014, 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 ¥5,024 million and ¥3,017 million as of March 31, 2015 and 2014, respectively. Unused overdraft facilities for contracts with a term of less than one year also amounted to ¥5,024 million and ¥3,017 million as of March 31, 2015 and 2014, respectively.

## 9. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Buildings .....	¥ 1,671	¥ 1,518
ATMs.....	26,090	23,481
Other .....	3,911	3,588
Total .....	¥31,673	¥28,588

The accumulated depreciation of tangible fixed assets as of March 31, 2015 and 2014 amounted to ¥36,983 million and ¥37,346 million, respectively.

## 10. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Software.....	¥18,579	¥16,250
Goodwil.....	8,177	8,141
Other.....	8,869	10,176
Total.....	¥35,625	¥34,568

## 11. Other Assets

Other assets as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Accrued income.....	¥ 8,662	¥8,168
Prepaid expenses.....	518	471
Other.....	1,230	993
Total.....	¥10,411	¥9,633

## 12. Deposits

Deposits as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Deposits.....	¥501,413	¥437,588
Negotiable certificates of deposit.....	760	760
Total.....	¥502,173	¥438,348

## 13. Borrowed Money

Borrowed money as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Borrowed money from banks and insurance companies.....	¥16,000	¥21,000

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2015 and 2014 was 0.72% and 0.77%, respectively.

The repayment schedule on borrowed money as of March 31, 2015 and 2014 was as follows:

	Millions of yen	
	2015	2014
Within one year.....	¥ 1,000	¥ 5,000
Over one year but within two years.....	5,000	1,000
Over two years but within three years.....	—	5,000
Over three years but within four years.....	—	—
Over four years but within five years.....	10,000	—
Over five years.....	—	10,000

## 14. Bonds

Bonds as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Unsecured:		
1.03% unsecured bonds due June 20, 2014, date of issue July 2, 2009.....	¥ —	¥ 20,000
0.39% unsecured bonds due June 20, 2017, date of issue May 31, 2012 .....	30,000	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	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	—
Total .....	¥110,000	¥115,000

The repayment schedule on bonds as of March 31, 2015 and 2014 was as follows:

	Millions of yen	
	2015	2014
Within one year.....	¥ —	¥20,000
Over one year but within two years .....	—	—
Over two years but within three years .....	45,000	—
Over three years but within four years.....	—	45,000
Over four years but within five years.....	30,000	—
Over five years.....	35,000	50,000

## 15. Other liabilities

Other liabilities as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Accrued expenses.....	¥ 6,029	¥ 5,991
Asset retirement obligations.....	346	334
Other .....	4,296	4,429
Total .....	¥10,672	¥10,756

## 16. Employees' Severance and Retirement Benefits

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

Fiscal years ended March 31, 2015 and 2014

### (1) Movement in projected benefit obligation

	Millions of yen	
	2015	2014
Balance at the beginning of the year .....	¥1,894	¥1,689
Cumulative effects of changes in accounting policies.....	—	—
Beginning balance (as adjusted) .....	1,894	1,689
Service cost.....	187	177
Interest cost .....	28	25
Actuarial difference .....	133	68
Benefits paid .....	(81)	(66)
Prior service cost.....	—	—
Other .....	0	—
Balance at the end of the year .....	¥2,163	¥1,894

## (2) Movement in plan assets

	Millions of yen	
	2015	2014
Balance at the beginning of the year .....	¥1,774	¥1,434
Expected return on plan assets .....	44	35
Actuarial difference .....	263	155
Contributions paid by the employer .....	223	214
Benefits paid .....	(81)	(66)
Other .....	—	—
Balance at the end of the year .....	¥2,224	¥1,774

## (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	
	2015	2014
Funded projected benefit obligation .....	¥ 2,163	¥ 1,894
Plan assets .....	(2,224)	(1,774)
	(60)	120
Unfunded projected benefit obligation .....	0	—
Total net liability (asset) for retirement benefits at the end of the year .....	(60)	120
Liability for retirement benefits .....	0	120
Asset for retirement benefits .....	(60)	—
Total net liability (asset) for retirement benefits at the end of the year .....	¥ (60)	¥ 120

## (4) Retirement benefit costs

	Millions of yen	
	2015	2014
Service cost .....	¥187	¥177
Interest cost .....	28	25
Expected return on plan assets .....	(44)	(35)
Amortization of actuarial difference .....	70	81
Amortization of prior service cost .....	5	5
Other .....	12	—
Retirement benefit costs .....	¥260	¥253

## (5) Adjustments for retirement benefit

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

	Millions of yen	
	2015	2014
Prior service cost .....	¥ 5	¥—
Actuarial difference .....	199	—
Total amount recognized the year .....	¥204	¥—

## (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	
	2015	2014
Unrecognized prior service cost .....	¥ —	¥ 5
Unrecognized actuarial difference .....	(19)	180
Total balance at the end of the year .....	¥(19)	¥185



## (7) Plan assets

(a) Plan assets comprise:

	2015	2014
Bonds .....	48%	50%
Equity securities .....	39%	38%
Other .....	13%	12%
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, 2015 and 2014 were as follows:

	2015	2014
Discount rate .....	1.0%	1.5%
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, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Remittance-related fee income .....	¥ 1,664	¥ 1,208
ATM-related fee income .....	107,213	100,021
Other .....	3,396	3,303
Total .....	¥112,274	¥104,533

## 19. Fees and Commissions Expenses

Fees and commissions expenses for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Remittance-related fee expenses.....	¥ 942	¥ 660
ATM placement fee expenses.....	16,311	14,249
ATM-related fee expenses .....	1,178	954
Other .....	742	427
Total .....	¥19,174	¥16,291

## 20. Other Operating Income

Other operating income for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Gains on foreign exchange transactions .....	¥161	¥81
Total .....	¥161	¥81

## 21. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Loss on sales of bonds.....	¥ —	¥ 0
Amortization of bond issuance cost .....	53	—
Total .....	¥53	¥ 0

## 22. General and Administrative Expenses

Main items and amounts of general and administrative expenses for the fiscal years ended March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Provision for bonuses .....	¥ 449	¥ 396
Retirement benefit costs.....	260	253
Depreciation of fixed assets.....	16,251	12,493
Business outsourcing expenses.....	17,069	16,792

## 23. Other Income

Other income for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Reversal of allowance for credit losses.....	¥ 9	¥ 9
Other .....	217	154
Total .....	¥227	¥163

## 24. Other Expenses

Other expenses for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Losses on disposal of fixed assets.....	¥195	¥1,028
Other .....	95	10
Total .....	¥291	¥1,038

## 25. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	2015	2014
Net unrealized gains (losses) on available-for-sale securities, net of taxes		
Amount arising during the year .....	¥ 547	¥ (28)
Reclassification adjustment .....	(19)	0
Amount before income tax effect .....	527	(28)
Income tax effect .....	(170)	10
Total .....	¥ 357	¥ (18)
Foreign currency translation adjustments		
Amount arising during the year .....	¥1,889	¥2,520
Reclassification adjustment .....	—	—
Amount before income tax effect .....	1,889	2,520
Income tax effect .....	—	—
Total .....	¥1,889	¥2,520
Adjustments for retirement benefit		
Amount arising during the year .....	¥ 129	¥ —
Reclassification adjustment .....	75	—
Amount before income tax effect .....	204	—
Income tax effect .....	(72)	—
Total .....	¥ 132	¥ —
Total other comprehensive income .....	¥2,378	¥2,502

## 26. Income Taxes

Income taxes of the Bank in the consolidated statements of income consist of corporation tax, inhabitants tax and enterprise tax. For the fiscal years ended March 31, 2015 and 2014, 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.

Significant components of the deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Deferred tax assets:		
Enterprise tax .....	¥ 521	¥ 582
Depreciation of fixed assets .....	168	187
Stock option expenses .....	146	132
Net operating loss carry forwards .....	139	172
Reserve for bonuses.....	133	134
Asset retirement obligations.....	112	119
Accounts payable		
(Reserve for retirement benefits for directors and statutory auditors) .....	65	70
Liability for retirement benefits.....	—	42
Allowance for credit losses .....	15	20
Losses on impairment of fixed assets .....	—	4
Other .....	80	83
Subtotal deferred tax assets .....	1,383	1,549
Valuation allowance .....	(14)	—
Total deferred tax assets .....	¥ 1,368	¥ 1,549
Deferred tax liabilities:		
Intangible fixed assets recognized with business combination .....	¥(2,158)	¥(1,964)
Net unrealized gains (losses) on available-for-sale securities .....	(172)	(1)
Adjustment for tangible fixed assets related to asset retirement obligations .....	(44)	(51)
Other .....	(195)	(141)
Total deferred tax liabilities.....	(2,571)	(2,158)
Net deferred tax liabilities .....	¥(1,202)	¥ (609)

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

	Millions of yen	
	2015	2014
Deferred tax assets.....	¥ 951	¥1,290
Deferred tax liabilities .....	2,154	1,899

(Revisions to amounts of deferred tax assets and deferred tax liabilities due to change in income tax rate, etc.)

On March 31, 2015, “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 9 of 2015) and “Act on Partial Revision of the Local Tax Act, etc.” (Act No. 2 of 2015) were promulgated, and the income tax rate will be reduced from the fiscal years beginning on or after April 1, 2015. Accordingly, the statutory tax rate applied to the calculation of deferred tax assets and liabilities for this fiscal year was lowered from 35.64% in the previous fiscal year to 33.10% for temporary differences expected to be reversed in the fiscal years beginning on April 1, 2015, and to 32.34% for temporary differences, etc. expected to be reversed in the fiscal years beginning on or after April 1, 2016. As a result, the amount of deferred tax assets decreased by ¥77 million, net unrealized gains (losses) on available-for-sale securities increased by ¥17 million, accumulated adjustments for retirement benefit increased by ¥0 million, and income taxes-deferred increased by ¥94 million.

## 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, 2015 and 2014 were as follows:

#### Year ended March 31, 2015

	Thousands of shares			
	April 1, 2014	Increase	Decrease	March 31, 2015
Shares issued				
Common stock <sup>1</sup> .....	1,190,949	52	—	1,191,001
Total .....	1,190,949	52	—	1,191,001
Treasury stock				
Common stock .....	0	—	—	0
Total .....	0	—	—	0

Note: 1. Increase in number of shares of common stock: 52 thousand shares due to exercise of subscription rights to shares.

#### Year ended March 31, 2014

	Thousands of shares			
	April 1, 2013	Increase	Decrease	March 31, 2014
Shares issued				
Common stock .....	1,190,949	—	—	1,190,949
Total .....	1,190,949	—	—	1,190,949
Treasury stock				
Common stock <sup>1</sup> .....	0	0	—	0
Total .....	0	0	—	0

Note: 1. Increase in number of shares of treasury stock: 0 thousand shares due to purchase of shares constituting less than one unit.

### (2) Information on subscription rights to shares:

#### Year ended March 31, 2015

Details of subscription rights to shares	Type of shares	Thousands of shares				Balance at March 31, 2015 (Millions of yen)
		April 1, 2014	Increase	Decrease	March 31, 2015	
Subscription rights to shares as stock options .....			—		—	¥449
Total .....			—		—	¥449

Note: There are no treasury subscription rights to shares.

#### Year ended March 31, 2014

Details of subscription rights to shares	Type of shares	Thousands of shares				Balance at March 31, 2014 (Millions of yen)
		April 1, 2013	Increase	Decrease	March 31, 2014	
Subscription rights to shares as stock options .....			—		—	¥371
Total .....			—		—	¥371

Note: There are no treasury subscription rights to shares.

### (3) Information on dividends:

(a) Dividends paid in the fiscal years ended March 31, 2015 and 2014

#### Year ended March 31, 2015

Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	(Millions of yen, except per share amounts)	
				Record date	Effective date
Common stock <sup>1</sup>	¥4,763	Retained earnings	¥4.00	March 31, 2014	June 2, 2014
Common stock <sup>2</sup>	¥4,466	Retained earnings	¥3.75	September 30, 2014	December 1, 2014

Notes: 1. Date of resolution: Board of Directors meeting held on May 23, 2014

2. Date of resolution: Board of Directors meeting held on November 7, 2014

Year ended March 31, 2014					
(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>	¥4,168	Retained earnings	¥3.50	March 31, 2013	June 3, 2013
Common stock <sup>2</sup>	¥4,168	Retained earnings	¥3.50	September 30, 2013	December 2, 2013

Notes: 1. Date of resolution: Board of Directors meeting held on May 24, 2013  
2. Date of resolution: Board of Directors meeting held on November 8, 2013

(b) Dividends to be paid in the fiscal year ending March 31, 2016

(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	¥5,061	Retained earnings	¥4.25	March 31, 2015	June 1, 2015

Note: Date of resolution: Board of Directors meeting held on May 22, 2015

Cash dividends per share based on business results for the fiscal year ended March 31, 2015 were ¥8.00 annually with the year-end dividend of ¥4.25 added to the interim dividend of ¥3.75.

## 28. Related Party Transactions

### (1) Transactions with related parties

Related party transactions for the fiscal years ended March 31, 2015 and 2014 were as follows:

(a) Parent company and major shareholders

#### Year ended March 31, 2015

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>	¥11,114	Other liabilities (Accrued expenses) <sup>3</sup>	¥1,029

Notes: 1. 38.08% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2015.  
2. Conditions of transactions and method for determining conditions for transactions:  
The business terms and conditions and decision-making process related to ATM placement fee expenses take into consideration Seven-Eleven Japan's overall infrastructure costs.  
3. The accrued expenses include consumption tax.

#### Year ended March 31, 2014

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>	¥10,807	Other liabilities (Accrued expenses) <sup>3</sup>	¥960

Notes: 1. 38.09% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2014.  
2. Conditions of transactions and method for determining conditions for transactions:  
The business terms and conditions and decision-making process related to ATM placement fee expenses take into consideration Seven-Eleven Japan's overall 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

#### Year ended March 31, 2015

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 & i Financial Center Co., Ltd.	Sister companies	Handling of negotiable certificates of deposit <sup>2</sup>	¥13,232	Deposits (Negotiable certificates of deposit)	—
		Interest on negotiable certificates of deposit <sup>1</sup>	12	Other liabilities (Accrued expenses)	—

Notes: 1. Conditions of transactions and method for determining conditions for transactions:  
The interest rates for negotiable certificates of deposit are set at reasonable levels in accordance with the transaction period and currently prevailing market rates.  
2. The transaction amounts for negotiable certificates of deposit represent the average balances recorded during the fiscal year ended March 31, 2015.



Year ended March 31, 2014

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 & i Financial Center Co., Ltd.	Sister companies	Handling of negotiable certificates of deposits <sup>2</sup>	¥18,602	Deposits (Negotiable certificates of deposits)	—
		Interest on negotiable certificates of deposits <sup>1</sup>	17	Other liabilities (Accrued expenses)	—

Notes: 1. Conditions of transactions and method for determining conditions for transactions:

The interest rates for negotiable certificates of deposit are set at reasonable levels in accordance with the transaction period and currently prevailing market rates.

2. The transaction amounts for negotiable certificates of deposit represent the average balances recorded during the fiscal year ended March 31, 2014.

## (2) Notes on parent company or important related companies

### (a) Parent company information

Seven & i Holdings Co., Ltd. (listed on First Section of Tokyo Stock Exchange)

### (b) Summary financial information about important related companies

None

## 29. Lease Transactions

### Finance Leases:

None

### Operating Leases:

Future minimum lease payments under non-cancelable operating leases as of March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Due within one year .....	¥ 561	¥ 542
Due after one year .....	1,305	1,734
Total .....	¥1,867	¥2,277

## 30. Derivative Financial Instruments and Hedging Transactions

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

None

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, 2015

Hedge accounting method	Hedging instruments	Hedged items	Contract or notional amount	Millions of yen	
				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, 2014

Hedge accounting method	Hedging instruments	Hedged items	Contract or notional amount	Millions of yen	
				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 ¥87 million and ¥80 million are recorded as general and administrative expenses in the fiscal years ended March 31, 2015 and 2014, respectively.

Outline of stock options and changes were as follows:

#### (1) Outline of stock options

	First grant-1	First grant-2
Title and number of grantees .....	5 directors	3 executive officers
Number of stock options <sup>1</sup> .....	184,000 common shares	21,000 common shares
Grant date .....	August 12, 2008	August 12, 2008
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 13, 2008 to August 12, 2038	From August 13, 2008 to August 12, 2038
	Second grant-1	Second grant-2
Title and number of grantees .....	4 directors	5 executive officers
Number of stock options <sup>1</sup> .....	171,000 common shares	38,000 common shares
Grant date .....	August 3, 2009	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 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 4, 2009 to August 3, 2039	From August 4, 2009 to August 3, 2039
	Third grant-1	Third grant-2
Title and number of grantees .....	5 directors	4 executive officers
Number of stock options <sup>1</sup> .....	423,000 common shares	51,000 common shares
Grant date .....	August 9, 2010	August 9, 2010
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 10, 2010 to August 9, 2040	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

Note: 1. 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, 2015.  
The number of stock options is converted into the number of shares.

**Fiscal year ended March 31, 2015:**

## Number of stock options

	First grant-1	First grant-2
<b>Before vested</b>		
As of March 31, 2014 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
<b>After vested</b>		
As of March 31, 2014 .....	157,000	7,000
Vested .....	—	—
Exercised .....	—	—
Forfeited .....	—	—
Outstanding .....	157,000	7,000
	<b>Second grant-1</b>	<b>Second grant-2</b>
<b>Before vested</b>		
As of March 31, 2014 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
<b>After vested</b>		
As of March 31, 2014 .....	171,000	23,000
Vested .....	—	—
Exercised .....	—	7,000
Forfeited .....	—	—
Outstanding .....	171,000	16,000
	<b>Third grant-1</b>	<b>Third grant-2</b>
<b>Before vested</b>		
As of March 31, 2014 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
<b>After vested</b>		
As of March 31, 2014 .....	423,000	25,000
Vested .....	—	—
Exercised .....	—	12,000
Forfeited .....	—	—
Outstanding .....	423,000	13,000

	Fourth grant-1	Fourth grant-2
Before vested		
As of March 31, 2014 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
After vested		
As of March 31, 2014 .....	440,000	104,000
Vested .....	—	—
Exercised .....	—	14,000
Forfeited .....	—	—
Outstanding .....	440,000	90,000
	Fifth grant-1	Fifth grant-2
Before vested		
As of March 31, 2014 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
After vested		
As of March 31, 2014 .....	363,000	77,000
Vested .....	—	—
Exercised .....	—	10,000
Forfeited .....	—	—
Outstanding .....	363,000	67,000
	Sixth grant-1	Sixth grant-2
Before vested		
As of March 31, 2014 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
After vested		
As of March 31, 2014 .....	216,000	43,000
Vested .....	—	—
Exercised .....	—	9,000
Forfeited .....	—	—
Outstanding .....	216,000	34,000
	Seventh grant-1	Seventh grant-2
Before vested		
As of March 31, 2014 .....	—	—
Granted .....	193,000	44,000
Forfeited .....	—	—
Vested .....	193,000	44,000
Outstanding .....	—	—
After vested		
As of March 31, 2014 .....	—	—
Vested .....	193,000	44,000
Exercised .....	—	—
Forfeited .....	—	—
Outstanding .....	193,000	44,000

Price information	First grant-1	First grant-2
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	¥236,480 per Subscription right to shares
Price information	Second grant-1	Second grant-2
Exercise price .....	¥1 per share	¥1 per share
Average stock price at exercise .....	—	¥416,000 per Subscription right to shares
Fair value at the grant date <sup>1</sup> .....	¥221,862 per Subscription right to shares	¥221,862 per Subscription right to shares
Price information	Third grant-1	Third grant-2
Exercise price .....	¥1 per share	¥1 per share
Average stock price at exercise .....	—	¥416,000 per Subscription right to shares
Fair value at the grant date <sup>1</sup> .....	¥139,824 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 .....	—	¥416,000 per Subscription right to shares
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 .....	—	¥416,000 per Subscription right to shares
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 .....	—	¥416,000 per Subscription right to shares
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

Note: 1. 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 per subscription right to shares 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

Valuation technique used for valuing fair value of Seventh grant-1 of subscription rights to shares and Seventh grant-2 of subscription right to shares during the fiscal year ended March 31, 2015 was as follows:

Valuation method used: Black-Scholes option-pricing model

Principal parameters and estimation method	Seventh grant-1	Seventh grant-2
Expected volatility of the underlying stock <sup>1</sup> .....	31.013%	31.013%
Remaining expected life of the option <sup>2</sup> .....	6.39 years	6.39 years
Expected dividends on the stock <sup>3</sup> .....	¥7.5 per share	¥7.5 per share
Risk-free interest rate during the expected option term <sup>4</sup> .....	0.217%	0.217%

Notes: 1. The expected volatility was calculated based upon share price data during the six years and four months from March 17, 2008 to August 4, 2014.

2. The average expected life of the option was estimated assuming that the options would remain for the simple average period from June 2014 to each director's expected retirement date, plus 10 days of exercisable period.

3. Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended March 31, 2014.

4. Japanese government bond yield corresponding to the average expected life.

### (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: 4-18 years

Discount rate: 0.4-1.9%

### (3) The changes in asset retirement obligations for the fiscal years ended March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Balance at the beginning of the year.....	¥334	¥270
Increase in purchases of tangible fixed assets.....	7	87
Accretion expense.....	5	5
Obligations settled in current period.....	—	28
Balance at the end of the year.....	¥346	¥334

### 33. Per Share Data

Basis for the calculation of net assets per share and net income per share for the fiscal years ended March 31, 2015 and 2014 were as follows:

March 31	Yen	
	2015	2014
Net assets per share .....	¥142.24	¥128.49

Years ended March 31	Yen	
	2015	2014
Net income per share.....	¥19.49	¥17.83
Net income per share (diluted).....	¥19.46	¥17.80

Notes: 1. Net assets per share is calculated based on the following:

March 31	Millions of yen, except thousands of shares	
	2015	2014
Net assets .....	¥ 169,890	¥ 153,408
Amount excluded from net assets .....	476	371
Subscription rights to shares (inclusive) .....	449	371
Minority interests .....	26	—
Net assets attributable to common stock at the fiscal year end.....	¥ 169,413	¥ 153,036
Number of common stock at the fiscal year end used for the calculation of net assets per share.....	1,191,000	1,190,948

2. Net income per share is calculated based on the following:

Years ended March 31	Millions of yen, except thousands of shares	
	2015	2014
Net income per share		
Net income.....	¥ 23,220	¥ 21,236
Amount not attributable to common shareholders.....	—	—
Net income attributable to common stock.....	¥ 23,220	¥ 21,236
Average number of common stock during the year.....	1,190,987	1,190,948
Net income per share (diluted)		
Adjustment for net income.....	¥ —	¥ —
Increase in number of common stock.....	2,161	1,954
Subscription rights to shares (inclusive) .....	2,161	1,954
Description of dilutive shares not included in the calculation of diluted net income per share because the shares have no dilutive effects.....	—	—

### 34. Segment Information

The Group has only one segment; banking services. Therefore, this information is omitted.

#### Related Information

##### (1) Information by service

The amount of ordinary income attributable to outside customers with ATM-related business exceeds 90% of that on the consolidated statements of income for the fiscal years ended March 31, 2015 and 2014; therefore, information by service is omitted.

##### (2) Information by geographical area

###### (a) Ordinary income

The amount of ordinary income attributable to outside customers in Japan exceeds 90% of that on the consolidated statements of income for the fiscal years ended March 31, 2015 and 2014; therefore, geographical information is omitted.

###### (b) Tangible fixed assets

The amount of tangible fixed assets located in Japan exceeds 90% of that on the consolidated balance sheet as of March 31, 2015 and 2014; therefore, geographical information is omitted.

## (3) Information by major customer

Year ended March 31, 2015			(Millions of yen)
Name of customer	Ordinary income	Related segment	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥12,431	Banking service	

Year ended March 31, 2014			(Millions of yen)
Name of customer	Ordinary income	Related segment	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥12,004	Banking service	

Note: Ordinary income is stated as sales of general enterprises.

### 35. Subsequent Events

#### Agreement of the important contract

On July 6, 2015, Financial Consulting & Trading International, Inc. ("FCTI"), which is the Bank's consolidated subsidiary, has entered into an ATM placement agreement which covers the 7-Eleven stores located in the United States with 7-Eleven, Inc. in accordance with a resolution of the Board of Directors meeting held on the same day.

#### (1) Purpose

As regards the ATM business in the United States operated by FCTI, the Bank believes that the execution of the agreement will result in the expansion of the business (in terms of scale) as well as better cost competitiveness and profitability, which will further accelerate the growth of the business.

#### (2) Name of the agreement counterparty

7-Eleven, Inc.

#### (3) Date of the agreement

July 6, 2015

#### (4) Contents of the agreement

From July 2017, FCTI will basically be able to install and operate ATMs on an exclusive basis at the 7-Eleven stores located in the United States which are operated by 7-Eleven, Inc.

#### (5) Significant effects of the agreement on operating activities and others

The effects of the agreement on operating activities and others during or after the fiscal year ending March 31, 2016 cannot be reasonably estimated. However, the Bank believes that the agreement will contribute to the improvement of the Bank's consolidated financial results on a medium to long-term basis.

#### (6) Other significant matters to notice

None

# Independent Auditor's Report



## 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, 2015 and 2014, 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 misstatements, 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 judgement, 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, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.


**KPMG AZSA LLC**

July 17, 2015  
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.

# History

2001	April 6	Preliminary license received
	April 10	IY Bank Co., Ltd. established (common stock: 20,205 million yen)
		
	April 25	Banking business license received
	May 7	Initiated operations (began accepting applications for new accounts)
		 IY Bank cash card
	May 15	Initiated ATM services
		 Ceremony for the start of ATM services
	June 18	Initiated money transfer services
	July 13	Number of ATMs installed exceeded 1,000
	August 30	First third-party allocation of shares (common stock: 30,805 million yen)
	December 17	Initiated Internet, mobile, and telephone banking services (Terminated telephone banking services on January 10, 2014)
2002	March 27	Second third-party allocation of shares (common stock: 61,000 million yen)
2003	March 24	Number of ATMs installed exceeded 5,000
2005	April 1	Initiated operation of ATM Call Center (Osaka)
	April 4	Number of ATMs installed exceeded 10,000 Began handling time deposits for defined contribution pension plans
	April 27	Established first manned outlet in Ito-Yokado Soga store
	July 26	Introduction of second-generation ATMs
	October 11	Company name changed to Seven Bank, Ltd.
		
2006	March 2	Initiated bank agency services at Ito-Yokado Kawaguchi Branch
	April 3	Began accepting IC cash cards
	September 1	Common stock reduced (common stock of 61,000 million yen reduced by transfer of 30,500 million yen to capital surplus)
2007	June 25	First dividend paid since establishment Began outsourcing ATM operation and administration
	July 11	Initiated services for cards issued overseas
		 Ceremony for the start of services for cards issued overseas
	September 3	Began loading money onto <i>nanaco</i> electronic money cards at ATMs
	November 26	Initiated ATM services for visually impaired customers (voice-guided transactions)
	December 17	Completed installation of ATMs in all 47 prefectures

2008	February 29	Listed on the JASDAQ Securities Exchange (currently the Tokyo Securities Exchange JASDAQ Market) (delisted on April 14, 2012)
2009	April 1	Established the Financial Crime Prevention Office (now the Financial Crime Risk Strategy Planning and Prevention Division)
2010	January 25	Initiated personal loan services
	November 5	Number of ATMs installed exceeded 15,000
	November 29	Introduction of third-generation ATMs
		 Third-generation ATM
2011	March 22	Initiated international money transfer services
	December 1	1,000-for-1 stock split Adopted share unit number system with 100 shares per unit
	December 26	Listed on the First Section of the Tokyo Stock Exchange
2012	June 27	Number of Seven Bank accounts exceeded 1 million
	October 6	Acquired all issued shares of Financial Consulting & Trading International, Inc. of the United States (made a wholly owned subsidiary)
2013	February 1	Customer Service Center for International Money Transfers began operation
	September 27	U.S.-based wholly owned subsidiary Financial Consulting & Trading International, Inc. acquired the ATM business of Global Access Corp.
2014	January 8	Initiated Seven Bank account transaction screens in nine languages at all ATMs
	June 10	Established PT. ABADI TAMBAH MULIA INTERNASIONAL ("ATMi"), a joint venture operating ATMs in Indonesia
	July 1	Established Bank Business Factory Co., Ltd., a wholly owned subsidiary engaged in back-office support outsourcing
	July 31	Number of ATMs installed exceeded 20,000

# Investor Information

(As of March 31, 2015)

## Company Information

Company Name	Seven Bank, Ltd.
Head Office	1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan
Established	April 10, 2001
Common Stock	30,514 million yen
Number of Employees	445 (Non-consolidated)
Fiscal Year-End	March 31
Website (Investor Relations)	<a href="http://www.sevenbank.co.jp/english/ir/">http://www.sevenbank.co.jp/ english/ir/</a>

## Shareholder Information

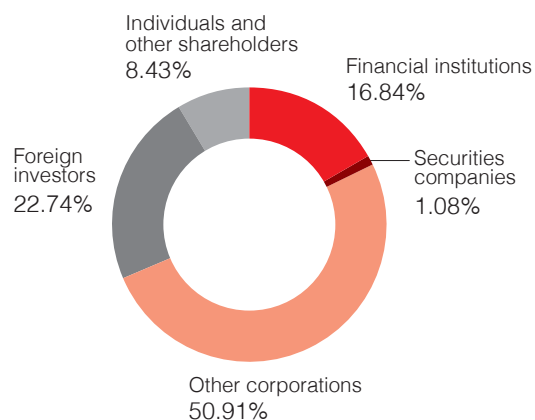
Number of Shareholders	56,632
Common Stock Number of Shares Issued	1,191,001,000
Stock Code	8410 (Tokyo Stock Exchange, First Section)
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division 7-10-11, Higashi Suna, Koto-ku, Tokyo 137-8081
Independent Auditors	KPMG AZSA LLC

## Major Shareholders

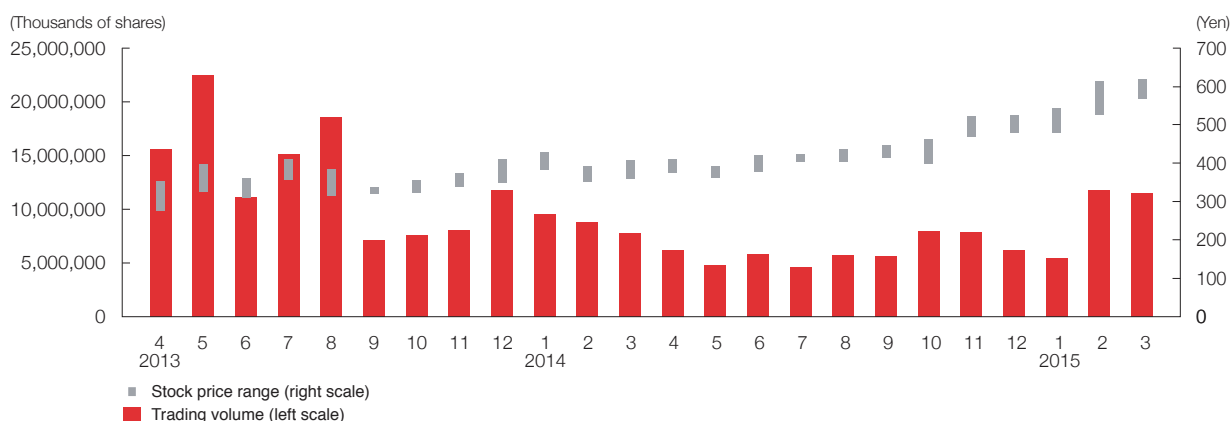
Shareholding in Seven Bank

Shareholder name / title	Number of shares	% holding
Seven-Eleven Japan Co., Ltd.	453,639,000	38.08
State Street Bank and Trust Company (standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	65,798,793	5.52
Ito-Yokado Co., Ltd.	46,961,000	3.94
York-Benimaru Co., Ltd.	45,000,000	3.77
The Master Trust Bank of Japan, Ltd. (trust account)	36,969,100	3.10
Japan Trustee Services Bank, Ltd. (trust account)	25,997,200	2.18
Sumitomo Mitsui Banking Corporation	15,000,000	1.25
The Dai-ichi Life Insurance Company, Limited (standing proxy: Trust & Custody Services Bank, Ltd.)	15,000,000	1.25
NORTHERN TRUST CO. AVFC RE FIDELITY FUNDS (standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	13,509,900	1.13
HSBC Bank Plc, State of Kuwait Investment Authority, Kuwait Investment Office (standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	10,330,700	0.86

## Composition of Shareholders



## Stock Price Range and Trading Volume







<http://www.sevenbank.co.jp/english/ir/>

