



# Integrated Report

For the year ended March 31, 2021

SEVEN BANK, LTD.



Create a better version of daily life  
by going beyond the wishes of our customers.

PURPOSE

**Our customers' wishes are seeds that grow and become the future.**

**Seven Bank began in response to our customers who wanted to see ATMs in 7-Eleven stores. Customers' wishes came first, that is our origin.**

**Times change, and so do people's needs and wants. They also become diverse. While holding true to our core philosophy, we keep evolving to meet our customers' wishes.**

**As a unique bank that offers, convenience, reliability and trust, Seven Bank continues to launch new initiatives that support people and society. As a vital part of people's daily lives, we remain inventive, striving to create new lasting value beyond traditional financial services.**

**We strive to be closer to our customers, to help them fulfill their wants and needs easily. Using cutting-edge technology and manpower, we challenge ourselves to move beyond the status quo. We seek to create a better version of daily life for everyone.**

**That is our reason for being.**

STORY





## Creating a New Seven Bank that reflects our Purpose.

### Amid great change, we have been reconsidering Seven Bank's reason for being.

April 2021 marked the 20th anniversary of Seven Bank. Twenty years ago, we started the business in order to meet the wishes of customers who wanted to see ATMs in 7-Eleven stores. Since then, we have consistently worked to address the hopes and wishes of our customers and make them a reality. By repeatedly striving to realize our customers' wishes, we have been able to continuously create new services.

Now, in our 20th year, we are entering into an era of great change, said to be a once-in-a-century occurrence. Digitalization has made significant progress, and customer behavior, as well as what customers and society expect of companies, are also changing. Amid this, our business also needs to change significantly. How can we realize sustainable growth within a drastically changing business environment? What form should Seven Bank take in order to thrive in the coming times? When considering these questions, we first needed to reconsider the reason for the company's existence in society, so we decided to hold discussions with all our employees to rediscover the answer. The result of this undertaking, and of all these discussions, was the formulation of the Purpose of Seven Bank.

### Create a better version of daily life by going beyond the wishes of our customers.

This phrase contains a value that we must not lose sight of, no matter how things change. This is Seven Bank's reason for being and the basis to why we continue to be needed by customers and society. It is also the compass that can guide the future direction of our business while also expressing our determination to continue striving to change, so we can reach the next stage of growth.

## The Purpose created by all employees together has incredible value.

The Purpose was formulated through a process of repeated discussions between a total of almost 50 people, including top management members and employee volunteers. We advanced this process one step at a time while ensuring all employees were involved. What is the bank's reason for being? Each employee repeatedly asked themselves this question and then discussed their thoughts in teams. Over about six months of listening carefully to the opinions and thoughts of colleagues and then seeing how this corresponds with one's own thoughts, the discussions gradually got deeper and deeper. We believe that because this process involved all our employees, the result is incredibly valuable.

You can really tell that Purpose of Seven Bank firmly represents the values we should hold closest as the bank's reason for being, arrived at through discussion after discussion. We believe that we have managed to create something that we can share with everyone.

The "going beyond the wishes of our customers" phrase in particular expresses how we incorporated our customers' perspective, and we feel that the Purpose provides a more refined expression of Seven Bank's ethos. "Going beyond" shows our motivation to not stop at merely realizing our customers' wishes, but to go even deeper and also address their potential desires. This links to "create a better version of daily life," an important section as it represents our search for what value we can offer to customers and what we should be aiming for. Although we are not quite realizing the "daily life of the future," we are pursuing "a better version of daily life." Rather than merely follow others, we want to create new value that will become so intrinsic to daily life that can be considered the future. It is a simple yet powerful way to show our determination to continuously search for what people are lacking in their daily lives and then use this to create new value.



## Reconfirming our origin, which has not changed in 20 years.

The process of formulating the Purpose also gave us a chance to reconsider certain things. One of these was our unshakable origin, the values that we have held dear since our founding. Our business began with the aim of meeting our customers' wish to see ATMs in 7-Eleven stores. Over the 20 years since then, we have continued working to realize our customers wants and needs. This is still our reason for being and will continue to be so into the future.

## Creating new change toward the next stage of growth in a way that reflects the Purpose.

Our Medium-Term Management Plan clarifies new core elements of our growth strategy. This also started with a process of considering what our customers want and then looking to create value that goes beyond it. Whatever we do, we want to avoid just following what other people or companies do and instead, always strive to build new, unique things in order to realize new business that can create a better version of daily life for our customers.

We will take our Purpose, which has been created by all our employees, to heart as we take on the challenge of realizing new growth and building a new Seven Bank.



# What Seven Bank Aspires to Be

## Purpose of Seven Bank

Create a better version of daily life by going beyond the wishes of our customers.

## Vision

A unique bank that offers convenience, reliability and trust

Medium-Term Management Plan (to FY2025)

### 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.

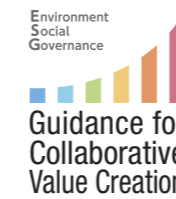
### Corporate Principles

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.

Medium-term management plan for realizing the Vision

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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.

### 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.

### Main Content of the Report

This integrated report focuses on business activities in fiscal 2020, future initiatives, and the business results for fiscal 2020.

\*This integrated report is a disclosure document (information disclosure) prepared pursuant to Article 21 of the Banking Act. For detailed disclosures, see page 137.

**Reporting Period** April 1, 2020 to March 31, 2021, in principle

**Date of Issue** This Issue: July 2021 (Integrated Report (Business Report) 2021)

Next Issue: January 2022 (planned) (Interim Business Report 2021)

# Seven Bank's 20 Years of Pursuing Challenges to Make Our Customers' Wishes into Reality

## Our Origin

"If there was an ATM at 7-Eleven, it would be more convenient ..." Seven Bank was established in 2001 in response to such customers' wishes. Since then, we have worked to develop secure and efficient settlement infrastructure by providing ATM services that can be used "anytime, anywhere, by anyone, and with safety and security."

Over the past 20 years, we have grown into playing a role as part of the social infrastructure with more than 25,000 ATMs in Japan used by some 2.3 million customers a day. Our customers' wishes still serve as the origin of Seven Bank.

- July 2001** Number of ATMs installed exceeded 1,000
- April 2005** Number of ATMs installed exceeded 10,000
- December 2007** Completed installation of ATMs in all 47 prefectures
- July 2014** Number of ATMs installed exceeded 20,000

## Using Cutting-edge Technology and Manpower, Moving beyond the Status Quo

If only it was possible to use ATMs for topping up electronic money and cashless settlements, as well as making ATM deposits and withdrawals via a smartphone—Seven Bank has made financial services more convenient and accessible by being the first in Japan to pursue a number of challenges. We have now gone beyond financial services and commenced ATM procedures with Individual Number Cards.

- September 2007** Began handling a top-up service at ATMs for *nanaco* electronic money cards
- March 2017** Began ATM deposit/withdrawal service via smartphones
- October 2017** Began offering real-time money transfer service
- October 2018** Began handling a top-up service at ATMs for electronic money to transportation IC cards.
- April 2020** Launched My Seven Bank, a smartphone app that enables instant account opening
- August 2020** Launched ATM procedures with Individual Number Cards (applications for Individual Number Card Points)
- March 2021** Launched ATM application for the use of Individual Number Card as health insurance card

## More Convenient Services for All Customers

We have introduced voice guidance services so that visually impaired customers can also access our ATMs with peace of mind. We were also quick to support cards issued overseas for the comfort of visitors to Japan and installed ATMs in the security restricted areas of airports. In addition, we now offer international money transfer services for foreign nationals in Japan to remit money to their home countries with peace of mind. Our ATMs and Contact Center provide support in multiple languages. We will continue making everyday life more convenient for all our customers in response to the needs of the times in which many types of people participate in various ways.

- July 2007** Initiated services for cards issued overseas
- November 2007** Initiated ATM services for visually impaired customers (voice-guided transactions)
- March 2011** Launched international money transfer services
- February 2013** Began operation of the Customer Service Center for International Money Transfers (currently the Contact Center)
- January 2014** Launched support in nine languages at ATMs for international money transfer services and at the Customer Service Center for International Money Transfers
- December 2015** Expanded language options to 12 languages at ATMs and receipts when cards issued overseas are used

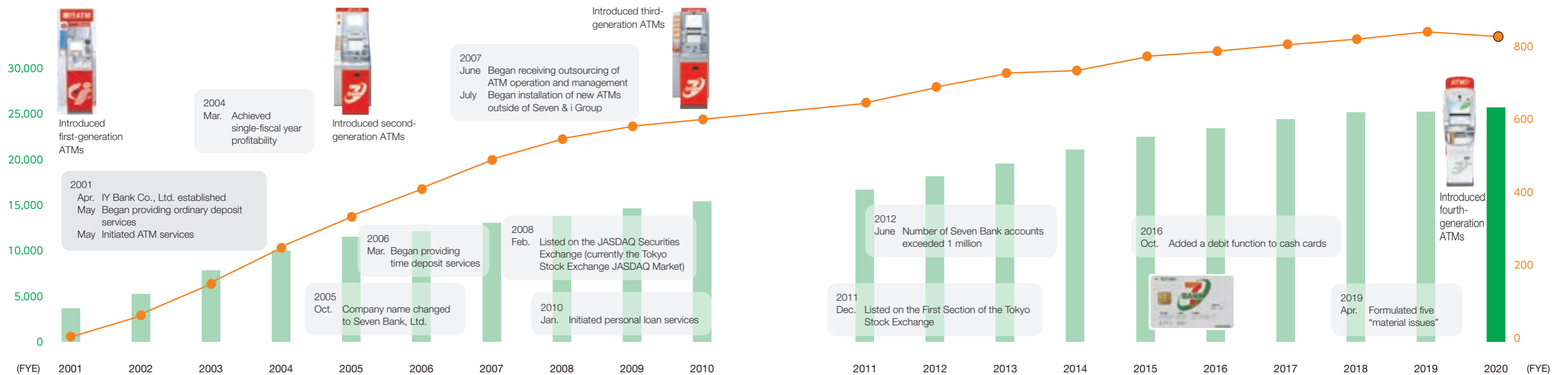
## Striving to Create Original New Value

We will continue to change with the times as we identify changes and respond to diversifying needs—the 20-year history of Seven Bank. Our ATM services, which began with cash deposits and withdrawals, now allow customers to receive cash even without a bank account, and we are expanding our business overseas utilizing the knowledge gained through our ATM operations. In addition, the know-how we have cultivated through financial services is being applied to back-office support services and fraud detection and security measures to prevent financial crime, as well as financial services for non-Japanese residents, adding more depth to our earnings structure. The Seven Bank Group, including its subsidiaries, pursues challenges to create new value that goes beyond conventional banking services.

- October 2012** Commenced ATM operation business in the United States (currently FCTI, Inc., a wholly-owned subsidiary)
- July 2014** Commenced back-office support on commission
- August 2015** Commenced ATM operation business in Indonesia
- May 2018** Commenced ATM cash receiving services
- August 2020** Commenced credit-related services for non-Japanese residents
- October 2020** Commenced fraud detection platform business
- October 2020** Commenced a purpose-specific loan services for non-Japanese residents
- December 2020** Commenced online personal authentication service
- February 2021** Commenced ATM operation business in the Philippines

\*The above are businesses and/or services offered by subsidiaries.

■ Number of ATMs installed ● Number of ATM transactions (million)





## Management Resources that Are the Source of Our Competitive Advantage

The Seven Bank Group has built strong relationships of trust with partner financial institutions and business partners throughout Japan with the expansion of our ATM platform that can be used “anytime, anywhere, by anyone, and with safety and security.” We have developed a unique business model based on safe and secure ATM services, in addition to functions offering financial services as a bank.

### A role as social infrastructure that is always close-by

The Seven Bank Group has established systems which enable ATMs to operate continuously, in principle, 24 hours a day, 365 days a year, as well as a support system based on collaboration with diverse business partners, to develop a safe and secure network of ATMs.

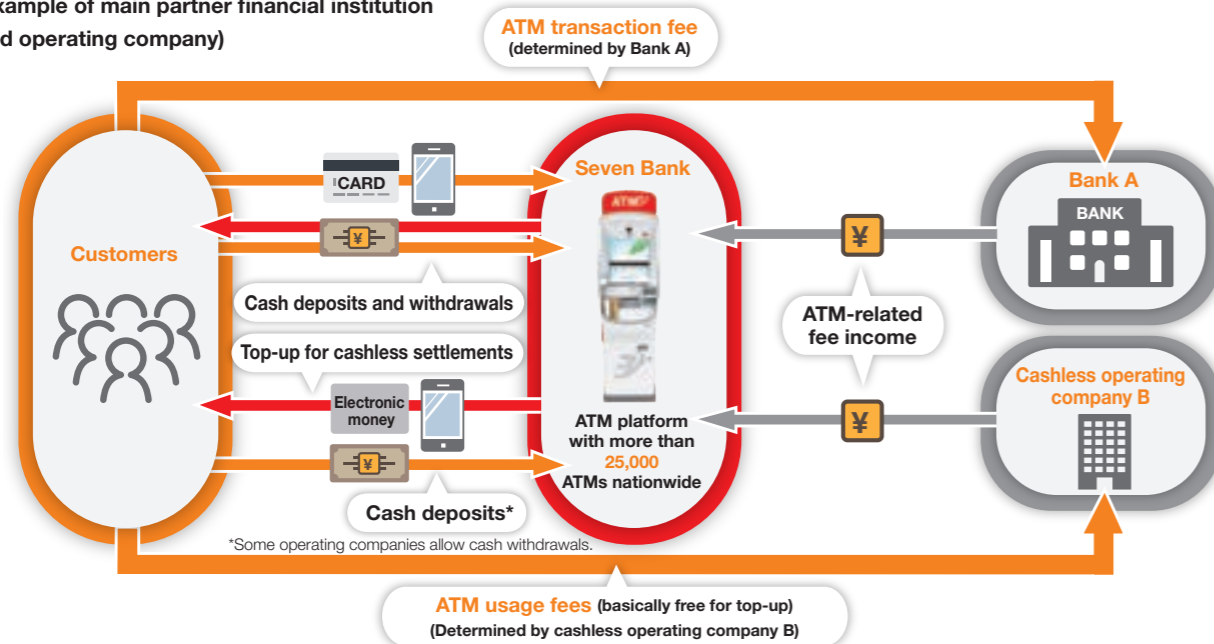
We have more than 25,000 ATMs throughout Japan at Seven & i Group stores, including 7-Eleven, as well as airports, stations, commercial facilities, and tourist

locations, used by over 2.3 million customers a day. In addition to traditional cash deposit and withdrawal transactions, usage of our ATMs has significantly increased by top-up transactions for cashless settlements to support diversifying settlement needs due to advancing digitization.

Going forward, we will leverage synergy with the Seven & i Group to provide financial services that are not only physically close, but also psychologically “close-by, convenient.”

### Business Model for ATM Services

(example of main partner financial institution and operating company)



## Key Figures Forming Basis of Growth

ATMs installed (as of March 31, 2021)

**25,676 units**

Installation of ATMs expanded to airports, stations, commercial facilities, and tourist locations, in addition to Seven & i Group stores

ATM transactions per year (fiscal 2020)

**836 million**

Pursuit of a new style of ATM usage adapted to environmental changes, such as top-up transactions, as well as cash deposits and withdrawals

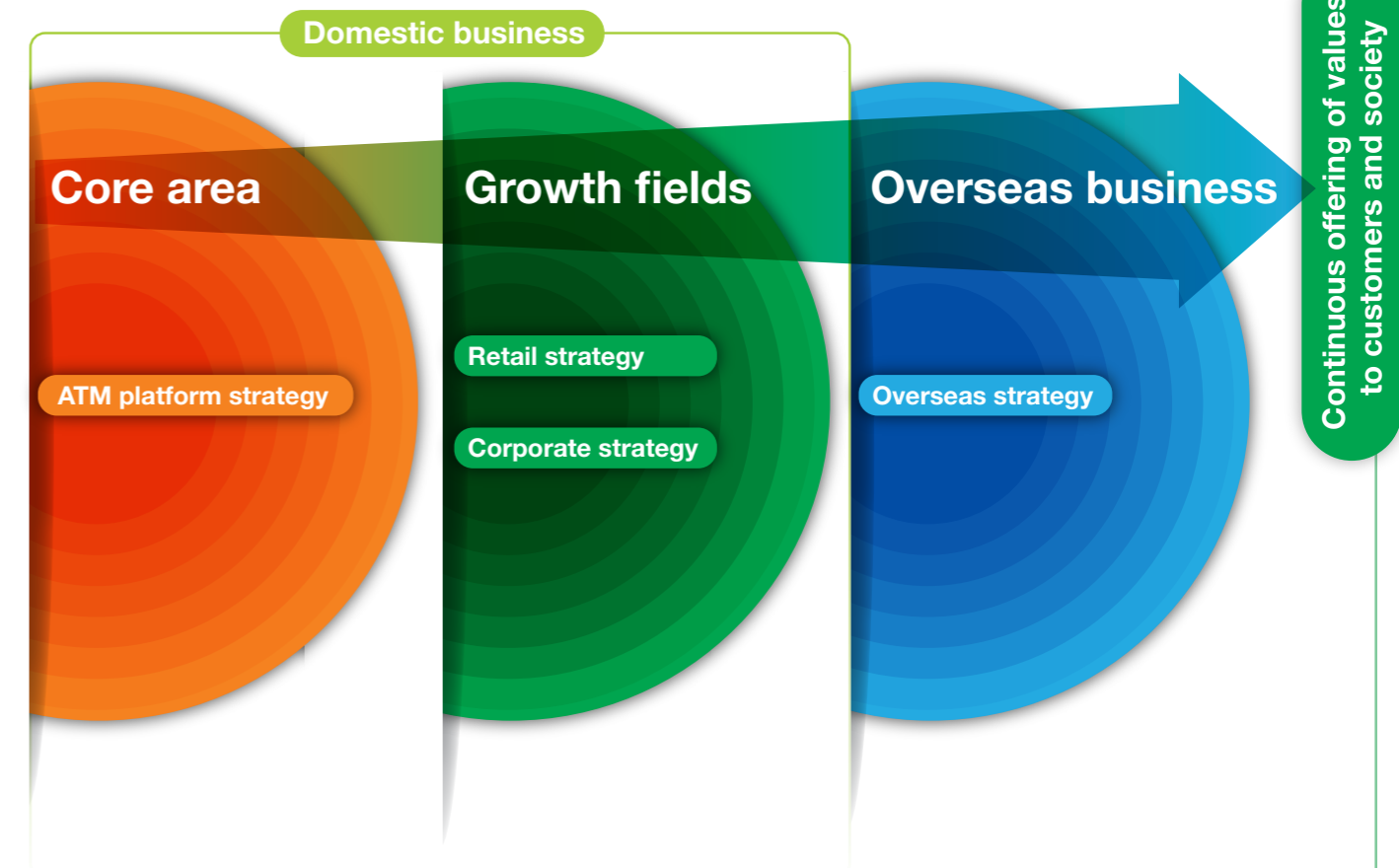
## Expanding Business Fields for the Growth

In addition to our core business of ATM services, the Seven Bank Group 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 a Seven Bank account. Moreover, through our Japanese consolidated subsidiaries, we are working to expand our business by developing a fund transfer business that meets diverse remittance and settlement needs, financial services for non-Japanese residents taking advantage of our foreign national customer

base, and back-office support and security services leveraging the knowledge we have cultivated through our banking operations.

Additionally, we are also pursuing globalization through our consolidated subsidiaries based on know-how from our domestic ATM operations. In the United States, we operate 9,368 ATMs (as of December 31, 2020), mainly at 7-Eleven stores. In Asia, where growth is marked, we have commenced business in the Philippines as well as Indonesia, and we are steadily increasing the number of ATMs.

### Growth Strategy and Expansion of Business Fields



Partner financial institutions, etc. (as of March 31, 2021)

**613**

Proactively promoting new partnerships with financial institutions throughout Japan as well as with non-financial operating companies

ATM operating rate (fiscal 2020)

**99.98%**

In principle, ATMs operate continuously, 24 hours a day, 365 days a year. Swift response in the rare event of a breakdown or problem

Seven Bank Group in Terms of Numbers (Key Figures and Financial Highlights)

## Key Figures

Unless specifically stated otherwise, figures are as of fiscal 2020 or March 31, 2021.

### Number of ATMs installed



### Number of ATM transactions per year

**836** million

### Average number of transactions per ATM per day

**90.5**

### ATM operating rate

**99.98%**

### Number of partner financial institutions, etc.

**613**

### Number of customers using ATMs

Approx. **2.3** million per day

### Number of individual accounts

**2.36** million

\*Figures are for Japan only, except for number of ATMs installed.

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

### Number of remittances via international money transfer services per year

**1.22** million  
\*Includes services offered by Seven Global Remit, Ltd.

### Languages supported

#### For international money transfer services

**10** languages

\*Customer centers, etc.

#### For cards issued overseas

**12** languages

\*ATM screens, receipts, etc.

## Corporate services that leverage our strengths

### Seven Payment Service, Ltd. Number of companies concluding service agreements

**423**

### Bank Business Factory Co., Ltd. Number of companies contracting back-office support services

**29**

## Pursuing environmental functions

### Power consumption of fourth-generation ATMs compared to third-generation ATMs

Approx. **40%** reduction

### Recycling rate for disposed ATMs

Approx. **100%**

## Promoting active participation of diverse human resources

### Percentage of employees with disabilities

**2.2%** \*Fiscal 2020

### Percentage of employees returning to work or remaining employed after childcare leave

**100%** \*No employees retired during or after childcare leave in fiscal 2020.

### Percentage of male employees taking childcare leave

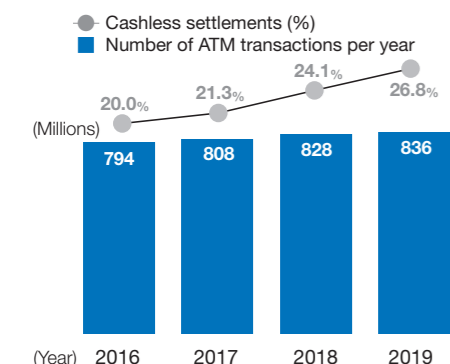
**36.5%** \*Fiscal 2020

### Number of female managers and percentage of women in management roles

**24 / 18.1%**

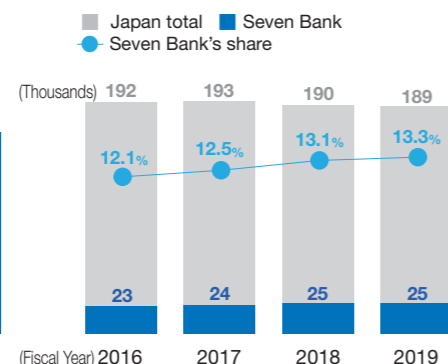
## Reference Data

Percentage of cashless settlements and number of ATM transactions per year in Japan (annual total, Jan.–Dec.)



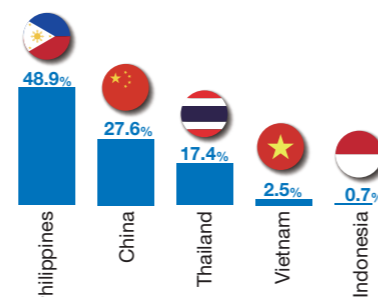
Source: Prepared based on statistics published by the Ministry of Economy, Trade and Industry of Japan

Numbers of total ATMs in Japan and Seven Bank ATMs, and Seven Bank's share (fiscal year)



Source: Research by Seven Bank

Seven Bank's share of international transfers by individuals from Japan (by country) (total for Jan.–Dec., 2020)



Source: Prepared based on statistics published by the Bank of Japan

## Financial Highlights

Unless specifically stated otherwise, figures are as of fiscal 2020 or March 31, 2021.

## Solid financial base

### Net assets

FY2015 **¥184.7** billion ▶ FY2020 **¥234.6** billion

### Capital Adequacy Ratio

**47.93%**

## Efficient capital management

### ROE

**11.3%**

\*ROE = net income/average balance of shareholder's equity

## Strong cash generation

### EBITDA margin

**36.2%**

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

### Cash flow from operating activities

**¥136.0** billion

## Creditworthiness

### S&P Global Ratings

**A+**

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

**AA**

\*The following changes were made as of June 30, 2021.  
- S&P Global Ratings: A  
- Rating and Investment Information, Inc. (R&I): AA-

## Returns to shareholders

### Cash dividend per share

FY2015 **¥8.50** ▶ FY2020 **¥11**

### Payout Ratio

**49.9%**

## Growth

### Consolidated ordinary income

FY2015 **¥119.9** billion ▶ FY2020 **¥137.2** billion

### Consolidated ordinary profit

FY2015 **¥37.1** billion ▶ FY2020 **¥35.6** billion

### Net income attributable to owners of the parent

FY2015 **¥24.7** billion ▶ FY2020 **¥25.9** billion

### Earnings per share (EPS)

FY2015 **¥20.75** ▶ FY2020 **¥22.01**



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.

Seven Bank has designated five "material issues." By addressing them, we aim to contribute to resolving social issues and generate new innovation, while also realizing a better society with healthy business development.

Participation in initiatives

WE SUPPORT



United Nations  
Global Compact\*



Principles for Financial Action  
for the 21st Century

\*Seven & i Holdings stated its support for the United Nations Global Compact corporate responsibility initiative and the principles on human rights, labor, environment, and anti-corruption in 2012.

## 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 the 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 business 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




## 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
- Increased 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 residents

## Material Issues



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



We aim to make  
Seven Bank into a unique bank  
that offers convenience,  
reliability and trust.

**A look back at fiscal 2020 and a review of business results**

As the number of top-up transactions grew dramatically in Japan following the accelerated spread of cashless payment, the average number of transactions per ATM per day also grew steadily overseas, despite the COVID-19 pandemic

In fiscal 2020, the number of ATM transactions per year in Japan fell for the first time in the Bank's history, shrinking by about 2% year on year. The accelerated spread of cashless payment has transformed the structure of the ATM transaction industry, drastically reducing the number of bank transactions and increasing the number of top-up transactions through

smartphone payment providers. Revenue and profit fell this fiscal year and it is difficult to see a way to return to growth based on our previous business model. We recognize that we are reaching a turning point which is generating a positive sense of urgency.

On the other hand, the rapid growth of top-up transactions has also reaffirmed that physical ATMs that can be used safely, securely, and easily are widely trusted as a gateway that helps people become more familiar with digital society.

Also, while it appears that changes in people's lifestyles prompted by the pandemic, such as avoidance of going out and the promotion of teleworking, are providing a boost to cashless payment, the truth is that the number of ATM transactions per year has only fallen by about 2%, which indicates that ATMs are still

an expected presence in people's lives. This year has shown us that we can continue to meet strongly rooted needs for cash amid a shift toward cashless payment while at the same time, there have been signs that we can also play a new role going forward.

Overseas, despite the pandemic, the number of ATM transactions remained steady in the United States and Indonesia, where the shift toward cashless payment has made more progress than in Japan. FCTI, Inc., a consolidated subsidiary which operates our ATM services in the United States, carried out restructuring to eliminate unprofitable ATMs, thereby reducing the number of ATMs it operates. This resulted in a slight fall in revenue but also significantly reduced expenses, leading to a large improvement in profit. PT. ABADI TAMBAH MULIA INTERNASIONAL (ATMi) in Indonesia greatly increased the number of ATMs installed from 200 to 750, leading to a huge increase in revenue.

**Risk and opportunity in regard to changes in the business environment**

Taking an approach that captures environmental changes as early as possible and regards them as chances is the key to fulfilling our mission as a social infrastructure provider and creating new services

While the change we are seeing in the world could be seen as a threat to people trying to stand their ground, it presents opportunities to people who are willing to explore possibilities. I think we need to push ourselves to identify these opportunities and to respond with speed and flexibility.

Although I often hear people say that the advancement of cashless payment will make ATMs unnecessary, I am not so sure that this is true. I feel that we are in an age in which the consumption and payment behavior of each individual, including myself, is divided between a diverse range of choices depending on situation, timing, and mood, and I also think that having options that fit each person's individual circumstances is very reassuring.

Without a doubt, our ATMs help to support this diversity of choice from behind the scenes. In fact, ATMs are playing a large part in this development as a gateway to cashless payment. We offered safe and secure functions and took an open approach as a social infrastructure provider to actively cooperate in further development. As a result, we could get our business on track swiftly.

Currently the role of cashless payment in regional revitalization initiatives, such as digital currency and reward point schemes by local governments and shopping area campaigns, is growing. In these areas, the number of top-up transactions through ATMs has grown rapidly and I believe we will continue to play a role as a bridge connecting people to cashless payment methods.

**Medium-Term Management Plan: 1) Growth strategy**

Moving from preparation for growth to second stage of growth.  
Actively investing in sustainable growth for the future

We have formulated the new Medium-Term Management Plan (FY2021–FY2025), which outlines our goal of seizing the opportunities presented by change in order to realize a second stage of growth. The plan has three main focuses: 1) Growth strategy, 2) contribution to solving social issues, and 3) corporate transformation.

In regard to growth strategy, our plan is to continue "growing our main business as we diversify our operations." This will be achieved through the combination of "evolution of ATMs," which involves identifying new roles for ATMs within a digital society, and "business diversification," which includes overseas development. We will leverage our strengths, such as our formidable network of ATMs, the trust the Bank has cultivated to date, and our ability to collaborate with other Group members, in order to establish a foundation for the second stage of growth.

Looking at the consolidated ordinary income we plan to see in five years' time, we will maintain an



income of ¥100 billion in our core area of ATMs and aim to realize a combined income of around ¥170 billion from our finance business and subsidiaries in Japan and overseas business (as of fiscal 2020, this income is around ¥137 billion). We are also aiming for a consolidated ordinary profit of ¥35 billion. These targets will lead to increased profit and a further acceleration of growth from fiscal 2026 onward.

Therefore, over the five-year period of the plan, we plan to carry out proactive strategic investments totaling around ¥150 billion.

#### Core: ATM platform strategy

Currently, amid noticeable movement by banks to reduce the number of branches and ATMs as part of streamlining efforts, we are seeing more and more requests from places like commercial and public facilities to install ATMs. We expect ATM installation opportunities will increase, and we aim to increase our net number of ATMs in Japan by 550 in fiscal 2021. Alongside efforts to strengthen our development in this area by increasing ATM installations, and amid the accelerating digitalization of government and health-care procedures, we will also tackle the business area covering Individual Number Card coordination, personal authentication, and data usage for financial crime countermeasures by creating services that go

beyond the traditional concept of what ATMs can do. Through these services, we aim to increase opportunities for people to use ATMs with the goal of maintaining an income of around ¥100 billion for the ATM platform business.

#### Growth: Retail and corporate strategies

We will implement business diversification through a retail strategy that strengthens the collaborations we have been building with other Seven & i Group members, pursues unique products, and develops services which provide comprehensive support for the financial and daily life aspects of non-Japanese residents in Japan, thereby making them the best option for these residents. We will also advance a “corporate strategy” focused on a B to B direct sales business that meets the settlement needs of cash handling businesses, such as real-time money transfers and ATM cash receipt, and a B to B to X platform business which offers financial functions, as well as back-office support and systems, on a contracting basis. We will use these two strategies as the pillars upon which we will further expand our operations and customer base.

As we move toward a digital society, the number of new financial and settlement businesses is growing, so I believe that our trustworthy operations, our safe and secure fund management and transfer services,

and our sophisticated authentication and security are important functions that we must leverage as much as possible. This belief comes from my thinking that the B to B to X platform business will further refine these functions and will generate new businesses that can maintain and improve a good life for all of society.

By bringing together our functions as a financial institution and providing more efficient and advanced services not only to financial providers, but also other types of businesses, we can play a behind-the-scenes role and grow complementary relationships with a diverse range of businesses.

#### Overseas strategy

FCTI, Inc. (United States) will continue its restructuring, targeting unprofitable ATMs to further increase the robustness of its profit. Efforts by ATMi (Indonesia) to significantly increase its number of ATMs and by Pito AxM Platform, Inc (Philippines) to realize stable operations will steadily grow the number of ATMs installed and banks we work with, growing our ATM network in each region.

Following this, we will use the ATM business as an entry point for developing multi-layered financial services that utilize aspects such as the data of ATM users and for launching ATMs in new countries. We will carry out this development with a view to launching a global money transfer service.

#### Medium-Term Management Plan: 2) Contribution to solving social issues

##### Use initiatives for tackling the five material issues as a launch pad for realizing sustainable growth by solving social issues

Our first step is to consider how we could leverage our strengths and resources to contribute to society and steadily work toward achieving the five material issues (materialities) (▶ p.34).

Furthermore, we will actively work to reduce CO<sub>2</sub> emissions linked to ATMs by collaborating with business partners, such as outsourcing contractors, to evolve the application of AI in areas such as cash



monitoring and management, and predictive management to prevent ATM malfunctions. Also, we are currently switching to fourth-generation ATMs, so we will reduce environmental impact by ensuring that 100% of third-generation ATMs are recycled. In addition to this, we will actively participate in the Seven & i Group's Green Challenge 2050 in order to contribute to the realization of net zero CO<sub>2</sub> emissions, solutions to social issues, and the achievement of the SDGs.

We believe that realizing a sustainable society is one of our highest priorities as a company. In our new plan, we have once again placed this at the core of our management strategies and we have established a Sustainability Committee comprising not only the president and officers, but also employees and external experts. This committee will consider and discuss further efforts.

#### Medium-Term Management Plan: 3) Corporate transformation

##### Advancing the CX Project which aims to transform the organization to make it suitable for new environments

Nowadays, companies need to change in accordance with the business environment, so we have established the Corporate Transformation (CX) Project which aims to transform the Bank in terms of both “human resources, organizational, and corporate culture,” and “data-driven business models and processes,” with a particular focus on changing workers’ mindsets and evolving technology.

We think that Seven Bank's strengths are our culture of taking on challenges without fear of change and the human resources that make this possible. This, combined with our formidable network of ATMs





and related expertise, and the trust people have in us as a bank, enables us to create new financial services and to be a unique presence. It is the driver of sustainable growth. To enhance these strengths, we will take a further step toward becoming a more advanced organization where independent employees who improve their skills, build their own careers, and choose their own working style can play active roles.

We are currently working to strengthen internal communications and as part of this we are archiving content such as seminar programs that sparked activity within the Bank, any events that happened in-house, medium-term management plans, financial statements, business plan briefings by each division, and contents describing our experiences over the 20 years since our founding and how we overcame crises such as the Great East Japan Earthquake, counterfeit card issues overseas, and skimming incidents. By providing such a diverse selection of materials, we hope to support self-study among employees and cultivate an interest in not only the task at hand, but also other divisions and the Bank as a whole. We also think this will facilitate personnel placement and human resources development that considers the

orientation of each individual revealed through the results of training.

As we move toward a digital society, we plan to further evolve the operational framework of ATMs, which has been optimized for realizing ATMs that can be used safely and securely and will definitely not stop, as we have maintained since starting our business. We are also considering utilizing and analyzing data in a way that is different from traditional ATMs, such as using varied data in crime countermeasures in the security area, using it in acts of business, or incorporating it into business processes.

#### Corporate governance

### Making Board of Directors meeting discussions more dynamic and enhancing the creation of communication opportunities as part of succession planning

In fiscal 2019, we made it so only the two representative directors may serve as directors with executive authority over operations and in fiscal 2020, we focused on 1) making discussions at Board of Directors meetings more dynamic and 2) creating opportunities for dialogue and communication between outside directors and potential next-generation leaders as part of succession planning. In regard to making discussions at Board of Directors meetings more dynamic, we have increased effectiveness by decreasing the time allotted to discussion of matters to be resolved, thereby increasing time for strategic discussion. This process enabled us to spend multiple sessions discussing the new medium-term management plan. In regard to creating opportunities for dialogue, we have executive officers give outside directors briefings on the operations that they are responsible for, creating opportunities for discussion. This initiative has been well received by the outside directors and we will continue implementing it and also consider how to expand it.

#### Message to stakeholders

### We will use the confidence built up over 20 years of creating and entrenching unique new services that fulfill the wishes of our customers one by one as a driver for creating further shared value

We started by installing ATMs at 7-Eleven stores and now operate ATMs that can process cards issued overseas and transfer money abroad. We have also realized ATM deposits and withdrawals using smartphones, top-up services for electronic money and smartphone payment apps, ATM cash receipt that enables companies to send money to individuals without using an account, and Individual Number Card processes that enable people to apply for Individual Number Card Points or to use their Individual Number Card as a health insurance card.

Naturally, we have encountered failure during these efforts. However, we have never let failure slow us down and kept working hard to achieve customers' wishes that other companies did not deal with. Through these experiences, we have built up our great confidence.

Our 20th anniversary presents a turning point for the Bank and believing that we needed to redefine our reason for being, we formulated the Purpose of Seven Bank which states our intent to "create a better version of daily life by going beyond the wishes of our customers." Pursuing new social value and uniqueness offers the peace of mind provided by unlimited possibilities and frees us from the hardship of merely trying to keep pace with others. Continuing in this manner gives value to our existence and as long as we persevere with this approach, I think we will continue to be an essential presence in society.

In fiscal 2021, we expect to see the COVID-19 pandemic and current trends in consumer behavior and cashless payment continue. Regarding business results, although non-consolidated revenue is likely to decrease, we also plan to expand overseas operations



and the operations of subsidiaries in Japan, which will lead to an increase in consolidated revenue. Profit is also expected to decrease due to factors such as depreciation and amortization and an increase in systems expenses following systems upgrades. However, we intend to steadily continue investment aimed at realizing sustainable growth to avoid falling into the balanced contraction. We will properly account for our strategic investment though cash flow from operating activities and always consider realistic amounts, so we can maintain stable and continuous shareholder return, primarily through dividends.

Going forward, we think that diversity will be important to the extent that it will be seen as a symbol of prosperity. Therefore, rather than trying to keep pace with our competitors, we will continue to refine the ATM infrastructure that is our strength so that we can continue striving to create social value with all stakeholders, including customers, clients, business partners, and employees, and to make our second stage of growth a reality as a unique bank that offers convenience, reliability and trust. We hope to continue receiving your opinions and expectations and look forward to your ongoing support.



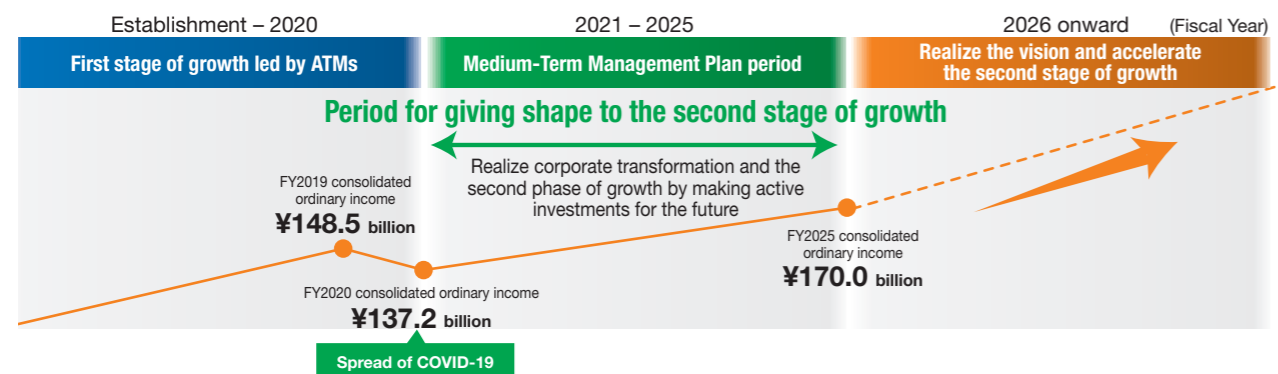


## Vision of Medium-Term Management Plan (FY2021–FY2025)

# Diversify Business and Give Shape to the Second Stage of Growth

Times change, and so do people's needs and wants. They also become diverse. While holding true to our core philosophy, we keep evolving to meet our customers' wishes. "If there was an ATM at a 7-Eleven store, it would be more convenient."—Seven Bank was established in response to such customer needs, and has been in business for 20 years. We have compiled a new five-year Medium-Term Management Plan, positioned as a period for giving shape to the second stage of growth aimed at sustainable growth. As a unique bank that succeeds in being close-by, convenient, reliable and secure, we will continue taking on the challenge of new initiatives that provide support for people and society, with a focus on the three pillars of growth strategy, contribution to solving social issues, and corporate transformation.

### Positioning of Medium-Term Management Plan Period



### Overview of Plan

We will give concrete shape to the second stage of growth with focus on "growth strategy," "contribution to solving social issues," and "corporate transformation."

Growth strategy		
Evolve from cash platform to ATM+	Domestic business	Core: ATM platform strategy
		Growth: Retail strategy
	Overseas business	Corporate strategy
Expand growth fields that come after ATMs by leveraging our strengths (business diversification)		Overseas strategy

Contribution to solving social issues	Corporate transformation
Review basic policy and structure of sustainability promotion Further develop initiatives for the five material issues Cooperate with the group and external contractors for solving environmental issues	Reform into an organization where independent human resources can play active roles Innovation of business model and process with focus on data utilization and efficiency improvement

## Business Expansion Starting from the Strengths of Seven Bank

Expand business, going beyond the wishes of our customers and business partners



We will leverage Seven Bank's strengths including our ATM platform and network, the trustworthiness we have cultivated as a bank, and synergy with the Seven & i Group, as well as the customer base of the Group's stores and its store network to create new businesses.

In our ATM platform strategy, we will go beyond the conventional concept of the ATM to develop an ATM+ world. In our retail strategy, we will strengthen collaboration with the Seven & i Group and pursue unique products to create services that are chosen. In our corporate strategy, we will expand the direct sales

business in response to settlement needs, primarily cash handling, and the contract-based business that integrates offering of financial functions as well as back-office support and systems to accelerate business diversification.

In our overseas strategy, we will develop multi-layered financial services with an ATM business that meets local settlement needs as the entry point while considering initiatives with a view to expanding ATMs into new countries.

## Growth Strategy 1: ATM Platform Strategy (Core Area)

# Expand ATM's social values and establish formidable presence in the market

In addition to social value as a cash platform, we will create services that go beyond the conventional concept of an ATM, including support for digitization of administrative and medical services, personal authentication, and measures to prevent financial crimes, with a view to utilization of data. We will pursue new social value for the ATM as a service platform to establish formidable presence in the market.

### Creating an environment where services are available anytime and anywhere

There are increasing calls for installation of ATMs in transportation and commercial facilities. In addition, as banks reduce the number of branches and ATMs in pursuit of streamlining, Seven Bank will promote replacement of ATMs by its partner financial institutions by reducing operating costs and utilizing its extensive operational know-how, thereby contributing to greater efficiency in financial operations.

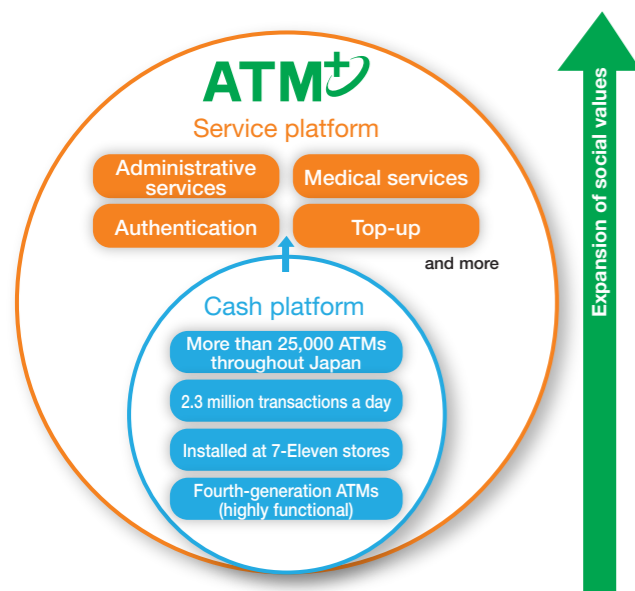


### Serving as a bridge to the digital society

With the acceleration of a cashless society, top-up transactions for cashless settlements from ATMs are on the rise. The new role for the ATM will be served as a familiar gateway to the digital society that can be used safely, securely, and easily in physical locations.

### Expanding the financial world through ATM+

Administrative and medical services are becoming increasingly digitized. Seven Bank's ATMs are the only service platform with an infrastructure that enables collaboration with administrative and medical services, such as applications for Individual Number Card Points and applications for the use of the Individual Number Card as a health insurance card. Leveraging these strengths as a platform, we will develop new ways of using ATMs and continue to further expand their social values.



**Administrative bodies, medical institutions, etc.**  
The only ATM that has a platform that enables collaboration with administrative and medical services

Applications for Individual Number Card Points    Individual Number Card ↔ Application for the use of Individual Number Card as a health insurance card

**Operating companies**  
Attractiveness as a top-up method  
Attractiveness as a platform that enables service collaboration of various kinds including authentication and data collaboration

Top-up for various Pay services    Expansion of authentication business

**Partner financial institutions**  
Reducing the number of ATMs due to streamlining  
→ Attractiveness of highly functional ATMs that attract customers  
Replacement of ATMs by partner financial institutions

We have replaced 327 ATMs by 31 financial institutions so far.

## Growth Strategy 2: Retail Strategy (Growth Fields in Japan [1])

# Provide new value by strengthening collaboration with the Group and pursuing unique products

Roughly 22.4 million customers visit Seven & i Group stores every day. We will provide new value in the daily lives of customers by strengthening collaboration with the strengths of the Seven & i Group, such as its ability to attract customers and its store network, and offering unique financial products pursuing user interface (UI) and user experience (UX). Moreover, we will further strengthen the ties with non-Japanese residents cultivated through our international money transfer services with the aim of offering services that are chosen by them.

Strengthening collaboration with Seven & i Group and pursuing unique products

Strengthen Group collaboration using 7iD and increase customers

Offer unique products and services

Make it easy to understand and use

Credit

Investment

Insurance

Collaborate also with investment targets to enhance services

Offering services that comprehensively support financial and daily life aspects of non-Japanese residents and are chosen by them

Get involved with finance of technical interns and skilled workers before their arrival in Japan and expand market share

Cooperate with local financial institutions regarding offering of loans for travel expenses and their repayment

Provide full financial and daily life support after their arrival in Japan

Payment

Receiving salary

International transfers

Borrowing money

Offer daily life support such as multilingual support and dissemination of local information

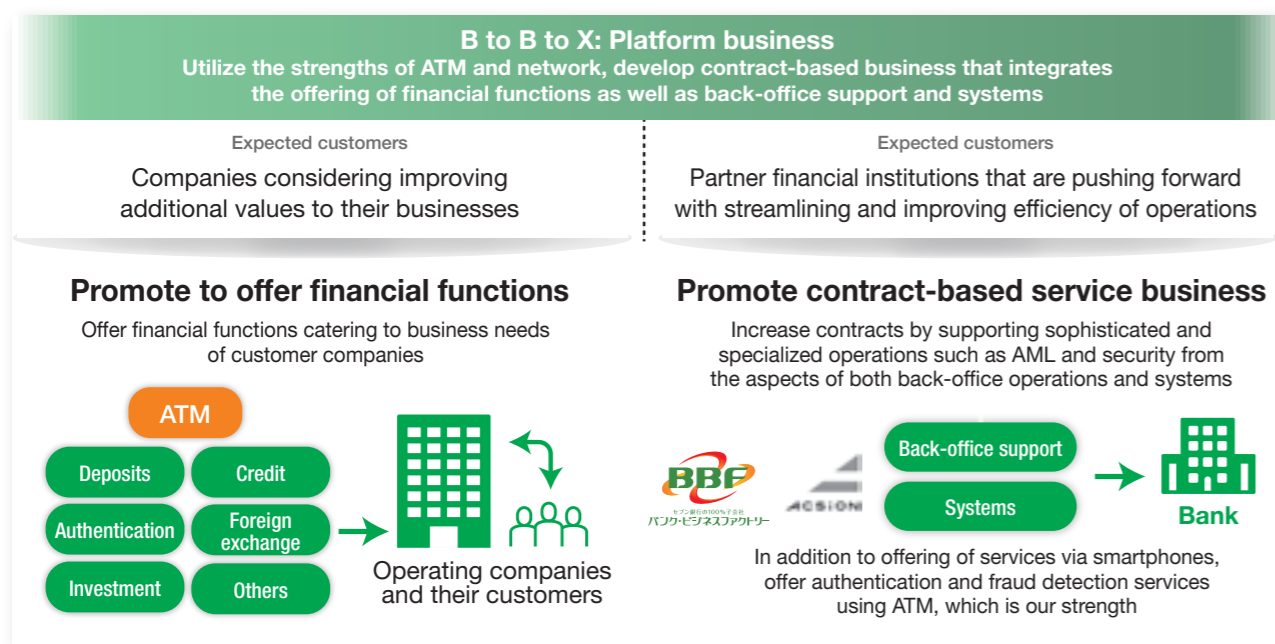
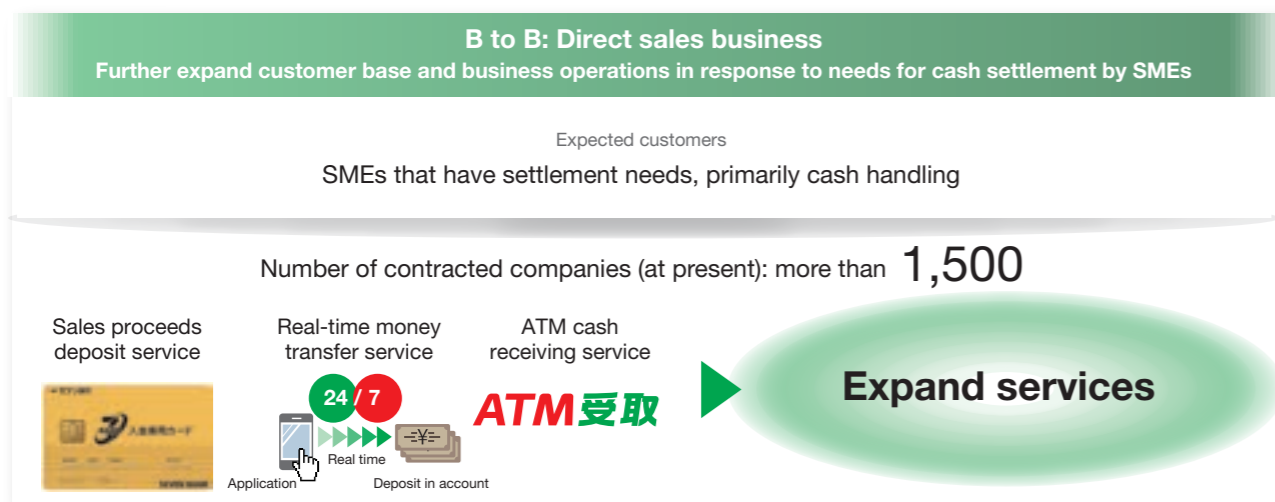


### Growth Strategy 3: Corporate Strategy (Growth Fields in Japan [2])

## Leverage our know-how as a bank to meet the needs of corporate customers

We believe that the highly reliable back-office processing capabilities, safe and secure fund management and fund transfer, and advanced authentication technology and security functions that Seven Bank has cultivated over the past 20 years are key resources now that we are heading into a digital society.

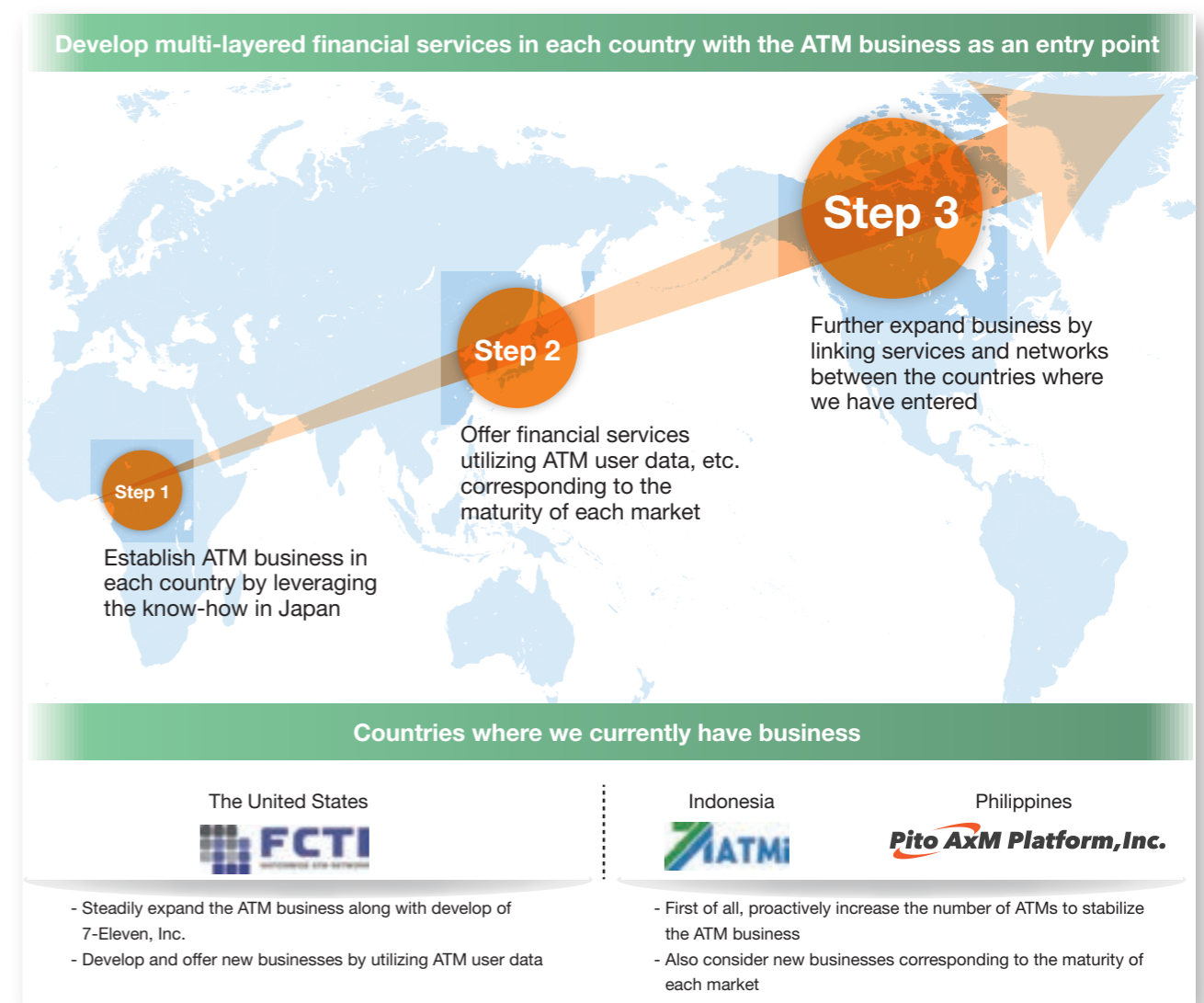
At a time when new businesses are entering the finance and settlements market, we will continue to refine and offer our strengths to society, leading to the creation of new businesses, including corporate business.



### Growth Strategy 4: Overseas Strategy

## Develop multi-layered financial services with the ATM business as an entry point

Leveraging our ATM operation know-how, we have expanded our ATM services to three countries: the United States, Indonesia, and the Philippines. Under the overseas strategy in our Medium-Term Management Plan, we intend to develop multi-layered financial services with the ATM business as an entry point. First of all, we will achieve stable operation of ATM services and steadily expand the number of ATMs and partners to establish an ATM network that meets the settlement needs of each market. Next, we will develop financial services utilizing ATM user data. Beyond that, we will work with a view to diverse business collaborations, such as fund transfers between Group ATM networks in the United States, Indonesia, and the Philippines, as well as any new areas we expand into.



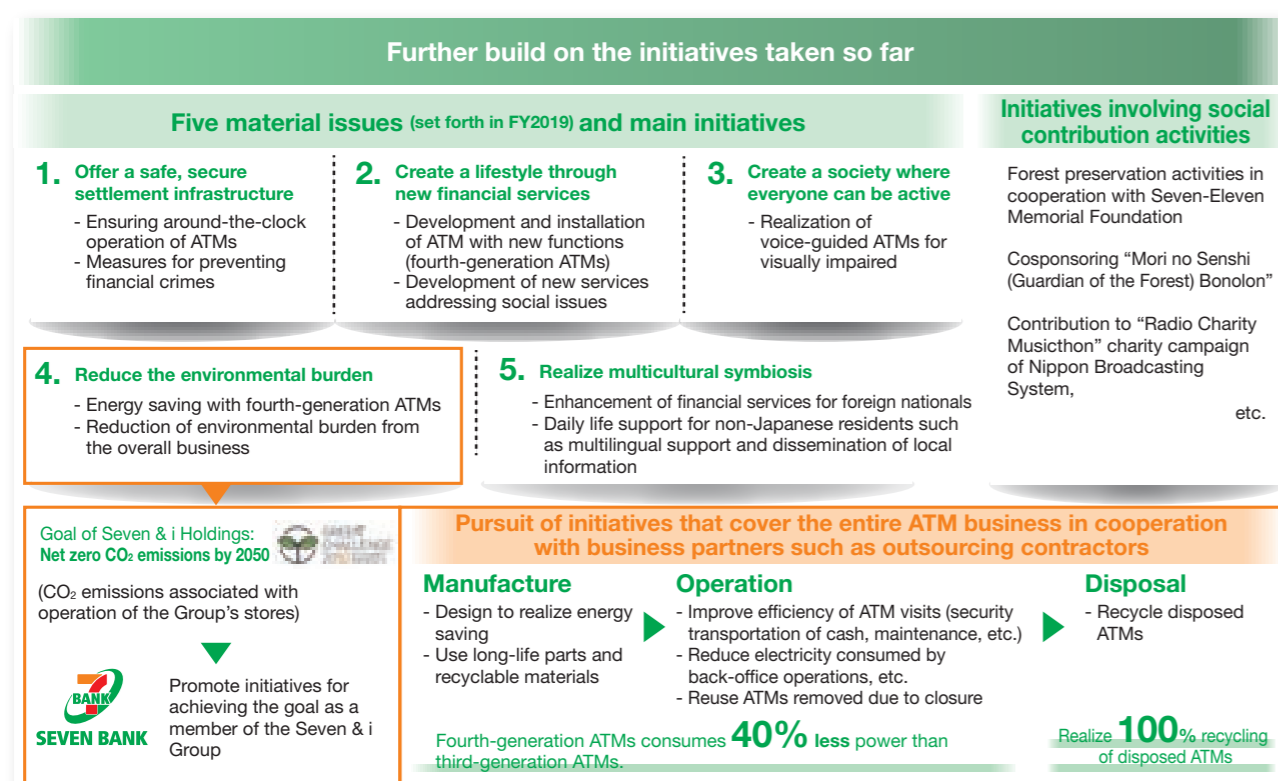
## Contribution to solving social issues

# Tackle social issues and contribute to realizing a sustainable society

Toward a sustainable society, Seven Bank set five material issues in fiscal 2019, and we have been implementing initiatives utilizing our strengths and management resources. Going forward, we will continue working with our business partners to reduce the environmental burden associated with the operation and maintenance of ATMs. Moreover, as a member of the Seven & i Group, we will actively participate in Green Challenge 2050 and contribute to solving social issues and achieving the SDGs.



Review of basic policy and promotion structure (April 2021) See page 33 for details

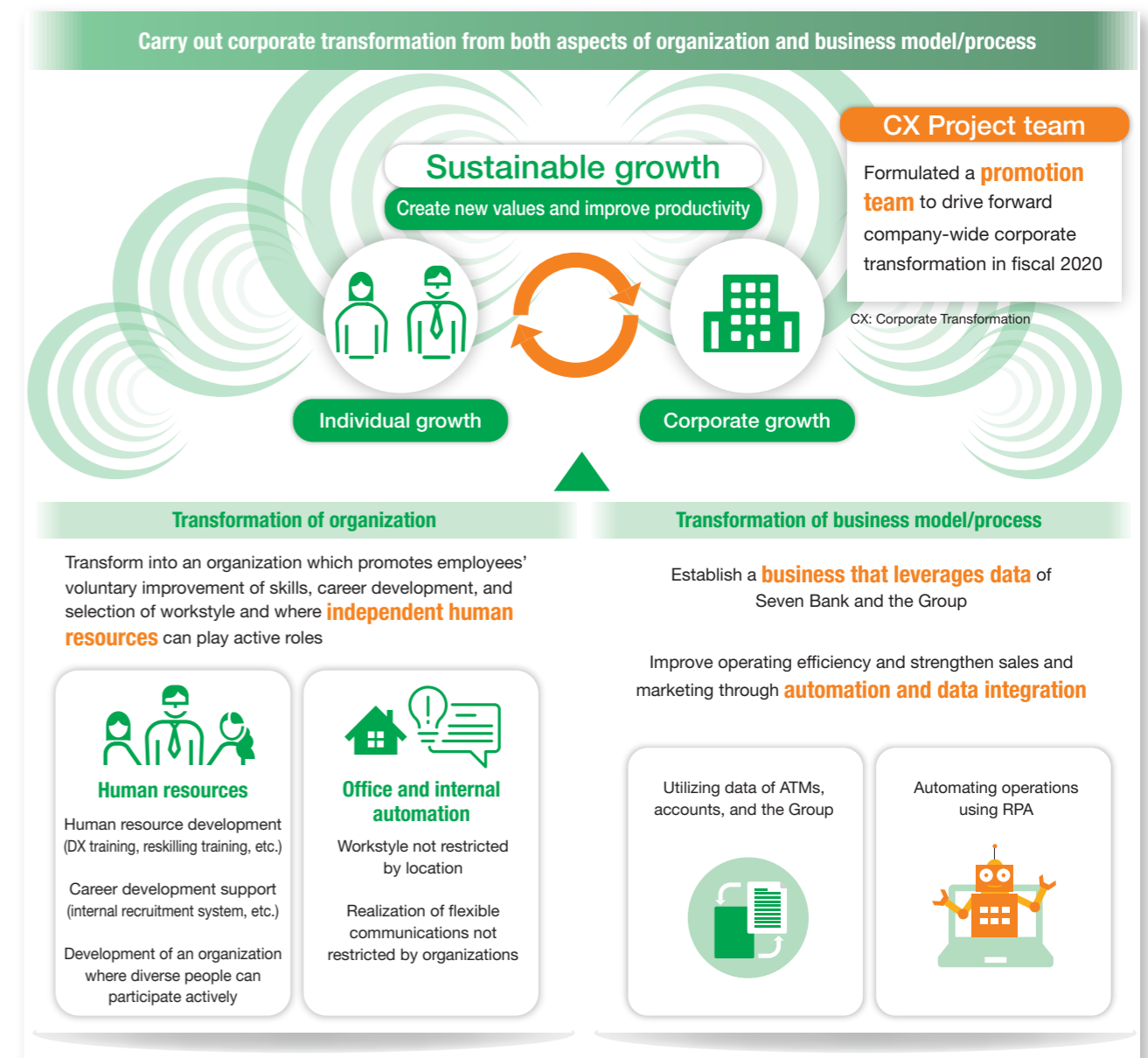


## Corporate transformation

# Carry out corporate transformation through further growth of individual employees

Becoming a bank supported by and coexisting with society. Seven Bank will carry out corporate transformation from both aspects of "human resources, organization, and corporate culture" and "business model and business process" through utilization of digital technology and data.

As part of such initiatives, we launched a Corporate Transformation (CX) Project to drive the change, examine all internal systems, and make company-wide improvements.





## Financial Goals, Financial Strategy, and Shareholder Returns

# Aim to achieve both growth investment for future advance and stable shareholder returns

After 20 years in business, Seven Bank is now at the starting point for its next 20 years. Amid major changes in society, the environment surrounding the Bank is also changing increasingly. These conditions necessitate bold transformation and new investment in order to gain the trust of customers and achieve sustainable growth. Leveraging our solid financial base, we will work to realize both active investment for future growth and stable shareholder returns.

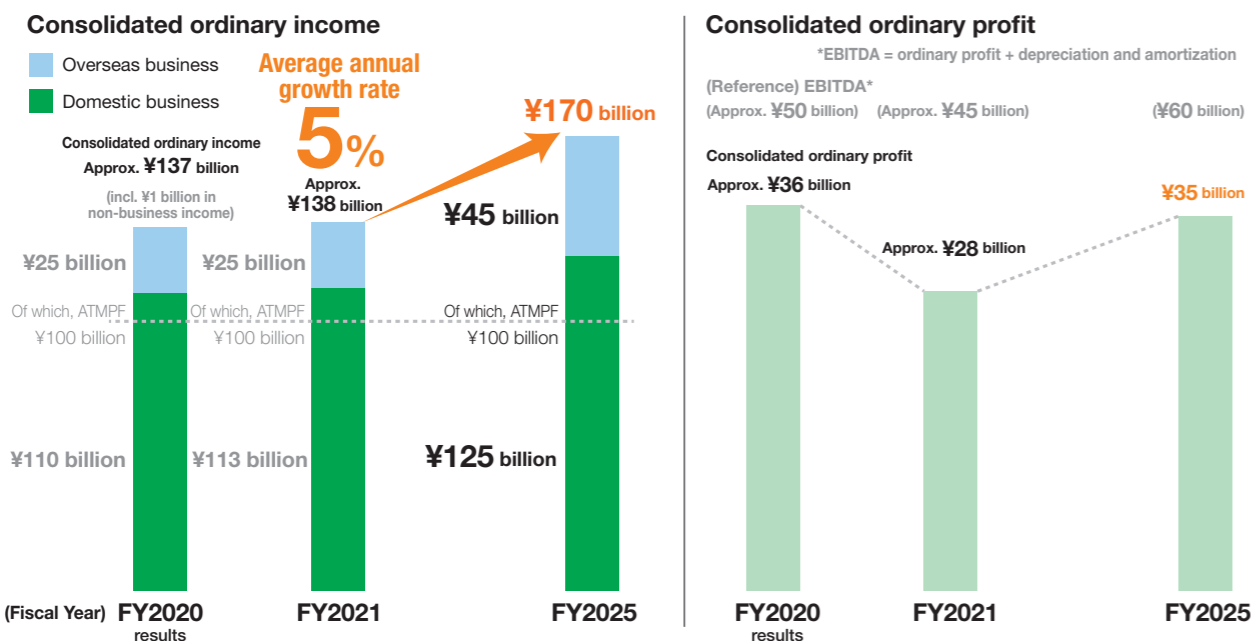
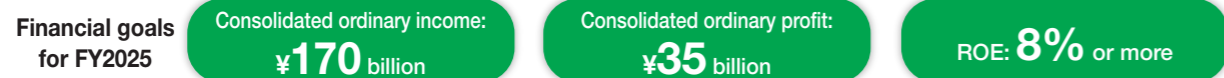
### Financial Goals

Creating a firm path to the second stage of growth through evolution of ATMs and business diversification

We will strive to expand profit through both the evolution of ATMs to create new roles for ATMs in the digital society and business diversification, including overseas expansion. We aim to achieve consolidated ordinary

income of 170.0 billion yen, consolidated ordinary profit of 35.0 billion yen, and ROE of 8% or more in five years' time.

Attach utmost importance to profit expansion in the Medium-Term Management Plan period for business diversification



## Financial Strategy

### Accelerating investment in growth fields for future profit expansion

We plan to invest a total of 150 billion yen over the five years of the Medium-Term Management Plan. This investment will include approximately 70 billion yen in growth, approximately 30 billion yen in maintenance of infrastructure, such as updating systems related to core business, and approximately 50 billion yen in installing new ATMs.

As the breakdown of growth investment, we will invest 30 to 40 billion yen in growth fields in Japan, 20 to 25 billion yen in overseas business, and 5 to 10 billion yen in promoting corporate transformation, in a systematic manner.

Invest a total of 150 billion yen during the Medium-Term Management Plan period for future profit expansion

#### Basic policy

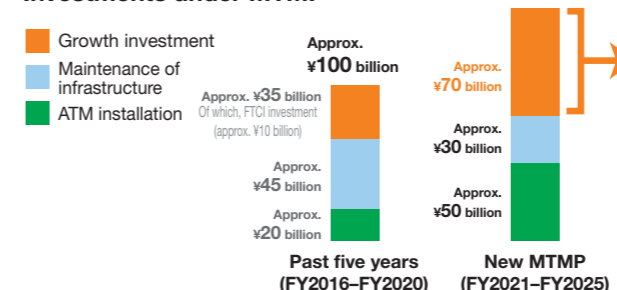
- Achieve both proactive investment for future growth and stable shareholder returns
- Use cash flow\* for investment and dividend payment

\*Cash flow: Net income + depreciation and amortization

#### Investment details

- Make growth investment (in the scale of **¥70 billion**) aimed at promotion of growth strategy and corporate transformation
- Promote installation of the fourth-generation ATMs and develop infrastructure that realizes the wishes of our customers

#### Investments under MTMP



#### Breakdown of major growth investments

- Investment in growth fields in Japan (¥30-¥40 billion)
- Investment in overseas business (¥20-¥25 billion)
- Investment for promoting corporate transformation (¥5-¥10 billion)

## Shareholder Returns

### Maintaining a firm financial foundation and providing stable shareholder returns

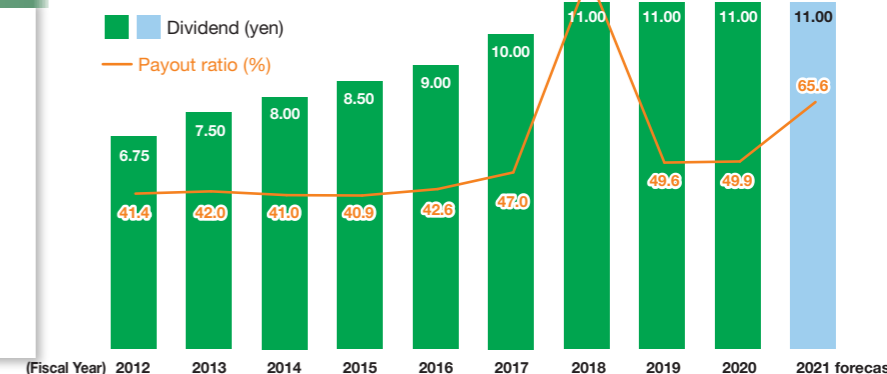
Seven Bank has maintained stable and continuous dividends backed by its firm financial foundation. During the Medium-Term Management Plan period, we will aim to maintain stable and continuous dividends while taking

into account the actual dividend amount. We will also maintain a payout ratio of 40% or more and provide stable shareholder returns at the same time, while using cash flow to fund active investment for future growth.

#### Basic policy

Maintain stable and continuous shareholder returns centered on dividends, backed by a firm financial foundation

#### Payout Ratio



## Seven Bank's Sustainability

Maturity and poverty, an aging population and a declining birthrate, overpopulation and depopulation, global warming and unusual weather—the world in which we live faces numerous complex issues. Amid an undergoing extreme change, the roles and value customers demand of Seven Bank are also changing drastically. Based on this environmental change, Seven Bank has positioned the promotion of sustainability as the basis for its management strategy and is aiming to contribute to the achievement of the Sustainable Development Goals (SDGs) together with the sustainable growth of the Seven Bank Group.

To realize this, we are not limiting ourselves to just CSR activities and have reformed our sustainability promotion policy and structure this fiscal year, clearly stating that we will proactively work on solving environmental and social issues through business activities and create value for both the environment, society and the company.

Through the promotion of sustainability, we wish to aim for the realization of a society in which all our customers, including all our future customers, can live fulfilling lives in a comfortable environment, now and in the future.

In order to realize these things, we will value discussion from the perspective of the customer, work with business partners to contribute to the resolution of issues which adversely affect society and the environment, and engage in business activities which produce new social value.

In addition, in all aspects of our actions and business activities, we will always maintain an awareness of our influence on society and the environment. Each and every employee, up to and including officers, will always engage in business activities and social contribution activities with responsibility and an awareness of being a member of society, in order to leave a better world for future generations.

### Transitioning from a CSR Promotion Structure to a Sustainability Promotion Structure

In April 2021, we changed the name of the CSR Environment Committee to the Sustainability Committee. At the same time, in order to incorporate diverse opinions, we invited outside experts to participate as committee members, transforming the committee into one that

was more effective. The committee will discuss important matters regarding the promotion of sustainability, as well as evaluate the state of initiatives aimed at the resolution of social issues and environmental problems.

<b>Board of Directors</b>	- Decisions regarding policies, important matters, etc. - Status evaluation
<b>Executive Committee</b>	
<b>Sustainability Committee</b>	- Sets forth policies, company-wide action plans, KPI, etc., confirms implementation status, and presents evaluations, etc. to the management - Diversify committee members
<b>Divisions and subsidiaries</b>	- Promote and implement measures

## Five Material Issues

In 2019, Seven Bank designated five material issues (materialities) in order to work to resolve social issues and environmental problems through its business activities. We are aiming for the entire company to unite and proactively and continuously tackle these material issues and contribute to achieving the SDGs, as well as improving our social and corporate value.

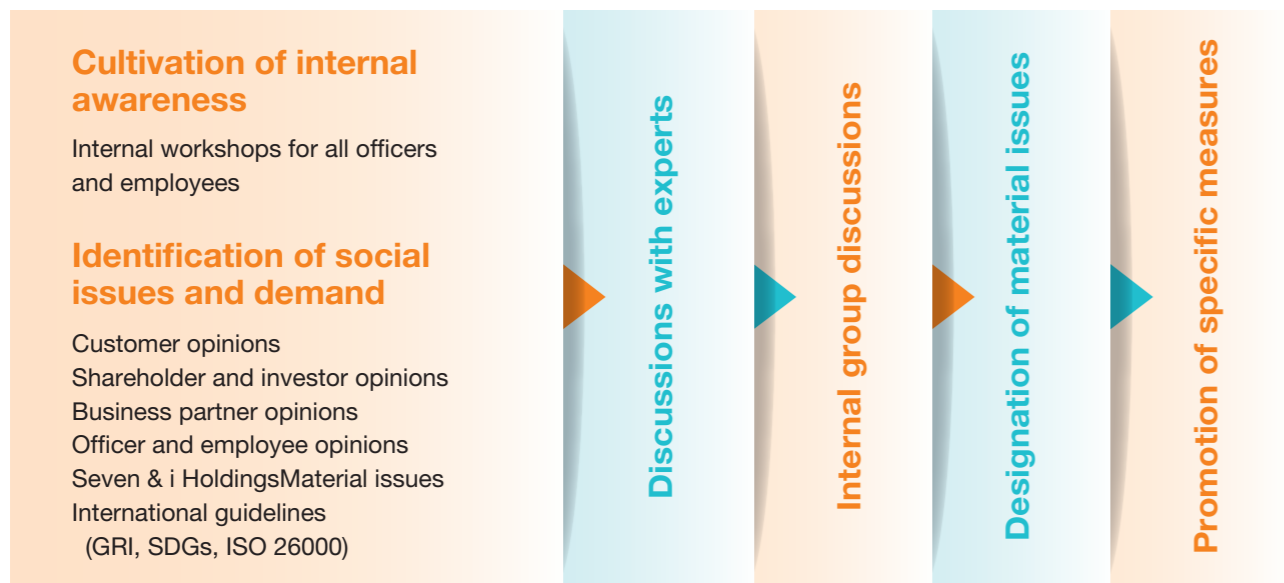


Material Issues	Description	Relevant SDGs
<b>1 Offer a safe, secure settlement infrastructure</b>	As digital settlement gains popularity, concerns have emerged regarding financial crimes and security. Seven Bank will fulfill the role of social infrastructure which can be used anytime, anywhere with safety and security, as part of every customer's daily life.	   <a href="#">▶ See page 37.</a>
<b>2 Create a lifestyle through new financial services</b>	There is demand for familiar, convenient financial services which are available anytime, anywhere, to anyone. Seven Bank is exploring new financial services and, through offering equal opportunity services, aims to realize a society in which everyone is able to enjoy a better life.	  <a href="#">▶ See page 41.</a>
<b>3 Create a society where everyone can be active</b>	By establishing an environment in which not only customers but also employees can equally demonstrate their abilities regardless of gender, age or nationality, we aim to realize a society in which no one is left behind or discriminated and the diverse work styles of diverse people are recognized.	     <a href="#">▶ See page 43.</a>
<b>4 Reduce the environmental burden</b>	Risks from climate change, including rising sea levels, increased incident of unusual weather events, and the impact on the farming and fishing industries, pose major threats to our life on this planet. In addition to proactively working to reduce its environmental burden through its business activities, Seven Bank is tackling environmental problems as citizens of the earth via its own actions in order to leave a better world for future generations.	    <a href="#">▶ See page 47.</a>
<b>5 Realize multicultural symbiosis</b>	Due to globalization as well as domestic labor shortages, the number of non-Japanese persons working in Japan is increasing annually. In addition to providing convenient and pleasant financial services, Seven Bank is contributing to the resolution of social issues by supporting comfortable lifestyles so that people of differing nationalities, ethnic groups, and languages can coexist with local communities.	   <a href="#">▶ See page 49.</a>



## Material Issues Designation Process

Seven Bank's five material issues were designated in 2019. Through means such as awareness-raising workshops involving all officers and employees on topics including "What is CSR?" and "Why are the SDGs necessary?", surveys of shareholders and investors, looking at social demand, and lectures and discussions which included experts, several potential issues were identified. Based on these activities, several internal group discussions were held involving the management team and employees to designate the final five material issues. After the designation, presentations were held for employees, raising awareness so that employees could perceive and work on the material issues as something directly relevant to them.



The general process involved in designating the five material issues was as follows.

### 1. Internal workshops

We studied Seven Bank's roles and issues, which change in accordance with stakeholder expectations and social demand, from the perspective of ESG management and the SDGs.

### 2. Discussions with experts

Based on the reasons why CSR and the SDGs are necessary as well as the social context and overviews of material issues, discussions were held between outside experts and our officers and employees regarding what issues Seven Bank should tackle.

### 3. Internal group discussions

At internal discussions, employees were encouraged to participate in the designation of the material issues in order to enable the participants to tackle the issues as something directly relevant to themselves. The social issues which the management team and employees should prioritize were narrowed down and, after repeated discussions on what Seven Bank could do (currently and in the future) and what it should do (stance), the final five material issues were designated.

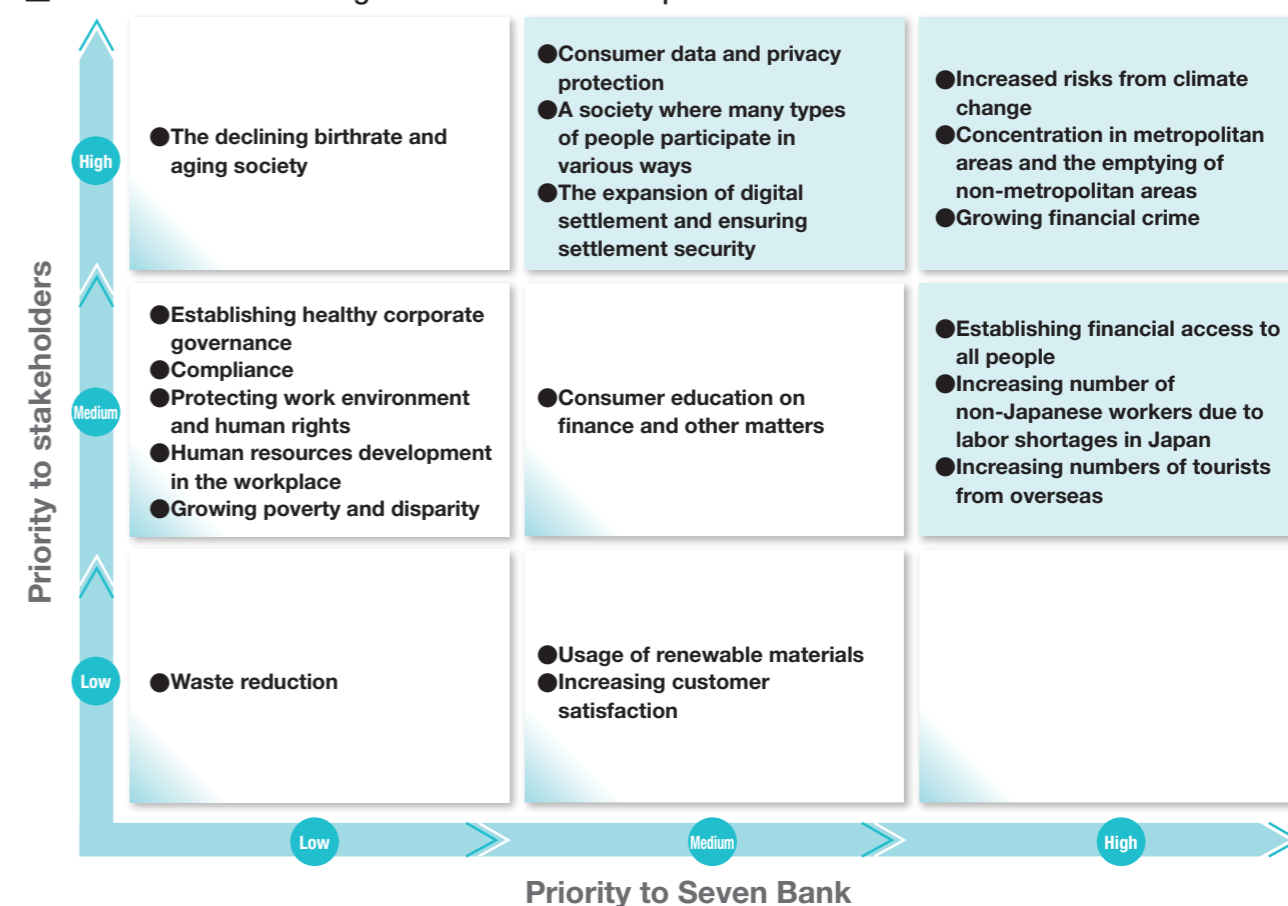
### 4. Employee awareness raising

Presentations were held for all employees regarding the context, process, and goals of the designation of the material issues so that each and every employee could perceive the issues as something directly relevant to them and tackle them as part of business activities. The aim was to cultivate awareness among all employees as to what they personally as well as their division could do with regards to the material issues.

## Designation of the Material Issues

Seven Bank's stakeholders are truly diverse, including customers, shareholders, business partners, members of the local community, and employees and their families. Amid an array of intertwining interests, the roles demanded of Seven Bank by society are growing more complex year by year. In the course of the designation, we identified and narrowed down issues faced by stakeholders and Seven Bank respectively, then selecting the five material issues based on degree of priority as shown below.

### ■ Social issues and changes Seven Bank should prioritize



**Vertical axis** : Created in accordance with surveys of shareholders and investors (individual investors, analysts in the financial world, etc.), and officers and employees based on domestic and international CSR guidelines such as the GRI Standards and ISO 26000

**Horizontal axis** : Created in accordance with repeated internal discussions conducted with groups consisting of a wide range of job classes, including the management team

### Identified high-priority social issues and narrowed down to a group of five

- 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

## Material Issue 1: Offer a Safe, Secure Settlement Infrastructure



Even as there is demand for financial services which address the use of smartphones, the diversification of payment methods, and other changes of the times, without comprehensive measures for dealing with matters such as concerns about security and the increasing sophistication and ingenuity of financial crimes, customers cannot go about daily life with peace of mind. Seven Bank is contributing to the resolution of social issues through the provision of a settlement infrastructure which is not only convenient but which can also be used safely and securely.

## Evolving ATMs

### Fourth-generation ATMs that Meet Customers' New Needs

Our fourth-generation ATMs show a better version of daily life. We began installing them in September 2019 and have replaced over 25,000 ATMs nationwide. With personal authentication using facial recognition and the capability of reading QR codes\*, fourth-generation ATMs are opening a new world of possibilities for ATM

use as a multifunction platform with capabilities beyond those of conventional ATMs, whose primary function was the withdrawing and depositing of cash. We are also aiming for greater operating efficiency by using AI for forecasting demands for cash and predicting various types of parts breakdowns.

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

←···· Responding to Change ·····→		·········· Strengthening Fundamentals ··········→	
ATMs chosen by customers	Providing a safe, secure settlement infrastructure	Even greater convenience	
Uniqueness and differentiation	Security and countermeasures to financial crime	Pursuing ease of use	
<p>We offer an operating area that consolidates new functions in a subdisplay. Combinations of these functions provide various new services that address changes in society and customer needs, including cashless payment and lifestyle diversification.</p> <ul style="list-style-type: none"> <li>Advanced camera and high-precision facial recognition technologies achieve personal authentication that is fast and secure.</li> <li>A large, surrounding visor gives a sense of privacy and reduces concerns about someone standing nearby glancing at another person's transaction.</li> <li>In addition to a contactless IC reader for topping up electronic money and other functions, ATMs can read driver's licenses, Individual Number Cards, passports, and other personal identification documents, and also have a QR code* reader function.</li> <li>Bluetooth communication provides smooth connection to a smartphone.</li> <li>ATMs can automatically detect financial crime and notify an ATM Call Center that conducts monitoring 24 hours a day.</li> </ul>	<p>We have strengthened security in response to financial crime becoming more sophisticated and ingenious with advances in digitalization. We provide services that can be used safely and securely at any time.</p>	<p>We provide an environment for comfortable use with a simple design featuring large letters and wide margins on a large display that is easy to read.</p>	

## Realizing ATMs that Operate Continuously

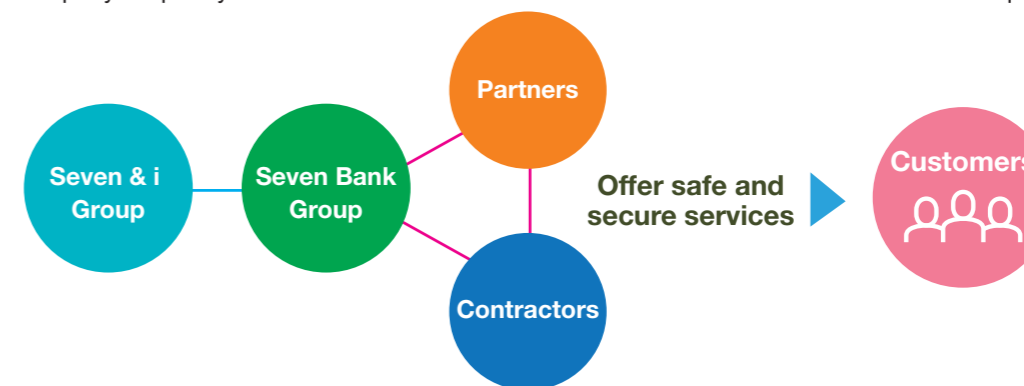
### Collaboration with Partner Companies

#### Relations with an ATM manufacturer

Seven Bank develops and manufactures its ATMs jointly with its manufacturing partner. In their development, we aim to always stand in our customers' shoes, share new needs and ideas between both companies, and implement new designs only after repeated study and consideration. Our ATMs are assembled in Japan by our partner company, and Seven Bank officers and employees pay unannounced observation visits in order to absolutely ensure quality. In addition, we carry out preventative maintenance such as timely inspections based on information from sensors within ATMs in order to prevent ATM outages. In the event maintenance becomes necessary due to an unforeseen problem, we send a maintenance worker from our partner company to quickly restore service.

#### Collaboration with security companies and ATM Call Centers

Seven Bank's ATMs operate 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. Security companies respond to ATM outages and provide ATM security and secure transport. They also monitor cash demand in line with usage patterns to forecast the appropriate amount of cash to have inside an ATM and efficiently replenish cash as needed, keeping the frequency and duration of stoppages to a minimum. ATM Call Centers also monitor our ATMs 24 hours a day, 365 days a year, and remotely recover out-of-service ATMs. Through this collaboration with partner companies, Seven Bank's ATMs are able to achieve a 99.98% operating rate.



### Collaboration with Partner Financial Institutions

Together with providing ATM services available any-time, anywhere, to anyone, and with safety and security, we have provided our ATM network infrastructure and operations expertise and management know-how, contributing to the enhancement of customer convenience and the reduction of 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 by, among other means, supporting cards issued overseas and various types of electronic money and offering new settlement services such as QR and bar-code settlement. In addition, we offer our expertise in preventing fraudulent accounts to our consolidated subsidiary Bank Business Factory Co., Ltd., thereby providing new support services to countermeasure money laundering and back-office support on commission, contributing to the resolution of social issues in the finance industry as a whole.

### Emergency Business Continuity Preparedness

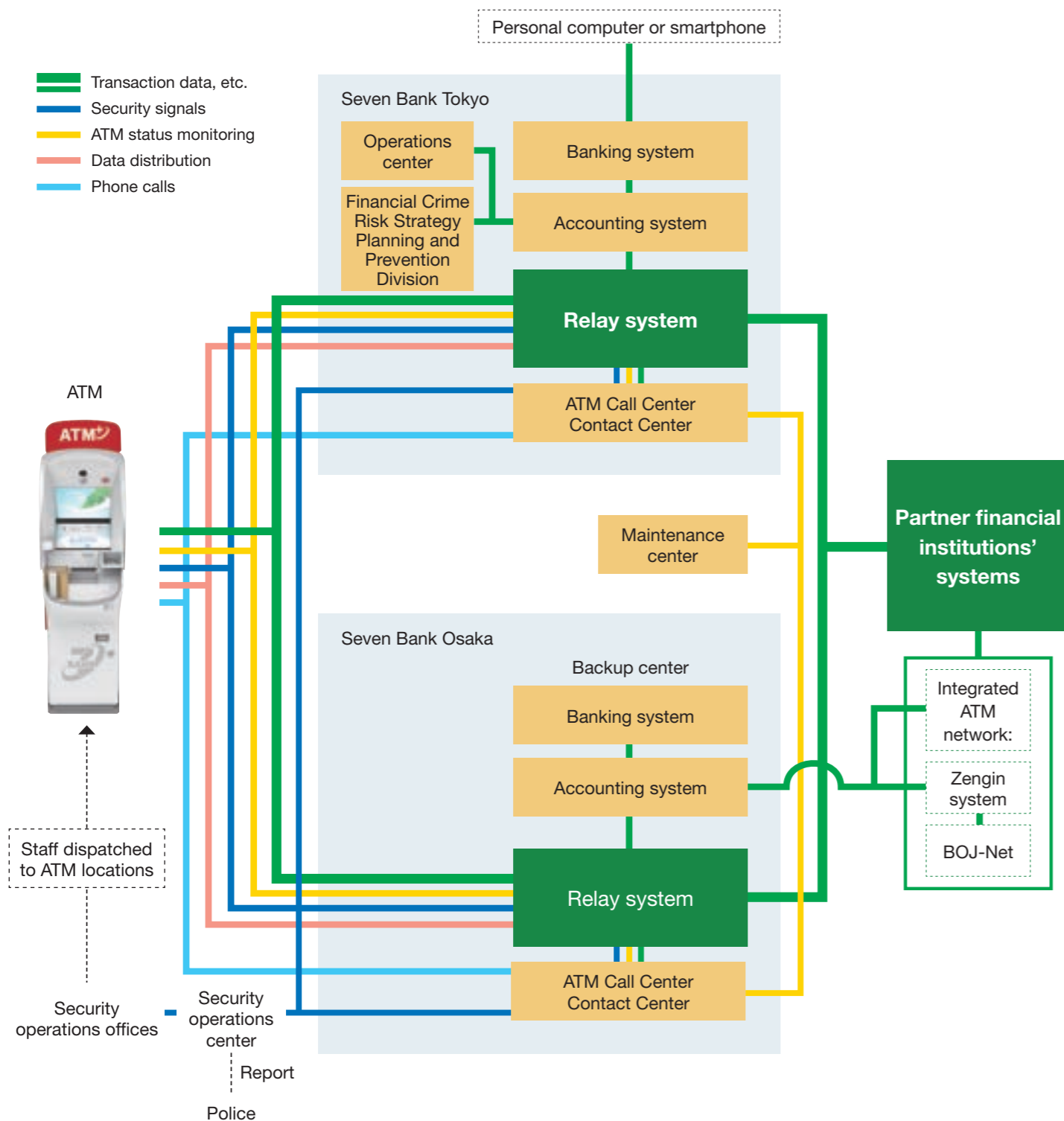
The relays system that forms the backbone of our network, ATM Call Centers, and Contact Centers are set up in two locations in Tokyo and Osaka so that business can continue even in the event of a system issue or large-scale disaster. We have made preparations so that should an issue occur at either one, the other can independently take over and continue business operations.

Further, 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, enabling secure and safe ATM usage.



# Seven Bank's System Network



Relay system	: System to relay the data on ATM transactions with our business partners such as partner financial institutions and transmit/receive data that 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." This system exchanges data regarding transactions such as money transfers between domestic banks and conducts fund settlements. Almost all private financial institutions in Japan such as banks and Shinkin banks are part of this system.

# Contributing to the Safety and Security of Society as a Whole

## Cybersecurity Measures at ATMs

We implement features in our ATMs to prevent other people from being able to see the touch pad for inputting PINs and monetary amounts when in use. In order to prevent acts of communications fraud, when a customer makes a money transfer with one of our ATMs, an alert is shown on the screen or audio assistance is given reminding the user of potential crimes. In

addition, we employ measures to detect irregular transactions and suspicious objects attached to ATMs, 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

We strengthen measures against fraudulent accounts. When account openings are requested, we carry out thorough legal checks to prevent accounts from being

used for crime. In addition, we take a variety of measures to address crimes targeting Internet transactions after accounts are opened.

## ACSiON Information Security Measures

In response to issues faced by companies such as fraudulent transactions and the increasing sophistication and ingenuity of cyber attacks, ACSiON, Ltd., a joint venture of Seven Bank and Information Services International-Dentsu, Ltd., provides a fraud detection platform and a personal authentication platform as cloud security services, not only to financial institutions but also corporations. On April 23, 2021, ACSiON, Ltd. acquired two international standard certifications: ISO 27001 (information security management system) and ISO 27017 (cloud security).

ACSiON will protect the information that is a key to corporate or organizational management resource from any and all threats and contribute to the realization of a safe and strong society.



## ATM Antibacterial and Antiviral Coating

Since April 2021, Seven Bank has been applying the Dr. HardoLass\* antibacterial and antiviral coating to touch screens, input pads, interphones, and other ATM areas for the safety and security of customers amid the ongoing COVID-19 pandemic.

\*Dr. HardoLass is a high purity glass coating developed by HardoLass Holdings Co., Ltd. Antimicrobial and antiviral, it has received the SIAA mark certification of safety.



## Material Issue 2: Create a Lifestyle through New Financial Services



As society changes and technology evolves, customer values and lifestyles are also becoming more diverse, and there is a need for financial services which are more close-by and convenient. Seven Bank is aiming for innovation in financial services unrestricted by convention.

### The First ATM that Supports the Individual Number Card!



Image of ATM screen



### Applications for Individual Number Card Points

As part of the Ministry of Internal Affairs and Communications' Individual Number Card Points program, Seven Bank was selected as a private business to provide machines supporting applications for the program. Since August 2020, people have been able to apply for Individual Number Card Points using Seven Bank ATMs nationwide.

An Individual Number Card and device equipped with card reader capabilities (such as a smartphone or a personal computer and electronic card reader) are needed in order to apply for Individual Number Card Points. Seven Bank ATMs, however, are equipped to read Individual Number Cards, and have proven to be popular because they can be easily used even by people who have difficulty using a smartphone or personal computer to apply.

\*For more information about the Individual Number Card Points program, please see the program website. Individual Number Card Points program: [https://mynumbercard.point.soumu.go.jp/doc/en\\_leaflet.pdf](https://mynumbercard.point.soumu.go.jp/doc/en_leaflet.pdf)

### Applications to Use an Individual Number Card as a Health Insurance Card

An application is required in order to use an Individual Number Card as a health insurance card.

Since March 2021, Seven Bank ATMs have been able to be used to make the required application.

All a user needs to do is to press the “マイナンバーカードでの手続き”(Individual Number Card procedures) on the ATM screen and follow the provided on-screen instructions. The application can be completed by entering one's four-digit Individual Number Card PIN.

\*For more information about using an Individual Number Card as a health insurance card, please see the following websites.

Ministry of Health, Labour and Welfare website: [https://www.mhlw.go.jp/stf/newpage\\_08277.html](https://www.mhlw.go.jp/stf/newpage_08277.html) (in Japanese)

Mynaportal: [https://myna.go.jp/html/hokenshoriyou\\_top.html](https://myna.go.jp/html/hokenshoriyou_top.html) (in Japanese)

\*User Individual Numbers are not utilized in the application process.

## Partnering with Regional Electronic Currencies

### Start of ATM Partnership with Setagaya Pay

#### Contribute to Regional Revitalization via Easy Top-up

Seven Bank has started an ATM partnership with Setagaya Pay\*, a digital gift certificate and regional currency issued and operated by the Setagaya Federation of Shopping Centers Promotion Association, and Seven Bank ATMs have been able to be used to top up Setagaya Pay accounts since February 2021.

Money topped up to Setagaya Pay accounts can be used at over 400 businesses in Setagaya, including restaurants and stores (as well as a portion of 7-Eleven



stores in Setagaya).

This marks Seven Bank's third partnership with a virtual regional currency following SARUBOBO COIN and AQUACOIN.

\*This partnership is conducted as a three party initiative together with the MoneyEasy Setagaya Pay platform provider finnovalley co., Ltd.

### Unique Account Services

Seven Bank provides account services that can be used according to the customer's lifestyle—at Seven Bank ATMs or with a personal computer or smartphone. We will create new customer experiences by providing new styles of products and services suited to individual customers, aiming for more convenient accounts and financial services that are easy for everyone to use.

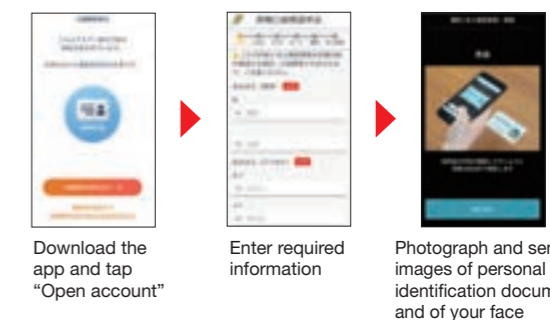
### “My Seven Bank” App

The My Seven Bank app was launched in April 2020. The app provides convenient financial services that are easy for anyone to use. For example, applying to open a new account through the app can be completed in as little as 10 minutes.<sup>1</sup> The app can also be used to deposit and withdraw money at Seven Bank ATMs and make use of personal loan services<sup>2</sup> even before a new account's cash card arrives. In addition, the My Seven Bank app can be used for deposit and withdrawal inquiries, checking *nanaco*<sup>3</sup> electronic money balance and points, confirming debit service usage details, and personal loan service applications, as well as linking a “Small Change Investment App TORANOKO”<sup>4</sup> account and checking and topping off the investment balance.

Seven Bank will continue to create new financial services suited to individual customers for a better version of customers' daily life.

After opening the account application screen from the My Seven Bank app, the customer enters the required items, then completes the personal authentication process by using the smartphone's camera to photograph and send personal identification documents and a picture of his or her face.

#### Creating an account via My Seven Bank app



<sup>1</sup> For an application received between 9:00 and 19:00 on business days from a customer possessing a driver's license issued in Japan. Using the robotic process automation (RPA) functions for account-opening operations of our consolidated subsidiary Bank Business Factory Co., Ltd., the customer can open an account in as little as 10 minutes after the application is received.

<sup>2</sup> A designated screening is required for personal loan service applications.

<sup>3</sup> Electronic money issued by Seven Card Service Co., Ltd.

<sup>4</sup> Service operated by Seven Bank's equity-method affiliate TORANOTEK Asset Management Ltd.





## Material Issue 3: Create a Society Where Everyone Can Be Active

In order to realize a society in which no one is left behind, we must create an environment in which diverse people can flourish. In addition, in order to realize sustainable corporate growth, improved productivity through the enhancement of employee capabilities, the active participation of diverse human resources, and the creation of workplaces suited to flexible working styles are essential. Seven Bank is engaging in a variety of initiatives in order to achieve fulfilling lifestyles as well as the continuous development of society.

## Toward a Society to Leave No One Behind

### Voice Guidance Service

We provide a voice guidance service so that visually impaired customers can access our ATMs with peace of mind even when on their own. Using this service, customers can make deposits, withdraw money, or check their balance by operating an ATM in accordance with voice guidance provided over the built-in

\*Voice guidance is supported for transactions with more than 500 of Seven Bank's partner financial institutions.

interphone.\* This service is available through all of the more than 25,000 Seven Bank ATMs nationwide.



### Services for Cards Issued Overseas

We have heard from many persons who have come to Japan for tourism and other reasons that it is difficult to obtain Japanese yen after entering the country.

We provide a service at all Seven Bank ATMs which makes it possible to withdraw Japanese yen using cash and credit cards issued overseas.

Our ATMs can also be used in 12 languages (Japanese, English, Chinese [simplified], Chinese [traditional],

Korean, Thai, Malaysian, Indonesian, Vietnamese, French, German, and Portuguese). Seven Bank helps to make it possible for people from around the world to have an enjoyable time in Japan.



Image of ATM screen

### Non-Japanese Residents with Accounts

In order to help non-Japanese persons living in Japan to use Seven Bank ATMs with peace of mind, Seven Bank ATM account deposit, withdrawal, and international money transfer screens are available in nine languages (Japanese, English, Tagalog, Chinese, Portuguese, Spanish, Vietnamese, Indonesian, and Thai). In the event something is unclear with regards to

a Seven Bank account, support is provided by a Contact Center available in the aforementioned nine languages as well as the Myanmar language.



Image of ATM screen

### Mobile ATM Service Dispatched after Disasters

In case of a large-scale disaster or other event resulting in 7-Eleven stores being damaged and their ATMs becoming unable to be used, we maintain two mobile ATM trucks. After the Great East Japan Earthquake, these trucks traveled around Miyagi Prefecture, supporting post-disaster recovery in the region.



## Creating Workplaces Where Diverse Human Resources Can Flourish

### 2021 Certified Health & Productivity Management Outstanding Organizations “White 500” Recognition

Seven & i Holdings was recognized in the 2021 Certified Health & Productivity Management Outstanding Organizations “White 500” announced by the Ministry of Economy, Trade and Industry in March 2021.

The 2021 Certified Health & Productivity Management Outstanding Organizations “White 500” is a system operated by the Ministry of Economy, Trade and Industry which recognizes outstanding companies implementing health and productivity management based on initiatives in line with regional health issues

and health promotion initiatives promoted by the Nippon Kenko Kaigi.

As a member of the Seven & i Group, Seven Bank will continue to strengthen initiatives which contribute to community life and the healthy growth and development of society, and aim to be a company which is trusted by and continues to be needed by its employees and all members of society.



### Promoting an Action Plan for Participation by Women

We have formulated and are promoting an action plan to enable women to demonstrate their capabilities and develop their careers.

1. Plan period: April 1, 2020 to March 31, 2022
2. Targets : (1) Women comprising at least 40% of new hires.  
(2) A paid leave utilization rate of at least 70%.
3. Content : To gradually improve the ratio of women employees among full-time employees, Seven Bank will conduct unbiased employee hiring; Seven Bank will also create an environment which enables the realization of favorable work-life balance and prevents employee turnover due to life stage changes (such as marriage, childbirth, childcare, and nursing care), increasing the medium- to long-term employee retention.



### Data on Diversity

Data on employees and employment (as of March 31, 2021)

	Male	Female	Total				
Number of employees <sup>1</sup>	286	184	470	Average service years of employees	7.7 years	Numbers of employees promoted to regular employees under Regular Employee Promotion System	
Number of part-time employees <sup>2</sup>	0	0	0	Ratio of female managers <sup>3</sup>	18.2%		
Number of temporary staff	8	17	25	Ratio of employment of persons with disabilities <sup>4</sup>	2.1%		
				Ratio of paid leave taken by employees	70.5%		
						Fiscal 2020	5

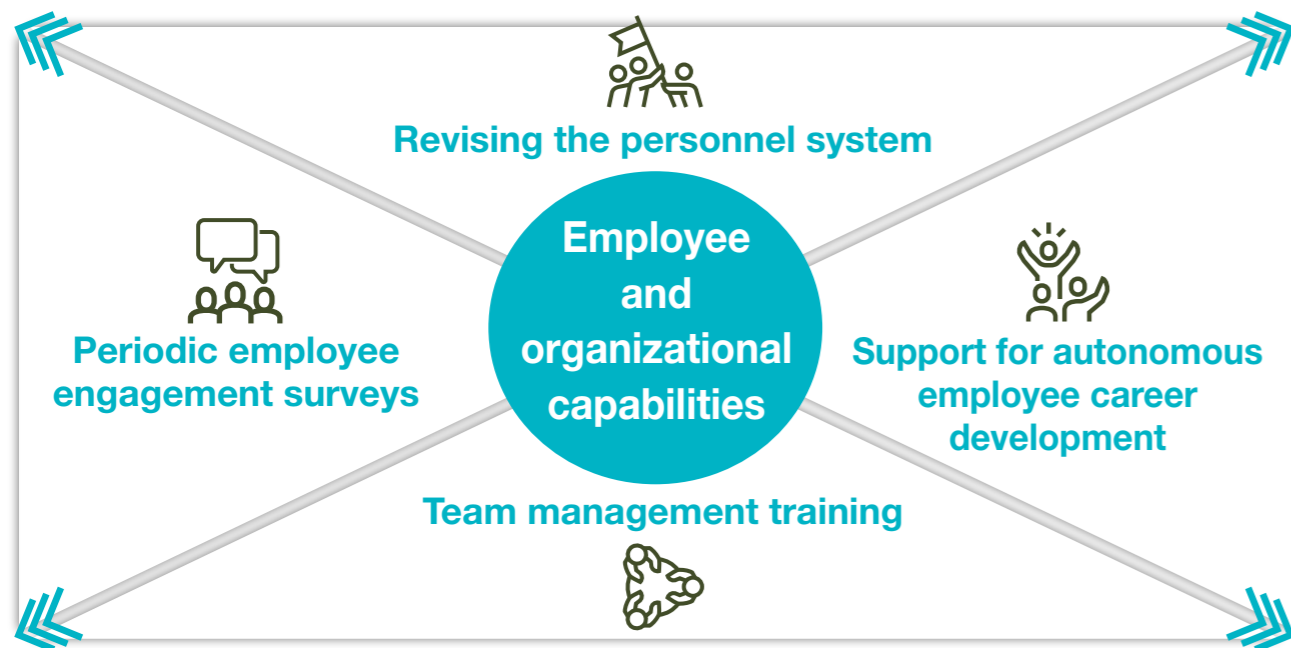
\*1. Excluding officers, executive officers, employees seconded from the Bank to external companies, part-time employees and temporary staff; and including employees seconded from external companies to the Bank.  
\*2. Number of part-time employees: Average number of workers per month assuming eight 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, 2021

Data on employees and employment (Fiscal 2020)

	Male	Female	Total		
Number of employees who took a leave for childcare <sup>5</sup>	4	7	11	Number of uses of leave for volunteer activities	0
Number of employees who took a leave for nursing care	0	0	0	Occupational accident frequency rate <sup>6</sup>	0.0%
Number of employees who used the shorter work-hour system <sup>8</sup>	1	19	20	Occupational accident severity rate <sup>7</sup>	0.0%
				Number of contacts received at the Help Line for employees	0
				Average employee overtime per month	21.6 hours

\*5. Number of employees who took childcare leave in fiscal 2020  
\*6. Occupational accident frequency rate = (Number of occupational accidents occurred/Cumulative work hours) × 1,000,000  
\*7. Occupational accident severity rate = (Lost work days due to an accident/Cumulative work hours) × 1,000  
\*8. Number of employees who used the system due to childcare or nursing care

# Creating Opportunities Enabling Employees to Demonstrate Their Capabilities



## Revising the personnel system

In order to enable each and every employee to be motivated in their work, we revised our entire personnel system, including redefining the roles of employees at all levels, and revising our evaluation system so that it focuses more on individual growth.

## Support for autonomous employee career development

To encourage the independent career development of ambitious employees, we introduced an internal recruitment system to match organizations with the careers desired by individual employees. In addition, we also revised our rules on side jobs in order to expand opportunities to flourish outside of the company.

## Team management training

Aiming to strengthen organizational capabilities in new environments in accordance with changes in working styles and society accelerated by the pandemic, we conducted management training primarily for on-site managers over a five-month period on the during- and post-COVID-19 age.

## Periodic employee engagement surveys

We conduct periodic employee engagement surveys. By accurately gauging and analyzing the state of workplaces and organizations as seen from the standpoints of employees, we aim to implement timely and appropriate policies and also realize the creation of workplaces that are worthwhile and easy to work in.



## Seven Future Meetings

We began holding Seven Future Meetings, in which the President and young employees engage in a free and open discussion, in October 2020.

The purpose of the meetings is for young employees to see any and all company issues as their own, and in turn feel a sense of responsibility and meaning in their work. The meetings are also opportunities for the President to directly contact with young employees, incorporate and reflect their opinions in the corporate management.

To date, 24 meetings have been held with around 130 participants. Each meeting, around four young employees and the President engage in a discussion online. Also serving as a space where young employees can interact with each other, the meetings additionally help to stimulate communication.



## Workstyle Reform Initiatives

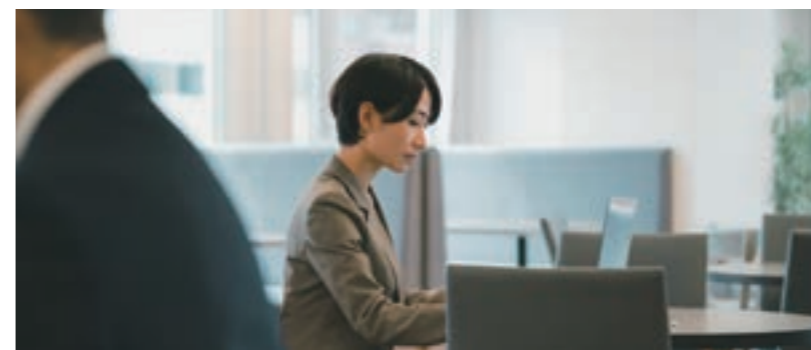
Aiming to increase the efficiency of internal common work and improve work environments so as to enable employees to focus on their primary missions, in 2018, we began working to reform workstyles, launching the Seven Work Design Project team.

With regards to work tasks, we strove to optimize work procedures, reform internal office automation, promote a paperless office and reduce in-person meetings to improve employee productivity. At the same time, with regards to office environments, we took measures

such as promoting non-fixed offices, enhancing internal communication tools and other infrastructure, and loaning smartphones to all employees, establishing an environment which enables flexible working styles.

In response to the changing environment, the mission of workstyle reform so that employees and the company can realize sustainable growth has been taken over by the CX\* Project Team from this fiscal year. The coordinated reformation of our business model and workstyles will lead to further corporate transformation.

\*CX: An abbreviation for "corporate transformation"



## Promoting Work from Home during the COVID-19 Pandemic

We implemented the following measures in response to the environmental changes brought about by the COVID-19 pandemic:

- Adopted a work from home system, originally only available to a portion of employees, for all employees
- Expanded a system for moving work start and end times forward or back (staggered working hours)
- Created a network environment for work from home
- Introduced an online meeting system



## Material Issue 4: Reduce the Environmental Burden



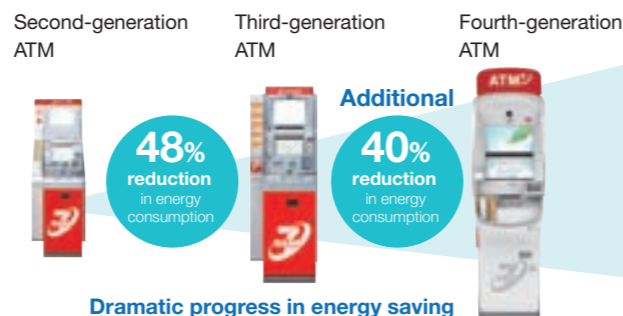
The deterioration of the environment severely affects the sustainability of a company. In addition, the risks of climate change could become a grave threat to future generations. Seven Bank is strengthening initiatives to reduce its environmental burden and is working with the companies of the Seven & i Group to resolve environmental issues.

## Reducing Energy Usage

### Reducing CO<sub>2</sub> Emissions through the Installation of Fourth-generation ATMs

The fourth-generation ATMs that we began installing in September 2019 reduced energy consumption by roughly 40% compared with the third-generation models. With roughly 25,000 ATMs in operation, this equates to an approximately 6,050-ton\* reduction in yearly CO<sub>2</sub> emissions. These ATMs are designed to use energy efficiently; for example, when not processing customer transactions, they remain in an energy-saving mode.

\*Calculated with a CO<sub>2</sub> emission coefficient of 0.000500 t-CO<sub>2</sub>/kWh.



### Reducing Frequency of ATM Cash Transportation

A security company must transport cash by vehicle when replenishing an ATM. The security company reduces CO<sub>2</sub> emissions from transporting cash by analyzing the usage of each ATM separately and

reducing the frequency of cash transportation. In addition, we achieve stable, efficient operation of ATMs in 7-Eleven stores by putting cash from store sales proceeds into their ATMs.

## Reducing Paper Usage

### Promoting reduced paper usage by eliminating requirements for stamps and signatures

We are promoting the digitization of various Seven Bank account services. In July 2021, we eliminated the requirement for stamps and registered signatures for a portion of account procedures. This eliminates the paperwork required for said stamps and signatures, promoting reduced paper usage.

It is not uncommon for account procedure paperwork to be required to be re-submitted due to reasons

such as discrepancies with the stamp registered to the account, and additional paperwork is also required for situations such as providing notification of the loss of a stamp registered to an account, burdening customers. Eliminating procedure requirements for stamps and signatures also enables customers to complete these procedures more smoothly.

### Reducing ATM Slip Waste

For some time, we have reduced paper waste by having customers press a button to indicate whether they would like a receipt to be issued at our ATMs.

Recently, in order to further reduce waste, we eliminated the slips that were previously automatically issued when an incorrect PIN was entered or when there was an insufficient account balance. We also implemented programming to enable smooth transactions, such as voice guidance which draws customer attention to the ATM screen, and the addition of buttons which makes it easy to continue with one's transaction even after an incorrect input.

These measures have resulted in an annual reduction of around 18.90 million slips.



## Reducing Waste Generation

### Thorough ATM Recycling

When remodeling or closing a 7-Eleven store, or when putting in a new fourth-generation ATM, old ATMs are collected and, if the body can be reused, it undergoes maintenance and is put back into use or even individual

parts will be reused in other machines. ATMs which are too old and can no longer be reused are recycled with the help of recycling business operators, thus achieving a recycling rate of around 100% for ATMs.

### Promoting the Recycling of Printed Matter

With printed matter such as “Mori no Senshi (Guardian of the Forest) Bonolon” books and Seven Bank account leaflets, we strive to print only the amount required at the time of printing. Printed matter whose contents have become out of date, however, is subject to disposal. Seven Bank recycles not only the paper

waste generated at its offices but also such printed matter tagged for disposal, working to reduce garbage production as well as the amount of new wood (pulp) used, contributing to the conservation of forest resources.

## Usage of Renewable Materials

### Green Procurement Initiative

We have established and are implementing a policy, with regards to the office supplies we use internally as well as printing services, of procuring items with a low environmental burden from suppliers who promote environmental conservation.

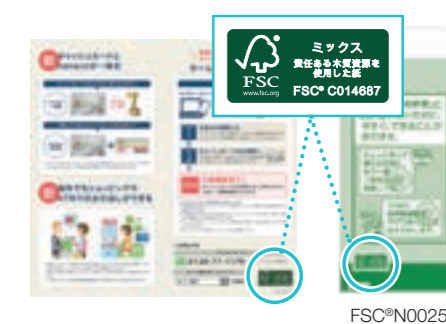
In the selection of office supplies and printing services, in addition to the required quality and

functionality, we are striving to purchase products and services prioritizing the fulfillment of requirements to reduce environmental burden, such as whether hazardous chemicals are used and whether the relevant item can be used for a long time, reused and recycled in order to realize a circulating society.

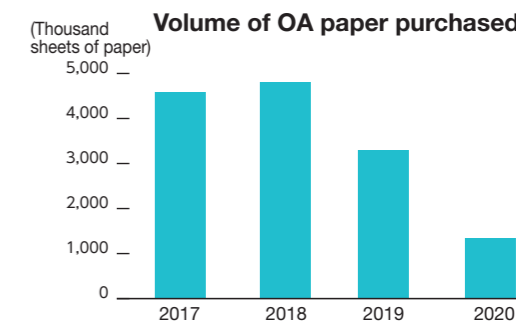
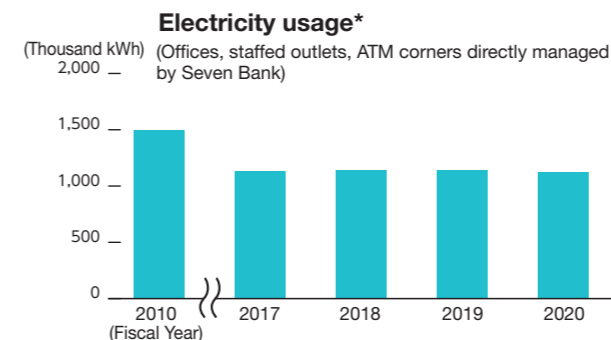
### Utilization of Forest Stewardship Council (FSC®) Certified Paper

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.

Forest Stewardship Council (FSC®) certified paper is paper made from lumber cut from properly managed forests or other low-risk lumber. Seven Bank will continue to expand the use of environment-friendly FSC® certified paper.



## Environmental Data



\*Mainly based on requests from the government, Seven Bank uses fiscal 2010 as a standard. The data on 25,000 ATMs nationwide is not included in the chart above because the electricity to run the ATMs is from the facilities that house our ATMs.

## Material Issue 5: Realize Multicultural Symbiosis



We are working to make Japan a place international people will choose. In order to realize a society which is convenient and easy to live in for non-Japanese persons, Seven Bank has supported coexistence with local communities and has provided a variety of financial services, starting with an international money transfer service in 2011. Seven Bank will continue to strive to improve its international money transfer service as well as to develop new financial services.

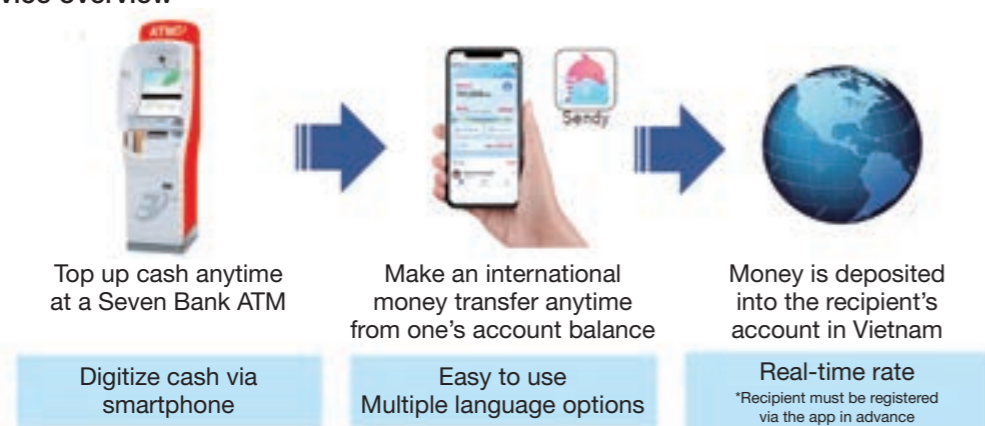
# Creating an Environment Which is Easy for Non-Japanese Residents to Live In

## Started International Money Transfer Service via the Smartphone App Senny

To meet the needs of customers seeking to transfer money easily, conveniently, and for a reasonable fee, Seven Global Remit, Ltd., a subsidiary of Seven Bank, launched an international money transfer service for Vietnam using the Senny smartphone app in March 2021. Cash can be topped up (deposited) at any of Seven Bank's more than 25,000 ATMs in Japan and then easily transferred internationally from a Senny app account.



### Service overview



A BaaS\* mechanism developed by fintech company Kipp Financial Technologies, Inc. is used to deliver the service, enabling customers to pay more reasonable

money transfer fees by connecting to DBS Bank's international money transfer system (DBS Remit API).

\*Baas: Banking as a Service. The provision of capabilities and services provided by a financial institution as a cloud service via an API.



In addition, Credd Finance, Ltd., a joint venture of Seven Bank and Shinsei Bank, Limited., has, together with APLUS Co., Ltd., launched the following two services for non-Japanese resident customers. Since their launch, these services have received applications from persons of a variety of nationalities.

## Start of Availability of Credit Cards for Non-Japanese Residents

In August 2020, Credd Finance began offering the Senny Credit Card, a credit card not just for permanent residence status holders, but non-Japanese residents with a wide range of residence statuses permitting work in Japan. A cardless credit card in which no physical plastic card is issued, the card can be used for shopping on e-commerce sites by entering the required information and, by registering the relevant information

in various smartphone settlement methods, used for shopping in brick-and-mortar stores. The card can also be used for cash advances.

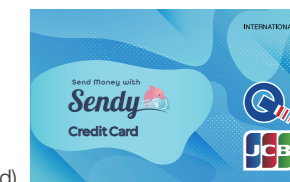
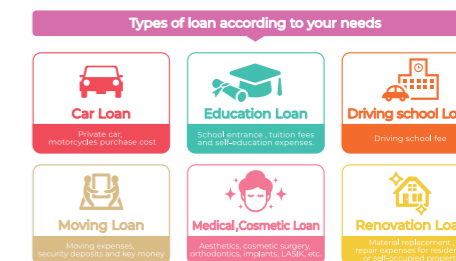


Image of the card (no actual plastic card is issued)

## Start of Availability of Purpose-specific Loans for Non-Japanese Residents

In October 2020, Credd Finance began offering an unsecured purpose-specific loan service for non-Japanese residents. The service is available to not just permanent residence status holders, but non-Japanese residents with a wide range of residence statuses

permitting work in Japan. Unsecured and not requiring a guarantor, the service's loans can be used for purchasing a car, education expenses, and a variety of other uses.



Funds can be used for purchasing a car, education, driving school, moving, medical care and beauty treatments, and home renovation.

## Coexistence with Local Communities

We have concluded agreements with municipal public organizations in areas with many non-Japanese residents to cooperate in promoting multicultural symbiosis

and have made it possible to get local information and emergency information during disasters through our international money transfer app.



## Social Contribution Activities



As a corporate citizen moving forward together with society, Seven Bank proactively engages in social contribution activities in close communication with society.

## For Future Generations

### Cosponsoring “Mori no Senshi Bonolon”

Through being read picture books, children ask questions such as “why?” and “how?” Such questions are said to nurture children’s sensibilities, cultivate their thinking skills, and foster sociability.

“Mori no Senshi (Guardian of the Forest) Bonolon” is a picture book series which is published for free for the children of today who will be our future, and in order to engender parent-child communication through picture books. Endorsing this mindset, Seven Bank has supported “Mori no Senshi Bonolon” for over 15 years, since 2005, and in December 2021, “Mori no Senshi Bonolon” will celebrate its 100th issue.

Some 800 thousand copies of “Mori no Senshi Bonolon” are published every even month and distributed at Seven Bank Headquarters, 7-Eleven stores across the country, and other group businesses. Large-sized versions are also created for reading aloud to children, and we also engage in initiatives which support reading out loud activities.



©COAMIX, ©Together with Bonolon, 2007



### Bonolon Drawing Contest

Each year, we hold a Bonolon drawing contest, treasuring communication with readers.

In fiscal 2020, we invited children to submit drawings based on the theme of “Bonolon and green nature.” Out of around 1,300 submissions, seven were awarded prizes, including a first prize award.

### Participation in Kids Festa

We exhibited at the 2020 fall Kids Festa sponsored by the National Institution For Youth Education. Around 80 parents and children came to the Seven Bank section, and we held an event in which Seven Bank employees read a large-sized Bonolon book aloud, as well as a Bonolon exercise event. Together with Bonolon, parents and children spent a fun time communicating with each other.



Thorough measures to prevent the spread of COVID-19 were taken, including ensuring sufficient space between seats, ventilating the area, and implementing diligent disinfection.

## Forest Conservation Activities

Employees of the entire Seven & i Group proactively volunteer in various activities, including environmental activities carried out by the Bank, to contribute to the preservation of the earth’s environment and to local communities.

In 2020, activities were suspended due to the COVID-19 pandemic. Each year, however, we engage in a variety of initiatives, including participation in forest preservation activities through the Seven Forest project in cooperation with the Seven-Eleven Memorial Foundation, community cleanup activities, and food donations to food banks. These activities help raise the environmental awareness of every employee.



## A Society Where Everyone Can Be Active

### Audible Traffic Signals for the Visually Impaired

#### Presentation of Donations to Nippon Broadcasting System’s “Radio Charity Musicthon”

Seven Bank ATMs provide a voice guidance service so that visually impaired customers can access our ATMs. (See page 43 for details.)

As a means of spreading awareness and utilization of this service, we cooperated with Nippon Broadcasting System’s “Radio Charity Musicthon,” a charity which collects funds to install audible traffic signals enabling visually impaired persons to walk streets with peace of mind. We collected funds through a variety of means, including click donations (in which one click on our website resulted in a donation of ¥1), and voice guidance system usage donations (in which usage of the service resulted in a donation of ¥100), as well as donations directly from customers with Seven Bank accounts.

As a result, we presented ¥646,981 in donations to the “46th Radio Charity Musicthon.”



President Yasuaki Funatake with a letter of thanks (left) and Nippon Broadcasting System President Maki Hiwara (right)

### 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.





# SDGs and Seven Bank's Material Issues

—An Essential Perspective for Sustainable Company Management

Yasuaki Funatake  
Seven Bank's President and  
Representative Director



Yukiko Kuroda  
Outside Director  
(Independent Officer)

## Sound Corporate Governance Derived from Ongoing Discussion

**Funatake** You were appointed as an outside director in June 2018 with the expectation that you will leverage your insight into overseas operations to provide advice on Seven Bank's business strategies and personnel usage. What are your thoughts on the way the Board of Directors works?

**Kuroda** The Bank's four independent outside directors, including myself, all have different backgrounds. As each of us can speak from our individual experiences, it leads to dynamic and valuable discussions. Recently we have discussed some very stimulating topics, including how to position our main ATM business as society moves toward cashless payment.

**Funatake** Seven Bank's operations are deeply connected to the everyday lives of every director, which leads to lively discussions that incorporate our users' perspectives. In regard to the move toward cashless payment, one director shared the opinion that "We need to have a sense of urgency as this movement is progressing faster than expected." We, Seven Bank's management team, agree.

**Kuroda** We were given briefings by executive officers who presented strategy and the current status of divisions they are in charge of. This has given me a

deeper understanding of Seven Bank's initiatives and the challenges it faces.

**Funatake** I think these briefings by each division are an excellent opportunity to not only gain an understanding of operations, but also to get to know the people involved. We plan to continue the initiative going forward.

## SDG Initiatives by Companies in Japan

**Funatake** Companies are now fully engaged in tackling the SDGs. What is your view of initiatives by companies in Japan?

**Kuroda** The SDGs were adopted by the United Nations in 2015, and at first there was not much awareness regarding the goals among corporate management in Japan. However, four years later, in 2019, my consulting company investigated the top 100 Japanese companies in terms of sales and found that 90% had actually made a public commitment to the SDGs. This spread of awareness suggests there is more momentum here than overseas.

Although many Japanese companies are engaged in achieving the SDGs, foreign experts have been quite critical of the superficiality and formality of the actual actions being taken. Unfortunately, I have to agree.

## Evaluation and Expectations regarding Seven Bank's Sustainability Initiatives

**Funatake** What kind of action do you think should be taken to sustainably create corporate value?

**Kuroda** The value that can be created by companies includes financial value and social value. Until recently, companies created social value by giving a portion of profits back to society in the form of CSR activities. Therefore, economic value and social value was considered to be a trade-off. However, nowadays, an approach that aims to create both kinds of value has become more common.

The reasons behind this include the fact that social issues have become more severe to the extent that they threaten the foundations of business activities, an awareness that solving social issues can lead to business opportunities, and an awareness that tackling social issues is crucial to gaining the support of a variety of stakeholders. Among these, I think the biggest factor driving change is that investors expect companies to pursue solutions for social issues.

Recently, more and more companies have been pursuing self-sustainability, or in other words, they have started making their own businesses more sustainable,

and changing their businesses' direction toward operations that generate new economic and social value. Such thinking is known as "Creating Shared Value" (CSV), which Michael Porter and Mark Kramer have been advocating for the past 10 years. It is an approach in which the value created in this manner is shared by companies with various stakeholders.

**Funatake** We also created a matrix that mapped out issues in terms of importance to stakeholders and importance to the Bank, and then worked with employees to identify which issues should be tackled as a priority.

**Kuroda** There are a lot of companies that are creating materiality maps that map out issues in terms of importance to stakeholders and the company itself, so that they can identify issues that are a priority to both, and then sharing these maps on their websites. I think it was good that Seven Bank took a step forward and summarized the material issues' into five themes. Even in companies that are passionate about tackling the SDGs, these matrix maps sometimes end up being created by the division responsible for CSR. I think Seven Bank's approach is more advanced in that it is a bottom-up approach based on employee participation and that the five major themes identified through the mapping process are being used as a basis for management strategy.



## Conversation between the President and an Outside Director

**Funatake** At Seven Bank, we held internal workshops and exchanges of opinion with experts and other stakeholders. We believed that a sense of engagement and understanding among employees was crucial for identifying material issues.

### Reaffirming the Bank's Reason for Being—Formulating the Purpose

**Kuroda** Clarifying a reason for being (Purpose) is an important matter for a company. It must have been quite a challenge to formulate the Purpose of Seven Bank.

**Funatake** A lot of people are saying the Purpose is important, even within the Bank. We reached the landmark 20th year since the Bank's founding which made people want to reaffirm the Group's reason for being. Therefore, we gathered almost 50 members of staff, ranging from upper management to young employees, divided them into a number of teams, and then carried out 14 rounds of discussions. With each discussion, each team got closer to narrowing down a theme. We gradually came to share the essential ideas of all our employees. There were various kinds of expressions though.

**Kuroda** Seven Bank started from its ATM business and a topic that was repeatedly discussed during Board of Directors' meetings is what direction it should take going forward. We felt that to set a path, we first needed to clarify what we exist for, so I think the formulation of the Purpose was well-timed. It advocates

"going beyond the wishes of our customers" and I look forward to seeing how this will manifest.

### Multicultural Symbiosis Being Advanced by Seven Bank

**Funatake** Nowadays it is natural for people of different cultures who speak different languages to cross national borders. 7-Eleven stores receive customers from various different countries. These people are also Seven Bank customers. Going forward, we need a bigger response to multicultural symbiosis.

**Kuroda** Realization of multicultural symbiosis is one of the five material issues and I think it is a theme that is unique to Seven Bank. I am also personally interested in it. Foreigners living in Japan face various inconveniences and difficulties in their lives. The easy-to-use international money transfer service provided by Seven Bank has value for foreigners living in Japan and it also provides value to their families in their home countries who receive the transfers. This business also generates economic value for Seven Bank, so I think it is an excellent example of CSV. I also heard that you are getting involved with communities of foreigners living in Japan in order to work with local governments to find ways to meet needs that will improve their lifestyles. This is pioneering in terms of building an ecosystem.

**Funatake** Before we started the international money transfer service, we heard that in order to transfer money to their home countries, foreigners were having to take time off work in order to go to a bank and then pay expensive transfer fees. A lot of them were saying it would be easier if they could withdraw and send money at convenience stores.

**Kuroda** When carrying out money transfers through a bank, it is not just the high fees that are a problem, they also have to fill out documents in Japanese. Being able to send money through an ATM that has multilingual capabilities and no burdensome procedures for low fees is very valuable.

**Funatake** Currently, money transfers can be carried out in nine languages using Seven Bank ATMs. However, when we first started the service, it took a

fair amount of time and effort to make people aware of it.

**Kuroda** What kind of strategies did you use when launching the service?

**Funatake** We realized that the service would not survive for a long time on just low fees alone. We decided to provide the service in nine languages in order to offer benefits to the customer and ensure that the business will last. Since then, many people have told us that they are happy to be able to send money in their native languages.

**Kuroda** For a long time, it has been difficult for foreigners working in Japan to open an account with a Japanese bank. It looks like this inconvenience has finally been resolved.

**Funatake** In our new Medium-Term Management Plan, we have made offering "services that comprehensively support financial and daily life aspects of non-Japanese residents and are chosen by them" into part of our retail strategy. We want to support foreigners working in Japan to the extent that they can live a lifestyle that is as convenient as living in their native country.

**Kuroda** If these people use Seven Bank, it will not only lead to profit for the Bank, but it might also be a foothold when developing business overseas in the future.

### Leveraging Diversity to Generate Innovative Business

**Kuroda** One of the focuses of the Medium-Term Management Plan is "corporate transformation." All employees are expected to avoid staying within the comfort zone provided by the Bank in its current form and instead take on challenges and realize innovation.

**Funatake** There are two important elements to corporate transformation. One is to transform the Bank's culture. This requires the mindset of each individual employee to change first. The other is the need to revise the Bank's business itself in a way that is backed up by data. In other words, this means realizing the digital transformation (DX) of the Bank. I think the key to achieving this will be the Corporate



Transformation (CX) Project we are advancing which engages employees in changing the Bank.

**Kuroda** Since Seven Bank has a relatively short history of just 20 years, you have recruited a lot of mid-career employees with a range of different backgrounds. This means that the Bank is rich in diversity. However, the number of women in management roles is still an issue.

**Funatake** While we have women who are actively participating in internal projects, the current situation is that there are still few candidates who can take on the heavy responsibilities of company management.

**Kuroda** It might be crucial to approach this issue as seriously as possible, including by recruiting people from outside of the Bank. How you cultivate the people who will underpin the Bank's operations into the future will be key to corporate transformation. There is no time to waste in building new businesses aimed at five or 10 years into the future on top of the platform provided by the Bank's stable ATM operations business. Being creative and building new businesses comes with risk, but I would like to see Seven Bank create innovative businesses that no other Japanese banks have, as well as further strengthen its global business, so that it can grow into a company that can tackle social issues globally.



# Corporate Governance

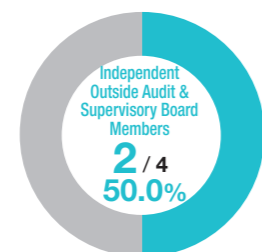
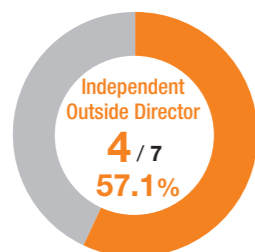
## Basic Views

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

functions; and ensuring equitable operations.

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

### Independence of Officers



### Main Items and Descriptions

Number of meetings of the Audit & Supervisory Board  
Average attendance of Outside Audit & Supervisory Board Members  
14 100.0%  
(Fiscal 2020)

Organizational design  
Company with Audit & Supervisory Board Members

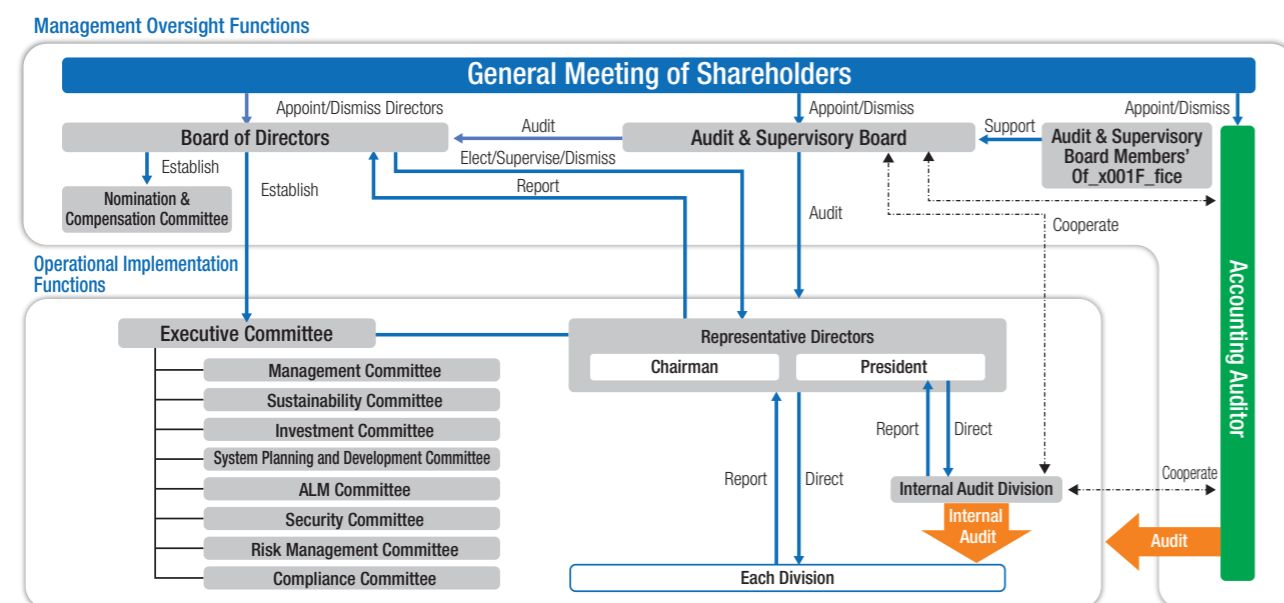
Number of meetings of the Board of Directors  
Average attendance of Outside Directors  
13 96.15%  
(Fiscal 2020)

Advisory body to the Board of Directors  
Nomination & Compensation Committee

Chairperson of the Nomination & Compensation Committee  
Independent Outside Director

## Corporate Governance Structure

(As of June 21, 2021)



## Corporate Governance System

### Initiatives to Strengthen Corporate Governance (FY2020)

The Bank has positioned strengthening governance as a key management issue in order to achieve sustainable growth.

In fiscal 2019, the Bank revised the ratio of Outside Directors to Directors (as of June 21, 2021, four out of seven Directors are Independent Outside Directors) and took other steps to reinforce the governance system. In fiscal 2020, the Bank implemented the following operational reforms in order to further strengthen the governance system.

We have enhanced the duration and quality of strategic discussions on how to respond to the changes in the environment around us, and the purpose of Seven Bank and what value to offer in a time of great transformation.

The Medium-Term Management Plan (FY2021–FY2025), which the Bank announced in May 2021, was also formulated in line with extensive discussion by the Board of Directors.

Major initiative	Objective
Revision of criteria for agenda items at Board of Directors' meetings	To revise criteria for agenda items (decision-making authority) for Board of Directors' meetings to optimize the number of items and ensure enough time for strategy discussion
Establishment of system for sharing information (sharing of materials in advance)	To establish a system for sharing information with Board members and share materials that form the basis for the agenda items and strategy discussion ahead of time to deepen understanding and discussion
Enhancement of discussion on management strategy at Board of Directors' meetings	To focus discussion on important themes, such as management policy and medium- to long-term business strategy
Explanation of operations by Executive Officers with responsibility to Outside Officers	To promote understanding of the Bank's business To develop the next generation of management through direct dialogue with executive personnel

### Board of Directors

As of June 21, 2021, the Bank's Board of Directors has consisted of seven Directors, including four Independent 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

business plans; acquisition and disposal of assets; credit provision-related issues; payment of debts and expenses; credit management issues; rewards and sanctions for employees; issues related to employees' working conditions and benefits; the establishment, change and abolition of elements of the organization; and the formation, revision and elimination of rules and policies, in addition to conferring on issues to be deliberated by the Board of Directors prior to its meetings. Since June 2006, the Bank has adopted an executive officer system, and the Executive Committee comprises Executive Officers and others nominated by the Board of Directors.

### Nomination & Compensation Committee

As an advisory body to the Board of Directors, the Bank has established the Nomination & Compensation Committee, chaired by an Independent Outside Director in order to supplement functions of the Board of Directors. 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, candidates for Executive Officer with Title, 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)



## Audit & Supervisory Board

As of June 21, 2021, the Bank's Audit & Supervisory Board has consisted of four Audit & Supervisory Board Members, including two Independent Outside Audit & Supervisory Board Members. The Audit & Supervisory Board meets, in principle, at least once a month to receive reports regarding important auditing-related issues and deliberate and make decisions thereof. The Audit & Supervisory Board convenes with Representative Directors, the Internal Audit Division and the Accounting Auditor on a regular basis to exchange

opinions and make requests as necessary on issues to be addressed by the Bank, the status of improvements to the Audit & Supervisory Board Members' auditing environment and important auditing-related issues. In addition, the Audit & Supervisory Board Members oversee and verify from the following perspectives the status of fulfillment of legal obligations, including the duty of diligence of a good manager and the duty of loyalty, with regard to resolutions of the Board of Directors and other decision making by Directors.

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

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

## Analysis and Evaluation of the 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 2020, the Bank conducted a questionnaire for Directors and Audit & Supervisory

Board Members and, based on a summary of the results, discussion and evaluation took place at the Board of Directors' meetings. The results of the evaluation are described below:

1. The Bank's Board of Directors continues to be operated appropriately under a well-balanced structure featuring diverse knowledge and expertise, all Directors share the roles and responsibilities of the Board of Directors, and it was confirmed that the Board of Directors has been fulfilling both its decision-making and supervisory functions while incorporating the perspective of Independent Outside Directors, thereby ensuring its effectiveness.
2. We improved the contents and methods of information, etc. provided by the Executive Officers, which we had recognized as an issue in the evaluation for the previous fiscal year, and confirmed that effectiveness had been improved through the activation of the Board of Directors. In particular, we confirmed that active discussions at meetings on strategy, and explanations of business by Executive Officers provided an opportunity to eliminate asymmetric information and promote direct dialogue with executive personnel, which is a meaningful initiative for revitalizing the Board of Directors.
3. By continuing to take the necessary measures to achieve sustainable growth and further improve corporate value over the medium to long term, we will work to improve the effectiveness of the Board of Directors.

## 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.

Other matters concerning Independent Officers

The Bank registers all persons who fulfill the qualifications of Independent Officers, as well as the Independence Standards for Outside Officers, as Independent Officers.

## Policy on Governance related to Listed Subsidiaries (Protection of Rights of Minority Shareholders)

[Guidelines on Measures to Protect Minority Shareholders in Conducting Transactions with a Controlling Shareholder](#)

Seven & i Holdings Co., Ltd. is the Bank's parent company, indirectly holding 46.26% of its voting rights, and therefore falls under the category of controlling shareholder stipulated in the Timely Disclosure Rules. When conducting transactions, etc., with the parent company, the Bank will comply with the arm's-length rule under the Banking Law, which is a rule established to prevent the soundness of the Bank's management from being compromised through conflict-of-interest transactions. The Bank fully confirms the necessity for such transactions and that the conditions of such transactions do not differ significantly from conditions of usual transactions with third parties.

[Relationship with Parent Company, Seven & i Holdings Co., Ltd.](#)

The Bank believes that in order to achieve sound and sustainable growth, it is essential to engage in business development (innovation) by integrating collaboration with various partners to an advanced degree based on our credibility and transparency of management as a corporate entity. Furthermore, we recognize that listing on the market is one of the most effective ways to ensure the Bank's credibility and transparency of management. As an independently listed company, the Bank independently and autonomously deliberates and determines our own business strategies, personnel policies, capital policies, etc., as we engage in our own operating activities. In addition, in order to ensure the necessary independence from our parent company, we have established the Nomination & Compensation Committee chaired by an Independent Outside Director as an advisory body to the Board of Directors. This Committee deliberates on matters concerning recommendations of candidates for Director and Executive Officer, thereby ensuring independence from our parent company in the appointment of top management. The Bank has also appointed Independent Outside Directors and Independent Outside Audit & Supervisory Board Members, who provide supervision to ensure that no conflict of interest arises between our parent company and shareholders other than the parent company. The Bank does not have any agreements concluded regarding group management with the parent company. In addition, to comply with the disclosure obligations, etc. of the parent company, the Bank has established the Guidelines for Reporting of Material Facts with the parent company and reports to the parent company accordingly. These reports are limited to matters that impact the parent company's timely disclosure, materially impact the parent company's consolidated financial statements, and may potentially impair the credibility of the Seven & i Group.

The parent company's approach and policy regarding group management are as follows:

"Although the Company owns the listed subsidiary, Seven Bank, Ltd., from the standpoint of respecting the independence of Seven Bank, Ltd., we value the management decisions of the said listed subsidiary, and respect the independent and autonomous deliberation and determination of its business strategies, personnel policies, capital policies, etc., as it engages in its own operating activities. Moreover, the Company also considers it to be preferable, from the standpoint of group management, for Seven Bank to enhance its corporate value through its own growth strategies, etc." (Excerpt from "Seven & i Management Report" issued by Seven & i Holdings Co., Ltd.; February 3, 2021 edition)

## Policy on Compensation of Officers and Compensation System for Officers

The Bank's policy on compensation of officers and compensation system for officers are as follows:

### 1 Basic Policy on Compensation of Officers

The Bank decides compensation of officers based on the following points.

- ▶ Ensuring a compensation system to promote sustainable improvement of corporate value with emphasis placed on the link to business performance
- ▶ Ensuring compensation systems and compensation levels with their responsibilities to secure highly capable human resources who lead and take responsibility for, in an appropriate manner, the supervision and execution of operations
- ▶ Ensuring a compensation system based on an objective and transparent process, and that is fair and equitable

### 2 Method for Determining Compensation, etc. for Individual Directors in the Fiscal Year under Review

The Bank has established a Nomination & Compensation Committee, comprising a total of four members made up of two independent Outside Directors and two Representative Directors, chaired by an Independent Outside Director, as an advisory body to the Board of Directors. The Nomination & Compensation Committee proposes specific amounts of compensation, etc. to be granted to Directors within the range of the total amount approved at the General Meeting of Shareholders, for determination by resolution of the

Board of Directors. The procedure is stipulated in the Regulations for Officers, which is modified, amended, or abolished by a resolution of the Board of Directors upon discussion with the Audit & Supervisory Board Members.

Compensation, etc. for Audit & Supervisory Board Members is determined upon discussion at meetings of the Audit & Supervisory Board Members within the range of the total amount approved at the General Meeting of Shareholders.

### 3 Compensation Structure

The Bank's compensation structure for officers comprises "basic compensation" as fixed compensation and "bonuses" and "performance-based stock

compensation" as variable compensation, which are applied as follows.

	Fixed compensation	Variable compensation	
	(a) Basic compensation	(b) Bonuses	(c) Performance-based stock compensation
Directors with executive authority over operations	●	●	●
Non-executive Directors	●	—	—

Each plan is positioned as follows.

(a) Basic compensation	Compensation aiming to encourage steady execution of duties commensurate with job rank
(b) Bonuses	Short-term incentives aiming to steadily achieve performance targets (milestones) for each fiscal year for the medium-to long-term improvement of corporate value
(c) Performance-based stock compensation	Medium-to long-term incentives for the medium-to long-term improvement of corporate value, aligning interests with shareholders

The ratio of each plan has been decided as described on the following page by a resolution of the Board of Directors upon a proposal by the Nomination & Compensation Committee. Factors taken into account has included a balance between fixed compensation and variable compensation, a balance between cash remuneration and stock compensation, and a balance between bonuses and stock compensation, which are

incentives to execute management with a well-balanced perspective in both the short term and the medium to long term.

In addition, non-executive Directors and Audit & Supervisory Board Members receive only fixed compensation, as their role is to supervise the Bank's management from an objective and independent standpoint.

Directors with executive authority over operations	Basic compensation 50%	Bonuses 25%*	Performance-based stock compensation 25%*
▶ Balance between fixed compensation and variable compensation	Fixed compensation 50%		Variable compensation 50%
▶ Balance between cash remuneration and stock compensation	Cash remuneration 75%		Stock compensation 25%
Non-executive Directors and Audit & Supervisory Board Members	Fixed compensation 100%		

\*Calculated on the assumption that bonuses and performance-based stock compensation are based on a standard compensation amount.

### 4 Compensation Level

To provide a competitive compensation level and thereby secure highly capable human resources, the Bank's compensation level for officers has been determined by a resolution of the Board of Directors based on the proposal made by the Nomination & Compensation Committee. The deliberation has been

based on the analysis and comparison of data on the compensation levels of a group of companies of the same size and operating in the same industry as the Bank, which has been drawn from a larger body of objective data on compensation levels provided by an outside professional organization.

### 5 Details and Method of Calculation of Variable Compensation

#### - Bonuses

Bonuses, which are provided as short-term incentives, will be determined by multiplying the standard amount of compensation for each job rank by

performance-linked factors corresponding to the achievement of consolidated performance targets for the previous fiscal year.

#### - Performance-based Stock Compensation

Performance-based stock compensation, which is provided as a medium- to long-term incentive, is composed of a "fixed portion," which grants fixed points for each job rank, and a "performance-based portion," which grants a varying number of points determined by job rank and performance. For each portion, points are granted and accumulate every year of the term of office of the relevant officer, and a number of the Bank's shares corresponding to the

amount of accumulated points will be delivered to the officer upon retirement.

The number of points (i.e., the number of shares to be delivered) to be provided in the performance-based portion will be determined by multiplying the number of points for each rank by performance-linked factors according to the achievement level of consolidated performance targets.

Plan	Indicators and evaluation method	
Bonuses	<ul style="list-style-type: none"> <li>- Evaluation based on the achievement status and process for performance targets (milestones) for the medium- to long-term improvement of corporate value, taking into account the management strategy of achieving "Growth in Our Main Business as We Diversify Our Operations"</li> <li>- Quantitative evaluation based on the achievement status of targets for consolidated ordinary income and consolidated ordinary profit in the previous fiscal year</li> <li>- Determination of a compensation amount in the range of 0% to 200% of the baseline amount</li> </ul>	
Performance-based stock compensation	Fixed portion	—
	Performance-based portion	<ul style="list-style-type: none"> <li>- Evaluation based on the results of the medium- to long-term improvement of corporate value, taking into account the management strategy of achieving "Growth in Our Main Business as We Diversify Our Operations"</li> <li>- Quantitative evaluation based on the achievement status of consolidated ordinary income, consolidated ordinary profit, and other targets in the previous fiscal year</li> <li>- Determination of a number of points (i.e., the number of shares to be delivered) in the range of 0% to 200% of the baseline number of points</li> </ul>



## Status of Audits

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 appropriateness and effectiveness of internal management systems as a whole based on 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

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 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 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 the Audit Report for the fiscal year based on the audit reports submitted by each of the Audit & Supervisory Board Members. The Audit & Supervisory Board and the Accounting Auditor also regularly exchange opinions and promote mutual cooperation.

The Bank has concluded an audit agreement with KPMG AZSA LLC for the receipt of accounting audit services. The names of the certified public accountants who performed accounting audit duties and the composition of the supplementary personnel involved in accounting audit duties in the fiscal year under review are as listed below.

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

Four certified public accountants, two people who passed the accountant examination and six 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.

### Online

Our disclosure policy is posted on the following website:

<https://www.sevenbank.co.jp/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



Website for individual investors

### IR Calendar (Major activities in fiscal 2020) \*For analysts and institutional investors

	April	May	June	July	August	September	October	November	December	January	February	March
<b>Financial Statements</b>		● Financial results for the fiscal year			● Financial results for the first quarter			● Financial results for the second quarter			● Financial results for the third quarter	
		● Presentation about financial results (conference call)*			● Conference call*			● Presentation about financial results (conference call)*			● Conference call*	
			● Annual General Meeting of Shareholders									
<b>Communication with Useful Tools</b>				● Issuance of Integrated Report (Business Report) in Japanese			● Issuance of Shareholders' Newsletter in Japanese			● Issuance of the Interim Business Report in Japanese		
				● Issuance of Annual Report in English								

Management  
Management Team (Directors and Officers)

Director

(As of June 21, 2021)

Kensuke Futagoishi

Chairman and Representative Director



Biography

Apr. 1977 Joined The Sanwa Bank, Limited (now MUFG Bank, Ltd.)  
Apr. 2001 General Manager of Retail Business Planning Division, UFJ Holdings, Inc. (now Mitsubishi UFJ Financial Group, Inc.)  
Jan. 2002 General Manager of Gotanda Corporate Sales Department, UFJ Bank Limited (now MUFG Bank, Ltd.)  
Oct. 2003 Joined the Bank  
Nov. 2003 General Manager of Business Promotion Division, aforementioned company  
Jun. 2004 Director, aforementioned company  
Jun. 2006 Director, Executive Officer, aforementioned company  
Nov. 2007 Director, Managing Executive Officer, aforementioned company  
Jun. 2009 Director, Senior Managing Executive Officer, aforementioned company  
Jun. 2010 President and Representative Director, aforementioned company  
Jun. 2018 Chairman and Representative Director, aforementioned company (present post)

Yasuaki Funatake

President and Representative Director



Biography

Apr. 1980 Joined the Long-Term Credit Bank of Japan, Limited (now Shinsei Bank, Limited.)  
Jul. 2001 Manager of Retail Business Development Division, Shinsei Bank Limited  
Dec. 2001 Joined the Bank  
Oct. 2002 General Manager of Business Development Division, aforementioned company  
May 2006 General Manager of Project Development Division, aforementioned company  
Jun. 2006 Executive Officer, General Manager of Project Development Division, aforementioned company  
Jun. 2008 Director, Executive Officer, General Manager of Business Promotion Division, aforementioned company  
Jun. 2010 Director, Managing Executive Officer, General Manager of Planning Division, aforementioned company  
Jun. 2013 Director, Senior Managing Executive Officer, General Manager of Planning Division, aforementioned company  
Apr. 2014 Director, Senior Managing Executive Officer, aforementioned company  
Jun. 2016 Director, Executive Vice President, aforementioned company  
Jun. 2018 President and Representative Director, aforementioned company (present post)  
Jun. 2018 Director, Seven Pay Co., Ltd.

Katsuhiro Goto

Director



Biography

Jul. 1989 Joined Seven-Eleven Japan Co., Ltd.  
May 2002 Director, Ito-Yokado Co., Ltd.  
May 2004 Managing Director, aforementioned company  
Sep. 2005 Director, Seven & i Holdings Co., Ltd.  
May 2006 Director, Millennium Retailing, Inc.  
Aug. 2009 Director, Sogo & Seibu Co., Ltd.  
May 2016 Vice President & Representative Director, Seven & i Holdings Co., Ltd. (present post)  
Jun. 2017 Director, the Bank (present post)

Makoto Kigawa

Outside Director  
(Independent Officer)



Biography

Apr. 1973 Joined The Fuji Bank, Limited (now Mizuho Bank, Ltd.)  
Apr. 2004 Managing Director, Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)  
Apr. 2005 Joined YAMATO TRANSPORT CO., LTD. (now YAMATO HOLDINGS CO., LTD.)  
Jun. 2005 Managing Director, aforementioned company  
Jun. 2006 Representative Director and Senior Executive Officer, aforementioned company  
Mar. 2007 Representative Director, President and Executive Officer, YAMATO TRANSPORT CO., LTD.  
Apr. 2011 Representative Director, President and Executive Officer, YAMATO HOLDINGS CO., LTD.  
Apr. 2015 Representative Director and Chairman, aforementioned company  
Jun. 2016 Director, Komatsu Ltd. (present post)  
Apr. 2018 Director and Chairman, YAMATO HOLDINGS CO., LTD.  
Jun. 2018 Director, the Bank (present post)  
Apr. 2019 Director, YAMATO HOLDINGS CO., LTD.  
Jun. 2019 Director, Oki Electric Industry Co., Ltd. (present post)  
Jun. 2019 Special Adviser, YAMATO HOLDINGS CO., LTD. (present post)  
Apr. 2020 Corporate Auditor, The Higo Bank, Ltd. (present post)

Toshihiko Itami

Outside Director  
(Independent Officer)



Biography

Apr. 1980 Prosecutor, Tokyo District Public Prosecutors Office  
Jun. 2010 Director-General of the General Affairs Division, Supreme Public Prosecutors Office  
Jul. 2012 Chief Public Prosecutor, Tokyo District Public Prosecutors Office  
Jul. 2014 Deputy Prosecutor-General, Supreme Public Prosecutors Office  
Dec. 2015 Superintending Prosecutor, Osaka High Public Prosecutors Office  
Nov. 2016 Registered as an Attorney-at-law, joined Daichi Tokyo Bar Association (present post)  
Nov. 2016 Advisor, Nagashima Ohno & Tsunematsu (present post)  
Jun. 2018 Director, the Bank (present post)  
Jun. 2018 Director, TODA CORPORATION (present post)  
Jun. 2020 Director (Audit & Supervisory Committee Member), JP-HOLDINGS, INC. (present post)

Koichi Fukuo

Outside Director  
(Independent Officer)



Biography

Apr. 1978 Joined Honda Motor Co., Ltd.  
Jun. 2005 Operating Officer, aforementioned company  
Jun. 2010 Managing Officer, aforementioned company  
Apr. 2014 Senior Managing Officer, aforementioned company  
Nov. 2014 Executive Vice President, Honda R&D Co., Ltd.  
Apr. 2015 President and Representative Director, aforementioned company  
Jun. 2015 Senior Managing Officer and Director, Honda Motor Co., Ltd.  
Jun. 2018 Director, the Bank (present post)  
Jun. 2019 Director, Hitachi Metals, Ltd. (present post)

Audit & Supervisory Board Members

(As of June 21, 2021)

Kazuhiko Ishiguro

Full-time Audit & Supervisory Board Member



Biography

Apr. 1980 Joined The Sanwa Bank, Limited (now MUFG Bank, Ltd.)  
Apr. 2001 Director, Ufit Co., Ltd. (now TIS Inc.) (on loan)  
Apr. 2004 Director, UFJIS Co., Ltd. (now Mitsubishi UFJ Information Technology, Ltd.) (on loan)  
Mar. 2006 Executive Managing Director, aforementioned company (on loan)  
May 2009 Joined the Bank  
May 2009 Executive Officer, General Manager of System Division, aforementioned company  
Jun. 2010 Director, Executive Officer, General Manager of System Division, aforementioned company  
Jun. 2013 Director, Managing Executive Officer, General Manager of System Division, aforementioned company  
Apr. 2014 Director, Managing Executive Officer, aforementioned company  
Jun. 2016 Director, Senior Managing Executive Officer, aforementioned company  
May 2019 Audit & Supervisory Board Member, Signpost Corporation (present post)  
Jun. 2020 Full-time Audit & Supervisory Board Member, the Bank (present post)

Ryoji Sakai

Full-time Audit & Supervisory Board Member



Biography

Apr. 1978 Joined Nissan Motor Co., Ltd.  
Jan. 2001 Head of Group Finance Office, Ito-Yokado Co., Ltd.  
Dec. 2002 Director, IY Card Service Co., Ltd. (now Seven Card Service Co., Ltd.)  
May 2005 Managing Director, aforementioned company  
Sep. 2007 Executive Officer, Seven-Eleven Japan Co., Ltd.  
May 2009 Director, Executive Officer, Head of Planning Office, aforementioned company  
Mar. 2012 Director, Managing Executive Officer, Head of Planning Office and Financial Division, aforementioned company  
Mar. 2018 Director, Senior Managing Executive Officer, Head of Planning Division and Financial Division, aforementioned company  
Mar. 2019 Director, Senior Managing Executive Officer, Head of Planning Division, Overseas Business Division, and Corporate General Affairs & Legal Division, aforementioned company  
Aug. 2020 Director, Senior Managing Executive Officer, Head of Audit Office, aforementioned company  
Jun. 2021 Full-time Audit & Supervisory Board Member, the Bank (present post)

Yukiko Kuroda

Outside Director  
(Independent Officer)



Biography

Apr. 1986 Joined Sony Corporation  
Jan. 1991 Representative Director, People Focus Consulting  
Jun. 2010 Audit & Supervisory Board Member, Astellas Pharma Inc.  
Mar. 2011 Director, CAC Co., Ltd. (now CAC Holdings Corporation) (present post)  
Apr. 2012 Director/Founder, People Focus Consulting (present post)  
Jun. 2013 Director, Marubeni Corporation  
Jun. 2015 Member of the Board, Mitsui Chemicals, Inc. (present post)  
Jun. 2018 Director, the Bank (present post)  
Jun. 2018 Director, Terumo Corporation (present post)

Hideaki Terashima

Outside Audit & Supervisory Board Member  
(Independent Officer)



Biography

Apr. 1978 Registered as an Attorney-at-law, joined Tokyo Bar Association (present post)  
Apr. 1983 Established Terashima Law Office (now Harumi-kyowa Law Offices)  
Apr. 1995 Professor, Legal Training and Research Institute of Japan, Supreme court of Japan  
Jan. 2001 Examiner for the Second Stage of Testing of the Bar Examination at National Bar Examination Commission  
Apr. 2005 Examiner for New Bar Examination  
Apr. 2007 Visiting Professor, Law School, Senshu University  
Apr. 2009 Professor, Law School, Senshu University (present post)  
Apr. 2017 Visiting Professor, Chuo University, Faculty of Law (present post)  
Jun. 2019 Audit & Supervisory Board Member, the Bank (present post)

Yukie Toge

Outside Audit & Supervisory Board Member  
(Independent Officer)



Biography

May 1999 Registered as a Certified Public Accountant  
Feb. 2003 Head of Toge Yukie CPA Office (present post)  
Jun. 2007 Representative Director, Felice Consulting Ltd. (present post)  
Mar. 2019 Director (Audit & Supervisory Committee Member), Mabuchi Motor Co., Ltd. (present post)  
Jun. 2019 Audit & Supervisory Board Member, the Bank (present post)

Executive Officer

(As of July 1, 2021)

Senior Managing Executive Officer	<b>Hisanao Kawada</b>
Senior Managing Executive Officer	<b>Masaaki Matsuhashi</b>
Managing Executive Officer	<b>Kazutaka Inagaki</b>
Managing Executive Officer	<b>Kenichi Yamamoto</b>
Managing Executive Officer	<b>Hiroshi Takeuchi</b>

Managing Executive Officer	<b>Koji Fukasawa</b>
Managing Executive Officer	<b>Tsuneo Nagashima</b>
Executive Officer	<b>Hiroshi Ishimura</b>
Executive Officer	<b>Miya Kitayama</b>
Executive Officer	<b>Taku Takizawa</b>
Executive Officer	<b>Kenjiro Nishii</b>

\*The Bank registers all persons who fulfill the qualifications of Independent Officers as such.



# Risk Management Initiatives

Every fiscal year, the Board of Directors establishes the “Basic 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, the Asset-Liability Management (ALM) Committee, chaired by the officer in charge of the Planning Division, and the Security Committee, chaired by the officer in charge of the Financial Crime Risk Strategy Planning and Prevention 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 Basic 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 Basic 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 Basic 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 Group of 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 every quarter, 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 Basic 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 Group of 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 Basic 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 Basic 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 Basic Policy on Risk Control and the Systems Risk Rules, established under the policy. The Bank seeks to thoroughly improve systems development efficiency, service quality and safe operation of systems.

The system configuration includes the full utilization of 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. 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 Basic 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 Basic 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.

Management  
Risk Management Initiatives/Compliance Initiatives

## Other Operational Risks

The Bank observes its basic policies relating to other operational risks, which are governed by the Basic Policy on Risk Control. The other major operational

risks recognized are human risk and tangible assets risk and have been managed.

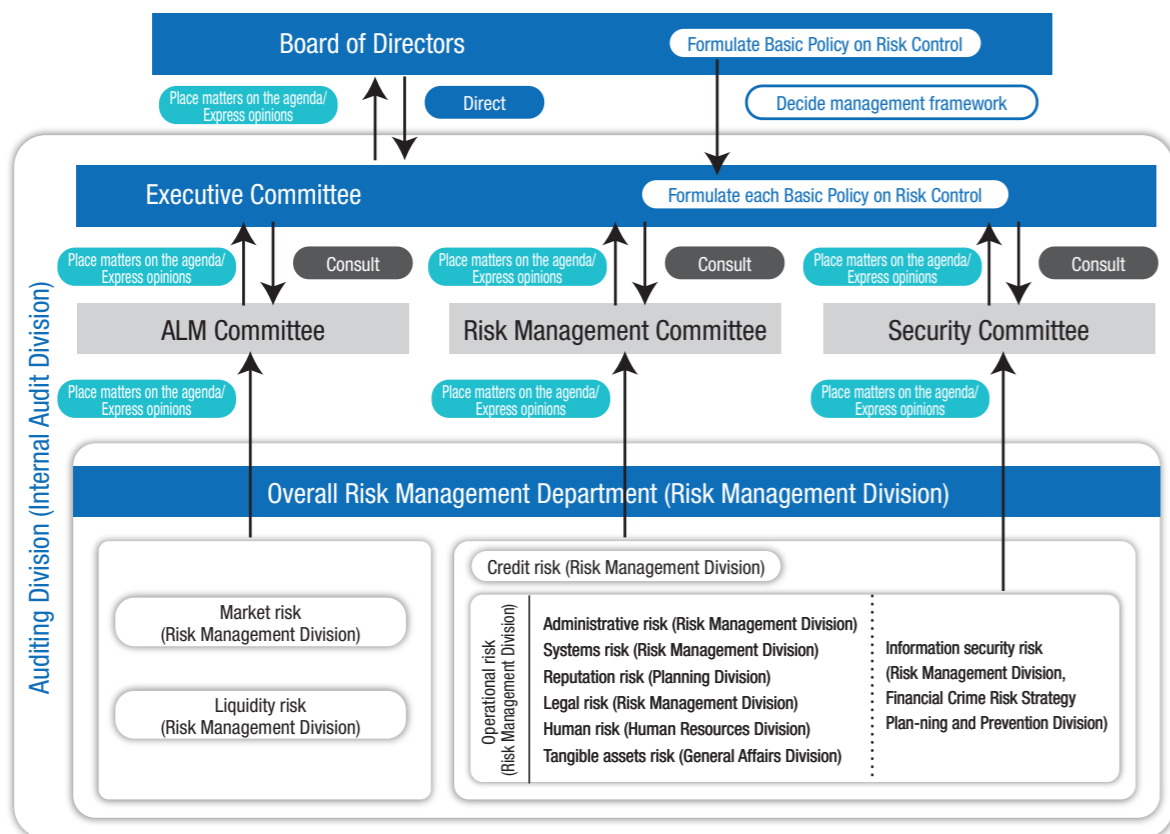
## Information Security Risk

With the progression of IT, occurrence of unauthorized access events and increasing information security risks in recent years making it necessary to ensure cybersecurity, we established the Cyber Security Management Office in fiscal 2020 in order to protect the Group's

information assets such as customer information from various threats. We established Cybersecurity Risk Rules and hold Security Committee meetings four times a year to discuss effective security measures.

### Risk Management Structure

(As of July 1, 2021)



## Establishment of Business Continuity Plan (BCP)

To fulfill our social responsibility as a bank, Seven Bank has defined the following three operations as top priorities for continuity in the event of a disaster, large-scale accident, or other crisis: 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 Business Continuity Plan (BCP) to enable continuity of these essential operations in the event of an accident, disaster, or other crisis. To ensure that the BCP is implemented, each division regularly conducts BCP training, envisioning damage to data centers and other facilities.

# 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.

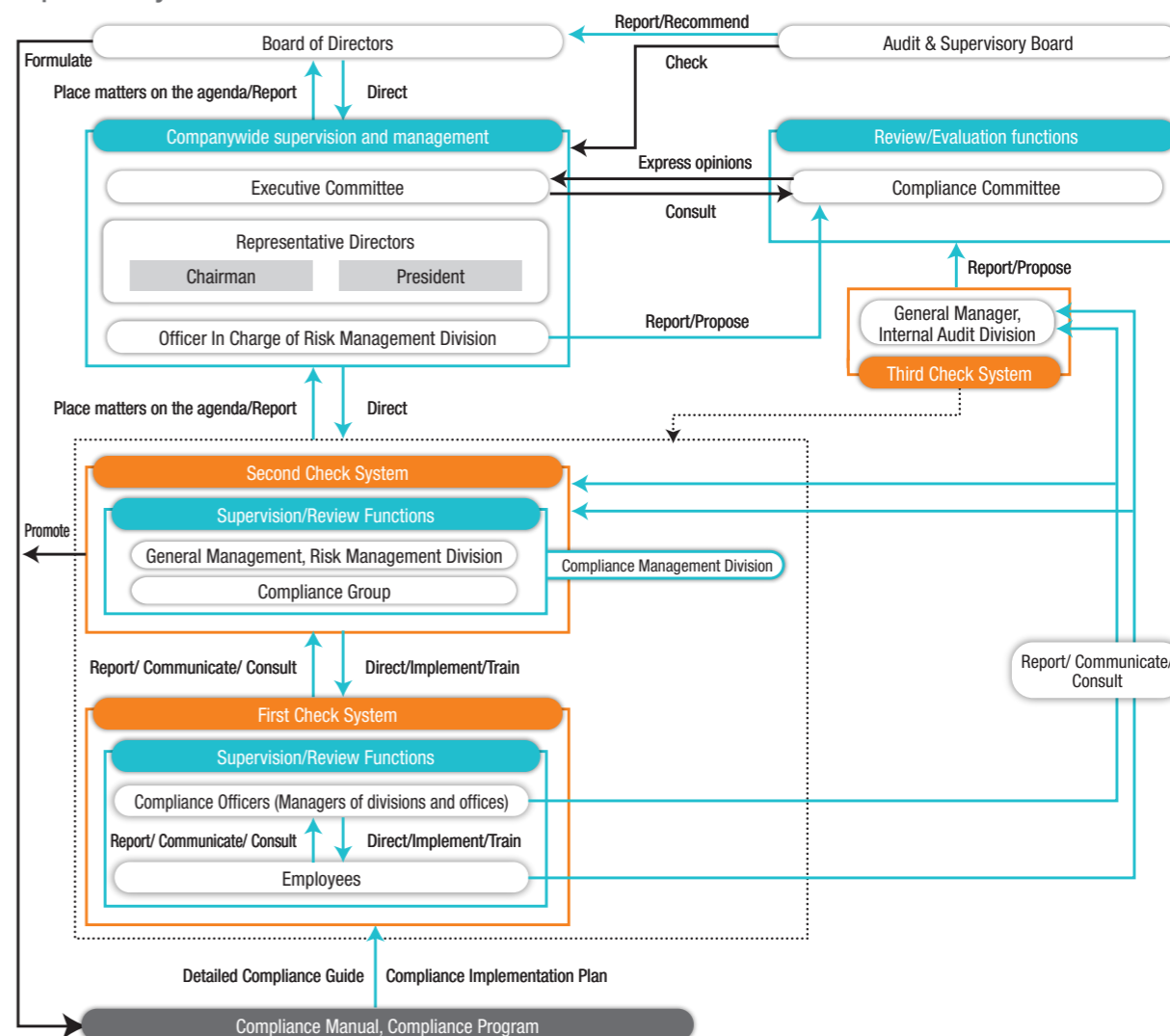
## Compliance System

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, 2021)





## 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

### 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 communications fraud 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.

### 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.

## 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.

## 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 Bank and the Groupwide Help Line (a consultation and reporting contact point for all Seven & i Group companies) outside the Bank 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.

In addition, 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

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### Summary of Fiscal 2020

Harsh conditions continued in the Japanese economy as personal consumption, including the consumption of services, and corporate activity stagnated markedly due to the impact of the spread of the novel coronavirus disease (COVID-19). It is still impossible to predict when the pandemic will be contained, and with the resurgence of more contagious variants of COVID-19 emerging in some regions, the situation remains uncertain.

In this operating environment, the Bank's group has strived to fulfill its mission as a social infrastructure that continues to provide safe and secure services, including ATM services, with the highest priority placed on ensuring the safety of customers, business partners, and employees. As for the Bank's consolidated business results for fiscal 2020, the stagnation of personal consumption, self-quarantining, and drastic changes in lifestyles affected by the spread of COVID-19 reduced the number of ATM transactions. Against this backdrop, ordinary income was 137,267 million yen, ordinary profit was 35,640 million yen, and net income attributable to owners of the parent was 25,905 million yen.

As for the Bank's non-consolidated business results, ordinary income was 111,672 million yen and ordinary profit was 34,593 million yen. In addition, the Bank decided to reverse part of its deferred tax assets, following careful consideration of its recoverability based on the business environment surrounding the Bank and the outlook for business performance. The Bank reversed 7,636 million yen in its deferred tax assets and recorded the amount as income taxes - deferred in the non-consolidated financial results, resulting in net income of 15,825 million yen.

A summary of operating results by segment is as follows.

#### (1) Domestic Business Segment

As far as the number of ATM transactions in Japan is concerned, harsh circumstances continued due to the spread of COVID-19. However, there was a steady increase in the number of transactions using the Bank's ATMs to charge cash into various cashless settlement methods, which has earned a certain level of recognition as a "safe and secure" way to use those cashless settlement methods. As a result, the total number of ATM transactions trended at almost the same level as in the previous fiscal year.

In the Individual Number Card Points (MAINA-Point) project conducted by the Ministry of Internal Affairs and Communications, the Bank was selected as a private-sector enterprise to provide terminals to assist with the applications, which made the Bank's ATMs as a venue to apply for Individual Number Card Points from August 2020. We are steadily promoting efforts to pioneer a world of "ATM+," which aims to think outside of the box and create value for ATMs that transcend conventional concepts.

The number of our ATMs installed reached 25,676 as of March 31, 2021 (up 1.8% compared with the end of March 2020). The average number of daily transactions per ATM was 90.5 (down 1.7% year over year), and a total of 836 million ATM transactions were recorded (down 1.5% year over year). As of March 31, 2021, we had partnered with 613 financial institutions

and other businesses in total.\* Our fourth-generation ATM Installations and replacements have been implemented and the number of fourth-generation ATMs installed was 6,020 as of March 31, 2021.

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

While the business environment is expected to remain uncertain going forward due to the effects of the spread of COVID-19, the Bank will evolve social value of ATMs from cash-based platforms to service platforms and continue to promote our ATM platform strategy that flexibly responds to the changes in society and customer needs in the future.

The smartphone app, "My Seven Bank," which was launched in April 2020, has been very well received as an instant account opening service, which allows an account to be opened in as little as 10 minutes using online personal authentication. As of March 31, 2021, the number of individual customer accounts increased steadily to 2,364,000 (up 8.4% compared with the end of March 2020). The balance of individuals' deposits was 519,000 million yen (up 13.1% year over year) and the balance of loan services for individual customers was 24,300 million yen (up 4.3% year over year).

Aiming to enhance convenience for foreign nationals living in Japan through comprehensive financial and lifestyle support, Credd Finance, Ltd. (the Bank's investment ratio: 60%), a domestic consolidated subsidiary of the Bank that is a joint venture company with Shinsei Bank, Limited, began selling the Senty Credit Card, a credit card for foreign nationals, in August 2020, and Senty Personal Loan, a purpose-specific loan exclusively for foreign nationals, in October 2020, both jointly with APLUS Co., Ltd. In March 2021, the Bank's consolidated subsidiary, Seven Global Remit, Ltd., began offering Senty, an international money transfer service using a smartphone app.

Recognizing that contributing to solving social issues that surface and become more serious as a result of changes in society is a business opportunity, in addition to the know-how accumulated to date, the Bank is collaborating with external corporations with the aim of providing new financial services to meet the various needs of our customers.

#### (2) Overseas Business Segment

##### • The United States

FCTI, Inc., the Bank's consolidated subsidiary, saw a decline in the number of ATM transactions from March 2020 due to the impact of the spread of COVID-19. However, after May 2020, mainly due to the resumption of economic activities and developments such as the receipt of unemployment insurance at ATMs, the number of ATM transactions greatly exceeded that of the corresponding period of the previous year and ended up at almost the same level as in the previous fiscal year on an annual basis. As a result of systematically reorganizing ATMs with low profitability that were installed at locations outside of United States 7-Eleven stores, the number of ATMs installed as of December 31, 2020 totaled 9,368 (down 13.9% compared to December 31, 2019), including 8,553 ATMs (up 1.0% compared



to December 31, 2019) installed inside 7-Eleven stores in the United States.

With regard to the business results of FCTI, Inc. for the consolidated fiscal year (from January 2020 to December 2020), due to the systematic reorganization of ATMs with low profitability, a decrease in the cost of financing as a result of cuts in policy interest rates, and other factors, ordinary income was 227.0 million U.S. dollars (down 10.6% year over year), ordinary profit was 22.8 million U.S. dollars (up 263.2% year over year), and net profit was 24.6 million U.S. dollars (up 268.5% year over year).

• **Asia**

PT. ABADI TAMBAH MULIA INTERNASIONAL, a consolidated subsidiary of the Bank in Indonesia, steadily promoted its business even amid the COVID-19 pandemic and greatly increased the number of ATMs installed to 750 as of December 31, 2020 (up 275.0% compared to December 31, 2019).

Additionally, Pito AxM Platform, Inc., a consolidated subsidiary of the Bank in the Philippines, installed ATMs at 7-Eleven stores in the Philippines in February 2021 and started the ATM operation business.

**Summary of Financial Position of Fiscal 2020**

**Assets**

Total assets at the end of March 2021 were 1,197,158 million yen. The majority of this total comprised cash and due from banks required for the operation of ATMs of 937,945 million yen. The remainder mostly consisted of marketable securities of 78,154 million yen held as collateral for foreign exchange settlements and Bank of Japan current account overdraft transactions, and 83,681 million yen representing ATM-related temporary payments, which are temporary advances from partner financial institutions.

**Liabilities**

Liabilities were 962,482 million yen. These largely comprised deposits (excluding negotiable certificates of deposit) totaling 782,658 million yen. Of these, the outstanding balance of individuals' ordinary deposits was 383,290 million yen and the balance of individuals' time deposits was 135,722 million yen.

**Net Assets**

Net assets were 234,676 million yen. Of these, retained earnings were 168,694 million yen. The consolidated capital adequacy ratio (domestic standard) was 47.93%.

**Summary of Cash Flows of Fiscal 2020**

Cash and cash equivalents increased by 89,498 million yen during the fiscal year under review to 937,945 million yen. Cash flows in each category and the factors behind the changes were as follows.

**Cash Flow from Operating Activities**

Net cash provided by operating activities was 136,039 million yen. Factors contributing to cash included income before income taxes and non-controlling interests of 35,655 million yen and a net increase

in deposits of 98,898 million yen. These factors exceeded factors using cash, such as 3,609 million yen in interest income.

**Cash Flow from Investing Activities**

Net cash used in investing activities was 32,770 million yen. Factors that used cash included purchase of securities of 20,484 million yen and purchase of intangible fixed assets of 14,808 million yen. These exceeded the factor that provided cash: proceeds from maturity of securities of 13,084 million yen.

**Cash Flow from Financing Activities**

Net cash used in financing activities was 13,555 million yen, due to factors including 12,968 million yen in dividends paid and purchase of treasury stock of 770 million yen.

**Outlook for Fiscal 2021**

As for the consolidated business results for fiscal 2021, we forecast ordinary income of 137,600 million yen (up 0.2% year over year), ordinary profit of 28,300 million yen (down 20.5% year over year), and net income attributable to owners of the parent of 19,700 million yen (down 23.9% year over year).

As for the non-consolidated business results of the Bank for fiscal 2021, we forecast ordinary income of 110,900 million yen (down 0.6% year over year), ordinary profit of 27,300 million yen (down 21.0% year over year), and net income of 18,900 million yen (up 19.4% year over year).

In May 2021, we formulated the Medium-Term Management Plan that concludes the fiscal year ending March 31, 2026. In this Medium-Term Management Plan, our targets for the final fiscal year are consolidated ordinary income of 170,000 million yen, consolidated ordinary profit of 35,000 million yen, and consolidated return on equity of 8.0% or more.

(Consolidated business results forecast)

	Fiscal 2021	
		Year-over-year change
Ordinary income	137,600 million yen	Up 0.2%
Ordinary profit	28,300 million yen	Down 20.5%
Net income attributable to owners of the parent	19,700 million yen	Down 23.9%

\* Foreign exchange rate assumed: USD1.00 = JPY103.00

(Non-consolidated business results forecast of the Bank)

	Fiscal 2021	
		Year-over-year change
Ordinary income	110,900 million yen	Down 0.6%
Ordinary profit	27,300 million yen	Down 21.0%
Net income	18,900 million yen	Up 19.4%

**Risk Factors**

Major risks related to Seven Bank's business and other areas that have been recognized by management as possibly having significant effects on the financial condition, operating results, and cash flows of the consolidated companies are listed below. 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.

Under the Basic Policy on Risk Control, which is determined by the Bank's Board of Directors, the Bank has established Bank-wide risk management policies, management policies for specific risks, and a risk management organization and structure as a framework to appropriately recognize and manage various types of risks in its operations. In addition, for appropriate risk management, the Bank has established a Risk Management Committee, an Asset-Liability Management (ALM) Committee, and a Security Committee as advisory bodies to the Executive Committee with respect to risks; 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.

**1. Risk Relating to Our Business Strategy**

**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 further increase in the use of non-cash payment methods in the future could reduce the number of ATM transactions, which could affect the Bank's results.

To increase the number of ATM transactions even in such an environment, the Bank will strive to create new ATM services that go beyond conventional concepts, including services that enable charging (loading money onto) electronic money for public transportation and QR code settlement, and ATM pick-up (cash receiving services) to expand their social value.

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

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

In the future, increased competition with these companies 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 and financial position.

**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, the

level of the ATM-related fee income may decline, or failure to agree on ATM-related fee income levels may dissolve partnerships, which could affect the Bank's results and financial position.

**D) Difficulty in securing ATM locations**

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

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

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

**F) Higher interest rates**

Seven Bank procures necessary cash for its ATM platform business through deposits, 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.

In addition, Seven Bank offers ordinary deposits and time deposits, 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 its business domain 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.

**Overseas Business Segment**

Seven Bank has consolidated subsidiaries that operate ATMs in the United States, Indonesia, and the Philippines. 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.

**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. 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 social standing or its results through reputation damage and other factors.

## 3. 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.

## 4. 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, 2021, the Company controls 46.26% 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) Transactional Relationships

As of March 31, 2021, Seven Bank had installed 23,048 ATMs at the Group stores (22,394 ATMs at 7-Eleven stores, 254 ATMs at Ito-Yokado stores, and 400 ATMs at other locations in the Group).

In addition, the Bank has installed 2,628 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 major changes in fee terms could affect the Bank's results.

## 5. 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 customers. However, reputation damage and other factors arising from a temporary failure to keep pace with increasingly intricate and sophisticated criminal techniques could affect the Bank's social standing or its results.

## 6. 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.

## 7. 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 to execute its business under initial assumptions.

## 8. Regulations

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

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

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

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

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

## 9. 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.

## 10. 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.

## 11. Reduced Liquidity due to Ratings Downgrade

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

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

## 12. 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.

## 13. 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 markets, on the Internet, in e-mail, etc. (hereinafter "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.

## 14. Outbreak and Spread of Infectious Diseases

Harsh conditions continued as personal consumption, including the consumption of services, and corporate activity stagnated markedly due to the impact of the spread of COVID-19. It is still impossible to predict when the pandemic will be contained, and with the resurgence of more contagious variants of COVID-19, the situation remains uncertain.

To prevent the further spread of the infections, Seven Bank has been making efforts to enforce infection prevention measures for its employees and external contractors, such as promoting work from home and staggered working hours, having employees take temperature when they come to work, and holding meetings online, in principle, whether they are internal or external ones. However, if the infections continue to spread, it may disrupt the operations of Seven Bank and affect the Bank's results.

The number of ATM transactions in Japan in fiscal 2020 fell by 1.5% year over year primarily as the measures taken to prevent the spread of COVID-19 subdued the traffic of people.



## Status of the Corporate Group

The Bank's group comprises 13 companies, i.e., the Bank and its eight consolidated subsidiaries (FCTI, Inc., PT. ABADI TAMBAH MULIA INTERNASIONAL, Bank Business Factory Co., Ltd., Seven Payment Service, Ltd., Pito AxM Platform, Inc., Seven Global Remit, Ltd., ACSION, Ltd., and Credd Finance, Ltd.) and four affiliates (Seven Pay Co., Ltd., TORANOTEC Ltd., TORANOTEC Asset Management Ltd., and Metaps Payment Inc.), operating in each business field in Japan and overseas.

In Japan, in addition to the ATM platform business, which is its core business, the Bank's group conducts the settlement and account business. Overseas, it develops ATM services in the United States, Indonesia and the Philippines.

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, Ito-Yokado and other stores belonging to companies of the Seven & i Holdings Group (hereinafter referred to as 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 ATM services for 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. Furthermore, consolidated subsidiaries of the Bank in Japan are developing financial services that meet the needs of various customers in collaboration with external companies, in addition to using the knowledge obtained through its settlement and account business, etc.

### (2) Overseas Business Segment

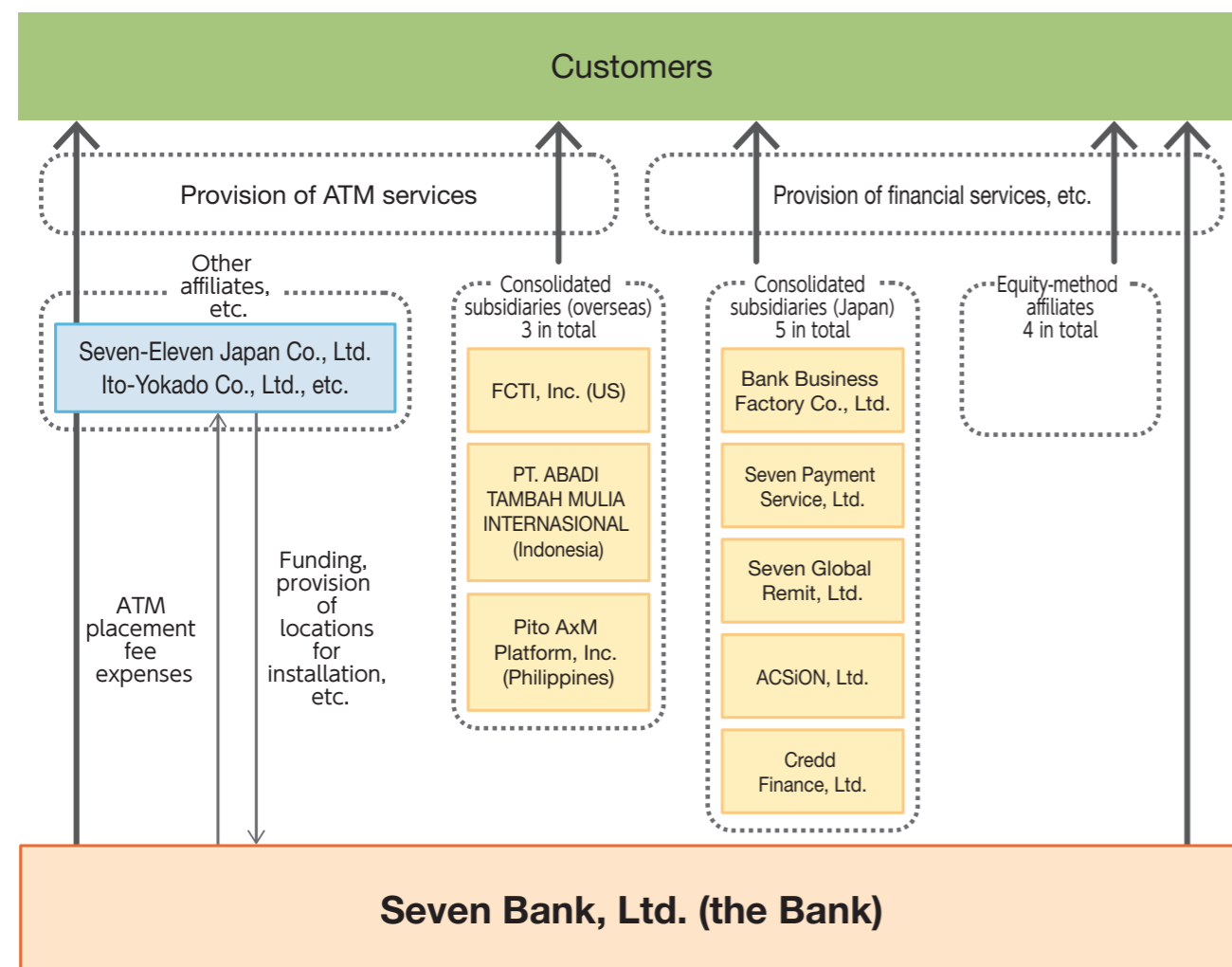
#### • The United States

FCTI, Inc., a consolidated subsidiary of the Bank, provides ATM services, including the installation of ATMs at 7-Eleven stores in the United States.

#### • Asia

PT. ABADI TAMBAH MULIA INTERNASIONAL, a consolidated subsidiary of the Bank in Indonesia, is engaged in local ATM services. Additionally, Pito AxM Platform, Inc., a consolidated subsidiary of the Bank in the Philippines, installed ATMs at 7-Eleven stores and started providing ATM services.

## Operating System of Seven Bank and Its Group Companies



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

### (1) Management Policies

#### 1. Purpose of Seven Bank

Create a better version of daily life by going beyond the wishes of our customers.

#### 2. 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.

#### 3. 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 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's profitability.

### (2) Target Management Indicators

To respond to significant changes in the business environment and sustainably improve its corporate value, the Bank is promoting business diversification to strengthen its profit structure. In the Medium-Term Management Plan formulated in May 2021 to maximize the long-term sustainability and growth potential of the Group, the Bank is promoting measures that place the highest priority on expanding consolidated ordinary income. As indicators to assess the level of implementation of the Medium-Term Management Plan, the Bank has set the following consolidated KPIs for the final year of the plan.

	Results for FY2020	Target for FY2025
Consolidated ordinary income	137,200 million yen	170,000 million yen
Consolidated ordinary profit	35,600 million yen	35,000 million yen
ROE	11.3%	8.0% or more

### (3) Management Issues

The business environment surrounding the Bank's group is undergoing unprecedented changes at an accelerating pace, including those in lifestyle due to the impact of the spread of COVID-19, heightened awareness of environmental and social issues, diversification of payment methods due to the development of digital technology, and the entry into the financial sector of businesses from other industries.

There is a need for flexible management that is more than ever sensitive to changes in social structure and diversification of customer needs, rapidly incorporating the results of technological innovation.

In addition, social issues such as widening disparities and climate change are becoming more apparent and serious, leading to an era when businesses, as members of society, are required to face these issues more sincerely than ever before to seek solutions.

### (4) Medium- to Long-Term Management Strategies

"Create a better version of daily life by going beyond the wishes of our customers." This is the purpose of the Group. Based on this purpose, Seven Bank will strive to achieve sustainable growth as a unique bank that is close to customers' lives, offering convenience, reliability and trust. We have formulated the Medium-Term Management Plan (FY2021 – FY2025), designating the coming five years through 2025 as a period to materialize the second phase of growth by improving our sustainability and growth potential.

### (5) Issues to Be Addressed

Based on the basic policy of the Medium-Term Management Plan, "Promoting business diversification and launching the second phase of growth," we will promote the following three basic measures.

〈Basic Measures〉

- Reform of the Group's core ATM platform business and business diversification in strategic business fields through aggressive investment
- Setting sustainability at the core of its long-term management strategy, the Group will contribute to addressing serious and emerging social issues through its business activities and continuously promote the creation of new value for both society and businesses.
- Promotion of corporate transformation in both businesses and operations as driving forces for sustainable growth

〈Growth Strategy Originating from Purpose〉

The Group's purpose is: "Create a better version of daily life by going beyond the wishes of our customers." To this end, we will take advantage of the Group's strength to promote four growth strategies.

#### ■ Domestic Business Segment

##### ATM Platform Strategy

- Expand social value from a cash platform to a service platform (ATM+) to establish a dominant presence in the market

##### Retail Strategy

- Strengthening collaboration with the Group and pursuing unique product features
- Providing comprehensive support for the financial and daily lives of foreign residents and establishing a service of choice

##### Corporate Strategy

- Tapping into the settlement needs of small and medium sized corporations, mainly in cash transactions
- Providing functions and developing contract businesses for

## Consolidated Balance Sheets

Seven Bank, Ltd. and Consolidated Subsidiaries  
As of March 31, 2021 and 2020

operating companies seeking to enter the financial sector and financial institutions seeking to streamline their operations

### Overseas Business Segment

#### Overseas Strategy

- Developing multi-layered financial services in various countries using the ATM business as a gateway

In addition, in order to steadily implement the above-mentioned basic measures and growth strategies, we will invest a total of approximately 150 billion yen over the next five years, including: 70 billion yen in investments for growth and promotion of corporate transformation both in Japan and overseas based on a long-term growth perspective; 50 billion yen in investments for replacing ATMs with fourth-generation ATMs aimed at developing a platform for new ATM value creation; and 30 billion yen in investments necessary for business continuity, such as various system upgrades and maintenance.

	Millions of yen	
	2021	2020
<b>Assets:</b>		
Cash and due from banks (Notes 3, 4 and 5) .....	¥ 937,945	¥ 848,446
Securities (Notes 5, 6 and 7) .....	78,154	70,911
Loans (Notes 5 and 8) .....	24,329	23,283
Foreign exchanges .....	0	0
ATM-related temporary payments (Note 5) .....	83,681	81,965
Tangible fixed assets (Notes 9 and 31) .....	19,218	13,985
Intangible fixed assets (Note 10) .....	34,857	29,665
Asset for retirement benefits (Note 16) .....	909	378
Deferred tax assets (Note 25) .....	707	909
Other assets (Notes 5, 7, 11 and 29) .....	17,442	16,365
Allowance for credit losses (Note 5) .....	(88)	(25)
<b>Total assets</b> .....	<b>¥1,197,158</b>	<b>¥1,085,885</b>
<b>Liabilities:</b>		
Deposits (Notes 5 and 12) .....	¥ 783,408	¥ 684,560
Borrowed money (Notes 5 and 13) .....	591	196
Bonds (Notes 5 and 14) .....	105,000	105,000
Income taxes payable .....	4,258	7,848
ATM-related temporary advances (Note 5) .....	47,046	45,052
Reserve for bonuses .....	610	573
Liability for retirement benefits (Note 16) .....	6	3
Reserve for directors' retirement benefits .....	—	4
Reserve for stocks payment .....	634	236
Deferred tax liabilities (Note 25) .....	87	137
Other liabilities (Notes 15, 27 and 31) .....	20,839	19,439
<b>Total liabilities</b> .....	<b>962,482</b>	<b>863,051</b>
<b>Net assets</b> (Notes 17 and 26):		
Shareholders' equity:		
Common stock, authorized 4,763,632 thousand shares, issued 1,179,308 thousand shares as of March 31, 2021 and 1,179,129 thousand shares as of March 31, 2020 .....	30,724	30,702
Capital surplus .....	30,724	30,757
Retained earnings .....	168,694	155,760
Treasury stock, at cost, 3,587 thousand shares as of March 31, 2021 and 798 thousand shares as of March 31, 2020 .....	(1,081)	(338)
<b>Total shareholders' equity</b> .....	<b>229,061</b>	<b>216,882</b>
Accumulated other comprehensive income:		
Net unrealized gains (losses) on available-for-sale securities, net of taxes (Note 6) .....	440	499
Foreign currency translation adjustments .....	3,407	3,767
Accumulated adjustments for retirement benefits (Note 16) .....	359	62
<b>Total accumulated other comprehensive income</b> .....	<b>4,207</b>	<b>4,329</b>
Subscription rights to shares (Note 30) .....	—	274
Non-controlling interests .....	1,407	1,346
<b>Total net assets</b> .....	<b>234,676</b>	<b>222,833</b>
<b>Total liabilities and net assets</b> .....	<b>¥1,197,158</b>	<b>¥1,085,885</b>

See accompanying notes.



## Consolidated Statements of Income

Seven Bank, Ltd. and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2021 and 2020

	Millions of yen	
	2021	2020
<b>Income:</b>		
Interest income .....	¥ 3,609	¥ 3,569
Interest on loans .....	3,475	3,451
Interest and dividends on securities .....	29	26
Interest on call loans .....	1	0
Other interest income .....	102	90
Fees and commissions income (Note 18) .....	131,709	144,280
Other operating income (Note 20) .....	201	281
Other income (Note 22) .....	2,019	514
Total income .....	137,540	148,644
<b>Expenses:</b>		
Interest expenses .....	539	674
Interest on deposits .....	67	99
Interest on call money .....	(9)	(12)
Interest on borrowed money .....	14	15
Interest on bonds .....	467	570
Fees and commissions expenses (Notes 19 and 27) .....	35,360	40,305
General and administrative expenses (Note 21) .....	64,308	62,813
Other expenses (Note 23) .....	1,677	5,070
Total expenses .....	101,884	108,864
Income before income taxes .....	35,655	39,780
Income taxes (Note 25)		
Current .....	9,867	13,840
Deferred .....	51	(164)
Total income taxes .....	9,918	13,675
Net income .....	25,737	26,105
Net income (loss) attributable to non-controlling interests .....	(168)	(57)
Net income attributable to owners of the parent .....	¥ 25,905	¥ 26,162

Amounts per share of common stock (Note 32):

	Yen	
	2021	2020
Net assets .....	¥198.40	¥187.73
Net income .....	22.01	22.14
Diluted net income .....	22.00	22.11
Cash dividends applicable to the year (Note 26) .....	11.00	11.00

See accompanying notes.

## Consolidated Statements of Comprehensive Income

Seven Bank, Ltd. and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2021 and 2020

	Millions of yen	
	2021	2020
Net income .....	¥25,737	¥26,105
Other comprehensive income (Note 24)		
Net unrealized gains (losses) on available-for-sale securities, net of taxes ...	(59)	7
Foreign currency translation adjustments .....	(369)	(53)
Adjustments for retirement benefits (Note 16) .....	296	(119)
Total other comprehensive income .....	(131)	(165)
Comprehensive income .....	¥25,605	¥25,939
Comprehensive income attributable to:		
Owners of the parent .....	¥25,782	¥26,019
Non-controlling interests .....	(177)	(79)

See accompanying notes.

## Consolidated Statements of Changes in Net Assets

Seven Bank, Ltd. and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2021 and 2020

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2019	¥30,679	¥30,661	¥147,094	¥ (352)	¥208,083
Changes in items during the period					
Issuance of new shares	23	23			46
Cash dividends			(13,639)		(13,639)
Net income attributable to owners of the parent			26,162		26,162
Purchase of treasury stock				(3,857)	(3,857)
Disposal of treasury stock				13	13
Cancellation of treasury stock			(3,857)	3,857	—
Change in capital surplus due to change in equity of consolidated subsidiaries		73			73
Net changes in items other than shareholders' equity					
Net changes in items during the period	23	96	8,665	13	8,798
Balance at April 1, 2020	¥30,702	¥30,757	¥155,760	¥ (338)	¥216,882
Changes in items during the period					
Issuance of new shares	21	21			43
Cash dividends			(12,971)		(12,971)
Net income attributable to owners of the parent			25,905		25,905
Purchase of treasury stock				(770)	(770)
Disposal of treasury stock				27	27
Cancellation of treasury stock					—
Change in capital surplus due to change in equity of consolidated subsidiaries		(54)			(54)
Net changes in items other than shareholders' equity					
Net changes in items during the period	21	(33)	12,934	(742)	12,179
Balance at March 31, 2021	¥30,724	¥30,724	¥168,694	¥(1,081)	¥229,061

	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized gains available-for-sale securities, net of taxes	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2019	¥492	¥3,798	¥ 182	¥4,473	¥ 320	¥ 11	¥212,890
Changes in items during the period							
Issuance of new shares							46
Cash dividends							(13,639)
Net income attributable to owners of the parent							26,162
Purchase of treasury stock							(3,857)
Disposal of treasury stock							13
Cancellation of treasury stock							—
Change in capital surplus due to change in equity of consolidated subsidiaries							73
Net changes in items other than shareholders' equity	7	(31)	(119)	(143)	(46)	1,334	1,145
Net changes in items during the period	7	(31)	(119)	(143)	(46)	1,334	9,943
Balance at April 1, 2020	¥499	¥3,767	¥ 62	¥4,329	¥ 274	¥1,346	¥222,833
Changes in items during the period							
Issuance of new shares							43
Cash dividends							(12,971)
Net income attributable to owners of the parent							25,905
Purchase of treasury stock							(770)
Disposal of treasury stock							27
Cancellation of treasury stock							—
Change in capital surplus due to change in equity of consolidated subsidiaries							(54)
Net changes in items other than shareholders' equity	(59)	(360)	296	(122)	(274)	60	(336)
Net changes in items during the period	(59)	(360)	296	(122)	(274)	60	11,842
Balance at March 31, 2021	¥440	¥3,407	¥ 359	¥4,207	¥ —	¥1,407	¥234,676

See accompanying notes.

## Consolidated Statements of Cash Flows

Seven Bank, Ltd. and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2021 and 2020

	Millions of yen	
	2021	2020
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥ 35,655	¥ 39,780
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation of fixed assets	14,070	14,634
Equity in losses of affiliates	796	4,770
Net change in allowance for credit losses	63	1
Net change in reserve for bonuses	45	36
Net change in asset or liability for retirement benefits	(100)	(106)
Net change in reserve for directors' retirement benefits	(4)	(1)
Net change in reserve for stocks payment	397	69
Interest income	(3,609)	(3,569)
Interest expenses	539	674
Net losses related to securities	88	38
Net losses on disposal of fixed assets	(14)	56
Net change in loans	(1,045)	(595)
Net change in deposits	98,848	5,085
Net change in borrowed money	404	(9,807)
Net change resulting from issuance and maturity of ordinary bonds	—	(30,000)
Net change in ATM-related temporary accounts	274	77,146
Interest received	3,815	3,840
Interest paid	(613)	(805)
Other – net	(213)	1,398
Subtotal	149,397	102,648
Income taxes paid	(13,358)	(13,029)
Net cash provided by operating activities	136,039	89,619
<b>Cash flows from investing activities:</b>		
Purchase of securities	(20,484)	(16,171)
Proceeds from redemption of securities	13,084	27,920
Purchase of tangible fixed assets	(10,436)	(4,547)
Proceeds from sales of tangible fixed assets	273	98
Purchase of intangible fixed assets	(14,808)	(11,100)
Proceeds from sales of intangible fixed assets	100	—
Purchase of shares in an equity method affiliated company	(499)	(2,000)
Net cash used in investing activities	(32,770)	(5,801)
<b>Cash flows from financing activities:</b>		
Proceeds from stock issuance to non-controlling interests	183	1,487
Proceeds from exercise of stock options	0	0
Dividends paid	(12,968)	(13,635)
Purchase of treasury stock	(770)	(3,857)
Other – net	—	(3)
Net cash used in financing activities	(13,555)	(16,009)
Effect of exchange rate changes on cash and cash equivalents	(213)	(11)
Net change in cash and cash equivalents	89,498	67,796
Cash and cash equivalents at the beginning of the year	848,446	780,650
<b>Cash and cash equivalents at the end of the year (Note 3 and 4)</b>	<b>¥937,945</b>	<b>¥848,446</b>

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, 2021 and 2020

## 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 eight consolidated subsidiaries.

Names of the consolidated subsidiaries are as follows: FCTI, Inc., PT. ABADI TAMBAH MULIA INTERNASIONAL, Bank Business Factory Co., Ltd., Seven Payment Service, Ltd., Pito AxM Platform, Inc., Seven Global Remit, Ltd., ACSION, Ltd. and Credd Finance, Ltd.

The balance sheet dates of the consolidated subsidiaries are December 31 for three companies and March 31 for five 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.

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

For affiliates accounted for using the equity method that have a balance sheet date different from the consolidated balance sheet date, the financial statements pertaining to the fiscal years of the respective affiliates are used for the preparation of the consolidated financial statements.

### (b) Securities

In principle, available-for-sale securities are stated at their fiscal year-end fair 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, 2021 and 2020 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 expected credit losses for the following one year. The expected credit losses are determined using the loss ratio computed based on the average rate for the past definite period of bad debt ratio or default probability based on the bad debt or default experience for the past year, and modified with necessary adjustments such as future prospects.

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.

Allowance for credit losses of consolidated subsidiaries is stated at amounts considered to be appropriate based on past credit loss experience for general receivables and, for specific receivables such as doubtful receivables, in amounts expected to be unrecoverable considering the individual collectability.

### (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 benefits 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

All derivative transactions are recognized as either assets or liabilities and measured at fair values, and gains or losses on derivative transactions are recognized in the consolidated statement of income.

### (l) Amortization of goodwill

Goodwill is amortized using the straight-line method over five 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**

1. Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020, hereinafter "Standard")  
Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021, hereinafter "Implementation Guidance")  
Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(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, etc. 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 immaterial.

2. Accounting Standards for Fair Value Measurement, etc. Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)  
Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)

Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to enhance comparability with international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively "Fair Value Accounting Standards, etc.") have been developed and other rules have been established with regard to the method for fair value measurement. Fair Value Accounting Standards, etc. will be applied to the fair value of the following items:

· Financial instruments defined in "Accounting Standard for Financial Instruments"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised to include notes regarding the breakdown by level of fair values of financial instruments.

(2) Date of adoption

Fair Value Accounting Standards, etc. 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 Fair Value Accounting Standards, etc. is immaterial.

**(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, 2021 and 2020 are ¥588 million and ¥239 million, and 1,895 thousand shares and 563 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, 2021 and 2020 are ¥492 million and ¥99 million and 1,691 thousand shares and 234 thousand shares, respectively.

(Accounting Estimates Followed by the Spread of Novel Coronavirus Disease (COVID-19))

In determining whether impairment on securities is necessary or not, the Bank has made an assumption that the impact of COVID-19 will remain for a certain period after the end of the consolidated fiscal year ended March 31, 2021 considering the businesses of some of the investees, and reflected it in the amounts of business plan before making accounting estimates. As a result, the Bank has determined that there is no need for impairment for the consolidated fiscal year ended March 31, 2021.

Although the above estimates are based on the information available at the time of preparation of the consolidated financial statements, the consolidated financial statements for the following fiscal years may be affected, depending on the situation of COVID-19 and its impact on the economy.

**3. Supplemental Cash Flow Information**

Cash and cash equivalents in the consolidated statements of cash flows for the fiscal years ended March 31, 2021 and 2020 consisted of cash and due from banks of ¥937,945 million and ¥848,446 million on the consolidated balance sheets as of March 31, 2021 and 2020, respectively.

**4. Cash and Due from Banks**

Cash and due from banks as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Cash .....	¥802,247	¥749,978
Due from banks .....	135,698	98,468
Total .....	¥937,945	¥848,446



## 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 platform business accounts for most of the financial instruments the Bank holds. The Bank provides unutilized capital to call loan lending and is exposed 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 exposed to borrower and issuers' credit risks, interest rate risk, and market (price) risk. Loans are those for individual customers, which are exposed to credit risks of the borrowers. However, the risk is limited because guarantees are mostly attached to the entire loan amounts.

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

Borrowed money and bonds are also exposed to 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.

#### (3) Risk Management Relating to Financial Instruments

##### (A) Credit Risk Management

Basic policies related to credit risk are stipulated in the Basic Policy on Risk Control and by the Credit Risk Rules established thereunder. Currently, the Bank has low credit risk exposures in the limited areas of the ATM settlement operation, 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 guidelines, reserve guidelines, and related internal rules and regulations.

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

##### (B) Market Risk Management

Basic policies related to market risk are stipulated in the Basic 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 Group 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 quarterly ALM Committee meetings where the Bank's market risk position, expectations on interest rate trends 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, 2021, the Bank's market risk quantity (maximum potential loss) is ¥2,578 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 Basic 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 Group measures and monitors liquidity risk on a daily basis in light of these limits and reports the results to management, including the Executive Committee. In the event of a cash shortage, according to the measures corresponding to each scenario, which are designed prior to those events, companywide actions are taken to secure the liquidity in a fast and flexible manner. Hence, there shall be no concern on liquidity risk.

#### (4) Supplementary Explanation on Fair Value of Financial Instruments

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

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

### 2) Fair Value of Financial Instruments

The following table summarizes the amounts stated in the consolidated balance sheets and the fair value of financial instruments as of March 31, 2021 and 2020 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, 2021	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks <sup>1</sup> .....	¥ 937,883	¥ 937,883	¥ —
(2) Securities .....			
Available-for-sale securities .....	71,298	71,298	—
(3) Loans .....	24,329		
Allowance for credit losses <sup>1</sup> .....	(1)		
	24,327	24,327	0
(4) ATM-related temporary payments <sup>1</sup> .....	83,676	83,676	—
<b>Total assets</b> .....	<b>¥1,117,184</b>	<b>¥1,117,185</b>	<b>¥ 0</b>
(1) Deposits .....	¥ 783,408	¥ 783,483	¥ 74
(2) Borrowed money .....	591	591	—
(3) Bonds .....	105,000	105,939	939
(4) ATM-related temporary advances .....	47,046	47,046	—
<b>Total liabilities</b> .....	<b>¥ 936,046</b>	<b>¥ 937,059</b>	<b>¥1,013</b>
Derivative transactions to which:			
(1) hedge accounting method is not applied .....	¥ —	¥ —	¥ —
(2) hedge accounting method is applied .....	—	—	—
<b>Total derivative transactions</b> .....	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>

March 31, 2020	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks <sup>1</sup> .....	¥ 848,446	¥ 848,446	¥ —
(2) Securities			
Available-for-sale securities .....	64,054	64,054	—
(3) Loans .....	23,283		
Allowance for credit losses <sup>1</sup> .....	(0)		
	23,282	23,282	—
(4) ATM-related temporary payments <sup>1</sup> .....	81,965	81,965	—
<b>Total assets</b> .....	<b>¥1,017,750</b>	<b>¥1,017,750</b>	<b>¥ —</b>
(1) Deposits .....	¥ 684,560	¥ 684,656	¥ 96
(2) Borrowed money .....	196	196	—
(3) Bonds .....	105,000	105,975	975
(4) ATM-related temporary advances .....	45,052	45,052	—
<b>Total liabilities</b> .....	<b>¥ 834,808</b>	<b>¥ 835,880</b>	<b>¥1,071</b>

Derivative transactions to which:

(1) hedge accounting method is not applied .....	¥ 48	¥ 48	¥ —
(2) hedge accounting method is applied .....	—	—	—
<b>Total derivative transactions</b> .....	<b>¥ 48</b>	<b>¥ 48</b>	<b>¥ —</b>

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. For loans with fixed interest rates, the fair value is calculated by discounting the sum of principal and interests at interest rates generally applied to similar new loans by categories based on the types and maturity of loans.

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 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 "29. 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	
	2021	2020
Unlisted equity securities <sup>1 and 2</sup> .....	¥3,379	¥1,701
Shares in an affiliated company <sup>1</sup> .....	1,703	2,000
Subscription rights to shares <sup>1 and 3</sup> .....	0	50
Investments in partnership <sup>4</sup> .....	1,773	3,105
<b>Total</b> .....	<b>¥6,856</b>	<b>¥6,856</b>

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 ¥38 million on unlisted equity securities are recognized for the fiscal year ended March 31, 2021.

3. Impairment losses of ¥49 million on subscription rights to shares are recognized for the fiscal year ended March 31, 2021.

4. 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, 2021	Millions of yen					
	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Due from banks <sup>1</sup> .....	¥135,698	¥ —	¥ —	¥—	¥—	¥—
Securities:						
Available-for-sale securities with maturity .....	11,300	50,831	8,184	—	—	—
Japanese municipal bonds .....	700	16,731	3,584	—	—	—
Corporate bonds .....	10,600	34,100	4,600	—	—	—
Loans <sup>2</sup> .....	24,274	8	—	—	—	—
ATM-related temporary payments .....	83,681	—	—	—	—	—
<b>Total</b> .....	<b>¥254,953</b>	<b>¥50,839</b>	<b>¥8,184</b>	<b>¥—</b>	<b>¥—</b>	<b>¥—</b>

March 31, 2020	Millions of yen					
	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Due from banks <sup>1</sup> .....	¥ 98,468	¥ —	¥ —	¥—	¥—	¥—
Securities:						
Available-for-sale securities with maturity .....	11,400	34,813	16,862	—	—	—
Japanese municipal bonds .....	5,700	9,113	7,862	—	—	—
Corporate bonds .....	5,700	25,700	9,000	—	—	—
Loans <sup>2</sup> .....	23,244	—	—	—	—	—
ATM-related temporary payments .....	81,965	—	—	—	—	—
<b>Total</b> .....	<b>¥215,077</b>	<b>¥34,813</b>	<b>¥16,862</b>	<b>¥—</b>	<b>¥—</b>	<b>¥—</b>

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

2. For loans, ¥46 million and ¥39 million as of March 31, 2021 and 2020 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.



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

March 31, 2021	Millions of yen					
	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Deposits <sup>1</sup>	¥667,879	¥ 68,516	¥47,012	¥ —	¥ —	¥—
Borrowed money	591	—	—	—	—	—
Bonds	—	40,000	15,000	30,000	20,000	—
ATM-related temporary advances	47,046	—	—	—	—	—
Total	¥715,516	¥108,516	¥62,012	¥30,000	¥20,000	¥—

March 31, 2020	Millions of yen					
	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Deposits <sup>1</sup>	¥568,387	¥72,903	¥43,269	¥—	¥ —	¥—
Borrowed money	196	—	—	—	—	—
Bonds	—	20,000	35,000	—	50,000	—
ATM-related temporary advances	45,052	—	—	—	—	—
Total	¥613,635	¥92,903	¥78,269	¥—	¥50,000	¥—

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	
	2021	2020
Equity securities	¥1,703	¥2,000

(2) The following tables summarize acquisition cost and carrying amount of securities with fair values available as of March 31, 2021 and 2020:

Available-for-sale securities:

March 31, 2021	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with higher balances than acquisition costs			
Equity securities	¥ 151	¥ 679	¥527
Bonds:			
Japanese municipal bonds	16,815	16,821	6
Corporate bonds	19,322	19,332	9
Total	¥36,290	¥36,833	¥543

March 31, 2020	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with the same or lower balances than acquisition costs			
Bonds:			
Japanese municipal bonds	¥ 4,285	¥ 4,284	¥ (0)
Corporate bonds	30,194	30,179	(15)
Total	¥34,480	¥34,464	¥ (15)
Grand total	¥70,770	¥71,298	¥527

March 31, 2020	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with higher balances than acquisition costs			
Equity securities	¥ 151	¥ 683	¥531
Bonds:			
Japanese municipal bonds	8,406	8,409	2
Corporate bonds	300	300	0
Total	¥8,859	¥9,394	¥534

March 31, 2020	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with the same or lower balances than acquisition costs			
Bonds:			
Japanese municipal bonds	¥14,352	¥14,347	¥ (5)
Corporate bonds	40,370	40,313	(56)
Total	¥54,723	¥54,660	¥ (62)
Grand total	¥63,583	¥64,054	¥471

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

March 31	Millions of yen	
	2021	2020
Unrealized gains (losses):		
On available-for-sale securities	¥ 635	¥ 720
Deferred tax liabilities	(194)	(220)
Net unrealized gains (losses) on available-for-sale securities, net of taxes	¥ 440	¥ 499

Note: Unrealized gains (losses) on investments in partnership whose fair value is extremely difficult to estimate of ¥107 million and ¥ 248 million as of March 31, 2021 and 2020, 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 pledged amounted to ¥70,618 million and ¥63,371 million as of March 31, 2021 and 2020, respectively.

Other assets included guarantee deposits of ¥2,124 million and ¥2,020 million as of March 31, 2021 and 2020, respectively, and deposits to Central Counterparty of ¥800 million and ¥800 million as of March 31, 2021 and 2020, respectively.

## 8. Loans

Loans to bankrupt borrowers and delinquent loans were ¥3 million and ¥42 million as of March 31, 2021, and ¥0 million and ¥38 million as of March 31, 2020, 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.

Loans past due three months or more were ¥0 million and nil as of March 31, 2021 and 2020, respectively.

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, 2021 and 2020. 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 ¥46 million and ¥39 million as of March 31, 2021 and 2020, 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 ¥23,965 million and ¥20,604 million as of March 31, 2021 and 2020, respectively. Unused overdraft facilities for contracts with a term of within one year also amounted to ¥23,965 million and ¥20,604 million as of March 31, 2021 and 2020, respectively.

## 9. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Buildings .....	¥ 1,690	¥ 1,630
ATMs .....	14,342	9,042
Other .....	3,185	3,312
Total .....	¥19,218	¥13,985

The accumulated depreciation of tangible fixed assets as of March 31, 2021 and 2020 amounted to ¥62,219 million and ¥68,799 million, respectively.

## 10. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Software .....	¥26,215	¥20,930
Other .....	8,642	8,734
Total .....	¥34,857	¥29,665

## 11. Other Assets

Other assets as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Accrued income .....	¥ 9,672	¥10,029
Prepaid expenses .....	2,846	2,787
Other .....	4,923	3,548
Total .....	¥17,442	¥16,365

## 12. Deposits

Deposits as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Deposits .....	¥782,658	¥683,760
Negotiable certificates of deposit .....	750	800
Total .....	¥783,408	¥684,560

## 13. Borrowed Money

Borrowed money as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Borrowed money from banks and insurance companies .....	¥591	¥196

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2021 and 2020 was 6.17% and 7.75%, respectively.

The repayment schedule on borrowed money as of March 31, 2021 and 2020 were as follows:

Borrowed money	Millions of yen	
	2021	2020
Within one year .....	¥591	¥196
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 .....	—	—

## 14. Bonds

Bonds as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Unsecured:		
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	20,000
0.38% unsecured bonds due December 20, 2028, date of issue January 25, 2019 .....	20,000	20,000
Total .....	¥105,000	¥105,000

The repayment schedule on bonds as of March 31, 2021 and 2020 was as follows:

	Millions of yen	
	2021	2020
Within one year .....	¥ —	¥ —
Over one year but within two years .....	20,000	—
Over two years but within three years .....	20,000	20,000
Over three years but within four years .....	15,000	20,000
Over four years but within five years .....	—	15,000
Over five years .....	50,000	50,000

## 15. Other liabilities

Other liabilities as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Accrued expenses .....	¥ 7,945	¥ 7,864
Asset retirement obligations .....	677	785
Other .....	12,217	10,789
Total .....	¥20,839	¥19,439



## 16. Employees' Severance and Retirement Benefits

The Bank and certain domestic consolidated subsidiaries have employee pension plans that are defined benefit pension plans, in addition to the optional defined contribution pension plans.

Certain overseas consolidated subsidiaries have defined benefit retirement payment plans, in addition to defined contribution pension plans.

### Defined benefit plan

Fiscal years ended March 31, 2021 and 2020

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

	Millions of yen	
	2021	2020
Balance at the beginning of the year	¥3,077	¥2,927
Service cost	270	247
Interest cost	15	14
Actuarial difference	24	19
Benefits paid	(107)	(132)
Other	(0)	0
Balance at the end of the year	¥3,281	¥3,077

#### (2) Movement in plan assets

	Millions of yen	
	2021	2020
Balance at the beginning of the year	¥3,452	¥3,369
Expected return on plan assets	69	67
Actuarial difference	472	(119)
Contributions paid by the employer	297	267
Benefits paid	(107)	(131)
Balance at the end of the year	¥4,184	¥3,452

#### (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	
	2021	2020
Funded projected benefit obligation	¥ 3,274	¥ 3,073
Plan assets	(4,184)	(3,452)
	(909)	(378)
Unfunded projected benefit obligation	6	3
Total net liability (asset) for retirement benefits at the end of the year	(903)	(374)
Liability for retirement benefits	6	3
Asset for retirement benefits	(909)	(378)
Total net liability (asset) for retirement benefits at the end of the year	¥ (903)	¥ (374)

#### (4) Retirement benefit costs

	Millions of yen	
	2021	2020
Service cost	¥270	¥247
Interest cost	15	14
Expected return on plan assets	(69)	(67)
Amortization of actuarial difference	(19)	(33)
Other	0	0
Retirement benefit costs	¥197	¥161

#### (5) Adjustments for retirement benefits

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

	Millions of yen	
	2021	2020
Actuarial difference	¥428	¥(172)
Total amount recognized for the year	¥428	¥(172)

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

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

	Millions of yen	
	2021	2020
Unrecognized actuarial difference	¥(517)	¥(89)
Total balance at the end of the year	¥(517)	¥(89)

#### (7) Plan assets

(a) Plan assets comprise:

	2021	2020
Bonds	55%	60%
Equity securities	36%	29%
Other	9%	11%
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, 2021 and 2020 were as follows:

	2021	2020
Discount rate	0.5%	0.5%
Long-term expected rate of return on plan assets	2.0%	2.0%
Expected rate of salary increase	2.5%	2.5%

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

#### Defined contribution plan

The amount of required contribution to the defined contribution plans of the Bank and certain domestic and overseas consolidated subsidiaries for the fiscal years ended March 31, 2021 and 2020 was ¥52 million and ¥13 million, respectively.

## 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, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Remittance-related fee income .....	¥ 3,438	¥ 3,062
ATM-related fee income .....	123,501	136,486
Other .....	4,769	4,730
Total .....	¥131,709	¥144,280

## 19. Fees and Commissions Expenses

Fees and commissions expenses for the fiscal years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Remittance-related fee expenses .....	¥ 1,773	¥ 1,591
ATM placement fee expenses .....	28,282	31,013
ATM-related fee expenses .....	2,444	4,886
Other .....	2,859	2,813
Total .....	¥35,360	¥40,305

## 20. Other Operating Income

Other operating income for the fiscal years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Gains on foreign exchange transactions .....	¥201	¥281
Total .....	¥201	¥281

## 21. General and Administrative Expenses

Main items and amounts of general and administrative expenses for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of yen	
	2021	2020
Salary and allowance .....	¥ 7,608	¥ 7,075
Retirement benefit costs .....	249	175
Depreciation of fixed assets .....	14,070	14,634
Business outsourcing expenses .....	21,179	20,176

## 22. Other Income

Other income for the fiscal years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Gain on sales of fixed assets .....	¥ 273	¥ 91
Other .....	1,746	422
Total .....	¥2,019	¥514

## 23. Other Expenses

Other expenses for the fiscal years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Losses on disposal of fixed assets .....	¥ 258	¥ 147
Provision of allowance for credit losses .....	63	2
Equity in losses of affiliates .....	796	4,770
Other .....	559	150
Total .....	¥1,677	¥5,070

## 24. Other Comprehensive Income

Other comprehensive income for the fiscal years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen	
	2021	2020
Net unrealized gains (losses) on available-for-sale securities, net of taxes		
Amount arising during the year .....	¥ 397	¥ 68
Reclassification adjustment .....	(482)	(58)
Amount before income tax effect .....	(85)	10
Income tax effect .....	26	(3)
Total .....	¥ (59)	¥ 7
Foreign currency translation adjustments		
Amount arising during the year .....	¥(369)	¥ (53)
Reclassification adjustment .....	—	—
Amount before income tax effect .....	(369)	(53)
Income tax effect .....	—	—
Total .....	¥(369)	¥ (53)
Adjustments for retirement benefits		
Amount arising during the year .....	¥ 447	¥(139)
Reclassification adjustment .....	(19)	(33)
Amount before income tax effect .....	428	(172)
Income tax effect .....	(131)	53
Total .....	¥ 296	¥(119)
Total other comprehensive income .....	¥(131)	¥(165)



## 25. Income Taxes

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

(1) Significant components of the deferred tax assets and liabilities as of March 31, 2021 and 2020 were as follows:

	Millions of yen	
	2021	2020
Deferred tax assets:		
Net operating loss carry forwards <sup>2</sup>	¥ 2,006	¥ 2,318
Depreciation of fixed assets and impairment losses	720	990
Enterprise tax	348	434
Asset retirement obligations	197	226
Reserve for stocks payment	194	72
Reserve for bonuses	145	130
Allowance for credit losses	27	7
Accounts payable (Formerly recorded as reserve for retirement benefits for directors and statutory auditors)	6	7
Stock option expenses	—	84
Other	270	171
Subtotal deferred tax assets	3,918	4,443
Valuation allowance for net operating loss carry forwards <sup>2</sup>	(1,902)	(2,272)
Valuation allowance for total future deductible temporary differences	(750)	(766)
Subtotal valuation allowance	(2,652)	(3,039)
Total deferred tax assets	¥ 1,265	¥ 1,404
Deferred tax liabilities:		
Net unrealized gains (losses) on available-for-sale securities	¥ (194)	¥ (220)
Intangible fixed assets recognized with business combination	(87)	(137)
Adjustment for tangible fixed assets related to asset retirement obligations	(22)	(26)
Other	(340)	(247)
Total deferred tax liabilities	(645)	(632)
Net deferred tax assets	¥ 620	¥ 771

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

	Millions of yen	
	2021	2020
Deferred tax assets	¥707	¥909
Deferred tax liabilities	¥ 87	¥137

2. Net operating loss carry forwards and its deferred tax assets by term as of March 31, 2021 and 2020 were as follows:

March 31, 2020	Millions of yen						
	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	Total
Net operating loss carry forwards <sup>1</sup>	¥ 17	¥45	¥ 12	¥ 5	¥58	¥ 1,866	¥ 2,006
Valuation allowance	¥(17)	¥—	¥(12)	¥(5)	¥—	¥(1,866)	¥(1,902)
Deferred tax assets	¥—	¥45	¥—	¥—	¥58	¥—	¥ 104

March 31, 2020

	Millions of yen						
	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	Total
Net operating loss carry forwards <sup>1</sup>	¥ 12	¥ 27	¥45	¥ 16	¥ 7	¥ 2,208	¥ 2,318
Valuation allowance	¥(12)	¥(27)	¥—	¥(16)	¥(7)	¥(2,208)	¥(2,272)
Deferred tax assets	¥—	¥—	¥45	¥—	¥—	¥—	¥ 45

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, 2021 and 2020 were as follows:

	2021	2020
Statutory tax rate	30.62%	30.62%
Non-deductible expenses, including entertainment expenses	0.06	0.06
Increase (decrease) in valuation allowance	(1.09)	(0.05)
Equity in losses of affiliates	0.68	3.67
Deductible losses on valuation of shares in subsidiaries and affiliates	(2.58)	—
Other	0.12	0.07
Effective tax rate	27.81%	34.37%

## 26. 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, 2021 and 2020 were as follows:

Year ended March 31, 2021	Thousands of shares			
	April 1, 2020	Increase	Decrease	March 31, 2021
Shares issued				
Common stock <sup>1</sup>	1,179,129	179	—	1,179,308
Total	1,179,129	179	—	1,179,308
Treasury stock				
Common stock <sup>2 and 3</sup>	798	2,853	64	3,587
Total	798	2,853	64	3,587

Notes: 1. Increase in number of shares issued: 179 thousand shares due to exercise of subscription rights  
 2. Increase in number of shares of treasury stock: 2,853 thousand shares due to acquisition of the Bank's shares by the BIP Trust and ESOP Trust.  
 Decrease in number of shares of treasury stock: 64 thousand shares due to issuance of the Bank's shares held by the BIP Trust  
 3. The number of shares of treasury stock as of April 1, 2020 and March 31, 2021 includes 798 thousand shares and 3,587 thousand shares of the Bank held by the BIP Trust and ESOP Trust, respectively.

Year ended March 31, 2020	Thousands of shares			
	April 1, 2019	Increase	Decrease	March 31, 2020
Shares issued				
Common stock <sup>1</sup>	1,192,464	165	13,500	1,179,129
Total	1,192,464	165	13,500	1,179,129
Treasury stock				
Common stock <sup>2 and 3</sup>	831	13,500	13,532	798
Total	831	13,500	13,532	798

Notes: 1. Increase in number of shares issued: 165 thousand shares due to exercise of subscription rights  
 Decrease in number of shares issued: 13,500 thousand shares due to cancellation of treasury stock  
 2. Increase in number of shares of treasury stock: 13,500 thousand shares due to purchase of treasury stock pursuant to the resolution of the Board of Directors' meeting  
 Decrease in number of shares of treasury stock: 13,532 thousand shares due to cancellation of 13,500 thousand shares of treasury stock pursuant to the resolution of the Board of Directors' meeting and 32 thousand shares due to issuance of the Bank's shares held by the BIP Trust  
 3. The number of shares of treasury stock as of April 1, 2019 and March 31, 2020 includes 831 thousand shares and 798 thousand shares of the Bank held by the BIP Trust and ESOP Trust, respectively.

(2) Information on subscription rights to shares:

There were no subscription rights to shares, or treasury subscription rights as of March 31, 2021.

Details of subscription rights to shares	Type of shares	Thousands of shares			March 31, 2020	Balance at March 31, 2020 (Millions of yen)
		April 1, 2019	Increase	Decrease		
Subscription rights to shares as stock options .....			—		¥274	
Total .....			—		¥274	

Note: There are no treasury subscription rights to shares.

(3) Information on dividends:

(a) Dividends paid in the fiscal years ended March 31, 2021 and 2020

Year ended March 31, 2021					
(Millions of yen, except per share amounts)					
Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock <sup>1</sup>	¥6,485	Retained earnings	¥5.50	March 31, 2020	June 1, 2020
Common stock <sup>2</sup>	¥6,486	Retained earnings	¥5.50	September 30, 2020	December 1, 2020

Notes: 1. Date of resolution: Board of Directors meeting held on May 22, 2020  
Aggregate amount of dividends determined by the resolution of Board of Directors on May 22, 2020 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 6, 2020  
Aggregate amount of dividends determined by the resolution of Board of Directors on November 6, 2020 includes ¥19 million of dividends on the Bank's shares held by the BIP Trust and ESOP Trust.

Year ended 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 <sup>1</sup>	¥7,154	Retained earnings	¥6.00	March 31, 2019	June 3, 2019
Common stock <sup>2</sup>	¥6,485	Retained earnings	¥5.50	September 30, 2019	December 2, 2019

Notes: 1. Date of resolution: Board of Directors meeting held on May 24, 2019  
Aggregate amount of dividends determined by the resolution of Board of Directors on May 24, 2019 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 8, 2019  
Aggregate amount of dividends determined by the resolution of Board of Directors on November 8, 2019 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, 2021

Year ended March 31, 2021					
(Millions of yen, except per share amounts)					
Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock	¥6,486	Retained earnings	¥5.50	March 31, 2021	June 1, 2021

Note: Date of resolution: Board of Directors meeting held on May 21, 2021  
Aggregate amount of dividends to be paid includes ¥19 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, 2021 were ¥11.00 annually with the year-end dividend of ¥5.50 added to the interim dividend of ¥5.50.

27. Related Party Transactions

Related party transactions for the fiscal years ended March 31, 2021 and 2020 were as follows:

(1) Transactions between the Bank and related parties

(a) Parent company and major shareholders

Year ended March 31, 2021

Related party	Category	Amounts of transactions		Balance at the end of fiscal year	
		Description of transactions	Millions of yen	Account title	Millions of yen
Seven-Eleven Japan Co., Ltd. <sup>1</sup>	Other related companies	Payment of ATM placement fee expenses <sup>2</sup>	¥14,116	Accrued expenses <sup>3</sup>	¥1,381

Notes: 1. 38.46% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2021.  
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 compensation for delegated administrative work and Seven-Eleven Japan's infrastructure costs.  
3. The accrued expenses include consumption tax.

Year ended March 31, 2020

Related party	Category	Amounts of transactions		Balance at the end of fiscal year	
		Description of transactions	Millions of yen	Account title	Millions of yen
Seven-Eleven Japan Co., Ltd. <sup>1</sup>	Other related companies	Payment of ATM placement fee expenses <sup>2</sup>	¥14,153	Accrued expenses <sup>3</sup>	¥1,270

Notes: 1. 38.47% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2020.  
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 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, 2021 and 2020.

(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, 2021 and 2020.

(d) The Bank's directors and major individual shareholders

There is no material transaction to be noted for the fiscal years ended March 31, 2021 and 2020.

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

(a) Parent company and major shareholders

There is no material transaction to be noted for the fiscal years ended March 31, 2021 and 2020.

(b) The Bank's unconsolidated subsidiaries and affiliates

There is no material transaction to be noted for the fiscal years ended March 31, 2021 and 2020.

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

Year ended March 31, 2021

Related party	Category	Amounts of transactions		Balance at the end of fiscal year	
		Description of transactions	Millions of yen	Account title	Millions of yen
7-Eleven, Inc.	Same parent company	Payment of ATM placement fee expenses	¥11,337	Accrued expenses	¥832

Note: 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 7-Eleven, Inc.'s infrastructure costs.



Year ended March 31, 2020

Related party	Category	Amounts of transactions		Balance at the end of fiscal year	
		Description of transactions	Millions of yen	Account title	Millions of yen
7-Eleven, Inc.	Same parent company	Payment of ATM placement fee expenses	¥11,434	Accrued expenses	¥987

Note: 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 7-Eleven, Inc.'s infrastructure costs.

### (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)

## 28. 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, 2021 and 2020 were as follows:

	Millions of yen	
	2021	2020
Due within one year .....	¥ 589	¥ 590
Due after one year .....	625	1,071
Total .....	¥1,214	¥1,661

## 29. 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:

There were no applicable transactions as of March 31, 2021.

March 31, 2020

Category	Type	Contract or notional amount	Millions of yen		
			Over one year	Fair value	Unrealized Gains/(Losses)
Over-the-counter	Non-deliverable forward (NDF): Sell Indonesia Rupiah	¥308	¥—	¥48	¥48

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:

There were no applicable transactions as of March 31, 2021 and 2020.

## 30. 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 <sup>1</sup> .....	184,000 common shares	171,000 common shares
Grant date .....	August 12, 2008	August 3, 2009
Condition for vesting .....	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as a director
Requisite service period .....	No provisions	No provisions
Exercise period .....	From August 13, 2008 to August 12, 2038	From August 4, 2009 to August 3, 2039

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

	Fourth grant-1	Fourth grant-2
Title and number of grantees .....	5 directors	8 executive officers
Number of stock options <sup>1</sup> .....	440,000 common shares	118,000 common shares
Grant date .....	August 8, 2011	August 8, 2011
Condition for vesting .....	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period .....	No provisions	No provisions
Exercise period .....	From August 9, 2011 to August 8, 2041	From August 9, 2011 to August 8, 2041

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

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

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

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

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

Notes: 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. There are no outstanding subscription rights to shares as of March 31, 2021 since the Bank abolished stock options as share-based compensation and transferred to performance-based stock compensation plan on August 11, 2020.

## (2) Scale and changes in stock options

The following describes scale and changes in stock options during the fiscal year ended March 31, 2021.

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

### Fiscal year ended March 31, 2021:

Number of stock options

	First grant-1	Second grant-1
Before vested		
As of March 31, 2020 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
After vested		
As of March 31, 2020 .....	45,000	55,000
Vested .....	—	—
Exercised .....	0	0
Forfeited .....	45,000	55,000
Outstanding .....	0	0
	Second grant-2	Third grant-1
Before vested		
As of March 31, 2020 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
After vested		
As of March 31, 2020 .....	9,000	180,000
Vested .....	—	—
Exercised .....	9,000	32,000
Forfeited .....	0	148,000
Outstanding .....	0	0
	Fourth grant-1	Fourth grant-2
Before vested		
As of March 31, 2020 .....	—	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
Outstanding .....	—	—
After vested		
As of March 31, 2020 .....	187,000	13,000
Vested .....	—	—
Exercised .....	33,000	0
Forfeited .....	154,000	13,000
Outstanding .....	0	0



	Fifth grant-1	Fifth grant-2
Before vested		
As of March 31, 2020	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2020	146,000	20,000
Vested	—	—
Exercised	25,000	0
Forfeited	121,000	20,000
Outstanding	0	0

	Sixth grant-1	Sixth grant-2
Before vested		
As of March 31, 2020	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2020	93,000	10,000
Vested	—	—
Exercised	19,000	0
Forfeited	74,000	10,000
Outstanding	0	0

	Seventh grant-1	Seventh grant-2
Before vested		
As of March 31, 2020	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2020	81,000	18,000
Vested	—	—
Exercised	17,000	0
Forfeited	64,000	18,000
Outstanding	0	0

	Eighth grant-1	Eighth grant-2
Before vested		
As of March 31, 2020	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2020	58,000	19,000
Vested	—	—
Exercised	12,000	0
Forfeited	46,000	19,000
Outstanding	0	0

	Ninth grant-1	Ninth grant-2
Before vested		
As of March 31, 2020	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2020	160,000	39,000
Vested	—	—
Exercised	32,000	0
Forfeited	128,000	39,000
Outstanding	0	0

Note: "Forfeited" refers to granted subscription rights to shares that were unexercised and for which rights were waived on the condition that the corresponding points shall be granted based on the performance-based stock compensation plan following the abolition of stock options as share-based compensation and transfer to the performance-based stock compensation plan.

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

Price information	Second grant-2	Third grant-1
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥302	¥302
Fair value at the grant date <sup>1</sup>	¥221,862 per subscription right to shares	¥139,824 per subscription right to shares

Price information	Fourth grant-1	Fourth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥302	—
Fair value at the grant date <sup>1</sup>	¥127,950 per subscription right to shares	¥127,950 per subscription right to shares

Price information	Fifth grant-1	Fifth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥302	—
Fair value at the grant date <sup>1</sup>	¥175,000 per subscription right to shares	¥175,000 per subscription right to shares

Price information	Sixth grant-1	Sixth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥302	—
Fair value at the grant date <sup>1</sup>	¥312,000 per subscription right to shares	¥312,000 per subscription right to shares

Price information	Seventh grant-1	Seventh grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥302	—
Fair value at the grant date <sup>1</sup>	¥370,000 per subscription right to shares	¥370,000 per subscription right to shares

Price information	Eighth grant-1	Eighth grant-2
Exercise price .....	¥1 per share	¥1 per share
Average stock price at exercise .....	¥302	—
Fair value at the grant date <sup>1</sup> .....	¥537,000 per subscription right to shares	¥537,000 per subscription right to shares

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

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

### 31. 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: 0.4-4.7%

#### (3) The changes in asset retirement obligations for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of yen	
	2021	2020
Balance at the beginning of the year .....	¥785	¥814
Increase due to acquisition of tangible fixed assets .....	1	—
Accretion expense .....	4	4
Obligations settled in current period .....	(93)	(27)
Other increase (decrease) .....	(20)	(5)
Balance at the end of the year .....	¥677	¥785

### 32. Per Share Data

Amounts per share as of March 31, 2021 and 2020 and for the fiscal years then ended were as follows:

March 31	Yen	
	2021	2020
Net assets per share .....	¥198.40	¥187.73

Years ended March 31	Yen	
	2021	2020
Net income per share .....	¥22.01	¥22.14
Net income per share (diluted) .....	¥22.00	¥22.11

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, 2021 and 2020 were 3,587 thousand and 798 thousand, respectively.

March 31	Millions of yen, except thousands of shares	
	2021	2020
Net assets .....	¥ 234,676	¥ 222,833
Amount excluded from net assets .....	1,407	1,621
Subscription rights to shares (inclusive) .....	—	274
Non-controlling interests .....	1,407	1,346
Net assets attributable to common stock at the fiscal year end .....	¥ 233,269	¥ 221,212
Number of shares of common stock at the fiscal year end used for the calculation of net assets per share .....	1,175,720	1,178,330

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, 2021 and 2020 were 2,511 thousand and 809 thousand, respectively.

Years ended March 31	Millions of yen, except thousands of shares	
	2021	2020
Net income per share		
Net income attributable to owners of the parent .....	¥ 25,905	¥ 26,162
Amount not attributable to common shareholders .....	—	—
Net income attributable to common shareholders of the parent .....	¥ 25,905	¥ 26,162
Average number of shares of common stock during the year .....	1,176,755	1,181,606
Net income per share (diluted)		
Adjustment for net income attributable to owners of the parent .....	¥ —	¥ —
Increase in number of shares of common stock .....	254	1,167
Subscription rights to shares (inclusive) .....	254	1,167
Description of dilutive shares not included in the calculation of net income per share (diluted) because the shares have no dilutive effects .....	—	—

### 33. 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 platform business in Japan while Overseas business segment consists of ATM services engaged primarily in the U.S and Indonesia.

#### (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, 2021

	Millions of yen				
	Reportable segment			Adjustments	Consolidated
	Domestic	Overseas	Total		
Ordinary income:					
External customers	¥ 112,792	¥24,653	¥ 137,446	¥ (178)	¥ 137,267
Internal transactions	15	—	15	(15)	—
Total	¥ 112,808	¥24,653	¥ 137,461	¥ (194)	¥ 137,267
Segment profit	¥ 33,751	¥ 1,836	¥ 35,588	¥ 52	¥ 35,640
Segment assets	¥1,198,326	¥14,005	¥1,212,332	¥(15,173)	¥1,197,158
Other:					
Depreciation	¥ 13,120	¥ 950	¥ 14,070	¥ —	¥ 14,070
Interest income	3,606	16	3,623	(13)	3,609
Interest expenses	524	28	553	(13)	539
Equity in losses of affiliates	(796)	—	(796)	—	(796)
Investments in equity-method affiliates	1,703	—	1,703	—	1,703
Increase in tangible and intangible fixed assets	24,467	664	25,132	—	25,132

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, 2020

	Millions of yen				
	Reportable segment			Adjustments	Consolidated
	Domestic	Overseas	Total		
Ordinary income:					
External customers	¥ 120,864	¥27,843	¥ 148,707	¥ (154)	¥ 148,553
Internal transactions	26	—	26	(26)	—
Total	¥ 120,890	¥27,843	¥ 148,733	¥ (180)	¥ 148,553
Segment profit (loss)	¥ 39,920	¥ (14)	¥ 39,906	¥ (69)	¥ 39,836
Segment assets	¥1,090,637	¥ 9,930	¥1,100,567	¥(14,682)	¥1,085,885
Other:					
Depreciation	¥ 13,669	¥ 965	¥ 14,634	¥ —	¥ 14,634
Interest income	3,575	3	3,579	(10)	3,569
Interest expenses	670	30	700	(26)	674
Equity in losses of affiliates	(4,770)	—	(4,770)	—	(4,770)
Investments in equity-method affiliates	2,000	—	2,000	—	2,000
Increase in tangible and intangible fixed assets	16,570	124	16,694	—	16,694

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

For the fiscal year ended March 31, 2021

March 31, 2021	Millions of yen		
	ATM related business	Other	Total
Securities with higher balances than acquisition costs			
Ordinary income attributable to external customers	¥123,501	¥13,765	¥137,267

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

For the fiscal year ended March 31, 2020

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 year ended March 31, 2020; therefore, information by service is omitted.

(2) Information by geographical area

(a) Ordinary income

For the fiscal year ended March 31, 2021

Millions of yen			
Japan	U.S.	Other	Total
¥112,610	¥24,234	¥421	¥137,267

For the fiscal year ended March 31, 2020

Millions of yen			
Japan	U.S.	Other	Total
¥120,709	¥27,700	¥142	¥148,553

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, 2021

The amount of tangible fixed assets located in Japan exceeds 90% of that on the consolidated balance sheet as of March 31, 2021; therefore, geographical information is omitted.

For the fiscal year ended March 31, 2020

Millions of yen			
Japan	U.S.	Other	Total
¥11,745	¥2,201	¥38	¥13,985

(3) Information by major customer

Disclosure is omitted because there were no specific customers whose ordinary income accounts for 10% or more of ordinary income in the consolidated statements of income for the fiscal years ended March 31, 2021 and 2020.

Information on impairment losses on fixed assets for each reportable segment

For the fiscal year ended March 31, 2021

None

For the fiscal year ended March 31, 2020

None

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

For the fiscal year ended March 31, 2021

None

For the fiscal year ended March 31, 2020

None

34. Significant Subsequent Events

None



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of Seven Bank, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as of March 31, 2021 and 2020, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy of the amount of automatic teller machines (ATM)-related fee income recognized

The key audit matter	How the matter was addressed in our audit
In the consolidated statement of income of Seven Bank, Ltd. (the "Company") and its consolidated subsidiaries, ATM-related fee income of ¥123,501 million was recognized, which represented approximately 90% of total income. Of this amount, ATM-related	The primary procedures we performed to assess the accuracy of the amount of ATM-related fee income recognized included the following: <b>(1) Internal control testing</b> We tested the design and operating effectiveness of certain of the Company's internal controls relevant to

fee income of the Company amounted to ¥99,310 million.

ATM-related fee income of the Company is recognized based on calculations done by the IT system. However, in executing this system calculation, it is necessary to aggregate in a timely and accurate manner a large number of ATMs transactions nationwide and to reflect the fees of various different system pricing structures correctly. Therefore, the accuracy of the amount of ATM-related fee income recognized in the consolidated statement of income has inherent risks.

In addition, auditors, in principle, are required to evaluate what kind of fraud risks exist based on a presumption that there are fraud risks in relation to revenue recognition in accordance with auditing standards.

As such, we performed our audit based on a presumption that the unit price master for ATM-related fee income has a risk to be manipulated arbitrarily, as the data entry for registration or modification of the unit price master is performed manually.

We, therefore, determined that our assessment of the accuracy of the amount of ATM-related fee income recognized was the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

the recognition of ATM-related fee income, with a particular focus on the following:

- management of the unit price master;
- aggregation of the number of transactions; and
- generation of billing data.

The internal control testing over related IT systems included general IT control and application control testing involving our IT specialists.

(2) Assessment of the accuracy of the amount of ATM-related fee income recognized

In order to assess the accuracy of the amount of ATM-related fee income recognized, we:

- assessed whether the amount recognized agreed with the amount recalculated by us based on contract unit prices and the number of transactions aggregated in the IT system;
- assessed whether newly registered/modified unit prices and their effective dates agree with contract information, by inspecting monthly fee billing data for partner companies for those unit prices that were newly registered or modified;
- assessed whether contract unit prices were properly reflected in the monthly billing data for fees paid to partner companies, for those unit prices that were newly registered or modified, by inspecting Executive Committee meeting materials and approved documents; and
- assessed whether the amount recognized, based on statistical random sampling techniques and specific sampling based on quantitative criteria, agreed with confirmation balances with partner companies or amounts recognized within cash receipt data.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in



accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Yukihiisa Tatsumi  
Designated Engagement Partner  
Certified Public Accountant

/S/ Tomoaki Takeuchi  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
August 11, 2021

#### Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.



# Company Information (As of March 31, 2021)

## The Company

<b>Company Name</b>	Seven Bank, Ltd.	<b>Number of Employees</b>	470 (Non-consolidated, excluding officers, executive officers, temporary staff and part-time employees)
<b>Head Office</b>	1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan	<b>Credit Ratings</b>	[S&P] Long-term counterparty issuer rating "A +" Outlook "positive" Short-term counterparty issuer rating "A-1" [Rating & Investment Information, Inc. (R&I)] Issuer rating "AA" Outlook "stable"
<b>Chairman and Representative Director</b>	Kensuke Futagoishi		
<b>President and Representative Director</b>	Yasuaki Funatake		
<b>Established</b>	April 10, 2001		
<b>Initiated Operations</b>	May 7, 2001		
<b>Common Stock</b>	30,702 million yen		
<b>Number of Shares Issued</b>	1,179,308,000		

## Consolidated subsidiaries

Company Name	Head Office	Representative (title/name)	Established	Common Stock	Business Description	Percentage of Voting Rights Held by the Bank	Percentage of Voting Rights Held by Subsidiaries, etc.
FCTI, Inc.	Los Angeles, California, USA	CEO: Robel Gugsu	August 25, 1993	19 million U.S. dollars	ATM operation business	100%	—
PT. ABADI TAMBAH MUJIA INTERNASIONAL	Jakarta Special Capital Region, Indonesia	President Director: Jo Watabe	June 10, 2014	399,109 million Indonesian Rupiah	ATM operation business	82.73%	—
Bank Business Factory Co., Ltd.	134 Kodo-cho, Hodogaya-ku, Yokohama-shi, Kanagawa Prefecture, Japan	President and Representative Director: Sumito Inoue	July 1, 2014	130 million yen	Back-office support on commission	100%	—
Seven Payment Services, Ltd.	1-6-1 Marunouchi, Chiyoda-ku, Tokyo, Japan	President and Representative Director: Satoshi Wada	January 11, 2018	475 million yen	Remittance and settlement services, Bank Agency Business	100%	—
Pito AxM Platform, Inc.	Makati, Manila Metropolitan Area, Republic of the Philippines	President and Director: Tsuneo Nagashima	April 1, 2019	547 million Philippine pesos	ATM operation business	100%	—
Seven Global Remit, Ltd.	1-6-1 Marunouchi, Chiyoda-ku, Tokyo, Japan	CEO: Yasuharu Ueki	June 3, 2019	495 million yen	Money Transfer Services for Foreign Nationals	100%	—
ACSION, Ltd.	1-6-1 Otemachi, Chiyoda-ku, Tokyo, Japan	President: Yoshiaki Yasuda	July 16, 2019	300 million yen	Identity verification and fraud detection platform business	60%	—
Credd Finance, Ltd.	1-6-1 Marunouchi, Chiyoda-ku, Tokyo, Japan	President and Representative Director: Yasuharu Ueki	January 22, 2020	490 million yen	Money Lending Services for Foreign Nationals	60%	—

# Name and Address of Branches and Outlets (As of March 31, 2021)

**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

## Joint Outlets

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

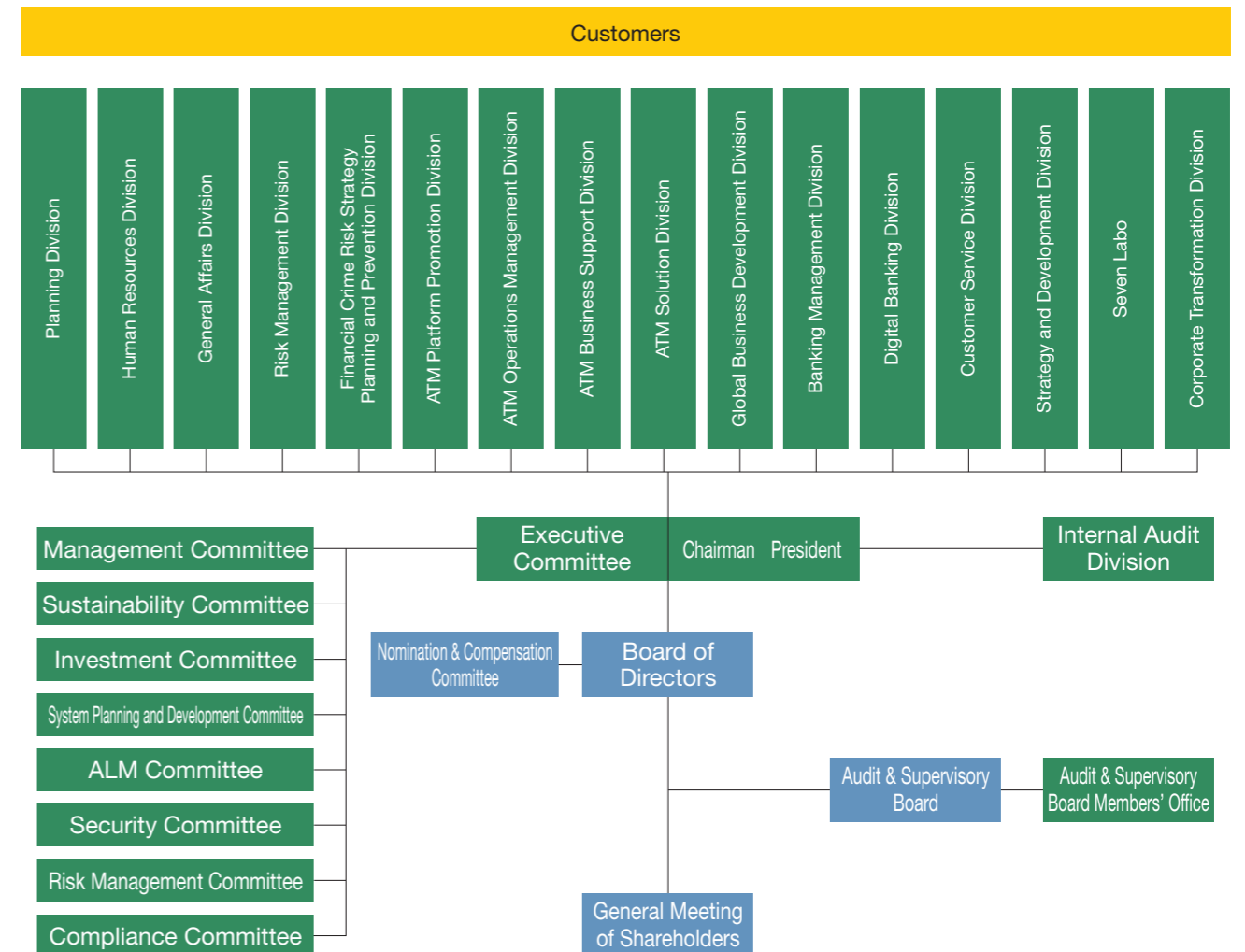
	Number of locations	Number of ATMs
Seven-Eleven	21,000	22,394
Others	2,820	3,282
<b>Total</b>	<b>23,820</b>	<b>25,676</b>

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

## Bank Agency

- **Relia, Inc.**  
Location: 2-6-5, Yoyogi, Shibuya-ku, Tokyo
- **Seven Global Remit, Ltd.**  
Location: 1-6-1 Marunouchi, Chiyoda-ku, Tokyo
- **Seven Payment Services, Ltd.**  
Location: 1-6-1 Marunouchi, Chiyoda-ku, Tokyo, Japan

# Organization Chart (As of April 1, 2021)

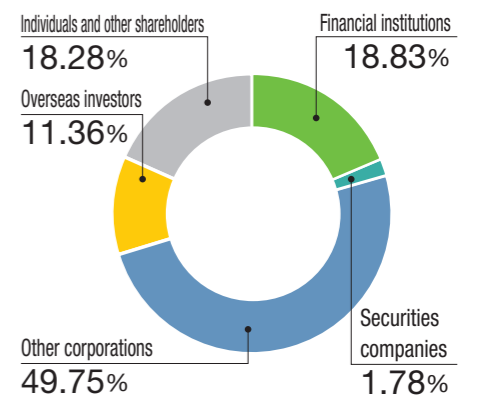


# Status of Major Shareholders (As of March 31, 2021)

Shareholder name/title	Number of shares (Thousands of shares)	Holding (%)
Seven-Eleven Japan Co., Ltd.	453,639	38.46
The Master Trust Bank of Japan, Ltd. (trust account)	54,888	4.65
Ito-Yokado Co., Ltd.	46,961	3.98
York-Benimaru Co., Ltd.	45,000	3.81
Custody Bank of Japan, Ltd. (trust account)	31,837	2.69
Sumitomo Mitsui Banking Corporation	15,000	1.27
The Dai-ichi Life Insurance Company, Limited	15,000	1.27
STATE STREET CLIENT OMNIBUS ACCOUNT OM44	10,220	0.86
Custody Bank of Japan, Ltd. (trust account 5)	10,103	0.85
MUFG Bank, Ltd.	10,000	0.84











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

# Composition of Shareholders (As of March 31, 2021)



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

# History (As of March 31, 2021)

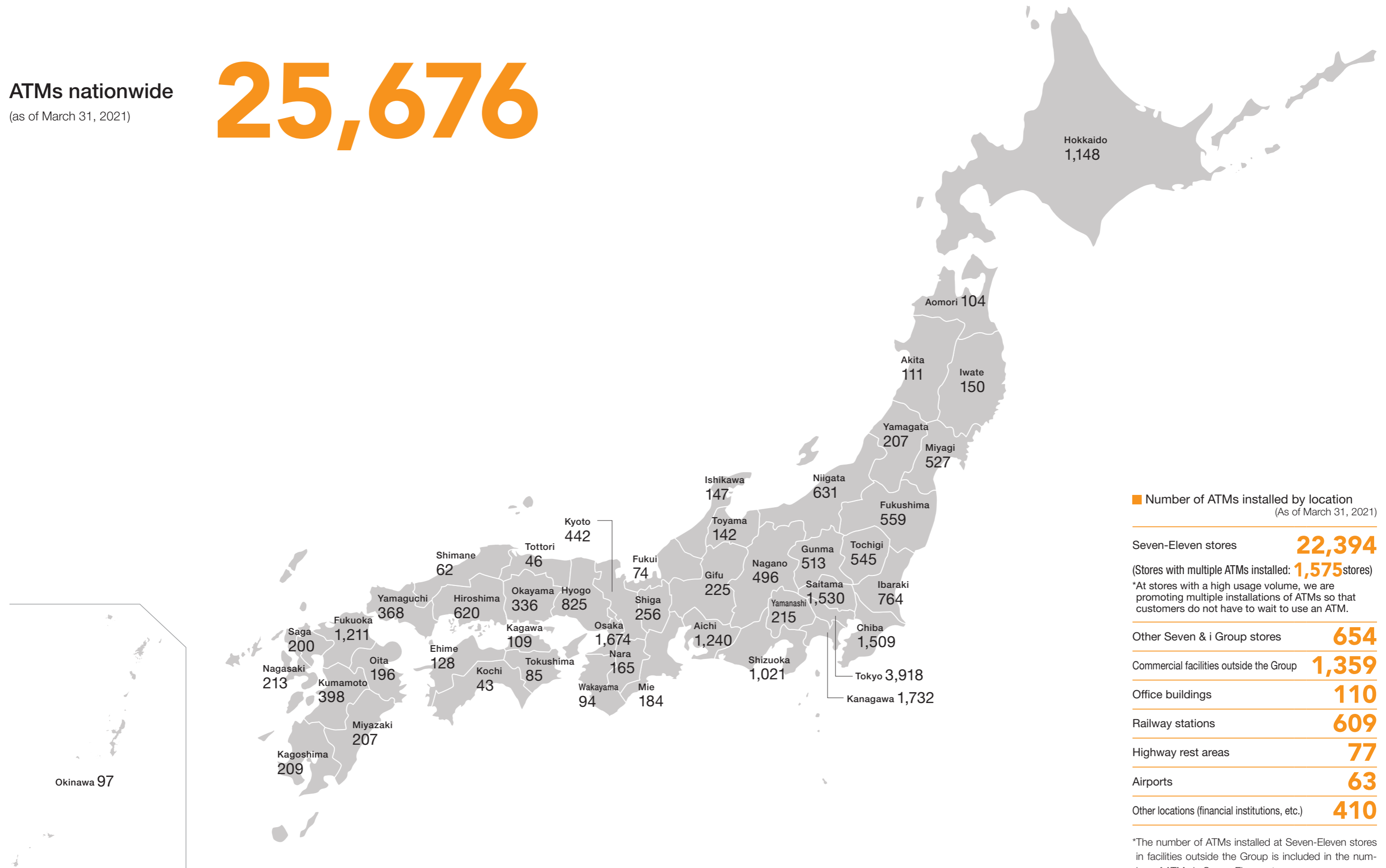
<p>2001</p> <p>2004</p> <p>2005</p>	<p>April 6 Preliminary license received</p>  <p>April 10 IY Bank Co., Ltd. established (common stock: 20,205 million yen)</p>  <p>アイワイバンク銀行</p> <p>April 25 Banking business license received</p> <p>May 7 Initiated operations (began accepting applications for new accounts)</p>  <p>IY Bank cash card</p> <p>May 15 Initiated ATM services</p>   <p>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>December 1 Began services for acceptance of cash proceeds from sales</p> <p>December 17 Initiated Internet banking services</p> <p>March 31 Turned profitable on a single fiscal year basis</p> <p>July 7 Established Customer Service Division</p> <p>April 1 Initiated operation of ATM Call Center</p> <p>April 4 Number of ATMs installed exceeded 10,000</p> <p>Began handling time deposits for defined contribution pension plans</p>	<p>2005</p> <p>2006</p> <p>2007</p> <p>2008</p> <p>2009</p> <p>2010</p> <p>2010</p> <p>2011</p> <p>2012</p> <p>2013</p> <p>2014</p> <p>2015</p> <p>2016</p> <p>2017</p> <p>2018</p> <p>2019</p> <p>2020</p> <p>2021</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>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>June 25 Began receiving outsourcing of ATM operation and administration</p> <p>July 11 Initiated services for cards issued overseas</p> <p>Started new installation of ATMs outside Seven &amp; i Group</p> <p>September 3 ATMs became capable of topping up nanaco electronic money cards</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>February 29 Listed on the JASDAQ Securities Exchange (currently the Tokyo Stock Exchange JASDAQ Market)</p> <p>April 1 Established the Financial Crime Prevention Office (now the Financial Crime Risk Strategy Planning and Prevention Division)</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>2010</p> <p>2011</p> <p>2012</p> <p>2013</p> <p>2014</p> <p>2015</p> <p>2016</p> <p>2017</p> <p>2018</p> <p>2019</p> <p>2020</p> <p>2021</p>	<p>November 29 Introduction of third-generation ATMs</p>  <p>Third-generation ATM</p> <p>March 22 Initiated international money transfer services</p> <p>December 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>June 27 Number of Seven Bank accounts exceeded 1 million</p> <p>October 6 Acquired all issued shares of Financial Consulting &amp; Trading International, Inc. of the United States to make it a wholly owned subsidiary</p> <p>September 27 U.S.-based subsidiary Financial Consulting &amp; Trading International, Inc. acquired the ATM business of Global Access Corp.</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>August 6 PT. ABADI TAMBAH MULIA INTERNASIONAL started operating ATM business in Indonesia</p> <p>October 1 Financial Consulting &amp; Trading International, Inc., a subsidiary in the United States, changed its name to "FCTI, Inc."</p> <p>December 16 Expansion of language options on ATM screens and slips to 12 languages, etc. when cards issued overseas are used</p> <p>April 18 Established Seven Labo</p> <p>October 17 Issued cash cards with a debit function</p> <p>March 27 Began offering the ATM deposit/withdrawal service via smartphones</p> <p>October 1 Began real-time money transfers services</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> <p>April 1 Established Pito AxM Platform, Inc., a wholly owned subsidiary in the Philippines operating ATMs</p> <p>April 5 Designated five "material issues"</p> <p>June 3 Established Seven Global Remit, Ltd., a wholly owned subsidiary engaged in fund transfer business for foreign nationals in Japan</p> <p>July 1 Established Strategy and Development Division</p> <p>July 16 Established ACSiON, Ltd., a joint venture operating security services</p> <p>September 26 Introduction of fourth-generation ATMs</p>  <p>Fourth-generation ATM</p> <p>January 22 Established Credd Finance, Ltd., a joint venture engaged in money lending business for foreign nationals in Japan</p> <p>April 20 Launched "My Seven Bank," an app that enables instant account opening with a smartphone</p> <p>August 20 Credd Finance, Ltd. launched Senty Credit Card, credit-related services for foreign nationals in Japan</p> <p>August 31 Began ATM services for Individual Number Card Points preregistration/application</p> <p>October 1 ACSiON, Ltd. launched Detecker, a fraud detection platform</p> <p>October 30 Credd Finance, Ltd. launched Senty Personal Loan, loan services for foreign nationals in Japan according to their purposes</p> <p>December 8 ACSiON, Ltd. launched proost, an online personal authentication service</p> <p>February 26 Pito AxM Platform, Inc. started operating ATM business in the Philippines</p> <p>March 26 Began ATM services for application to use Individual Number Card as a health insurance card</p> <p>March 29 Seven Global Remit, Ltd. launched Senty, a smartphone app for international money transfer service</p>
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# Principal Data

ATMs nationwide  
(as of March 31, 2021)

# 25,676



■ Number of ATMs installed by location  
(As of March 31, 2021)

Seven-Eleven stores **22,394**

(Stores with multiple ATMs installed: **1,575** 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 **654**

Commercial facilities outside the Group **1,359**

Office buildings **110**

Railway stations **609**

Highway rest areas **77**

Airports **63**

Other locations (financial institutions, etc.) **410**

\*The number of ATMs installed at Seven-Eleven stores in facilities outside the Group is included in the number of ATMs in Seven-Eleven stores.





# Principal Data

(Fiscal Year)

## Financial Highlights

		Non-consolidated			Consolidated									
Amounts less than one unit have been truncated.		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Items on the Statement of Income:	Ordinary income	(Millions of yen)	88,830	83,964	88,318	94,965	105,587	114,036	119,939	121,608	127,656	147,288	148,553	137,267
	Ordinary expenses	(Millions of yen)	58,422	56,514	58,761	63,094	69,801	76,997	82,772	84,897	89,350	106,574	108,716	101,626
	Ordinary profit	(Millions of yen)	30,407	27,449	29,557	31,871	35,786	37,038	37,167	36,710	38,305	40,714	39,836	35,640
	Net income <sup>*1</sup>	(Millions of yen)	17,953	16,008	17,267	19,377	21,236	23,220	24,716	25,114	25,301	13,236	26,162	25,737
	Depreciation and amortization <sup>*2</sup>	(Millions of yen)	12,846	11,603	12,355	14,001	12,493	16,251	18,779	18,766	17,102	17,529	14,634	14,070
	EBITDA <sup>*2</sup>	(Millions of yen)	43,253	39,052	41,912	45,872	48,279	53,289	55,946	55,477	55,408	58,244	54,471	49,710
Items on the Balance Sheet:	Total assets	(Millions of yen)	502,782	600,061	652,956	812,531	790,377	856,415	915,385	957,792	1,022,485	1,141,926	1,085,885	1,197,158
	Deposits <sup>*3</sup>	(Millions of yen)	219,008	333,382	372,271	394,615	438,348	502,285	547,865	572,353	623,581	679,474	684,560	783,408
	Total liabilities	(Millions of yen)	392,843	485,522	527,326	674,486	636,968	686,525	730,590	758,710	810,458	929,036	863,051	962,482
	Total net assets	(Millions of yen)	109,939	114,539	125,629	138,045	153,408	169,890	184,794	199,081	212,027	212,890	222,833	234,676
Per share data <sup>*4</sup> :	EPS (Earnings per share)	(Yen)	14.71	13.19	14.49	16.27	17.83	19.49	20.75	21.07	21.24	11.11	22.14	22.01
	DPS (Dividend per share)	(Yen)	5.20	5.20	6.20	6.75	7.50	8.00	8.50	9.00	10.00	11.00	11.00	11.00
	Payout ratio	(%)	35.3	39.3	42.7	41.4	42.0	41.0	40.9	42.6	47.0	99.0	49.6	49.9
Management indicators:	EBITDA margin <sup>*5</sup>	(%)	48.6	46.5	47.4	48.2	45.7	46.7	46.6	45.6	43.4	39.5	36.6	36.2
	ROE (Return on equity) <sup>*6</sup>	(%)	16.1	13.2	13.5	14.7	14.6	14.4	13.9	13.1	12.3	6.2	12.0	11.3
	Capital adequacy ratio <sup>*7</sup>	(%)	21.8	19.0	19.2	16.9	19.3	19.7	20.1	20.7	20.6	18.6	20.3	19.4
	PER (Price-to-earnings ratio)	(Times)	12.7	12.6	12.3	18.7	22.7	30.4	23.1	17.2	15.9	6.2	11.9	11.3
Cash flow:	Cash flow from operating activities	(Millions of yen)	30,527	125,487	1,401	118,550	91,940	99,931	66,482	88,118	31,466	117,471	89,619	136,039
	Cash flow from investing activities	(Millions of yen)	(10,518)	(23,140)	(11,703)	(6,927)	(50,668)	4,994	(11,634)	(28,818)	(3,649)	(34,882)	(5,801)	(32,770)
	Cash flow from financing activities	(Millions of yen)	(6,405)	(11,526)	(6,192)	(8,157)	(8,333)	(9,204)	(9,826)	(10,446)	(11,729)	(12,246)	(16,009)	(13,555)
Capital investments:	Capital investment amounts	(Millions of yen)	9,958	11,824	12,205	21,918	24,054	19,037	17,216	14,213	11,900	10,792	16,694	25,504
	For domestic business ATMs	(Millions of yen)	1,942	2,908	7,244	13,044	13,858	10,698	8,885	4,052	1,673	1,986	3,556	9,228
	For domestic business software	(Millions of yen)	7,115	8,053	4,303	7,118	7,933	7,122	7,550	8,756	9,863	7,589	11,567	14,367
Number of employees:	Number of employees (excluding part-time workers)	(Persons)	329	328	409	490	543	576	619	634	654	657	713	809

\*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.

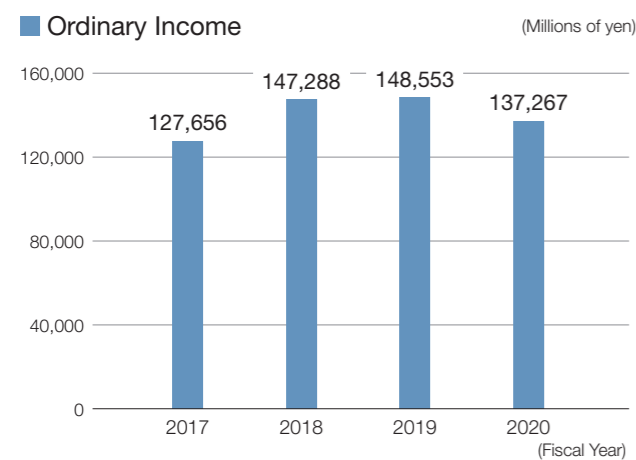
\*5. EBITDA margin = EBITDA/ordinary income

\*6. ROE = net income/average equity balance

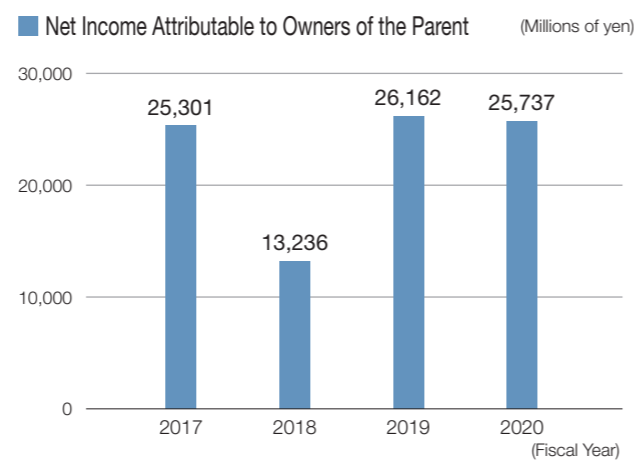
\*7. Capital adequacy ratio = (year-end total net assets – year-end subscription rights to shares – year-end non-controlling interests) / year-end total assets. The "Capital adequacy ratio" does not refer to the capital ratio that is prescribed in the "Notices on the Capital Ratio Requirements."

## Consolidated

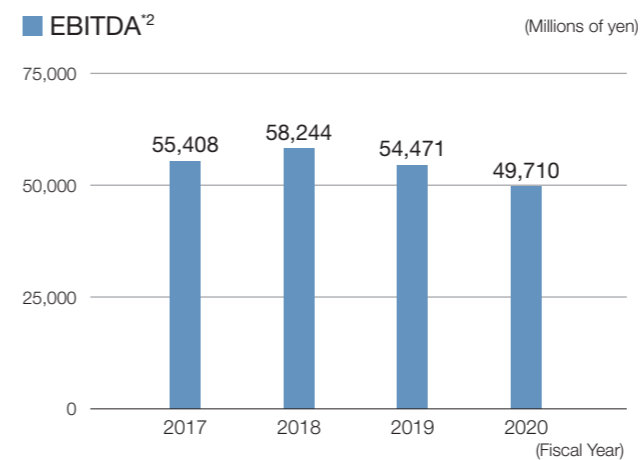
### Ordinary Income



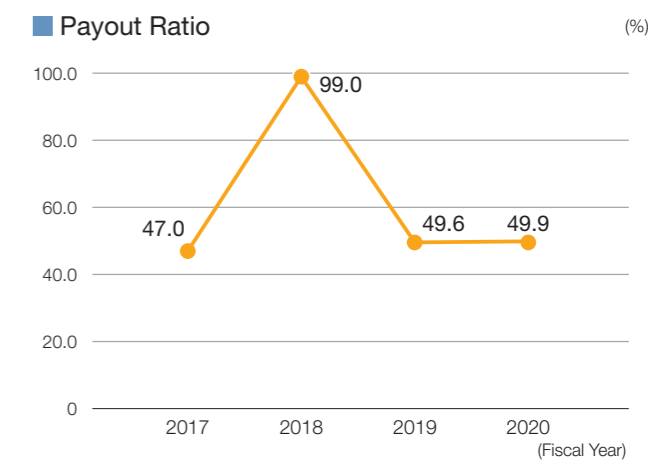
### Net Income Attributable to Owners of the Parent



### EBITDA<sup>\*2</sup>



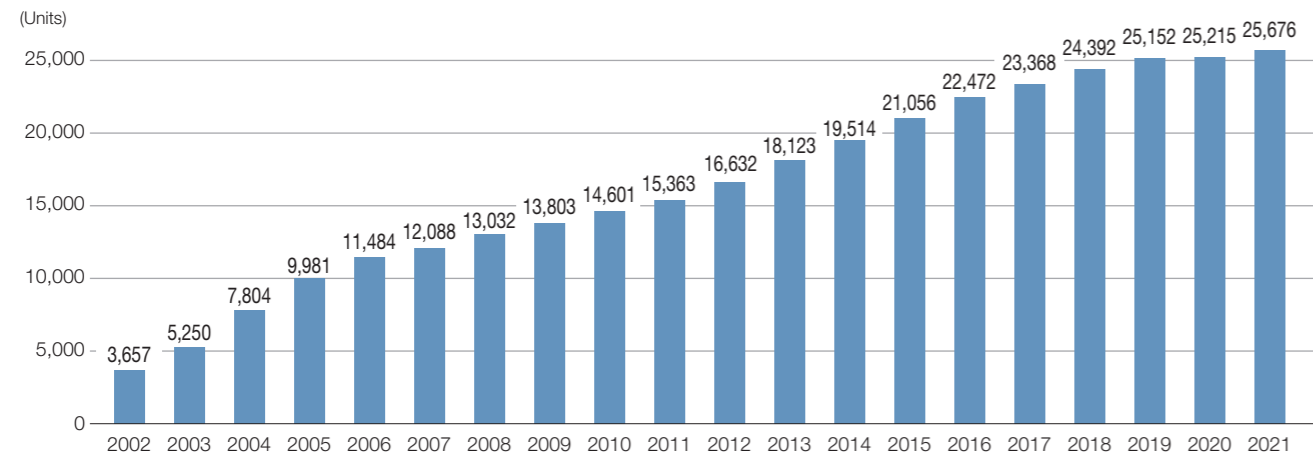
### Payout Ratio



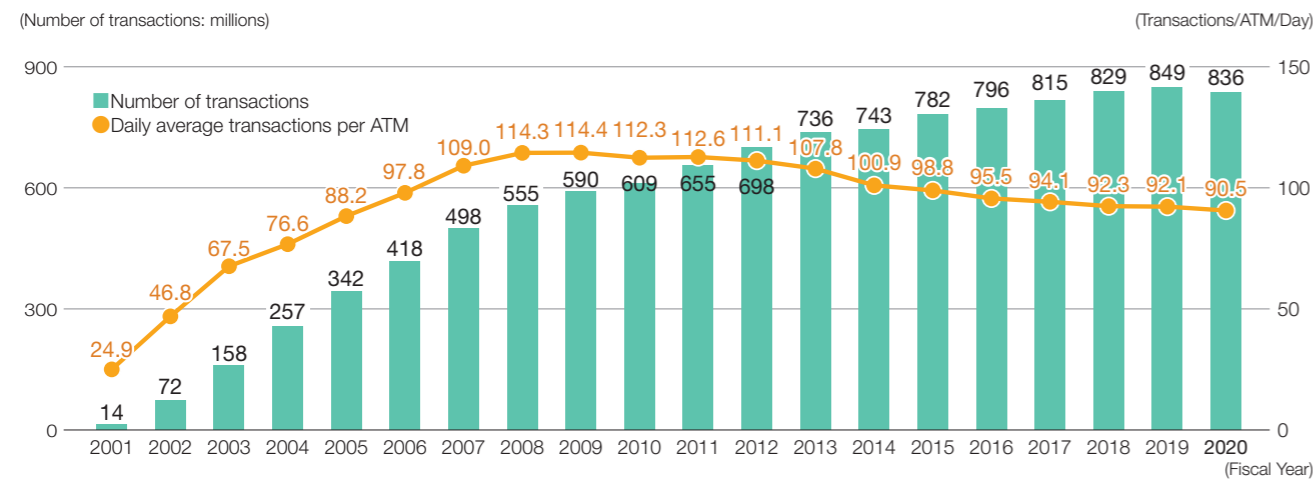
# Principal Data

## Growth Trajectory of Seven Bank's ATM

■ Number of ATMs installed as of March 31



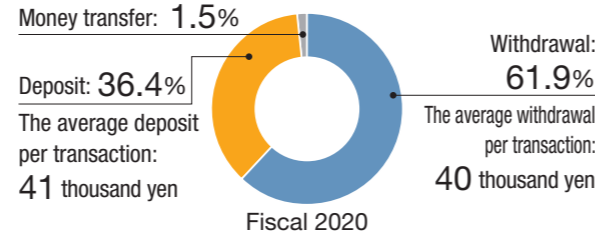
■ Number of ATM transactions per Fiscal Year<sup>1</sup> and Daily Average Transactions per ATM<sup>1</sup>



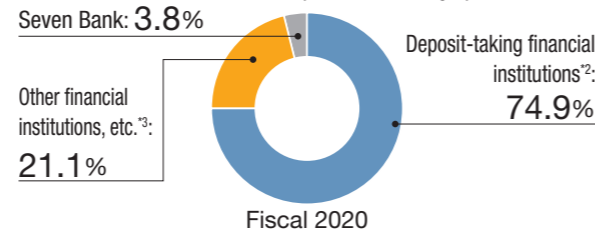
■ Number of ATMs Installed by Location (as of March 31, 2021: 25,676 units)

Location	Within Seven & i Group	Total	Outside the Group	Total
Seven-Eleven (Stores with multiple units installed: 1,575)	22,394	23,048	1,359	2,628
Ito-Yokado	254		Office buildings	110
York-Benimaru	236		Railway stations	609
York Mart	95		Highway rest areas	77
Seibu	12		Airports	63
Sogo	9		Others (financial institutions, etc.)	410
LOFT	5			
Akachan Honpo	3			
Denny's	1			
Headquarters, Directly managed ATM corner, etc.	39			

■ Number of ATM Transactions by Service<sup>1</sup> Breakdown (excluding Seven Bank)



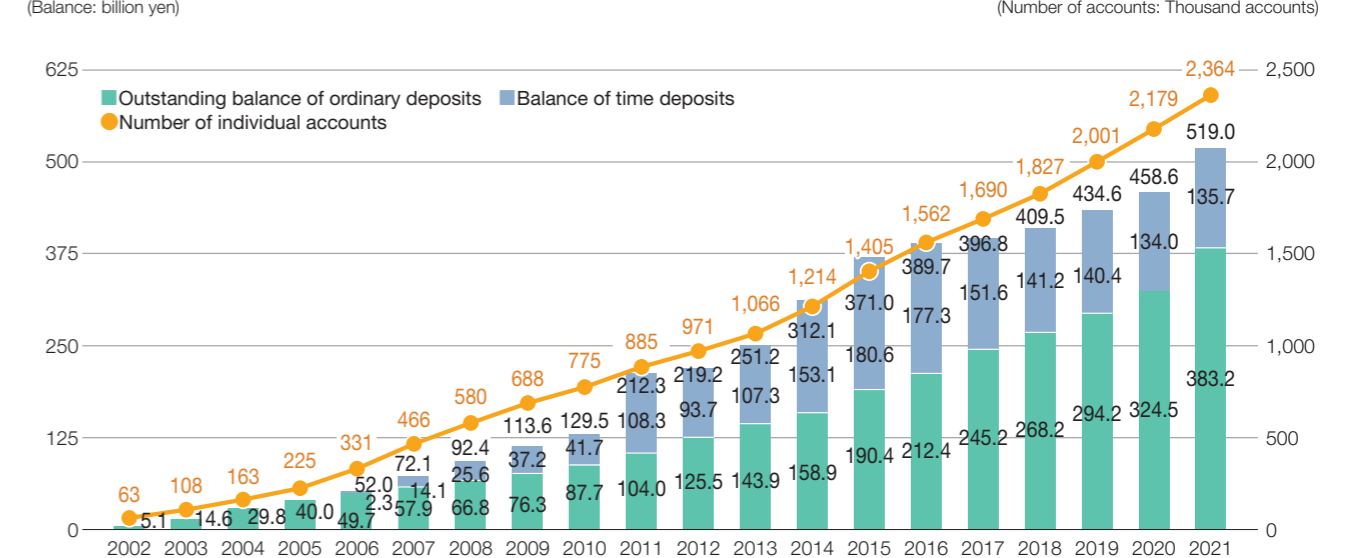
■ Number of ATM Transactions by Business Category<sup>1</sup> Breakdown



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

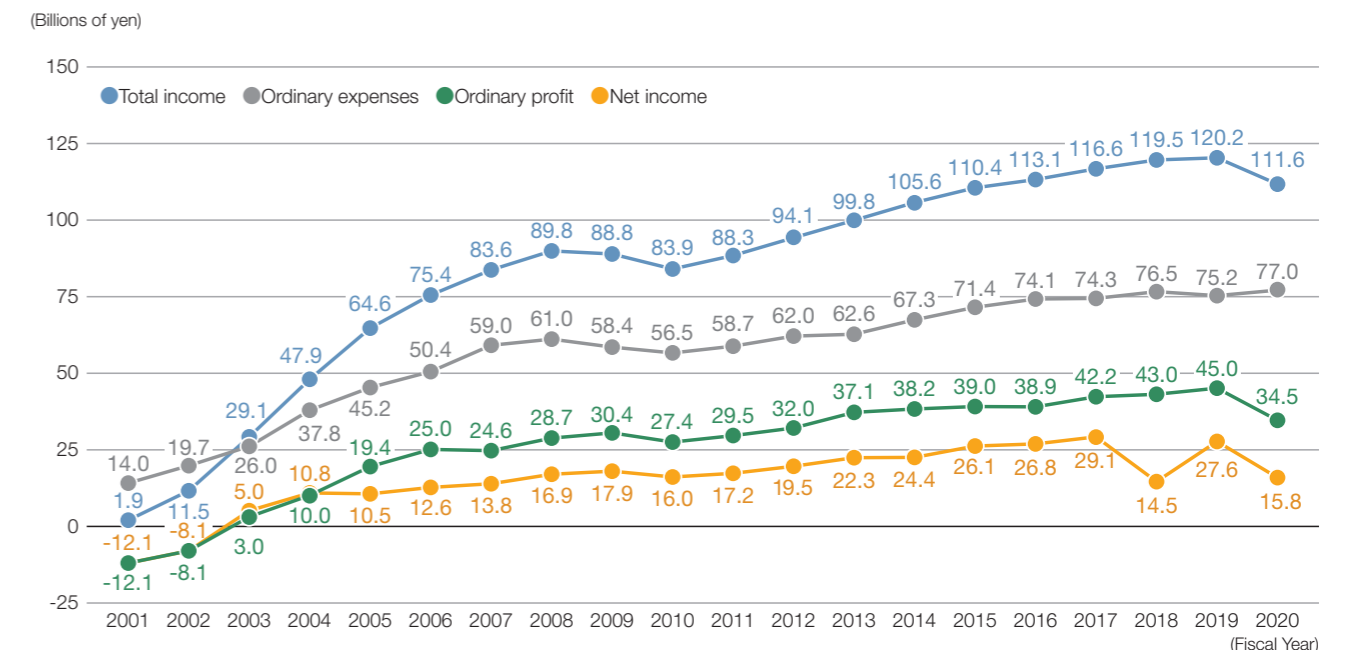
## Growth Trajectory of Seven Bank's Accounts (individuals)

■ Growth in Total Balance and Number of Accounts (individuals) as of March 31



## Financial Highlights

■ Changes in Profit/Loss (non-consolidated)



\*1. Number of transactions: Total number of deposits, withdrawals and money transfers. Balance inquiry, electronic money charge/balance confirmation, PIN number change, usage limit change, and Individual Number Card Points preregistration/application 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.