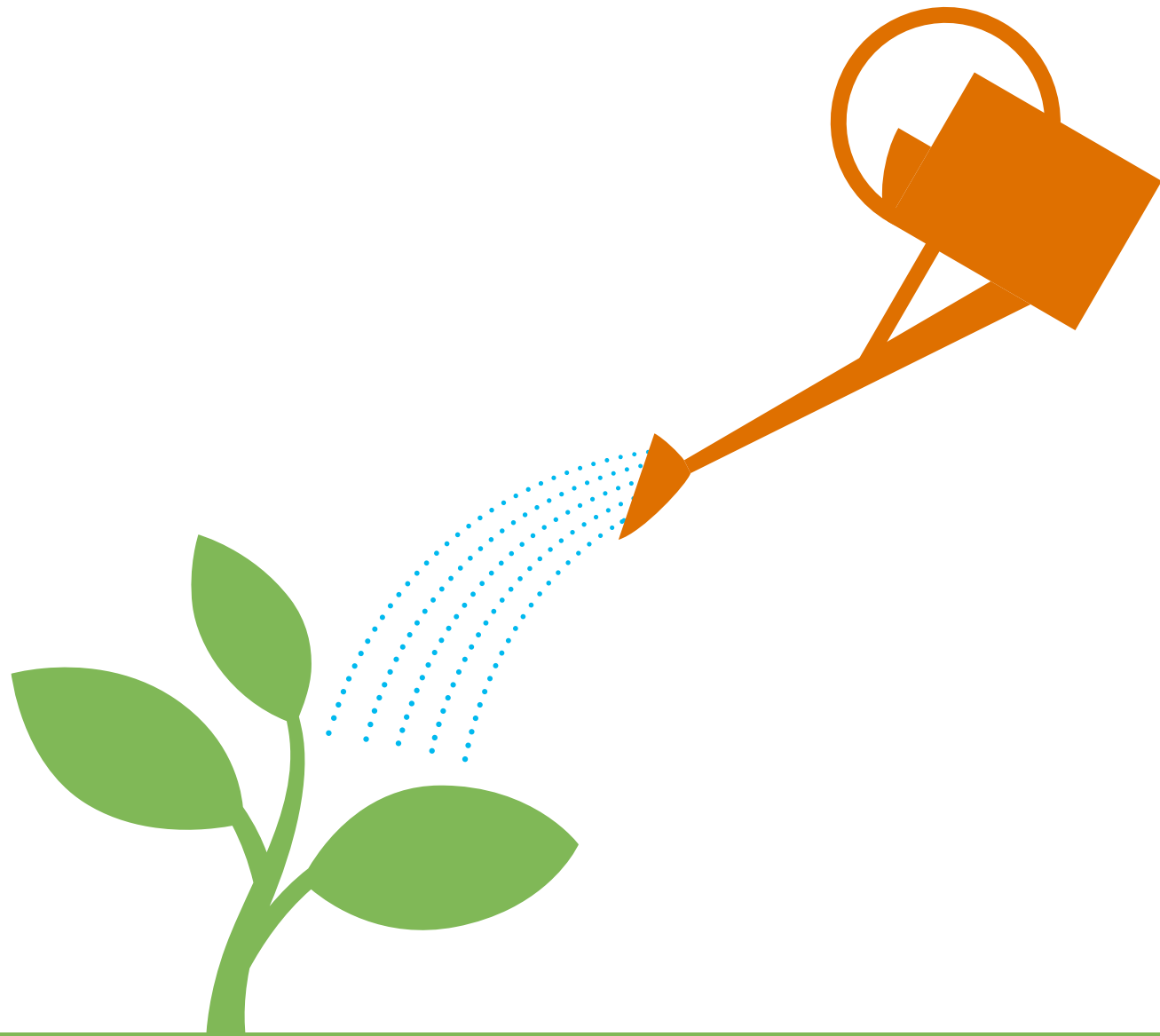


SEVEN BANK, LTD.
Integrated
Report
2019

For the year ended
March 31, 2019



Seven Bank continues to “cultivate.”



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

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

Currently, due to the spread of smartphones, diversification of payment methods, changes in lifestyles and other factors, our business environment is undergoing radical change. It is hard to predict what kind of future awaits us in years or decades to come. We aim to respond flexibly to such changes in society and diversifying customer needs by continuing to change with the times.

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

Together with the times

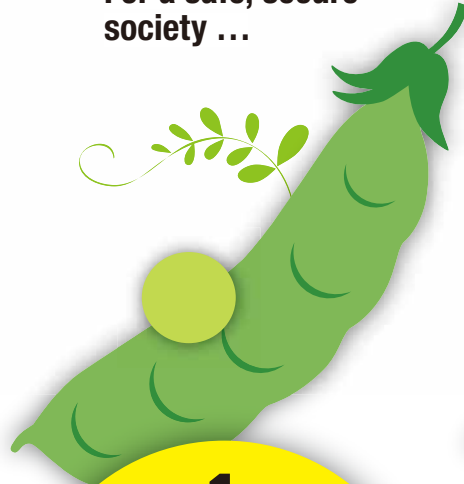
Together with you

By addressing five “material issues,” we will grow together with society.

close to people's lives

Five “material issues”


For a safe, secure society ...



1

Offer a safe, secure settlement infrastructure


For new value in daily lives ...



2

Create a lifestyle through new financial services


So that everyone can live fairly and equally ...



3

Create a society where everyone can be active


To create a society that considers the environment ...



4

Reduce the environmental burden

To live with mutual acceptance of other cultures ...



5

Realize multicultural symbiosis



P.19-

P.21-

P.55-

P.63-

P.23-

SDGs

The UN Sustainable Development Summit was held at the headquarters of the United Nations in September 2015.

At the summit, 193 participating countries unanimously adopted a resolution titled “Transforming our world: the 2030 Agenda for Sustainable Development,” which included a set of Sustainable Development Goals (SDGs).

The 17 SDGs have 169 specific targets, and companies are expected to take part in the goals and contribute to their achievement by 2030.



Keeping up with the times, together with you, and cultivating new value.



March 2017-
Expanding smartphone ATM services



May 2018-
ATM Receipt (cash receipt service)



More than 150 companies in addition to the above

December 2018
Offering financial service infrastructure for non-Japanese customers



Working with new partners to use changes in the operating environment as business opportunities to incorporate the benefits of technological innovation

August 2017-
Tie-ups with new settlement business operators



October 2018-
Expanding electronic money topping-up capabilities



Strengthening tie-ups with investment targets and partner companies

January 2019
Strengthening security to prevent money laundering, etc.



*Some partner logos for services are included but not all partners' or contracted companies' logos (as of July 11, 2019).

Corporate Principles

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

Management Policy

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

Charter of Ethics (abridged)

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



This report has been created to provide shareholders, investors and other stakeholders with non-financial information on issues including the environment, society and corporate governance, integrated with financial information, to describe how we create corporate value in an easy-to-understand format. The report has been prepared referencing the International Integrated Reporting Council's ("IIRC") "International Integrated Reporting Framework," published in December 2013, and the Ministry of Economy, Trade and Industry's "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation," announced on May 29, 2017.

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About this publication

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

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

Values/Business Model



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Seven Bank's History . . .

Since our founding in 2001, Seven Bank has been providing ATM services that can be used “anytime, anywhere, by anyone, and with safety and security.”

Going forward, we will continue to create new services that are not bound by existing concepts, in response to customers' needs.

Created in response
to customer feedback



▲ Obtained preliminary license



▲ ATM service launch ceremony



▲ First-generation ATM

2001

ATMs appeared in 7-Eleven stores

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

Legend

- : Seven Bank products and services
- : Social changes

Pursuing the challenge of developing services that create new value



◀ Third-generation ATM



▲ ATM corner in Kabukicho, Shinjuku (Tokyo)

Rapid social changes from technological innovation including artificial intelligence and the "Internet of Things"
Diversification of settlement services

Social demand to prevent financial crimes

Promoting open innovation through Seven Labo
Began issuing cash cards with a debit function

Began supporting financial institutions' measures to prevent money laundering

Increase in financial crimes that use counterfeit cards

ATMs began accepting cash cards loaded with an IC chip
Seven Bank issued cash cards loaded with an IC chip

Increased social demand to prevent global warming and reduce wasted materials

Developed third-generation ATMs emphasizing convenience and environmental performance

2015

2016

2017

2018

ATM transaction screens, receipts, etc., available in 12 languages

Growth of inbound tourism market

Launched service allowing cash withdrawals and deposits using only a smartphone

Began installing roughly 8,000 ATMs in 7-Eleven stores in the United States

Rapid spread of smartphones
Globalization of financial services



▲ Screen with 12 language options

Responding to change

Identifying customer needs and social changes, and continuously pursuing challenges

2005

2007

2010

2011

Began accepting cash cards and credit cards issued overseas
ATM transactions possible using a voice guidance service

Increase in tourists from overseas on the government's effort to make Japan a tourist destination
Social demand for barrier-free accessibility

Launched international money transfer services

Increased need for remittance from increase of non-Japanese workers in Japan



◀ Service launch ceremony for acceptance of cards issued overseas

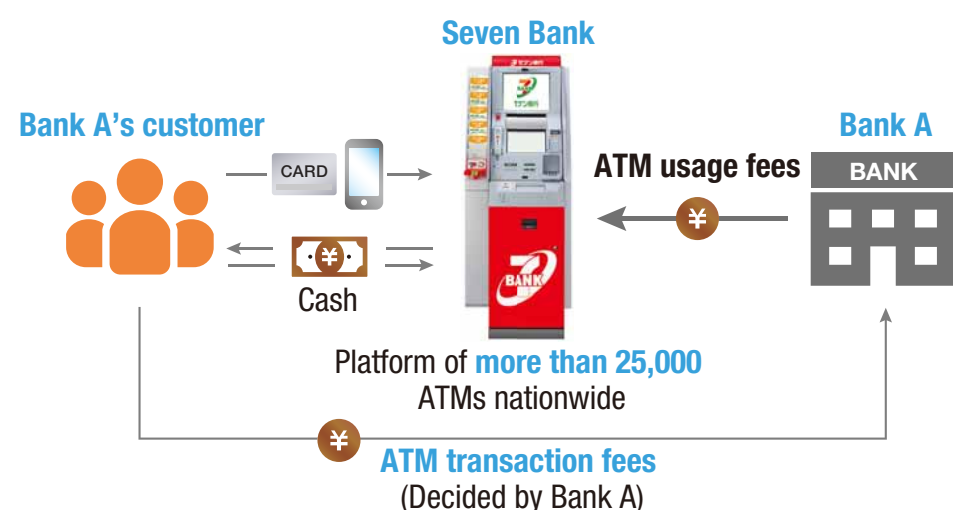
Legend
■ : Seven Bank products and services
■ : Social changes

- Revenue structure differs from that of conventional banks: Consists mainly of fees from partner financial institutions, etc.
- Coexistence and co-prosperity partners:
 - Partner financial institutions, etc.: **615** (As of March 31, 2019)
 - Contractors supporting the business of Seven Bank

Superiority in Our Business Environment

- Contact with customers: We have physical contact points with customers via a platform of more than **25,000** ATMs nationwide.
- Group strength, including the capability to attract customers and the store network of the Seven & i Group: Group stores have approximately **24 million** customer visits per day.

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



Businesses without precedent

Unique business model built around ATM services



Services embedded in the fabric of society

Expansion of "close-by, convenient" ATM services

We have built an ATM service that can be accessed "anytime, anywhere, by anyone, and with safety and security."

Number of ATM installations	Number of ATM transactions per year*	Number of partner financial institutions, etc.
25,152 units At the end of FY2018	829 million At the end of FY2018	615 At the end of FY2018

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

ATMs Always Available

- The operational rate of our ATMs is 99.98%: By collaborating with our contractors to avoid running out of cash and prevent malfunctions and other issues, we have built a system that enables our customers to access ATMs "anytime" with peace of mind, whenever they need them.

Multilingual Support: 12 Languages

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



Providing new value in customers' daily lives

For **24 million*** customers

*The number of customers visiting Seven & i Group stores daily

Contact point

Smart-phone

ATM

Products

- Credit
- Investment
- Insurance

Expanding customer contact points and developing unique Seven & i products

Responding to change while strengthening fundamentals

Pursuing ATM services that can be used "anytime, anywhere, by anyone, and with safety and security" for everyone.

"More close-by, convenient" financial services

Convenience stores

ATM

Cash register

- Proxy collection (payment)
- ATM Receipt (receipt of cash)
- Deposits and withdrawals/ Funds transfers
- Overseas remittances (funds transfers)
- Loans to individuals
- Various topping-up services

Responding to diversifying customer needs

Value Creation

Seven Bank's key value is to fulfill the expectations and gain the trust of society through sincere, honest efforts that will both help resolve social issues and enhance corporate value, working toward a sustainable society.

To achieve these goals, in 2019, we formulated five "material issues" that involve all Seven Bank officers and employees. These five "material issues," which represent new criteria for decision making and conduct, are our compass for corporate management that contributes to resolving social issues and enhancing corporate value continuously.

Seven Bank's Core Competencies and Business Model

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

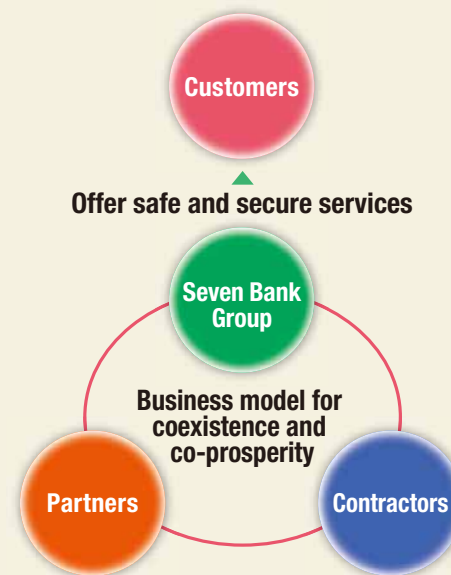
Key management resources

- ▶ **ATM platform**
 - Network of more than 25,000 ATMs nationwide
 - System and organization to provide always-available 24/365 ATMs
- ▶ **Network with partner financial institutions, etc.**
- ▶ **Customers visiting Seven & i Group stores and the store network**
- ▶ **Functions offering financial services as a bank**

Key intangible assets

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

Seven Bank's business model



- ▶ **ATM services available anytime, anywhere, by anyone, and with safety and security**
- ▶ **Secure and efficient settlement infrastructure**

Social Issues and Changes

- Concerns about security as digital settlement gains popularity
 - Increasing sophistication and ingenuity of financial crimes
 - Decrease in the number of financial institution counters and ATMs
-
- Diversification of values and lifestyles
 - Changes in needs for financial products
-
- Promotion of diversity
 - A society where many types of people participate in various ways
-
- Increased risks from climate change
 - Changes in companies' positions on reducing the environmental burden
-
- Increase in the number of non-Japanese persons working in Japan
 - Issues related to the foundation of daily life of non-Japanese workers

Material Issues

1 Offer a safe, secure settlement infrastructure



2 Create a lifestyle through new financial services



3 Create a society where everyone can be active



4 Reduce the environmental burden



5 Realize multicultural symbiosis



Using our strengths to help resolve social issues and enhance corporate value through our business activities

Social Changes Seen by Seven Bank and Ways to Resolve Issues

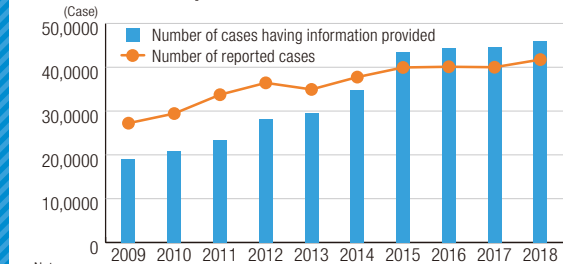
Initiatives to create value
Material Issue 1

Offer a safe, secure settlement infrastructure

By addressing this material issue, we will contribute to achieving Sustainable Development Goals **9**, **11** and **16** by creating a safe, secure social platform through Seven Bank's settlement infrastructure.



Number of cases of accepted reports and provision of information on suspicious transactions



Notes:
1. The number of reported cases is the number of cases for which reports are accepted by the National Public Safety Commission/the National Police Agency.
2. The number of cases having information provided is the number of cases for which the National Public Safety Commission/the National Police Agency provide information related to reports of suspicious transactions to investigative bodies.
Source: Seven Bank, compiled from the annual report regarding the prevention of transfer of criminal proceeds (2018)
<https://www.npa.go.jp/hakusyo/h30/index.html>

Social changes and issues that Seven Bank is considering

Japan's financial environment has undergone major changes in recent years, with technological innovation leading to the expansion of various types of digital settlement on the one hand, but also to increasingly sophisticated and ingenious financial crimes and anxiety about security on the other. In addition, there are worries about the decrease in the number of financial institution counters and ATMs as well as settlement concerns (about cash shortages) during one of Japan's many natural disasters. Seven Bank considers it important that we fulfill the role of providing social infrastructure, with a completely secure structure that can be used safely during disasters or other emergencies.

Seven Bank's approach to changes and issues

Seven Bank's approach to the various types of new settlement service is to provide a safe, efficient settlement infrastructure with the expertise we have cultivated since our founding, while also proactively incorporating the results of technological innovation. We are also cooperating with financial institutions and other stakeholders to keep pace with the changing times to build a safe, secure financial platform to contribute to the stability and development of Japan's financial system.

Collaboration with partner companies

- Safe, efficient transport and security
- Monitoring to ensure that cash in ATMs is appropriately held
- Speedy response to breakdowns and malfunctions

Offering a user environment where safety and security are maximized

- ATM maintenance that supports 99.98% operation, in principle, 24 hours, 365 days
- Various ATM functions that anyone can use with peace of mind

Preventing financial crime

- Supporting financial institutions' measures to prevent money laundering
- Prevention by monitoring accounts used for fraudulent transactions
- Accumulation of expertise in fraud detection

Disaster response

With functions duplicated in the Tokyo metropolitan area and Osaka, operations can continue during times of disaster

- Dispatching mobile ATM vehicles

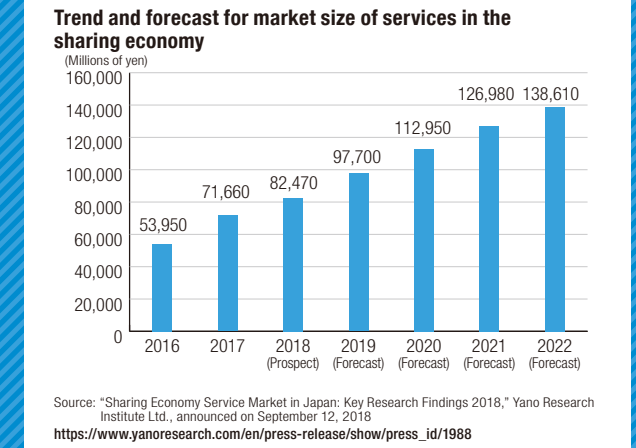
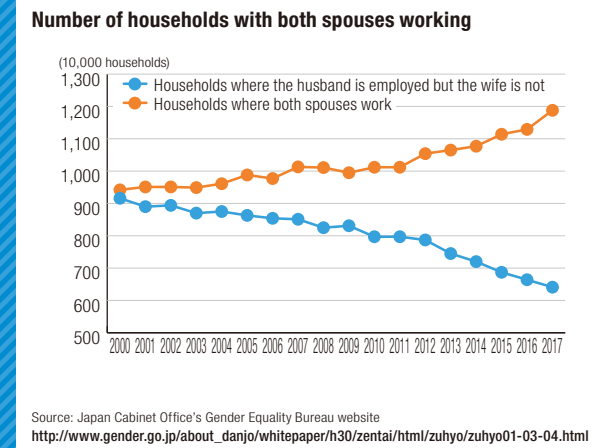
Promoting stronger financial security across the financial industry

The financial industry is facing increased financial crime. In addition, staffing shortages and growing security costs are making preparedness a major issue. Using the expertise gained through Seven Bank's settlement and account business, our consolidated subsidiary Bank Business Factory Co., Ltd. has undertaken operations against money laundering for more than 10 financial and other institutions.

Initiatives to create value
Material Issue 2

Create a lifestyle through new financial services

By addressing this material issue, we will contribute to achieving Sustainable Development Goals **8** and **9** by using Seven Bank's real customer contact points to provide financial services that have value for everyone.



Social changes and issues that Seven Bank is considering

Social changes and technological advances are leading to a diversification in customers' lifestyles and values, one of which is a desire for financial services to be "more close-by, convenient." Seven Bank believes that this requires innovation and equality of opportunity in financial services that are not bound by conventional concepts.



Seven Bank's approach to changes and issues

Seven Bank will incorporate elements like lifestyle diversification and the sharing economy to build new financial services that are not bound by conventional concepts to provide new value that corresponds to changes in people's lives.

New styles of ATM usage

Promoting cooperation with new settlement business operators that are opening up new areas of settlement

Offering "Smartphone ATM transaction service" for cash deposits and withdrawals without using a card

Expanding top-up transactions for transportation-related electronic money

Convenient, easy-to-use services that keep pace with social changes and technological advances

The "real-time money transfer function" supports diversified work styles in terms of finances

"ATM Receipt (cash receipt service)" allows customers to receive cash without having an account

"Uniquely convenience store" financial services

Developing products including credit, investment and insurance with a view toward cooperation with the Seven & i Group and outside companies

Real-time money transfer function

Various remittances by partner companies are made by Seven Bank immediately upon receiving instructions, in cooperation with an outside service operator (e.g., an API [Application Programming Interface] connection).

With the diversification of work styles, companies that pay salaries or settle expenses immediately use this service to pay employees for the portion of work they do that day or to settle expenses the day they are incurred.

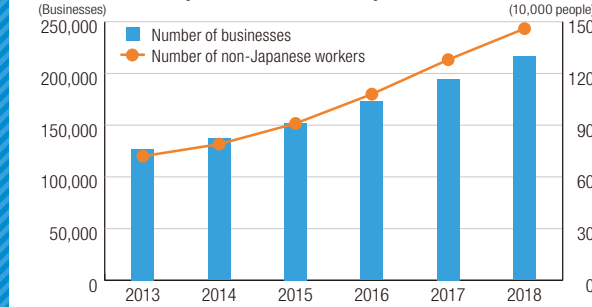
Initiatives to create value
Material Issue 5

Realize multicultural symbiosis

By addressing this material issue, we will contribute to achieving Sustainable Development Goals **8**, **10** and **11** by supporting the activities of non-Japanese persons with Seven Bank's financial environment and strengthening support related to their daily lives in Japan.

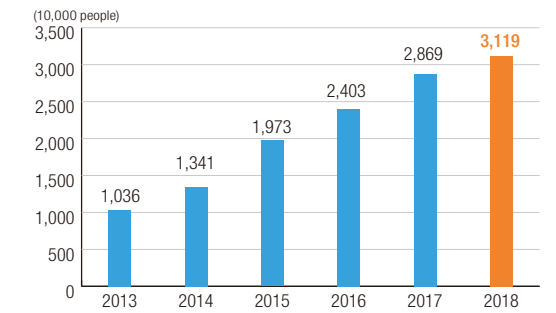


Number of businesses employing non-Japanese staff and number of non-Japanese workers in Japan



Source: Seven Bank, compiled from figures reported in the Ministry of Health, Labour and Welfare's "Status of reporting on the employment of foreign workers by employers" https://www.mhlw.go.jp/stf/newpage_03337.html

Number of overseas visitors to Japan



Source: Seven Bank, compiled from statistics released by the Japan National Tourism Organization https://www.jnto.go.jp/jn/statistics/visitor_trends/index.html

Social changes and issues that Seven Bank is considering

As both social globalization and economic globalization progress, the number of visitors to Japan from overseas and the number of non-Japanese persons working in Japan increase every year. Seven Bank believes that we need to live with a mutual acceptance of other cultures and build relationships of equality regardless of nationality or ethnicity.

Seven Bank's approach to changes and issues

Through an approach that aims to resolve social issues by jointly deploying the strengths of different organizations, including governments, companies, NPOs, foundations and volunteer organizations across organizational divisions (collective impact), Seven Bank provides comprehensive support to enable non-Japanese persons to lead fulfilling lives in Japan by offering financial services and other platforms to make their lives convenient and comfortable.

Initiatives toward multicultural symbiosis

Financial services and other lifestyle platforms for non-Japanese persons living in Japan

"International money transfer services" for non-Japanese customers working in Japan

In principle, remittances can be made 24 hours a day, 365 days a year, using an ATM, personal computer or smartphone

Available in nine languages, eliminating language uncertainty on ATM transaction screens and with customer centers

Simple, easy-to-understand fee structure

Service allowing overseas visitors to Japan to withdraw cash in Japanese yen using cards issued overseas

Available for nearly all major international cash cards and credit cards

With ATM transaction screens and receipts available in 12 languages, the environment is in place for use with a sense of security

Supporting fulfilling lives for non-Japanese persons through collective impact

Government

Creating communities where everyone can live easily

Seven Bank

Increasing convenience through financial services

Support organizations

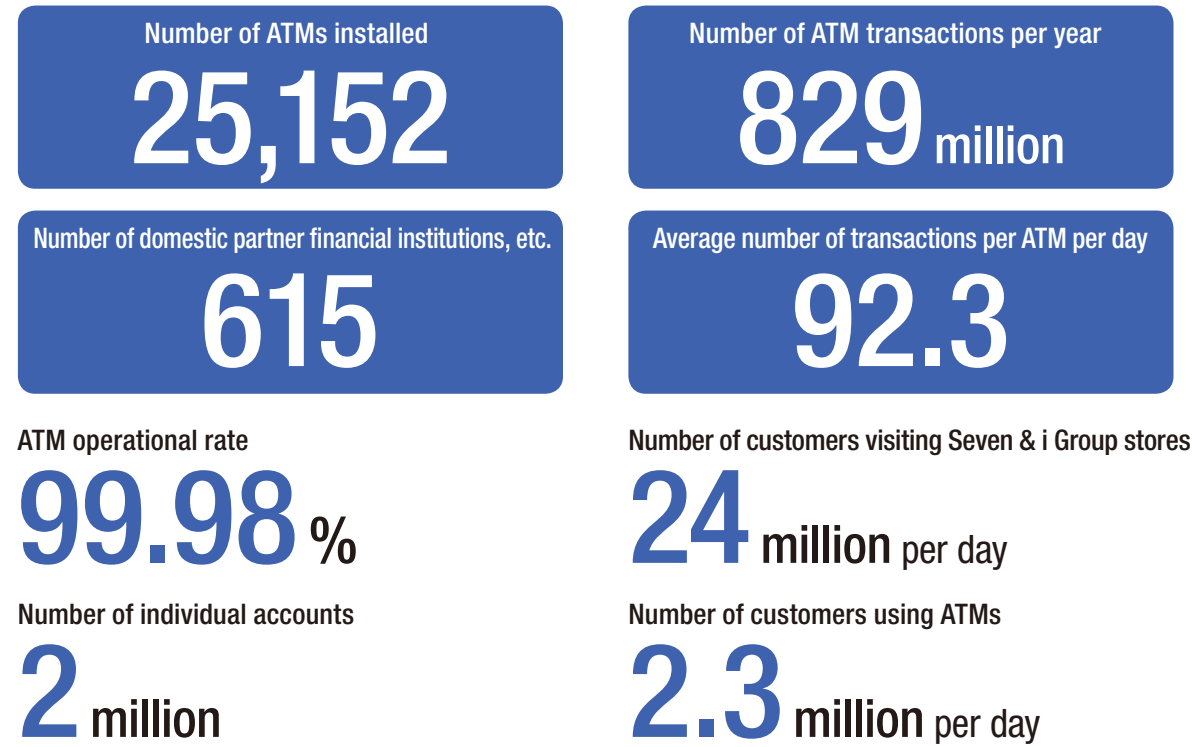
Community participation by non-Japanese residents

Companies employing non-Japanese staff

Creating environments for non-Japanese staff

Seven Bank's Major Performance Indicators

Overwhelming share of ATMs in the domestic market



System that is easy to use for anyone, regardless of nationality



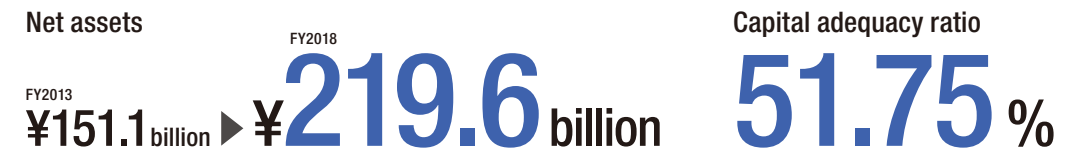
Promoting active participation of diverse human resources



Pursuing sustainable environmental functions (in Japan)



Top-class financial base



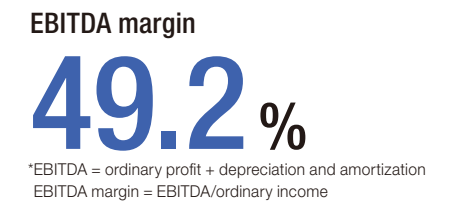
High creditworthiness



Returns to shareholders



Strong cash generation



High growth



Strategy



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Message from the President



**We will continue
to change with
the times, together
with you.**

舟竹 泰昭

Yasuaki Funatake
President and Representative Director

Thank you very much for using Seven Bank's services.

Since commencing operations in 2001, Seven Bank has striven to build a secure and efficient settlement infrastructure with ATM services that can be used "anytime, anywhere, by anyone, and with safety and security."

As we enter a period that is said to be seeing the biggest changes in the business environment in 100 years, Seven Bank's operating environment is rapidly undergoing major changes. These changes create new social issues and business risks but also represent new business opportunities.

By creating new businesses and services, we aim to "meet the expectations and gain the trust of society" by working "sincerely" and "honestly" to "contribute to the resolution of social issues" and "create corporate value," as we strive for sustainable growth.

Record ordinary income and ordinary profit on growth of the core (ATM platform) business

Full-year results for fiscal 2018 showed revenue growth and profit growth of record highs at the ordinary income and ordinary profit levels, on both a consolidated and non-consolidated basis. The number of ATMs installed grew by 760 units from the end of the previous fiscal year, to 25,152 units, leading to growth in the number of ATM transactions, for overall revenue and for profit growth.

Net income was roughly half the previous fiscal year's

result—14.5 billion yen on a non-consolidated basis and 13.2 billion yen on a consolidated basis—because of impairment losses, primarily on overseas businesses, recorded as extraordinary losses at the end of the second quarter. Overall, however, we recorded solid results for the year on "growth in our main business." With record results and steady progress in sowing the seeds for "business diversification," it was a very rewarding year.

Developments in "business diversification" (overseas)

Steady growth in transactions at ATMs installed in 7-Eleven stores in the United States

The contribution to Group results from FCTI, Inc., our consolidated subsidiary in the United States, has been increasing. With ATMs having been installed in roughly 8,000 U.S. 7-Eleven stores, our efforts to raise awareness have led to solid growth in the number of transactions, and the business is within range of turning profitable.

Going forward, we will look beyond simple cash withdrawals and address the requests and needs of ATM customers, while also working with companies that operate businesses compatible with us to expand the financial services we offer.



Developments in "business diversification" (domestic)

Businesses fulfilling new financial infrastructure functions in pursuit of the safety and security developed in ATM operations

The business at Bank Business Factory Co., Ltd. ("BBF"), our consolidated subsidiary for on commission back-office support for financial institutions, is growing steadily. The increased diversification and digitization of payment methods are introducing convenience around the world, but financial crimes are also becoming more ingenious and sophisticated, meaning that social demand for safer and more secure payment environments is increasing. In this situation, BBF's account transaction monitoring has increased the number of contracts for outsourced operations related to activities like detecting fraudulent transactions and countering money laundering. Operations for safety and security using the expertise in detecting fraudulent transactions developed at Seven Bank have come to be recognized as a business segment in and of itself.

These initiatives to strengthen security and prevent fraud can be seen as an area where greater efficiency is



targeted rather than an area in which financial institutions compete. We are therefore providing solutions that use BBF's services as a type of infrastructure function, similar to the way our ATM network has grown, by aiming for coexistence and co-prosperity.

Growth in transactions for topping up transportation-related electronic money to "create new styles of ATM usage"

As a way to create new styles of ATM usage, in October 2018, we began handling the topping up of transportation-related and other types of electronic money. In addition to train, subway and bus fares, recent years have seen an increase in the ways transportation-related electronic money is used, to include taxi fares and shopping purchases. These uses are creating greater expectations for a more extensive top-up environment. We have launched a service to address these needs, and the number of transactions is showing solid growth.

Using the contactless electronic money reader function already installed in our ATMs for topping up or checking balances on *nanaco* electronic money cards, we were able to add this function in a short time and at a low cost. In some cases, a customer will also withdraw cash from an ATM when topping up an electronic money card, enabling

us to handle multiple transactions with one visit, which we expect to lead to a higher level of customer convenience.

In addition, the number of contracted companies using ATM Receipt (a cash receipt service), launched by our consolidated subsidiary Seven Payment Service, Ltd. in May 2018, has already surpassed 150, and its use is expected to grow in new ways. The service was initially introduced to pay refunds for returned goods. Use is spreading to new markets, including the payment of compensation for matching services and in the sharing economy, the payment of insurance claims and prize money, advances of salary and the settlement of expenses.

We will strive to raise awareness of the service's benefits to an even greater degree to make it a source of earnings at an early date.



Introducing next-generation ATMs that support “business diversification”

We plan to begin introducing fourth-generation ATMs from the fall of 2019. These next-generation ATMs have lower operating costs, and the machines themselves have less of an environmental burden. In addition, by minimizing the supplying and collection of cash within the ATM with more precise handling and management of the cash, we expect these ATMs will contribute to reducing CO₂ emissions in terms of logistics.

Of course, these new ATMs will also feature new technologies and functions. One is a scanning function we are considering using in combination with an advanced camera for personal authentication. The scanning function will read the personal identification document, and the camera will digitally match the photo with the person’s image, to complete the personal authentication process on the spot.

In addition to making it easier to complete a procedure like opening an account quickly, we hope that this service will be used for an increasing number of services, including ones in the sharing economy where the individual needs to be identified, as a service that benefits both the user and the business provider.

We are also considering providing personal authentication services as a business itself and establishing a joint-venture company for online personal authentication operations with Information Services International-Dentsu, Ltd. Applying the concept of undertaking an operation previously carried out individually by numerous companies, we hope that this can be used as part of the social infrastructure, similar to that for ATMs.

Off to a new start in fiscal 2019

Please allow me to give an update on our progress under the Medium-Term Management Plan.

With a basic policy of “achieving growth in our main business as we diversify our operations,” in May 2017, we formulated a Medium-Term Management Plan covering the period through fiscal 2019. The plan set final-year targets of 161.6 billion yen for consolidated ordinary income and 44.7 billion yen for consolidated ordinary profit. However, given the recent difficult business environment and up-front investment for business diversification, we have determined that it will be difficult to recover from delays to the Medium-Term Management Plan and have revised its numerical targets.

With the review of policy on 7-Eleven store openings by the Seven & i Group as part of structural reform, we think

that growth under the plan for net increases in ATMs installed will slow relative to the level seen until last year, and with a continuing effect from charging transaction fees for customers of certain affiliated banks, we are forecasting a slight decline from last year in the total number of ATM transactions.

In the ATM platform business, acceptance of new services is taking longer than initially anticipated. We believe more time will be needed to produce a contribution to earnings.

In terms of expenses, in addition to up-front investment for expansion into new business areas, we are forecasting increases in installation-related expenses and depreciation expenses for the next-generation ATMs that we plan to begin installing from September.

Mainly for these reasons, we are now planning for revenue growth with a profit decline in fiscal 2019 consolidated results. However, instead of viewing this passively as the final year under the Medium-Term Management Plan, we are positioning fiscal 2019 as the new starting point for the Reiwa Era and will not pause but rather use our strength to move forward.

We are considering a proposal for a subcontracted ATM operations service for various financial institutions as a new initiative for strengthening our business in fiscal 2019. New Japanese currency notes are supposed to be

introduced in 2024, and the latest information technology, including 5G networks and the “Internet of Things,” continues to spread. In addition to the use of the latest information technology, measures to protect against cyberattacks and fraudulent transactions are becoming even greater necessities, and we believe that financial institutions need to begin reconsidering the form their ATM operations should take. As a provider of ATMs as social infrastructure, Seven Bank considers this essential. We will begin making proposals to be selected as a subcontractor that squarely addresses changes in customer perceptions by creating environments where ATMs can be used efficiently while maintaining safety and

security. In addition, we will simultaneously pursue the Group’s digital strategy and financial strategy as we provide financial services that are unique to the Seven & i Group. Roughly 24 million people visit the Group’s various stores every day, and we will work to create new value by strengthening the contact points between these customers and our financial services both qualitatively and quantitatively.

In this new Reiwa Era, we will work to identify business opportunities from changes in the operating environment to provide even more convenient financial services that successfully integrate the use of convenience stores, smartphones and ATMs.

Returns to shareholders

With regard to returns to shareholders, we plan to pay an annual dividend of 11 yen per share for fiscal 2019, and we have allocated up to 5 billion yen for acquiring treasury stock. Going forward, we will work to enhance returns to shareholders while maintaining a balance between proactive investment in new areas for future growth and

preparing against risks to business continuity as an infrastructure business operator. With two dividend payments each year (an interim and year-end payment) as the basis of our returns to shareholders, we have set a minimum target payout ratio of at least 40%, and will strive to maintain and increase a stable and continuous dividend.

To stakeholders

Seven Bank was created at the beginning of the 21st century. We launched the business with the concept of moving financial services that previously had to be carried out at the counter of a bank or financial institution to convenience stores, which are close by and convenient, making those transactions simple and convenient with safety and security. As payment methods diversify with digital and cashless formats, we believe it will become even more important for convenience to have services that can be used “anytime, anywhere, by anyone, and with safety and security.” Our role, and our mission, are to provide customers reliable payment methods that are safe and secure.

The major changes occurring in our operating environment and the uncertain future make it even more important that we clearly state, and not deviate from, our criteria for decision making and conduct as a company. We have set out five “material issues” that involve all Seven Bank officers and employees. These five “material issues” represent

the new criteria for our decision making and conduct, serving as our compass for corporate management that contributes to the resolution of social issues and continuously enhances corporate value.

In changing times, pursuing new challenges is important. Along with that, it will become increasingly important to make even greater use of our strengths in the pursuit of greater confidence in our safety and security. “Responding to change while strengthening fundamentals” means that we will not assume a defensive role while strengthening fundamentals, but instead will pursue new challenges in response to customer needs to achieve even more convenient financial services.

I hope all our stakeholders understand these basic concepts and directions, and I ask for your continued support.

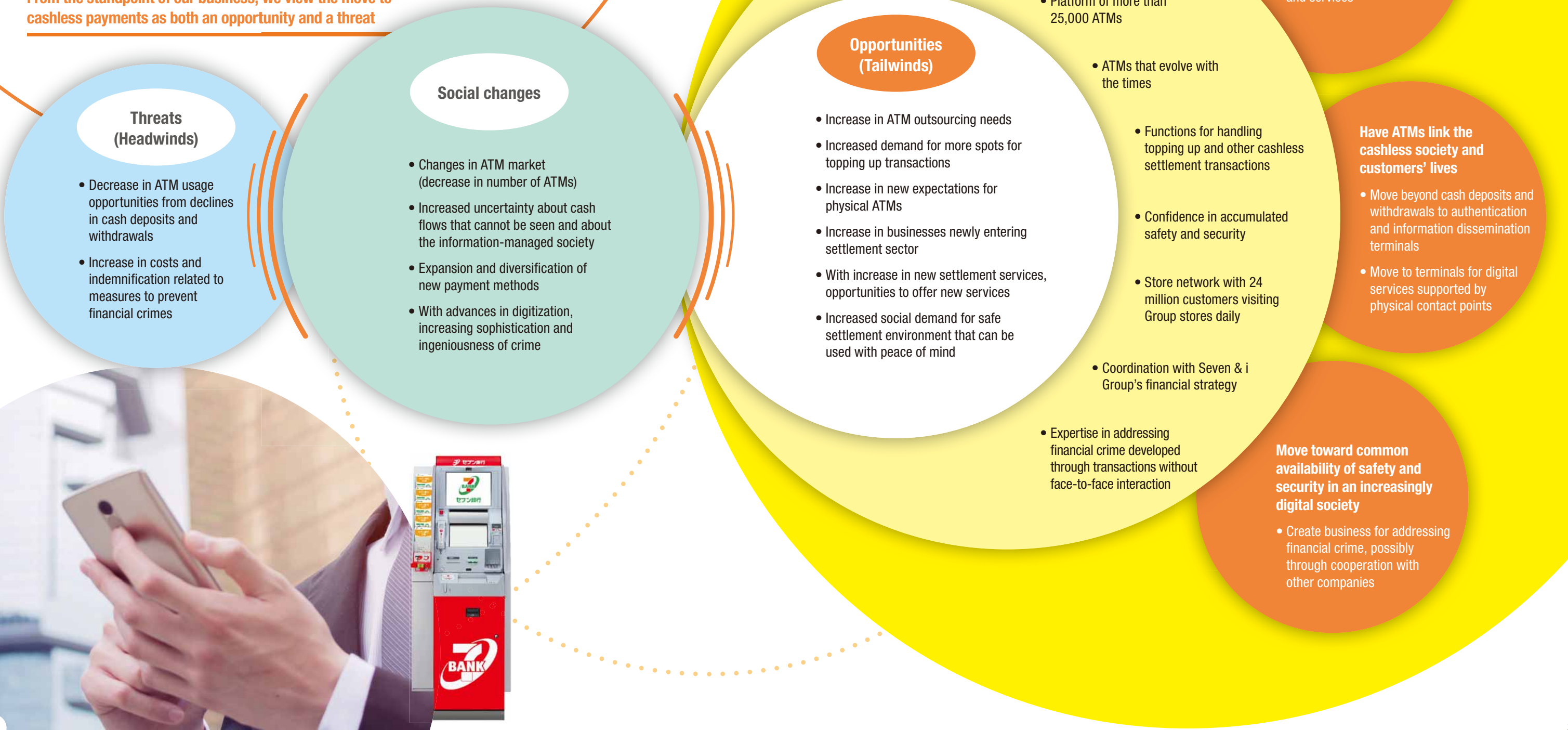


In Response to the Shift Toward Cashless Payments

In “Investments for the Future Strategy 2017,” released by the Japanese government in June 2017, the shift toward cashless payments is seen advancing fully, with a key performance indicator (KPI) of reaching roughly 40% of domestic payments, from around 20% when the report was approved.

Given this environment, we realize that to achieve sustainable growth, we will need to respond “flexibly and quickly” to social changes that affect our business and to changes in customer needs. Since our establishment, we have maintained and strengthened a safe, secure settlement infrastructure, while also viewing changes in the operating environment as business opportunities and being open to tie-ups with Seven & i Group companies and outside companies. We continue to pursue challenges proactively through new initiatives that make maximum use of our strengths and opportunities.

From the standpoint of our business, we view the move to cashless payments as both an opportunity and a threat



Threats (Headwinds)

- Decrease in ATM usage opportunities from declines in cash deposits and withdrawals
- Increase in costs and indemnification related to measures to prevent financial crimes

Social changes

- Changes in ATM market (decrease in number of ATMs)
- Increased uncertainty about cash flows that cannot be seen and about the information-managed society
- Expansion and diversification of new payment methods
- With advances in digitization, increasing sophistication and ingeniousness of crime

Opportunities (Tailwinds)

- Increase in ATM outsourcing needs
- Increased demand for more spots for topping up transactions
- Increase in new expectations for physical ATMs
- Increase in businesses newly entering settlement sector
- With increase in new settlement services, opportunities to offer new services
- Increased social demand for safe settlement environment that can be used with peace of mind

Seven Bank's related core competences

- Platform of more than 25,000 ATMs

- ATMs that evolve with the times

- Functions for handling topping up and other cashless settlement transactions

- Confidence in accumulated safety and security

- Store network with 24 million customers visiting Group stores daily

- Coordination with Seven & i Group's financial strategy

- Expertise in addressing financial crime developed through transactions without face-to-face interaction

Position to aim for

Establish overwhelming presence in the ATM sector

- Increase share in number of units through installations and subcontracting
- Maintain ATMs that are chosen for differentiated functions and services

Have ATMs link the cashless society and customers' lives

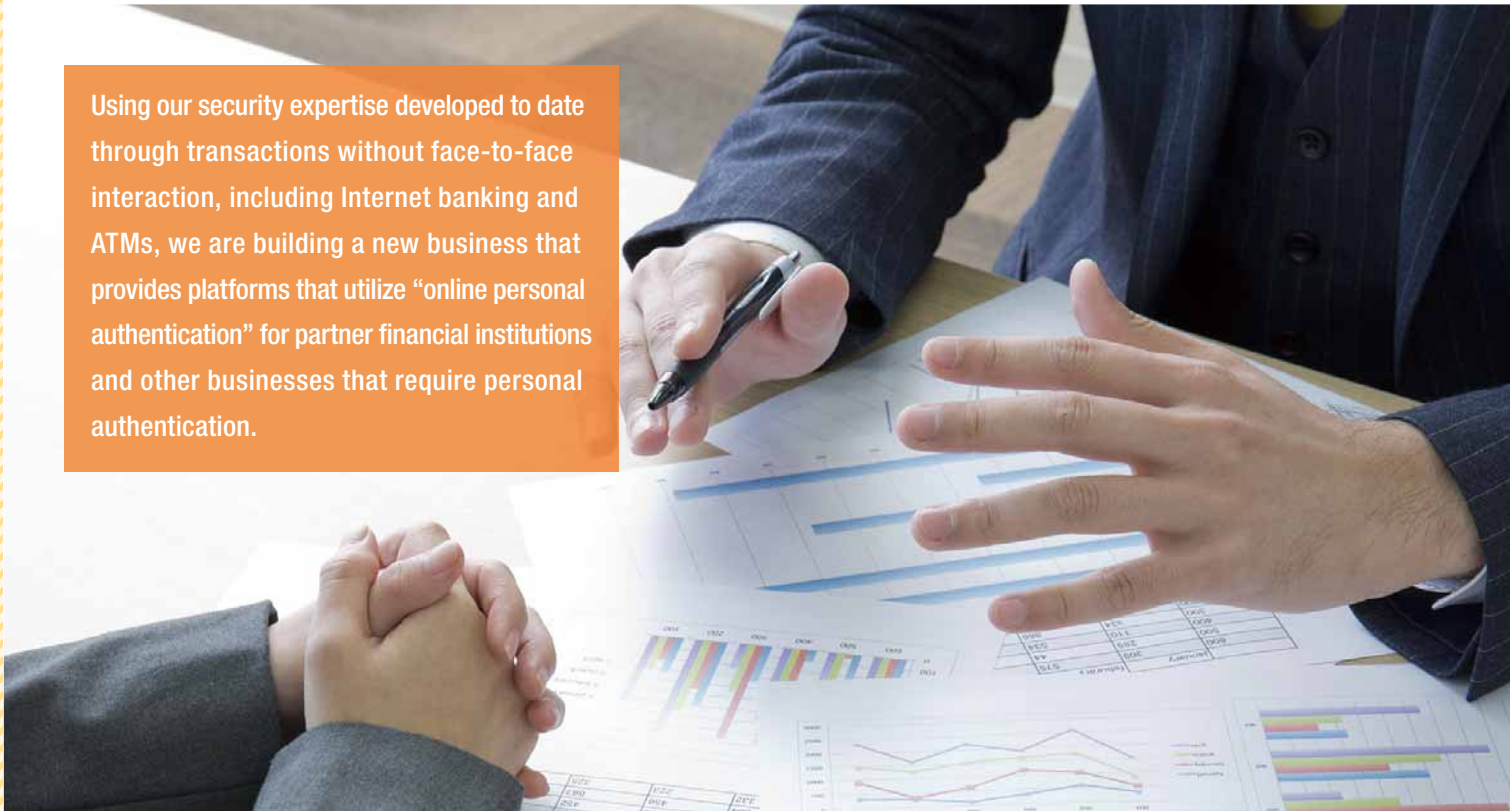
- Move beyond cash deposits and withdrawals to authentication and information dissemination terminals
- Move to terminals for digital services supported by physical contact points

Move toward common availability of safety and security in an increasingly digital society

- Create business for addressing financial crime, possibly through cooperation with other companies

Utilizing Expertise in Security Measures Developed to Date

Using our security expertise developed to date through transactions without face-to-face interaction, including Internet banking and ATMs, we are building a new business that provides platforms that utilize “online personal authentication” for partner financial institutions and other businesses that require personal authentication.



Initiatives to date and establishment of specialist organization CSIRT*1

Seven Bank, which introduced a framework for account monitoring in 2008, works to identify and prevent fraud. The number of fraudulent accounts and the number of cases of fraudulent use have been increasing since around 2014. To protect our customers' important assets, Seven Bank has been pursuing initiatives to prevent Internet banking from being used for fraudulent money transfers and fraudulent accounts. In 2015, in response to increasingly sophisticated and ingenious criminal methods, we established the CSIRT within the Financial Crime Risk Strategy Planning and Prevention Division. In addition, a security review conference is held regularly as a venue for

discussions about security. Senior management attends these meetings to report and share information on security issues in society and incidents that have occurred inside and outside the Bank. Evaluations on the status of security are done regularly, and progress relative to targets is confirmed.

During fiscal 2018, a review of our response policies for our internal systems was carried out to counter increased security risks associated with new criminal methods.

*1. Computer Security Incident Response Team (CSIRT): A body that quickly and appropriately addresses issues related to computer security when they occur.

Regular training and review of security measures

The establishment of CSIRT within Seven Bank is not our only accomplishment. New methods of financial crime are emerging daily, and we are constantly changing the measures we employ in pursuit of the latest responses. Cyber security training is held in all divisions several times a year to raise security awareness and improve response skills.

This training, based on actual cases of fraudulent money transfers or access using Internet banking and fraudulent use of ATMs, involves multiple divisions that envision emergencies, confirm the response procedures and arrangement for contacting others, and check and review issues related to security measures.

Cooperating and sharing information with outside parties

In recent years, financial crime has been characterized by specialized fraud targeting older persons, phishing, malware*2 and combinations that misuse digital technologies. Multifaceted sharing of information is essential for resolving this type of social issue.

Seven Bank works closely with the police to share information, providing material and consulting with the authorities to prevent crime and make arrests. We have also cooperated in resolving these issues by sharing

information and exchanging opinions with partner financial institutions, credit organizations and government institutions. We have actively participated in external seminars and have been disseminating our expertise in measures against financial crime developed over time. We are also involved as a member of the industry-wide initiatives Financials ISAC Japan and the Council of Anti-Phishing Japan.

*2. Malware: A general term referring to harmful software made to access others' computers fraudulently to attack or cause an information leak.

Offering expertise in countermeasures to financial crime as a security business

In January 2019, Seven Bank and Information Services International-Dentsu, Ltd. began exploring the establishment of a joint-venture company to provide a platform business using “online personal authentication.”

By sharing personal authentication information registered with appropriate processes and sophisticated expertise in detecting fraud across the industry, an online service provider could prevent impersonation and detect fraudulent transactions.

In addition, sharing and managing registered information with participating businesses (with the individual's permission) would allow the updating of addresses and other information with a single change, making it easier for users to carry out various procedures.

Going forward, we will strive to grasp the needs of digital society and quickly incorporate the results of technological innovation to provide new services.

Envisioned business overview

Personal authentication platform business

A framework is provided to match photographic data from a person's photo ID with other photographic data using image-processing technology. Additional information could also be incorporated for more rigorous personal authentication.

Fraud detection platform business

With artificial intelligence to analyze big data, a framework would be built to monitor and detect fraudulent applications and fraudulent access 24 hours a day, 365 days a year.

Consulting business

This business would provide consulting related to the fraud detection platform business and other areas.

Cyber security measures at ATMs

We are introducing features in our ATMs to prevent people from being able to see another person's touch pad for inputting PINs and monetary amounts. When a customer makes a money transfer with one of our ATMs, an alert is shown on the screen or audio assistance is given to prevent fraudulent money transfers by reminding the user of potential crimes. In addition, our ATMs are equipped with devices that constantly operate to detect suspicious objects and irregular transactions, and to prevent the fraudulent capturing of card information (skimming).

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

NEWS

—Recognized at Financials ISAC Awards—

At the 2018 Financials ISAC Awards, Seven Bank received an award for its proactive, ongoing dissemination of information regarding Seven Bank's initiatives in addressing fraudulent accounts at Financials ISAC Japan.



* Financials ISAC is an organization engaged in cooperative activities to share and analyze information related to cyber security among Japanese financial institutions and to enhance security, with the aim of continuously ensuring the safety and security of users of financial services.

Promoting Innovation—Initiatives at Seven Labo



I believe that traditionally Seven Bank has had a strong sense of self-sufficiency. Through open innovation that involves working with outside companies and pursuing initiatives that cross internal organizational divisions, I feel that Seven Labo's activities bolster both our eagerness to pursue the challenge of new businesses and our sense of speed in launching new businesses.

Instilling an intrapreneur mind-set within the Bank will take time, but I sense that this is occurring gradually as a result of Seven Labo's activities. Going forward, building on our failures as well as on our successes, I hope that a culture that once again enables us to pursue new challenges without hesitation will become firmly rooted.

For that, I believe we need to cultivate human resources that will drive both Seven Labo and Seven Bank.

Kenjiro Nishii, Leader, Seven Labo

Seven Labo's mission

Seven Labo, which was established in 2016 to promote innovation, acts flexibly and quickly by operating across divisional boundaries. Its role is to take the lead in addressing topics that existing business divisions are not.

Since its establishment, Seven Labo has had three missions: "to create new businesses through open

innovation," focusing on partnerships with outside companies; "to cultivate human resources who have an intrapreneur mind-set" by enhancing the spirit of innovation inside the Bank; and to conduct joint research with universities and hold workshops with outside companies to "search for new types of businesses."

Creating and cultivating businesses through open innovation

Working together with various start-up companies, we are beginning to offer unique new services.

Seven Concierge

Applying the concept of integrating finance and entertainment, in June 2018, we announced the "Seven Concierge Project," whereby ATM and bank account transactions use the voices of popular actors and characters that evoke simulated dating games popular with women.



For the second new project launched with the aim of jointly creating a new business with a start-up company, we chose a proposal from whomor Inc. for Seven Bank Accelerator 2017. After work started in April 2017, the project was rolled out at ATMs in several locations in Tokyo

"Real Change Investment" project

Seven Bank, GMO Payment Gateway, Inc., Pocket Change Inc. and TORANOTEC Ltd. are pursuing a project that creates a new type of investment by making it possible to place change from shopping and other spare change into a "change investment box" for convenient investment in small amounts. This project was selected as a way to support the Financial Services Agency's "FinTech PoC (Proof-of-Concept) Hub*," to make investing a part of people's daily lives through proof-of-concept testing and

in 2018, offering a service that links voice content with smartphone speakers. With the concept of "Making banking transactions fun!" this project is exploring new possibilities for collaborations involving entertainment, finance and technology.

also to validate new methods for investing and moving funds.

In addition, with a view toward forming a strategic partnership to expand this business, Seven Bank and TORANOTEC concluded an agreement for a 2 billion yen capital alliance in January 2019. Going forward, we intend to make even greater use of this solid partnership.

* A Financial Services Agency program to support the identification and resolution of issues through unprecedented proof-of-concept testing by financial technology (fintech) companies and financial institutions.

Instant verification using a QR code*

- Change Investment app
- Instant linkage to user information registered with TORANOKO

* QR code is a registered trademark of DENSO WAVE INCORPORATED.



Spare change in a customer's pocket or purse can be invested

- The amount invested is immediately shown.

"Real-time money transfer function"

Seven Labo's first open innovation project was a My Salary service for Doreming Co., Ltd., launched in November 2017 and using Seven Bank's "real-time money transfer function."

With the diversification of work styles, including cloud-based work and the sharing economy, people's needs for receiving pay are also changing. Begun as a way to pay people for the portion of work they did the same day the work was done, this service has now spread to use by businesses like service companies that pay in advance and short-term personnel-dispatching companies.

We are also providing the "real-time money transfer function" for paying wages to Taimee, Inc., which operates a system that matches workers with diverse needs with companies and stores needing staff.



Morihisa Arimura, President and Representative Director, YAKINIKU LIKE Ltd. (left)
 Kenjiro Nishii, Leader, Seven Labo, Seven Bank, Ltd. (center left)
 Ryo Ogawa, Representative Director, Taimee, Inc. (center right)
 Ryoichi Kakui, CEO, e-LogiT co., Ltd. (right)

Value Co-Creation that Meets Customers' Needs



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ATM Functions that Anyone Can Use with Peace of Mind

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

Security button

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

Interphone

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

ATM screen

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

Cane/drink holder

During ATM transactions, customers can put a cane, an umbrella and/or a coffee cup in the holder.
*This holder is installed on ATMs inside 7-Eleven stores.

Camera

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

Partitions

The partitions on the right and left sides ensure privacy.

Electronic money card reader

Money can be topped up onto electronic money cards, and the balance can be checked.
*Some ATMs are not compatible.

Smartphone ATM transaction service

Cardless ATM transactions are available by reading a QR code using a compatible smartphone app.
*Limited to some partner financial institutions, etc.
*QR code is a registered trademark of DENSO WAVE INCORPORATED.

Keypad

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



Measures to protect privacy

Seven Bank ATMs are equipped with "rear-view mirrors" that allow users to see what is behind them, and the screens are coated with a "special side-view prevention film" that stops people standing nearby from seeing the displays when users input the PIN and monetary amount, as we strive to make carrying out transactions safe and secure for anyone.

Safety measures for cards left behind

When users forget to take their card after they finish a transaction, the ATM calls out as they begin to move away. If the users do not return, the ATM automatically pulls in the card and keeps it inside the ATM. When the users return, they can use the interphone to contact the call center, and if they can identify themselves, the card is returned on the spot.

For Customers with Visual Impairment

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



Installing a Cane/Drink Holder for Persons Using a Cane

We have been installing a cane/drink holder on ATMs inside 7-Eleven stores. During ATM transactions, customers can put a cane, an umbrella and/or a coffee cup in the holder, enhancing their convenience.



Cane/drink holder

Easy-to-View Colors on the Transaction Screen

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

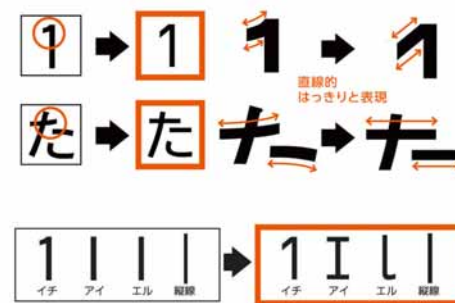
*The "Color Universal Design (CUD)" is a concept of providing products and services that are easy to use regardless of the type of color blindness.



Making the Letters Easy to View and Read

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

Example of letters in the UD font used for our ATMs



Handling Many Languages

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

For Visitors to Japan

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



12 languages available

For Seven Bank Account Holders

Seven Bank accounts offer convenient international money transfer services that are used by roughly one in every five customers working in Japan who are non-Japanese persons. ATM transaction screens are available in nine languages—Japanese, English, Tagalog, Chinese, Portuguese, Spanish, Vietnamese, Indonesian and Thai.

Services available in nine languages

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



ATM transaction screen available in nine languages

Topics

Greater Convenience with a Voice Guidance Menu for Non-Japanese Inquiries that Can Be "Seen" on a Smartphone

In September 2018, Seven Bank introduced a multilingual support solution provided by KDDI Evolva, Inc., offering a service whereby conventional telephone voice guidance menus appear in several languages on a smartphone screen. This allows customers to easily find the support menu they desire in their own language and choose the optimal channel for resolving their problems.



Vietnamese

Tagalog

English

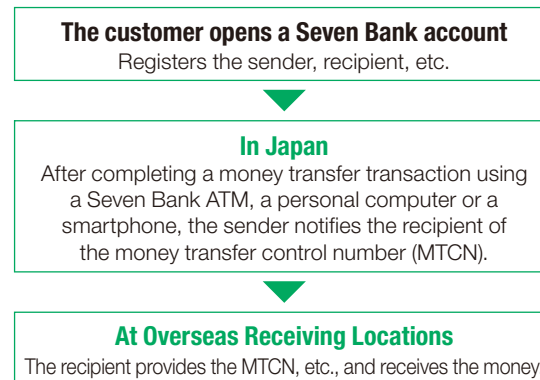
Convenient Bank Account Just Like a “Wallet”

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

International Money Transfer Services

Seven Bank's international money transfer services allow funds to be sent overseas quickly from more than 25,000 Seven Bank ATMs across Japan, as well as by personal computer and smartphone. The ATM transaction screen and customer center services are available in nine languages, allowing non-Japanese customers who are uncomfortable speaking Japanese to use the services with peace of mind.

International Money Transfer Service Flow



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

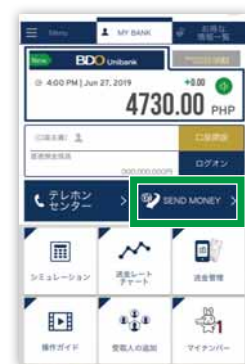
To enhance the convenience of our international money transfer services, we offer the “International Money Transfer App,” which provides transfer rate information, video guidance on transfer procedures and a search function for available recipient locations worldwide. Also, this app can be accessed in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

Merits of the “International Money Transfer App”

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

More Convenient Money Transfers to the Philippines

International money transfers can be made to the most popular destination, the Philippines, with the “International Money Transfer App.” This service was realized through a tie-up with BDO Unibank, Inc., the Philippines' largest commercial bank. In addition to sending funds easily and quickly with a smartphone at any time and from any place, the service is also attractive for its low transaction fee.



Screen image of the “International Money Transfer App” for a money transfer to the Philippines

Deposits

Ordinary Deposits

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

Time Deposits

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

		0:00	7:00	19:00	24:00
Seven Bank ATM transaction fees (including consumption tax)	Deposit	Free			
	Balance inquiry	Free			
	Withdrawal (including withdrawal for transfer)	¥108	Free	¥108	
Transfer fees (including consumption tax) <small>*A transfer transaction can be made 24 hours a day, in principle.</small>	To a Seven Bank account	¥54			
	To other financial institution's account	¥216			

(As of July 1, 2019)

Personal Loan Services

Customers can apply for a personal loan at the same time they open an account. In principle, loans can be taken out 24 hours a day, 365 days a year, at Seven Bank ATMs nationwide. The maximum credit line is 500,000 yen.

*To increase a credit line, the customer must be at least two months from the initial conclusion of a contract.

*Screening is required when applying for personal loan services.



Internet shopping with a debit card

Debit Service

Seven Bank issues the “Seven Bank Debit Card,” a Seven Bank cash card with the “JCB Debit Card” and the *nanaco* electronic money functions. The transaction amount is immediately deducted from the customer's account, making shopping more convenient.






“Seven Bank App Bankbook”

Seven Bank offers the “Seven Bank App Bankbook,” which enables customers to check their balance quickly and easily, confirm the stores where they used the debit service and access easy-to-see and easy-to-understand transaction receipts. The app also provides a simple way to log into Internet banking and is a convenient way to conduct various transactions and procedures. The app has a memo function, and its icons can be customized. Another attractive function allows monthly usage to be viewed at a glance.



Overseas ATM Development

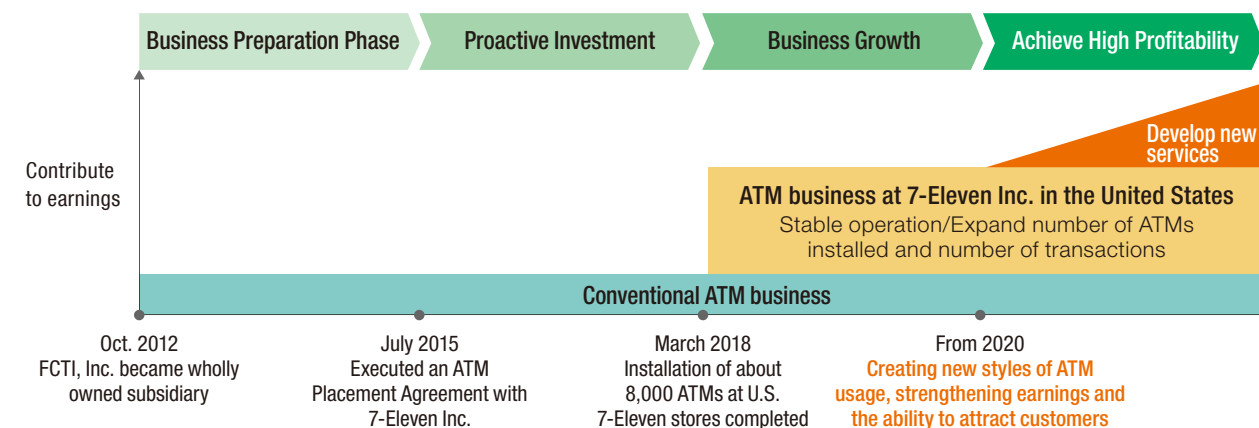
Our overseas businesses are carried out through consolidated subsidiaries FCTI, Inc. in the United States and ATMi in Indonesia, using the Group's expertise to provide ATM services that are tailored to local settlement needs.

United States	Indonesia
	
 	

Moving Forward with the U.S. 7-Eleven ATM Business

Our consolidated subsidiary FCTI, Inc. began installing ATMs in 7-Eleven stores in the United States in August 2017. By the end of March 2018, roughly 8,000 ATMs had been installed, bringing the number of ATMs operated by FCTI to 12,795 units, as of December 31, 2018.

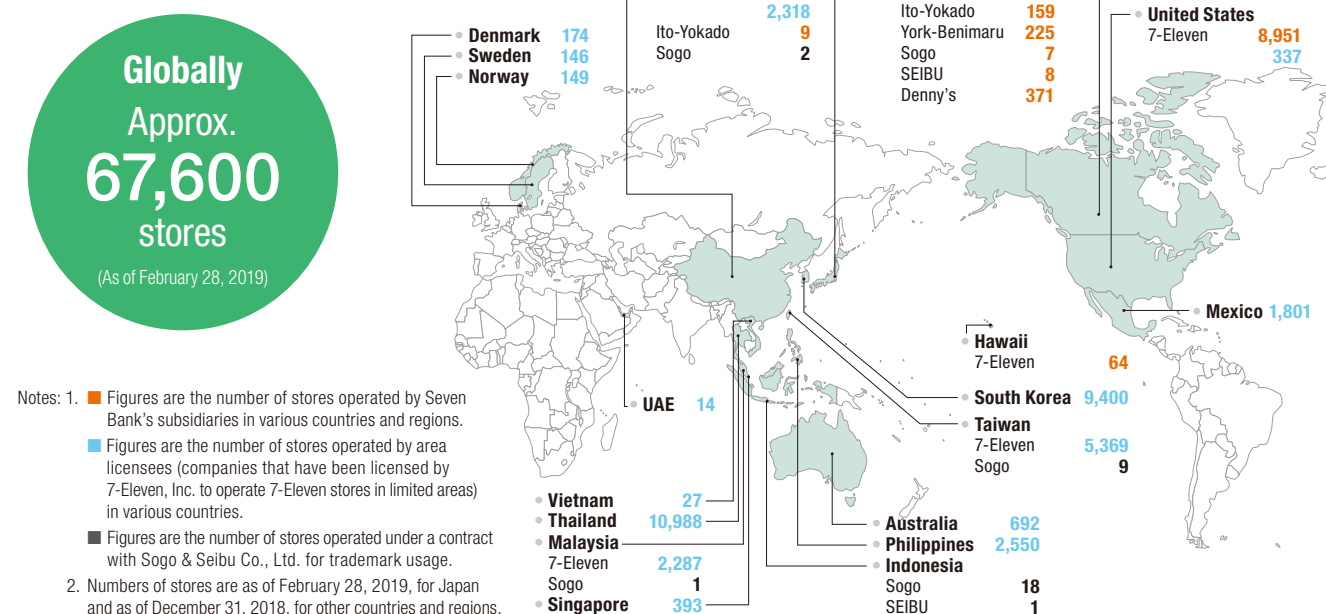
Progress in the U.S. Market



Cultivating New Markets

Making maximum use of expertise cultivated in our ATM operations in Japan and overseas, we continue to work proactively in areas where 7-Eleven stores are being installed, focusing on Asia.

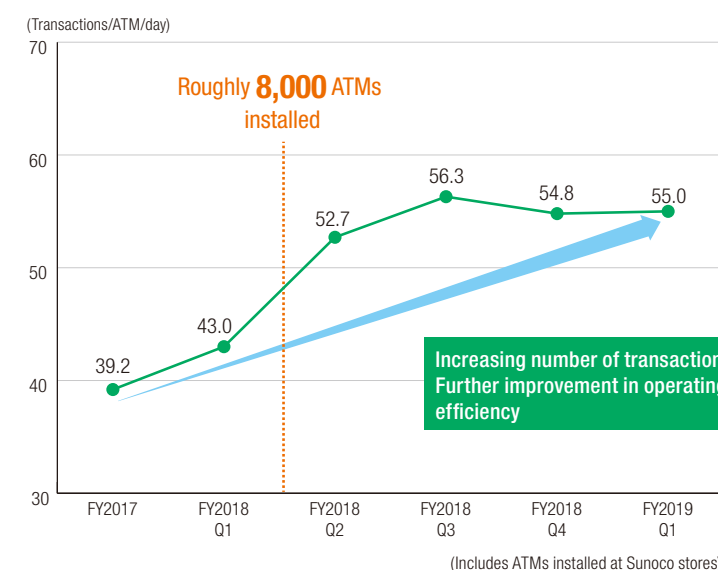
Seven & i Holdings Store Network



Moving to the "Business Growth" Stage

ATM operations at U.S. 7-Eleven stores are firmly on track, and operation rates are steadily improving. Going forward, we will pursue Group synergies with 7-Eleven, Inc., operator of 7-Eleven stores in the United States, to build a strong partnership for the long term.

Quarterly Average Number of ATM Transactions per Day at U.S. 7-Eleven Stores



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

Offering a User Environment Where Safety and Security Are Maximized

In the unusual event that a breakdown or malfunction does occur, we have a system completely set up for the speedy restoration of service. Customers can use our ATMs with the knowledge that an environment is in place for “ATMs that are always available.”

Normal Situations

System Base Redundancy

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

Monitoring Cash in ATMs

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

Security Measures

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

Introduction of “Tokyo–Osaka Alternating Operation Method” for Accounting Systems

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

Emergencies

Response to Breakdowns and Malfunctions

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

Measures to Address Blackouts

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

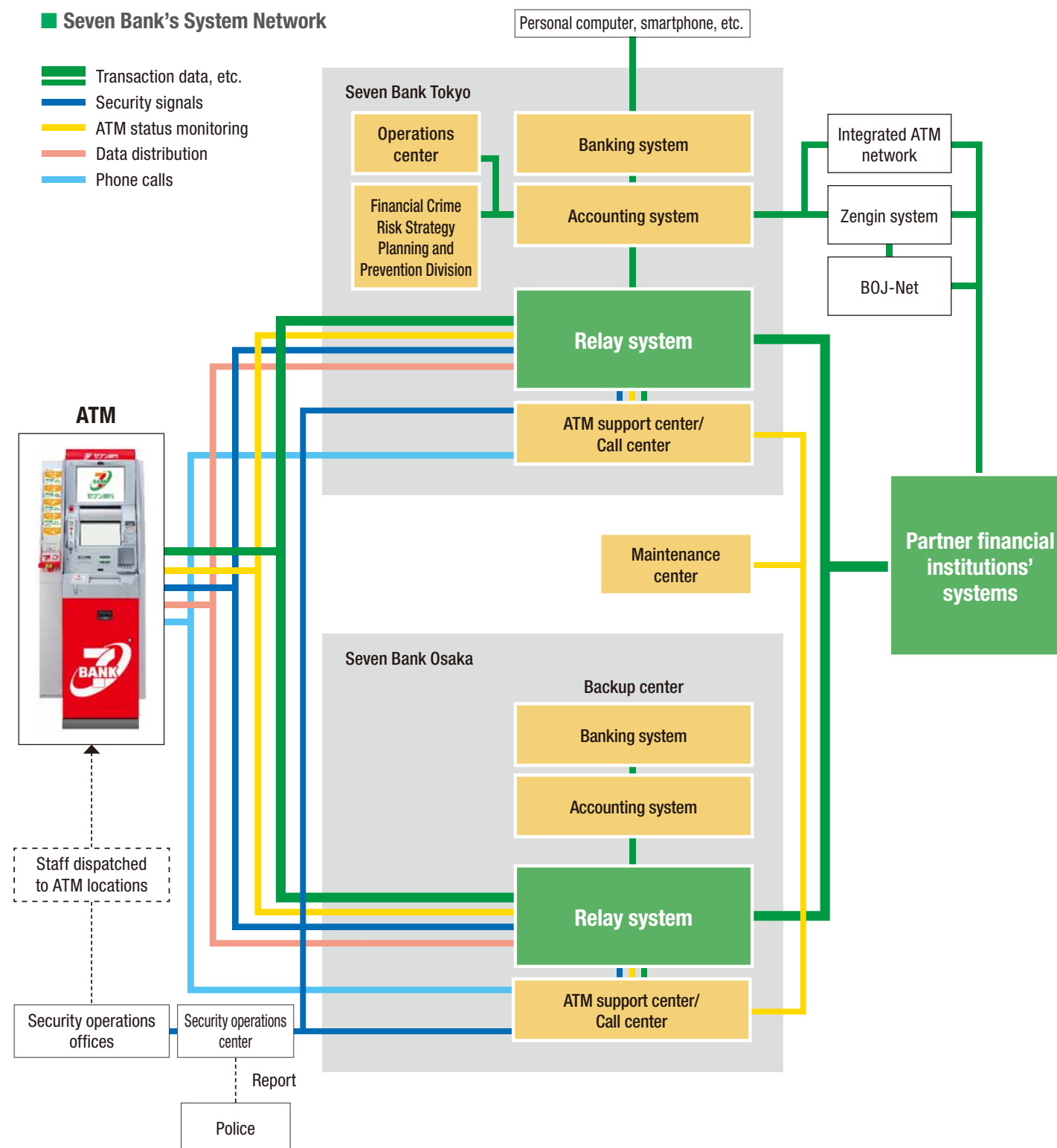
Business Continuity in a Disaster

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

Topics

—Aiming for a “Disaster-Resistant Japan”—

The National Research Institute for Earth Science and Disaster Resilience, SEVEN-ELEVEN JAPAN CO., LTD. and Seven Bank have concluded an agreement to cooperate in helping realize communities that have strong measures in place to minimize damage from natural disasters. The three parties' first project is to install seismographs in Seven Bank ATMs and use the collected data to understand the disaster situation in an area and study ways to strengthen disaster resilience.



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

Measures to Prevent Financial Crime

Continuous, effective measures against increasingly ingenious financial crime are essential to maintaining a safe, secure settlement environment.

Because Seven Bank provides financial services through transactions carried out via ATMs and the Internet without face-to-face interaction, we are keenly aware of the importance of security and damage prevention and are taking various measures to ensure that customers can make transactions with peace of mind.

Cyber Security Measures at ATMs

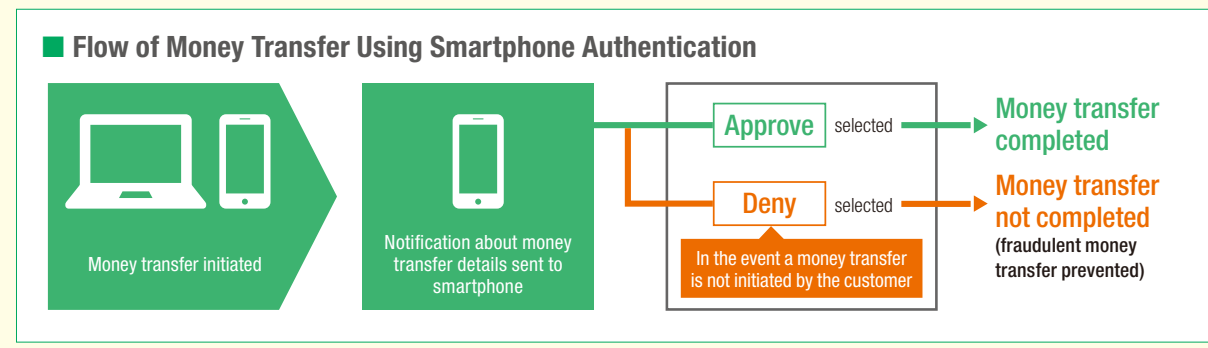
We are introducing features in our ATMs to prevent people from being able to see another person's touch pad for inputting PINs and monetary amounts. When a customer makes a money transfer with one of our ATMs, an alert is shown on the screen or audio assistance is given to prevent fraudulent money transfers by reminding the user of potential crimes. In addition, our ATMs are equipped with devices that constantly operate to detect suspicious objects and irregular transactions, and to prevent the fraudulent capturing of card information (skimming). Moreover, to prevent financial crime from spreading, our ATMs are compatible with international-standard IC cards, and a system has been introduced to detect fraudulent ATM use.

Measures at Seven Bank Accounts

To prevent Seven Bank accounts from being used for crime, thorough legal checks are carried out when account openings are requested, to strengthen our measures against fraudulent accounts.

In addition, we take the measures shown below to address crimes targeting Internet transactions after accounts are opened.

- For individual customers** ▶ Besides Smartphone Authentication*1 for Internet banking, we have introduced a system to detect whether a customer's personal computer has been infected with malware.*2 A specialist division also conducts multilayered monitoring of transactions and accesses as we strive to prevent damage from crimes.
- For corporate customers** ▶ We have strengthened our security measures by introducing tools including One-Time Password*3 and an approval procedure that requires more than one person, for customers' greater peace of mind.



*1. Smartphone Authentication: A method to verify that the customer doing an Internet transaction such as a "Money Transfer to a New Recipient" with a dedicated app on a smartphone is the rightful person. Use of this authentication app requires registration. A fraudulent money transfer can be prevented if a password is obtained by a third party.
 *2. Malware: A general term referring to harmful software made for the purpose of accessing others' computers in a fraudulent way to attack them or cause an information leak.
 *3. One-Time Password: A password that is effective only one time (a certain duration only) to reduce the risk of fraudulent use by a third party.

Sustainability Governance



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Our Approach to Sustainability

We strive for sustainable growth and increased corporate value, while valuing the ESG perspective.

二子 謙輔 Kensuke Futagoishi
Chairman and Representative Director

Seven Bank was created in response to customer feedback. Since our founding, we have grown steadily while responding to diversifying customer needs, and have now become a key piece of social infrastructure. However, the business environment surrounding the Bank is changing radically. We therefore must be attentive to changes in the social structure and increasingly diverse customer needs and flexibly take measures to adopt the fruits of technological innovation.

To turn changes in the business environment into business opportunities and achieve sustainable growth, especially when the future is uncertain, the Bank must clarify its standards of judgment and conduct as its foundation and steadily carry out management. For this, all officers and employees of the Bank participated in a discussion of which social issues we can contribute to in finding solutions through our core businesses, while leveraging our strengths and assets, and designated five “material issues.” We have positioned these “material issues” as new standards of judgment and conduct, and will use them as a compass for corporate management, aiming to contribute to solving social issues and continuously increase corporate value.

We strive to offer new value in customers’ daily lives through unprecedentedly ubiquitous and convenient financial services. Corporate governance is a key component

for offering value through these businesses and continuously increasing our financial and non-financial (ESG) corporate value over the medium to long term. For this, the Bank has established and published “Corporate Governance Guidelines.” In accordance with these guidelines, we will disclose our actual governance conditions and further incorporate the diverse perspectives of our Outside Directors, who have considerable experience and insight in their areas of expertise, in addition to those of our Directors with executive authority over operations, who are well versed in the Bank’s operations. Furthermore, we will enhance our corporate governance system with audits by the Audit & Supervisory Board Members, taking outside criticisms and evaluations to heart, and make every effort to further strengthen our corporate governance.

Additionally, President and Representative Director Yasuaki Funatake has extensive experience, proven results and knowledge gained through the promotion of management strategy. While committing myself to continuously fulfilling my role as manager and supervisor of overall management, I will, together with President Funatake and all other officers and employees of the Bank, steadily walk the path of collaborative value creation together with our stakeholders.

We would appreciate the continued support and encouragement of our stakeholders.



Yasuaki Funatake, President (left)

Kensuke Futagoishi, Chairman (right)

Seven Bank’s Views on CSR

Seven Bank, keenly aware of the importance of corporate social responsibility (CSR), has undertaken a variety of initiatives based on the belief that CSR activities are essential to the sustainability and development of our business.

The role that we are expected to play in responding to diversifying social issues and social demands is changing.

We are striving for a sustainable society and sustainable corporate growth with an active commitment to creating value for both society and the Company (“creating shared value,” or CSV) through our core businesses.

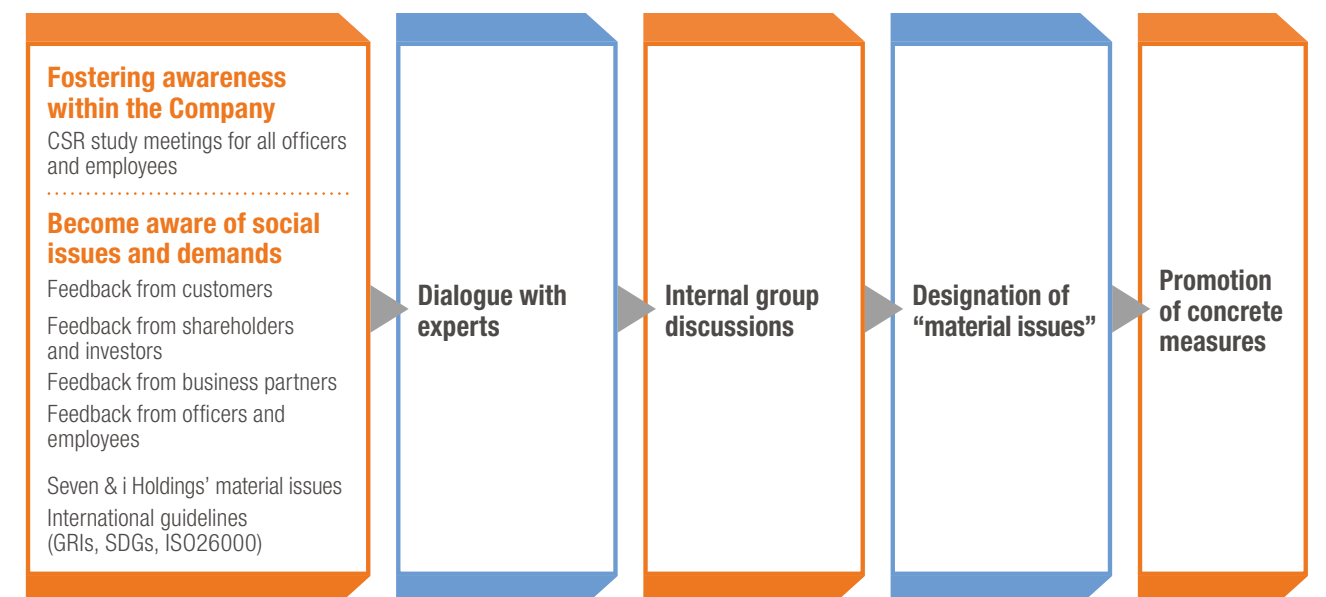
We also believe that our commitment to CSV will contribute to SDGs.

Process for Designating “Material Issues”

The social responsibility our stakeholders demand of Seven Bank and the particulars of our businesses change continually with the times. We have identified issues that the Bank should prioritize, with a high-level perspective of increasingly diverse social and environmental issues, as well as an understanding of business opportunities and risks. In fiscal 2018, we designated “material issues” for Seven Bank to help solve social issues and increase corporate value.

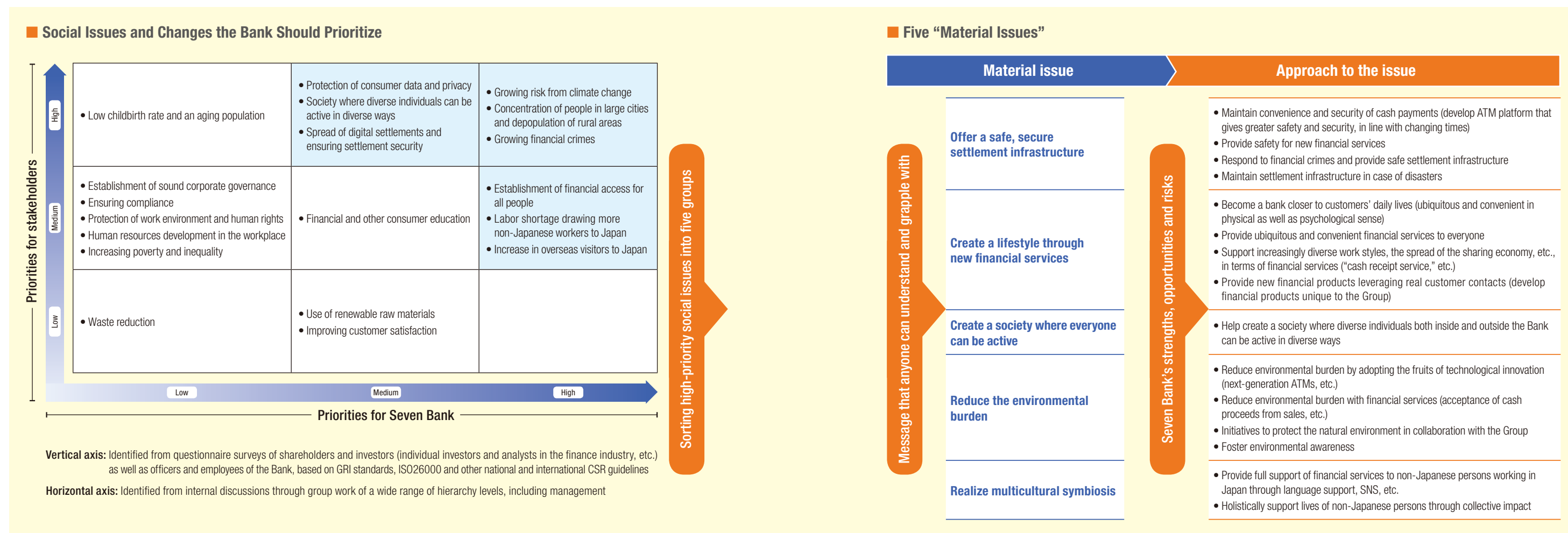
In the process of designating these issues, we carried out questionnaire surveys targeting shareholders and investors, and had dialogues between management and experts, who discussed the role that Seven Bank should play. We also held study meetings at the division level and conducted questionnaire surveys with an emphasis on participation by officers and employees, and using these results, we held multiple group discussions between management and employees to deepen the conversation.

Through this process, we designated the five “material issues” for fiscal 2018. We have positioned these five “material issues” as new standards of judgment and conduct, and will use them as a compass for corporate management, aiming to contribute to solving social issues and continuously increase corporate value.



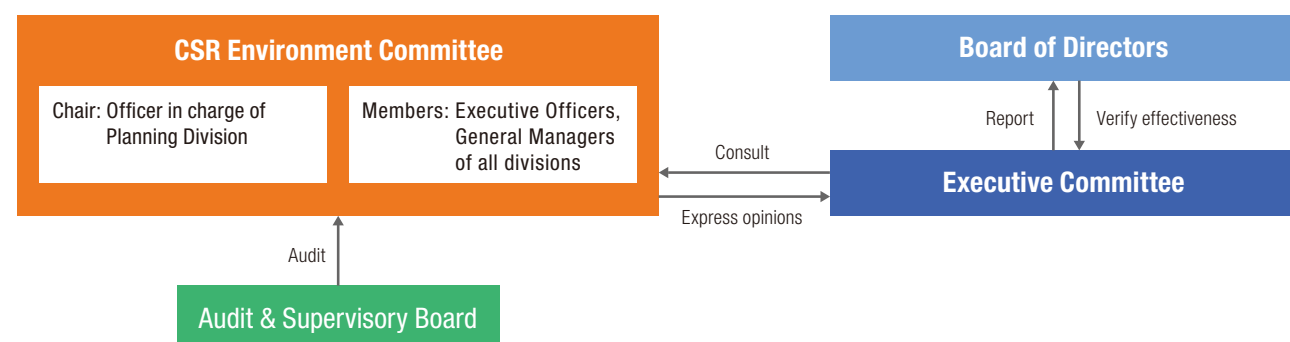
1	CSR study meetings (13 meetings held at each division)	365 participants	3	First group discussion	36 participants (management and employees)
2	Lecture by an expert	25 participants (management)	4	Second group discussion	27 participants (management and employees)

Designating “Material Issues”



CSR Promotion Framework

In 2012, Seven Bank established the CSR Environment Committee as an advisory body to the Executive Committee. The CSR Environment Committee is chaired by the officer in charge of the Planning Division and is attended by the members of the Executive Committee. As a rule, it meets at least twice a year, receives reports on the overall CSR plan and progress, and discusses important items. The CSR/Public Relations Office leads promotion of CSR, determining the direction of Companywide activities and ensuring that each division is apprised of CSR matters. The Bank also participates in the biannual meetings of the Seven & i Group’s CSR Management Committee to maintain close coordination with Seven & i Holdings and each Group company, and determines the direction of Seven Bank’s activities.



■ Steps to Implement Initiatives



Developing Human Resources to Support Sustainable Growth

“Human resources” are one of the most important assets for Seven Bank’s continuous growth. We are working to create an environment in which all employees can utilize their full potential.

Basic Views on Human Resources

Seven Bank expects its employees to pursue challenges on their own, have bold ambition for growth and possess strong communication skills. These characteristics are essential for achieving one of our management policies: “We act to promptly introduce the benefits of technical innovation and pursue self-development.” We believe that having employees harness their unique characteristics and leverage their capabilities for growth leads to the growth of the Bank. All our systems and policies incorporate this thinking.

In April 2019, we modified our human resources system to respond to changes in our business stage and increase employee motivation. We plan to make further system reforms as we track business and social trends.

Hiring Human Resources

With regard to hiring, the Seven & i Group’s “Corporate Action Guidelines” follow the principles that we “prohibit discriminatory treatment” and “endeavor to offer equal employment opportunities.”

We plan on the steady hiring of new graduates every year. After being assigned to their positions, these new hires are given a mentor in the workplace and receive support for about six months. We develop these hires with a focus on the medium to long term, while confirming their aptitudes through appropriate rotation to identify each individual’s potential. We also actively employ midcareer hires with extensive knowledge and experience.

Performance Evaluation

We believe that a performance evaluation is not simply a way to determine compensation but also a factor in promoting employee growth. As such, we endeavor to make our evaluations fair and highly transparent. Seven Bank clearly defines its expectations by job grouping and job level within the organization, and evaluates both conduct, which encourages employees to contribute more to the Company, and performance, which promotes further growth by achieving high performance targets.

Human Resources Education and Development

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

Training Programs Provided in Fiscal 2018

	Stage for developing professional abilities			Stage for displaying professional abilities
	New employees	Younger employees	Midlevel employees	Managers
Companywide training	Training in communication			
	Basic training in finance (e-learning)			
	Training for employees who joined the Bank midcareer			
	Compliance and human rights training, etc.			
Level-specific training	Training for new employees	Leadership training I	Leadership training II	Training for newly appointed managers
	Follow-up training for new employees	Training for OJT trainers		Manager training
		Training for employees in their third year		Off-site group leader development training
			Overseas training	
Division-specific training	Skills development training			
Others	Aids for various types of self-development and e-learning			
	Send employees to graduate school and MBA programs			
	Foreign language training			

Let’s move Seven Bank into the next era



Creating Safe Workplaces Where Diverse Human Resources Can Work

Seven Bank believes that the goal of work-style reform is to create an environment where employees can work autonomously and grow. To this end, we have created a system that gives employees more freedom to decide the hours and places they work.

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

Promoting Participation by Women

Having met the criteria in the five evaluation categories for “Eruboshi” certification, we have received Level 3 certification, the highest grade, from the Ministry of Health, Labour and Welfare, as an excellent company in terms of providing an environment that promotes active participation by female employees.



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

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

Received the “Kurumin” Certification Mark*

In June 2015, Seven Bank received the “Kurumin” certification mark from the Ministry of Health, Labour and Welfare as a company that supports childrearing, our second time to receive this recognition.

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



Support for Participation by Persons with Disabilities

To hire and retain persons with disabilities, we give consideration to creating a work environment where they can easily work. These considerations include training using the Tokyo Vocational Center for Persons with Disabilities and introducing a translation tool (UD Talk) for persons with hearing disabilities. We also revise and develop new job descriptions that enable the transition from part-time to full-time employment.

Other Major Systems and Initiatives that Support Diversity

- Re-Challenge Plan (a plan that helps employees continue working after having children or while caring for children or other family members, with leaves of absence, shorter working hours and exemption from overtime and holiday work)
- Child-Care Leave (paid leave to care for children)
- Nursing Care Training (training to thoroughly inform employees that they can use our systems to continue working even if they must care for a family member)
- Work-at-Home System (a system that allows employees who, for various reasons, have difficulty commuting to continue working)
- Regular Employee Promotion System (a system whereby contract employees and associate employees—contract employees who have become permanent hires—who meet certain criteria can be hired as regular employees)
- Temporary Employee System (a system that allows employees who pass the retirement age of 60 to continue working until age 65 if they so desire)

Data on Diversity

Data on employees and employment (As of March 31, 2019)

	Male	Female	Total		
Number of employees*1	281	179	460	Average service years of employees	7.4 years
Number of part-time employees*2	0	1	1	Ratio of female managers*3	14.5%
Number of temporary staff	5	15	20	Ratio of employment of persons with a disability*4	2.32%
				Ratio of paid leave taken by employees	78.1%

Numbers of employees promoted to regular employees under Regular Employee Promotion System

Fiscal 2016	2
Fiscal 2017	3
Fiscal 2018	5

*1. Excluding officers, executive officers, employees seconded from the Bank to external companies, part-time employees and temporary staff; and including employees seconded from external companies to the Bank
 *2. Number of part-time employees: average number of workers per month assuming eight work hours a day
 *3. Ratio of female managers excludes those seconded from the Bank to Seven & i Group companies and those seconded to the Bank from companies outside the Group but includes those seconded to the Bank from Group companies.
 *4. Ratio of employment of persons with disabilities as of April 1, 2019

Data on employees and employment (Fiscal 2018)

	Male	Female	Total		
Number of employees who took a leave for child care*5	2	10	12	Ratio of employees who return to and stay at work after taking child-care leave*6	100%
Number of employees who took a leave for nursing care	0	0	0	Number of uses of a leave for volunteer activities	8
Number of employees who used the shorter work-hour system due to child care or nursing care	3	21	24	Occupational accident frequency rate*7	0.0%
Number of employees who used the work-at-home system	4	7	11	Occupational accident severity rate*8	0.0%
				Number of contacts received at the Help Line for employees	3
				Average employee overtime per month	18.4 hours

*5. Number of employees who took child-care leave in fiscal 2018
 *6. No employees retired during child-care leave or after returning to work.
 *7. Occupational accident frequency rate = (Number of occupational accidents occurred/Cumulative work hours) × 1,000,000
 *8. Occupational accident severity rate = (Lost work days due to an accident/ Cumulative work hours) × 1,000

Maintaining and Promoting Employee Safety and Health

Seven Bank has specified occupational safety and health regulations. In accordance with these regulations, a Safety and Health Committee that meets monthly has been established.

We have introduced health data management tools for employee health management, enabling the uniform management of such information as the results of health examinations and consultations with public health nurses or industrial physicians.

In addition, we hold “no overtime weeks” twice a year as an effort to reduce overtime. Employees whose overtime hours become longer are interviewed and given health consultations by a public health nurse or an industrial physician.

For the Development of Local Communities

Toward Achieving Multicultural Coexistence

Seven Bank's international money transfer services are used by approximately 260,000 accounts (as of March 31, 2019). That figure means that about 17% of all foreign nationals working in Japan have accounts with the Bank.

For customers who use our international money transfer services, we offer the "International Money Transfer App," which is available in nine languages. This app makes it possible to communicate local information and emergency information during a disaster. We have signed agreements on promoting multicultural coexistence with municipal public organizations in areas where large numbers of foreign nationals reside. We will remain actively committed to this app as one element for creating an environment that makes the lives of foreign nationals living in Japan more comfortable and convenient through financial services.

Municipalities with which Seven Bank has concluded an agreement to promote multicultural coexistence (As of March 31, 2019)

September 2016	Nagoya-shi, Aichi prefecture
February 2017	Kani-shi, Gifu prefecture
March 2017	Aichi prefecture
April 2017	Kanagawa prefecture
May 2017	Kawasaki-shi, Kanagawa prefecture
October 2017	Shinjuku-ku, Tokyo
April 2018	Toyohashi-shi, Aichi prefecture
July 2018	Yokohama-shi, Kanagawa prefecture*
August 2018	Shizuoka prefecture
December 2018	Nagano prefecture
March 2019	Higashikawa-cho, Kamikawa-gun, Hokkaido

*Yokohama Association for International Communications and Exchanges

Dementia Supporter Training

To deepen employees' understanding about dementia and help make a more supportive environment for dementia patients and their families so that they can live peacefully, Seven Bank engages in nurturing Dementia Supporters*. At present, 138 employees have qualified as a Dementia Supporter to contribute to the safety and security of local communities.

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

Topics

Award for Excellence for Human Rights Awareness Slogan from the Japanese Bankers Association

As a member of the Seven & i Group, Seven Bank solicits slogans about human rights awareness from employees and their families every year, to "create a corporate culture in which each employee's human rights are respected," as set forth in the "Corporate Action Guidelines" of the Seven & i Group. Our aim is to increase employees' awareness of human rights as they come face-to-face with the concept of human rights while composing slogans.

In fiscal 2018 (the 32nd contest), the slogan of Mie Ajiki of Seven Bank's Planning Division was chosen from among many entries for the Award for Excellence.

Winning Entry for Award for Excellence

"A single word can hurt. A single word can help. Your words show your heart."

In my daily communication, after saying something, I sometimes notice that I said it in a mean way or should have said it in a nicer way.

This slogan contains my thinking that we should put our own hearts in order before interacting with others, to ease the lives of people and benefit society.

This award inspires me to strive every day to act in a way that can help create a better society.



Mie Ajiki, Planning Division

Cosponsoring "Mori no Senshi Bonolon"

Approximately one million copies of each issue of the picture book "Mori no Senshi (Guardian of the Forest) Bonolon" are printed in even-numbered months. The books should foster communication between children and their parents, who read the meaningful content to help nurture the children's inquisitive minds.

Seven Bank cosponsors this activity and distributes the picture books at 7-Eleven stores, Denny's, Seven Bank's head office and other locations throughout Japan. The Bank also fosters communication with readers by such things as holding drawing contests and soliciting photos of the book. Activities are also held, including the Bonolon Read Aloud Event, where employees read a jumbo-sized copy of "Mori no Senshi Bonolon" at children's centers and other locations.

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Topics

Donating the Picture Book "Mori no Senshi (Guardian of the Forest) Bonolon" to Be Read Aloud at 2,722 Children's Centers across Japan

Since 2011, Seven Bank has issued social contribution-type cash cards with a Bonolon design. For every card issued, Seven Bank contributes 100 yen toward an ongoing program of producing and donating special editions of "Mori no Senshi Bonolon" to children's centers nationwide.

In fiscal 2018, 56,998 customers chose the Bonolon cash card, and we produced and donated special edition picture books to 2,722 children's centers in Japan.



Support Activities for Disaster Victims and Disaster-Afflicted Areas

Seven Bank solicits donations to support victims of disasters such as earthquakes and typhoons. The Seven Bank website has a dedicated page that accepts donations from Seven Bank account holders and employees.

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

Name of disaster	Period of accepting donations	Total amount donated	Destination to which money was delivered
Typhoon No. 21 (Typhoon Jebi) in 2018 and the 2018 Hokkaido Eastern Iburu Earthquake	September 8, 2018–October 4, 2018	¥735,932	Central Community Chest of Japan (area affected by Typhoon No. 21) Community Chest of Hokkaido
Torrential rain in July 2018	July 10, 2018–September 2, 2018	¥1,081,208	Okayama, Hiroshima, Ehime, Fukuoka, Kyoto, Yamaguchi, Gifu, Shimane, Kochi and Hyogo

Seven Bank Click Donations

Using the Seven Bank website, we conduct "Click Donation," donating one yen for every click made by customers (1 click = ¥1).

Name of donation	Period of accepting donations	Total amount donated*	Destination to which money was delivered
"Learn! Spread! ATM Voice Guidance Service Campaign"	December 2018	¥715,106	"Radio Charity Musicson" charity campaign (sponsored by Nippon Broadcasting System, Inc., etc.)

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

Collaboration with Partner Companies

Relations with Partner Financial Institutions

Since its founding, Seven Bank has provided ATM services that can be accessed “anytime, anywhere, by anyone, and with safety and security,” while providing various values to our partner financial institutions, etc., in terms of costs and enhanced services. We have built strong relationships of trust by offering Seven Bank’s ATM network infrastructure, operations expertise and management know-how, by enhancing customer convenience and by helping reduce the operational and management burden of the ATMs of our partner financial institutions. We also take into consideration the challenges and needs of our partner financial institutions and continually evolve our unique added value to increase convenience by, among other means, supporting cards issued overseas by major international companies and offering various types of electronic money and new settlement services such as QR and bar-code settlement.

We create major business opportunities for our partner financial institutions by providing an environment where their customers can access more than 25,000 ATMs nationwide without our partners having to install them at their own locations, operate or manage them, and by offering a wide range of services and features, in principle, 24 hours a day, 365 days a year.

Seven Bank started this business in June 2007 by installing and operating ATMs under commission from Nomura Securities Co., Ltd. In December 2018, we took a commission from The Nanto Bank, Ltd. for ATMs in a wide area outside its branches and outlets. As of March 2019, we were operating 455 ATMs under commission from 29 companies.

We also offer our expertise in preventing fraudulent accounts with our consolidated subsidiary Bank Business Factory Co., Ltd., thereby providing new support services as countermeasures to money laundering and back-office support on commission for financial institutions, striving to contribute to solving social issues in the finance industry as a whole.

Partner Companies: Relations with ATM Manufacturers

Seven Bank develops and manufactures its ATMs jointly with its manufacturing partners, tailoring them to provide safe, secure and convenient services in the limited space of a convenience store. To develop and manufacture our unique ATMs that are both simple and highly functional, we stand in our customers’ shoes and share yet-unmaterialized needs, following our commitment to achieve goals through repeated discussions with our partners from the conceptual stage.

Our ATMs are assembled in Japan by our partner companies, and Seven Bank’s officers and employees regularly pay unannounced observation visits to confirm security, operating efficiency, etc.

If ATM maintenance is required due to an unforeseen problem, we send a maintenance worker from our partner company’s affiliate to restore the ATM to service, thus minimizing downtime.

Partner Companies: Collaboration with Security Companies and Call Centers

Seven Bank’s ATMs operate, in principle, 24 hours a day, 365 days a year. Providing an environment that anyone can safely use requires collaboration with partner companies with highly specialized skills, from responding to ATM outages to maintaining mechanical security to securing transport.

To ensure that ATMs do not go out of service because they run out of cash, we collaborate with security companies to analyze the operating status of each ATM separately. We efficiently schedule and manage cash replenishment in accordance with usage patterns, minimizing the number and duration of outages. This collaboration with security companies enables Seven Bank’s ATMs to maintain 99.98% uptime. We are also considering using AI to make more sophisticated forecasts of cash demands.

Our call centers also monitor our ATMs 24 hours a day, 365 days a year, and remotely recover out-of-service ATMs. If remote recovery of an ATM is not possible, the call center dispatches members of a security company and works with the partner company to quickly restore the ATM.

The security companies enhance their knowledge and skills through such activities as role-playing and monitoring evaluations of responses to ATM outages, to improve the quality of their responses and shorten downtime, enabling the companies to respond appropriately to customers inconvenienced by an outage.



Evaluation and Awards System for Partner Companies

Seven Bank periodically performs evaluations, including audits, of its security companies. We confirm that business is being conducted appropriately and look to solve issues together. Twice a year, we send a letter of appreciation to companies that perform well on the evaluations, including audits, and express our gratitude for their constant efforts.

We have also created an awards program for call centers that respond to customer inquiries via interphone installed on ATMs. Every month, we give awards for the best case reports, opinions and suggestions received from the operators.



2019 Annual Awards Ceremony and Appreciation Party

Activities to Combat Climate Change

Seven Bank views climate change as a serious social issue that must be given priority. Recently, risks from torrential rains, earthquakes and other natural disasters have been rising, bringing the possibility of a massive impact not only on society but also on the Bank's services.

We recognize that the true value of social infrastructure shows itself in an emergency, and we are striving to create an ATM platform that is resilient to disasters. (Please refer to "Offering a User Environment Where Safety and Security Are Maximized" on page 47.)

We are also reducing our environmental burden with environmentally conscious operational design, including ATM development and operation, to achieve a business model suited to a sustainable society.

Reducing ATM Energy Consumption

Energy consumption of the third-generation ATMs we are operating nationwide is roughly 48% less than that of our second-generation ATMs. With approximately 25,000 ATMs, we have reduced our CO₂ emissions by about 16,000 tons* a year. A significant reduction in energy consumption was achieved by aggressively adopting cutting-edge technologies to set our ATMs on an energy-saving mode when a transaction is not ongoing, and by switching the backlights of displays to LED lights. We are also promoting the effective use of resources by using durable parts and recyclable materials. In addition, we will strive to reduce our environmental burden even further with fourth-generation ATMs, which we will begin installing in 2019.

*CO₂ emissions are calculated assuming 1 Wh = 0.579 g.

Increasing ATM Lifetimes and Recycling

We actively introduce recycled materials and easy-to-maintain construction from the ATM design stage. We design ATMs for long lifetimes, replacing parts or performing maintenance when a malfunction occurs.

When replacing or removing an ATM in a 7-Eleven store being remodeled or closed, we collect the old ATM and maintain and reuse it if possible. We also reuse parts from old ATMs, recycle aged units and handle unrecyclable ATM units and Uninterruptible Power Supply (UPS) batteries with the help of recycling business operators, thus achieving a recycling rate of 100% for ATMs.

Reducing the Number of ATM Cash Replenishments

A security company is needed to transport cash by vehicle when an ATM must be replenished. The security company helps reduce CO₂ emissions from transporting cash by analyzing the usage of each ATM separately and reducing the number of cash replenishments.

In addition, we keep ATMs stocked with cash and achieve stable, efficient operation by putting cash from sales proceeds at a 7-Eleven store into its ATM. This also makes 7-Eleven store operations more efficient by eliminating the need to take sales proceeds to a bank or an ATM outside the store for deposit. In these ways, we maintain low-cost operations, while achieving an operating rate of 99.98%.

Utilization of FSC Certified Paper

We use FSC certified paper for the cash envelopes and various leaflets at our ATMs and copies of the children's picture book "Mori no Senshi (Guardian of the Forest) Bonolon," which are distributed mainly at 7-Eleven stores.

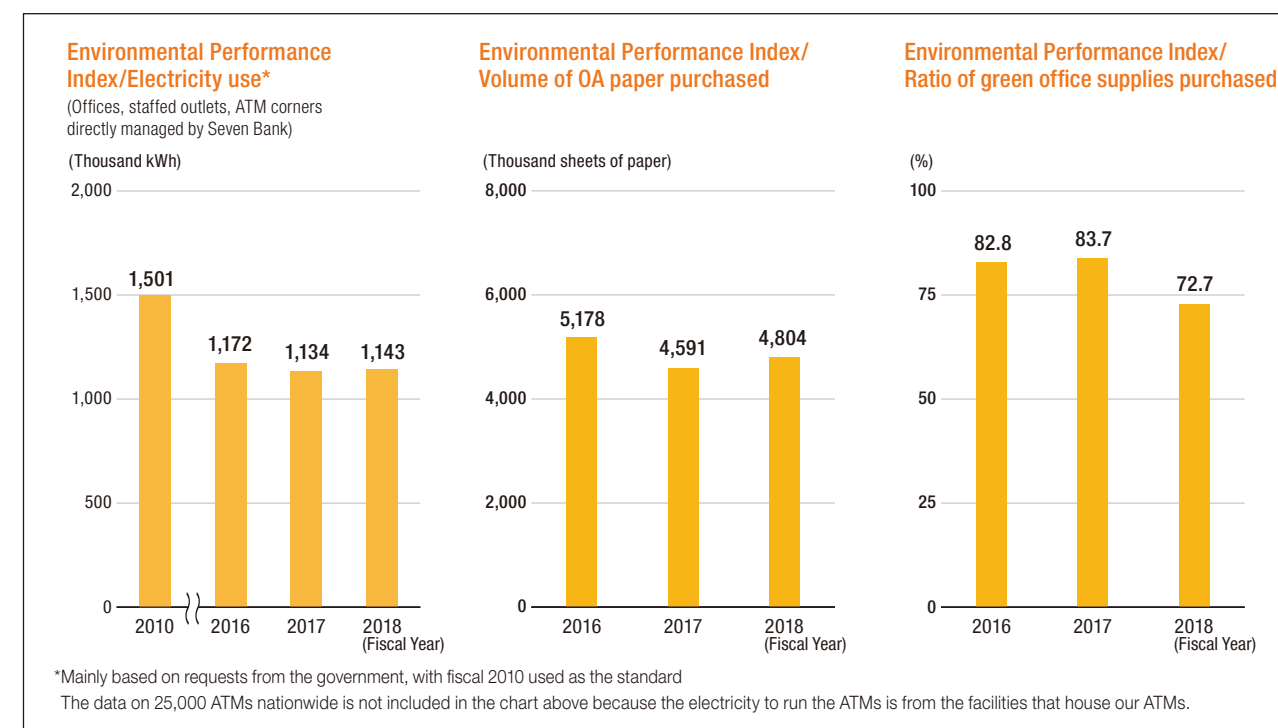
The international "Forest Stewardship Council (FSC) certification" system awards certification to properly managed forests and the appropriate processing and distribution of lumber from such forests. Seven Bank will continue to expand the use of environment-friendly FSC certified paper.



Environmental Considerations at Our Offices

CO₂ emissions from the production, logistics and disposal of this integrated report are 11,933 kg, which is offset by the domestic credit gained from supporting the restoration from the Great East Japan Earthquake.

We have established Green Procurement Guidelines, based on the Bank's Basic CSR Policy, which indicates our fundamental views on green procurement. We procure and order office supplies in accordance with these guidelines and work to contribute to environmental preservation activities.



Activities by Participating Officers and Employees

We are working to raise officers' and employees' environmental awareness through a campaign to obtain Eco Test® certification. Officers and employees who pass the test have the full amount of the test fee reimbursed by the Bank. Since fiscal 2014, 118 officers and employees in total have obtained Eco Test® certification.

Employees of the entire Group proactively volunteer in various activities, including those carried out by the Bank, to contribute to the preservation of the earth's environment and to local communities. In fiscal 2018, in Seven Forest in collaboration with the Seven-Eleven Memorial Foundation, we participated in activities to nurture forests, ranging from planting trees to thinning and mowing. Besides helping conserve forests and prevent global warming, we also use environmental preservation activities to promote environmental awareness among employees.

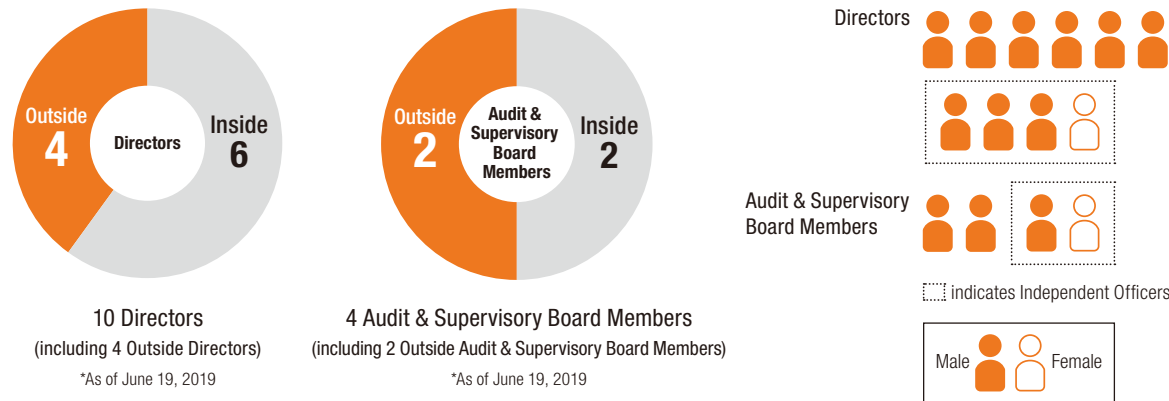


*Eco Test®: The Certification Test for Environmental Specialists®, given by the Tokyo Chamber of Commerce and Industry

Corporate Governance

Corporate Governance System Overview

Numbers and Proportions of Outside Officers



Main Items and Descriptions

Organizational design Company with Audit & Supervisory Board Members	Number of meetings of the Board of Directors (Average attendance of Outside Directors) 13 (95.0%*) (Figures for FY2018)	Number of meetings of the Audit & Supervisory Board (Average attendance of Outside Audit & Supervisory Board Members) 14 (96.4%) (Figures for FY2018)
Advisory body to the Board of Directors Nomination & Compensation Committee	Chairperson of the Nomination & Compensation Committee Independent Outside Director	

*Applies only to attendance at Board of Directors meetings after being appointed (June 19, 2018)

Basic Views

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

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

Corporate Governance System

Board of Directors

As of June 19, 2019, the Bank's Board of Directors consisted of 10 Directors, including four Outside Directors. The Board of Directors meets, in principle, once a month to decide the Bank's basic management policies and important operational issues and to supervise the execution of duties by Directors with executive authority over operations and Executive Officers.

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

Analysis and Evaluation of Effectiveness of the Board of Directors

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

Concerning the effectiveness of the Board of Directors for fiscal 2018, the Bank conducted a questionnaire study for Directors and Audit & Supervisory Board Members and, based on a summary of the results, discussion and evaluation took place at the Board of Directors meetings. The results of the evaluation are described below.

- The Board of Directors meetings include Outside Directors, thereby collectively possessing diverse knowledge, experience and capabilities. Through active discussions among Directors and Audit & Supervisory Board Members, the Board of Directors has been fully functioning both in decision making and supervision, thereby ensuring the effectiveness of the Board of Directors as a whole.
- At the same time, given the dramatic changes in the business environment surrounding the Bank, discussions will be deepened by devising the content and methods for information provided by Executive Officers in response to the following issues:
 - Examining growth strategies and new business domains from a medium- to long-term perspective
 - Cooperation with Seven & i Holdings' financial strategies

Audit & Supervisory Board

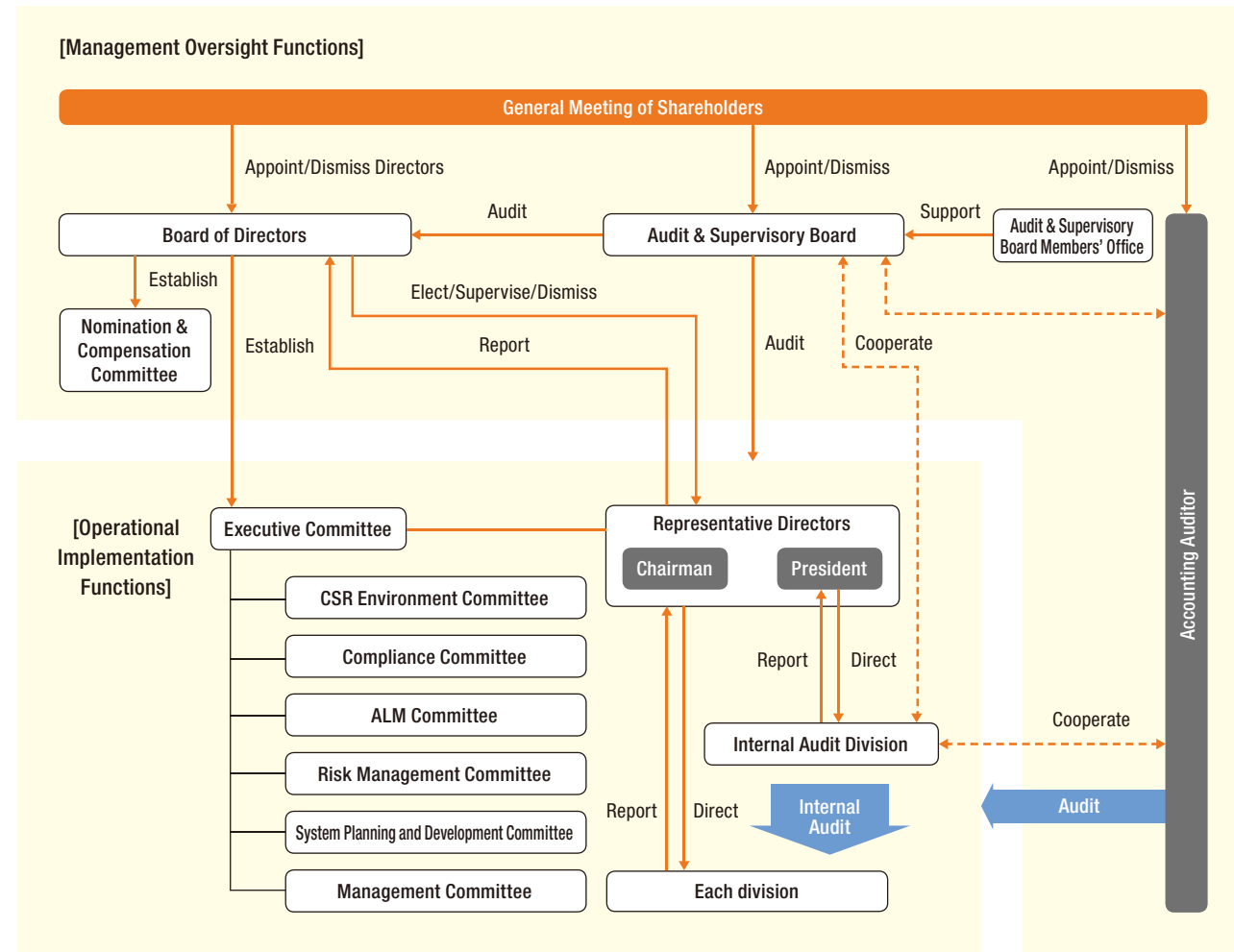
As of June 19, 2019, the Bank's Audit & Supervisory Board consisted of four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members. The Audit & Supervisory Board meets, in principle, at least once a month to receive reports regarding important auditing-related issues and deliberate and make decisions thereof. The Audit & Supervisory Board convenes with Representative Directors, the Internal Audit Division and the Accounting Auditor on a regular basis to exchange opinions and make requests as necessary on issues to be addressed by the Bank, the status of improvements to the Audit & Supervisory Board Members' auditing environment and important auditing-related issues. In addition, the Audit & Supervisory Board Members oversee and verify from the following perspectives the status of fulfillment of legal obligations, including the duty of diligence of a good manager and the duty of loyalty, with regard to resolutions of the Board of Directors and other decision making by Directors.

- There shall be no material and careless errors in recognizing the facts on which a decision is made.
- The decision-making process shall be reasonable.
- The content of a decision shall not violate laws and/or the Articles of Incorporation.
- The content of a decision shall not be apparently unreasonable from an ordinary corporate manager's perspective.
- The interest of the Bank shall be considered first, not the interest of Directors or a third party, in making a decision.

To assist the Audit & Supervisory Board Members and facilitate the operation of the Audit & Supervisory Board, the Audit & Supervisory Board Members' Office has been established and employees have been positioned in place.

Corporate Governance Structure

(As of June 19, 2019)



Nomination & Compensation Committee

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

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



Nomination & Compensation Committee

- 1 Compensation and bonuses
- 2 Other important matters concerning compensation
- 3 Matters concerning the recommendation of candidates for Director and candidates for Executive Officer
- 4 Matters concerning the recommendation of candidates for Representative Director and candidates for Executive Director
- 5 Other important personnel matters regarding Directors

<Members> (○ indicates chairperson)

- Koichi Fukuo (Independent Outside Director)
- Toshihiko Itami (Independent Outside Director)
- Kensuke Futagoishi (Representative Director)
- Yasuaki Funatake (Representative Director)

Reasons for Appointment of Outside Officers

	Name	Reasons for Appointment
Outside Directors	Makoto Kigawa	Mr. Makoto Kigawa's experience and insight in corporate management at YAMATO HOLDINGS CO., LTD., etc., have genuinely contributed to the Bank's management.
	Toshihiko Itami	Mr. Toshihiko Itami's insight in corporate legal affairs, nurtured for many years in his career as a prosecutor, has genuinely contributed to the Bank's management.
	Koichi Fukuo	Mr. Koichi Fukuo's experience and insight as a manager at Honda Motor Co., Ltd., etc., have genuinely contributed to the Bank's management.
	Yukiko Kuroda	Ms. Yukiko Kuroda's experience as a corporate manager and insight related to developing human resources who can handle global business have genuinely contributed to the Bank's management.
Outside Audit & Supervisory Board Members	Hideaki Terashima	The Bank can expect Mr. Hideaki Terashima's broad insight into corporate legal affairs, nurtured in his career as an attorney-at-law, to contribute to audits of the Bank's management.
	Yukie Toge	The Bank can expect Ms. Yukie Toge's expertise as a certified public accountant, deep insight as an accounting and systems-related consultant, and experience as a corporate manager to contribute to audits of the Bank's management.

Independence Standards for Outside Officers

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

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

Officers' Compensation

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

Internal Audit and Audit by Audit & Supervisory Board Members

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

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

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

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

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

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

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

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

The Bank has an audit contract with KPMG AZSA LLC, which conducts accounting audits of the Bank. The names of the certified public accountants who performed duties during fiscal 2018, as well as the composition of the supplementary personnel who were involved in the accounting audit duties, are as follows:

Names of the certified public accountants who performed accounting audit duties

Yukihisa Tatsumi, Designated Limited Liability Partner, Engagement Partner

Tomoaki Takeuchi, Designated Limited Liability Partner, Engagement Partner

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

Six certified public accountants, three people who passed the accountant examination and nine other persons

Status of Improvement and Operation of the Internal Control Systems

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

Promoting Close Communication

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



Our disclosure policy is posted on the following website:

<https://www.sevenbank.co.jp/english/ir/policy/>

To Deepen Communication with Shareholders and Investors

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

Tools for Dialogue

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



Presentation meetings for individual investors

IR Calendar (Major activities in fiscal 2018) *For analysts and institutional investors

	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Financial Statements		<ul style="list-style-type: none"> ● Financial results for the fiscal year ● Presentation about financial results* 	<ul style="list-style-type: none"> ● Annual General Meeting of Shareholders 		<ul style="list-style-type: none"> ● Financial results for the first quarter ● Conference call* 			<ul style="list-style-type: none"> ● Financial results for the second quarter ● Presentation about financial results* ● Presentation meetings for individual investors 			<ul style="list-style-type: none"> ● Financial results for the third quarter ● Conference call* 	
Communication with Useful Tools				<ul style="list-style-type: none"> ● Issuance of Integrated Report (Business Report) in Japanese 			<ul style="list-style-type: none"> ● Issuance of Annual Report in English 	<ul style="list-style-type: none"> ● Issuance of Shareholders' Newsletter in Japanese 		<ul style="list-style-type: none"> ● Issuance of the Interim Business Report in Japanese 		
Overseas IR Activities		<ul style="list-style-type: none"> ● Asia 		<ul style="list-style-type: none"> ● North America 				<ul style="list-style-type: none"> ● Europe/North America ● Asia 				

Seven Bank Management Team (As of July 1, 2019)

Directors



Kensuke Futagoishi
Chairman and Representative Director



Yasuaki Funatake
President and Representative Director



Kazuhiko Ishiguro
Director, Senior Managing Executive Officer



Hisanao Kawada
Director, Managing Executive Officer



Kazutaka Inagaki
Director, Executive Officer



Katsuhiro Goto
Director



Makoto Kigawa
Outside Director



Toshihiko Itami
Outside Director



Koichi Fukuo
Outside Director



Yukiko Kuroda
Outside Director

Audit & Supervisory Board Members



Isamu Hirai
Full-time Audit & Supervisory Board Member



Akihiko Shimizu
Full-time Audit & Supervisory Board Member



Hideaki Terashima
Outside Audit & Supervisory Board Member



Yukie Toge
Outside Audit & Supervisory Board Member

Executive Officers

Masaaki Matsunami
Senior Managing Executive Officer

Kenichi Yamamoto
Managing Executive Officer

Hiroshi Takeuchi
Managing Executive Officer

Koji Maekawa
Executive Officer

Hiroshi Ishimura
Executive Officer

Takashi Koyama
Executive Officer

Miya Kitayama
Executive Officer

Koji Fukasawa
Executive Officer

Tsuneo Nagashima
Executive Officer

Risk Management Initiatives

Every fiscal year, the Board of Directors establishes the “Policy on Risk Control,” which specifies the overall risk management policy, specific risk management policies and the organization and system for risk management. In accordance with this policy, the Executive Committee establishes detailed rules and regulations related to risk management and confirms the Companywide risk status every quarter. 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. We have also established the Risk Management Committee, chaired by the officer in charge of the Risk Management Division, and an Asset-Liability Management (ALM) Committee, chaired by the officer in charge of the Planning Division, as advisory bodies to the Executive Committee concerning risk management.

Overall Management of Risk

The Bank observes its basic policies relating to overall risk management, which are governed by the Policy on Risk Control and Overall Risk Management Rules, established under the policy. We gain an overall grasp of our risks by assessing each of the Bank’s risk categories and manage them by comparing them with our equity.

Credit Risk

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

Market Risk

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

Liquidity Risk

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

Overall Management of Operational Risk

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

Administrative Risk

Seven Bank’s business consists primarily of the execution of transactions, mainly through its ATM network, without face-to-face interaction. The Bank observes its Administrative Risk Rules, which were established in accordance with the Policy on Risk Control, which includes a basic policy regarding administrative risks particularly due to this special characteristic of our business. To manage administrative risks, we have improved the administrative rules that are based on transactions without face-to-face interaction. In addition, the Bank works to prevent administrative errors and employee misconduct through self-monitoring and appropriate audits of all departments/divisions, offices and centers, and rigorous internal audits by the Internal Audit Division. To address any problem found through scandals, operation-related accidents, complaints and inquiries, the Bank has a system in place to quickly analyze the cause of such problems and determine measures to prevent their recurrence. Furthermore, by verifying administrative error reports and self-monitoring, the Bank strives to identify any administrative errors in all divisions and centers and manage administrative risk, including potential administrative risk.

Systems Risk

The Bank observes its basic policies relating to systems risk, which are governed by the Policy on Risk Control and the Systems Risk Rules, established under the policy. The Bank seeks to thoroughly improve systems development efficiency, service quality and safe operation of systems. We also hold security review conferences three times a year to discuss effective security measures.

The system configuration includes the full utilization of cutting-edge IT (information technology), a dual or multilayered network and hardware equipment, and a backup center designed to engage in the event of a natural disaster or systems failure. Libraries such as files and programs are backed up as appropriate according to the 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 the use of firewalls to block unauthorized access to the Bank’s systems, monitoring access 24 hours/day and 365 days/year, encrypting all electronic transactions with customers and employing antivirus software. In fiscal 2018, we revised our security measures policy in response to the recent move to the cloud, the development of new apps and other trends. Furthermore, so that customers can use the Bank’s services with peace of mind, the Bank has prepared a business continuity plan in advance to prepare for unforeseen events such as service interruptions or disasters, and has set up a framework for conducting regular drills and other measures.

Reputation Risk

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

Legal Risk

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

Other Operational Risks

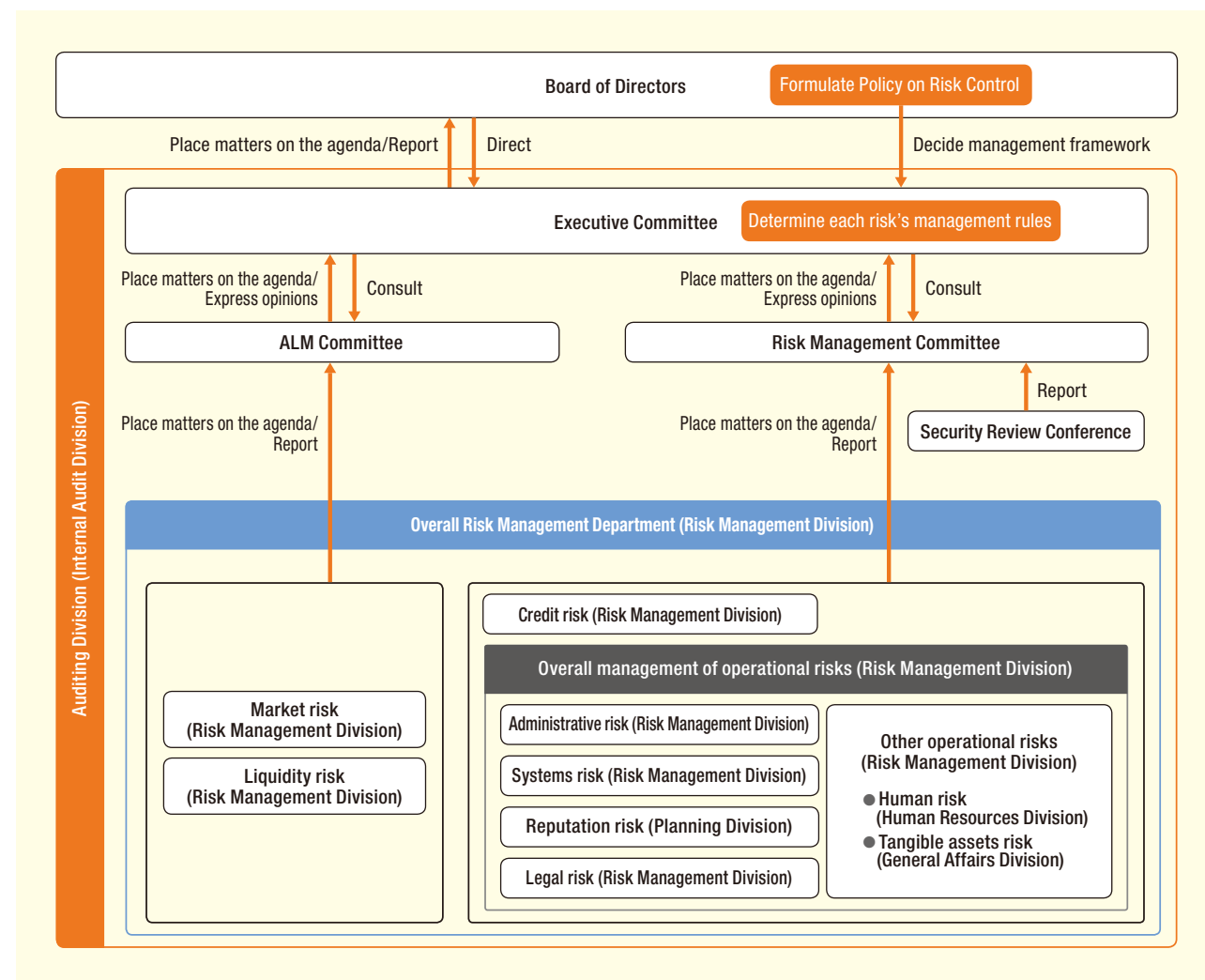
The Bank observes its basic policies relating to other operational risks, which are governed by the Policy on Risk Control. The other major operational risks recognized are human risk and tangible assets risk and have been managed.

Establishment of Business Continuity Plan (BCP)

To fulfill our social responsibility as a bank, Seven Bank has defined the following three operations as priorities for continuity in the event of a disaster or large-scale accident: the ATM business; the fund settlement business serving banks and ATM partners; and withdrawals from the Bank's accounts and money transfer operations. Each division has also created a BCP to enable continuity of these critical operations in the event of an accident or disaster. To ensure that the BCP is implemented, each division regularly conducts BCP training, envisioning damage to data centers and other facilities at different times.

Risk Management Structure

(As of July 1, 2019)



Compliance Initiatives

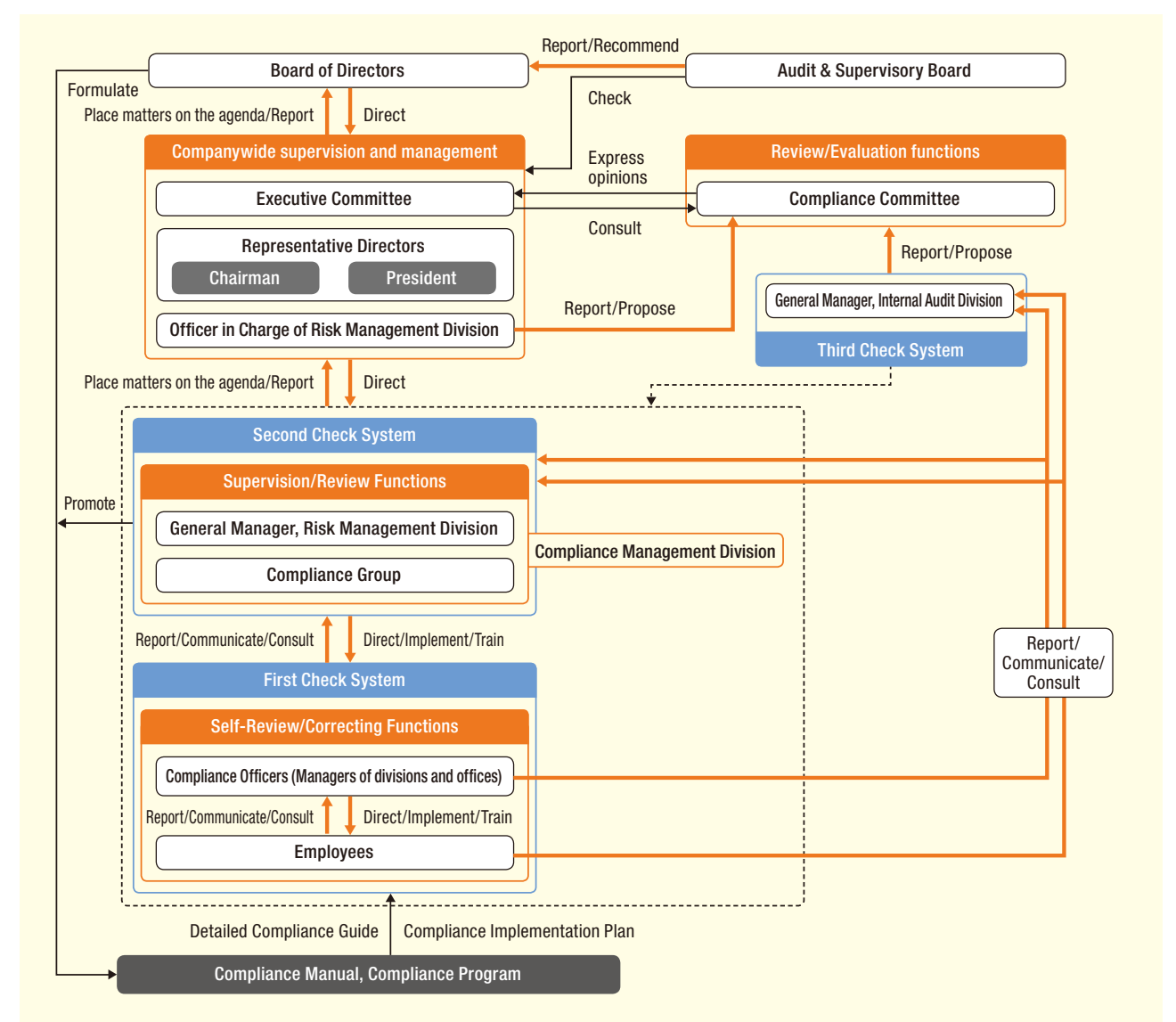
The Bank regards compliance with applicable laws and societal norms as a fundamental prerequisite to earning the trust of society. Aware of the importance of its public mission and the significance of its societal responsibilities, the Bank has developed the following initiatives to ensure compliance,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

Compliance Systems

The Bank designates a responsible person in each internal division as a compliance officer to implement thorough compliance and serve as a point person to consult on compliance-related problems. The Risk Management Division, led by the officer in charge, works as the Bankwide compliance division to improve accountability and responsibility, self-supportive capabilities and mutual checks to create an organization with an inherent self-monitoring function. The Compliance Committee, which acts as an advisory body to the Executive Committee and is chaired by the officer in charge of the Risk Management Division, reviews and evaluates significant overall compliance issues.

Compliance System

(As of July 1, 2019)



Compliance Program

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

Compliance Manual

The Bank has produced a compliance manual that includes explanations of relevant laws and regulations and describes how to handle discovered illegalities. All employees periodically read the manual together. The content of the manual has been updated when necessary in line with revisions and abolition of laws and regulations. To fully disseminate the content of the compliance manual, the Bank is implementing various kinds of compliance training sessions, including e-learning. We also have a carrying-card-sized version of our compliance standards that we distribute to officers and employees for them to check and review at any time.



Compliance Standards Card

Main Compliance Issues

1 Prevention of Money Laundering and Financial Crimes

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

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

In response to the “Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism,” published by the Financial Services Agency in February 2018, we conduct training, including the management team, to strengthen our Bankwide response to those issues. We provide education related to practical operations for improving our daily business.

2 Response to Antisocial Groups

The Bank has customarily been making focused efforts to eliminate any form of relation with antisocial groups and keep such forces away by collecting and accumulating information related to antisocial groups and conducting preliminary reviews based on such information before starting new business transactions. Also, among other steps, since January 2010, the Bank has asked applicants opening accounts to sign an affidavit stating they are not associated with antisocial forces. By including provisions that explicitly indicate the exclusion of organized crime groups in the transaction rules and other clauses, the Bank can reject the account application and close the account upon finding that the customer falls under or is associated with antisocial forces. In addition, the Bank conducts regular training for officers and employees to ensure they can take appropriate actions in an organized manner against wrongful demands and other similar events in accordance with internal rules and regulations.

Compliance Consultation System

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

As contact points for employees seeking consultations or reporting issues, employees can consult the compliance officer in their divisions. In addition, the Compliance Consultation Desk within the Company and the Groupwide Help Line (a consultation and reporting contact point for all Seven & i Group companies) outside the Company have been established. Posters with contact information have been put up and booklets with contact information have been distributed to all employees to ensure their awareness of these contact points. The International Hotline has also been established for employees of foreign subsidiaries as a point of contact for consultations in local languages.

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

Furthermore, the Audit & Supervisory Board Member Hotline (a consultation and reporting contact point for all Seven & i Group companies) was established in fiscal 2018 as a dedicated external point of contact for consultations related to the management team, as part of our efforts to strengthen governance.



Groupwide Help Line

Suppliers' Help Line

Compliance Consultation System

Response to Compliance Violations

If the Bank discovers a clear compliance violation through inspections or other means, we have a system whereby the Rewards and Disciplinary Committee, an advisory body to the President, decides and carries out disciplinary action in accordance with the severity of the violation.

No major compliance violations occurred in fiscal 2018.

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Summary of Fiscal 2018

Despite persistent uncertainty about the future of consumer spending, the Japanese economy expanded moderately given the positive trends of the circulation of income and expenditures from the effect of economic measures by the Japanese government. The financial environment remained substantially saturated with the anticipated inflation rate staying at the same level and real long-term interest rates, that is long-term interest rates minus the anticipated medium- to long-term inflation rate, staying negative.

In this operating environment, as for the consolidated results for Seven Bank (the "Bank") for fiscal 2018, with revenues from the full-scale ATM business operation in the United States, ordinary income was 147,288 million yen and ordinary profit was 40,714 million yen. In addition, because the business results of FCTI, Inc. (hereinafter "FCTI"), the Bank's consolidated subsidiary in the United States promoting the Bank's overseas business, and PT. ABADI TAMBAH MULIA INTERNASIONAL (hereinafter "ATMi"), the Bank's consolidated subsidiary in Indonesia, were below the initially planned level, we reviewed the business plan and recorded an impairment loss of 14,830 million yen on the fixed assets, etc. of both FCTI and ATMi (mainly goodwill that occurred at the time of the acquisition of FCTI stock) as an extraordinary loss. As a result, net income attributable to owners of the parent was 13,236 million yen.

As for the Bank's non-consolidated business results, given the steady progress of the ATM platform business, which is the Bank's core business, ordinary income was 119,567 million yen and ordinary profit was 43,059 million yen. In addition, the Bank recognized the decline in the real value of shares in the aforementioned overseas consolidated subsidiaries of the Bank and recorded losses on valuation of shares of subsidiaries and affiliates amounting to 21,889 million yen as an extraordinary loss, resulting in net income of 14,572 million yen.

A summary of operating results by segment is as follows:

(1) Domestic Business Segment

• ATM Platform Business

During fiscal 2018, the Bank continued to promote aggressively the installation of ATMs within and outside Seven & i Holdings and its operating companies (the "Group") to enhance the convenience for customers.

During fiscal 2018, to further expand the number of our ATM users, we aggressively promoted new partnerships with fund transfer businesses other than just financial institutions as a new business category. Moreover, in May 2018, the Bank started cash receiving services that allow customers to receive cash without a bank account. In October 2018, it started handling a top-up service for electronic money to transportation IC cards and the Rakuten Edy rechargeable smart card. As a result of such efforts, as of March 31, 2019, we had partnered with 124 banks, 257 shinkin banks, 127 credit cooperatives, 13 labor banks, JA Bank, JF Marine Bank, Shoko Chukin Bank, 11 securities companies, 7 life insurance companies and 73 other financial institutions, totaling 615 businesses.*

Within the Group, we have installed ATMs along with new 7-Eleven store openings and steadily increased the number of ATMs installed. As for operations outside the Group, to address customer needs, we continued to promote aggressively the installation of ATMs inside each facility for transportation, logistics and tourism. Moreover, under a commission to install ATMs from The Nanto Bank, Ltd., in a broad area outside Nanto Bank's branches/outlets, in March 2019 we installed five "CO-OP ATMs" simultaneously around major terminal stations in Nara and Osaka prefectures.

As a result of such initiatives, the number of our ATMs installed reached 25,152 (up 3.1% compared with the end of March 2018). The average daily transactions per ATM during the consolidated fiscal year under review were 92.3 (down 1.9% year over year), and a total of 829 million transactions were recorded (up 1.8% year over year).

We will continue to promote our ATM business, which flexibly addresses changes in society and customer needs through the creation of unconventional value for ATMs.

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

• Settlement and Account Business

As of the end of fiscal 2018, the number of individual customer accounts was 2,001 thousand, exceeding "2 million accounts" (up 9.5% compared with the end of March 2018), with a balance of individuals' deposits of 434,600 million yen (up 6.1% year over year) and a balance of loan services for individuals of 22,600 million yen (down 0.1% year over year).

Our international money transfer services are highly popular among foreign workers, who are increasing in number each year, as a secure and convenient service through which they can send money to their family in their home country with peace of mind. The number of money transfers made using such international money transfer services during fiscal 2018 was 1,144,000 (up 6.0% year over year). We will continue to contribute to realizing the coexistence of multiple cultures by providing international money transfer and other financial services.

Bank Business Factory Co., Ltd. (hereinafter "BBF"), the Bank's domestic consolidated subsidiary, is developing businesses for back-office support on commission not only for the Bank but also for other financial institutions utilizing knowledge obtained in the settlement and account business. In recent years, the increasing sophistication of money laundering schemes is a new social issue that has been recognized. To address this issue, financial institutions are required to take expeditious and effective measures. BBF has expanded its range of back-office support operations to cover money laundering countermeasures to help financial institutions, striving to grow business by contributing to solving social issues.

As a result of these initiatives, for fiscal 2018, ordinary income in the domestic business segment was 119,844 million yen (up 2.6% year over year) and ordinary profit was 42,794 million yen (up 1.0% year over year).

(2) Overseas Business Segment

• Overseas Business

The number of ATMs operated by FCTI, the Bank's consolidated subsidiary in the United States, was 12,795 as of December 31, 2018. With regard to the business results of FCTI for the consolidated fiscal year (from January 2018 to December 2018), ordinary income was 248.5 million U.S. dollars, but ordinary loss of 8.7 million U.S. dollars was recorded. In addition, a recording of impairment loss on fixed assets of FCTI as an extraordinary loss led to the net loss of 99.5 million U.S. dollars. Utilizing an ATM network of approximately 8,000 ATMs installed in U.S. 7-Eleven stores, FCTI remains dedicated to the early establishment of a consistently profitable business structure by increasing the number of ATM transactions and ensuring higher operational efficiency.

As a result, for the consolidated fiscal year under review, in the overseas business segment, ordinary income was 27,547 million yen (up 152.5% year over year) and ordinary loss of 2,018 million yen was recorded.

Summary of Financial Position of Fiscal 2018

Assets

Total assets at the end of March 2019 were 1,141,926 million yen. The majority of this total comprised cash and due from banks required for the operation of ATMs of 780,650 million yen. The remainder mostly consisted of marketable securities of 85,639 million yen held as collateral for foreign exchange settlements and Bank of Japan current account overdraft transactions, and 194,910 million yen representing ATM-related temporary payments, which are temporary advances from partner financial institutions.

Liabilities

Liabilities were 929,036 million yen. These largely comprised deposits (excluding negotiable certificates of deposit) totaling 678,664 million yen. Of these, the outstanding balance of individuals' ordinary deposits was 294,234 million yen and the balance of individuals' time deposits was 140,416 million yen.

Net Assets

Net assets were 212,890 million yen. Of these, retained earnings were 147,094 million yen. The consolidated capital adequacy ratio (domestic standard) was 47.77%.

Summary of Cash Flows of Fiscal 2018

Cash and cash equivalents increased by 70,281 million yen during the fiscal year under review to 780,650 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 117,471 million yen. Factors contributing to cash included income before income taxes and non-controlling interests of 25,744 million yen, a net increase in deposits of 56,257 million yen and an increase of 40,000 million yen

in straight bonds - issuance and redemption. These factors exceeded factors using cash such as a net decrease in ATM-related temporary accounts of 26,118 million yen.

Cash Flow from Investing Activities

Net cash used in investing activities was 34,882 million yen. Factors that used cash included purchase of securities of 39,313 million yen and purchase of intangible fixed assets of 8,664 million yen. These exceeded the factor that provided cash: proceeds from maturity of securities of 20,630 million yen.

Cash Flow from Financing Activities

Net cash used in financing activities was 12,246 million yen, due to factors including 12,215 million yen in dividends paid.

Outlook for Fiscal 2019

In May 2017, we formulated the Medium-Term Management Plan with fiscal 2019 as its final year. Although the initial target management indicators of this Medium-Term Management Plan were consolidated ordinary income of 161.6 billion yen and consolidated ordinary profit of 44.7 billion yen in fiscal 2019, the final year of the Medium-Term Management Plan, we judged that it would be difficult to achieve these targets by recovering from the delay in the progress of this plan under the current severe business environment and revised the target management indicators of the Medium-Term Management Plan for the next full fiscal year forecast to consolidated ordinary income of 148.9 billion yen and consolidated ordinary profit of 39.7 billion yen. With regard to the priority policies of this Medium-Term Management Plan other than numerical targets, with its basic policy of "achieving growth in our main business as we diversify our operations" remaining the same, we will continue to make every effort to build a foundation for long-term growth.

(Forecast of consolidated results)

	FY 2019	
		YoY change
Ordinary income	148.9 billion yen	up 1.0%
Ordinary profit	39.7 billion yen	down 2.4%
Net income attributable to owners of the parent	26.7 billion	up 101.7%

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

(Forecast of non-consolidated results)

	FY 2019	
		YoY change
Ordinary income	120.2 billion yen	up 0.5%
Ordinary profit	41.7 billion yen	down 3.1%
Net income	28.9 billion yen	up 98.3%

Risk Factors

Major risks related to Seven Bank's business and other areas that may significantly affect investors' decisions are listed as follows. Moreover, items that may not qualify as such, but are deemed important for investment decisions of investors are also disclosed

below, for the purpose of proactive disclosure to investors. Risks related to the Bank's business and other areas are not limited to those stated, and the Bank does not guarantee that it is free from risks other than those stated, including those that are unidentified.

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

1. Risk Relating to Our Business Strategy

(1) ATM Platform Business (domestic business segment)

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

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

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

B) Growing competition from other ATM networks

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

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

C) Changes in economic conditions

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

D) Difficulty in securing ATM locations

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

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

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

F) Risk of higher interest rates

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

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

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

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

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

(3) Overseas Business (overseas business segment)

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

(4) Impairment of Fixed Assets

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

2. Risk Management Systems

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

supervising overall Bank-wide risk management activities; and risk management divisions for managing specific types of risk.

3. System Failure

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

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

4. Deterioration in Relationships with External Contractors

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

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

5. Relationship with Seven & i Group

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

(1) Equity Relationship

Seven Bank is a consolidated subsidiary of Seven & i Holdings Co., Ltd. (the "Company") which is listed on the First Section of the Tokyo Stock Exchange. As of March 31, 2019, the Company controls 45.75% of the voting rights of Seven Bank. The Company is expected to remain a major Seven Bank shareholder, and the Bank cannot guarantee that the Company will not influence its policies and decisions.

(2) Personnel Relationships

As of June 18, 2019 (the day when the Bank submitted its securities report), Seven Bank's Director Katsuhiko Goto concurrently serves as director of the Company.

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

(3) Transactional Relationships

At the end of March 2019, Seven Bank had installed 22,777 ATMs at the Group stores (including 22,148 ATMs at Seven-Eleven stores, 288 ATMs at Ito-Yokado stores, and 341 ATMs at other locations in the Group). In addition, the Bank has installed 2,375 ATMs at locations other than the Group stores. Thus, approximately 90% of the Bank's ATMs are installed at the Group stores. Difficulties in keeping ATMs installed at the Group stores or a marked decrease in customers at the Group stores could affect the Bank's results.

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

6. Response to Financial Crime

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

7. Litigation

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

8. Effects of Legal Amendments

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

9. Regulations

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

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

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

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

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

10. Capital Adequacy Ratio

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

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

11. Personal Information Leakage

Through its banking business, Seven Bank possesses a large amount of customer information, including personal information. As a business handling personal information as specified by Act on the Protection of Personal Information, the Bank announces or otherwise publicizes the purpose for using personal information, safely administers personal information, duly considers requests for disclosure of personal information on file from the subject, and ensures thorough awareness within the Bank to that effect as stipulated by in-house personal information management regulations. Furthermore, the Bank concludes the memoranda with, and conducts strict, thorough management of the handling of personal information by, subcontractors. However, serious damage to customers from large-scale information leakage may result in orders or punitive measures from regulatory authorities, claims for damages, and reputation damage. These and other factors may affect the Bank's results and financial position.

12. Reduced Liquidity due to Ratings Downgrade

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

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

13. Securing Personnel

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

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

14. Reputation

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

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

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

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

Status of the Corporate Group

Seven Bank Group comprises eight companies, i.e., the Bank and its four consolidated subsidiaries (FCTI, Inc., PT. ABADI TAMBAH MULIA INTERNASIONAL, Bank Business Factory Co., Ltd., and Seven Payment Service, Ltd.) and three affiliates (Seven Pay Co., Ltd., TORANOTEC Ltd., and TORANOTEC Asset Management Ltd.), operating in each business field in Japan and overseas. In the domestic business segment, the Group conducts the settlement and account business in addition to the Bank's core business—the ATM platform business. In the overseas business segment, the Bank develops ATM services in the United States and Indonesia.

The Bank and each of its group companies are structured via businesses as follows.

(1) Domestic Business Segment

• ATM Platform Business

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

• Settlement and Account Business

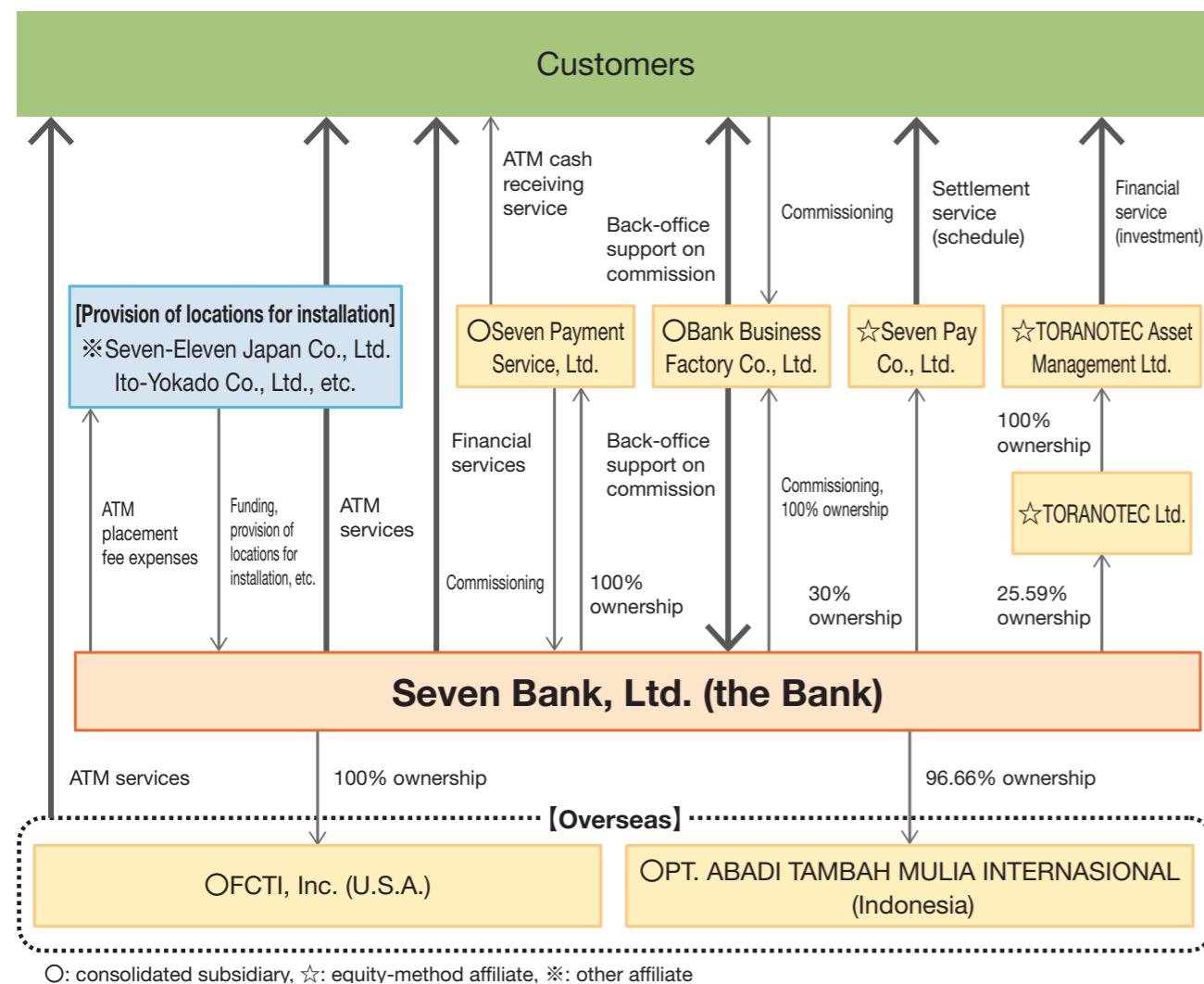
The Bank provides ubiquitous and convenient account services such as ordinary and time deposits, personal loan services, international money transfer services, and debit services to customers who have an account in the Bank. Moreover, Bank Business Factory Co., Ltd., a consolidated subsidiary of the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

(2) Overseas Business Segment

• Overseas Business

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

Operating System of Seven Bank and Its Group Companies



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

(1) Management Policies

1. Management Ethos

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

2. Basic Management Policy

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

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

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

(2) Target Management Indicators

Prioritizing consolidated ordinary income and consolidated ordinary profit as target management indicators to maximize the corporate value of the Group, in May 2017 the Bank announced the Medium-Term Management Plan with fiscal 2019 as its final year aiming to achieve the target management indicators of consolidated ordinary income of 161.6 billion yen and consolidated ordinary profit of 44.7 billion yen. However, we judged that it would be difficult to achieve these targets by recovering from the delay in the progress of this plan under the current severe business environment and revised the plan's target management indicators to our new goals for fiscal 2019 of consolidated ordinary income of 148.9 billion yen and consolidated ordinary profit of 39.7 billion yen. Moreover, with regard to the priority policies of this Medium-Term Management Plan other than numerical targets, we will continue to promote the plan's basic policy of "achieving growth in our main business as we diversify our operations" and strive to improve the medium- to long-term improvement of corporate value and achieve sustainable growth.

(3) Medium- to Long-Term Management Strategies

The business environment surrounding the Group is changing dramatically, and the speed of the change is increasing. In Japan, with the digitization of account settlements and increasing cashless transactions, as well as technological innovations, various new services are emerging. Given such trends, the value of ATMs as a financial contact point close to our daily lives is also changing radically. Moreover, with increasingly diversifying lifestyles and sense of value, the implementation of a new regulation related to foreign workers, etc., new consumption and labor markets are emerging, leading to further expansion of the needs of "nearby and more convenient" financial services.

On the other hand, today's diverse and serious social issues include concern over cybersecurity given recent increasingly sophisticated and intricate financial crimes, a decreasing productive population along with an aging society, and declining opportunities to meet financial needs in rural towns due to a reduction in the number of tellers and ATMs at financial institutions in such regions.

In such an environment, corporations, as members of society, also need to be increasingly focused on seeking solutions to these issues.

Based on these recent changes in the social environment, utilizing the Bank's platform including its ATM network with more than 25,000 ATMs nationwide, together with stakeholders such as allied corporations and business partners, we continue to offer a "safe and secure" settlement infrastructure and promote the following businesses to solve issues toward a sustainable society and improve our corporate value. Specific initiatives in each business and their status of progress are as follows:

(1) Domestic Business Segment

• ATM Platform Business

Positioning our nationwide ATM infrastructure with more than 25,000 units as our platform, we will develop initiatives to increase the number of business partners and customers. To attract more customers to our ATM services, we have been offering unconventional ATM utilization styles such as ATM pick-up (cash receiving services) that allow customers to receive cash without a bank account, charging (loading money onto) electronic money for public transportation and services that cater to businesses that have newly entered the settlement market, in addition to enriching our services for existing business partners such as financial institutions. To continue to promote the creation of new value for ATMs, we will strive to expand our partnerships and raise public awareness of our new services.

In addition, while continuing the steady installation of ATMs within the Group, we will continue to aggressively promote the installation of ATMs by further strengthening our effort to receive orders from financial institutions to install ATMs on commission. We will promote the development and introduction of innovative ATMs, flexibly addressing changes in social structures, customer needs and the sense of value and strive to create new value for ATMs.

• Settlement and Account Business

Our international money transfer services are highly popular among foreign workers, who are increasing in number each year, as a secure and convenient service through which they can send money to their family in their home country with peace of mind. Given the implementation of the revised Immigration Control Act in April 2019, significant revenue opportunities are anticipated from international money transfer services. We will continue to contribute to realizing the coexistence of multiple cultures by providing international money transfer and other financial services.

Moreover, we will strengthen the contact point both in quality and quantity between the Bank's financial services and as many as 24 million customers a day who visit 7-Eleven and other stores of the Group. Through our "nearby and convenient" financial services that only our group can provide, we will offer new value in customers' daily lives.

In today's increasingly convenient and diverse society, expectations are high for banks to offer safe and secure financial services to everybody. For an increasing number of foreigners to be able to live in Japan with peace of mind and for everybody to be able to use new settlement and other services safely and securely, we will make aggressive efforts with consideration to alliances with external corporations as a new business area.

(2) Overseas Business Segment

• Overseas Business

The installation of ATMs inside 7-Eleven stores all over the United States by FCTI—the Bank's consolidated subsidiary in the United States—was completed in March 2018 as planned, and stable ATM operation has been achieved. We aim to improve profitability by such measures as preparing to offer new services through synergies with 7-Eleven, Inc. (U.S.). Also, maximizing the Bank's know-how, we will continue to work on business development in Asia and other regions where 7-Eleven stores operate.

Consolidated Balance Sheets

Seven Bank, Ltd. and Consolidated Subsidiaries
As of March 31, 2019 and 2018

	Millions of yen	
	2019	2018
Assets:		
Cash and due from banks (Notes 2, 3, 4 and 5)	¥ 780,650	¥ 710,369
Securities (Notes 2, 5, 6 and 7)	85,639	61,939
Loans (Notes 5 and 8)	22,688	22,715
Foreign exchanges	0	0
ATM-related temporary payments (Note 5)	194,910	146,977
Tangible fixed assets (Notes 2, 9 and 33)	15,155	24,798
Intangible fixed assets (Notes 2 and 10)	26,655	35,958
Asset for retirement benefits (Notes 2 and 16)	444	264
Deferred tax assets (Notes 2 and 27)	732	962
Other assets (Notes 2, 5, 7, 11 and 31)	15,074	18,537
Allowance for credit losses (Notes 2 and 5)	(23)	(36)
Total assets	¥1,141,926	¥1,022,485
Liabilities:		
Deposits (Notes 5 and 12)	¥ 679,474	¥ 623,206
Borrowed money (Notes 5, 13 and 31)	10,000	10,000
Bonds (Notes 5 and 14)	135,000	95,000
Income taxes payable (Note 2)	7,010	8,041
ATM-related temporary advances (Note 5)	80,853	59,032
Reserve for bonuses (Note 2)	537	457
Liability for retirement benefits (Notes 2 and 16)	2	2
Reserve for directors' retirement benefits (Note 2)	5	2
Reserve for stocks payment (Note 2)	166	102
Deferred tax liabilities (Notes 2 and 27)	179	885
Other liabilities (Notes 2, 5, 13, 15, 29, 31 and 33)	15,806	13,727
Total liabilities	929,036	810,458
Net assets (Notes 2, 17 and 28):		
Shareholders' equity:		
Common stock, authorized 4,763,632 thousand shares, issued 1,192,464 thousand shares as of March 31, 2019 and 1,191,528 thousand shares as of March 31, 2018	30,679	30,572
Capital surplus	30,661	30,554
Retained earnings	147,094	146,075
Treasury stock, at cost, 831 thousand shares as of March 31, 2019 and 896 thousand shares as of March 31, 2018	(352)	(380)
Total shareholders' equity	208,083	206,823
Accumulated other comprehensive income:		
Net unrealized gains (losses) on available-for-sale securities, net of taxes (Note 6)	492	244
Foreign currency translation adjustments	3,798	4,308
Accumulated adjustments for retirement benefit (Note 16)	182	98
Total accumulated other comprehensive income	4,473	4,651
Subscription rights to shares (Note 32)	320	533
Non-controlling interests	11	18
Total net assets	212,890	212,027
Total liabilities and net assets	¥1,141,926	¥1,022,485

See accompanying notes.

Consolidated Statements of Income

Seven Bank, Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

	Millions of yen	
	2019	2018
Income:		
Interest income	¥ 3,529	¥ 3,391
Interest on loans	3,419	3,271
Interest and dividends on securities	21	18
Other interest income	88	102
Fees and commissions income (Note 18)	142,614	123,507
Other operating income (Note 20)	275	279
Other income (Note 23)	869	477
Total income	147,288	127,656
Expenses:		
Interest expenses	686	718
Interest on deposits	119	163
Interest on call money	(37)	(28)
Interest on borrowed money	74	76
Interest on bonds	530	506
Fees and commissions expenses (Notes 19 and 29)	39,236	26,583
Other operating expenses (Note 21)	116	90
General and administrative expenses (Note 22)	66,070	61,645
Other expenses (Note 24)	602	454
Impairment losses (Note 25)	14,830	—
Total expenses	121,544	89,492
Income before income taxes	25,744	38,163
Income taxes (Notes 2 and 27)		
Current	13,119	13,302
Deferred	(605)	(437)
Total income taxes	12,513	12,864
Net income	13,230	25,298
Net income (loss) attributable to non-controlling interests	(5)	(3)
Net income attributable to owners of the parent	¥ 13,236	¥ 25,301

Amounts per share of common stock (Note 34):

	Yen	
	2019	2018
Net assets	¥178.37	¥177.61
Net income	11.11	21.24
Diluted net income	11.09	21.20
Cash dividends applicable to the year	11.00	10.00

See accompanying notes.

Consolidated Statements of Comprehensive Income

Seven Bank, Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

	Millions of yen	
	2019	2018
Net income	¥13,230	¥25,298
Other comprehensive income (Note 26)		
Net unrealized gains (losses) on available-for-sale securities, net of taxes ...	248	27
Foreign currency translation adjustments	(511)	(704)
Adjustments for retirement benefit (Note 16)	83	24
Total other comprehensive income	(179)	(653)
Comprehensive income	¥13,051	¥24,645
Comprehensive income attributable to:		
Owners of the parent	¥13,058	¥24,649
Non-controlling interests	(7)	(4)

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Seven Bank, Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2017	¥30,572	¥30,554	¥132,093	¥ (0)	¥193,221
Changes in items during the period					
Issuance of new shares					—
Cash dividends			(11,319)		(11,319)
Net income attributable to owners of the parent ..			25,301		25,301
Purchase of treasury stock				(380)	(380)
Disposal of treasury stock					—
Net changes in items other than shareholders' equity					
Net changes in items during the period ..	—	—	13,982	(380)	13,602
Balance at April 1, 2018	¥30,572	¥30,554	¥146,075	¥(380)	¥206,823
Changes in items during the period					
Issuance of new shares	106	106			213
Cash dividends			(12,217)		(12,217)
Net income attributable to owners of the parent ..			13,236		13,236
Purchase of treasury stock					—
Disposal of treasury stock				27	27
Net changes in items other than shareholders' equity					
Net changes in items during the period ..	106	106	1,018	27	1,260
Balance at March 31, 2019	¥30,679	¥30,661	¥147,094	¥(352)	¥208,083

	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2017	¥217	¥5,012	¥ 73	¥5,303	¥ 533	¥22	¥199,081
Changes in items during the period							
Issuance of new shares							—
Cash dividends							(11,319)
Net income attributable to owners of the parent ..							25,301
Purchase of treasury stock							(380)
Disposal of treasury stock							—
Net changes in items other than shareholders' equity	27	(703)	24	(652)	—	(4)	(656)
Net changes in items during the period ..	27	(703)	24	(652)	—	(4)	12,946
Balance at April 1, 2018	¥244	¥4,308	¥ 98	¥4,651	¥ 533	¥18	¥212,027
Changes in items during the period							
Issuance of new shares							213
Cash dividends							(12,217)
Net income attributable to owners of the parent ..							13,236
Purchase of treasury stock							—
Disposal of treasury stock							27
Net changes in items other than shareholders' equity	248	(509)	83	(177)	(212)	(7)	(397)
Net changes in items during the period ..	248	(509)	83	(177)	(212)	(7)	862
Balance at March 31, 2019	¥492	¥3,798	¥182	¥4,473	¥ 320	¥11	¥212,890

See accompanying notes.

Consolidated Statements of Cash Flows

Seven Bank, Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

	Millions of yen	
	2019	2018
Cash flows from operating activities:		
Income before income taxes	¥ 25,744	¥ 38,163
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation of fixed assets	17,529	17,102
Impairment losses	14,830	—
Amortization of goodwill	487	990
Equity in (earnings) losses of affiliates	239	—
Net change in allowance for credit losses	(13)	6
Net change in reserve for bonuses	80	(12)
Net change in asset or liability for retirement benefits	(59)	(43)
Net change in reserve for directors' retirement benefits	3	2
Net change in reserve for stocks payment	64	102
Interest income	(3,529)	(3,391)
Interest expenses	686	718
Net losses (gains) related to securities	49	—
Net foreign exchange losses	—	9
Net losses on disposal of fixed assets	139	141
Net change in loans	27	(2,886)
Net change in deposits	56,267	50,895
Net change in call money	—	(10,000)
Net change resulting from issuance and maturity of ordinary bonds	40,000	(15,000)
Net change in ATM-related temporary accounts	(26,118)	(36,423)
Interest received	3,848	3,815
Interest paid	(757)	(799)
Other – net	2,062	(689)
Subtotal	131,584	42,700
Income taxes paid	(14,115)	(11,239)
Income taxes refund	2	5
Net cash provided by operating activities	117,471	31,466
Cash flows from investing activities:		
Purchase of securities	(39,313)	(17,269)
Proceeds from redemption of securities	20,630	33,015
Purchase of tangible fixed assets	(3,121)	(8,468)
Purchase of intangible fixed assets	(8,664)	(10,927)
Proceeds from sales of intangible fixed assets	586	—
Purchase of shares in an equity method affiliated company	(4,999)	—
Net cash used in investing activities	(34,882)	(3,649)
Cash flows from financing activities:		
Proceeds from exercise of stock options	0	—
Dividends paid	(12,215)	(11,316)
Purchase of treasury stock	—	(380)
Other – net	(32)	(33)
Net cash used in financing activities	(12,246)	(11,729)
Effect of exchange rate changes on cash and cash equivalents	(60)	(306)
Net change in cash and cash equivalents	70,281	15,780
Cash and cash equivalents at the beginning of the year	710,369	694,588
Cash and cash equivalents at the end of the year (Notes 2, 3 and 4)	¥780,650	¥710,369

See accompanying notes.

Notes to Consolidated Financial Statements

Seven Bank, Ltd. and its consolidated subsidiaries
As of and for the fiscal years ended March 31, 2019 and 2018

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 consolidated financial statements in Japanese, which is not required for fair presentation, is not presented in the accompanying consolidated financial statements.
- (b) In preparing the accompanying consolidated financial statements and notes, amounts less than one million Japanese yen have been rounded down to the nearest million, 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 as of 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 four consolidated subsidiaries.

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

(Change in scope of consolidation)

FTCI Canada, Inc. has been excluded from the scope of consolidation from the fiscal year ended March 31, 2019 due to the completion of its liquidation.

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

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

Three affiliates are accounted for using the equity method. Names of affiliates are as follows: Seven Pay Co., Ltd., TORANOTEC Ltd. and TORANOTEC Asset Management Ltd.

(Change in scope of equity method)

From the fiscal year ended March 31, 2019, Seven Pay Co., Ltd. has been included in the scope of equity method due to joint establishment with Seven Financial Service Co., Ltd., and TORANOTEC Ltd. and TORANOTEC Asset Management Ltd. have been included in the scope of equity method due to purchase of shares and for other reasons.

(b) Securities

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

(c) Tangible fixed assets

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

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

Estimated useful lives of major items as of March 31, 2019 and 2018 are as follows:

Buildings: 6-18 years

ATMs: 5 years

Others: 2-20 years

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

(d) Intangible fixed assets

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

(e) Allowance for credit losses

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

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

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

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

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

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

(f) Reserve for bonuses

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

(g) Reserve for directors' retirement benefits

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

(h) Reserve for stocks payment

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

(i) Method of accounting for retirement benefits

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

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

(j) Foreign currency translation

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

(k) Derivative transactions and hedge accounting

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

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

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

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

(l) Amortization of goodwill

Goodwill is amortized using the straight-line method over 5-10 years or fully expensed when incurred if the amount is immaterial.

(m) Cash and cash equivalents

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

(n) Income taxes

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

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

(o) Consumption taxes

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

(p) Amounts per share

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

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

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

(q) Appropriation of retained earnings

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

(r) Unapplied new accounting standards

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

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

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) had been working on a joint project to develop a comprehensive accounting standard on revenue recognition and released "Revenue from Contracts with Customers" (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. Considering the situation that this standard is applied from the fiscal year starting on and after January 1, 2018 for IFRS 15 and fiscal year starting after December 15, 2017 for Topic 606,

ASBJ has developed a comprehensive accounting standard on revenue recognition and released it along with its implementation guidance. The ASBJ's basic concept in developing the Standard is to adopt the basic principles of IFRS 15 as a starting point from the perspective of comparability between financial statements that is one of the benefits resulting from the consistency with IFRS 15. In addition, if there are any items that require considerations such as those that have been accepted as practical accounting treatments in Japan, alternative treatments are to be added to the extent that do not hinder comparability.

(2) Date of adoption

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

(3) The effect of adopting the accounting standards

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

(s) Additional information

(Performance-Based Stock Compensation Plan for Directors)

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

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

(1) Outline of the transaction

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

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

The Bank's shares remaining in the BIP Trust are recorded as treasury stock under net assets at their carrying amount (excluding incidental expenses). The carrying amount and the number of Bank's shares remaining in the BIP Trust as of March 31, 2019 and 2018 are ¥253 million and ¥278 million, and 596 thousand shares and 656 thousand shares, respectively.

(Performance-Based Stock Compensation Plan for Executive Officers)

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

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

(1) Outline of the transaction

The plan is a performance-based stock compensation plan whereby the Bank contributes an appropriate amount of

money to the ESOP Trust, which is used as funds to acquire Bank's shares. The Bank's shares are delivered to executive officers in accordance with Share Delivery Rules for executive officers stipulated by the Bank. Executive officers shall receive delivery of the Bank's shares, etc., in principle, upon their retirement.

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

The Bank's shares remaining in the ESOP Trust are recorded as treasury stock under net assets at their carrying amount (excluding incidental expenses). The carrying amount and the number of Bank's shares remaining in the Trust as of March 31, 2019 and 2018 are ¥99 million and ¥101 million, and 234 thousand shares and 239 thousand shares, respectively.

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

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

(B) Market Risk Management

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

Quantitative Information related to Market Risk

Major market risk for the Bank is interest rate risk. The Bank measures the market risk using Value at Risk (VaR) for the overall assets and liabilities of the Bank. The Bank has adopted the variance-covariance method and calculates VaR with reference to data from the past one year to a 99.9% confidence level assuming a 125-day holding period. As of March 31, 2019, the Bank's market risk quantity (maximum potential loss) is ¥7,650 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 deemed 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 statistically calculated based on past market volatility, it may underestimate the probability of extreme market movements and, may in some instances, not adequately capture those risks.

(C) Management of Liquidity Risk

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

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

(4) Supplementary Explanation on Fair Value of Financial Instruments

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

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

3. Supplemental Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows for the fiscal years ended March 31, 2019 and 2018 consisted of cash and due from banks of ¥780,650 million and ¥710,369 million on the consolidated balance sheets as of March 31, 2019 and 2018, respectively.

4. Cash and Due from Banks

Cash and due from banks as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Cash	¥646,879	¥632,827
Due from banks	133,771	77,542
Total	¥780,650	¥710,369

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 to generate profits by aggressive risk taking.

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

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

(2) Details of Financial Instruments and Associated Risks

Cash for the operation of the ATM business accounts for most of the financial instruments the Bank holds. The Bank provides unutilized capital to call loan lending and is subject to credit risk of the borrowers. Securities mainly consist of bonds and stocks with high creditworthiness and liquidity, all of which are classified as available-for-sale securities. These securities are subject to borrower and issuers' credit risks, interest rate 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.

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, 2019 and 2018 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, 2019	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks ¹	¥ 780,647	¥ 780,647	¥ —
(2) Securities			
Available-for-sale securities	77,309	77,309	—
(3) Loans	22,688		
Allowance for credit losses ¹	(0)		
	22,687	22,687	—
(4) ATM-related temporary payments ¹	194,907	194,907	—
Total assets	¥1,075,552	¥1,075,552	¥ —
(1) Deposits	¥ 679,474	¥ 679,619	¥ 145
(2) Borrowed money	10,000	10,000	—
(3) Bonds	135,000	136,688	1,688
(4) ATM-related temporary advances	80,853	80,853	—
Total liabilities	¥ 905,328	¥ 907,161	¥1,833
Derivative transactions to which:			
(1) hedge accounting method is not applied	¥ (18)	¥ (18)	¥ —
(2) hedge accounting method is applied	—	—	—
Total derivative transactions	¥ (18)	¥ (18)	¥ —

March 31, 2018	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks ¹	¥710,367	¥710,367	¥ —
(2) Securities			
Available-for-sale securities	59,816	59,816	—
(3) Loans	22,715		
Allowance for credit losses ¹	(0)		
	22,715	22,715	—
(4) ATM-related temporary payments ¹	146,975	146,975	—
Total assets	¥939,873	¥939,873	¥ —
(1) Deposits	¥623,206	¥623,550	¥ 343
(2) Borrowed money	10,000	10,092	92
(3) Bonds	95,000	96,436	1,436
(4) ATM-related temporary advances	59,032	59,032	—
Total liabilities	¥787,239	¥789,111	¥1,872
Derivative transactions to which:			
(1) hedge accounting method is not applied	¥ 20	¥ 20	¥—
(2) hedge accounting method is applied	—	—	—
Total derivative transactions	¥ 20	¥ 20	¥—

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 those for which allowances are deducted directly since the amounts of allowance for credit losses corresponding to these items are not material.

(Note 1) Methods 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, as the carrying amount approximates such fair value. For deposits with maturity, the carrying amount is presented as the fair value, as the carrying amount approximates such fair value due to its short deposit term (within one year).

(2) Securities

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

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

(3) Loans

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

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

(4) ATM-related temporary payments

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

Liabilities

(1) Deposits

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

(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 rates), grouped by maturity lengths, which are discounted at interest rates generally applicable to similar borrowings reflecting premiums applicable to us.

For the borrowed money with maturity of within one year, the carrying amount is presented as the fair value, as the carrying amount approximates such fair value. 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 (within one year). Thus, the carrying amount is presented as the fair value, as the carrying amount approximates such fair value.

Derivative transactions

See "31. Derivative Financial Instruments and Hedging Transactions" for details.

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

	Millions of yen	
	2019	2018
Unlisted equity securities ^{1 and 2}	¥ 515	¥ 203
Shares in an affiliated company ¹	4,770	—
Subscription rights to shares ¹	50	—
Investments in partnership ³	2,993	1,919
Total	¥8,329	¥2,122

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

2. Impairment losses of ¥49 million on unlisted equity securities are recognized for the fiscal year ended March 31, 2019.

3. 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 for which fair value is extremely difficult to estimate.

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

March 31, 2019	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 ¹	¥133,771	¥ —	¥ —	¥—	¥—	¥—
Securities:						
Available-for-sale securities with maturity	27,920	18,000	30,231	—	—	—
Japanese municipal bonds	10,420	6,400	13,831	—	—	—
Corporate bonds	17,500	11,600	16,400	—	—	—
Loans ²	22,655	—	—	—	—	—
ATM-related temporary payments	194,910	—	—	—	—	—
Total	¥379,256	¥18,000	¥30,231	¥—	¥—	¥—

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

Notes: 1. Due from banks with no maturities are included in the "Within one year" category.
2. For loans, ¥33 million and ¥43 million as of March 31, 2019 and 2018 are excluded for loans that are not expected to be collected, which are for the debtors who are bankrupt, substantially bankrupt, and bankruptcy risk obligors. In addition, loans are disclosed as "Within one year" based on the contract term.

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

March 31, 2019	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 ¹	¥563,167	¥78,617	¥37,689	¥ —	¥ —	¥—
Borrowed money	10,000	—	—	—	—	—
Bonds	30,000	—	40,000	15,000	50,000	—
ATM-related temporary advances	80,853	—	—	—	—	—
Total	¥684,021	¥78,617	¥77,689	¥15,000	¥50,000	¥—

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

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

6. Securities

(1) The total amount of equity securities or investments in unconsolidated subsidiaries and affiliated companies was as follows:

March 31	Millions of yen	
	2019	2018
Equity securities	¥4,770	¥—

(2) The following tables summarize acquisition cost and carrying amount of securities with fair values available as of March 31, 2019 and 2018:
Available-for-sale securities:

March 31, 2019	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with higher balances than acquisition costs			
Equity securities	¥ 151	¥ 626	¥474
Bonds:			
Japanese municipal bonds	21,544	21,556	11
Corporate bonds	18,549	18,555	6
Total	¥40,246	¥40,738	¥492

Securities with the same or lower balances than acquisition costs	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Bonds:			
Japanese municipal bonds	¥ 9,309	¥ 9,308	¥ (0)
Corporate bonds	27,266	27,262	(3)
Total	¥36,575	¥36,571	¥ (4)
Grand total	¥76,821	¥77,309	¥488

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

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

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

March 31	Millions of yen	
	2019	2018
Unrealized gains (losses):		
On available-for-sale securities	¥ 710	¥ 352
Deferred tax liabilities	(217)	(107)
Net unrealized gains (losses) on available-for-sale securities, net of taxes	¥ 492	¥ 244

Note: Unrealized gains (losses) on investments in partnership whose fair value is extremely difficult to estimate of ¥221 million and ¥ (160) million as of March 31, 2019 and 2018, respectively, are included in "Available-for-sale securities."

7. Assets Pledged

Available-for-sale securities were pledged as collateral for exchange settlements and overdraft transactions with the Bank of Japan. The securities amounted to ¥76,683 million and ¥59,132 million as of March 31, 2019 and 2018, respectively.

Other assets included guarantee deposits of ¥1,318 million and ¥1,296 million as of March 31, 2019 and 2018, respectively, and deposits to Central CounterParty of ¥400 million and nil as of March 31, 2019 and 2018, respectively.

8. Loans

Loans to bankrupt borrowers and delinquent loans were ¥1 million and ¥31 million as of March 31, 2019, and ¥2 million and ¥41 million as of March 31, 2018, respectively.

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

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

There were no loans past due three months or more as of March 31, 2019 and 2018. 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, 2019 and 2018. 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 loan 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 ¥33 million and ¥43 million as of March 31, 2019 and 2018, 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 ¥18,661 million and ¥9,198 million as of March 31, 2019 and 2018, respectively. Unused overdraft facilities for contracts with a term of within one year also amounted to ¥18,661 million and ¥9,198 million as of March 31, 2019 and 2018, respectively.

9. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Buildings	¥ 1,669	¥ 1,691
ATMs	11,062	19,804
Other	2,424	3,301
Total	¥15,155	¥24,798

The accumulated depreciation of tangible fixed assets as of March 31, 2019 and 2018 amounted to ¥63,957 million and ¥55,825 million, respectively.

10. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Software	¥20,708	¥16,873
Goodwill	—	4,672
Other	5,946	14,412
Total	¥26,655	¥35,958

11. Other Assets

Other assets as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Accrued income	¥10,210	¥ 9,822
Prepaid expenses	2,966	7,158
Other	1,897	1,557
Total	¥15,074	¥18,537

12. Deposits

Deposits as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Deposits	¥678,664	¥622,406
Negotiable certificates of deposit	810	800
Total	¥679,474	¥623,206

13. Borrowed Money and Lease Obligations

Borrowed money and lease obligations as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Borrowed money from banks and insurance companies	¥10,000	¥10,000
Lease obligations	3	38

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2019 and 2018 was 0.70% and 0.70%, respectively.

The weighted average interest rate applicable to amounts due within one year of lease obligations as of March 31, 2019 and 2018 was 12.34% and 11.66%, respectively.

The repayment schedule on borrowed money and lease obligations as of March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Borrowed money		
Within one year	¥10,000	¥ —
Over one year but within two years	—	10,000
Over two years but within three years	—	—
Over three years but within four years	—	—
Over four years but within five years	—	—
Over five years	—	—
Lease obligations		
Within one year	¥ 3	¥ 34
Over one year but within two years	—	3
Over two years but within three years	—	—
Over three years but within four years	—	—
Over four years but within five years	—	—
Over five years	—	—

14. Bonds

Bonds as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Unsecured:		
0.61% unsecured bonds due June 20, 2019, date of issue May 31, 2012	¥ 10,000	¥10,000
0.46% unsecured bonds due March 19, 2020, date of issue March 7, 2013	20,000	20,000
0.80% unsecured bonds due March 20, 2023, date of issue March 7, 2013	20,000	20,000
0.53% unsecured bonds due December 20, 2024, date of issue December 17, 2014	15,000	15,000
0.39% unsecured bonds due September 17, 2027, date of issue October 20, 2017	30,000	30,000
0.16% unsecured bonds due December 20, 2023, date of issue January 25, 2019	20,000	—
0.38% unsecured bonds due December 20, 2028, date of issue January 25, 2019	20,000	—
Total	¥135,000	¥95,000

The repayment schedule on bonds as of March 31, 2019 and 2018 was as follows:

	Millions of yen	
	2019	2018
Within one year	¥30,000	¥ —
Over one year but within two years	—	30,000
Over two years but within three years	—	—
Over three years but within four years	20,000	—
Over four years but within five years	20,000	20,000
Over five years	65,000	45,000

15. Other liabilities

Other liabilities as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Accrued expenses	¥ 8,983	¥ 8,893
Asset retirement obligations	814	355
Other	6,008	4,478
Total	¥15,806	¥13,727

16. Employees' Severance and Retirement Benefits

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

Fiscal years ended March 31, 2019 and 2018

(1) Movement in projected benefit obligation

	Millions of yen	
	2019	2018
Balance at the beginning of the year	¥2,812	¥2,514
Service cost	247	221
Interest cost	14	25
Actuarial difference	46	161
Benefits paid	(192)	(109)
Other	(0)	(0)
Balance at the end of the year	¥2,927	¥2,812

(2) Movement in plan assets

	Millions of yen	
	2019	2018
Balance at the beginning of the year	¥3,074	¥2,696
Expected return on plan assets	76	67
Actuarial difference	162	175
Contributions paid by the employer	247	244
Benefits paid	(192)	(109)
Balance at the end of the year	¥3,369	¥3,074

(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	
	2019	2018
Funded projected benefit obligation	¥ 2,924	¥ 2,809
Plan assets	(3,369)	(3,074)
	(444)	(264)
Unfunded projected benefit obligation	2	2
Total net liability (asset) for retirement benefits at the end of the year	(441)	(261)
Liability for retirement benefits	2	2
Asset for retirement benefits	(444)	(264)
Total net liability (asset) for retirement benefits at the end of the year	¥ (441)	¥ (261)

(4) Retirement benefit costs

	Millions of yen	
	2019	2018
Service cost	¥247	¥221
Interest cost	14	25
Expected return on plan assets	(76)	(67)
Amortization of actuarial difference	3	22
Other	0	(0)
Retirement benefit costs	¥188	¥200

(5) Adjustments for retirement benefit

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

	Millions of yen	
	2019	2018
Actuarial difference	¥119	¥36
Total amount recognized for the year	¥119	¥36

(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	
	2019	2018
Unrecognized actuarial difference	¥(262)	¥(142)
Total balance at the end of the year	¥(262)	¥(142)

(7) Plan assets

(a) Plan assets comprise:

	2019		2018	
Bonds	60%	45%		
Equity securities	28%	38%		
Other	12%	17%		
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, 2019 and 2018 were as follows:

	2019		2018	
Discount rate	0.5%	0.5%		
Long-term expected rate of return on plan assets	2.5%	2.5%		
Expected rate of salary increase	2.5%	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, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Remittance-related fee income	¥ 2,750	¥ 2,582
ATM-related fee income	135,324	116,854
Other	4,538	4,070
Total	¥142,614	¥123,507

19. Fees and Commissions Expenses

Fees and commissions expenses for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Remittance-related fee expenses	¥ 1,476	¥ 1,466
ATM placement fee expenses	30,511	20,853
ATM-related fee expenses	4,499	2,375
Other	2,749	1,888
Total	¥39,236	¥26,583

20. Other Operating Income

Other operating income for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Gains on foreign exchange transactions	¥275	¥279
Total	¥275	¥279

21. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Bond issue costs	¥116	¥90

22. General and Administrative Expenses

Main items and amounts of general and administrative expenses for the fiscal years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Salary and allowance	¥ 6,772	¥ 6,477
Retirement benefit costs	188	210
Depreciation of fixed assets	17,529	17,102
Business outsourcing expenses	19,789	18,515

23. Other Income

Other income for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Reversal of allowance for credit losses	¥ 13	¥ —
Other	856	477
Total	¥869	¥477

24. Other Expenses

Other expenses for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Losses on disposal of fixed assets	¥ 139	¥141
Impairment losses on fixed assets	14,830	—
Provision of allowance for credit losses	—	6
Other	462	306
Total	¥15,433	¥454

25. Impairment losses

Impairment losses on fixed assets for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

Location	Purpose	Classification	Millions of yen	
			2019	2018
U.S.	Business assets	Buildings	¥ 20	¥—
		ATMs	3,918	—
		Other tangible fixed assets	111	—
		Software	305	—
		Other intangible fixed assets	2,720	—
		Other assets	3,557	—
	—	Goodwill	4,079	—
Indonesia	Business assets	Buildings	6	—
		ATMs	99	—
		Other tangible fixed assets	3	—
		Software	9	—
Total			¥14,830	¥—

The Group identifies each consolidated subsidiary as the smallest identifiable group of assets that generates cash inflows. For the asset groups above, impairment losses are recognized by reducing their book value to the recoverable value as their performance is below initial plans with no expectation of full recovery.

The recoverable value of asset groups is measured at value in use by discounting future cash flows by 11.5%, while assets with no future potential cash flow are measured at zero recoverable value.

26. Other Comprehensive Income

Other comprehensive income for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Net unrealized gains (losses) on available-for-sale securities, net of taxes		
Amount arising during the year	¥ 721	¥ 29
Reclassification adjustment	(363)	9
Amount before income tax effect	358	39
Income tax effect	(109)	(11)
Total	¥ 248	¥ 27
Foreign currency translation adjustments		
Amount arising during the year	¥(533)	¥(704)
Reclassification adjustment	22	—
Amount before income tax effect	(511)	(704)
Income tax effect	—	—
Total	¥(511)	¥(704)
Adjustments for retirement benefit		
Amount arising during the year	¥ 115	¥ 14
Reclassification adjustment	3	22
Amount before income tax effect	119	36
Income tax effect	(35)	(11)
Total	¥ 83	¥ 24
Total other comprehensive income	¥(179)	¥(653)

27. Income Taxes

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

(1) Significant components of the deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Deferred tax assets:		
Net operating loss carry forwards ³	¥ 1,794	¥ 1,163
Depreciation of fixed assets and impairment losses	1,362	202
Enterprise tax	392	428
Asset retirement obligations	229	108
Reserve for bonuses	131	129
Stock option expenses	98	163
Reserve for stocks payment	51	31
Accounts payable (Formerly recorded as reserve for retirement benefits for directors and statutory auditors)	8	45
Allowance for credit losses	7	11
Other	215	86
Subtotal deferred tax assets	4,290	2,369
Valuation allowance for net operating loss carry forwards ³	(1,794)	—
Valuation allowance for total future deductible temporary differences	(1,266)	—
Subtotal valuation allowance ²	(3,060)	(873)
Total deferred tax assets	¥ 1,230	¥ 1,496
Deferred tax liabilities:		
Net unrealized gains (losses) on available-for-sale securities	¥ (217)	¥ (107)
Intangible fixed assets recognized with business combination	(179)	(885)
Adjustment for tangible fixed assets related to asset retirement obligations	(30)	(33)
Other	(249)	(392)
Total deferred tax liabilities	(676)	(1,418)
Net deferred tax assets	¥ 553	¥ 77

Notes: 1. Net deferred tax assets are included in the following items in the consolidated balance sheets.

	Millions of yen	
	2019	2018
Deferred tax assets	¥732	¥962
Deferred tax liabilities	¥179	¥885

2. Valuation allowance has increased ¥ 2,187 million. The main cause of this increase is due to recognition of additional valuation allowance for impairment losses on fixed assets in the amount of ¥1,134 million and valuation allowance for net operating loss carry forwards in the amount of ¥844 million by FCTI, a consolidated subsidiary of the Bank.

3. Net operating loss carry forwards and its deferred tax assets by term as of March 31, 2019 were as follows:

	Millions of yen						
	March 31, 2019	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Net operating loss carry forwards ¹	¥ 2	¥ 11	¥ 27	¥ 0	¥ 17	¥ 1,735	¥ 1,794
Valuation allowance	¥ (2)	¥ (11)	¥ (27)	¥ (0)	¥ (17)	¥ (1,735)	¥ (1,794)
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

Note: 1. Net operating loss carry forwards is the amount after multiplying by the statutory tax rate.

(2) Reconciliation of the material difference between the statutory tax rate and the effective income tax rate for the fiscal years ended March 31, 2019 and 2018 were as follows:

	2019	2018
Statutory tax rate	30.62%	30.86%
Non-deductible expenses, including entertainment expenses	0.07	0.11
Increase (decrease) in valuation allowance	10.68	3.54
Changes in tax rates in foreign subsidiaries	—	(1.23)
Amortization of goodwill	0.58	0.80
Impairment losses on goodwill	4.85	—
Equity in (earnings) losses of affiliates	0.28	—
Other	1.52	(0.38)
Effective tax rate	48.60%	33.70%

(Change due to application of Partial Amendments to Accounting Standards for Tax Effect Accounting)

The Bank has applied Partial Amendments to Accounting Standards for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018, the "Statement") from the fiscal year ended March 31, 2019, which resulted in a change in these notes to Income Taxes.

The contents stated in the annotation (note 8 (excluding total of valuation allowance)) and (note 9) required in Paragraphs 3 through 5 of the Statement are added. However, the corresponding contents for the fiscal year ended March 31, 2018 are not stated pursuant to the transitional treatment stipulated in Paragraph 7 of the Statement.

28. 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, 2019 and 2018 were as follows:

Year ended March 31, 2019	Thousands of shares			
	April 1, 2018	Increase	Decrease	March 31, 2019
Shares issued				
Common stock ¹	1,191,528	936	—	1,192,464
Total	1,191,528	936	—	1,192,464
Treasury stock				
Common stock ^{2 and 3}	896	—	64	831
Total	896	—	64	831

Notes: 1. Increase in number of shares issued: 936 thousand shares due to exercise of subscription rights.

2. Decrease in number of shares of treasury stock: 64 thousand shares due to issuance of the Bank's shares held by the BIP Trust and ESOP Trust.

3. The number of treasury shares as of April 1, 2018 and March 31, 2019 includes 896 thousand shares and 831 thousand shares of the Bank held by the BIP Trust and ESOP Trust, respectively.

Year ended March 31, 2018	Thousands of shares			
	April 1, 2017	Increase	Decrease	March 31, 2018
Shares issued				
Common stock	1,191,528	—	—	1,191,528
Total	1,191,528	—	—	1,191,528
Treasury stock				
Common stock ^{1 and 2}	0	896	—	896
Total	0	896	—	896

Notes: 1. Increase in number of shares of treasury stock: 896 thousand shares due to acquisition of the Bank's shares by the BIP Trust and ESOP Trust.

2. The number of treasury shares as of March 31, 2018 includes 896 thousand shares of the Bank held by the BIP Trust and ESOP Trust.

(2) Information on subscription rights to shares:

Year ended March 31, 2019

Details of subscription rights to shares	Type of shares	Thousands of shares			March 31, 2019	Balance at March 31, 2019 (Millions of yen)
		April 1, 2018	Increase	Decrease		
Subscription rights to shares as stock options			—		¥320	
Total			—		¥320	

Year ended March 31, 2018

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

Note: There are no treasury subscription rights to shares.

(3) Information on dividends:

(a) Dividends paid in the fiscal years ended March 31, 2019 and 2018

Year ended March 31, 2019 (Millions of yen, except per share amounts)

Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock ¹	¥6,255	Retained earnings	¥5.25	March 31, 2018	June 1, 2018
Common stock ²	¥5,962	Retained earnings	¥5.00	September 30, 2018	December 3, 2018

Notes: 1. Date of resolution: Board of Directors meeting held on May 25, 2018
Aggregate amount of dividends determined by the resolution of Board of Directors on May 25, 2018 includes ¥4 million of dividends on the Bank's shares held by the BIP Trust and ESOP Trust.
2. Date of resolution: Board of Directors meeting held on November 2, 2018
Aggregate amount of dividends determined by the resolution of Board of Directors on November 2, 2018 includes ¥4 million of dividends on the Bank's shares held by the BIP Trust and ESOP Trust.

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

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

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

(b) Dividends to be paid in the fiscal year ending March 31, 2020

(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	¥7,154	Retained earnings	¥6.00	March 31, 2019	June 3, 2019

Note: Date of resolution: Board of Directors meeting held on May 24, 2019
Aggregate amount of dividends to be paid includes ¥4 million of dividends on the Bank's shares held by the BIP Trust and ESOP Trust.

Cash dividends per share based on business results for the fiscal year ended March 31, 2019 were ¥11.00 annually with the year-end dividend of ¥6.00 added to the interim dividend of ¥5.00

29. Related Party Transactions

(1) Transactions between the Bank and related parties

Related party transactions for the fiscal years ended March 31, 2019 and 2018 were as follows:

(a) Parent company and major shareholders

Year ended March 31, 2019

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. ¹	Other related companies	Payment of ATM placement fee expenses ²	¥13,570	Other liabilities (Accrued expenses) ³	¥1,307

Notes: 1. 38.04% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2019.
2. Terms and conditions as well as decision policies of terms and conditions:
The terms and conditions as well as decision policies of terms and conditions associated with ATM placement fees are determined by comprehensively taking into account of compensation for delegated administrative work and Seven-Eleven Japan's infrastructure costs.
3. The accrued expenses include consumption tax.

Year ended March 31, 2018

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

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

(b) The Bank's unconsolidated subsidiaries and affiliates

There is no material transaction to be noted for the fiscal years ended March 31, 2019 and 2018.

(c) Company that has the same parent company as the Bank, and subsidiaries of the Bank's other related companies

There is no material transaction to be noted for the fiscal years ended March 31, 2019 and 2018.

(2) Transactions between the Bank's consolidated subsidiaries and related parties

There is no material transaction to be noted for the fiscal years ended March 31, 2019 and 2018.

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

(a) Parent company

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

30. Lease Transactions

Finance Leases:

Disclosure is omitted as it is immaterial.

Operating Leases:

Future minimum lease payments under non-cancelable operating leases as of March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Due within one year	¥ 584	¥191
Due after one year	1,577	169
Total	¥2,162	¥361

31. Derivative Financial Instruments and Hedging Transactions

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

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

Currency related transactions:

March 31, 2019					
Millions of yen					
Category	Type	Contract or notional amount	Over one year	Fair value	Unrealized Gains/(Losses)
Over-the-counter	Foreign exchange forward: Sell US dollar	¥781	¥—	¥(18)	¥(18)

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

March 31, 2018					
Millions of yen					
Category	Type	Contract or notional amount	Over one year	Fair value	Unrealized Gains/(Losses)
Over-the-counter	Foreign exchange forward: Sell US dollar	¥1,105	¥—	¥20	¥20

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

Derivative transactions to which the hedge accounting method is applied:

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

Interest related transactions:

March 31, 2019					
Millions of yen					
Hedge accounting method	Hedging instruments	Hedged items	Contract or notional amount	Over one year	Fair value
Special treatment for interest rate swap	Interest rate swaps Receive variable, pay fixed	Borrowed money	¥10,000	¥—	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, 2018					
Millions of yen					
Hedge accounting method	Hedging instruments	Hedged items	Contract or notional amount	Over one year	Fair value
Special treatment for interest rate swap	Interest rate swaps Receive variable, pay fixed	Borrowed money	¥10,000	¥10,000	Note

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

32. Stock Options

Outline of stock options and changes were as follows:

(1) Outline of stock options

	First grant-1	Second grant-1
Title and number of grantees	5 directors	4 directors
Number of stock options ¹	184,000 common shares	171,000 common shares
Grant date	August 12, 2008	August 3, 2009
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as a director
Requisite service period	No provisions	No provisions
Exercise period	From August 13, 2008 to August 12, 2038	From August 4, 2009 to August 3, 2039

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

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

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

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

Note: 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, 2019.

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

Fiscal year ended March 31, 2019:

Number of stock options

	First grant-1	Second grant-1
Before vested		
As of March 31, 2018	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2018	120,000	133,000
Vested	—	—
Exercised	75,000	78,000
Forfeited	—	—
Outstanding	45,000	55,000

	Second grant-2	Third grant-1
Before vested		
As of March 31, 2018	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2018	9,000	342,000
Vested	—	—
Exercised	—	162,000
Forfeited	—	—
Outstanding	9,000	180,000

	Fourth grant-1	Fourth grant-2
Before vested		
As of March 31, 2018	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2018	356,000	55,000
Vested	—	—
Exercised	169,000	13,000
Forfeited	—	—
Outstanding	187,000	42,000

	Fifth grant-1	Fifth grant-2
Before vested		
As of March 31, 2018	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2018	299,000	40,000
Vested	—	—
Exercised	128,000	10,000
Forfeited	—	—
Outstanding	171,000	30,000
	Sixth grant-1	Sixth grant-2
Before vested		
As of March 31, 2018	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2018	179,000	20,000
Vested	—	—
Exercised	72,000	5,000
Forfeited	—	—
Outstanding	107,000	15,000
	Seventh grant-1	Seventh grant-2
Before vested		
As of March 31, 2018	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2018	161,000	28,000
Vested	—	—
Exercised	63,000	5,000
Forfeited	—	—
Outstanding	98,000	23,000
	Eighth grant-1	Eighth grant-2
Before vested		
As of March 31, 2018	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2018	115,000	27,000
Vested	—	—
Exercised	45,000	3,000
Forfeited	—	—
Outstanding	70,000	24,000

	Ninth grant-1	Ninth grant-2
Before vested		
As of March 31, 2018	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2018	278,000	72,000
Vested	—	—
Exercised	93,000	15,000
Forfeited	—	—
Outstanding	185,000	57,000
	First grant-1	Second grant-1
Price information		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥348	¥348
Fair value at the grant date ¹	¥236,480 per subscription right to shares	¥221,862 per subscription right to shares
	Second grant-2	Third grant-1
Price information		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	¥348
Fair value at the grant date ¹	¥221,862 per subscription right to shares	¥139,824 per subscription right to shares
	Fourth grant-1	Fourth grant-2
Price information		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥348	¥339
Fair value at the grant date ¹	¥127,950 per subscription right to shares	¥127,950 per subscription right to shares
	Fifth grant-1	Fifth grant-2
Price information		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥348	¥339
Fair value at the grant date ¹	¥175,000 per subscription right to shares	¥175,000 per subscription right to shares
	Sixth grant-1	Sixth grant-2
Price information		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥348	¥339
Fair value at the grant date ¹	¥312,000 per subscription right to shares	¥312,000 per subscription right to shares
	Seventh grant-1	Seventh grant-2
Price information		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥348	¥339
Fair value at the grant date ¹	¥370,000 per subscription right to shares	¥370,000 per subscription right to shares
	Eighth grant-1	Eighth grant-2
Price information		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥348	¥339
Fair value at the grant date ¹	¥537,000 per subscription right to shares	¥537,000 per subscription right to shares

Price information	Ninth grant-1	Ninth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥348	¥346
Fair value at the grant date ¹	¥302,000 per subscription right to shares	¥302,000 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 at exercise represents the average stock price of the Bank at the time when stock options were exercised.

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

Not applicable for the fiscal year ended March 31, 2019.

(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.

33. 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 ATM installation agreements of the overseas consolidated subsidiaries.

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

Estimated useful life: 1-18 years

Discount rate: 0.4-5.5%

(3) The changes in asset retirement obligations for the fiscal years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Balance at the beginning of the year	¥355	¥353
Increase due to acquisition of tangible fixed assets	456	5
Accretion expense	4	5
Obligations settled in current period	1	9
Balance at the end of the year	¥814	¥355

34. Per Share Data

Amounts per share as of March 31, 2019 and 2018 and for the fiscal years then ended were as follows:

March 31	Yen	
	2019	2018
Net assets per share	¥178.37	¥177.61

Years ended March 31	Yen	
	2019	2018
Net income per share	¥11.11	¥21.24
Net income per share (diluted)	¥11.09	¥21.20

Notes: 1. Net assets per share is calculated based on the following: The Bank has introduced the BIP Trust and ESOP Trust and the Bank's shares held by these Trusts are included in treasury stock that is deducted from the total number of shares issued at the fiscal year end when calculating net assets per share. The number of shares deducted for the fiscal years ended March 31, 2019 and 2018 were 831 thousand and 896 thousand, respectively.

March 31	Millions of yen, except thousands of shares	
	2019	2018
Net assets	¥ 212,890	¥ 212,027
Amount excluded from net assets	332	552
Subscription rights to shares (inclusive)	320	533
Non-controlling interests	11	18
Net assets attributable to common stock at the fiscal year end	¥ 212,557	¥ 211,475
Number of shares of common stock at the fiscal year end used for the calculation of net assets per share	1,191,632	1,190,631

2. Net income per share and net income per share (diluted) are calculated based on the following: The Bank has introduced the BIP Trust and ESOP Trust and the Bank's shares held by these Trusts are included in treasury stock that is deducted from the weighted average number of shares during the fiscal year when calculating net income per share and diluted net income per share. The weighted average number of shares deducted during the fiscal years ended March 31, 2019 and 2018 were 852 thousand and 564 thousand, respectively.

Years ended March 31	Millions of yen, except thousands of shares	
	2019	2018
Net income per share		
Net income attributable to owners of the parent	¥ 13,236	¥ 25,301
Amount not attributable to common shareholders	—	—
Net income attributable to common shareholders of the parent	¥ 13,236	¥ 25,301
Average number of shares of common stock during the year	1,191,405	1,190,963
Net income per share (diluted)		
Adjustment for net income attributable to owners of the parent	¥ —	¥ —
Increase in number of shares of common stock	1,499	2,228
Subscription rights to shares (inclusive)	1,499	2,228
Description of dilutive shares not included in the calculation of net income per share (diluted) because the shares have no dilutive effects	—	—

35. Segment Information

(1) Overview of reportable segments

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

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

Accounting treatment for reportable segments is consistent with those described in "2. Significant Accounting Policies." Segment profit is based on ordinary profit.

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

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

Year ended March 31, 2019

	Millions of yen				
	Reportable segment			Adjustments	Consolidated
	Domestic	Overseas	Total		
Ordinary income:					
External customers	¥ 119,801	¥27,547	¥ 147,348	¥ (59)	¥ 147,288
Internal transactions	43	—	43	(43)	—
Total	¥ 119,844	¥27,547	¥ 147,392	¥ (103)	¥ 147,288
Segment profit (loss)	¥ 42,794	¥ (2,018)	¥ 40,775	¥ (60)	¥ 40,714
Segment assets	¥1,144,734	¥10,344	¥1,155,078	¥(13,152)	¥1,141,926
Other:					
Depreciation	¥ 15,891	¥ 1,638	¥ 17,529	¥ —	¥ 17,529
Amortization of goodwill	—	487	487	—	487
Interest income	3,542	1	3,543	(13)	3,529
Interest expenses	682	46	729	(42)	686
Equity in losses of affiliates	(239)	—	(239)	—	(239)
Investments in equity-method affiliates	4,770	—	4,770	—	4,770
Increase in tangible and intangible fixed assets	9,683	744	10,428	—	10,428

Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.
2. Adjustments are mainly elimination of internal transactions.

Year ended March 31, 2018

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

Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.
2. Adjustments are mainly elimination of internal transactions.

Related Information

(1) Information by service

The amount of ordinary income attributable to external customers for ATM-related business exceeds 90% of that on the consolidated statements of income for the fiscal years ended March 31, 2019 and 2018; therefore, information by service is omitted.

(2) Information by geographical area

(a) Ordinary income

For the fiscal year ended March 31, 2019

Millions of yen			
Japan	U.S.	Other	Total
¥119,741	¥27,450	¥96	¥147,288

For the fiscal year ended March 31, 2018

Millions of yen			
Japan	U.S.	Other	Total
¥116,749	¥10,825	¥81	¥127,656

Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.
2. Ordinary income is classified into countries or regions based on the location of the Group's regional headquarters.

(b) Tangible fixed assets

For the fiscal year ended March 31, 2019

Millions of yen			
Japan	U.S.	Other	Total
¥12,189	¥2,965	¥0	¥15,155

For the fiscal year ended March 31, 2018

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

(3) Information by major customers

Disclosure is omitted because there were no specific customers whose ordinary income accounts for 10% or more of ordinary income in the consolidated statements of income for the fiscal years ended March 31, 2019 and 2018.

Information on impairment losses on fixed assets for each reportable segment

For the fiscal year ended March 31, 2019

	Millions of yen				
	Reportable segment			Other	Total
	Domestic	Overseas	Subtotal		
Impairment losses	¥—	¥14,830	¥14,830	¥—	¥14,830

For the fiscal year ended March 31, 2018

None

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

For the fiscal year ended March 31, 2019

	Millions of yen				
	Reportable segment			Other	Total
	Domestic	Overseas	Subtotal		
Amortization of goodwill	¥—	¥487	¥487	¥—	¥487
Balance at the end of the year	¥—	¥—	¥—	¥—	¥—

For the fiscal year ended March 31, 2018

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

36. Significant Subsequent Events

(Acquisition of treasury stock and cancellation of own shares)

The Bank, at its Board of Directors meeting held on May 10, 2019, resolved the acquisition of treasury stock pursuant to Article 165, Paragraph 2 of the Companies Act and Article 6 of the Article of Incorporation, and cancellation of acquired shares pursuant to Article 178 of the Companies Act. Acquisition of treasury stock pursuant to this resolution was completed as of July 31, 2019.

(1) Reason for acquisition of treasury stock and cancellation of own shares

The Bank considers that it is extremely important to implement securing of internal reserves required for investment in growth from the medium-to long-term perspective and enhancement of shareholder returns in a balanced manner and maximize corporate value, and decided to acquire treasury stock and cancel own shares to strengthen shareholder returns, improve capital efficiency and implement flexible capital policies.

(2) Details of acquisition

- (a) Type of shares to be acquired: Common stock of the Bank
- (b) Number of shares to be acquired: Up to 13.5 million shares
(Ratio of treasury stock to be acquired to shares outstanding [excluding treasury stock]: 1.13%)
- (c) Total value of shares to be acquired: Up to ¥5.0 billion
- (d) Period of acquisition: From May 13, 2019 to July 31, 2019
- (e) Method of acquisition: Market purchase based on discretionary trading contract

(3) Details of cancellation

- (a) Type of shares to be cancelled: Common stock of the Bank
- (b) Number of shares to be cancelled: All of the shares acquired as stated in (2) above
- (c) Scheduled cancellation date: August 20, 2019

(4) Accumulated treasury stock acquired pursuant to the abovementioned resolution of the Board of Directors

- (a) Number of shares acquired: 13,500,000 shares
- (b) Total value of shares acquired: ¥3,857,629,813

(Discontinuation in Part of Business of an equity-method affiliate of the Bank)

Seven & i Holdings Co., Ltd (the parent company of the Bank and Seven Pay Co., Ltd. which is an equity-method affiliate of the Bank) resolved to discontinue the "7pay" service, which is the barcode settlement service operated by Seven Pay Co., Ltd., at the Board of Directors meeting on August 1, 2019.

The Bank has not completed the close examination to determine the impact of the resolution on the Bank's consolidated financial results.

The Bank announced that the impact of this resolution on the Bank's consolidated financial results is immaterial in the note released on August 1, 2019 in accordance with the Securities Listing Regulations.



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, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Seven Bank, Ltd. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC
August 6, 2019
Tokyo, Japan

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

Company Information (As of June 30, 2019)

The Company

Company Name	Seven Bank, Ltd.	Number of Employees	460 (Non-consolidated, excluding officers, executive officers, part-time employees and temporary staff)
Head Office	1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan	Credit Ratings	[S&P] Long-term counterparty issuer rating "A +" Outlook "positive" Short-term counterparty issuer rating "A-1" [Rating & Investment Information, Inc. (R&I)] Issuer rating "AA" Outlook "stable"
Chairman and Representative Director	Kensuke Futagoishi		
President and Representative Director	Yasuaki Funatake		
Established	April 10, 2001		
Initiated Operations	May 7, 2001		
Common Stock	30,679 million yen		
Number of Shares Issued	1,192,464,000		

Consolidated subsidiaries

Company Name	FCTI, Inc.	PT. ABADI TAMBAH MULIA INTERNASIONAL
Head Office	Los Angeles, California, USA	Jakarta Special Capital Region, Indonesia
Representative (title/name)	CEO: Robel Gugsa	President Director: Jo Watabe
Established	August 25, 1993	June 10, 2014
Common Stock	19 million U.S. dollars	90,000 million Indonesian Rupiah
Business Description	ATM operation business	ATM operation business
Percentage of Voting Rights Held by the Bank	100%	96.66%
Percentage of Voting Rights Held by Subsidiaries, etc.	—	—
Company Name	Bank Business Factory Co., Ltd.	Seven Payment Service, Ltd.
Head Office	Hodogaya-ku, Yokohama-shi, Kanagawa Prefecture, Japan	Chiyoda-ku, Tokyo, Japan
Representative (title/name)	President and Representative Director: Yasuyuki Yanaba	President and Representative Director: Satoshi Wada
Established	July 1, 2014	January 11, 2018
Common Stock	50 million yen	475 million yen
Business Description	Back-office support on commission	Remittance and settlement services
Percentage of Voting Rights Held by the Bank	100%	100%
Percentage of Voting Rights Held by Subsidiaries, etc.	—	—

Name and Address of Branches and Outlets (As of March 31, 2019)

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

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

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

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

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

Name of Branches
Corporate Business Division I
Corporate Business Division II
Corporate Business Division III
Corporate Business Division IV
Corporate Business Division V

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

Joint Outlets

Bank Agency

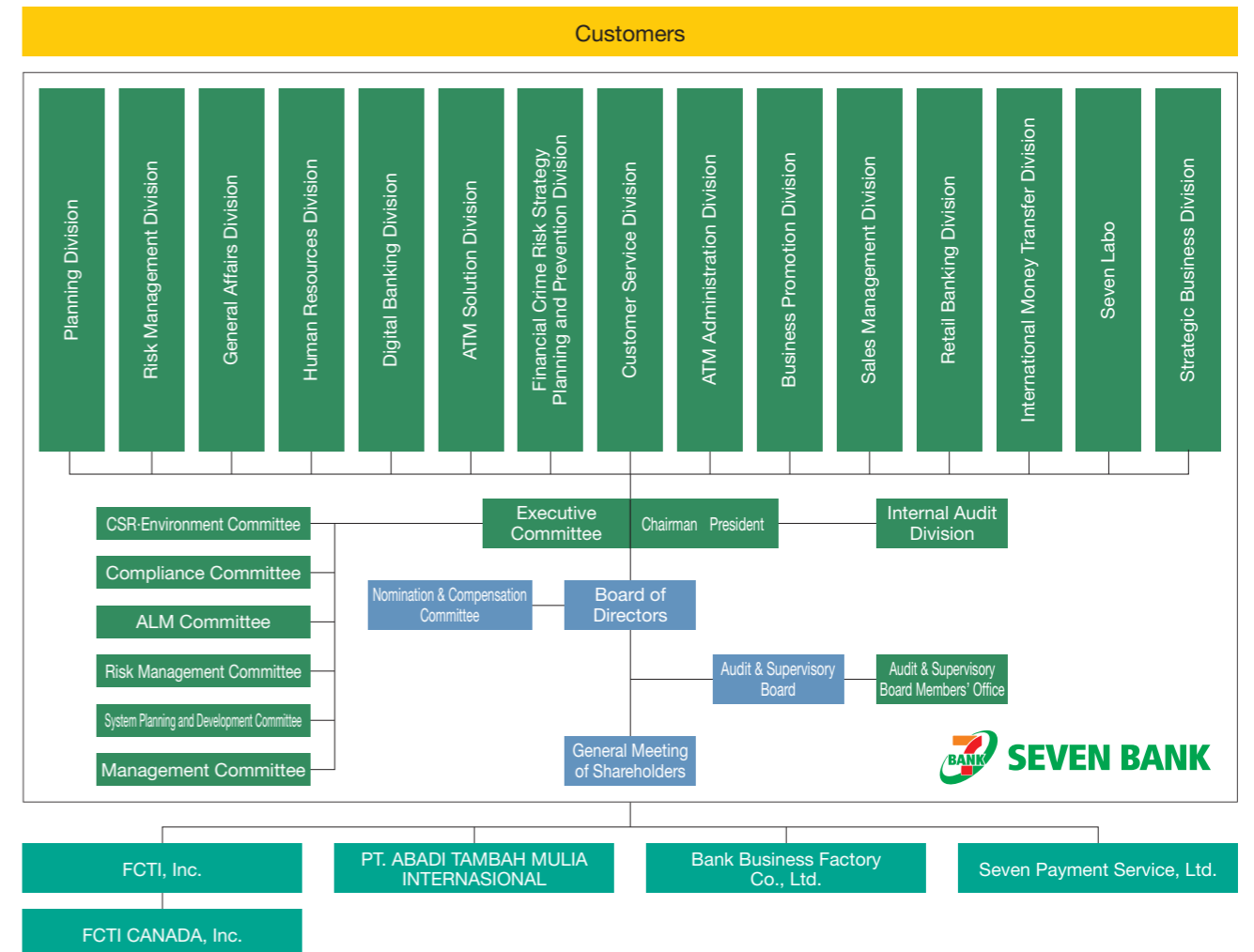
Number of ATM installation locations and number of ATMs installed according to outlet

	Number of locations	Number of ATMs
Seven-Eleven	20,771	22,148
Others	2,596	3,004
Total	23,367	25,152

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

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

Organization Chart (As of July 1, 2019)

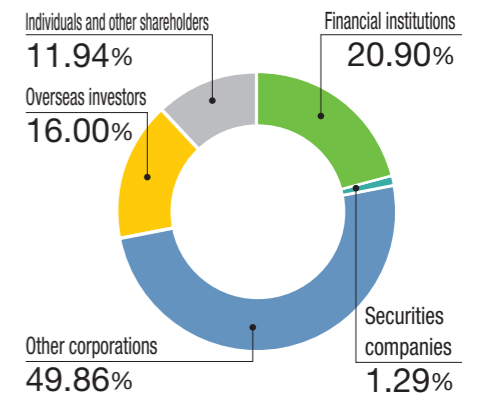


Status of Major Shareholders (As of March 31, 2019)

Shareholder name/title	Number of shares (Thousands of shares)	Holding (%)
Seven-Eleven Japan Co., Ltd.	453,639	38.04
Ito-Yokado Co., Ltd.	46,961	3.93
York-Benimaru Co., Ltd.	45,000	3.77
Japan Trustee Services Bank, Ltd. (trust account)	43,626	3.65
The Master Trust Bank of Japan, Ltd. (trust account)	42,760	3.58
Sumitomo Mitsui Banking Corporation	15,000	1.25
The Dai-ichi Life Insurance Company, Limited	15,000	1.25
Japan Trustee Services Bank, Ltd. (trust account 9)	13,565	1.13
Japan Trustee Services Bank, Ltd. (trust account 5)	13,115	1.09
STATE STREET CLIENT OMNIBUS ACCOUNT OM44	11,464	0.96













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

Composition of Shareholders (As of March 31, 2019)



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

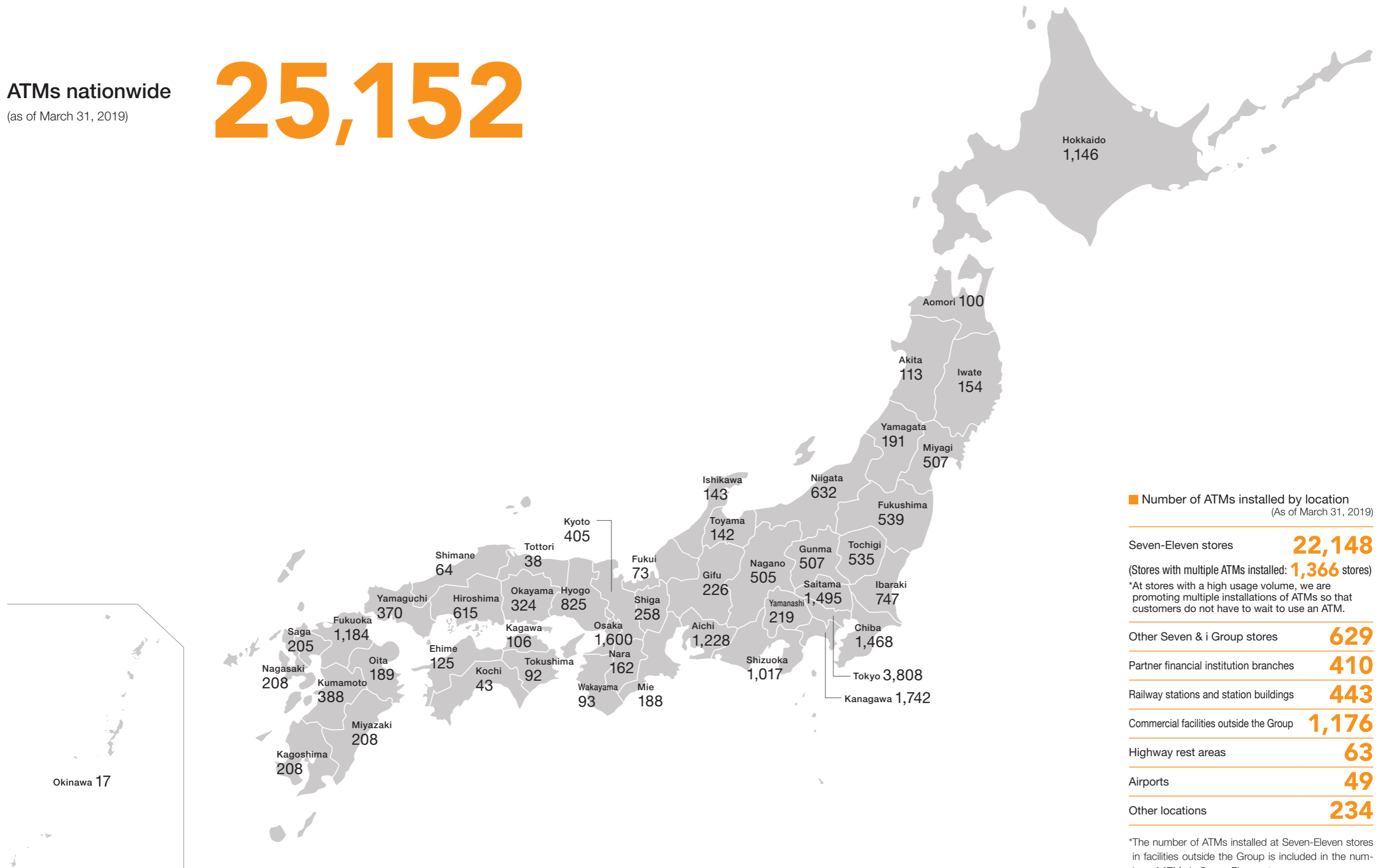
History (As of July 1, 2019)

<p>2001</p> <p>April 6 Preliminary license received</p>  <p>Preliminary license received</p> <p>April 10 IY Bank Co., Ltd. established (common stock: 20,205 million yen)</p>  <p>アイフイバンク銀行</p> <p>April 25 Banking business license received</p> <p>May 7 Initiated operations (began accepting applications for new accounts)</p>  <p>IY Bank cash card</p> <p>May 15 Initiated ATM services</p>  <p>Ceremony for the start of ATM services</p>  <p>First-generation ATM</p> <p>May 23 Joined Japanese Bankers Association (full member)</p> <p>June 11 Connected to Zengin system</p> <p>June 13 Connected to BANCS</p> <p>June 18 Initiated money transfer services</p> <p>July 13 Number of ATMs installed exceeded 1,000</p> <p>August 30 First third-party allocation of shares (common stock: 30,805 million yen)</p> <p>December 17 Initiated Internet, mobile and telephone banking services</p>	<p>2002</p> <p>March 27 Second third-party allocation of shares (common stock: 61,000 million yen)</p> <p>2003</p> <p>March 24 Number of ATMs installed exceeded 5,000</p> <p>2004</p> <p>July 7 Established Customer Service Division</p> <p>2005</p> <p>April 1 Initiated operation of ATM Call Center (Osaka)</p> <p>April 4 Number of ATMs installed exceeded 10,000 Began handling time deposits for defined contribution pension plans</p> <p>April 27 Established first staffed outlet in Ito-Yokado Soga store</p> <p>July 26 Introduction of second-generation ATMs</p>  <p>Second-generation ATM</p> <p>October 11 Company name changed to Seven Bank, Ltd.</p>   <p>Seven Bank IC cash card</p> <p>2006</p> <p>January 3 Began operation of new accounting system</p> <p>March 20 Began providing time deposit service</p> <p>April 3 Began accepting IC cash cards</p> <p>September 1 Common stock reduced (common stock of 61,000 million yen reduced by transfer of 30,500 million yen to capital surplus)</p> <p>2007</p> <p>June 25 First dividend paid since establishment Began receiving outsourcing of ATM operation and administration</p> <p>July 11 Initiated services for cards issued overseas</p>  <p>Ceremony for the start of services for cards issued overseas</p>	<p>September 3 Began loading money onto <i>nanaco</i> electronic money cards at ATMs</p> <p>September 27 Completed installation of ATMs in Seven-Eleven and Ito-Yokado operating areas (36 prefectures at the time)</p> <p>November 26 Initiated ATM services for visually impaired customers (voice-guided transactions)</p> <p>December 17 Completed installation of ATMs in all 47 prefectures</p> <p>2008</p> <p>February 29 Listed on the JASDAQ Securities Exchange (currently the Tokyo Stock Exchange JASDAQ Market)</p> <p>2009</p> <p>April 1 Established the Financial Crime Prevention Office (now the Financial Crime Risk Strategy Planning and Prevention Division)</p> <p>2010</p> <p>January 25 Initiated personal loan services</p> <p>July 7 Established directly managed ATM corner</p>  <p>Shinjuku Kabukicho corner (internal view)</p> <p>November 5 Number of ATMs installed exceeded 15,000</p> <p>November 29 Introduction of third-generation ATMs</p>  <p>Third-generation ATM</p> <p>2011</p> <p>March 22 Initiated international money transfer services (initiated Internet and mobile banking services)</p> <p>July 19 Initiated international money transfer services by ATM</p> <p>December 1 1,000-for-1 stock split Adopted share unit number system with 100 shares per unit</p>	<p>December 26 Listed on the First Section of the Tokyo Stock Exchange</p>  <p>Listing ceremony</p> <p>2012</p> <p>June 27 Number of Seven Bank accounts exceeded 1 million</p> <p>October 6 Acquired all issued shares of Financial Consulting & Trading International, Inc. of the United States to make it a wholly owned subsidiary</p> <p>2013</p> <p>February 1 Customer Service Center for International Money Transfers began operation</p> <p>September 27 U.S.-based subsidiary Financial Consulting & Trading International, Inc. acquired the ATM business of Global Access Corp.</p> <p>2014</p> <p>January 8 Initiated Seven Bank account ATM transaction screens in nine languages</p> <p>June 10 Established PT. ABADI TAMBAH MULIA INTERNASIONAL ("ATMI"), a joint venture operating ATMs in Indonesia</p> <p>July 1 Established Bank Business Factory Co., Ltd., a wholly owned subsidiary engaged in back-office support on commission</p> <p>July 31 Number of ATMs installed exceeded 20,000</p> <p>2015</p> <p>July 8 U.S.-based subsidiary Financial Consulting & Trading International, Inc. established FCTI Canada, Inc., a subsidiary operating ATMs in Canada</p> <p>October 1 Financial Consulting & Trading International, Inc., a subsidiary in the United States, changed its name to "FCTI, Inc."</p> <p>December 16 Expansion of language options on ATM screens and slips to 12 languages, etc. when cards issued overseas are used</p> <p>2016</p> <p>October 17 Began issuing cash cards with a debit function</p> <p>2017</p> <p>March 27 Began offering the ATM deposit/withdrawal service via smartphones</p> <p>2018</p> <p>January 11 Established Seven Payment Service, Ltd., a wholly owned subsidiary, which conducts remittance and settlement services</p> <p>May 7 Seven Payment Service, Ltd. began offering ATM cash receiving services.</p> <p>October 15 Began handling a top-up service at ATMs for electronic money to transportation IC cards, etc.</p>
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Principal Data

ATMs nationwide
(as of March 31, 2019)

25,152



■ Number of ATMs installed by location
(As of March 31, 2019)

Seven-Eleven stores **22,148**

(Stores with multiple ATMs installed: **1,366** stores)

*At stores with a high usage volume, we are promoting multiple installations of ATMs so that customers do not have to wait to use an ATM.

Other Seven & i Group stores **629**

Partner financial institution branches **410**

Railway stations and station buildings **443**

Commercial facilities outside the Group **1,176**

Highway rest areas **63**

Airports **49**

Other locations **234**

*The number of ATMs installed at Seven-Eleven stores in facilities outside the Group is included in the number of ATMs in Seven-Eleven stores.

Principal Data

Partner Deposit-taking Financial Institutions (as of July 11, 2019)

Banks by location of head office

Hokkaido/Tohoku region



Kanto region



Chubu region



Kinki region



Chugoku/Shikoku region



Kyushu/Okinawa region



Overseas banks



Financial Institutions, Etc. (as of July 11, 2019)

Securities companies



Life insurance companies



Alliance Network (as of July 11, 2019)

Cards issued overseas (international brands)



*There are some cards that have the same marks but cannot be accepted at our ATMs.

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



Electronic money



*These are the logos of some of the services provided.

Principal Data

(Fiscal Year)

Financial Highlights

		Non-consolidated					Consolidated							
Amounts less than one unit have been truncated.		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Items on the Statement of Income:	Ordinary income	(Millions of yen)	83,663	89,815	88,830	83,964	88,318	94,965	105,587	114,036	119,939	121,608	127,656	147,288
	Ordinary expenses	(Millions of yen)	59,012	61,064	58,422	56,514	58,761	63,094	69,801	76,997	82,772	84,897	89,350	106,574
	Ordinary profit	(Millions of yen)	24,650	28,751	30,407	27,449	29,557	31,871	35,786	37,038	37,167	36,710	38,305	40,714
	Net income ¹	(Millions of yen)	13,830	16,988	17,953	16,008	17,267	19,377	21,236	23,220	24,716	25,114	25,301	13,236
	Depreciation and amortization ²	(Millions of yen)	11,491	15,402	12,846	11,603	12,355	14,001	12,493	16,251	18,779	18,766	17,102	17,529
	EBITDA ²	(Millions of yen)	36,141	44,153	43,253	39,052	41,912	45,872	48,279	53,289	55,946	55,477	55,408	58,244
Items on the Balance Sheet:	Total assets	(Millions of yen)	488,137	493,360	502,782	600,061	652,956	812,531	790,377	856,415	915,385	957,792	1,022,485	1,141,926
	Deposits ³	(Millions of yen)	219,138	229,311	219,008	333,382	372,271	394,615	438,348	502,285	547,865	572,353	623,581	679,474
	Total liabilities	(Millions of yen)	399,162	394,966	392,843	485,522	527,326	674,486	636,968	686,525	730,590	758,710	810,458	929,036
	Total net assets	(Millions of yen)	88,974	98,393	109,939	114,539	125,629	138,045	153,408	169,890	184,794	199,081	212,027	212,890
Per share data ⁴ :	EPS (Earnings per share)	(Yen)	11.80	13.92	14.71	13.19	14.49	16.27	17.83	19.49	20.75	21.07	21.24	11.11
	DPS (Dividend per share)	(Yen)	4.20	4.90	5.20	5.20	6.20	6.75	7.50	8.00	8.50	9.00	10.00	11.00
	Payout ratio	(%)	35.5	35.1	35.3	39.3	42.7	41.4	42.0	41.0	40.9	42.6	47.0	99.0
Management indicators:	EBITDA margin ⁵	(%)	43.1	49.1	48.60	46.5	47.4	48.2	45.7	46.7	46.6	45.6	43.4	39.5
	ROE (Return on equity) ⁶	(%)	16.8	16.9	16.1	13.2	13.5	14.7	14.6	14.4	13.9	13.1	12.3	6.2
	Capital adequacy ratio ⁷	(%)	18.2	19.9	21.8	19.0	19.2	16.9	19.3	19.7	20.1	20.7	20.6	18.6
	PER (Price-to-earnings ratio)	(Times)	18.1	18.8	12.7	12.6	12.3	18.7	22.7	30.4	23.1	17.2	15.9	6.2
Cash flow:	Cash flow from operating activities	(Millions of yen)	54,523	32,662	30,527	125,487	1,401	118,550	91,940	99,931	66,482	88,118	31,466	117,471
	Cash flow from investing activities	(Millions of yen)	(43,307)	(11,664)	(10,518)	(23,140)	(11,703)	(6,927)	(50,668)	4,994	(11,634)	(28,818)	(3,649)	(34,882)
	Cash flow from financing activities	(Millions of yen)	1,303	(7,686)	(6,405)	(11,526)	(6,192)	(8,157)	(8,333)	(9,204)	(9,826)	(10,446)	(11,729)	(12,246)
Capital investments:	Capital investment amounts	(Millions of yen)	20,995	14,169	9,958	11,824	12,205	21,918	24,054	19,037	17,216	14,213	11,900	10,826
	For ATMs	(Millions of yen)	13,750	8,856	1,942	2,908	7,244	13,044	13,858	10,698	8,885	4,052	1,673	1,986
	For software	(Millions of yen)	5,414	4,760	7,115	8,053	4,303	7,118	7,933	7,122	7,550	8,756	9,863	7,589
Number of employees:	Number of employees (excluding part-time workers)	(Persons)	290	308	329	328	409	490	543	576	619	634	654	657

*1. Refers to net income attributable to owners of the parent in and after fiscal 2012.

*2. Depreciation and amortization (excluding goodwill). EBITDA = Ordinary profit + Depreciation and amortization

*3. Including negotiable certificates of deposits

*4. On December 1, 2011, Seven Bank conducted a 1,000-for-1 stock split. Per share data before fiscal 2010 reflect the stock split.

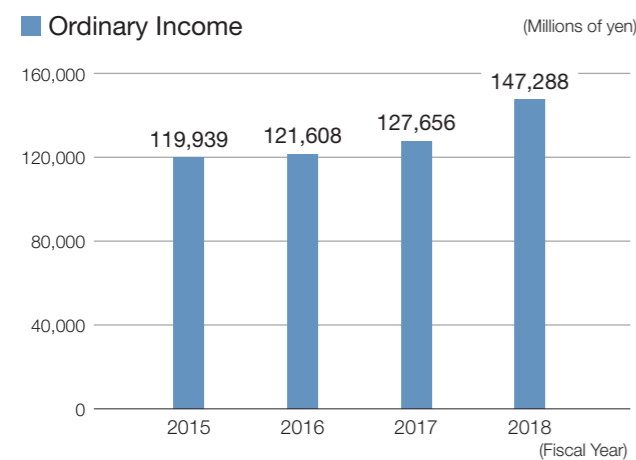
*5. EBITDA margin = EBITDA/ordinary income

*6. ROE = net income/average total shareholders' equity

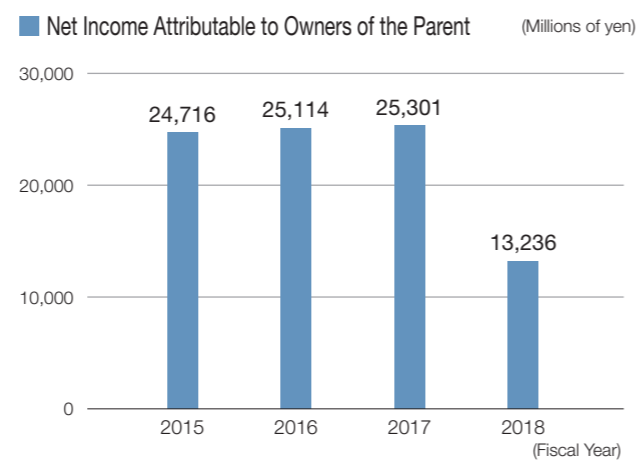
*7. Capital adequacy ratio = (year-end total net assets - year-end subscription rights to shares - year-end non-controlling interests) / year-end total assets. The "Capital adequacy ratio" does not refer to the capital ratio that is prescribed in the "Notices on the Capital Ratio Requirements."

Consolidated

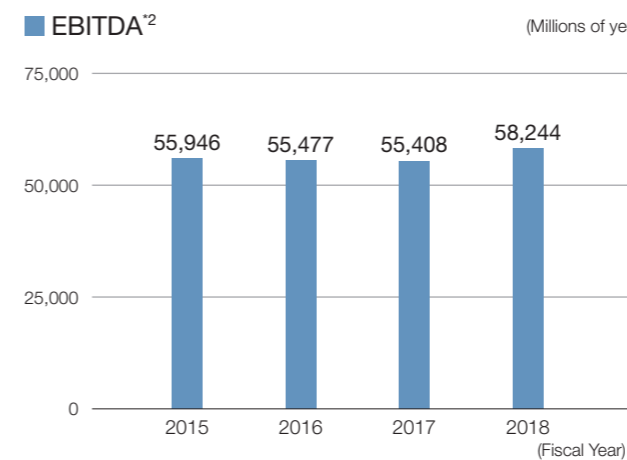
Ordinary Income



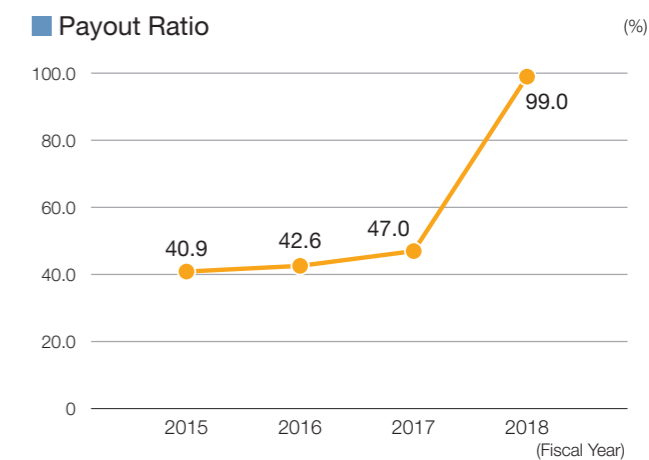
Net Income Attributable to Owners of the Parent



EBITDA²



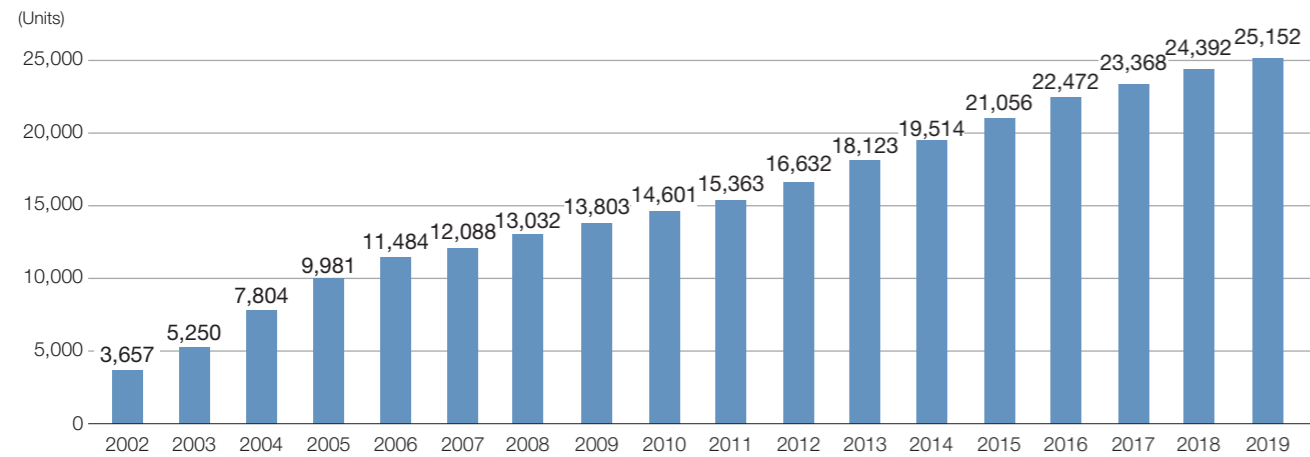
Payout Ratio



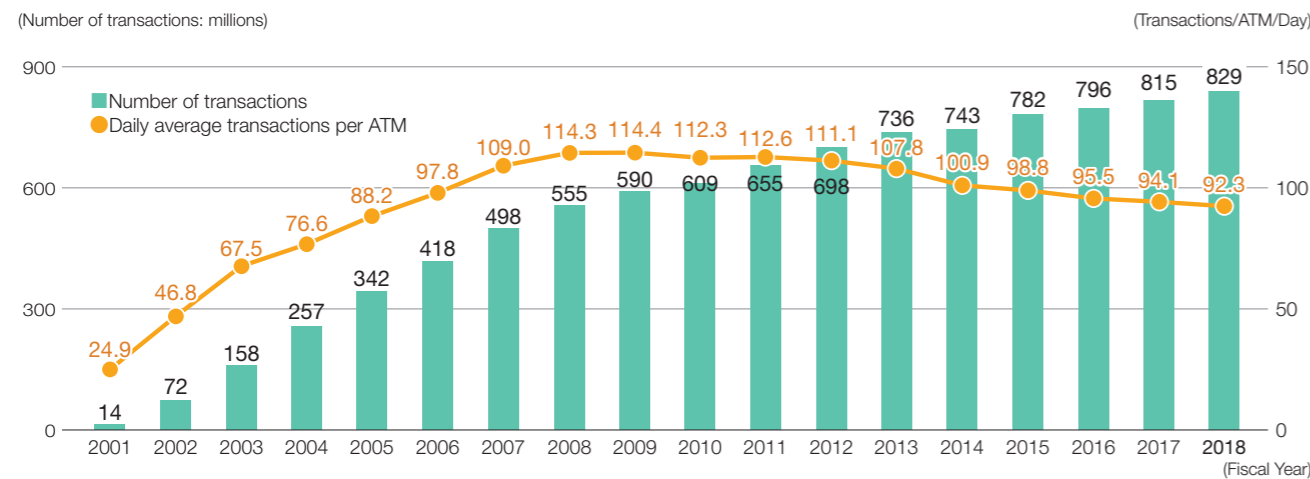
Principal Data

Growth Trajectory of Seven Bank's ATM

Number of ATMs installed as of March 31



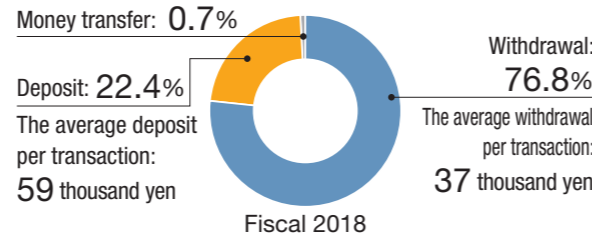
Number of ATM transactions per Fiscal Year¹ and Daily Average Transactions per ATM¹



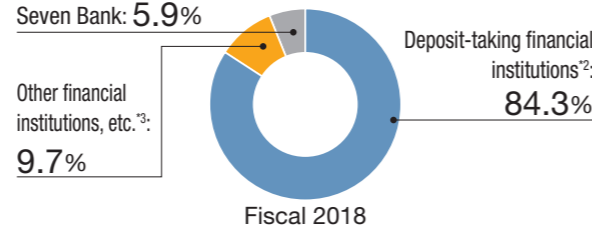
Number of ATMs Installed by Location (as of March 31, 2019: 25,152 units)

Within Seven & i Group	Total	Outside the Group	Total
Seven-Eleven (Stores with multiple units installed: 1,366)	22,148	Commercial facilities	1,176
Ito-Yokado	288	Financial institutions	410
York-Benimaru	188	Railway stations and station buildings	443
York Mart	76	Highway rest areas	63
Seibu	13	Airports	49
Sogo	12	Others	234
LOFT	6		
Akachan Honpo	3		
Denny's	2		
Directly managed ATM corner	13		
Headquarters, etc.	28		

Number of ATM Transactions by Service¹ Breakdown (excluding Seven Bank)



Number of ATM Transactions by Business Category¹ Breakdown



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

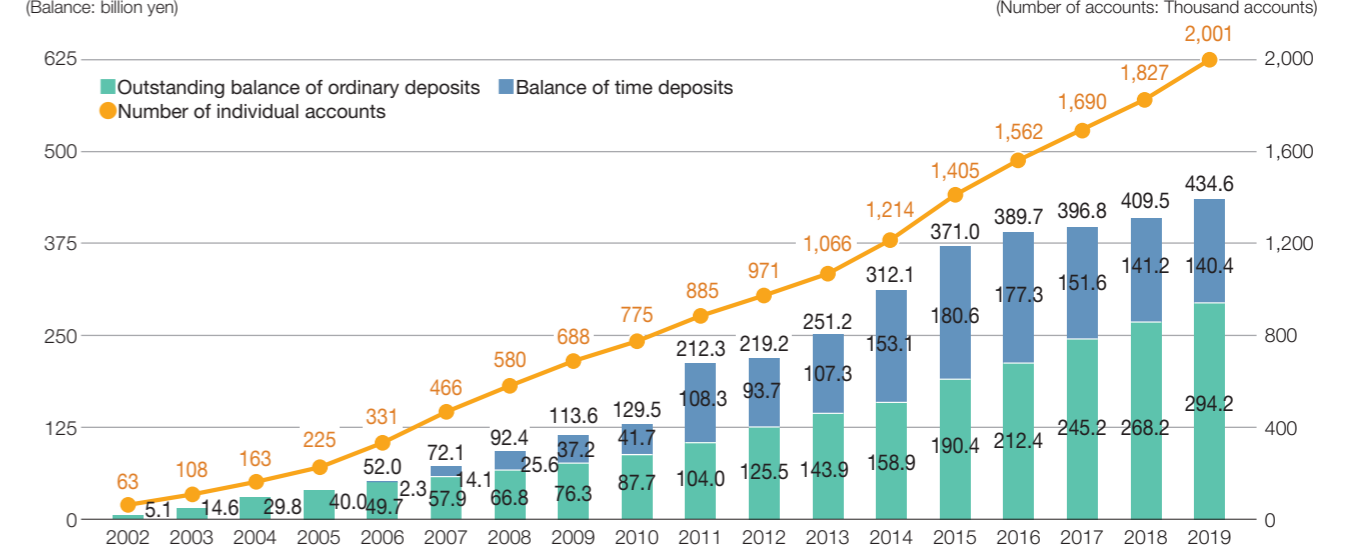
*1. Number of transactions: Total number of deposits, withdrawals and money transfers. Balance inquiry, electronic money charge/balance confirmation, PIN number change, and usage limit change are not included.

*2. Deposit-taking financial institutions: Banks (excluding Seven Bank), Shinkin banks, credit cooperatives, labor banks, the JA Bank, the JF Marine Bank, the Shoko Chukin Bank.

*3. Other financial institutions, etc.: securities companies, life insurance companies, credit card companies, consumer finance companies, business loan providers, operating companies, cards issued overseas.

Growth Trajectory of Seven Bank's Accounts (individuals)

Growth in Total Balance and Number of Accounts (individuals) as of March 31



Financial Highlights

Changes in Profit/Loss (non-consolidated)

