

# Financial Results for the Fiscal 2010

May 2011



**SEVEN BANK**



Highlights	Page 1	Financial Position	8
Impact of Great East Japan Earthquake	2	Major Initiatives	9
Income statement	3	Strength ATM business	10
Factor analysis of ATM-related fee income	4	Develop Financial Services Business	11-12
Steady increase in number of ATMs	5	Dividend policy	13
ATM usage and unit fee income	6	Support Rebuilding Efforts and Initiatives to Conserve Energy	14
Status of Accounts	7		

● Appendix is available at the Seven Bank home page  
( <http://www.sevenbank.co.jp/english/ir/library/presentation/> )

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## FY10 Financial Results

- ◆ ATM installations and transactions with deposit-taking financial institutions increased steadily. Revenue and profits declined, however, due to the significant impact of the decline in transactions with non-banks and revision of terms to business.
- ◆ Though ordinary income undershot the target, reductions in ordinary expenses enabled Seven Bank to achieve the ordinary profit target.
- ◆ The Bank returned profits to shareholders through semiannual dividends and share buybacks.

(1) Dividends	Interim: 2,600 yen per share / year-end: 2,600 yen per share	} Total return ratio 70.3%
(2) Buybacks	29,147 shares repurchased for 4.99 bn yen	

## FY11 Outlook

- ◆ Higher revenues expected on expansion of ATM installed base and new customers.
- ◆ Higher profits expected on continued tight cost controls to offset higher depreciation and other expenses stemming from new services and rollout of 3G ATMs.

## 1. Year on Year Total Transactions (vs. 2010)

	(%)				
	1–10 Mar.	11–20 Mar.	21–31 Mar.	March	April
<b>Japan</b>	100.3	90.1	97.7	96.2	103.9
<b>Disaster-stricken areas</b> (Iwate, Miyagi, Fukushima, Ibaraki Prefectures)	98.4	41.3	67.4	69.2	87.6
<b>Greater Tokyo area</b>	101.4	90.2	100.7	97.7	109.5
<b>Other regions</b>	99.6	99.1	100.4	99.8	101.3

\*Immediately after March 11, transactions plunged, mainly in the affected area, but have returned to pre-disaster levels

## 2. Inoperable ATMs (units)

	March 11	March 20	March 31
	approx. 2,100	approx. 400	70

## 3. Extraordinary loss from disaster

A total loss of 356 mn yen charged in FY10 for loss of ATMs and other assets

## 4. Rollout plan for 3G ATMs revised downward

Plan of about 3,000 ATMs revised to about 1,200 ATMs due to parts shortages and production constraints

# Income statement



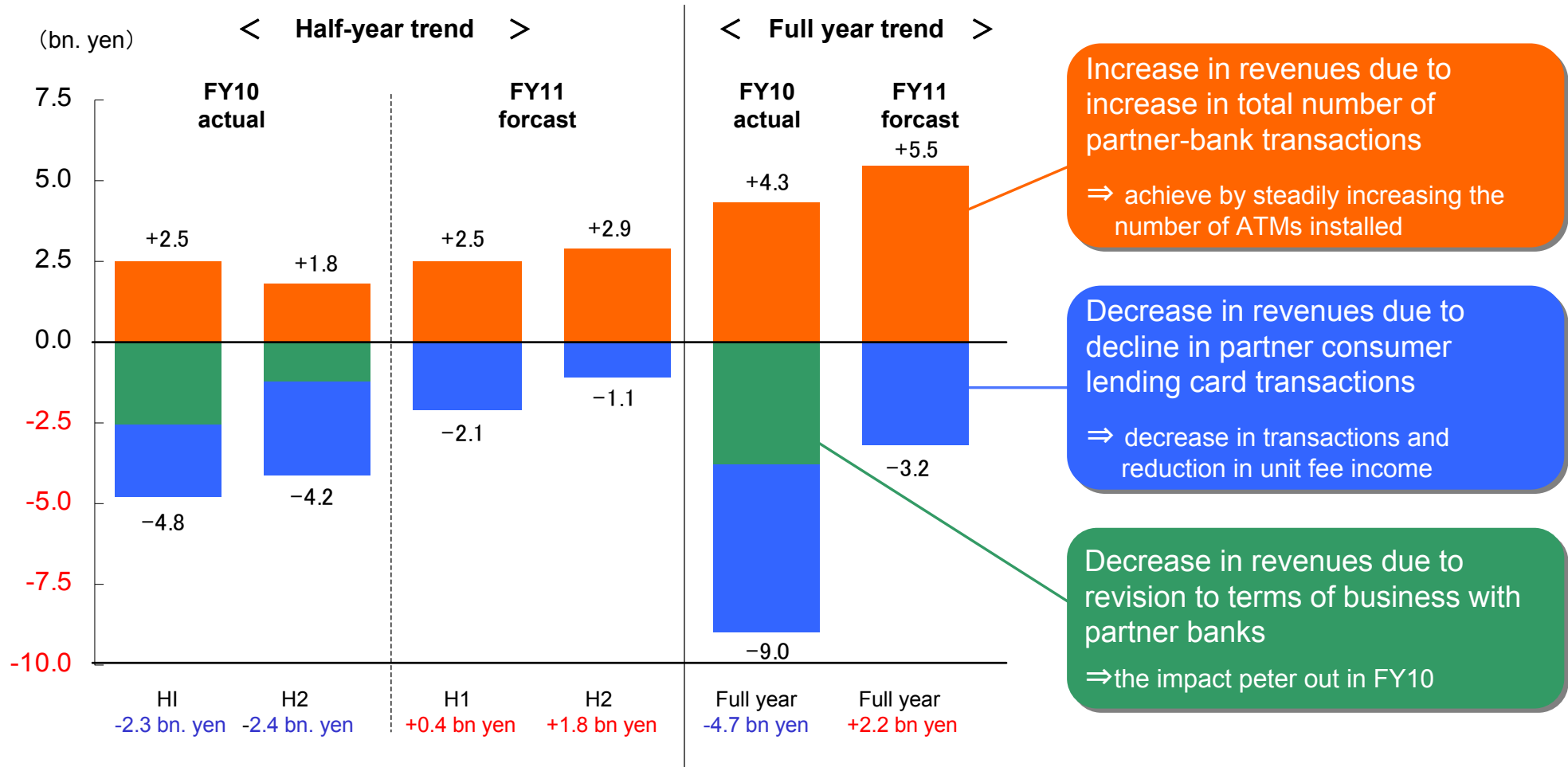
(Unit: Billion yen)

	FY09 Actual results	FY10 Actual results			FY11 Plan			
		Revised full year plan		Changes from FY09 results	Full year	Changes from FY10 results	H1	Changes from FY10 H1 results
Ordinary income	88.8	85.2	83.9	-4.9	86.8	2.9	43.7	0.6
ATM-related fee income	85.2	81.9	80.5	-4.7	82.7	2.2	41.8	0.4
Ordinary expenses	58.4	57.8	56.5	-1.9	59.0	2.5	29.1	1.0
Interest expenses	2.1	1.9	2.0	-0.1	2.0	0.0	1.0	0.0
ATM placement fee expenses	9.0	9.4	9.3	0.3	9.8	0.5	4.8	0.1
Outsourcing expenses	13.9	14.4	14.2	0.3	15.1	0.9	7.5	0.4
Maintenance fees	3.5	4.1	3.9	0.4	4.4	0.5	2.2	0.4
Rent for premises and equipment	2.4	2.1	2.1	-0.3	1.0	-1.1	0.4	-0.7
Depreciation expenses	12.8	11.8	11.6	-1.2	12.7	1.1	6.0	0.6
Ordinary profit	30.4	27.4	27.4	-3.0	27.7	0.3	14.5	-0.4
Extraordinary gain (loss)	-0.1	-0.0	-0.4	-0.3	-0.0	0.4	-0.0	-0.0
Income taxes	12.3	11.1	10.9	-1.4	11.2	0.3	5.9	-0.1
Net income	17.9	16.2	16.0	-1.9	16.4	0.4	8.6	-0.2
No. of ATMs installed at end of term (units)	14,601	15,400	15,363	762	16,300	937	15,800	816
ATM-related fee income per transaction (yen)	147.9	135.9	135.3	-12.6	131.2	-4.1	131.9	-5.0
Daily average transactions per ATM (Transactions /ATM /day)	114.4	113.5	112.3	-2.1	111.9	-0.4	114.1	-1.3
Total no. of transactions (millions)	590	617	609	19	647	38	325	15

Notes: Amounts less than unit have been truncated.

Changes from the previous fiscal year and changes from its initial plan have been compared in units of one 100 million yen (for total transactions, one thousand units), and amounts less than this unit have been truncated.

# Year on year factor analysis of ATM-related fee income

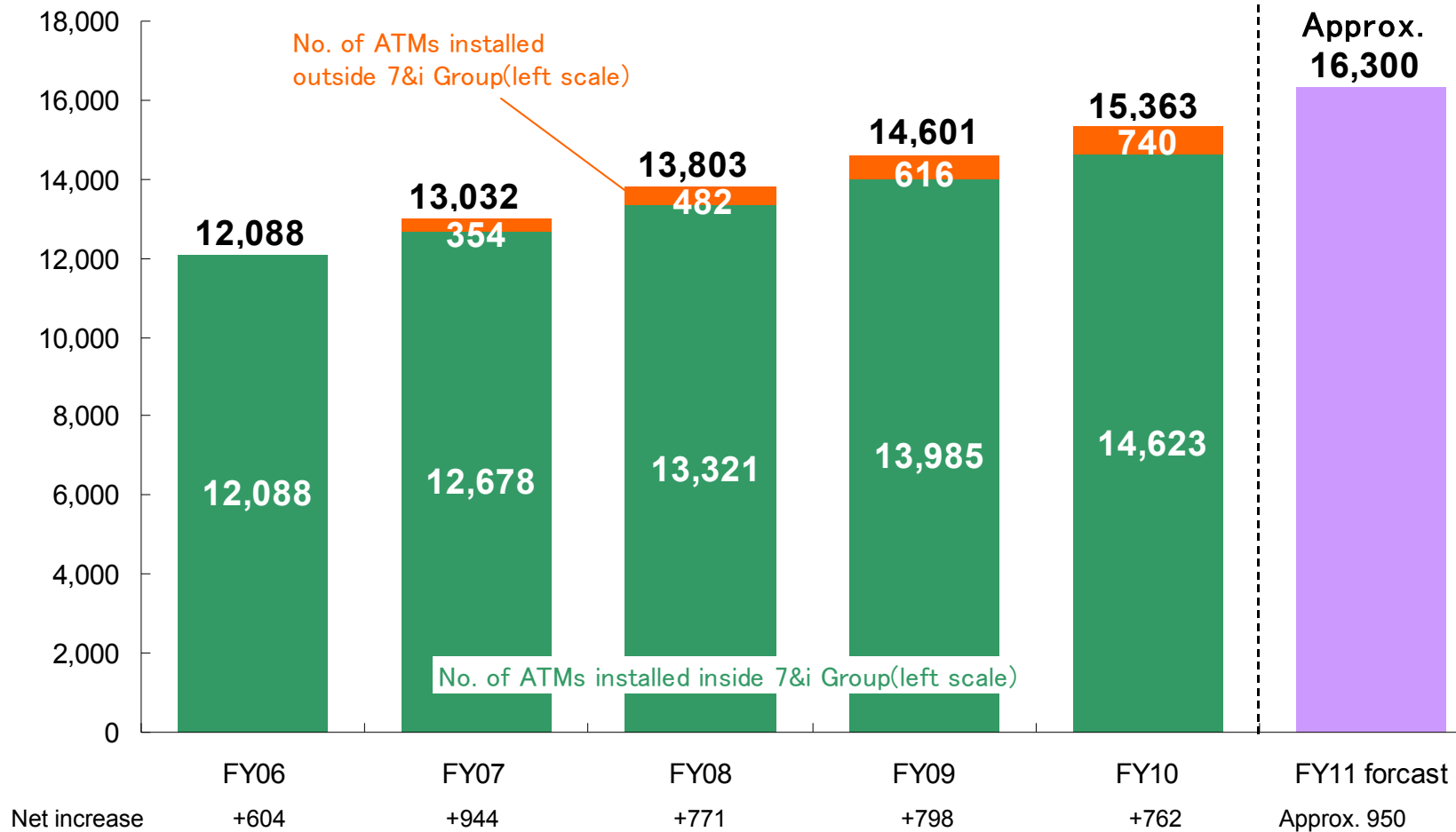


# Steady increase in number of ATMs



## Trends in number of ATMs

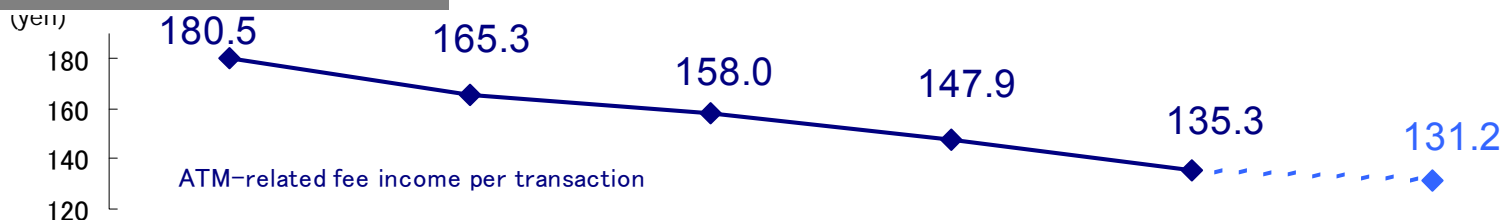
(No. of ATMs )



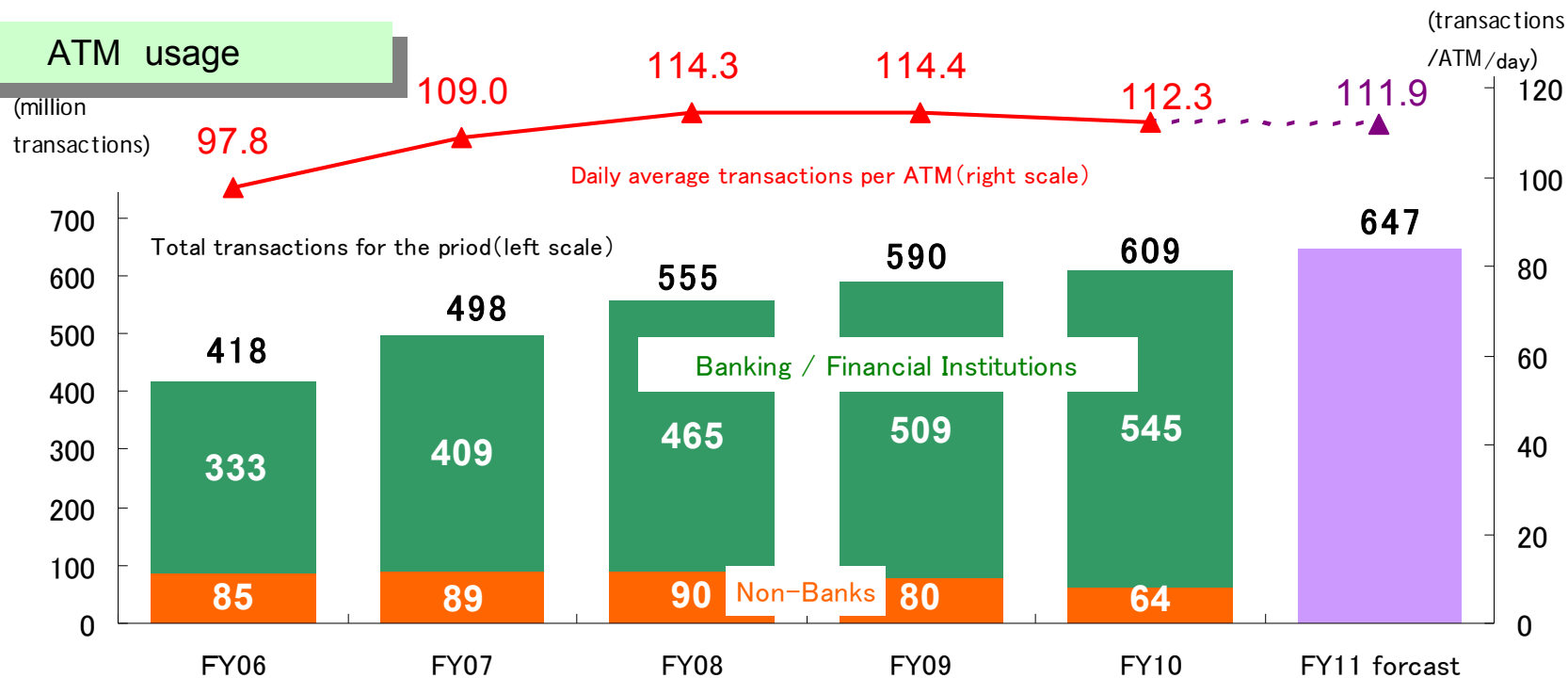
# ATM usage and ATM-related fee income



## ATM-related fee income



## ATM usage



Rates of Non-Banks transactions

FY06	FY07	FY08	FY09	FY10	FY11 forecast
20.2%	18.0%	16.2%	13.6%	10.5%	

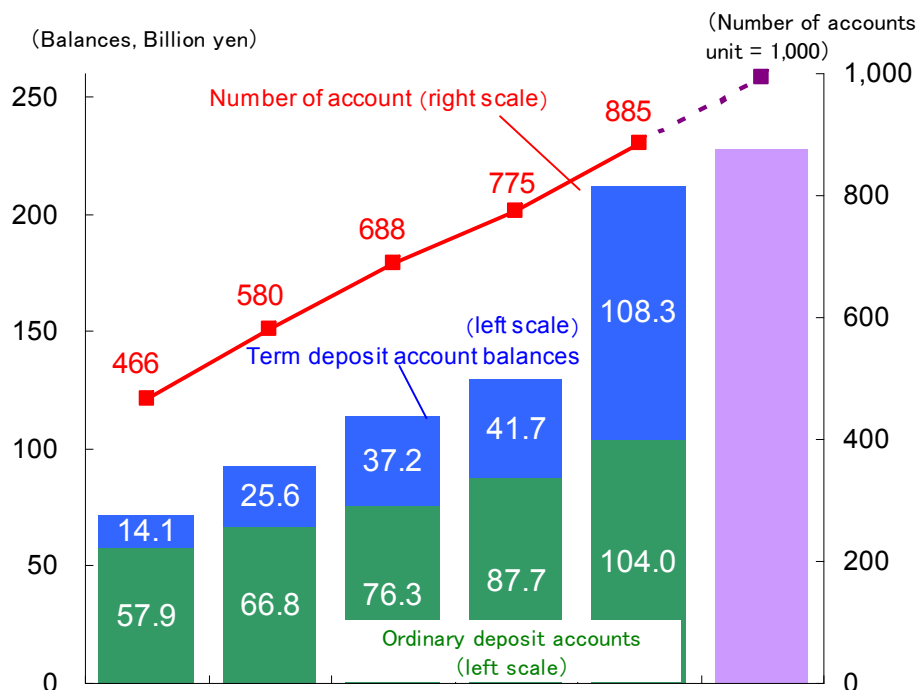
- Notes: 1. Total transactions for the period exclude balance inquiries, e-money charges, PIN changes and daily withdrawal limit changes.  
 2. Total transactions for the period have been truncated at one million. ATM-related fee income and ratio of transactions have been truncated at the first decimal place.  
 3. ATM-related fee income per transaction = ATM-related fee income / (Total transactions for the period - Total transactions without ATM-related fee income (i.e. Sales deposits))  
 4. Securities companies, life insurance companies and other financial institutions are referred to as non-banks in this document



# Status of Accounts



## Seven Bank deposits (individual)



- Offered special promotional interest rate for term deposits around winter bonus season

Incentive period: Nov. 22, 2010 – Jan. 30, 2011  
 Rate: 1-year deposit at 0.4% (0.2% increase)

## Personal loan services

- Pursue initiatives to develop new customers, including possible loan-limit increases

	FY 10	FY 11 Plan
Contract	9,000	20,000
Balance	536 mn yen	2,400 mn yen

Notes: Amounts less than unit have been truncated.

## International money transfer services

- On March 22, 2011, began service through Internet/mobile banking; ATM-based service scheduled to start in July

# Financial position as of March 31, 2011



## Balance Sheet

Cash placed in our ATMs  
Increase following increase in number of ATMs

Securities required for transfer settlement and overdraft with Bank of Japan accounts

ATM-related temporary advances:  
Funds provisionally paid to customers of correspondent financial institutions withdrawing from our ATMs.  
(Increases result when term-end day is a non-business day since amounts cannot be settled.)  
\*In principle, for transactions with non-banks there is no remaining balance of ATM-related temporary payments since these are settled in our corporate account on the same day

Mainly ATMs

Software and software-related temporary accounts

Loans and bills discounted 0.5

(Unit : Billion yen)

Cash and Due from banks	385.0(+ 90.8)	Deposits (Individuals)	212.3(+82.6)
Securities	99.9(+ 10.5)	Negotiable certificate of deposits	20.6 (-10.3)
ATM-Related temporary payments etc.	75.4(+ 5.3)	Deposits (Corporate)	100.3(+ 21.1)
Tangible fixed assets	9.3(- 1.8)	Call money	2.8 (-10.5)
Intangible fixed assets	18.6(+ 0.2)	Call Loan	10.0 (-10.0)
Deffered tax assets	1.1	Borrowed money	20.0(+ 1.1)
Allowance for credit loss	-0.0	Bonds	90.0(± 0)
		ATM-related temporary advances	39.0(- 0.2)
		Capital stock	30.5(± 0)
		Capital Surplus	30.5(-1.2)
		Retained earnings	53.3(+ 5.7)
		Provision for bonus	0.3
		Loss from evaluations of other securities	+0.0
		New share warrants	0.1
<b>Assets</b>	<b>600(+ 97.2)</b>	<b>Liabilities and Net Assets</b>	<b>600(+ 97.2)</b>

Ordinary deposits: 171.8 bn yen  
Term deposits: 140.6 bn yen

2<sup>nd</sup> issue (2006) 36.0 bn yen (5yr bond)  
3<sup>rd</sup> issue (2006) 24.0 bn yen (7yr bond)  
4<sup>th</sup> issue (2009) 10.0 bn yen (3yr bond)  
5<sup>th</sup> issue (2009) 20.0 bn yen (5yr bond)

Liabilities  
485.5 (+ 92.6)

ATM-related temporary advances:  
Provisional deposits of customers of correspondent financial institutions pending next business day settlement with those institutions.

Net assets  
114.5 (+ 4.6)

## Sound financials

### ● Tier I capital ratio

(Domestic Standard)

51.21% ( preliminary figure )

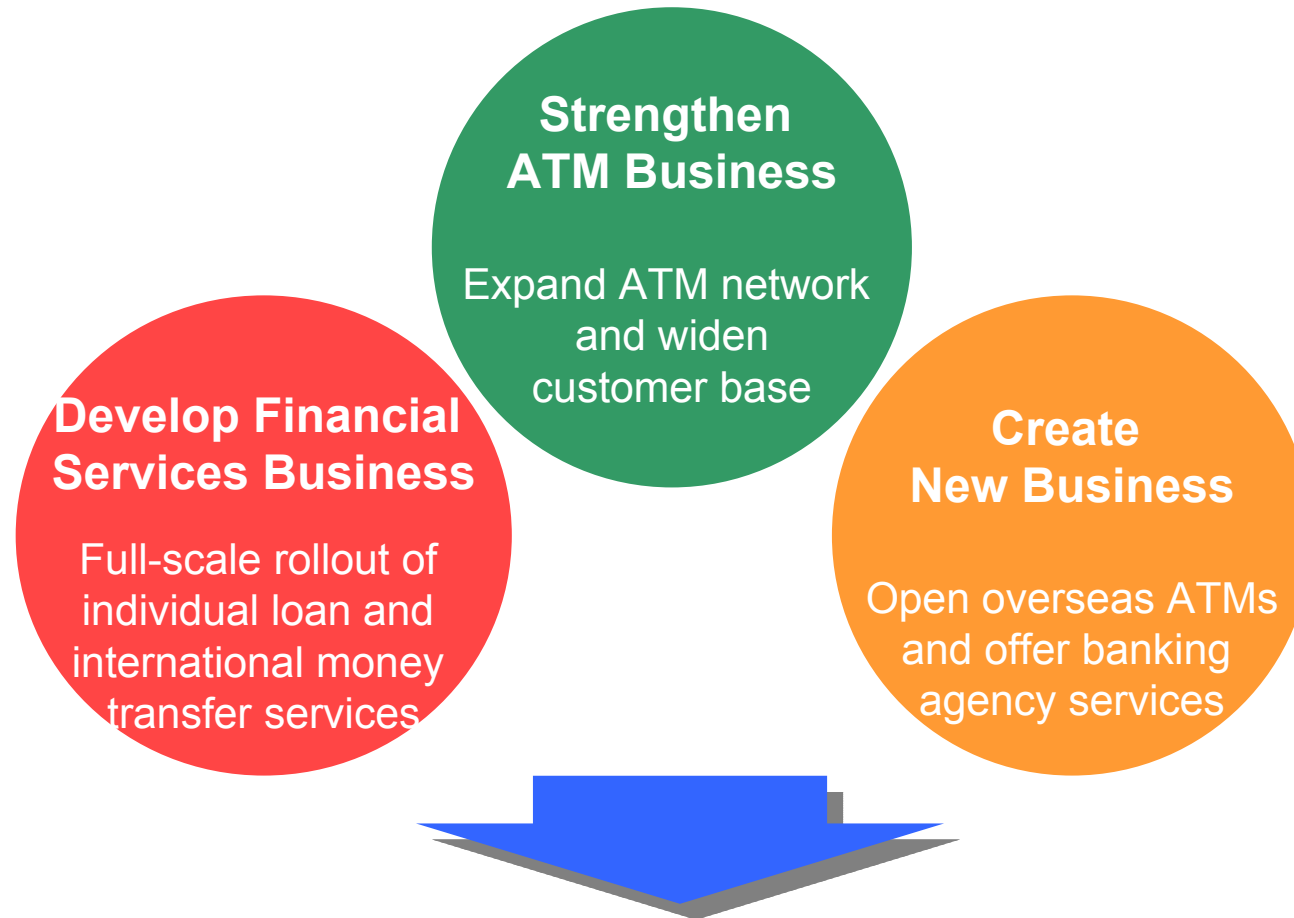
### ● Ratings ( as of Mar. 31, 2011 )

• S&P (Long-term counter party rating)

**AA-**

• R&I (Issuer rating) **AA**

Note: Figures in brackets refer to change from March 31, 2010 and are calculated in units of million yen, then truncated at the first decimal place



**Over the next decade, Seven Bank aims to widen the ATM customer base and develop new revenue sources**

## Expand ATM network and widen customer base

Aim to steadily increase transactions by raising awareness of “close and convenient” ATM network, and by actively expanding installations

### ■ Widen customer base

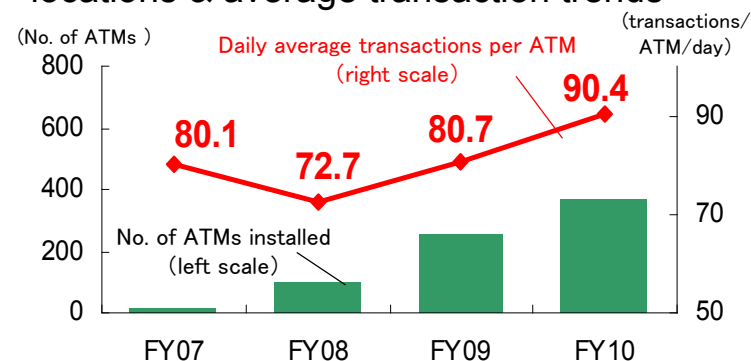
- Tap into latent needs
  - Appeal to middle-aged and housewives with security, safety, convenience
- Expand ATM alliances
  - Approach financial institutions in areas where SEJ has yet to penetrate

### ■ Expand installations

- Expand non-Group locations
  - Expand sales staff and introduction routes
  - Actively expand ATM base in Greater Tokyo and Osaka commercial districts

### ■ Status of ATMs in non-Group locations

- locations & average transaction trends



- Breakdown of installations

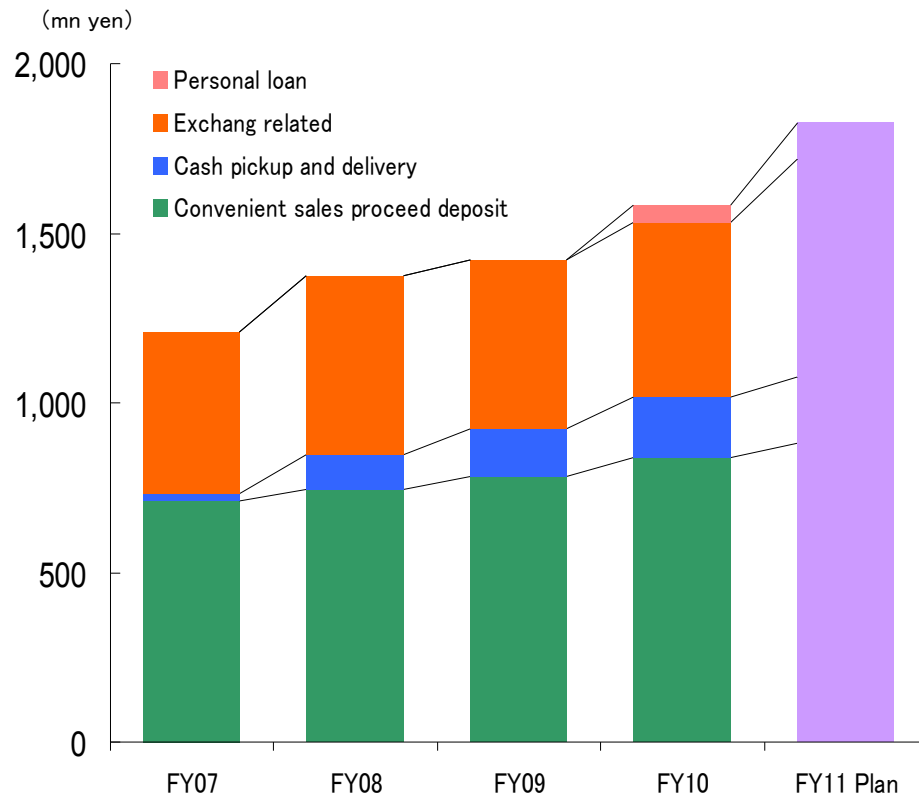
	FY07	FY08	FY09	FY10
Airport	9	22	30	30
Railway	1	24	61	71
<b>Commercial facilities</b>	—	<b>31</b>	<b>126</b>	<b>210</b>
Other locations	3	21	37	59
<b>Total</b>	<b>13</b>	<b>98</b>	<b>254</b>	<b>370</b>

Notes 1: Locations and average transactions, breakdown of installations exclude securities location  
 2: Start of installation in non-Group locations from July 2007

## Develop financial services business

Aim to diversify revenues by expanding range of convenient financial services using our well-developed ATM network

### Revenues from Account services



### ■ Develop existing services

- Money transfer by ATM, Internet, mobile devices
- Convenient sales proceed deposit services
  - . . . Expand non-Seven-Eleven  
FY07: 4 companies ⇒ FY10: 93 companies
- Cash pickup and delivery services
  - . . . FY10 results: Ito-Yokado : 43 stores  
York Mart : 65 stores  
Akachan Honpo : 13 stores



### ■ Develop new services

- International money transfer services
- Personal loan services

## International money transfer services

- On March 22, 2011, launched services initially through Internet/mobile banking
- Expand business by quickly stabilizing service
  - ATM-based services scheduled from July 2011
  - Aim to widen customer base early through national communities and tie-up with Western Union



Aim for 1 mn transactions within 3-5 years

## Service benefits and fees

- 24/7, 365 availability
- Simple, affordable charges
- Many locations (400K receipt locations in 200 countries)
- Funds received in as quickly as a few minutes

Transfer amount	Transfer charge	
	Seven Bank	Other banks
Up to ¥10,000	¥990	¥4,000
¥10,001 – ¥50,000	¥1,500	
¥50,001 – ¥100,000	¥2,000	

## Market size

Non-Japanese registered living in Japan (in '000s of people)

China	680
Philippines	210
Korea	580
Brazil	270
Other	460
<b>Total</b>	<b>2,200</b>

\*Based on statistics released by Japanese government on July 7, 2010

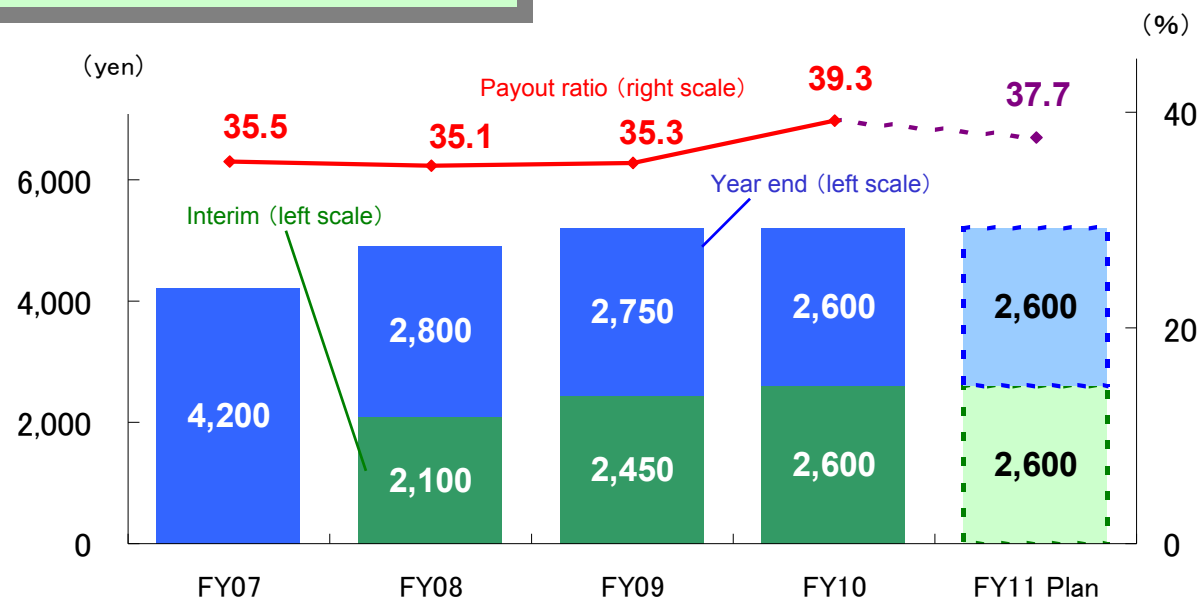
## Dividend policy



### Policy

Seven Bank aims to maintain a stable dividend payout, targeting a minimum payout ratio of 35% through semiannual payments (interim and year-end).

### Dividend payout and payout ratio



Note : From FY08, the Bank has paid dividends twice a year through interim and year-end payments

## Rebuilding support

### ■Cash donations

- The Bank is soliciting donations through ATMs and online banking service (began March 14 and scheduled to continue through May 31, 2011)

	Seven Bank	7&i Group
March	11,266,772 yen	2,800,240,133 yen
April	2,188,920 yen	551,256,759 yen

### ■Mobile ATMs in disaster-stricken areas

- 3 mobile ATMs planned from mid-May

## Energy conservation

### ■Major Initiatives

- ATM-related
  - Reduce time until transaction screen switches to power-saving mode
  - Reduce normal brightness of secondary screen
  - Roll out power-saving 3G ATMs, mainly in Tokyo Electric Power-administered areas (48% power saving vs. 2G ATMs)
- Other
  - Power off sign lights in ATM booths (non-7-11 ATMs)
  - Energy-saving throughout offices