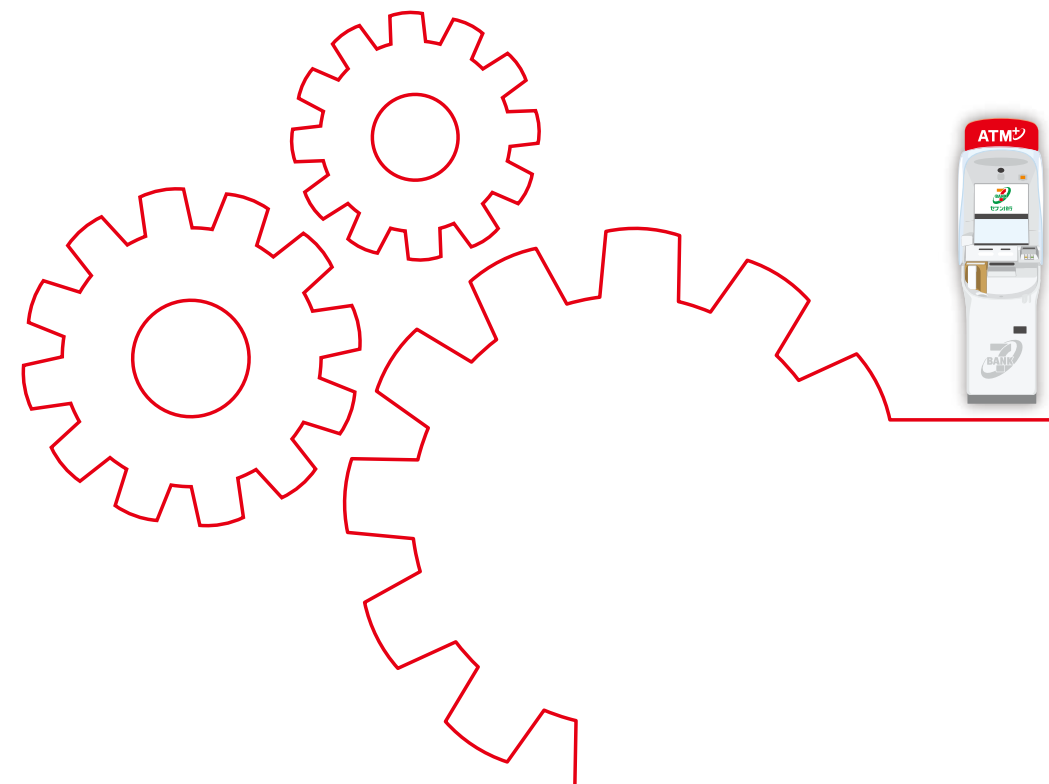


2020

SEVEN BANK, LTD.
**Integrated
Report**
For the year ended March 31, 2020



Seven Bank will continue to pursue “challenges” for the future

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

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

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

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

Together with the times
Together with you

Corporate Principles

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

Management Policy

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

Charter of Ethics (abridged)

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

Our “challenges” are to move from

“sowing seeds” to “nurturing”

Pursuing new opportunities for growth with social infrastructure as our mission

Achieving growth in our main business as we diversify our operations

Structural reforms to accelerate business diversification

Building a foundation for long-term growth

Major initiative

Installing fourth-generation ATMs, opening a world of “ATM+”

できたらいいなを、プラスしていく。 **ATM+**



Major initiative

Promoting a transformation compatible with a new environment

- ✓ Operational processes optimization
- ✓ Management and administrative reforms
- ✓ Work-style reforms
- ✓ Business portfolio restructuring
- ✓ Human resources development

Major initiative

Developing and expanding new business fields



SEVEN PAYMENT SERVICE



Major initiative

Flexible investing for growth using a solid financial base

- ✓ Investment in systems to strengthen management foundation for existing businesses
- ✓ Investment for expansion of new business fields
- ✓ Investment for internal restructuring to increase productivity

Helping resolve social issues, enhancing corporate value

Seven Bank's five “material issues”

For a safe, secure society ...

1

Offer a safe, secure settlement infrastructure



For new value in daily lives ...

2

Create a lifestyle through new financial services



So that everyone can live fairly and equally ...

3

Create a society where everyone can be active



To create a society that considers the environment ...

4

Reduce the environmental burden



To live with mutual acceptance of other cultures ...

5

Realize multicultural symbiosis



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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.

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

**Values/
Business Model**

**We were
created to meet
customer needs**



First-generation ATM ▶ 2001-
Priority on
security measures
to use with peace
of mind

The DNA that Generates Seven Bank's Innovation

Toward new services that address changing times

Since our establishment in 2001, Seven Bank has provided ATM services that can be used "anytime, anywhere, by anyone, and with safety and security."

With smartphones becoming ubiquitous and payment methods diversifying, Seven Bank's operating environment is undergoing rapid changes that can be seen as a "once-in-a-100-year event." To achieve continuous growth in this environment, we are expanding our main businesses together with "business and service diversification," and are steadily implementing "structural reforms" to achieve and accelerate that diversification.

Business diversification with an organization that incorporates diversity

Beginning with ATM services, Seven Bank has created a succession of new services in response to customer needs. Coming from various backgrounds including finance and retail, our employees create innovative services by constantly thinking from the customer's perspective. Seven Bank has developed a cooperative structure that transcends business divisions to meet customer needs and a flexible organizational culture by creating various businesses.

Using "material issues" as a compass for creating shared value

As society changes, social issues are becoming increasingly diverse and environmental considerations are having an increasingly significant negative effect on the economy. Looking at this broad range of social issues, Seven Bank has designated five "material issues" as important social issues for us to help resolve, using our strengths and unique position, through dialogue with stakeholders. Viewing these "material issues" as Seven Bank's corporate philosophy regarding social issues, we will strive to create a narrative of value co-creation that aims to contribute to resolving social issues while continuously enhancing corporate value.

Creation of innovative services with diverse values

Cultivating a free and open-minded organizational culture

Developing education and training programs for employees from diverse backgrounds

Building strong relationships of trust with various partner companies

Possessing a spirit of pursuing challenges

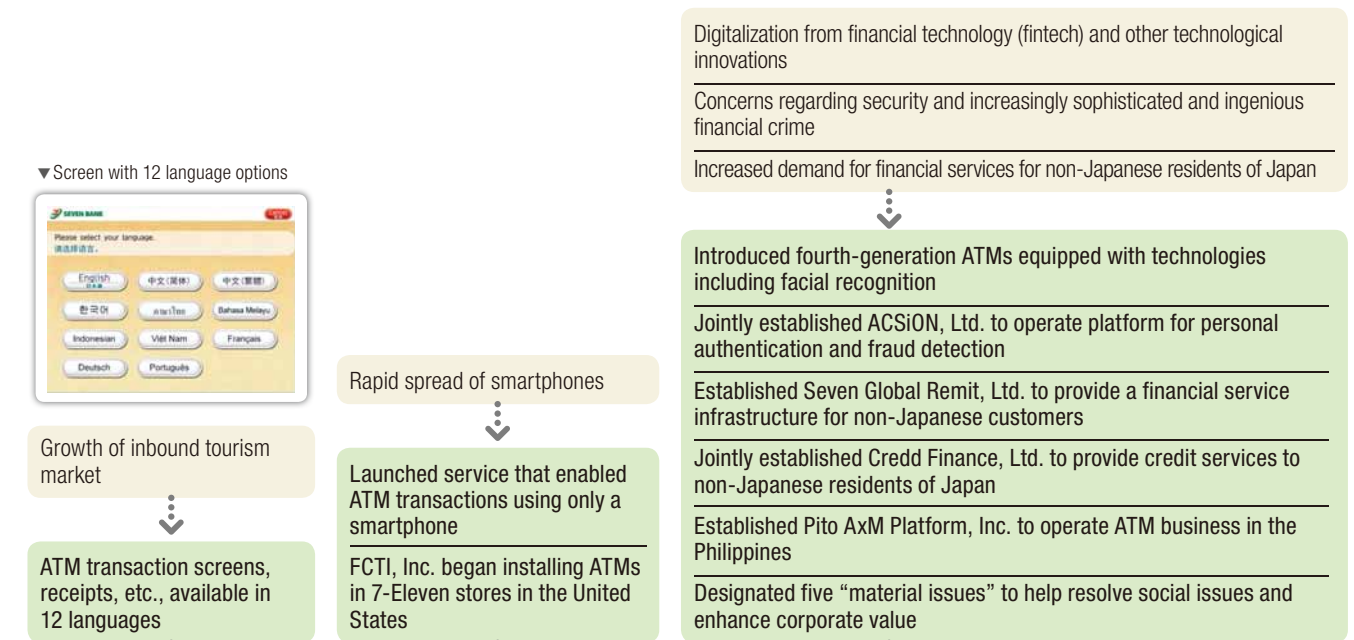
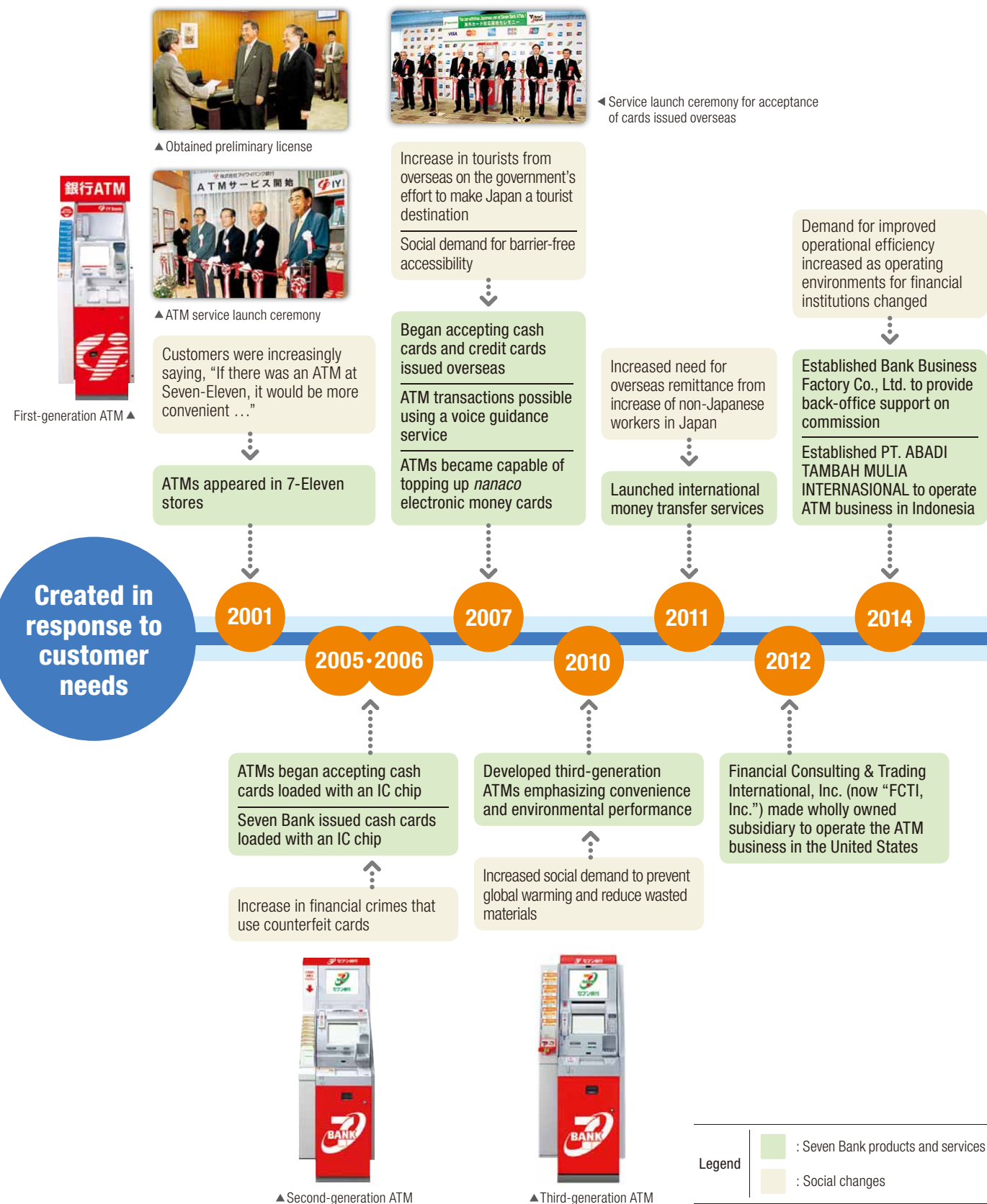
Promoting open innovation

Promoting diversity



Seven Bank's History of Pursuing "Challenges"

Viewing social changes as business opportunities, we have provided services that meet customer needs.



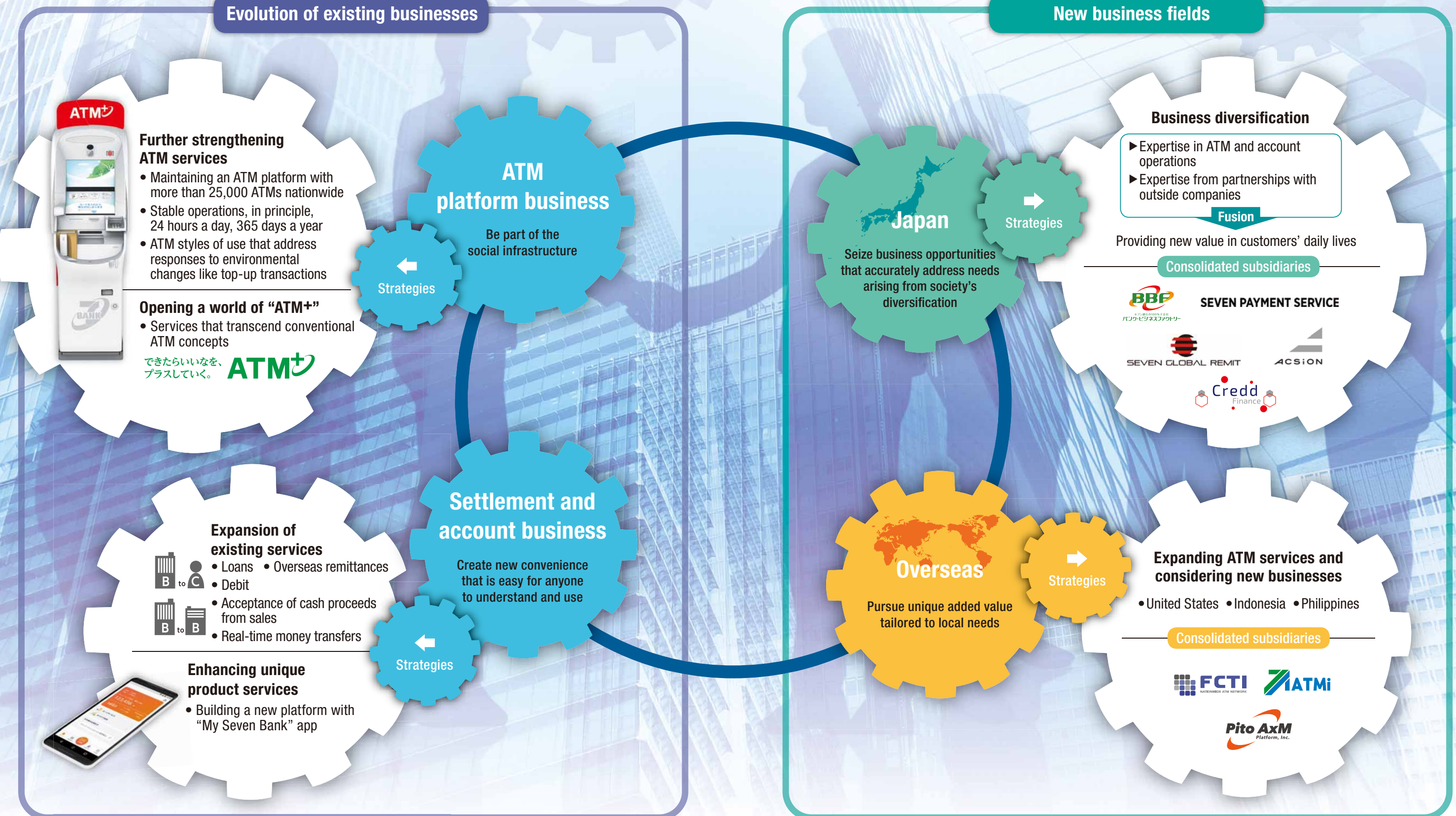
Seven Bank Group

Expanding Our Spheres of Business

In addition to its core ATM platform business, the Seven Bank Group operates a settlement and account business focusing on account services. Through our consolidated subsidiaries and other entities, we are also working to diversify and expand our business by pursuing challenges in new business fields including remittance and settlement services in the fund transfer business, back-office support business, financial services for non-Japanese residents of Japan, security services, and the development of ATM services overseas.

Evolution of existing businesses

New business fields



Subsidiaries Opening Up New Business Fields

Promoting Business Diversification

Priority areas
Initiatives to achieve sustainable growth

- Individual** Develop both familiar and unique financial products
- Non-Japanese residents** Provide financial service infrastructure such as remittance
- BPO** Strengthen back-office support business as common infrastructure
- Corporate** Offer infrastructure such as settlement agent service
- Security** Create business by leveraging "safety and security" know-how
- Overseas** Work to open new markets

Since its establishment, Seven Bank has listened to the opinions and addressed the needs of customers, adding convenience to their lives through safe and secure financial services. As lifestyles change, however, customer needs are diversifying, and the speed of those changes is accelerating. The Seven Bank Group views helping resolve issues emerging from social changes as business opportunities. By skillfully fusing its expertise acquired to date to partnerships with outside companies, the Bank's Group is diversifying its business as it strives to create products and services that meet the needs of a variety of customers.

B to B Bank Business Factory Co., Ltd.

BPO Back-office support services

With safe and high-quality operations that utilize our expertise in bank back-office management, we offer countermeasures to financial crime and digitalized operational processes to various types of financial institutions, providing safe and secure back-office support services.



B to C FCTI, Inc.

Overseas ATM operations in the United States

With more than 8,000 ATMs in 7-Eleven stores in the United States, we offer stable operations for ATM services. We are pursuing synergies and building a long-term, favorable partnership with 7-Eleven, Inc., the operator of 7-Eleven stores in the United States.



B to B Seven Payment Service, Ltd.

Corporate ATM Receipt (cash receipt service)

Remittances can be made quickly without the recipient's bank account information, and the recipient can receive the cash at a Seven Bank ATM or 7-Eleven store cash register any time.

SEVEN PAYMENT SERVICE **ATM受取**

B to C PT. ABADI TAMBAH MULIA INTERNASIONAL

Overseas ATM operations in Indonesia

We are expanding our areas of installation, focusing on convenience stores in Indonesia's major cities. As we pursue business expansion focused on in-house ATM operations, we are steadily increasing the number of ATMs installed.



B to B ACSiON, Ltd.

Security Providing security platforms

Using various online data, we provide platforms for personal authentication and the detection of fraudulent applications and fraudulent access. Through our expertise in detecting fraud in both the financial and non-financial fields, we contribute to the stability and development of the financial infrastructure.



B to C Pito AxM Platform, Inc.

Overseas ATM operations in the Philippines (planning stage)

Intending to imitate a similar configuration in Japan, we are planning to install "bill-recycling" ATMs in 7-Eleven stores across the Philippines, whereby bills deposited inside ATMs can be withdrawn, to provide ATM services with a high degree of safety, security, and convenience.



B to C Seven Global Remit, Ltd.

Non-Japanese residents Providing financial infrastructure

Through remittance and other financial services that serve as a bridge between Japan and other countries for non-Japanese residents of Japan, we aim to achieve multicultural symbiosis and provide a financial infrastructure that is fair.



B to C Credd Finance, Ltd.

Non-Japanese residents Credit services

By providing loans, credit cards, and other easy-to-use new credit services that address the financing needs of non-Japanese residents of Japan, we are contributing to fairness in economic opportunity and multicultural symbiosis.



More than **25,000** ATMs installed

- Large share of domestic market

Safe and Secure Financial Network

Working with its partner companies, Seven Bank operates a financial network that seeks safety and peace of mind, with an emphasis on the stability and development of Japan's financial system. This work is helping achieve Sustainable Development Goals (SDGs) **9**, **11**, and **16**.



Operating rate: **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

Social infrastructure that is always close-by

We believe it is important for Seven Bank's ATM platform, with its comprehensive security structure, to play a role as social infrastructure that can be used anytime, anywhere, with peace of mind. In addition to the Seven & i Group store network, we are proactively installing ATMs in transportation, retail, and tourist locations, with the aim of providing financial services that are not only physically close, but also psychologically "close-by, convenient."

For stable ATM operations

Working with partner companies, we monitor our ATMs and network systems in real time, preventing problems like cash shortages or malfunctions. We strive to make sure that our ATMs are available for customers whenever they need them and that they can always be used with peace of mind.

ATM services that meet customer needs

Looking beyond conventional ATM transactions that primarily involve withdrawing and depositing cash, Seven Bank has provided a succession of new ATM services to meet customer needs, including the "Smartphone ATM transaction service," which allows cash to be withdrawn or deposited with only a smartphone, ATM Receipt (cash receipt service), which allows a person to receive cash without having an account, and top-up transactions for transportation-related electronic money and smartphone payments. Going forward, we will continue to create new value in customers' lives with financial services that are "close-by, convenient."

Multifunction platform using AI and IoT, equipped with cutting-edge technologies

- Equipped with cutting-edge technologies including advanced cameras and scanning functions
- Efficient operations using digital technologies to forecast cash demand and parts breakdowns

Distinctive Fourth-Generation ATMs

Our fourth-generation ATMs, terminals with diverse functionality and features like facial recognition technology, provide services that meet increasingly diverse customer needs. They are also significantly more environmentally friendly, helping achieve Sustainable Development Goals (SDGs) **7**, **9**, **12**, and **13**.



40% reductions in energy consumption and CO₂ emissions (compared with third-generation ATMs)

- Significant enhancement of environmental performance
- Use of durable parts and recyclable materials

Meeting customer needs with fourth-generation ATMs

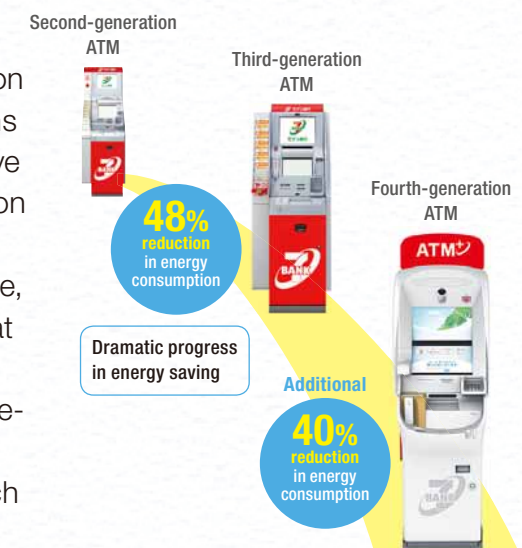
Capable of using facial recognition for personal authentication and reading QR codes,* fourth-generation ATMs, as a multifunction platform, create new styles of ATM use that go beyond transactions mainly for withdrawing and depositing cash and other financial services. Seven Bank's unique ATM services are evolving daily, putting them in a class of their own, compared with commodity ATMs.

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

Thinking about the global environment

Compared with second-generation ATMs, third-generation ATMs reduced energy consumption and CO₂ emissions by about 48%, and with fourth-generation ATMs, we have further cut about 40% from the levels of third-generation models. Reduction of the environmental burden was thoroughly incorporated from the ATM development stage, with the use of recyclable materials and a structure that allows for ease of maintenance.

In addition, by increasing the precision of cash management within ATMs, we will contribute to reducing CO₂ emissions logistically by limiting the frequency with which cash needs to be replenished and collected.



Example of new uses

Fourth-generation ATMs using biometric authentication

Fourth-generation ATMs were born as a platform that can achieve innovation. They were developed not as an extension of conventional ATMs, but rather with completely new concepts. Facial recognition technology is the key to these new ATMs, which secure personal authentication with NEC Corporation's Bio-IDiom biometric authentication. This technology reduces the time required to provide a service, contributing to increased customer convenience and simplified, more efficient operational processing.

Roughly **25 million** customers visit Seven & i Group stores every day

- Further increasing contact points with customers by installing ATMs in transportation, retail, and tourist locations

Creating Value through New Financial Services

As lifestyles and values diversify, people are looking for financial services that are “more close-by, convenient.” Seven Bank uses a range of contact points to deliver new financial services that meet customer needs. This approach is helping achieve Sustainable Development Goals (SDGs) **8** and **9**.



Unique financial services

- Addressing new customer needs as society changes

Services that address social changes and technological advances

Seven Bank is incorporating lifestyle diversification, the spread of the sharing economy, and other social changes in the creation of new financial services that are not bound by conventional concepts.

Our “real-time money transfer function” began as a service that offered a convenient way for people to be paid immediately for work they do, in response to the need for new methods of receiving pay as work styles become more diverse. It is also used by businesses that pay salaries in advance and by short-term personnel placement companies.

Going forward, as times change, we will provide new value in daily lives, as a bank that grew out of the retail industry.

Promoting innovation through cooperation with partner companies

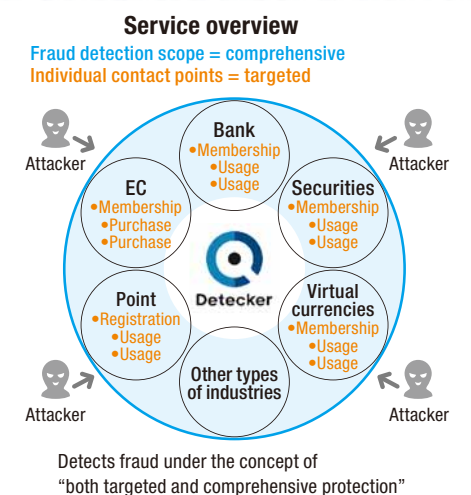
Seven Bank analyzes social changes and customer needs to develop unique services in cooperation with various partner companies.

In fiscal 2019, we established Credd Finance, Ltd. with Shinsei Bank, Limited and APLUS Co., Ltd. to support the daily lives of non-Japanese residents of Japan, and began preparing to provide these residents credit services. This arrangement is contributing to the realization of multicultural symbiosis and fairness in financial opportunities (financial inclusion) for non-Japanese customers.

Example of new uses

Launching Detecker fraud detection platform

As financial crime has become more sophisticated and ingenious, and concerns about security have increased in recent years, ACSION, Ltd. has combined Seven Bank’s expertise in fraud detection and the fintech-based solution-building capabilities of Information Services International-Dentsu, Ltd. to begin offering the Detecker service for detecting fraudulent applications and access from a wide range of data. The service concept is to accumulate and share data on fraud in both financial and non-financial areas to provide “both targeted and comprehensive protection.”



Features of Detecker

- Shares data on fraud across industries
- Equipped with precise know-how regarding countermeasures to financial crime

Value Creation

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

In 2019, Seven Bank designated five "material issues" as a compass for corporate management and new criteria for decision making and conduct. By addressing these issues, 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



21世紀
金融行動原則

Principles for Financial Action
for the 21st Century

Seven Bank's Core Competencies and Business Model

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

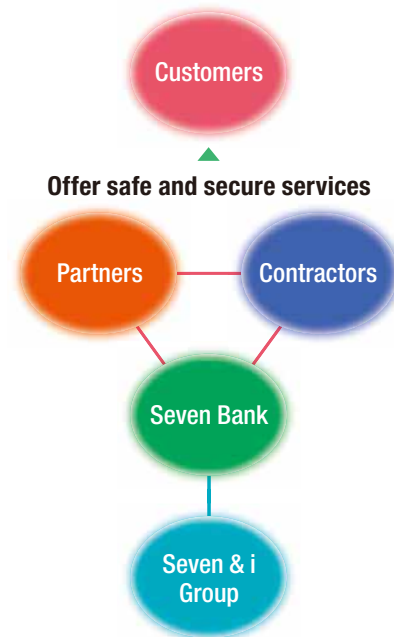
Key management resources

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

Key intangible assets

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

Seven Bank's business model



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

Social Issues and Changes

- Concerns about security as digital settlement gains popularity
 - Increasing sophistication and ingenuity of financial crimes
 - Decrease in the number of financial institution counters and ATMs
-
- 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 workers

Material Issues

1 Offer a safe, secure settlement infrastructure



2 Create a lifestyle through new financial services



3 Create a society where everyone can be active



4 Reduce the environmental burden

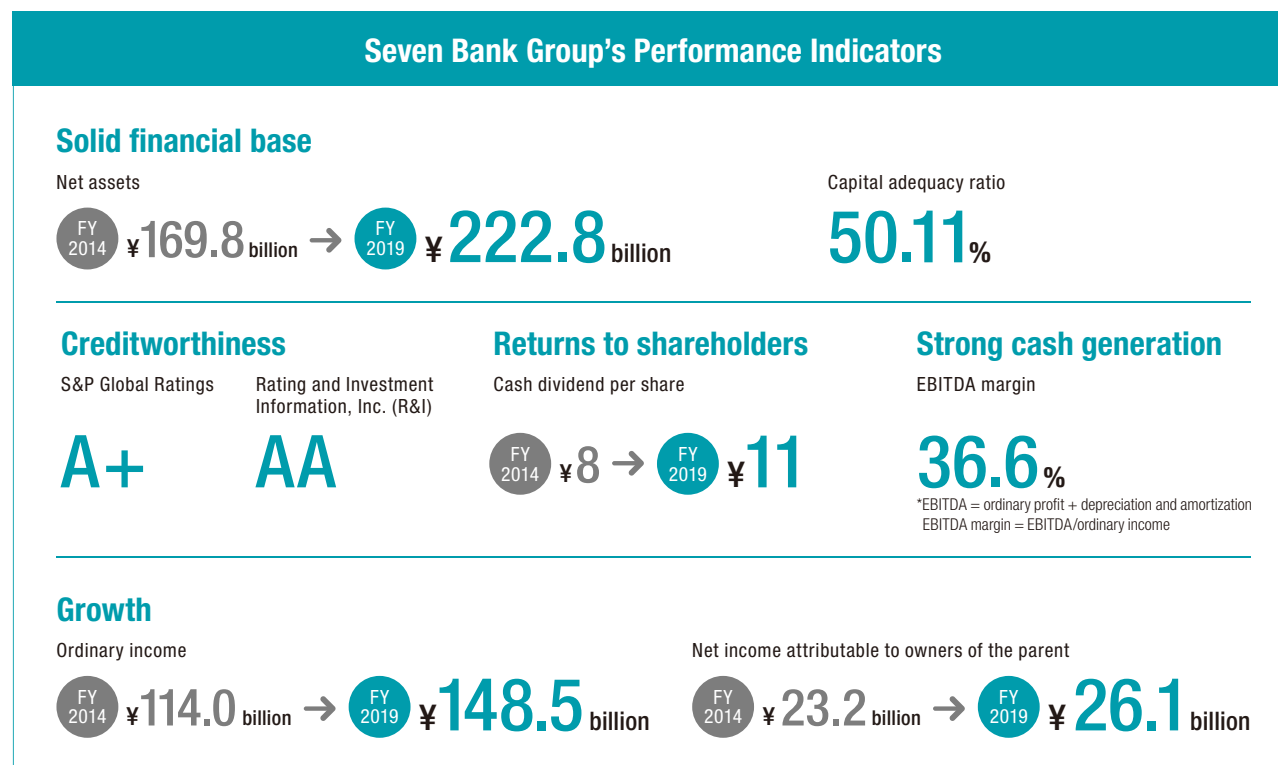
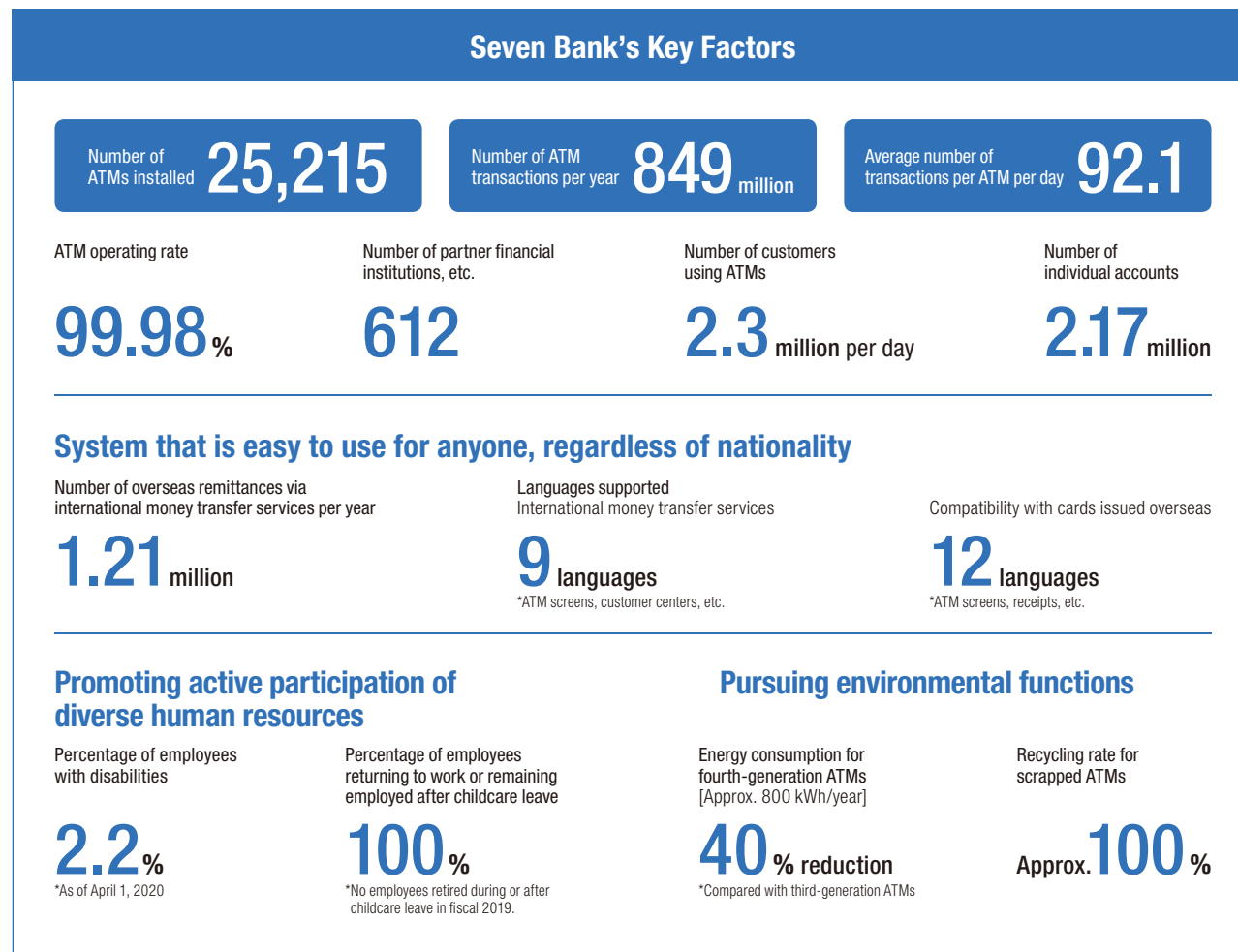


5 Realize multicultural symbiosis



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

Seven Bank Group in Terms of Numbers



Strategy

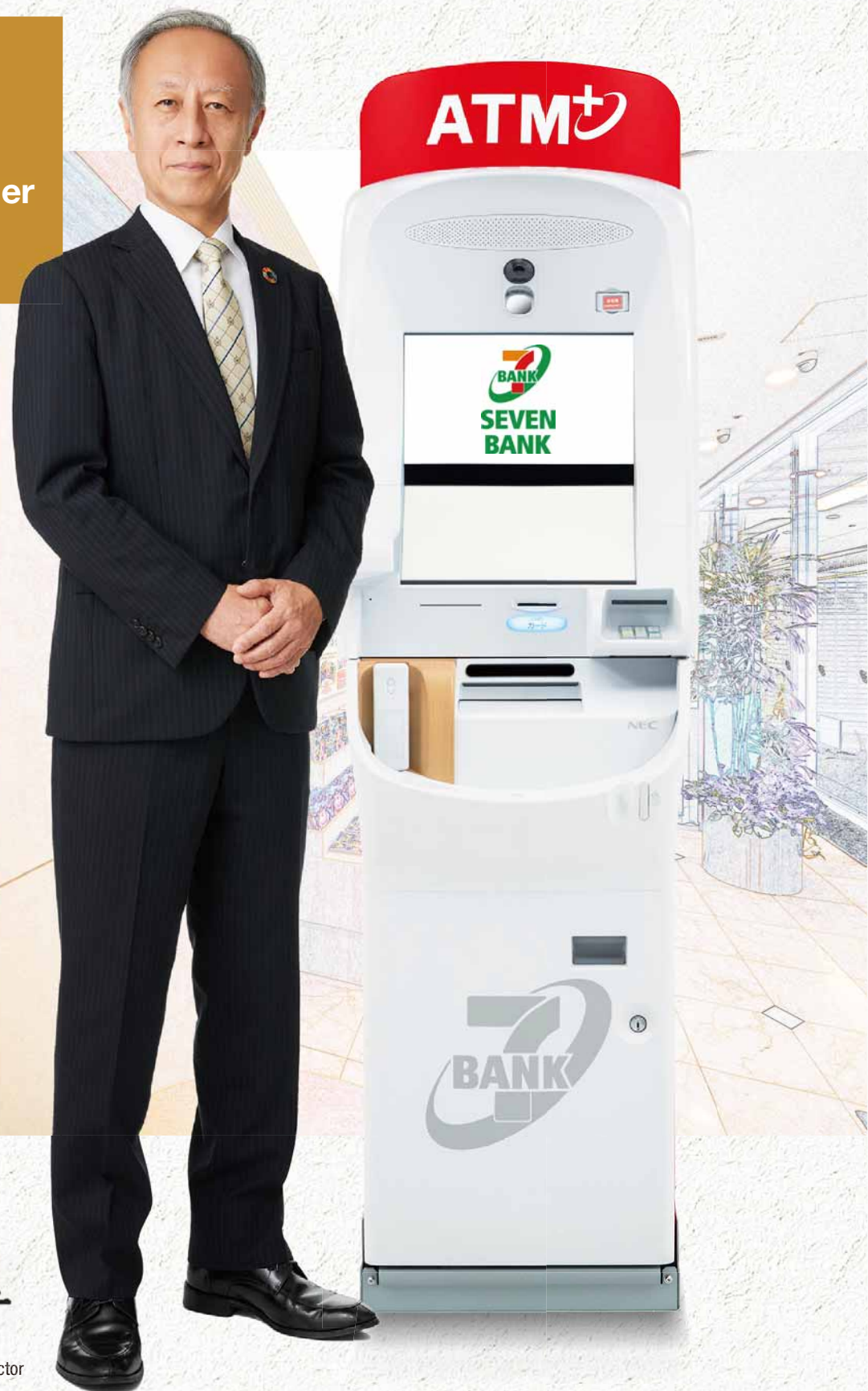
We will flexibly respond as times change



Second-generation ATM ▶ 2005–
With higher processing speed,
ATMs became significantly
more **convenient**

Message from the President

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



ふなたく やすあき

Yasuaki Funatake
President and Representative Director

A look back at fiscal 2019 and a review of business results

As the ATM platform business grew on an increase in topping-up transactions for **cashless payment**, revenue and profit increased from growth at consolidated subsidiaries in Japan and overseas, for record earnings

The move toward cashless payments received a boost in fiscal 2019 from the reward points program implemented with the consumption tax increase. In addition, as banks strove to improve earnings, there was a move to review transaction fees for customers at partnered ATMs, making fiscal 2019 a year of sweeping change for the ATM platform business's operating environment.

Still, the success of initiatives carried out under our basic policy of "achieving growth in our main business as we diversify our operations" led to revenue and profit growth for the full year on both a consolidated and non-consolidated basis.

In particular, we saw substantial growth in the number of topping-up transactions for cashless payment using our ATMs, a service we launched with the aim of providing customers greater convenience amid the shift to cashless payments. As a result, the average daily number of transactions per ATM was 92.1, and the total number of ATM transactions continued to grow, by 20 million from that of the previous year, to 849 million.

Investment for business diversification in fiscal 2019 resulted in equity in losses of affiliates of roughly 5 billion yen as a result of pursuing the challenge of new businesses. Going forward, we will learn from this unfortunate experience.

Against this backdrop, we were able to achieve our highest net income since commencing operations, which made this a year that gave us great confidence.

Developments in "business diversification" (overseas)

Our locally incorporated companies carrying out ATM business in the **United States and Indonesia** both turned profitable on improved efficiency and business growth, contributing to consolidated results

During fiscal 2019, FCTI, Inc., our consolidated subsidiary engaged in ATM business in the United States, carried out a major restructuring that included consolidating its three bases into one and shedding unprofitable ATMs, greatly improving management efficiency. At the same time, the average number of transactions per ATM steadily increased, laying a foundation for solid profitability.

Aiming to expand our business in Asia, a region where growth is expected, we are also beefing up our business at PT. ABADI TAMBAH MULIA INTERNASIONAL (ATMi) in Indonesia, which has recorded solid growth. As of December 31, 2019, the company had 200 ATMs installed with the daily number of transactions per ATM close to 90, and with an additional boost from improved management efficiency, it achieved profitability.



Message from the President

Developments in “business diversification” (domestic)

Applying our pursuit of safety and security developed in ATM operations to new financial infrastructure functions

The number of customers at Bank Business Factory Co., Ltd. (“BBF”), our consolidated subsidiary for on-commission back-office support for financial institutions, grew to 23 at the end of fiscal 2019 (from 14 at the fiscal 2018 year-end), and earnings steadily grew as well. BBF provides subcontracted operations including account opening and counter-measures against money laundering and fraudulent transactions to companies newly entering the settlement business, and takes pride in being able to reduce these companies’ workloads and contribute to their ability to launch services quickly and reliably.

The number of contracted companies using ATM Receipt (a cash receipt service), launched by our consolidated subsidiary Seven Payment Service, Ltd. (“7PS”), grew to 276, with a solid increase in the number of transactions as well. The subsidiary is steadily reducing losses and is expected to become profitable in fiscal 2023, as initially planned.



Toward further “achieving growth in our main business as we diversify our operations”

Making progress in laying a foundation for sustainable growth, shifting from sowing seeds to the nurturing phase

The previous Medium-Term Management Plan coincided with a period of major changes in our operating environment, and unfortunately results fell short of the plan’s numerical targets. Nevertheless, we created new services, introduced fourth-generation ATMs for new styles of ATM use, and steadily ventured into new business fields. I believe we were able to move forward with creating a new foundation and sowing the seeds for growth in our core ATM platform business while also diversifying our business. We will maintain this course going forward as we shift from sowing seeds to a phase of nurturing, with the aim of full-fledged profitability.

In our core business, we replaced older ATMs with fourth-generation models (see page 40), which will bring about a world of “ATM+.” This multifunction platform will offer new services that create new styles of use and propel the role of ATMs as social infrastructure. In addition, as a bank, we cannot neglect investment in systems for continuous, solid growth in our existing businesses. We are approaching a period of upgrades for systems including account systems, ATM systems, and data centers, and will make investments to strengthen our management foundation.

In terms of business diversification, we have designated five areas as priority domains for the domestic business. The first is to expand our business of financial products and services for individuals who visit Group company stores.

The second is to provide financial services for non-Japanese residents of Japan. Non-Japanese persons working in Japan are seen as essential to the maintenance and growth of Japan’s social structure, and we will strive to be a reliable provider

of financial services to these individuals, primarily through Seven Global Remit, Ltd. (international money transfer services) and Credd Finance, Ltd. (credit services).

These two domains are business-to-consumer businesses for individual customers of services carried out by Seven Bank itself. We will also consider tie-ups with new business operators, while creating new values by developing products and services unique to Seven Bank from our position of having roots in the retail industry.

The third domain is business process outsourcing (BPO), which we will strengthen further as a common infrastructure. We will further reinforce the BPO domain by expanding the business of providing outsourced operations to a variety of business operators using BBF’s back-office robotic process automation (RPA) functions.

The fourth domain is providing services in the area of security. As payment methods diversify and become increasingly online, digital, and remote, needs related to security will increase. We believe this will make personal authentication more important. Our newly launched subsidiary, ACSiON, Ltd., will use Seven Bank’s expertise to develop specific security services and authentication services that, I hope, will be used by a variety of business operators.

The fifth domain is providing companies with infrastructure for settlement agency. In addition to the Bank’s services for moving funds, we will package services and businesses including real-time money transfers, 7PS’s ATM Receipt, and the settlement agency business of Metaps Payment Inc., in which we have an equity stake, to provide settlement-related services primarily to small- and medium-sized companies as one of our business domains.

These three domains of BPO, security, and corporate settlement agency are similar to our ATM business in that they provide convenient infrastructure services to a variety of business



operators, and we will work to expand these business-to-business businesses.

With regard to the overseas business, we are working to develop businesses in the growing Asian region, in addition to those in the United States and Indonesia.

We are also looking at the new social challenges that will arise from coexistence with the novel coronavirus, and will embark on restructuring our entire organization to accelerate business expansion. If we can implement transformations to match this new environment, including internal operational processes, work styles, ways of thinking, and management frameworks, and enhance our human resources development and increase productivity, I am confident that we will achieve sustainable growth through the business diversification that we are pursuing.



Message from the President

Reaffirming our social responsibility as financial infrastructure

Considering the global spread of novel coronavirus infections

The spread of the novel coronavirus is triggering environmental changes including shifts to remote and online transactions, digitalization, and cashless payments, changes that are advancing more swiftly than previously imagined. This trend is posing a major threat to services that had relied primarily on cash deposits and withdrawals, and we see ourselves facing a difficult operating environment. Nevertheless, all people do not want the same things, and we see the new age as one in which people will seek a variety of choices. There are significant needs for bridges between digital and analog, and virtual and real, and we believe these needs are an opportunity for the realization of an “ATM+” world. Even in this new age, we hope to contribute to creating an environment in which all individuals can live their lives in ways that meet their own individual expectations for peace of mind and convenience. This truly inclusive society in which no one is left behind is one way that Seven Bank believes it can play a role from the perspective of SDGs.

In addition, BPO, security, and corporate settlement agency will become increasingly important in a world that requires online, remote, and other transactions and services that do not involve face-to-face interaction. I believe the new business domains that we are currently addressing will be even more necessary in the post-coronavirus world.

To date, our business growth has been driven by scale expansion, by increasing the number of ATMs installed and the number of business partners. Going forward, I believe it will be important to work from the perspectives of seeking diversity, building on this base by adding new functions and services, and enhancing quality in the ATM business as well as in other areas.

Strengthening corporate governance

Reviewing the concepts of officer structure and compensation, and the compensation system

From the perspectives of separating oversight and execution and further strengthening the oversight function, we have introduced a system in which the Representative Directors are the only persons who serve as Directors with executive authority over operations and a system in which independent outside officers constitute the majority of the Board of Directors. At the same time, authority and responsibility for execution are given to Executive Officers, allowing them to carry out their responsibilities quickly and flexibly. We have also clarified the evaluation system for officers and tied officers' compensation more closely to business results, so that evaluations and treatment will appropriately reflect the extent to which they take risks in pursuing new challenges.

In terms of a succession plan, we are giving Executive Officers and others seen as candidates for the next generation of senior management more opportunities for dialogue by having them actively participate in deliberations including those of the Board of Directors, conduct business briefings, and respond to questions. We are also encouraging their participation in seminars and educational programs to expand their networks outside the Company.

On another topic, there has recently been discussion of cases in which both a parent company and a subsidiary are listed companies, and at Seven Bank we believe there are significant benefits from the parent-subsidary listing. On the basis of our being a bank, we are regulated by the Banking Act and the Financial Services Agency, we have the backing of our parent company without being subject to excessive influence, and the parent company does not misuse its position to infringe on the rights of minority shareholders or put them at a disadvantage. The business synergy that



allows access to the Seven & i Group's customer base is extremely important. At the same time, I believe that maintaining our own listing contributes significantly to increasing our name recognition, gaining the trust of markets, motivating employees, and ensuring management transparency.



Message to stakeholders

Management laying the foundation for second stage of growth

Since commencing operations in 2001, we have created new markets, primarily through ATMs, and have come to be recognized as part of the social infrastructure.

Just as we are transitioning from a growth stage to a mature stage, the Bank's operating environment is undergoing drastic changes. We have positioned this period as one of preparing for a second stage of growth, and will strive to achieve further growth

in our established core businesses while also diversifying our business through investments in new areas.

We will also endeavor to continue providing returns to shareholders, including a stable dividend that takes into account a balance with investment for growth.

Acting on the core principle of “responding to change while strengthening fundamentals,” we will make every effort to maintain the positive corporate culture we have cultivated, deepening relationships with all stakeholders including customers, vendors, business partners, and employees, to create new value. I ask for the continued support of shareholders in these endeavors.





ATM受取

Remittance Services that
Anyone Can Use with Peace of Mind

We Are “Creating a Lifestyle through New Financial Services”

Satoshi Wada

President and Representative Director
Seven Payment Service, Ltd.

Addressing changes in the environment for remittances with easy-to-use services

Our ATM Receipt service, which we developed to allow companies to remit funds to individuals that they can receive at a Seven Bank ATM or cash register in a 7-Eleven store, in principle, 24 hours a day, 365 days a year, without needing an account, is responding to changes in the environment for remittances. Money sent from individuals to a company is directly tied to the company’s earnings, and many convenient services for this already exist. On the other hand, money sent from a company to individuals has been less common, done primarily via postal money order, in cash by registered mail, or by bank transfer. With the growth of e-commerce and the sharing economy, however, the number of payments of small sums of money from companies to individuals has increased, and we therefore saw the need for a simple, convenient service for receiving those funds.

As a bank that grew out of the retail industry, the Seven Bank Group operates on the concept of creating services from the customer perspective. The ATM Receipt service was originally conceived as a way to resolve an issue that the Group was experiencing in its purchasing. In talks with various parties, one word that kept coming up was “refunds.” Although these cases were not frequent, each case incurred a significant operational burden, and as the Group focused on an omnichannel strategy, we became increasingly aware of the significant difficulty of processing refunds, particularly

for returns of items purchased via the Internet.

Delivering the funds is difficult because it requires strict information management, and in the end many businesses had determined that sending cash by registered mail was the easiest method. On the other hand, the customer receiving the money needs to do so while the post office is open or during delivery hours, while Seven Bank ATMs and 7-Eleven stores across Japan, in principle, operate 24 hours a day, 365 days a year. We realized that if customers could receive the money safely and with peace of mind, this could be a highly convenient service that people could use whenever it suited them.

With ATM Receipt, a transaction number is sent by email or text message, which the recipient enters on a Seven Bank ATM and receives the paper currency from the ATM. For amounts less than 1,000 yen, the customer can choose to receive the coins from a clerk at a 7-Eleven cash register, top up an electronic money card, or donate it to charity. The idea of offering the option of donating to charity came from the collection boxes for small change placed next to 7-Eleven cash registers. Those donations are decreasing as cashless payment becomes more popular, but as customers’ desire to donate has not changed, we thought it would be important to preserve the option of performing this act of kindness.

Use of service boosted by more uses than originally envisioned

Since the service was launched, the number of contracted companies has grown to 276 (as of March 31, 2020) from an initial 20, and the yearly number of transactions has grown to roughly 480,000 from roughly 100,000.

In addition to refunds for returns of purchases made via e-commerce, the service is being used by various businesses across a range of industries for diverse uses including ticket refunds when concerts and other events are canceled, refunds of adjustments to life and non-life insurance premiums, and refunds of prepaid rent and fire insurance premiums when residential lease contracts are canceled during the lease term, as well as for sales promotions including cash rebates and loyalty point rebates, prepaid salaries and payment of compensation, the settlement of expenses incurred, and reimbursement of travel expenses for job interviews.

This includes the payment of stipends for living

expenses by companies to interns from overseas who do not have an account at a Japanese bank. Previously, these stipends were paid directly in cash, but being able to receive the money at an ATM has relieved interns’ concerns about having large amounts of cash on hand, because they now have the convenience of being able to withdraw the amount they need when they need it, with safety and peace of mind. This system has been highly evaluated.

The reason the uses of the service have expanded so far beyond our initial expectations is simply because customers have told us that they like the service and suggested other ways it might be used. This is very gratifying to us as a service provider, and gives us a strong sense of the service’s inherent strength and potential. We hope to see the service become even more popular as we build a track record with the service used in more ways.

Hoping to make ATM Receipt so well known that it becomes a commonly used term

Creating a convenient service that is easy to use in response to the changing needs of society and customers is the essence of Seven Bank’s CSV management.

The Seven Bank Group has identified five “material issues” for sustainable growth with society in a way closely aligned with people’s daily lives. ATM Receipt is the embodiment of one of these—create a lifestyle through new financial services—and is creating new styles of ATM use. We hope to make the ATM Receipt service name one that becomes so firmly established as a commonly used term that when people hear the name, they will know what the service entails.

Remittance and settlement services are currently Seven Bank’s main operations, but the Seven Bank Group has set for itself the mission of developing and increasing corporate transactions with businesses that are conducted via ATMs. Going forward, we will expand our service lineup to address the social changes of the increasing popularity of non-cash payment methods, and while increasing our partnerships with businesses that move funds to which we are already providing corporate remittance and settlement services, we also hope to expand the business fields in which we provide these services.

As part of this effort, in July 2020, we launched an electronic-money receipt service that allows the entire amount of a remittance to top up transportation-related electronic money or Rakuten Edy, and have also added these cards for receiving amounts of less than 1,000 yen.

Going forward, we intend to gradually add functions as we work to make the service even easier to use.

We are proud to play an important role in Seven Bank’s ATM services that can be used “anytime, anywhere, by anyone, and with safety and security,” and we will continue to strive to increase our number of contracted companies and expand our service functions so that all kinds of people can use our services, and by increasing the opportunities to use our services and increasing the number of transactions, to make an even greater contribution to resolving social issues.



Special Feature
2

Open an Account in as Little as 10 Minutes by Smartphone Using a New Smartphone App

“My Seven Bank” is Born!



Account opening in as little as 10 minutes*

Aiming for a **new style**, conceived by a bank that grew out of the retail industry

Connecting with customers through payment methods

Electronic money

nanaco

Debit

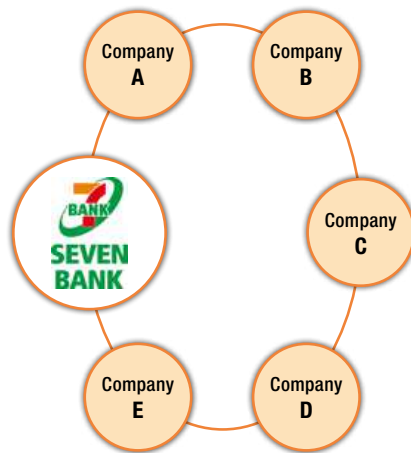
Seven Bank account

“My Seven Bank” app



Aiming to provide services by app through open partnerships with a variety of partners

Providers



- New credit services
- Savings services
- Investment products
- Insurance products

etc.

“My Seven Bank” services can be used as soon as you want

Seven Bank has launched “My Seven Bank,” an app that enables instant account opening with a smartphone. Using the app, you can open an account by entering the required information and using the smartphone camera to photograph and send photographs of your face and personal identification documents. Upon receipt, the account can be opened in as little as 10 minutes (instant account opening), and you can use the app to begin depositing and withdrawing money from a Seven Bank ATM even before your ATM cash card arrives (“Smartphone ATM transaction service”).

The “My Seven Bank” app can currently be used for opening new accounts, deposits and withdrawals, balance inquiries and deposit and withdrawal transaction receipts, and personal loan service applications, borrowings, and repayments. Going forward, we will be adding more services.

*Required time for applications received between 9:00 and 19:00 on business days. Applications received outside these hours will be processed successively the following business day.

The future of Seven Bank accounts based on “My Seven Bank”

“My Seven Bank” is tied to convenient services like a debit service and the investment of small change. It can also be used to check *nanaco*^{*1} point and prepaid balances and transaction receipts for debit services, and to confirm “Small Change Investment App TORANOKO”^{*2} investment balances.

In addition to linking the app to ATMs, we will work as part of the Seven & i Group’s financial strategy and incorporate customer feedback to provide people attractive, easy-to-understand financial products, with the aim of providing a close-by, convenient “convenience store bank account.”

*1. Electronic money issued by Seven Card Services Co., Ltd.

*2. Service operated by TORANOTEK Asset Management Ltd.



Smartphone app



Easy-to-use services focusing on app transactions

- Instant account opening
- App banking (Use of app for daily transactions)
- Linkage with other companies’ services (“Small Change Investment App TORANOKO,” etc.)

Value of providing app-focused services

- Financial services that can be used whenever you want
- Simple and easy to get started

ATM



New financial services linked to ATMs

- Instant transactions with Smartphone ATM transaction service (Deposits, withdrawals, loans)
- Individual service authentication
- Transactions using facial recognition

Functions performed by ATM (value provided)

- Cardless method for cash transactions
- New convenience through combination of app and ATM

From conventional concepts to **convenience store concepts**

Close-by, convenient

Easy



App is extremely easy to use

Simple



Account is extremely easy to open

Open



Platform that can be linked to various financial products

Secure



Security for safety and peace of mind

Special Feature
3

A New Wind Blowing at Seven Bank

Inner communication

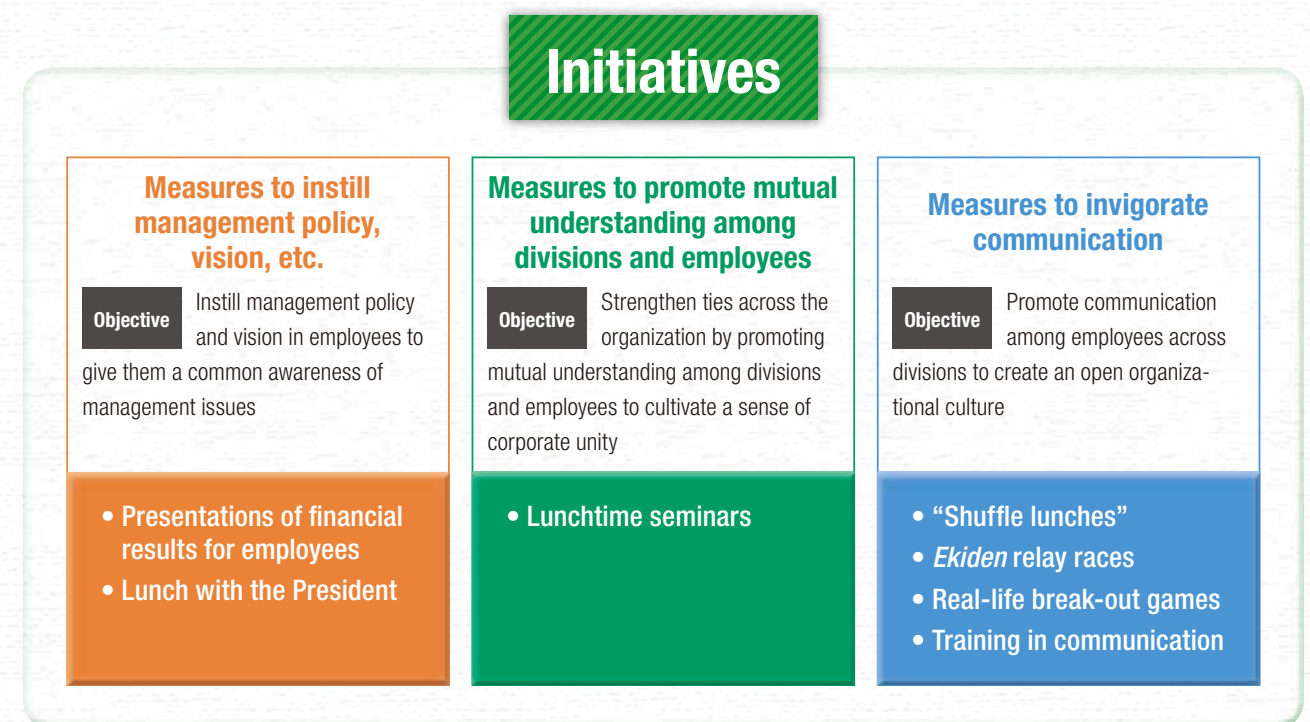
Promoting inner communication!

Promoting further transformation of organizational culture to enhance innovative organizational strength

Seven Bank's operating environment is undergoing major changes, and the speed at which those changes are occurring is accelerating. Given this environmental change, we are restructuring to make our organization more diverse, as we proactively pursue business diversification for continuous growth. During this process, new issues such as weakening internal communication and a lack of a sense of unity have arisen. To address these issues and create a more innovative organization, we are focusing on promoting inner communication.

We believe that cultivating an innovative organizational culture requires stronger communication across the organization, based on divisions and employees taking to heart our management policy and long-term vision as a company, leading to a sense of unity derived from a mutual understanding of these concepts. We have therefore introduced several new initiatives that are not bound to conventional communication formats. Going forward, we will emphasize having a serious and steady organizational culture, while also responding swiftly to environmental changes with the aim of being an organization that is adept at taking up challenges.

In the face of the spread of the novel coronavirus since March, diversified work styles, including teleworking and staggered working hours, have taken root overnight. To respond to changes flexibly and proactively, we have taken up the challenge of introducing initiatives including online presentations of financial results for employees, as we pursue methods of communication compatible with new work styles.



Desired outcome Enhanced innovative organizational strength

Lunchtime seminars

Lunchtime seminars provide employees an opportunity to learn about various divisions' operations while they eat a sandwich or light lunch. Learning about other divisions' and other teams' operations creates ties across divisions and spurs communication. Presenters are mainly younger employees who introduce their current projects and achievements, which gives them a chance to reflect on their own work and also motivates them to approach tasks proactively.



Ekiden relay races

Since 2006, employees have participated in *ekiden* relay races to promote health and strengthen communication. Each year, employees design uniforms with different colors and patterns. In addition to our own employees, employees from partner companies participate, creating personal friendships. The event has even led to some employees taking up running and entering other races.



Training in communication

We introduced training in communication as an overnight group training program in 2004. Participants learn to approach issues with an understanding of the persons involved and work as teams to deal with various circumstances as they attempt to achieve goals. Teams are made up of employees from different divisions. Working as a team to resolve the issues presented to them invigorates communication.



Aiming to enhance innovative

organizational strength !!



Shuffle lunches

Shuffle lunches bring together employees who would not ordinarily have contact with each other. Designed for groups of four people of various ages and positions, these lunches invigorate interaction among employees. New employees especially enjoy these opportunities to get to know people from other divisions.

Real-life break-out games

To invigorate internal communication, we have created opportunities for employees who work together to participate in games like navigating mazes and solving riddles that attempt to break out of real-life situations, deepening interaction among the members and creating a sense of team unity. Teams need to analyze situations quickly, think, and come up with ideas flexibly, which are important skills for performing their jobs.

Lunch with the President

Lunch with the President was introduced as an opportunity for new and midlevel employees to express their opinions directly to the President, and for the President to speak directly to these employees. This congenial atmosphere allows for communication different from that of everyday work settings.

Value Co-Creation that Meets Customers' Needs

We are adding what will be attractive



Third-generation ATM ▶ 2010-
Achieved the highest level of energy savings and improved general functionality

“Fourth-Generation ATMs” to Address Changes of the Times

New “fourth-generation ATMs” address changes in society and customer needs with new technologies like facial recognition and AI

We began installing fourth-generation ATMs in September 2019 to address changes of the times, including lifestyle changes, the use of smartphones, and the diversification of payment methods.

With personal authentication using facial recognition and the capability of reading QR codes,* fourth-generation ATMs are opening a new world of possibilities for new services and styles of ATM use, as a multifunction platform that is not limited to conventional ATM transactions that mainly involve withdrawing and depositing cash.

We are also aiming for greater operating efficiency by using AI for precisely forecasting demands for cash and predicting various types of parts breakdowns.

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

Responding to Change

ATMs chosen by customers

Uniqueness and differentiation

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.

Strengthening Fundamentals

Providing a safe, secure settlement infrastructure

Security and countermeasures to financial crime

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.

Even greater convenience

Pursuing ease of use

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.

• Advanced camera and high-precision facial recognition technologies achieve personal authentication that is fast and secure

• A large, surrounding visor gives a sense of privacy and reduces concerns about someone standing nearby glancing at another person's transaction

• In addition to a contactless IC reader for topping up electronic money and other functions, ATMs can read driver's licenses, My Number government-issued ID cards, passports, and other personal identification documents, and also have a QR code* reader function
• Bluetooth communication provides smooth connection to a smartphone



• Using AI, ATMs can automatically detect financial crime and notify a call center that conducts monitoring 24 hours a day.



Providing New Customer Experiences with Convenient Accounts and Financial Services that Go beyond Conventional Concepts

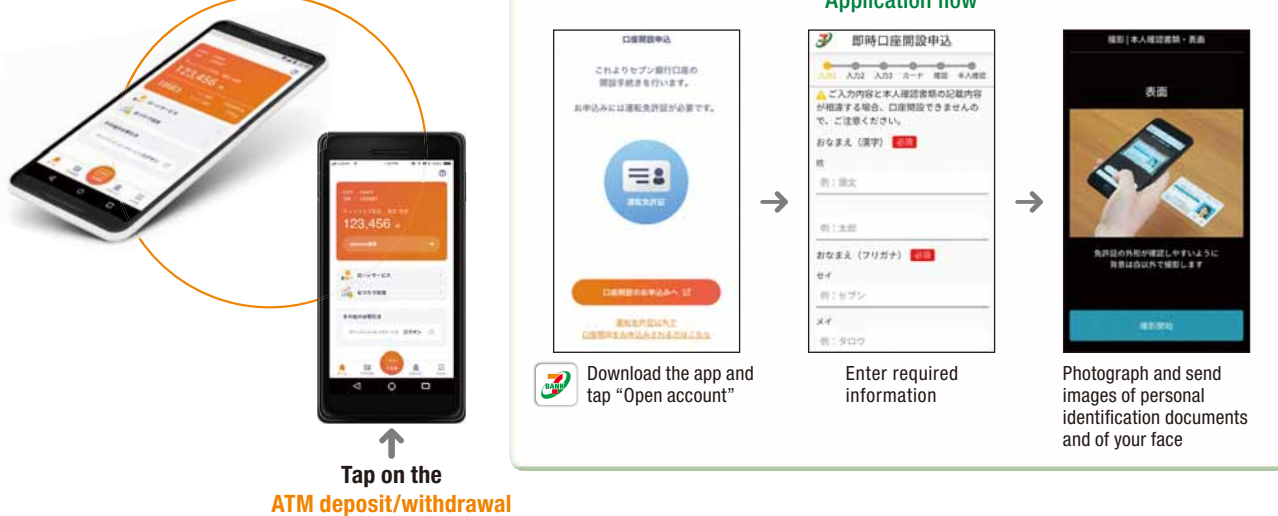
Seven Bank provides account services that can be used according to the customer's lifestyle—at Seven Bank ATMs across Japan or with a personal computer or smartphone.

We are creating 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

Seven Bank launched its “My Seven Bank” smartphone app on April 20, 2020. Using the “My Seven Bank” app, a customer can apply to open an account and complete the procedure in as little as 10 minutes.*¹ Without having to wait for the cash card to arrive, a customer can use the cardless ATM transaction function (“Smartphone ATM transaction service”) to withdraw and deposit cash and use personal loan services.*² The “My Seven Bank” app can also be used for deposit and withdrawal inquiries, inquiries about *nanaco**³ electronic money balance and points, confirmation of debit service usage details, personal loan service applications, and checking “Small Change Investment App TORANOKO”*⁴ investment balances linked to an account.

ATM transactions without a cash card



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.

*1. 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.

*2. A designated screening is required for personal loan service applications.

*3. Electronic money issued by Seven Card Service Co., Ltd.

*4. Service operated by Seven Bank's equity-method affiliate TORANOTE Asset Management Ltd.

Convenient Bank Account Just Like a “Wallet”

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

Deposits

Ordinary Deposits

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

Time Deposits

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



Internet banking

Personal Loan Services

Personal loan services are available to customers with a Seven Bank account (the application of which can be made with the application to open an account). In principle, loans can be taken out 24 hours a day, 365 days a year, at Seven Bank ATMs nationwide.

*A designated screening is required for personal loan service applications.

Debit Service

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

*Can be used for payments at JCB member stores in Japan and overseas.



International Money Transfer Services

Seven Bank's international money transfer services allow funds to be sent overseas quickly from more than 25,000 Seven Bank ATMs across Japan, as well as by personal computer and smartphone. We also provide the “International Money Transfer App,” which is filled with features essential for overseas remittances, including transfer rate information, a search for available recipient locations worldwide, and the capability of making remittances to the Philippines, the most popular destination. The app, ATM transaction screens, and counters at customer centers are all equipped to handle transactions in nine languages—Japanese, English, Tagalog, Chinese, Portuguese, Spanish, Vietnamese, Indonesian, and Thai—so that non-Japanese customers uncomfortable speaking Japanese can use the service with peace of mind.

Merits of the “International Money Transfer App”

1. Can check transfer rates quickly
2. Can add or delete a recipient using only the app
3. Can check notices from Seven Bank and regional information anytime
4. Through a tie-up with the Philippines' largest commercial bank, BDO Unibank, Inc., funds can be sent to the Philippines by smartphone anywhere, anytime, simply, quickly, and for a reasonable fee.

Convenient, Easy-to-Use Services that Address Social Changes and Utilize Technological Advances

In addition to account services, Seven Bank creates new financial services that are not bound by conventional concepts, incorporating elements like responses to lifestyle diversification and the growth of the sharing economy. The “real-time money transfer function” supports the diversification of work styles in terms of finances, allowing companies to make a variety of remittances immediately, in cooperation with an outside service operator like an application programming interface (API) connection. For example, with the diversification of work styles, companies can use an immediate compensation service tied to the real-time money transfer function to pay employees for the work done on a specific day, allowing employees to receive the payment on the same day in the amount they want.

The “ATM Receipt (cash receipt service)” allows customers to receive cash without having an account, meeting the needs of companies making payments to their customers in growing areas like e-commerce and the sharing economy. After receiving a number by email or other method from the company, the customer can receive the cash at any time by simply entering that number into a Seven Bank ATM. Because the payment does not pass through a bank account, the company does not need to collect and manage customers' account information, adding a level of convenience for both the company and the customer.

Going forward, Seven Bank will continue to aim to provide new value in people's daily lives that keeps pace with changes in the new age.

Overseas ATM Development

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

Pito AxM Platform, Inc. was established in April 2019 as a consolidated subsidiary to operate ATM business in the Philippines.

Made wholly owned subsidiary in October 2012

United States




Established in June 2014

Indonesia




Established in April 2019

Philippines




Existing Overseas Businesses Entering a Growth Stage

Our consolidated subsidiary FCTI, Inc. ensures the stable operation of ATMs in 7-Eleven stores in the United States. ATMs in locations other than 7-Eleven stores are being reasonably cut back, and in addition to the 8,465* ATMs in 7-Eleven stores, this brings the total number of ATMs in the United States to 10,886.* Going forward, we will pursue synergies with 7-Eleven, Inc., the operator of 7-Eleven stores in the United States, to build a favorable partnership for the long term.

PT. ABADI TAMBAH MULIA INTERNASIONAL (ATMi), our consolidated subsidiary in Indonesia, is expanding business by focusing on its own ATMs, whose installations have grown steadily, numbering 200.*

*As of December 31, 2019

Using the ATM Business to Expand Areas of Overseas Business Development

Preparing to launch an ATM business at 7-Eleven stores in the Philippines

Against a backdrop of solid macroeconomic growth, financial transactions in the Philippines are increasing. With government policies enlarging the portion of the population with bank accounts, there is a growing need for ATMs.

In February 2020, Pito AxM Platform, Inc., our consolidated subsidiary in the Philippines, concluded an operational tie-up agreement with Philippine Seven Corporation, the largest convenience store operator in the Philippines, to install, operate, and maintain ATMs in 7-Eleven stores in the Philippines. Using Seven Bank's expertise in ATM services, we are moving forward with preparations for a service launch at the 2,726* 7-Eleven stores in the Philippines.

We plan to provide even more convenient services by installing "bill-recycling" ATMs in which bills deposited inside ATMs can be withdrawn.

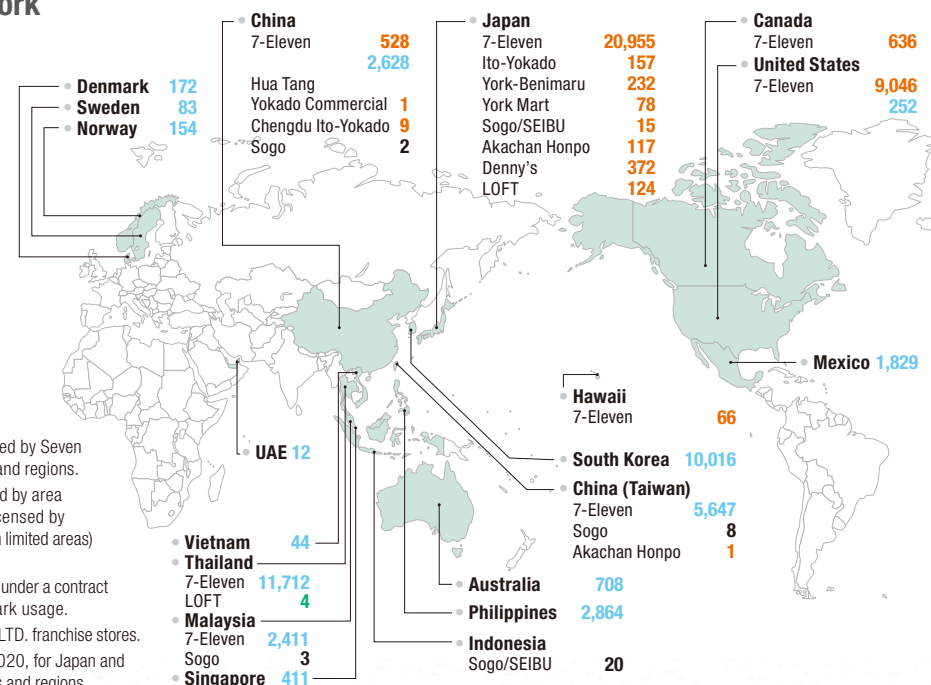
*As of September 30, 2019

Cultivating New Markets

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

Seven & i Group Store Network

Globally
Approx.
71,800
stores
(As of February 29, 2020)



Notes: 1. ■ Figures are the number of stores operated by Seven Bank's subsidiaries in various countries and regions.
■ Figures are the number of stores operated by area licensees (companies that have been licensed by 7-Eleven, Inc. to operate 7-Eleven stores in limited areas) in various countries.
■ Figures are the number of stores operated under a contract with Sogo & Seibu Co., Ltd. for trademark usage.
■ Figures are the number of THE LOFT CO., LTD. franchise stores.
2. Numbers of stores are as of February 29, 2020, for Japan and as of December 31, 2019, for other countries and regions.

Joint Business Development with 7-Eleven

Using a successful model to develop "bill-recycling" ATMs

SEVEN BANK Japan

Established: April 2001
No. of ATMs: 25,215
No. in 7-Eleven stores: 22,165
(As of March 31, 2020)

Pito AxM Philippines

Established: April 2019
Preparing for service launch

Developing withdrawal-only models in line with local payment needs

FCTI United States

Made wholly owned subsidiary: October 2012
No. of ATMs: 10,886
No. in U.S. 7-Eleven stores: 8,465
(As of December 31, 2019)

ATMi Indonesia

Established: June 2014
No. of ATMs: 200
(As of December 31, 2019)

Offering a User Environment Where Safety and Security Are Maximized

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

Normal Situations

System Base Redundancy

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

Monitoring Cash in ATMs

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

Security Measures

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

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

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

Emergencies

Response to Breakdowns and Malfunctions

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

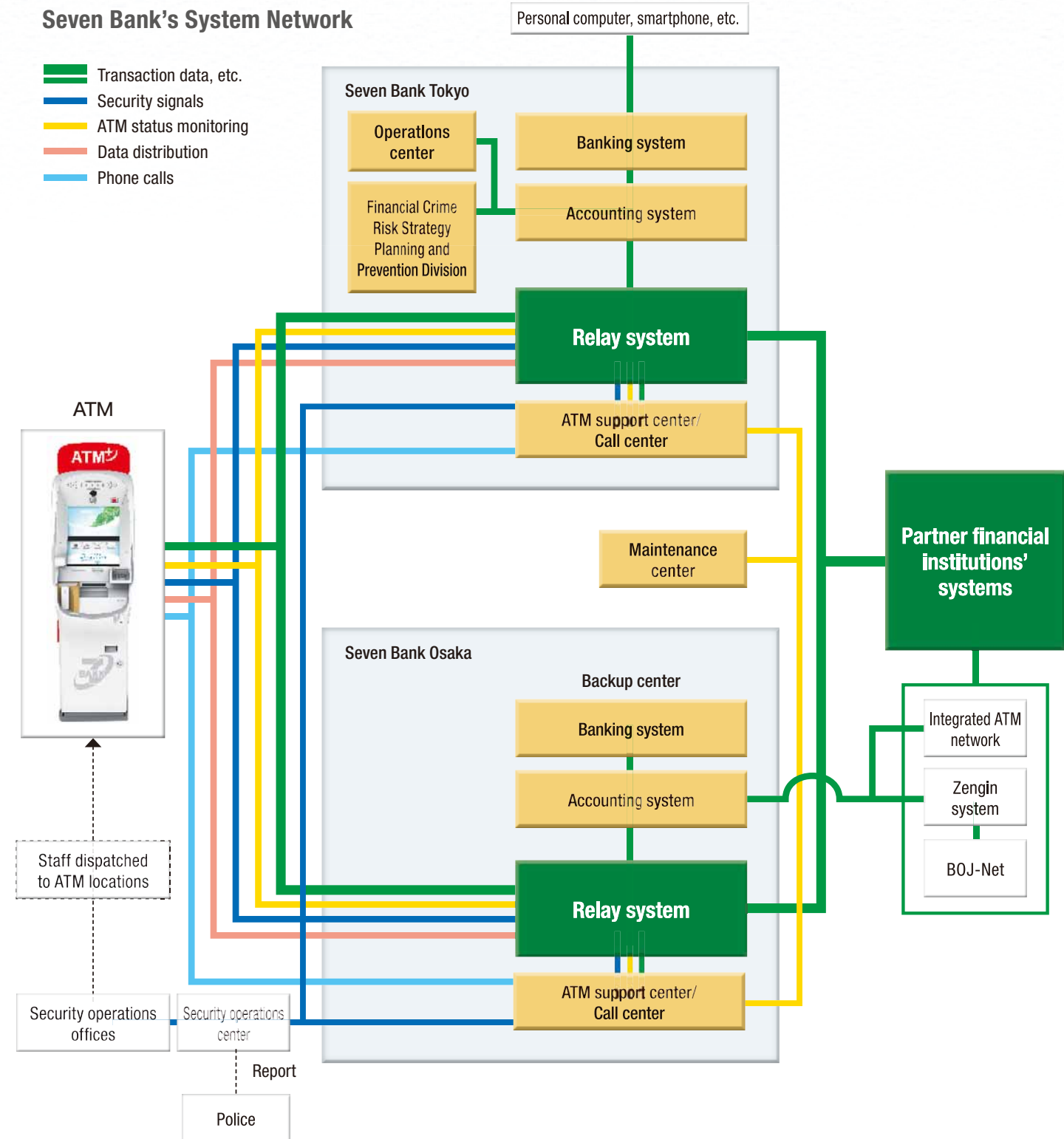
Measures to Address Blackouts

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

Business Continuity in a Disaster

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

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” to exchange data regarding transactions such as money transfers between domestic banks and conduct fund settlements. Almost all private financial institutions in Japan such as banks and Shinkin banks are part of this system.

Measures to Prevent Financial Crime

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

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

Cybersecurity Measures at ATMs

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

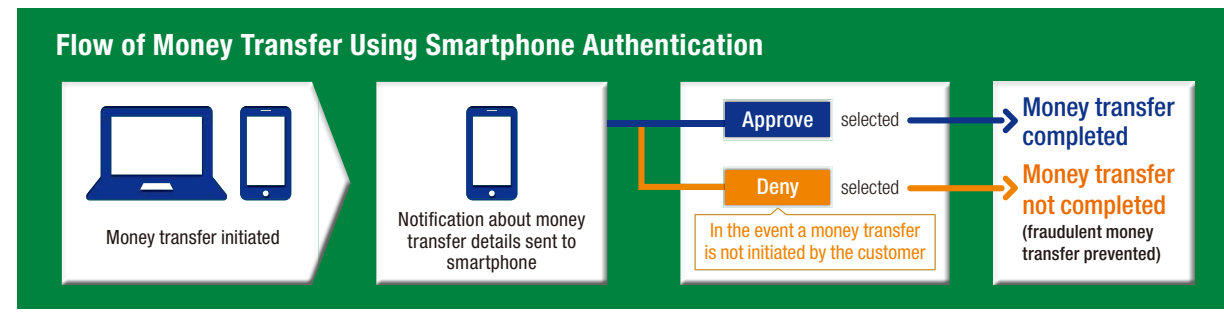
Measures at Seven Bank Accounts

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

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

For individual customers → We have introduced Smartphone Authentication*1 for Internet banking. A specialist division also conducts multilayered monitoring of transactions and accesses as we strive to prevent damage from crimes. For use of the "My Seven Bank" smartphone app, we have enhanced safety by introducing handset authentication*2 in addition to passcode authentication.

For corporate customers → We have strengthened our security measures by introducing tools including One-Time Password*3 and an approval procedure that requires more than one person, for customers' greater peace of mind.



*1. Smartphone Authentication: A method to verify that the customer doing an Internet transaction such as a "Money Transfer to a New Recipient" with a dedicated app on a smartphone is the rightful person. Use of this authentication app requires registration. A fraudulent money transfer can be prevented if a password is obtained by a third party.

*2. Handset authentication: Advance registration of a smartphone to be used for logging in reduces the risk of fraudulent use by a third party.

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

Seven Bank recognizes that with changes in the external environment (increasingly sophisticated cybercrime) and changes in the internal environment (open and cloud-based systems, business diversification, etc.), cybersecurity is an increasingly important issue, and in April 2020 we established the Cyber Security Management Office in the Financial Crime Risk Strategy Planning and Prevention Division to strengthen cybersecurity measures across the Seven Bank Group.

Sustainability/
Governance

We are
walking alongside
everyone



Fourth-generation ATM ▶ 2019—
Featuring facial recognition, AI,
and other new technologies
to meet the changing
needs of society
and customers

Message from the Chairman



**We are contributing to the
“achievement of the SDGs”
by promoting sustainability in
society and the environment.**

二子 謙輔

Kensuke Futagoishi
Chairman and Representative Director

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

Since our establishment, Seven Bank has always been managed from the perspective of the customer, while at the same time aiming to “resolve social issues” and “enhance corporate value.” Activities related to our corporate social responsibility (CSR) are also defined by the fundamental principle of “the obligation to be proactively fulfilled as a company supported by customers and society and coexisting with the environment and society.” We have declared that we will carry out those activities continuously and effectively in light of our businesses and size.



Following this policy, in our core ATM platform business, we are proactively addressing increasingly diverse customer needs, while also working to coexist for mutual benefit with our partner financial institutions and business partners, as we strive to build a high-quality social infrastructure. At the same time, we have taken the environment and society into consideration as we developed our business, by continuously working to

reduce the amount of energy consumed by our ATMs and various other innovative measures, including ways to allow persons with visual impairment and non-Japanese customers to use our services with peace of mind. Furthermore, we have pursued various activities that contribute to society, including for the past 15 years cosponsoring the picture book “Mori no Senshi Bonolon,” which seeks to promote communication between parents and children, as well as proactive support for victims of natural and other disasters and participation in activities to preserve forest environments.



In recent years, activities related to the Sustainable Development Goals (SDGs), which seek to resolve the global issues of climate change and increasing inequality through international cooperation, have taken on a higher profile. In Japan, the problems of poverty and major natural disasters caused by unusual weather are becoming more severe. We reaffirm our sincere belief that we cannot continue to engage in healthy corporate activities without a healthy society and a favorable global environment. In addition to reducing our negative impact on society and the environment, we need to operate in ways that earnestly promote sustainability. Our SDG initiatives are based on the assumption of corporate sustainability. Pursuing the challenge of resolving issues related to the SDGs will create new lifestyles in society and bring about innovation, which will in turn lead to new corporate earnings.



Last year, Seven Bank designated five “material issues” as a compass for corporate management, aiming to resolve social issues and continuously enhance corporate value. In addition, this fiscal year, we have strengthened our governance structure to further bolster both execution and oversight. In an age of uncertainty with drastic changes, we are taking a long-term perspective as we strive to “manage for sustainability in society and the environment and for continuous corporate growth.”



I ask for your continued support and guidance going forward.

Collaboration with Partner Companies

Relations with Partner Financial Institutions

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

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

Partner Companies: Relations with ATM Manufacturers

Seven Bank develops and manufactures its ATMs jointly with its manufacturing partners. To develop and manufacture our unique ATMs that are both simple and highly functional, we stand in our customers’ shoes and share yet-unmaterialized needs, following our commitment to achieve goals through repeated discussions with our partners from the conceptual stage.

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

In addition, sensors within ATMs carry out preventive maintenance at the first sign of a problem, and timely inspections are done as necessary, to stop outages from occurring. If ATM maintenance is required due to an unforeseen problem, we send a maintenance worker from our partner company’s affiliate to restore the ATM to service, thus minimizing downtime.

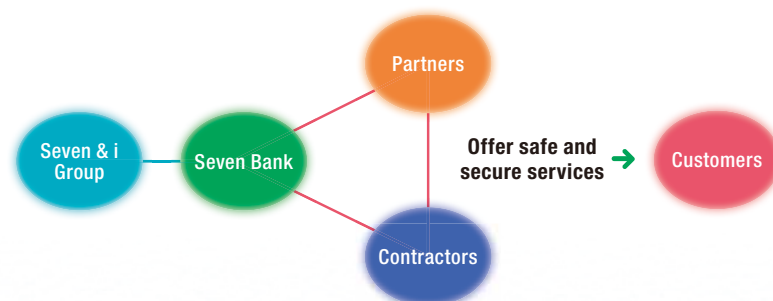
Partner Companies: Collaboration with Security Companies and Call Centers

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

Together with security companies, we 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, to keep the frequency and duration of stoppages to a minimum. We are also using AI to forecast cash demand even more precisely.

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

Through this collaboration with partner companies, Seven Bank’s ATMs are able to achieve a 99.98% operating rate.



Developing Human Resources to Support Sustainable Growth

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

Basic Views on Human Resources

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

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

Hiring Human Resources

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

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

Performance Evaluation

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

Human Resources Education and Development

For a company to grow, it is important to increase the capabilities of each individual employee. At Seven Bank, we divide employees’ growth into two stages—one for developing professional abilities and the other for displaying professional abilities—and offer various training programs to give employees the knowledge and skills they need at each stage. We also support employees’ voluntary studies through a “self-development program” that allows them to choose things they want to learn like a foreign language or computer programming and pursue those studies through correspondence courses or classroom instruction.

Creating Safe Workplaces Where Diverse Human Resources Can Work

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

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

Promoting Participation by Women

To enable female employees to utilize their skills and build careers, Seven Bank is working to increase medium- to long-term employee retention through initiatives that allow women to continue working through various life stages (marriage, childbirth, child rearing, nursing care, etc.) and by creating an environment in which they can maintain a favorable work-life balance.



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


Promoting Measures to Support Raising Next-Generation Children

To enable employees to achieve work-life synergy, Seven Bank seeks to “create an environment that supports both work and child rearing” and “create an environment that promotes flexible work styles to achieve a work-life balance.” Specific measures include the expansion of staggered working hours and “no overtime” weeks to prevent excessive workloads.

Received the “Kurumin” Certification Mark*

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

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



Support for Participation by Persons with Disabilities

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

Other Major Systems and Initiatives that Support Diversity

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

Data on Diversity

Data on employees and employment (As of March 31, 2020)

	Male	Female	Total		
Number of employees*1	288	199	487	Average service years of employees	7.5 years
Number of part-time employees*2	0	0	0	Ratio of female managers*3	17.4%
Number of temporary staff	8	18	26	Ratio of employment of persons with a disability*4	2.2%
				Ratio of paid leave taken by employees	80.0%

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

Fiscal 2019	6
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*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, 2020

Data on employees and employment (Fiscal 2019)

	Male	Female	Total		
Number of employees who took a leave for child care*5	1	10	11	Number of uses of a leave for volunteer activities	13
Number of employees who took a leave for nursing care	0	0	0	Occupational accident frequency rate*6	0.0
Number of employees who used the shorter work-hour system due to child care or nursing care	2	22	24	Occupational accident severity rate*7	0.0
				Number of contacts received at the Help Line for employees	12
				Average employee overtime per month	18.8 hours

*5. Number of employees who took child-care leave in fiscal 2019
 *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

Maintaining and Promoting Employee Safety and Health

Seven Bank has specified occupational safety and health regulations. In accordance with these regulations, a Safety and Health Committee that meets monthly has been established. We have introduced health data management tools for employee health management, enabling the uniform management of such information as the results of health examinations and consultations with industrial physicians or public health nurses.

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

At the same time, we are proactively implementing work-style reforms on the assumption of coexistence with the novel coronavirus. We are working to prevent the spread of infections through measures like teleworking and staggered working hours, and continue to support the “new styles of work” being called for by the national and local governments. We are working to maintain the safety and security of business partners, employees, and other parties as a company that operates continuously as part of the social infrastructure to support the daily lives of our customers.

F or the Development of Local Communities

Raising Awareness of ATMs' Voice Guidance Service for Customers with Visual Impairment

Seven Bank offers a voice guidance service that enables persons with visual impairment to use ATMs with peace of mind by listening to instructions and needing only to press buttons to withdraw or deposit cash. To raise awareness and promote the use of this service, we held a demonstration event for voice guidance service at the Japan Braille Library Open Office* in November 2019. To remove barriers for the use of ATMs, we asked persons with visual impairments and other people attending the event to actually use an ATM and experience listening to the voice guidance. With the aim of creating a society in which anyone can participate, we are working with various parties to raise awareness of the service, while also striving to provide services that are easy for anyone to use.



ATM voice guidance demonstration

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

Toward Achieving Multicultural Symbiosis

With the number of non-Japanese residents of Japan growing each year, Seven Bank's international money transfer service has become highly recognized as a convenient way to send money abroad, with the number of yearly transactions reaching 1.21 million in fiscal 2019.

The "International Money Transfer App" allows customers to use international money transfer services in nine languages. This app also enables customers to obtain local community information and emergency information during disasters. We have concluded agreements with municipal public organizations in areas with many non-Japanese residents to cooperate in promoting multicultural symbiosis in various ways including the use of this app. We will continue to engage in proactive initiatives to create an environment that achieves multicultural symbiosis to make the lives of non-Japanese residents of Japan more comfortable and convenient.

Municipalities concluded an agreement to promote multicultural symbiosis (As of March 31, 2020)

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

*Yokohama Association for International Communications and Exchanges

Beginning ATM Partnerships with Electronic Community Currencies

Seven Bank ATMs are now able to upload funds to the AQUACOIN*1 and SARUBOBO COIN*2 electronic community currencies with no fee charged. Electronic community currencies were created with the aim of using money for the mutual promotion of local production for local consumption. These are the first cases in Japan of ATMs uploading funds to electronic community currencies, a use of the latest technologies to assist in community revitalization by increasing the number of users.

*1. AQUACOIN is an electronic community currency being promoted cooperatively by the Kimitsu Credit Union, the city of Kisarazu, and the Kisarazu Chamber of Commerce and Industry.

*2. SARUBOBO COIN is an electronic community currency provided by the Hida Credit Cooperative.

Dementia Supporter Training

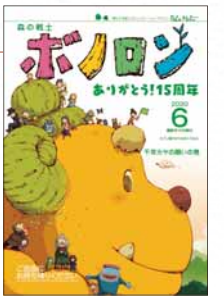
We are training Dementia Supporters* to deepen employees' understanding of dementia and help create a more supportive environment for dementia patients and their families, as a way of contributing to the safety and security of local communities.

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

Cosponsoring "Mori no Senshi Bonolon"

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

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



©COAMIX ©Together with Bonolon 2007

Donating the Picture Book "Mori no Senshi (Guardian of the Forest) Bonolon" to Be Read Aloud at 2,679 Children's Centers across Japan

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

In fiscal 2019, 56,227 customers chose the Bonolon cash card, and we produced and donated special edition picture books to 2,679 children's centers in Japan.



Support Activities for Disaster Victims and Disaster-Afflicted Areas

Seven Bank solicits donations to support victims of disasters such as earthquakes and typhoons. The Seven Bank website has a dedicated page that accepts donations from Seven Bank account holders and employees. As a Groupwide initiative, Seven Bank is continuing activities to support victims' lives and the restoration of disaster-afflicted areas.

Name of disaster	Period of accepting donations	Total amount donated	Destination to which money was delivered
Fire at Shuri Castle	November 11, 2019–December 31, 2019	¥80,806	Okinawa
Typhoon No. 19 (Typhoon Hagibis) in 2019	October 15, 2019–November 10, 2019	¥672,695	Fukushima, Miyagi, Nagano, Tochigi, Ibaraki, Chiba, Kanagawa, Saitama, Iwate, Tokyo, Gunma and Shizuoka
Typhoon No. 15 (Typhoon Faxai) in 2019	September 14, 2019–September 29, 2019	¥211,491	Chiba, Tokyo and Kanagawa

Support Activities for the 2020 Novel Coronavirus Pandemic

The entire Group is working as one to support activities in response to the novel coronavirus pandemic and has been collecting donations for these efforts via the Internet. We have been providing medical resources (personal protective equipment, etc.) that are in short supply to emergency medical facilities with advising doctors* across Japan that are on the front line of emergency medical care for persons infected with the novel coronavirus, to enhance the safety of medical practitioners and prevent the collapse of the medical system.

*139 designated medical facilities with advising doctors across Japan certified by the Japanese Association for Acute Medicine

Name of donation	Period of accepting donations	Total amount donated	Destination to which money was delivered
Emergency donations for the novel coronavirus in 2020	April 18, 2020–May 31, 2020	¥809,526	The Nippon Foundation (Special Fund for Disaster Preparedness/Coronavirus disaster)

Seven Bank Click Donations

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

Name of donation	Period of accepting donations	Total amount donated*	Destination to which money was delivered
"Learn! Spread! ATM Voice Guidance Service Campaign"	December 1, 2019–January 15, 2020	¥642,700	"Radio Charity Musicson" charity campaign (sponsored by Nippon Broadcasting System, Inc., etc.)

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

Activities to Combat Climate Change

Environmental problems and the global loss of biodiversity, issues intrinsically related to corporate activity in terms of both resources and economics, are intensifying.

In particular, risks from climate change, including rising sea levels, increased incidence of unusual weather events, and the impact on the farming and fishing industries, pose major threats that will spill over to future generations, which is why we need to reduce our environmental burden.

Given that these effects are closely tied to our services and society as a whole, Seven Bank views the problem of climate change as a major social issue that needs to be prioritized.

To achieve a business model aligned with a sustainable society, Seven Bank factors environmental considerations into its operational design for ATM development and operations, providing financial services that incorporate technological advances to reduce our environmental burden, while also raising environmental awareness among employees and promoting environmental preservation activities in cooperation with Group companies.

Reducing ATM Energy Consumption

The fourth-generation ATMs that we began installing in September 2019 reduce energy consumption by roughly 40% compared with the third-generation models. With roughly 25,000 ATMs in operation, this equates to an approximately 10,000-ton* reduction in yearly CO₂ emissions. We have proactively introduced cutting-edge technologies in these ATMs, including an energy-saving mode that activates when transactions are not being conducted. We are also promoting the effective use of resources by using durable parts and recyclable materials.

*Calculated with a CO₂ emission coefficient of 0.000500t-CO₂/kWh

Increasing ATM Lifetimes and Recycling

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

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

Reducing the Incidents of ATM Cash Transportation

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

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

Utilization of 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.

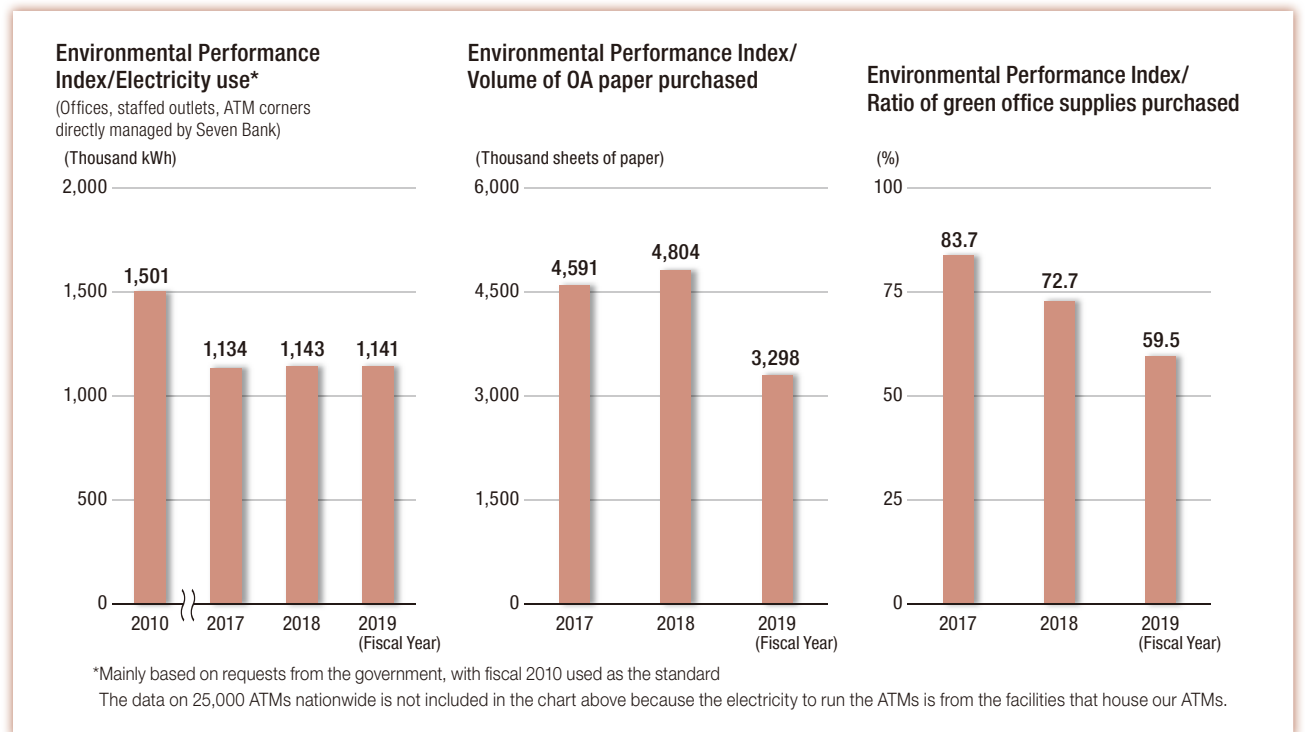
The international "Forest Stewardship Council (FSC®) certification" system awards certification to properly managed forests and the appropriate processing and distribution of lumber from such forests. Seven Bank will continue to expand the use of environment-friendly FSC certified paper.



Environmental Considerations at Our Offices

CO₂ emissions from the production, logistics and disposal of this integrated report are 9,623 kg, which is offset by the domestic credit.

Environmental initiatives introduced in fiscal 2019 included a shift to paperless meetings and revised standards for document safekeeping.



Activities by Participating Employees

We are working to raise employees' environmental awareness by encouraging employees to obtain Eco Test® certification. We promote certification by reimbursing the full amount of the test fee for employees who pass the Eco Test®. Since fiscal 2014, 181 employees have achieved certification, an indication of the extent to which environmental awareness among employees has risen. Employees of the entire Seven & i Group proactively volunteer in various activities, including those carried out by the Bank, to contribute to the preservation of the earth's environment and to local communities.

In 2019, we engaged 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.



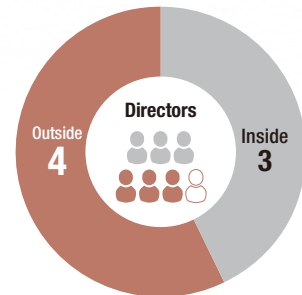
*Eco Test®: The Certification Test for Environmental Specialists®, given by the Tokyo Chamber of Commerce and Industry

A Seven Forest forest preservation activity

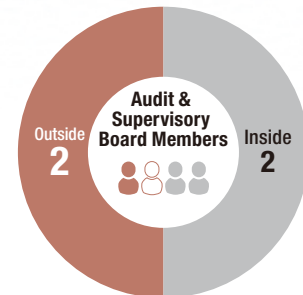
C Corporate Governance

Corporate Governance System Overview

Numbers and Proportions of Outside Officers



7 Directors
(including 4 Outside Directors)
*As of June 23, 2020



4 Audit & Supervisory Board Members
(including 2 Outside Audit & Supervisory Board Members)
*As of June 23, 2020

Main Items and Descriptions

Organizational design
Company with Audit & Supervisory Board Members

Number of meetings of the Board of Directors
(Average attendance of Outside Directors)
13 (94.23%)
(Figures for FY2019)

Number of meetings of the Audit & Supervisory Board
(Average attendance of Outside Audit & Supervisory Board Members)
10 (100.0%*)
(Figures for FY2019)

Advisory body to the Board of Directors
Nomination & Compensation Committee

Chairperson of the Nomination & Compensation Committee
Independent Outside Director

*Applies only to attendance at meetings of the Audit & Supervisory Board after being appointed (June 17, 2019)

Toward Further Enhancement of Our Governance System

At the 19th Ordinary General Meeting of Shareholders, held on June 22, 2020, the Bank changed the Articles of Incorporation as indicated below.

Reduction of number of Directors

The maximum number of Directors was reduced from 11 to nine, enabling the Board of Directors to make decisions more quickly and thereby accommodate the rapidly changing business environment and strengthen management oversight functions.

Enabling the separation of the positions of the chairperson of the Board of Directors and the President

As a result of recent discussions during the evaluation of the effectiveness of the Bank's Board of Directors and to reflect the opinions of shareholders and investors, it was decided that the Bank would consider the chairperson of the Board of Directors from a medium- to long-term perspective, including the possibility of selecting the chairperson from non-executive Directors, including Outside Directors. Accordingly, the Articles of Incorporation were modified to enable the separation of the positions of the chairperson of the Board of Directors and the President to secure more flexible operation of the Board of Directors.

Basic Views

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

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

Corporate Governance System

Board of Directors

As of June 23, 2020, the Bank's Board of Directors consisted of seven Directors, including four Outside Directors. The Board of Directors meets, in principle, once a month to decide the Bank's basic management policies and important operational issues and to supervise the execution of duties by Directors with executive authority over operations and Executive Officers.

The Board of Directors has established the Executive Committee as a decision-making body concerned with operational implementation within the scope delegated by the Board of Directors. In principle, the Executive Committee meets on a weekly basis to deliberate the implementation of important operations, including the formulation or amendment of business plans; the acquisition and disposal of assets; credit provision-related issues; the payment of debts and expenses; credit management issues; rewards and sanctions for employees; issues related to 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 organization to the Board of Directors, the Bank has established the Nomination & Compensation Committee, chaired by an independent Outside Director. The committee is delegated by the Board of Directors to recommend candidates for Director to be put on the agenda at a General Meeting of Shareholders, to recommend candidates for Executive Officer to be put on the agenda at a Board of Directors meeting and to supervise a plan on successors to the position of Director, etc.



Nomination & Compensation Committee

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

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

<Members> (○ indicates chairperson)

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

Audit & Supervisory Board

As of June 23, 2020, the Bank's Audit & Supervisory Board consisted of four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members. The Audit & Supervisory Board meets, in principle, at least once a month to receive reports regarding important auditing-related issues and deliberate and make decisions thereof. The Audit & Supervisory Board convenes with Representative Directors, the Internal Audit Division and the Accounting Auditor on a regular basis to exchange opinions and make requests as necessary on issues to be addressed by the Bank, the status of improvements to the Audit & Supervisory Board Members' auditing environment and important auditing-related issues. In addition, the Audit & Supervisory Board Members oversee and verify from the following perspectives the status of fulfillment of legal obligations, including the duty of diligence of a good manager and the duty of loyalty, with regard to resolutions of the Board of Directors and other decision making by Directors.

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

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

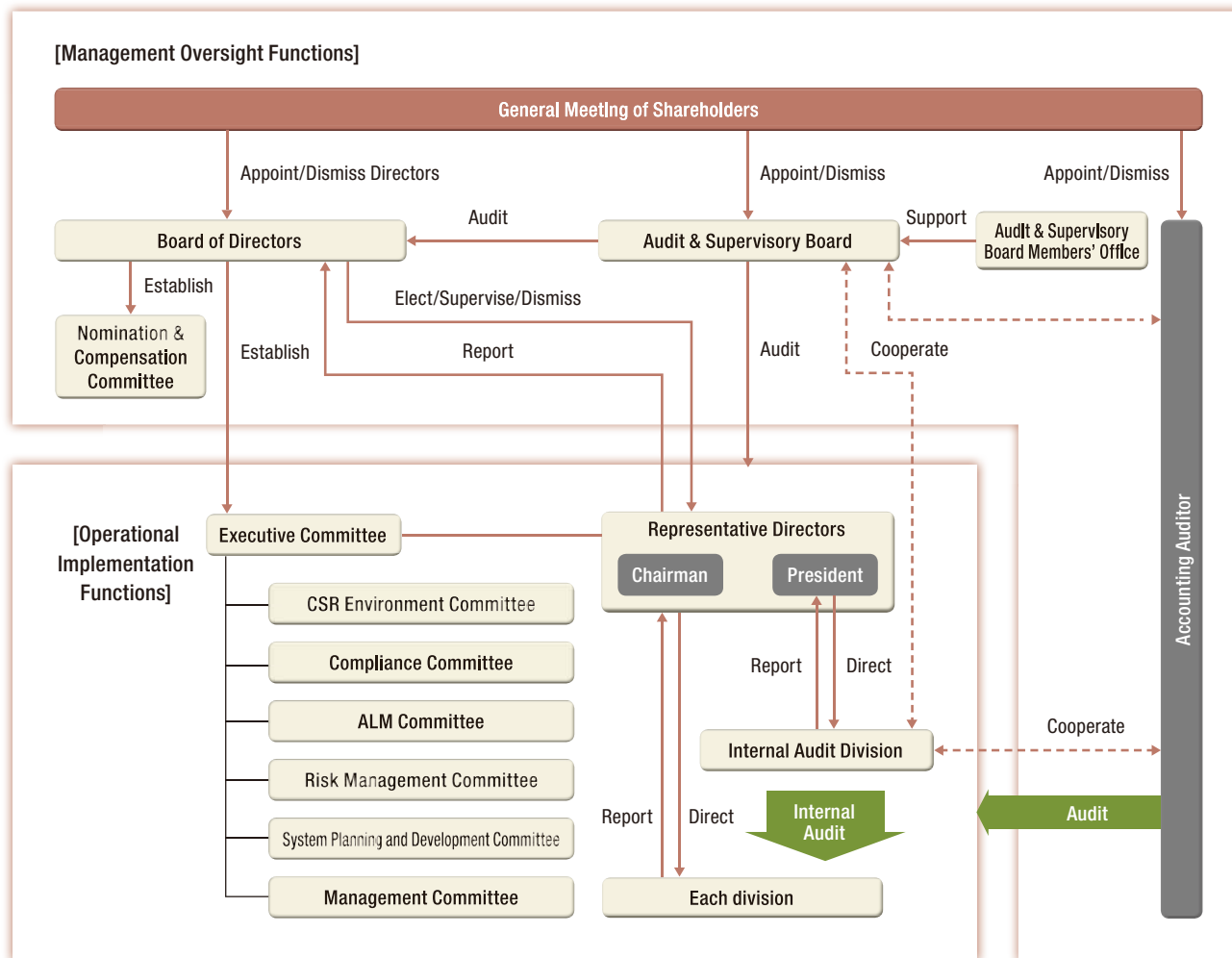
Independence Standards for Outside Officers

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.

Corporate Governance Structure

(As of June 23, 2020)



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.

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 46.27% 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.

Other Special Circumstances that Could Have a Material Impact on Corporate Governance

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 means 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 appointed Independent Outside Directors and Outside Audit & Supervisory Board Members (six Independent Officers as of June 23, 2020) so that there is no risk of conflict of interest with general shareholders. 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.)

In addition, we have not entered into any agreements pertaining to group management with our parent company.

Policy on Compensation of Officers and Compensation System for Officers

In light of the review of the structure of officers to strengthen corporate governance, the Bank has decided to review its policy on compensation of officers and the compensation system for officers for the purpose of further enhancing the motivation of Directors with executive authority over operations to contribute to the improvement of the Bank's corporate value, and in order to properly reflect their accountability for such outcome in the evaluation of their performance from fiscal 2020. The policy will further strengthen the link between the Bank's business performance and the compensation of officers.

As part of efforts to review its policy on the compensation of officers and the compensation system for officers, the Bank has decided to newly introduce bonuses to strengthen the link between the Bank's business performance and the compensation of officers. Accordingly, the compensation of officers consists of "basic compensation" as fixed compensation, and "bonuses (short-term incentives)" and "performance-based stock compensation (medium- to long-term incentives)" as variable compensation.

In addition, the Bank has revised the compensation levels for each job rank, after improving the objectivity and transparency of the compensation decision process, to secure highly capable human resources to lead and appropriately take responsibility for the supervision and execution of operations, and to provide a fair compensation system and levels commensurate with their responsibilities.

This review of the policy on the compensation of officers and the compensation system for officers was decided after deliberation by the Nomination & Compensation Committee chaired by an independent Outside Director.

Furthermore, as is the case with Directors with executive authority over operations, compensation for Executive Officers will also be revised to be consistent with the compensation system and compensation decision process of Directors with executive authority over operations, to further increase their motivation to contribute to the improvement of the Bank's corporate value and to properly reflect their accountability for such outcomes in the evaluation of their performance.

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 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 after deliberation by the Nomination & Compensation Committee chaired by an independent Outside Director. Factors taken into account 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%*
	Fixed compensation 50%		Variable compensation 50%
	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.

3 Compensation Level

To provide a competitive compensation level and thereby secure highly capable human resources, the Bank's compensation level for officers was determined after deliberation by the Nomination & Compensation Committee chaired by an independent Outside Director. The deliberation was 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 was drawn from a larger body of objective data on compensation levels provided by an outside professional organization.

4 Details 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"> □ 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" □ Quantitative evaluation based on the achievement status of targets for consolidated ordinary income and consolidated ordinary profit in the previous fiscal year □ Determination of a compensation amount in the range of 0% to 200% of the baseline amount 	
Performance-based stock compensation	Fixed portion	—
	Performance-based portion	<ul style="list-style-type: none"> □ 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" □ Quantitative evaluation based on the achievement status of consolidated ordinary income, consolidated ordinary profit, and other targets in the previous fiscal year □ 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

5 Compensation Decision Process

Individual compensation amounts for Directors are decided by the Board of Directors after deliberation by the Nomination & Compensation Committee chaired by an independent Outside Director, within the range of the total amount approved at the General Meeting of Shareholders.

In addition, the Nomination & Compensation Committee deliberates the compensation system and compensation level, etc., of officers and also verifies compensation amounts on the basis of the Bank's basic policy on compensation of officers, thereby ensuring the objectivity and transparency of the compensation decision process.

The main topics discussed and deliberated by the Nomination & Compensation Committee in fiscal 2019 were as follows.

- ▶ Recommendation of candidates for Directors and candidates for Executive Officers to the Board of Directors
- ▶ Supervision and execution, structure of Directors, and roles of Executive Officers
- ▶ Proposal of compensation for Directors and Executive Officers to the Board of Directors
- ▶ Compensation system and compensation level for Directors and Executive Officers

Compensation, etc., for Audit & Supervisory Board Members are determined through discussion at the Audit & Supervisory Board Members within compensation system limits approved by the General Meeting of Shareholders.

Internal Audit and Audit by Audit & Supervisory Board Members

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

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

Individual internal audits are conducted by investigating and evaluating the 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.

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

Five certified public accountants, two people who passed the accountant examination and nine other persons

Status of Improvement and Operation of the Internal Control Systems

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

Promoting Close Communication

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



Our disclosure policy is posted on the following website:

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

To Deepen Communication with Shareholders and Investors

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

Tools for Dialogue

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



Presentation meetings for individual investors

IR Calendar (Major activities in fiscal 2019) *For analysts and institutional investors

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

Seven Bank Management Team (As of July 1, 2020)

Directors



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 Daiichi 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, 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



Akihiko Shimizu

Full-time Audit & Supervisory Board Member

Biography

Apr. 1994 Joined Ito-Yokado Co., Ltd.
 Feb. 1996 Overall Manager of Accounting Division, aforementioned company
 May 2004 Executive Officer, General Manager of Accounting Division, aforementioned company
 Sep. 2005 Senior Officer, Accounting Dept., Seven & i Holdings Co., Ltd.
 Jan. 2006 Executive Officer, Senior Officer of Accounting Dept., aforementioned company
 May 2012 Director, Executive Officer, Senior Officer of Accounting Dept., aforementioned company
 Jun. 2013 Director, the Bank
 May 2015 Statutory Auditor, York Mart Co., Ltd. (now York Co., Ltd.)
 Jun. 2017 Full-time Audit & Supervisory Board Member, the Bank (present post)



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)



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)

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

Executive Officers

Senior Managing Executive Officer **Hisanao Kawada**

Senior Managing Executive Officer **Masaaki Matsuhashi**

Managing Executive Officer **Kazutaka Inagaki**

Managing Executive Officer **Kenichi Yamamoto**

Managing Executive Officer **Hiroshi Takeuchi**

Executive Officer **Koji Maekawa**

Executive Officer **Hiroshi Ishimura**

Executive Officer **Miya Kitayama**

Executive Officer **Koji Fukasawa**

Executive Officer **Tsuneo Nagashima**

Executive Officer **Taku Takizawa**

Executive Officer **Kenjiro Nishii**



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)

Risk Management Initiatives

Every fiscal year, the Board of Directors establishes the “Policy on Risk Control,” which specifies the overall risk management policy, specific risk management policies and the organization and system for risk management. In accordance with this policy, the Executive Committee establishes detailed rules and regulations related to risk management and confirms the Companywide risk status every quarter. The Bank’s risk management structure includes the Risk Management Group of the Risk Management Division, which is responsible for supervising overall risk management activities, specific risk management divisions and the Internal Audit Division to perform internal audits. We have also established the Risk Management Committee, chaired by the officer in charge of the Risk Management Division, and an Asset-Liability Management (ALM) Committee, chaired by the officer in charge of the Planning Division, as advisory bodies to the Executive Committee concerning risk management.

Overall Management of Risk

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

Credit Risk

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

Market Risk

The Bank observes its basic policies relating to market risk, which are governed by the Policy on Risk Control and the Market Risk Rules, established under the policy. The Market Risk Rules include the limits on the maximum level of funds at risk, the market position limits and the loss allowance limits. The Risk Management 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 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 Policy on Risk Control and the Operational Risk Rules, established under the policy. The operational risks include, the Bank recognizes, administrative risk, systems risk, reputation risk, legal risk and other operational risks, and these risks have been managed comprehensively from qualitative and quantitative standpoints.

Administrative Risk

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

Systems Risk

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

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

Reputation Risk

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

Legal Risk

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

Other Operational Risks

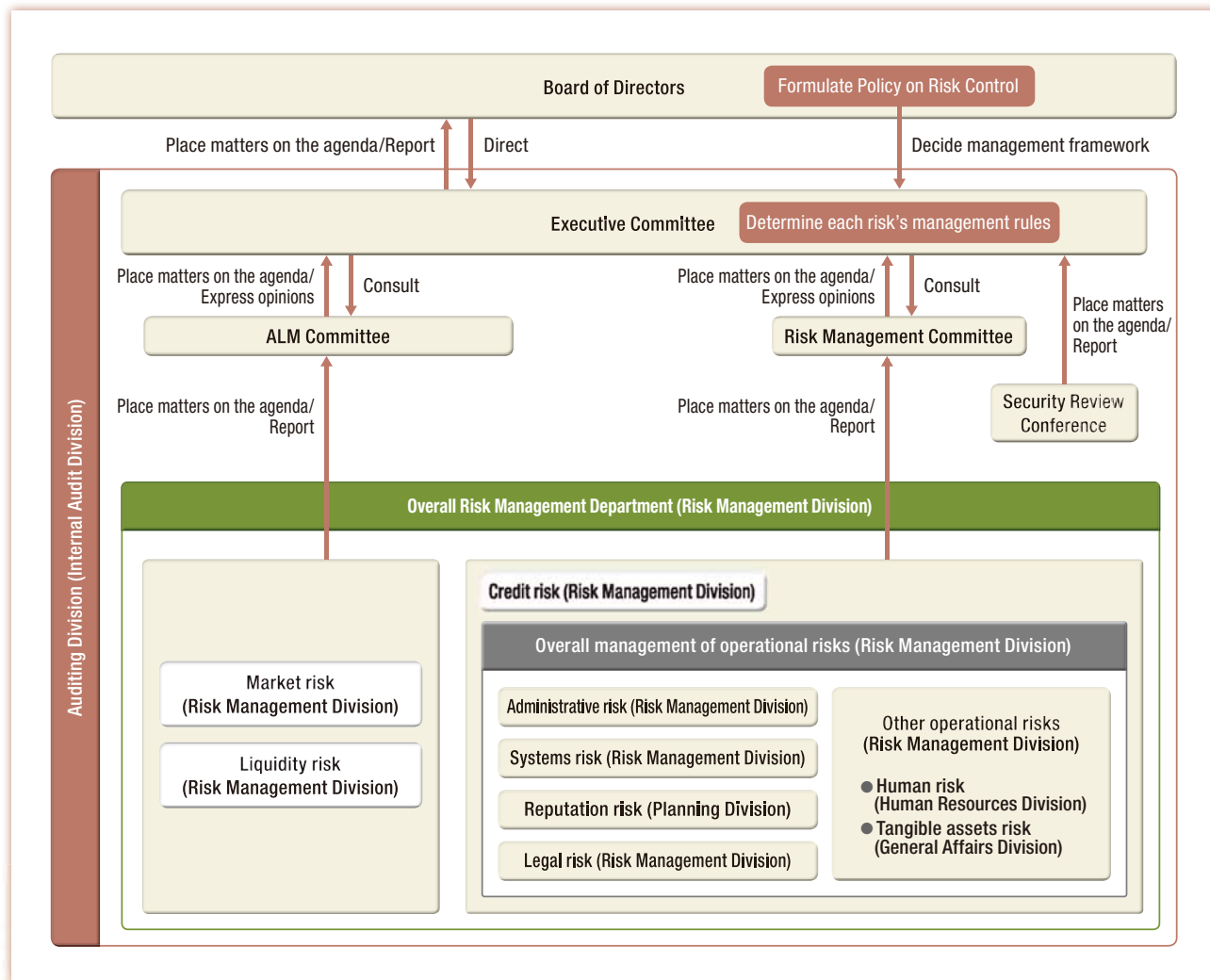
The Bank observes its basic policies relating to other operational risks, which are governed by the Policy on Risk Control. The other major operational risks recognized are human risk and tangible assets risk and have been managed.

Establishment of Business Continuity Plan (BCP)

To fulfill our social responsibility as a bank, Seven Bank has defined the following three operations as 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 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.

Risk Management Structure

(As of July 1, 2020)



Compliance Initiatives

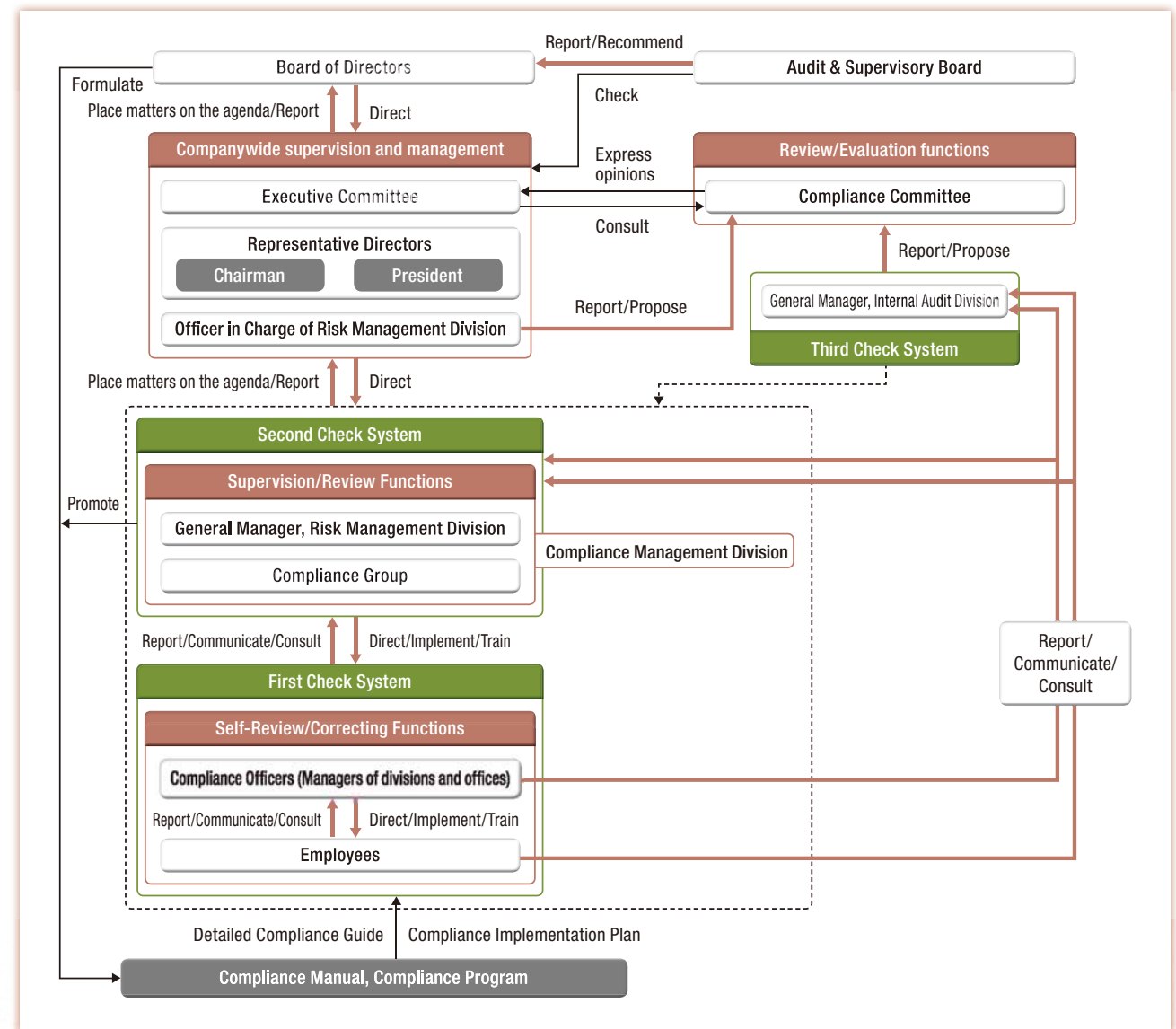
The Bank regards compliance with applicable laws and societal norms as a fundamental prerequisite to earning the trust of society. Aware of the importance of its public mission and the significance of its societal responsibilities, the Bank has developed the following initiatives to ensure compliance,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

Compliance Systems

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

Compliance System

(As of July 1, 2020)



Compliance Program

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

Compliance Manual

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



Compliance Standards Card

Main Compliance Issues

1 Prevention of Money Laundering and Financial Crimes

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

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

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

2 Response to Antisocial Groups

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

Compliance Consultation System

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

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

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

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



Response to Compliance Violations

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

No major compliance violations occurred in fiscal 2019.

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Summary of Fiscal 2019

Although the Japanese economy had been on a moderate recovery trend on the back of a relaxed financial environment, since the first case of novel coronavirus disease (COVID-19) was reported in Japan in January 2020 amid continued impacts on consumer confidence from a rise in the consumption tax implemented in October 2019, circumstances remain very uncertain due to concerns over the spread and possible prolongation of COVID-19 infections and effects on social conditions and the real economy associated with the strengthening of restrictions by the Japanese national and local governments to respond to the infections.

In this operating environment, as for the consolidated results for Seven Bank (the "Bank") for fiscal 2019, with both domestic business and overseas businesses demonstrating strong performance, ordinary income achieved a historic high for the Bank at 148,553 million yen. However, unauthorized access to some accounts at "7pay," a barcode settlement service offered by the Bank's equity-method affiliate Seven Pay Co., Ltd., caused difficulties in maintaining the service based on its existing scheme, resulting in the discontinuation of the service on September 30, 2019. Additionally, business results were below initially planned levels for TORANOTEC Ltd. and TORANOTEC Asset Management Ltd., the Bank's equity-method affiliates. As a result, due to a recorded share of loss of entities accounted for using the equity method of 4,770 million yen, ordinary profit was 39,836 million yen and net income attributable to owners of the parent was 26,162 million yen.

As for the Bank's non-consolidated business results, given the steady progress of the ATM platform business, which is the Bank's core business, ordinary income was 120,275 million yen and ordinary profit was 45,013 million yen, both reaching record highs since the foundation of the Bank. In addition, the Bank recognized a decline in the real value of shares in the aforementioned equity-method affiliates of the Bank and recorded losses on valuation of shares of subsidiaries and affiliates amounting to 5,009 million yen as an extraordinary loss, resulting in net income of 27,675 million yen.

A summary of operating results by segment is as follows.

(1) Domestic Business Segment

• ATM Platform Business

During fiscal 2019, the Bank's group continued to enhance convenience for customers, promoting aggressively the creation of new value in ATMs in order to flexibly meet changing consumer needs associated with the diversification of settlement methods.

In order to further expand the number of users of our ATMs while responding to consumer needs, we aggressively promoted new partnerships with fund transfer businesses other than financial institutions as a new business category, such as our partnership with "PayPay," which commenced top-up transactions by cash in July 2019.

Following the "Point Reward Project for Consumers using Cashless Payment" and other projects introduced in connection with the consumption tax hike in October 2019, the use of cashless settlements within Japan expanded and the number of

transactions using the Bank's ATMs to charge cash into various cashless settlement methods significantly increased.

As a result of such efforts, in September 2019, the average number of daily transactions per ATM exceeded 100% of that of the same month in the previous year for the first time in six years. Although there were signs of a decrease in the number of transactions at some of our ATMs due to the effects of the spread of COVID-19 since March 2020, the average number of daily transactions per ATM in March 2020 remained strong at 101.2% compared with the same month in the previous year.

As of March 31, 2020, we had partnered with 123 banks, 253 shinkin banks, 124 credit cooperatives, 13 labor banks, JA Bank, JF Marine Bank, Shoko Chukin Bank, 10 securities companies, 7 life insurance companies, and 79 other financial institutions and operating companies, totaling 612 businesses.* The number of our ATMs installed reached 25,215 (up 0.2% compared with the end of March 2019). The average number of daily transactions per ATM was 92.1 (down 0.2% year over year), and a total of 849 million ATM transactions were recorded (up 2.3% year over year). As seen in these figures, the ATM platform business, which is the Bank's core business, remained strong.

In September 2019, we started installing our fourth-generation ATMs in response to lifestyle changes, the widespread use of smartphones, and the changing times. Installations and replacements have been implemented smoothly, and the number of fourth-generation ATMs installed was 1,150 as of March 31, 2020.

While the business environment is expected to remain uncertain going forward due to the effects of the spread of COVID-19, by thinking outside of the box and creating non-traditional value for ATMs, the Bank will continue to promote the ATM Platform Business that flexibly responds to the changes in society and customer needs.

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

• Settlement and Account Business

As of the end of fiscal 2019, the number of individual customer accounts was 2,179,000 (up 8.8% compared with the end of March 2019), with a balance of individuals' deposits of 458,600 million yen (up 5.5% year over year) and a balance of loan services for individual customers of 23,200 million yen (up 2.6% year over year).

The number of accounts for cash cards with a debit function grew smoothly to 602,000 (up 24.2% year over year), partially attributable to our participation as a registered settlement business operator of the "Point Reward Project for Consumers using Cashless Payment."

International money transfer services grew both in the number of contract accounts and the number of money transfers made, and the number of money transfers made using our international money transfer services during the consolidated fiscal year under review was 1,214,000 (up 6.1% year over year). Additionally, for the purpose of offering daily financial service infrastructure for foreign residents by utilizing the knowledge gained through the international money transfer service, we established Seven Global Remit, Ltd. (the Bank's investment ratio: 100%), a domestic

consolidated subsidiary of the Bank which operates in the fund transfer business and Credd Finance, Ltd. (the Bank's investment ratio: 60%), a domestic consolidated subsidiary of the Bank which operates in the money lending business, and advanced preparations toward commencing operations.

In recent years, financial crimes are becoming increasingly intricate and sophisticated and have been recognized as a new social issue. In response to such issues, and to contribute to offering safe and secure financial services, the Bank's domestic consolidated subsidiary, Bank Business Factory Co., Ltd., has been promoting outsourced back-office support businesses engaged not only in back-office support operations for the Bank but also in other back-office support operations such as countermeasures against money laundering, utilizing the Bank's expertise in countermeasures against financial crimes.

In addition, utilizing the Bank's expertise in countermeasures against financial crimes, our network of over 25,000 ATMs across Japan, and the technical strength of Information Services International-Dentsu, Ltd. (hereinafter "ISID"), the Bank established ACSION, Ltd., a domestic consolidated subsidiary of the Bank and a joint venture company (the Bank's investment ratio: 60%) with ISID, and is preparing to commence operations to offer services such as monitoring and detecting fraudulent transactions.

(2) Overseas Business Segment

• The United States

FCTI, Inc., the Bank's consolidated subsidiary, has achieved stable operation of ATMs installed inside 7-Eleven stores all over the United States. 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, 2019 totaled 10,886 (down 14.9% compared to December 31, 2018), including the 8,465 ATMs 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 2019 to December 2019), ordinary income was 254.0 million U.S. dollars, ordinary profit was 6.3 million U.S. dollars, and net profit was 6.6 million U.S. dollars.

• Asia

PT. ABADI TAMBAH MULIA INTERNASIONAL, a consolidated subsidiary of the Bank in Indonesia, promoted business expansion based on the operation of company-owned ATMs as the main pillar of its businesses and steadily increased the number of ATMs installed. The number of ATMs operated as of December 31, 2019 was 200 (up 108.3% compared to December 31, 2018).

Additionally, Pito AxM Platform, Inc., a consolidated subsidiary of the Bank in the Philippines, entered into a business partnership agreement in February 2020 with Philippine Seven Corporation, the biggest convenience store operating company in the Philippines, for the purpose of developing the installation, operation, and maintenance businesses for ATMs at 7-Eleven stores in the Philippines.

Summary of Financial Position of Fiscal 2019

Assets

Total assets at the end of March 2020 were 1,085,885 million yen. The majority of this total comprised cash and due from banks required for the operation of ATMs of 848,446 million yen. The remainder mostly consisted of marketable securities of 70,911 million yen held as collateral for foreign exchange settlements and Bank of Japan current account overdraft transactions, and 81,965 million yen representing ATM-related temporary payments, which are temporary advances from partner financial institutions.

Liabilities

Liabilities were 863,051 million yen. These largely comprised deposits (excluding negotiable certificates of deposit) totaling 683,760 million yen. Of these, the outstanding balance of individuals' ordinary deposits was 324,531 million yen and the balance of individuals' time deposits was 134,093 million yen.

Net Assets

Net assets were 222,833 million yen. Of these, retained earnings were 155,760 million yen. The consolidated capital adequacy ratio (domestic standard) was 50.11%.

Summary of Cash Flows of Fiscal 2019

Cash and cash equivalents increased by 67,796 million yen during the fiscal year under review to 848,446 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 89,619 million yen. Factors contributing to cash included income before income taxes and non-controlling interests of 39,780 million yen, a net increase in ATM-related temporary accounts of 77,146 million yen, and a net increase in deposits of 5,095 million yen. These factors exceeded factors using cash such as a decrease of 30,000 million yen in straight bonds – issuance and redemption.

Cash Flow from Investing Activities

Net cash used in investing activities was 5,801 million yen. Factors that used cash included purchase of securities of 16,171 million yen and purchase of intangible fixed assets of 11,100 million yen. These exceeded the factor that provided cash: proceeds from maturity of securities of 27,920 million yen.

Cash Flow from Financing Activities

Net cash used in financing activities was 16,009 million yen, due to factors including 13,635 million yen in dividends paid and purchase of treasury stock of 3,857 million yen.

Outlook for Fiscal 2020

The outlook for the economic environment in fiscal 2020 appears uncertain due to the anticipated further spread and the prolonged impact of the global COVID-19 pandemic and the associated tightening of restrictions by governments of various countries. Accordingly, it is extremely difficult for the Bank's group to make a fair

and reasonable performance forecast at the present time. For this reason, for now we will leave our performance forecast for fiscal 2020 undetermined. An announcement will be made as soon as it becomes possible to make a forecast.

As for the dividend forecast for fiscal 2020, we will leave it undetermined for now due to the difficulty of making a forecast for the time being. However, we intend to continuously pay stable dividends and maintain our basic policy of paying out dividends twice yearly and setting the target for annual minimum payout ratio at 40%, while striving to ensure the continuous payment of stable dividends.

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 and an Asset-Liability Management (ALM) 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

(1) ATM Platform Business (domestic business segment)

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

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

The 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 prevent a decrease in the number of ATM transactions, the Bank provides increased customer convenience in its ATM services, including services that enable charging (loading money onto) electronic money for public transportation and QR code settlement, and ATM pick-up (cash receiving services).

B) Growing competition from other ATM networks

Seven Bank competes with companies installing ATMs at convenience stores and other locations outside Seven & i Holdings and its operating companies (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 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.

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

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

(3) Overseas Business (overseas business segment)

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

(4) Impairment of Fixed Assets

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

2. System Failure

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

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

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, 2020, the Company controls 46.27% 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, 2020, Seven Bank had installed 22,831 ATMs at the Group stores (22,165 ATMs at 7-Eleven stores, 284 ATMs at Ito-Yokado stores, and 382 ATMs at other locations in the Group). In addition, the Bank has installed 2,384 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 positive outlook and a short-term issuer rating of A-1 from S&P Global Ratings. The Bank also has an issuer rating of AA with a stable outlook from Rating & Investment Information, Inc.

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

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

The outbreak of infections caused by a novel virus, the further spread and prolonged impact of the infections as well as the associated strengthening of restrictions by the Japanese national and local governments could significantly affect social conditions and the real economy. Accordingly, if the number of ATM transactions declines significantly, it could lead to a decrease in ATM-related fee income and other negative impacts, which could affect the Bank's results.

To prevent the further spread of the infections, Seven Bank has been practicing strict hygiene control as well as making efforts to enforce infection prevention measures for its employees such as staggered working hours and having employees work from home. However, if the infections continue to spread and employees of the Bank or external contractors become infected, it may disrupt the operations of Seven Bank and affect the Bank's results.

In April and May 2020, when the country was under a nationwide declaration of a state of emergency by the government in response to the continued spread of COVID-19, the number of ATM transactions fell by approximately 10% due to the impact of the stay-at-home order and other factors.

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 and Indonesia.

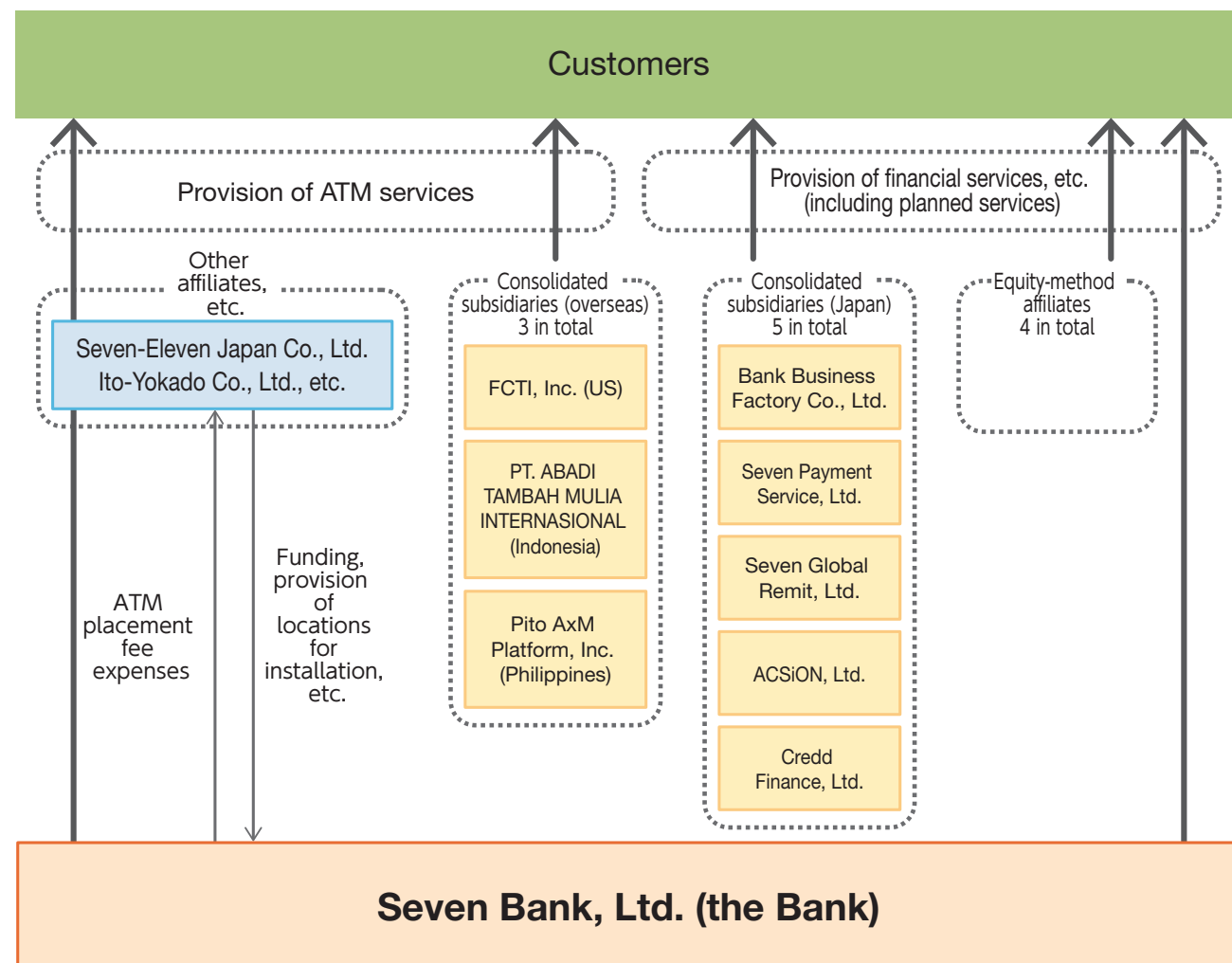
The Bank and each of its group companies are structured via businesses as follows.

(1) Domestic Business Segment

• ATM Platform Business

The Bank has installed ATMs in Seven-Eleven and Ito-Yokado stores belonging to companies of the 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 a business that provides ATM services to numerous customers.

■ Operating System of Seven Bank and Its Group Companies



• Settlement and Account Business

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

(2) Overseas Business Segment

• 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, while Pito AxM Platform, Inc. a consolidated subsidiary of the Bank in the Philippines, is currently preparing to commence operations.

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

(1) Management Policies

1. Management Ethos

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

2. Basic Management Policy

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

The Bank prioritizes consolidated ordinary income and consolidated ordinary profit as target management indicators for the sustainable improvement of corporate value. However, the outlook for the economic environment appears uncertain due to the anticipated further spread and the prolonged impact of the global COVID-19 pandemic and the associated tightening of restrictions by governments of various countries. Accordingly, it is extremely difficult for the Bank's group to make a fair and reasonable performance forecast at the present time. For this reason, Seven Bank has postponed the release of its new Medium-Term Management Plan.

The Bank will carefully determine the impact of COVID-19 on its business performance and announce the plan as soon as the details are determined.

(3) Management Issues

The business environment surrounding the Bank's group is changing dramatically, and the speed of the change is increasing. Much more so than before, management will need to be flexible in quickly incorporating the fruits of technological innovation, while maintaining a high sensitivity to changes in social structures and the diversification of customer needs.

In Japan, following the "Point Reward Project for Consumers using Cashless Payment" that started in connection with the consumption tax hike in October 2019, the digitization of account settlements and the increase in cashless transactions are ramping up. Given such trends, the value that customers seek in ATMs as financial contact points close to their ever-changing daily lives is also shifting radically. Moreover, with increasingly diversifying lifestyles and a sense of value, the implementation of a new regulation related to foreign workers, etc., new consumption and labor markets are emerging, leading to further expansion of the needs of "nearby and more convenient" financial services.

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

In addition to these recent changes in the social environment, COVID-19 has spread globally and has had a great impact on social conditions both in Japan and overseas. The wide-reaching and prolonged spread of the disease, along with the resulting

strengthened restrictions by the governments of various countries, are affecting the real economy as well as personal behavior and lifestyles more drastically than estimated, causing the business environment surrounding the Bank's group to remain uncertain. Amid such an environment, the Bank's group is thoroughly enforcing measures to prevent the further spread of the disease based on the requests by the Japanese national and local governments, including working-from-home and staggered working hours, thereby ensuring the safety and security of the Bank's group's stakeholders, including its business partners and employees. Through these efforts, the Bank's group, as an entity supporting social infrastructure, will continue its business without interruption and fulfill its role of supporting the everyday lives of the customers.

(4) Medium- to Long-Term Management Strategies

The Bank's group has, since its establishment, enhanced the convenience of people's lives by offering safe and secure financial services, closely listening to customers' input and addressing their needs. The Bank's group will continue to pursue the absolute value of its services that meet changing customer needs against the backdrop of various structural changes in society and aim to improve customer satisfaction and maximize social value.

(5) Issues to Be Addressed

The Bank's group plans to:

- Implement stable operation of existing businesses, focusing first on providing safe and secure payment infrastructure as a facet of social infrastructure.
- As basic policies for the future, steadily promote "diversification of businesses and services," which can help achieve medium- to long-term growth, and "structural reform," which can realize and speed up the "diversification of business and services," steadily deal with issues we are facing, and promote structural reorganization that allows for accurate and flexible responses to business opportunities stemming from a drastically changing business environment.

(Domestic Business Segment)

• ATM Platform Business

To attract more customers to our ATM services, we have been responding to varying customer needs by offering services such as charging (loading money onto) electronic money for public transportation or QR code settlements, in addition to our services for existing business partners such as financial institutions. We will continue to develop initiatives to increase the number of business partners and customers.

Furthermore, our next-generation ATMs, which we started installing in September 2019, reduce the environmental burden of the main body. In addition, by minimizing the frequency of supplying and collection of cash within the ATM through a more precise handling and management of cash, we are expecting these ATMs will contribute to reducing CO2 emissions in terms of logistics. Through developing and providing services that are not bound to cash deposits and withdrawals and instead flexibly responding to changes in the needs and values of social structures and customers via new services utilizing newly equipped functions including high resolution cameras and scanning functions, we will strive to provide new value of ATMs.

• Settlement and Account Business

While digitalization, shifts to cashless payment, and automation are progressing, we have developed a framework to enable quick opening of new accounts online with simplicity and convenience. We will expand our platform to provide unique products and services, with a view to partnerships with external corporations.

• Business Diversification

We will offer new value in customers' daily lives by highly integrating not only the knowledge concerning safety and security gained from ATM and account operations in the Bank's group but also the knowledge that we gained via partnerships with external

Consolidated Balance Sheets

Seven Bank, Ltd. and Consolidated Subsidiaries
As of March 31, 2020 and 2019

corporations. There are issues that have become apparent with social change, such as whether an increasing number of foreigners are able to live in Japan with peace of mind and whether anyone can use new settlement and other services safely and securely, etc. Taking our efforts to contribute to tackling such issues as business opportunities, we will organize structures and systems which can respond to such issues with flexibility and agility. These initiatives include the establishment in June 2019 of Seven Global Remit, Ltd., a consolidated subsidiary of the Bank (the Bank's investment ratio: 100%) that operates financial services for foreigners and in July 2019 of ACSION, Ltd., a consolidated subsidiary of the Bank (the Bank's investment ratio: 60%) and a joint-venture company with ISID that promotes business in the security field, utilizing the Bank's expertise in countermeasures against financial crimes.

<Overseas Business Segment>

• The United States

For FCTI, Inc., the Bank's consolidated subsidiary in the United States, although there have been signs of a decrease in the number of transactions at some ATMs under the impact of stricter restrictions due to COVID 19, operations are stable. Aiming to improve profitability from a medium- to long-term perspective, we will proceed with measures including the preparation of new services through synergies with 7-Eleven, Inc. (U.S.).

• Asia

PT. ABADI TAMBAH MULIA INTERNASIONAL, the Bank's consolidated subsidiary in Indonesia, will steadily promote the ATM business through synergies with local partner corporations. In addition, in the Philippines, where the market for ATMs is expected to expand alongside high economic growth, the Bank's consolidated subsidiary Pito AxM Platform, Inc. will promote preparation to commence operations in the ATM business.

We expect that people's daily lives and values as well as social structures will change radically due to COVID-19. We therefore must be even more attentive to social changes and increasingly diverse customer needs and take flexible measures to adopt the fruits of technological innovation. To this end, we will proactively take initiatives to advance workstyle reforms assuming the co-existence with COVID-19 and continue "responding to change while strengthening fundamentals" in every business area of the Bank's group. That is, we will boldly, flexibly, agilely, and proactively deal with environmental changes without being caught up in conventional ideas and continue to evolve while firmly maintaining and strengthening our strengths.

Millions of yen

	2020	2019
Assets:		
Cash and due from banks (Notes 3, 4 and 5)	¥ 848,446	¥ 780,650
Securities (Notes 5, 6 and 7)	70,911	85,639
Loans (Notes 5 and 8)	23,283	22,688
Foreign exchanges	0	0
ATM-related temporary payments (Note 5)	81,965	194,910
Tangible fixed assets (Notes 9 and 33)	13,985	15,155
Intangible fixed assets (Note 10)	29,665	26,655
Asset for retirement benefits (Note 16)	378	444
Deferred tax assets (Note 27)	909	732
Other assets (Notes 5, 7, 11 and 31)	16,365	15,074
Allowance for credit losses (Note 5)	(25)	(23)
Total assets	¥1,085,885	¥1,141,926
Liabilities:		
Deposits (Notes 5 and 12)	¥ 684,560	¥ 679,474
Borrowed money (Notes 5, 13 and 31)	196	10,000
Bonds (Notes 5 and 14)	105,000	135,000
Income taxes payable	7,848	7,010
ATM-related temporary advances (Note 5)	45,052	80,853
Reserve for bonuses	573	537
Liability for retirement benefits (Note 16)	3	2
Reserve for directors' retirement benefits	4	5
Reserve for stocks payment	236	166
Deferred tax liabilities (Note 27)	137	179
Other liabilities (Notes 5, 13, 15, 29, 31 and 33)	19,439	15,806
Total liabilities	863,051	929,036
Net assets (Notes 17 and 28):		
Shareholders' equity:		
Common stock, authorized 4,763,632 thousand shares, issued 1,179,129 thousand shares as of March 31, 2020 and 1,192,464 thousand shares as of March 31, 2019	30,702	30,679
Capital surplus	30,757	30,661
Retained earnings	155,760	147,094
Treasury stock, at cost, 798 thousand shares as of March 31, 2020 and 831 thousand shares as of March 31, 2019	(338)	(352)
Total shareholders' equity	216,882	208,083
Accumulated other comprehensive income:		
Net unrealized gains (losses) on available-for-sale securities, net of taxes (Note 6)	499	492
Foreign currency translation adjustments	3,767	3,798
Accumulated adjustments for retirement benefits (Note 16)	62	182
Total accumulated other comprehensive income	4,329	4,473
Subscription rights to shares (Note 32)	274	320
Non-controlling interests	1,346	11
Total net assets	222,833	212,890
Total liabilities and net assets	¥1,085,885	¥1,141,926

See accompanying notes.

Consolidated Statements of Income

Seven Bank, Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

	Millions of yen	
	2020	2019
Income:		
Interest income	¥ 3,569	¥ 3,529
Interest on loans	3,451	3,419
Interest and dividends on securities	26	21
Other interest income	90	88
Fees and commissions income (Note 18)	144,280	142,614
Other operating income (Note 20)	281	275
Other income (Note 23)	514	869
Total income	148,644	147,288
Expenses:		
Interest expenses	674	686
Interest on deposits	99	119
Interest on call money	(12)	(37)
Interest on borrowed money	15	74
Interest on bonds	570	530
Fees and commissions expenses (Notes 19 and 29)	40,305	39,236
Other operating expenses (Note 21)	—	116
General and administrative expenses (Note 22)	62,813	66,070
Other expenses (Note 24)	5,070	602
Impairment losses (Note 25)	—	14,830
Total expenses	108,864	121,544
Income before income taxes	39,780	25,744
Income taxes (Note 27)		
Current	13,840	13,119
Deferred	(164)	(605)
Total income taxes	13,675	12,513
Net income	26,105	13,230
Net income (loss) attributable to non-controlling interests	(57)	(5)
Net income attributable to owners of the parent	¥ 26,162	¥ 13,236

Amounts per share of common stock (Note 34):

	Yen	
	2020	2019
Net assets	¥187.73	¥178.37
Net income	22.14	11.11
Diluted net income	22.11	11.09
Cash dividends applicable to the year (Note 28)	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, 2020 and 2019

	Millions of yen	
	2020	2019
Net income	¥26,105	¥13,230
Other comprehensive income (Note 26)		
Net unrealized gains (losses) on available-for-sale securities, net of taxes ...	7	248
Foreign currency translation adjustments	(53)	(511)
Adjustments for retirement benefits (Note 16)	(119)	83
Total other comprehensive income	(165)	(179)
Comprehensive income	¥25,939	¥13,051
Comprehensive income attributable to:		
Owners of the parent	¥26,019	¥13,058
Non-controlling interests	(79)	(7)

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Seven Bank, Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2018	¥30,572	¥30,554	¥146,075	¥ (380)	¥206,823
Changes in items during the period					
Issuance of new shares	106	106			213
Cash dividends			(12,217)		(12,217)
Net income attributable to owners of the parent			13,236		13,236
Purchase of treasury stock					—
Disposal of treasury stock				27	27
Cancellation of treasury stock					—
Change in capital surplus due to change in equity of consolidated subsidiaries					—
Net changes in items other than shareholders' equity					—
Net changes in items during the period	106	106	1,018	27	1,260
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 March 31, 2020	¥30,702	¥30,757	¥155,760	¥ (338)	¥216,882

	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, 2018	¥244	¥4,308	¥ 98	¥4,651	¥ 533	¥18	¥212,027
Changes in items during the period							
Issuance of new shares							213
Cash dividends							(12,217)
Net income attributable to owners of the parent							13,236
Purchase of treasury stock							—
Disposal of treasury stock							27
Cancellation of treasury stock							—
Change in capital surplus due to change in equity of consolidated subsidiaries							—
Net changes in items other than shareholders' equity	248	(509)	83	(177)	(212)	(7)	(397)
Net changes in items during the period	248	(509)	83	(177)	(212)	(7)	862
Balance at 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 March 31, 2020	¥499	¥3,767	¥ 62	¥4,329	¥ 274	¥1,346	¥222,833

See accompanying notes.

Consolidated Statements of Cash Flows

Seven Bank, Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

	Millions of yen	
	2020	2019
Cash flows from operating activities:		
Income before income taxes	¥ 39,780	¥ 25,744
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation of fixed assets	14,634	17,529
Impairment losses	—	14,830
Amortization of goodwill	—	487
Equity in losses of affiliates	4,770	239
Net change in allowance for credit losses	1	(13)
Net change in reserve for bonuses	36	80
Net change in asset or liability for retirement benefits	(106)	(59)
Net change in reserve for directors' retirement benefits	(1)	3
Net change in reserve for stocks payment	69	64
Interest income	(3,569)	(3,529)
Interest expenses	674	686
Net losses related to securities	38	49
Net losses on disposal of fixed assets	56	139
Net change in loans	(595)	27
Net change in deposits	5,085	56,267
Net change in borrowed money	(9,807)	—
Net change resulting from issuance and maturity of ordinary bonds	(30,000)	40,000
Net change in ATM-related temporary accounts	77,146	(26,118)
Interest received	3,840	3,848
Interest paid	(805)	(757)
Other – net	1,398	2,062
Subtotal	102,648	131,584
Income taxes paid	(13,029)	(14,115)
Income taxes refund	—	2
Net cash provided by operating activities	89,619	117,471
Cash flows from investing activities:		
Purchase of securities	(16,171)	(39,313)
Proceeds from redemption of securities	27,920	20,630
Purchase of tangible fixed assets	(4,547)	(3,121)
Proceeds from sales of tangible fixed assets	98	—
Purchase of intangible fixed assets	(11,100)	(8,664)
Proceeds from sales of intangible fixed assets	—	586
Purchase of shares in an equity method affiliated company	(2,000)	(4,999)
Net cash used in investing activities	(5,801)	(34,882)
Cash flows from financing activities:		
Proceeds from stock issuance to non-controlling interests	1,487	—
Proceeds from exercise of stock options	0	0
Dividends paid	(13,635)	(12,215)
Purchase of treasury stock	(3,857)	—
Other – net	(3)	(32)
Net cash used in financing activities	(16,009)	(12,246)
Effect of exchange rate changes on cash and cash equivalents	(11)	(60)
Net change in cash and cash equivalents	67,796	70,281
Cash and cash equivalents at the beginning of the year	780,650	710,369
Cash and cash equivalents at the end of the year (Note 3 and 4)	¥848,446	¥780,650

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, 2020 and 2019

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.
(Change in scope of consolidation)
Pito AxM Platform, Inc., Seven Global Remit, Ltd., ACSION, Ltd. and Credd Finance, Ltd. have been included in the scope of consolidation from the fiscal year ended March 31, 2020 since they were newly incorporated.

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.

(Change in scope of equity method)
From the fiscal year ended March 31, 2020, Metaps Payment, Inc. has been included in the scope of equity method due to purchase of shares.

For affiliates accounted for using the equity method that have a balance sheet date different to 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, 2020 and 2019 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 and hedge accounting

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

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

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

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

(l) Amortization of goodwill

Goodwill is amortized using the straight-line method over 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 31, 2020, hereinafter "Implementation Guidance")

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) had been working on a joint project to develop a comprehensive accounting standard on revenue recognition and released "Revenue from Contracts with Customers" (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. Considering the situation that this standard is applied from the fiscal year starting on and after January 1, 2018 for IFRS 15 and fiscal year starting after December 15, 2017 for Topic 606, ASBJ has developed a comprehensive accounting standard on revenue recognition and released it along with its implementation guidance. The ASBJ's basic concept in developing the Standard is to adopt the basic principles of IFRS 15 as a starting point from the perspective of comparability between financial statements that is one of the benefits resulting from the consistency with IFRS 15. In addition, if there are any items that require considerations such as those that have been accepted as practical accounting treatments in Japan, alternative treatments are to be added to the extent that do not hinder comparability.

(2) Date of adoption

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

(3) The effect of adopting the accounting standards

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

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 under evaluation.

3. Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

The purpose of this accounting standard is to disclose information that will facilitate the understanding of the users of the financial statements, regarding items of accounting estimates recorded in the financial statements for the current fiscal year that have the risk of significantly impacting the financial statements for the following fiscal year.

(2) Date of adoption

The Standard is scheduled to be applied from the end of the fiscal year ending March 31, 2021.

(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, 2020 and 2019 are ¥239 million and ¥253 million, and 563 thousand shares and 596 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, 2020 and 2019 are ¥99 million and 234 thousand shares, respectively.

3. Supplemental Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows for the fiscal years ended March 31, 2020 and 2019 consisted of cash and due from banks of ¥848,446 million and ¥780,650 million on the consolidated balance sheets as of March 31, 2020 and 2019, respectively.

4. Cash and Due from Banks

Cash and due from banks as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Cash	¥749,978	¥646,879
Due from banks	98,468	133,771
Total	¥848,446	¥780,650

5. Financial Instruments

1) Disclosure on Financial Instruments

(1) Policy on Financial Instruments

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

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

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

(2) Details of Financial Instruments and Associated Risks

Cash for the operation of the ATM business accounts for most of the financial instruments the Bank holds. The Bank provides unutilized capital to call loan lending and is 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 (revolving card loans), which are exposed to credit risks of the borrowers. However, the risk is limited because guarantees are attached to the entire loan amounts.

The Bank conducts banking business and its deposits and negotiable certificates of deposit that account for most of its financial liabilities are 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. In addition, the Bank has borrowings with floating interest rates, which are exposed to interest rate risk. The Bank uses interest rate swap agreements to reduce such risk.

(3) Risk Management Relating to Financial Instruments

(A) Credit Risk Management

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

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

(B) Market Risk Management

Basic policies related to market risk are stipulated in the Policy on Risk Control and the Market Risk Rules established thereunder. The Market Risk Rules establish limits on the maximum level of funds at risk, market position limits and loss allowance limits. The Risk Management 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, 2020, the Bank's market risk quantity (maximum potential loss) is ¥8,701 million in the aggregate. In addition, given the characteristics of the Bank's business, in measuring the market risk, the Bank has recognized the interest period for cash assets and deemed cash assets as five-year zero-coupon bonds (average duration of about 2.5 years). The Bank regularly performs back-testing to compare the VaR calculated by its internal model against actual profit and loss. However, as VaR measures the amount of market risk under certain probabilities statistically calculated based on past market volatility, it may underestimate the probability of extreme market movements and, may in some instances, not adequately capture those risks.

(C) Management of Liquidity Risk

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

The Risk Management 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, 2020 and 2019 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, 2020	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks ¹	¥ 848,446	¥ 848,446	¥ —
(2) Securities			
Available-for-sale securities	64,054	64,054	—
(3) Loans	23,283		
Allowance for credit losses ¹	(0)		
	23,282	23,282	—
(4) ATM-related temporary payments ¹	81,965	81,965	—
Total assets	¥1,017,750	¥1,017,750	¥ —
(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	—
Total liabilities	¥ 834,808	¥ 835,880	¥1,071
Derivative transactions to which:			
(1) hedge accounting method is not applied	¥ 48	¥ 48	¥ —
(2) hedge accounting method is applied	—	—	—
Total derivative transactions	¥ 48	¥ 48	¥ —

March 31, 2019	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks ¹	¥ 780,647	¥ 780,647	¥ —
(2) Securities			
Available-for-sale securities	77,309	77,309	—
(3) Loans	22,688		
Allowance for credit losses ¹	(0)		
	22,687	22,687	—
(4) ATM-related temporary payments ¹	194,907	194,907	—
Total assets	¥1,075,552	¥1,075,552	¥ —
(1) Deposits	¥ 679,474	¥ 679,619	¥ 145
(2) Borrowed money	10,000	10,000	—
(3) Bonds	135,000	136,688	1,688
(4) ATM-related temporary advances	80,853	80,853	—
Total liabilities	¥ 905,328	¥ 907,161	¥1,833
Derivative transactions to which:			
(1) hedge accounting method is not applied	¥ (18)	¥ (18)	¥ —
(2) hedge accounting method is applied	—	—	—
Total derivative transactions	¥ (18)	¥ (18)	¥ —

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

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

Assets

(1) Cash and due from banks

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

(2) Securities

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

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

(3) Loans

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

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

(4) ATM-related temporary payments

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

Liabilities

(1) Deposits

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

(2) Borrowed money

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

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

(3) Bonds

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

(4) ATM-related temporary advances

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

Derivative transactions

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

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

	Millions of yen	
	2020	2019
Unlisted equity securities ^{1 and 2}	¥1,701	¥ 515
Shares in an affiliated company ¹	2,000	4,770
Subscription rights to shares ¹	50	50
Investments in partnership ³	3,105	2,993
Total	¥6,856	¥8,329

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 and ¥49 million on unlisted equity securities are recognized for the fiscal years ended March 31, 2020 and 2019, respectively.

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

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

March 31, 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 ¹	¥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 ²	23,244	—	—	—	—	—
ATM-related temporary payments	81,965	—	—	—	—	—
Total	¥215,077	¥34,813	¥16,862	¥—	¥—	¥—

March 31, 2019	Millions of yen					
	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Due from banks ¹	¥133,771	¥ —	¥ —	¥—	¥—	¥—
Securities:						
Available-for-sale securities with maturity	27,920	18,000	30,231	—	—	—
Japanese municipal bonds	10,420	6,400	13,831	—	—	—
Corporate bonds	17,500	11,600	16,400	—	—	—
Loans ²	22,655	—	—	—	—	—
ATM-related temporary payments	194,910	—	—	—	—	—
Total	¥379,256	¥18,000	¥30,231	¥—	¥—	¥—

Notes: 1. Due from banks with no maturities are included in the "Within one year" category.
2. For loans, ¥39 million and ¥33 million as of March 31, 2020 and 2019 are excluded for loans that are not expected to be collected, which are for the debtors who are bankrupt, substantially bankrupt, and bankruptcy risk obligors. In addition, loans are disclosed as "Within one year" based on the contract term.

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

March 31, 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 ¹	¥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	¥—

March 31, 2019	Millions of yen					
	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Deposits ¹	¥563,167	¥78,617	¥37,689	¥ —	¥ —	¥—
Borrowed money	10,000	—	—	—	—	—
Bonds	30,000	—	40,000	15,000	50,000	—
ATM-related temporary advances	80,853	—	—	—	—	—
Total	¥684,021	¥78,617	¥77,689	¥15,000	¥50,000	¥—

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	
	2020	2019
Equity securities	¥2,000	¥4,770

(2) The following tables summarize acquisition cost and carrying amount of securities with fair values available as of March 31, 2020 and 2019:
Available-for-sale securities:

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

Securities with the same or lower balances than acquisition costs	Millions of yen		
	Acquisition cost	Carrying amount	Difference
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

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

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

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

March 31	Millions of yen	
	2020	2019
Unrealized gains (losses):		
On available-for-sale securities	¥ 720	¥ 710
Deferred tax liabilities	(220)	(217)
Net unrealized gains (losses) on available-for-sale securities, net of taxes	¥ 499	¥ 492

Note: Unrealized gains (losses) on investments in partnership whose fair value is extremely difficult to estimate of ¥248 million and ¥221 million as of March 31, 2020 and 2019, 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 ¥63,371 million and ¥76,683 million as of March 31, 2020 and 2019, respectively.

Other assets included guarantee deposits of ¥2,020 million and ¥1,318 million as of March 31, 2020 and 2019, respectively, and deposits to Central Counterparty of ¥800 million and ¥400 million as of March 31, 2020 and 2019, respectively.

8. Loans

Loans to bankrupt borrowers and delinquent loans were ¥0 million and ¥38 million as of March 31, 2020, and ¥1 million and ¥31 million as of March 31, 2019, respectively.

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

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

There were no loans past due three months or more as of March 31, 2020 and 2019. 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, 2020 and 2019. 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 ¥39 million and ¥33 million as of March 31, 2020 and 2019, 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 ¥20,604 million and ¥18,661 million as of March 31, 2020 and 2019, respectively. Unused overdraft facilities for contracts with a term of within one year also amounted to ¥20,604 million and ¥18,661 million as of March 31, 2020 and 2019, respectively.

9. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Buildings	¥ 1,630	¥ 1,669
ATMs	9,042	11,062
Other	3,312	2,424
Total	¥13,985	¥15,155

The accumulated depreciation of tangible fixed assets as of March 31, 2020 and 2019 amounted to ¥68,799 million and ¥63,957 million, respectively.

10. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Software	¥20,930	¥20,708
Other	8,734	5,946
Total	¥29,665	¥26,655

11. Other Assets

Other assets as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Accrued income	¥10,029	¥10,210
Prepaid expenses	2,787	2,966
Other	3,548	1,897
Total	¥16,365	¥15,074

12. Deposits

Deposits as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Deposits	¥683,760	¥678,664
Negotiable certificates of deposit	800	810
Total	¥684,560	¥679,474

13. Borrowed Money and Lease Obligations

Borrowed money and lease obligations as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Borrowed money from banks and insurance companies	¥196	¥10,000
Lease obligations	—	3

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2020 and 2019 was 7.75% and 0.70%, respectively.

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

The repayment schedule on borrowed money and lease obligations as of March 31, 2020 and 2019 were as follows:

	Millions of yen	
	2020	2019
Borrowed money		
Within one year	¥196	¥10,000
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	—	—
Lease obligations		
Within one year	¥ —	¥ 3
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, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Unsecured:		
0.61% unsecured bonds due June 20, 2019, date of issue May 31, 2012	¥ —	¥ 10,000
0.46% unsecured bonds due March 19, 2020, date of issue March 7, 2013	—	20,000
0.80% unsecured bonds due March 20, 2023, date of issue March 7, 2013	20,000	20,000
0.53% unsecured bonds due December 20, 2024, date of issue December 17, 2014	15,000	15,000
0.39% unsecured bonds due September 17, 2027, date of issue October 20, 2017	30,000	30,000
0.16% unsecured bonds due December 20, 2023, date of issue January 25, 2019	20,000	20,000
0.38% unsecured bonds due December 20, 2028, date of issue January 25, 2019	20,000	20,000
Total	¥105,000	¥135,000

The repayment schedule on bonds as of March 31, 2020 and 2019 was as follows:

	Millions of yen	
	2020	2019
Within one year	¥ —	¥30,000
Over one year but within two years	—	—
Over two years but within three years	20,000	—
Over three years but within four years	20,000	20,000
Over four years but within five years	15,000	20,000
Over five years	50,000	65,000

15. Other liabilities

Other liabilities as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Accrued expenses	¥ 7,864	¥ 8,983
Asset retirement obligations	785	814
Other	10,789	6,008
Total	¥19,439	¥15,806

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, 2020 and 2019

(1) Movement in projected benefit obligation

	Millions of yen	
	2020	2019
Balance at the beginning of the year	¥2,927	¥2,812
Service cost	247	247
Interest cost	14	14
Actuarial difference	19	46
Benefits paid	(132)	(192)
Other	0	(0)
Balance at the end of the year	¥3,077	¥2,927

(2) Movement in plan assets

	Millions of yen	
	2020	2019
Balance at the beginning of the year	¥3,369	¥3,074
Expected return on plan assets	67	76
Actuarial difference	(119)	162
Contributions paid by the employer	267	247
Benefits paid	(131)	(192)
Balance at the end of the year	¥3,452	¥3,369

(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	
	2020	2019
Funded projected benefit obligation	¥ 3,073	¥ 2,924
Plan assets	(3,452)	(3,369)
	(378)	(444)
Unfunded projected benefit obligation	3	2
Total net liability (asset) for retirement benefits at the end of the year	(374)	(441)
Liability for retirement benefits	3	2
Asset for retirement benefits	(378)	(444)
Total net liability (asset) for retirement benefits at the end of the year	¥ (374)	¥ (441)

(4) Retirement benefit costs

	Millions of yen	
	2020	2019
Service cost	¥247	¥247
Interest cost	14	14
Expected return on plan assets	(67)	(76)
Amortization of actuarial difference	(33)	3
Other	0	0
Retirement benefit costs	¥161	¥188

(5) Adjustments for retirement benefits

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

	Millions of yen	
	2020	2019
Actuarial difference	¥(172)	¥119
Total amount recognized for the year	¥(172)	¥119

(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	
	2020	2019
Unrecognized actuarial difference	¥(89)	¥(262)
Total balance at the end of the year	¥(89)	¥(262)

(7) Plan assets

(a) Plan assets comprise:

	2020		2019	
Bonds	60%	60%	60%	60%
Equity securities	29%	28%	28%	28%
Other	11%	12%	12%	12%
Total	100%	100%	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, 2020 and 2019 were as follows:

	2020		2019	
Discount rate	0.5%	0.5%	0.5%	0.5%
Long-term expected rate of return on plan assets	2.0%	2.5%	2.5%	2.5%
Expected rate of salary increase	2.5%	2.5%	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, 2020 and 2019 was ¥13 million and nil, 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, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Remittance-related fee income	¥ 3,062	¥ 2,750
ATM-related fee income	136,486	135,324
Other	4,730	4,538
Total	¥144,280	¥142,614

19. Fees and Commissions Expenses

Fees and commissions expenses for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Remittance-related fee expenses	¥ 1,591	¥ 1,476
ATM placement fee expenses	31,013	30,511
ATM-related fee expenses	4,886	4,499
Other	2,813	2,749
Total	¥40,305	¥39,236

20. Other Operating Income

Other operating income for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Gains on foreign exchange transactions	¥281	¥275
Total	¥281	¥275

21. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Bond issue costs	¥—	¥116

22. General and Administrative Expenses

Main items and amounts of general and administrative expenses for the fiscal years ended March 31, 2020 and 2019 were as follows:

	Millions of yen	
	2020	2019
Salary and allowance	¥ 7,075	¥ 6,772
Retirement benefit costs	175	188
Depreciation of fixed assets	14,634	17,529
Business outsourcing expenses	20,176	19,789

23. Other Income

Other income for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Reversal of allowance for credit losses	¥ —	¥ 13
Gain on sales of fixed assets	91	—
Other	422	856
Total	¥514	¥869

24. Other Expenses

Other expenses for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Losses on disposal of fixed assets	¥ 147	¥139
Provision of allowance for credit losses	2	—
Equity in losses of affiliates	4,770	239
Other	150	223
Total	¥5,070	¥602

25. Impairment losses

Impairment losses on fixed assets for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

Location	Purpose	Classification	Millions of yen	
			2020	2019
U.S.	Business assets	Buildings	¥—	¥ 20
		ATMs	—	3,918
		Other tangible fixed assets	—	111
		Software	—	305
		Other intangible fixed assets	—	2,720
		Other assets	—	3,557
	—	Goodwill	—	4,079
Indonesia	Business assets	Buildings	—	6
		ATMs	—	99
		Other tangible fixed assets	—	3
		Software	—	9
Total			¥—	¥14,830

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

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

26. Other Comprehensive Income

Other comprehensive income for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen	
	2020	2019
Net unrealized gains (losses) on available-for-sale securities, net of taxes		
Amount arising during the year	¥ 68	¥ 721
Reclassification adjustment	(58)	(363)
Amount before income tax effect	10	358
Income tax effect	(3)	(109)
Total	¥ 7	¥ 248
Foreign currency translation adjustments		
Amount arising during the year	¥ (53)	¥(533)
Reclassification adjustment	—	22
Amount before income tax effect	(53)	(511)
Income tax effect	—	—
Total	¥ (53)	¥(511)
Adjustments for retirement benefits		
Amount arising during the year	¥(139)	¥ 115
Reclassification adjustment	(33)	3
Amount before income tax effect	(172)	119
Income tax effect	53	(35)
Total	¥(119)	¥ 83
Total other comprehensive income	¥(165)	¥(179)

27. 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, 2020 and 2019 were as follows:

	Millions of yen	
	2020	2019
Deferred tax assets:		
Net operating loss carry forwards ²	¥ 2,318	¥ 1,794
Depreciation of fixed assets and impairment losses	990	1,362
Enterprise tax	434	392
Asset retirement obligations	226	229
Reserve for bonuses	130	131
Stock option expenses	84	98
Reserve for stocks payment	72	51
Allowance for credit losses	7	7
Accounts payable		
(Formerly recorded as reserve for retirement benefits for directors and statutory auditors)	7	8
Other	171	215
Subtotal deferred tax assets	4,443	4,290
Valuation allowance for net operating loss carry forwards ²	(2,272)	(1,794)
Valuation allowance for total future deductible temporary differences	(766)	(1,266)
Subtotal valuation allowance	(3,039)	(3,060)
Total deferred tax assets	¥ 1,404	¥ 1,230
Deferred tax liabilities:		
Net unrealized gains (losses) on available-for-sale securities	¥ (220)	¥ (217)
Intangible fixed assets recognized with business combination	(137)	(179)
Adjustment for tangible fixed assets related to asset retirement obligations	(26)	(30)
Other	(247)	(249)
Total deferred tax liabilities	(632)	(676)
Net deferred tax assets	¥ 771	¥ 553

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

	Millions of yen	
	2020	2019
Deferred tax assets	¥909	¥732
Deferred tax liabilities	¥137	¥179

2. Net operating loss carry forwards and its deferred tax assets by term as of March 31, 2020 and 2019 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 ¹	¥ 12	¥ 27	¥45	¥ 16	¥ 7	¥ 2,208	¥ 2,318
Valuation allowance	¥(12)	¥(27)	¥—	¥(16)	¥(7)	¥(2,208)	¥(2,272)
Deferred tax assets	¥—	¥—	¥45	¥—	¥—	¥—	¥ 45

March 31, 2019	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 ¹	¥ 2	¥ 11	¥ 27	¥ 0	¥ 17	¥ 1,735	¥ 1,794
Valuation allowance	¥(2)	¥(11)	¥(27)	¥(0)	¥(17)	¥(1,735)	¥(1,794)
Deferred tax assets	¥—	¥—	¥—	¥—	¥—	¥—	¥—

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

(2) Reconciliation of the material difference between the statutory tax rate and the effective income tax rate for the fiscal years ended March 31, 2020 and 2019 were as follows:

	2020	2019
Statutory tax rate	30.62%	30.62%
Non-deductible expenses, including entertainment expenses	0.06	0.07
Increase (decrease) in valuation allowance	(0.05)	10.68
Amortization of goodwill	—	0.58
Impairment losses on goodwill	—	4.85
Equity in losses of affiliates	3.67	0.28
Other	0.07	1.52
Effective tax rate	34.37%	48.60%

28. Changes in Net Assets

(1) Information on shares issued and treasury stock:

Type and number of shares issued and treasury stock for the fiscal years ended March 31, 2020 and 2019 were as follows:

Year ended March 31, 2020	Thousands of shares			
	April 1, 2019	Increase	Decrease	March 31, 2020
Shares issued				
Common stock ¹	1,192,464	165	13,500	1,179,129
Total	1,192,464	165	13,500	1,179,129
Treasury stock				
Common stock ^{2 and 3}	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.

Year ended March 31, 2019

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

Notes: 1. Increase in number of shares issued: 936 thousand shares due to exercise of subscription rights
2. Decrease in number of shares of treasury stock: 64 thousand shares due to issuance of the Bank's shares held by the BIP Trust and ESOP Trust.
3. The number of shares of treasury stock as of April 1, 2018 and March 31, 2019 includes 896 thousand shares and 831 thousand shares of the Bank held by the BIP Trust and ESOP Trust, respectively.

(2) Information on subscription rights to shares:

Year ended March 31, 2020

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

Year ended March 31, 2019

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

Note: There are no treasury subscription rights to shares.

(3) Information on dividends:

(a) Dividends paid in the fiscal years ended March 31, 2020 and 2019

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 ¹	¥7,154	Retained earnings	¥6.00	March 31, 2019	June 3, 2019
Common stock ²	¥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.

Year ended March 31, 2019

Year ended March 31, 2019 (Millions of yen, except per share amounts)					
Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock ¹	¥6,255	Retained earnings	¥5.25	March 31, 2018	June 1, 2018
Common stock ²	¥5,962	Retained earnings	¥5.00	September 30, 2018	December 3, 2018

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

(b) Dividends to be paid in the fiscal year ending 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	¥6,485	Retained earnings	¥5.50	March 31, 2020	June 1, 2020

Note: Date of resolution: Board of Directors meeting held on May 22, 2020
Aggregate amount of dividends to be paid includes ¥4 million of dividends on the Bank's shares held by the BIP Trust and ESOP Trust.

Cash dividends per share based on business results for the fiscal year ended March 31, 2020 were ¥11.00 annually with the year-end dividend of ¥5.50 added to the interim dividend of ¥5.50.

29. Related Party Transactions

Related party transactions for the fiscal years ended March 31, 2020 and 2019 were as follows:

(1) Transactions between the Bank and related parties

(a) Parent company and major shareholders

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. ¹	Other related companies	Payment of ATM placement fee expenses ²	¥14,153	Accrued expenses ³	¥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.

Year ended March 31, 2019

Related party	Category	Amounts of transactions		Balance at the end of fiscal year	
		Description of transactions	Millions of yen	Account title	Millions of yen
Seven-Eleven Japan Co., Ltd. ¹	Other related companies	Payment of ATM placement fee expenses ²	¥13,570	Accrued expenses ³	¥1,307

Notes: 1. 38.04% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2019.
2. Terms and conditions as well as decision policies of terms and conditions:
The terms and conditions as well as decision policies of terms and conditions associated with ATM placement fees are determined by comprehensively taking into account 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, 2020 and 2019.

(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, 2020 and 2019.

(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, 2020 and 2019.

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

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.

Year ended March 31, 2019

Related party	Category	Amounts of transactions		Balance at the end of fiscal year	
		Description of transactions	Millions of yen	Account title	Millions of yen
7-Eleven, Inc.	Same parent company	Payment of ATM placement fee expenses	¥10,622	Accrued expenses	¥893

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)

30. Lease Transactions

Finance Leases:

Disclosure is omitted as it is immaterial.

Operating Leases:

Future minimum lease payments under non-cancelable operating leases as of March 31, 2020 and 2019 were as follows:

	Millions of yen	
	2020	2019
Due within one year	¥ 590	¥ 584
Due after one year	1,071	1,577
Total	¥1,661	¥2,162

31. Derivative Financial Instruments and Hedging Transactions

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

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

Currency related transactions:

March 31, 2020

Category	Type	Millions of yen			
		Contract or notional amount	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.

March 31, 2019

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

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

Derivative transactions to which the hedge accounting method is applied:

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

Interest related transactions:

There were no interest related transactions as of March 31, 2020.

March 31, 2019

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

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

32. Stock Options

Outline of stock options and changes were as follows:

(1) Outline of stock options

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

	Fifth grant-1	Fifth grant-2
Title and number of grantees	6 directors	7 executive officers
Number of stock options ¹	363,000 common shares	77,000 common shares
Grant date	August 6, 2012	August 6, 2012
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 7, 2012 to August 6, 2042	From August 7, 2012 to August 6, 2042
	Sixth grant-1	Sixth grant-2
Title and number of grantees	6 directors	7 executive officers
Number of stock options ¹	216,000 common shares	43,000 common shares
Grant date	August 5, 2013	August 5, 2013
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 6, 2013 to August 5, 2043	From August 6, 2013 to August 5, 2043
	Seventh grant-1	Seventh grant-2
Title and number of grantees	6 directors	8 executive officers
Number of stock options ¹	193,000 common shares	44,000 common shares
Grant date	August 4, 2014	August 4, 2014
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 5, 2014 to August 4, 2044	From August 5, 2014 to August 4, 2044
	Eighth grant-1	Eighth grant-2
Title and number of grantees	6 directors	9 executive officers
Number of stock options ¹	138,000 common shares	39,000 common shares
Grant date	August 10, 2015	August 10, 2015
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 11, 2015 to August 10, 2045	From August 11, 2015 to August 10, 2045

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

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

(2) Scale and changes in stock options

The following describes scale and changes in stock options during the fiscal year ended March 31, 2020.

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

Fiscal year ended March 31, 2020:

Number of stock options

	First grant-1	Second grant-1
Before vested		
As of March 31, 2019	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2019	45,000	55,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	45,000	55,000
	Second grant-2	Third grant-1
Before vested		
As of March 31, 2019	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2019	9,000	180,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	9,000	180,000

	Fourth grant-1	Fourth grant-2
Before vested		
As of March 31, 2019	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2019	187,000	42,000
Vested	—	—
Exercised	—	29,000
Forfeited	—	—
Outstanding	187,000	13,000

	Fifth grant-1	Fifth grant-2
Before vested		
As of March 31, 2019	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2019	171,000	30,000
Vested	—	—
Exercised	25,000	10,000
Forfeited	—	—
Outstanding	146,000	20,000

	Sixth grant-1	Sixth grant-2
Before vested		
As of March 31, 2019	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2019	107,000	15,000
Vested	—	—
Exercised	14,000	5,000
Forfeited	—	—
Outstanding	93,000	10,000

	Seventh grant-1	Seventh grant-2
Before vested		
As of March 31, 2019	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2019	98,000	23,000
Vested	—	—
Exercised	17,000	5,000
Forfeited	—	—
Outstanding	81,000	18,000

	Eighth grant-1	Eighth grant-2
Before vested		
As of March 31, 2019	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2019	70,000	24,000
Vested	—	—
Exercised	12,000	5,000
Forfeited	—	—
Outstanding	58,000	19,000

	Ninth grant-1	Ninth grant-2
Before vested		
As of March 31, 2019	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2019	185,000	57,000
Vested	—	—
Exercised	25,000	18,000
Forfeited	—	—
Outstanding	160,000	39,000

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

Price information	Second grant-2	Third grant-1
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥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	—	¥279
Fair value at the grant date ¹	¥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	¥277	¥282
Fair value at the grant date ¹	¥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	¥277	¥282
Fair value at the grant date ¹	¥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	¥277	¥282
Fair value at the grant date ¹	¥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	¥277	¥282
Fair value at the grant date ¹	¥537,000 per subscription right to shares	¥537,000 per subscription right to shares

Price information	Ninth grant-1	Ninth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥277	¥290
Fair value at the grant date ¹	¥302,000 per subscription right to shares	¥302,000 per subscription right to shares

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

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

Not applicable for the fiscal year ended March 31, 2020.

(4) Estimation of the number of stock options vested

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

33. Asset Retirement Obligations

(1) Overview of asset retirement obligations

Asset retirement obligations are based upon estimated future restoration obligations pursuant to real estate lease agreements of head office and ATM installation agreements of the overseas consolidated subsidiaries.

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

Estimated useful life: 1-18 years

Discount rate: 0.4-5.5%

(3) The changes in asset retirement obligations for the fiscal years ended March 31, 2020 and 2019 were as follows:

	Millions of yen	
	2020	2019
Balance at the beginning of the year	¥814	¥355
Increase due to acquisition of tangible fixed assets	—	456
Accretion expense	4	4
Obligations settled in current period	(27)	(1)
Other increase (decrease)	(5)	—
Balance at the end of the year	¥785	¥814

34. Per Share Data

Amounts per share as of March 31, 2020 and 2019 and for the fiscal years then ended were as follows:

March 31	Yen	
	2020	2019
Net assets per share	¥187.73	¥178.37

Years ended March 31	Yen	
	2020	2019
Net income per share	¥22.14	¥11.11
Net income per share (diluted)	¥22.11	¥11.09

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, 2020 and 2019 were 798 thousand and 831 thousand, respectively.

March 31	Millions of yen, except thousands of shares	
	2020	2019
Net assets	¥ 222,833	¥ 212,890
Amount excluded from net assets	1,621	332
Subscription rights to shares (inclusive)	274	320
Non-controlling interests	1,346	11
Net assets attributable to common stock at the fiscal year end	¥ 221,212	¥ 212,557
Number of shares of common stock at the fiscal year end used for the calculation of net assets per share	1,178,330	1,191,632

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, 2020 and 2019 were 809 thousand and 852 thousand, respectively.

Years ended March 31	Millions of yen, except thousands of shares	
	2020	2019
Net income per share		
Net income attributable to owners of the parent	¥ 26,162	¥ 13,236
Amount not attributable to common shareholders	—	—
Net income attributable to common shareholders of the parent	¥ 26,162	¥ 13,236
Average number of shares of common stock during the year	1,181,606	1,191,405
Net income per share (diluted)		
Adjustment for net income attributable to owners of the parent	¥ —	¥ —
Increase in number of shares of common stock	1,167	1,499
Subscription rights to shares (inclusive)	1,167	1,499
Description of dilutive shares not included in the calculation of net income per share (diluted) because the shares have no dilutive effects	—	—

35. Segment Information

(1) Overview of reportable segments

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

Year ended March 31, 2019

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

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

Related Information

(1) Information by service

The amount of ordinary income attributable to external customers for ATM-related business exceeds 90% of that on the consolidated statements of income for the fiscal years ended March 31, 2020 and 2019; therefore, information by service is omitted.

(2) Information by geographical area

(a) Ordinary income

For the fiscal year ended March 31, 2020

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

For the fiscal year ended March 31, 2019

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

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, 2020

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

For the fiscal year ended March 31, 2019

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

(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, 2020 and 2019.

Information on impairment losses on fixed assets for each reportable segment

For the fiscal year ended March 31, 2020

None

For the fiscal year ended March 31, 2019

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

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

For the fiscal year ended March 31, 2020

None

For the fiscal year ended March 31, 2019

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

Independent Auditor's Report

36. Significant Subsequent Events

As of June 30, 2020, it became necessary to revisit investees' business plans that were used to determine the necessity of any impairment on certain securities, due to the impact of the novel coronavirus disease (COVID-19). In consideration of the businesses and current performance results of the investees, certain investees have revised their initial business plans based on the assumption that the impact of COVID-19 will be contained in about six months to twelve months.

While the Bank has assessed that an impairment is not necessary as of June 30, 2020 based on the revised business plans, the consolidated financial statements for the following fiscal year may be affected, depending on the situation of COVID-19 and its impact on the economy.



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, 2020 and 2019, 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, 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, 2020 and 2019, and its consolidated financial performance and 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.

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 including 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.

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/ Yukihisa Tatsumi
Designated Engagement Partner
Certified Public Accountant

/S/ Tomoaki Takeuchi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 12, 2020

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, 2020)

The Company

Company Name	Seven Bank, Ltd.	Number of Employees	487 (Non-consolidated, excluding officers, executive officers, temporary staff and part-time employees)
Head Office	1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan	Credit Ratings	[S&P] Long-term counterparty issuer rating "A +" Outlook "positive" Short-term counterparty issuer rating "A-1" [Rating & Investment Information, Inc. (R&I)] Issuer rating "AA" Outlook "stable"
Chairman and Representative Director	Kensuke Futagoishi		
President and Representative Director	Yasuaki Funatake		
Established	April 10, 2001		
Initiated Operations	May 7, 2001		
Common Stock	30,702 million yen		
Number of Shares Issued	1,179,129,000		

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 MUJLA INTERNASIONAL	Jakarta Special Capital Region, Indonesia	President Director: Jo Watabe	June 10, 2014	128,100 million Indonesian Rupiah	ATM operation business	67.91%	—
Bank Business Factory Co., Ltd.	134 Kodo-cho, Hodogaya-ku, Yokohama-shi, Kanagawa Prefecture, Japan	President and Representative Director: Yasuyuki Yanaba	July 1, 2014	100 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	Fund transfer business	100%	—
Pito AxM Platform, Inc.	Makati, Manila Metropolitan Area, Republic of the Philippines	President and Director: Masaki Yagyu	April 1, 2019	85 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	Fund transfer business	100%	—
ACSION, Ltd.	1-6-1 Otemachi, Chiyoda-ku, Tokyo, Japan	President: Yoshiaki Yasuda	July 16, 2019	300 million yen	Personal authentication and fraud detection platform business Consulting 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 business and credit management business	60%	—

Name and Address of Branches and Outlets (As of March 31, 2020)

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

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

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

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

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

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

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

Joint Outlets

Bank Agency

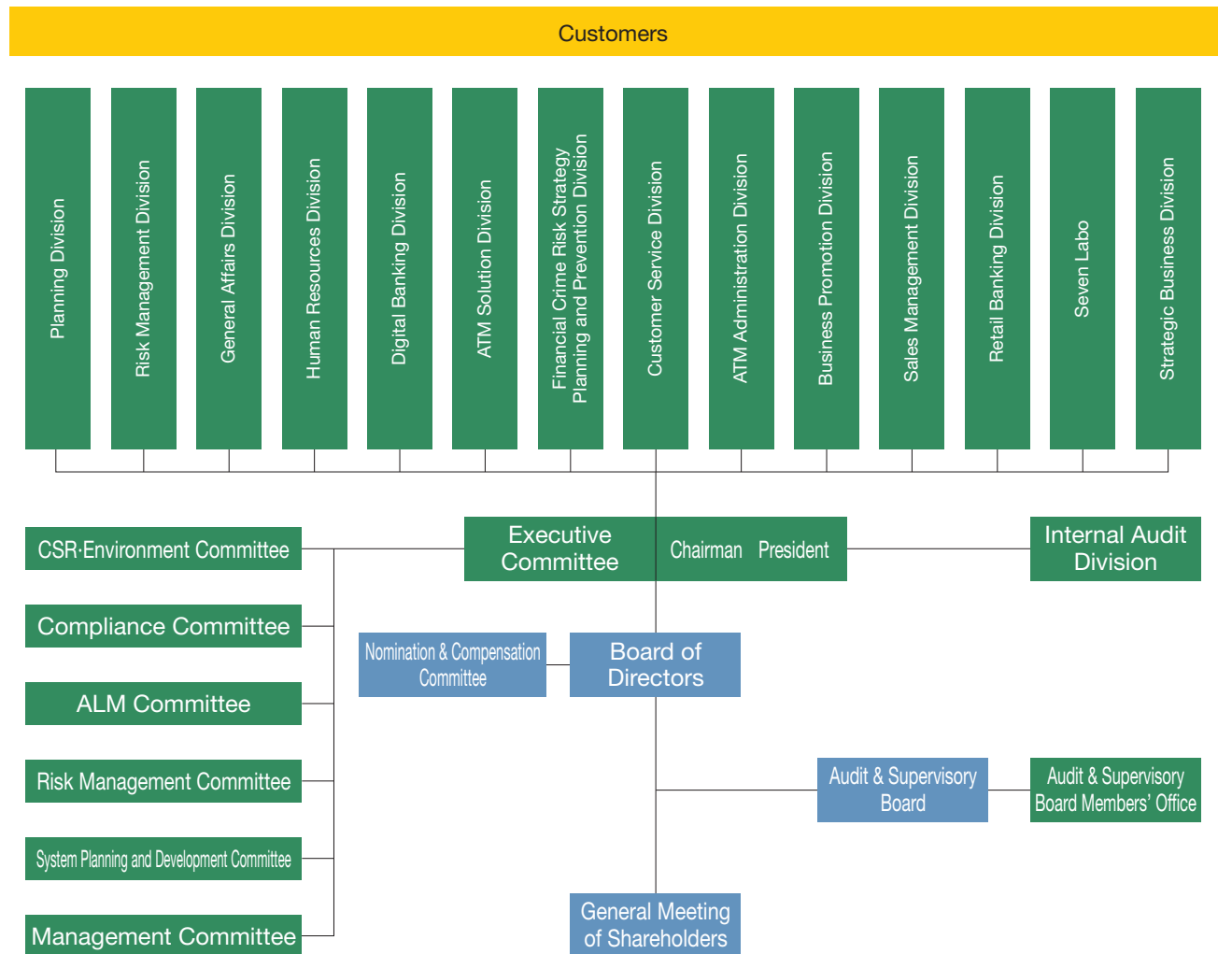
Number of ATM installation locations and number of ATMs installed according to outlet

	Number of locations	Number of ATMs
Seven-Eleven	20,772	22,165
Others	2,617	3,050
Total	23,389	25,215

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

- Relia, Inc.**
Location: 2-6-5, Yoyogi, Shibuya-ku, Tokyo
- Seven Global Remit, Ltd.**
Location: 1-6-1 Marunouchi, Chiyoda-ku, Tokyo

Organization Chart (As of April 1, 2020)

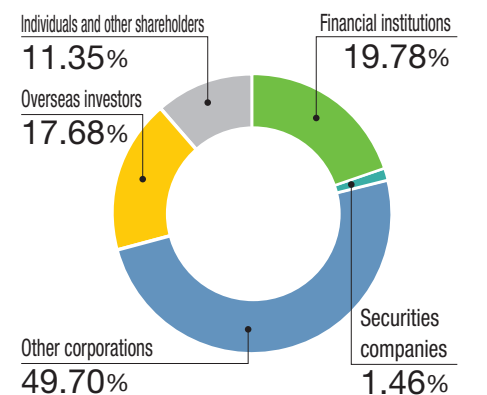


Status of Major Shareholders (As of March 31, 2020)

Shareholder name/title	Number of shares (Thousands of shares)	Holding (%)
Seven-Eleven Japan Co., Ltd.	453,639	38.47
Ito-Yokado Co., Ltd.	46,961	3.98
York-Benimaru Co., Ltd.	45,000	3.81
The Master Trust Bank of Japan, Ltd. (trust account)	41,890	3.55
Japan Trustee Services Bank, Ltd. (trust account)	36,488	3.09
STATE STREET CLIENT OMNIBUS ACCOUNT OM44	15,562	1.31
Sumitomo Mitsui Banking Corporation	15,000	1.27
The Dai-ichi Life Insurance Company, Limited	15,000	1.27
Japan Trustee Services Bank, Ltd. (trust account 9)	13,422	1.13
Japan Trustee Services Bank, Ltd. (trust account 5)	13,418	1.13













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

Composition of Shareholders (As of March 31, 2020)



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

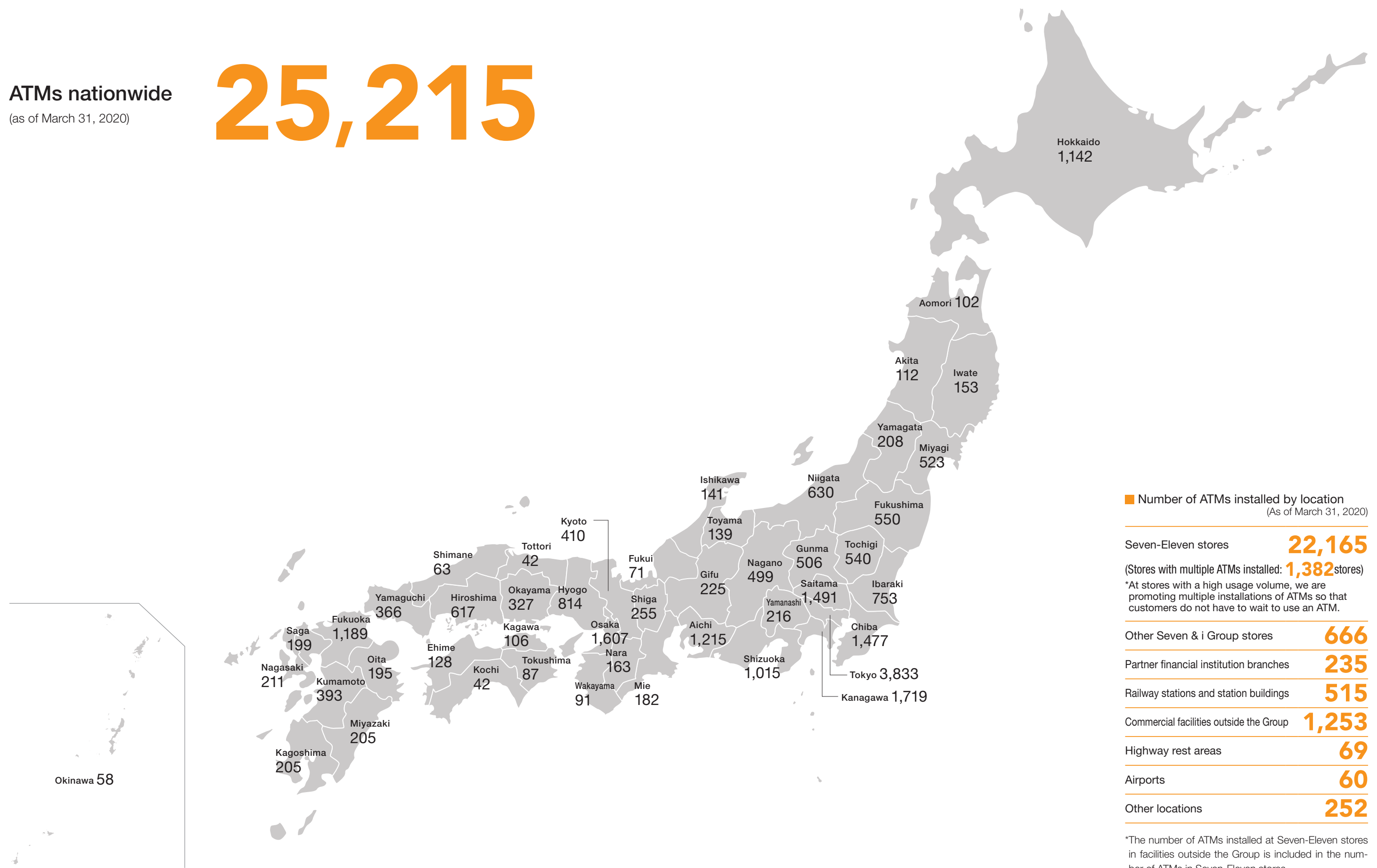
History (As of March 31, 2020)

<p>2001</p> <p>April 6 Preliminary license received</p>  <p>Preliminary license received</p> <p>April 10 IY Bank Co., Ltd. established (common stock: 20,205 million yen)</p>  <p>アイワイバンク銀行</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>Ceremony for the start of ATM services</p>  <p>First-generation ATM</p> <p>May 23 Joined Japanese Bankers Association (full member)</p> <p>June 11 Connected to Zengin system</p> <p>June 13 Connected to BANCS</p> <p>June 18 Initiated money transfer services</p> <p>July 13 Number of ATMs installed exceeded 1,000</p> <p>August 30 First third-party allocation of shares (common stock: 30,805 million yen)</p> <p>December 17 Initiated Internet, mobile and telephone banking services</p> <p>2002</p> <p>March 27 Second third-party allocation of shares (common stock: 61,000 million yen)</p>	<p>2003</p> <p>March 24 Number of ATMs installed exceeded 5,000</p> <p>2004</p> <p>July 7 Established Customer Service Division</p> <p>2005</p> <p>April 1 Initiated operation of ATM Call Center (Osaka)</p> <p>April 4 Number of ATMs installed exceeded 10,000 Began handling time deposits for defined contribution pension plans</p> <p>April 27 Established first staffed outlet in Ito-Yokado Soga store</p> <p>July 26 Introduction of second-generation ATMs</p>  <p>Second-generation ATM</p> <p>October 11 Company name changed to Seven Bank, Ltd.</p>   <p>Seven Bank IC cash card</p> <p>2006</p> <p>January 3 Began operation of new accounting system</p> <p>March 20 Began providing time deposit service</p> <p>April 3 Began accepting IC cash cards</p> <p>September 1 Common stock reduced (common stock of 61,000 million yen reduced by transfer of 30,500 million yen to capital surplus)</p> <p>2007</p> <p>June 25 First dividend paid since establishment Began receiving outsourcing of ATM operation and administration</p> <p>July 11 Initiated services for cards issued overseas</p> <p>September 3 Began loading money onto <i>nanaco</i> electronic money cards at ATMs</p> <p>September 27 Completed installation of ATMs in Seven-Eleven and Ito-Yokado operating areas (36 prefectures at the time)</p> <p>November 26 Initiated ATM services for visually impaired customers (voice-guided transactions)</p> <p>December 17 Completed installation of ATMs in all 47 prefectures</p> <p>2008</p> <p>February 29 Listed on the JASDAQ Securities Exchange (currently the Tokyo Stock Exchange JASDAQ Market)</p>	<p>2009</p> <p>April 1 Established the Financial Crime Prevention Office (now the Financial Crime Risk Strategy Planning and Prevention Division)</p> <p>2010</p> <p>January 25 Initiated personal loan services</p> <p>July 7 Established directly managed ATM corner</p>  <p>Shinjuku Kabukicho corner (internal view)</p> <p>November 5 Number of ATMs installed exceeded 15,000</p> <p>November 29 Introduction of third-generation ATMs</p>  <p>Third-generation ATM</p> <p>2011</p> <p>March 22 Initiated international money transfer services (initiated Internet and mobile banking services)</p> <p>July 19 Initiated international money transfer services by ATM</p> <p>December 1 1,000-for-1 stock split Adopted share unit number system with 100 shares per unit</p> <p>December 26 Listed on the First Section of the Tokyo Stock Exchange</p>  <p>Listing ceremony</p> <p>2012</p> <p>June 27 Number of Seven Bank accounts exceeded 1 million</p> <p>October 6 Acquired all issued shares of Financial Consulting & Trading International, Inc. of the United States to make it a wholly owned subsidiary</p> <p>2013</p> <p>February 1 Customer Service Center for International Money Transfers began operation</p> <p>September 27 U.S.-based subsidiary Financial Consulting & Trading International, Inc. acquired the ATM business of Global Access Corp.</p>	<p>2014</p> <p>January 8 Initiated Seven Bank account ATM transaction screens in nine languages</p> <p>June 10 Established PT. ABADI TAMBAH MULIA INTERNASIONAL ("ATMI"), a joint venture operating ATMs in Indonesia</p> <p>July 1 Established Bank Business Factory Co., Ltd., a wholly owned subsidiary engaged in back-office support on commission</p> <p>July 31 Number of ATMs installed exceeded 20,000</p> <p>2015</p> <p>October 1 Financial Consulting & Trading International, Inc., a subsidiary in the United States, changed its name to "FCTI, Inc."</p> <p>December 16 Expansion of language options on ATM screens and slips to 12 languages, etc. when cards issued overseas are used</p> <p>2016</p> <p>October 17 Began issuing cash cards with a debit function</p> <p>2017</p> <p>March 27 Began offering the ATM deposit/withdrawal service via smartphones</p> <p>2018</p> <p>January 11 Established Seven Payment Service, Ltd., a wholly owned subsidiary, which conducts remittance and settlement services</p> <p>May 7 Seven Payment Service, Ltd. began offering ATM cash receiving services.</p> <p>October 15 Began handling a top-up service at ATMs for electronic money to transportation IC cards, etc.</p> <p>2019</p> <p>April 1 Established Pito AxM Platform, Inc., a wholly owned subsidiary in the Philippines operating ATMs</p> <p>June 3 Established Seven Global Remit, Ltd., a wholly owned subsidiary engaged in financial services for foreign nationals in Japan</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>2020</p> <p>January 22 Established Credd Finance, Ltd., a joint venture engaged in credit-related services for foreign nationals in Japan</p>
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Principal Data

ATMs nationwide
(as of March 31, 2020)

25,215



Number of ATMs installed by location
(As of March 31, 2020)

Seven-Eleven stores	22,165
(Stores with multiple ATMs installed: 1,382 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	666
Partner financial institution branches	235
Railway stations and station buildings	515
Commercial facilities outside the Group	1,253
Highway rest areas	69
Airports	60
Other locations	252

*The number of ATMs installed at Seven-Eleven stores in facilities outside the Group is included in the number of ATMs in Seven-Eleven stores.

Principal Data

Partner Deposit-taking Financial Institutions (as of May 31, 2020)

Banks by location of head office

Hokkaido/Tohoku region



Kanto region



Chubu region



Kinki region



Chugoku/Shikoku region



Kyushu/Okinawa region



Overseas banks



Financial Institutions, Etc. (as of May 31, 2020)

Securities companies



Life insurance companies



Alliance Network (as of May 31, 2020)

Cards issued overseas (international brands)



*There are some cards that have the same marks but cannot be accepted at our ATMs.

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



Electronic money



*These are the logos of some of the services provided.

Principal Data

(Fiscal Year)

Financial Highlights

		Non-consolidated				Consolidated								
Amounts less than one unit have been truncated.		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Items on the Statement of Income:	Ordinary income	(Millions of yen)	89,815	88,830	83,964	88,318	94,965	105,587	114,036	119,939	121,608	127,656	147,288	148,553
	Ordinary expenses	(Millions of yen)	61,064	58,422	56,514	58,761	63,094	69,801	76,997	82,772	84,897	89,350	106,574	108,716
	Ordinary profit	(Millions of yen)	28,751	30,407	27,449	29,557	31,871	35,786	37,038	37,167	36,710	38,305	40,714	39,836
	Net income ^{*1}	(Millions of yen)	16,988	17,953	16,008	17,267	19,377	21,236	23,220	24,716	25,114	25,301	13,236	26,162
	Depreciation and amortization ^{*2}	(Millions of yen)	15,402	12,846	11,603	12,355	14,001	12,493	16,251	18,779	18,766	17,102	17,529	14,634
	EBITDA ^{*2}	(Millions of yen)	44,153	43,253	39,052	41,912	45,872	48,279	53,289	55,946	55,477	55,408	58,244	54,471
Items on the Balance Sheet:	Total assets	(Millions of yen)	493,360	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
	Deposits ^{*3}	(Millions of yen)	229,311	219,008	333,382	372,271	394,615	438,348	502,285	547,865	572,353	623,581	679,474	684,560
	Total liabilities	(Millions of yen)	394,966	392,843	485,522	527,326	674,486	636,968	686,525	730,590	758,710	810,458	929,036	863,051
	Total net assets	(Millions of yen)	98,393	109,939	114,539	125,629	138,045	153,408	169,890	184,794	199,081	212,027	212,890	222,833
Per share data ^{*4} :	EPS (Earnings per share)	(Yen)	13.92	14.71	13.19	14.49	16.27	17.83	19.49	20.75	21.07	21.24	11.11	22.14
	DPS (Dividend per share)	(Yen)	4.90	5.20	5.20	6.20	6.75	7.50	8.00	8.50	9.00	10.00	11.00	11.00
	Payout ratio	(%)	35.1	35.3	39.3	42.7	41.4	42.0	41.0	40.9	42.6	47.0	99.0	49.6
Management indicators:	EBITDA margin ^{*5}	(%)	49.1	48.60	46.5	47.4	48.2	45.7	46.7	46.6	45.6	43.4	39.5	36.6
	ROE (Return on equity) ^{*6}	(%)	16.9	16.1	13.2	13.5	14.7	14.6	14.4	13.9	13.1	12.3	6.2	12.0
	Capital adequacy ratio ^{*7}	(%)	19.9	21.8	19.0	19.2	16.9	19.3	19.7	20.1	20.7	20.6	18.6	20.3
	PER (Price-to-earnings ratio)	(Times)	18.8	12.7	12.6	12.3	18.7	22.7	30.4	23.1	17.2	15.9	6.2	11.9
Cash flow:	Cash flow from operating activities	(Millions of yen)	32,662	30,527	125,487	1,401	118,550	91,940	99,931	66,482	88,118	31,466	117,471	89,619
	Cash flow from investing activities	(Millions of yen)	(11,664)	(10,518)	(23,140)	(11,703)	(6,927)	(50,668)	4,994	(11,634)	(28,818)	(3,649)	(34,882)	(5,801)
	Cash flow from financing activities	(Millions of yen)	(7,686)	(6,405)	(11,526)	(6,192)	(8,157)	(8,333)	(9,204)	(9,826)	(10,446)	(11,729)	(12,246)	(16,009)
Capital investments:	Capital investment amounts	(Millions of yen)	14,169	9,958	11,824	12,205	21,918	24,054	19,037	17,216	14,213	11,900	10,826	16,694
	For domestic business ATMs	(Millions of yen)	8,856	1,942	2,908	7,244	13,044	13,858	10,698	8,885	4,052	1,673	1,986	3,556
	For domestic business software	(Millions of yen)	4,760	7,115	8,053	4,303	7,118	7,933	7,122	7,550	8,756	9,863	7,589	11,567
Number of employees:	Number of employees (excluding part-time workers)	(Persons)	308	329	328	409	490	543	576	619	634	654	657	713

*1. Refers to net income attributable to owners of the parent in and after fiscal 2012.

*2. Depreciation and amortization (excluding goodwill). EBITDA = Ordinary profit + Depreciation and amortization

*3. Including negotiable certificates of deposits

*4. On December 1, 2011, Seven Bank conducted a 1,000-for-1 stock split. Per share data before fiscal 2010 reflect the stock split.

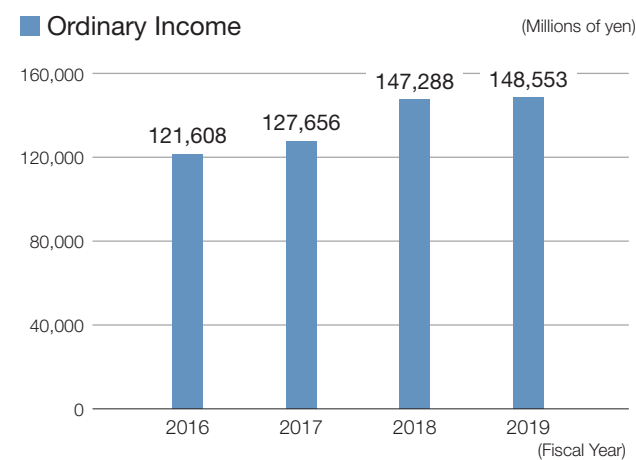
*5. EBITDA margin = EBITDA/ordinary income

*6. ROE = net income/average total shareholders' equity

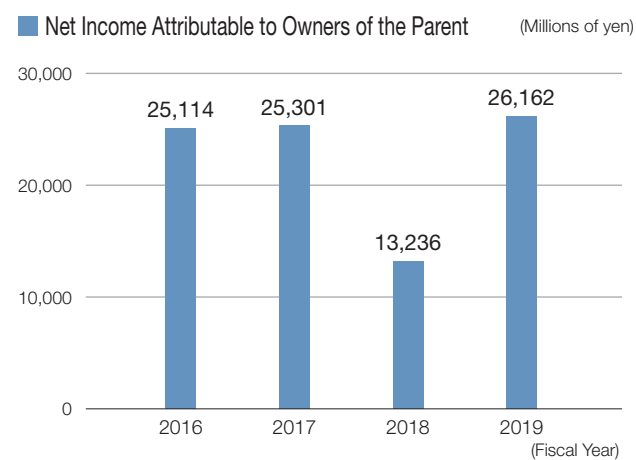
*7. Capital adequacy ratio = (year-end total net assets - year-end subscription rights to shares - year-end non-controlling interests) / year-end total assets. The "Capital adequacy ratio" does not refer to the capital ratio that is prescribed in the "Notices on the Capital Ratio Requirements."

Consolidated

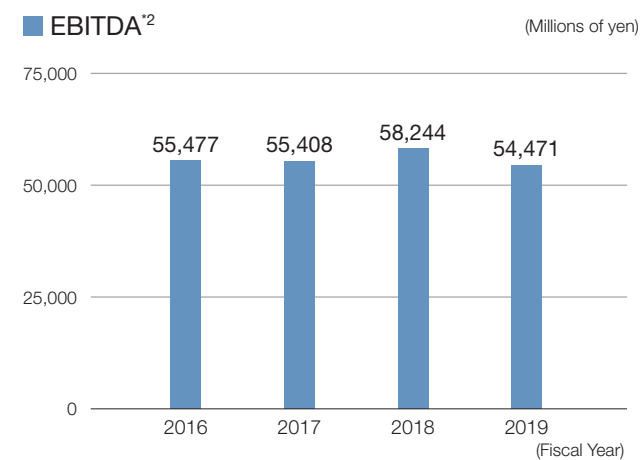
Ordinary Income



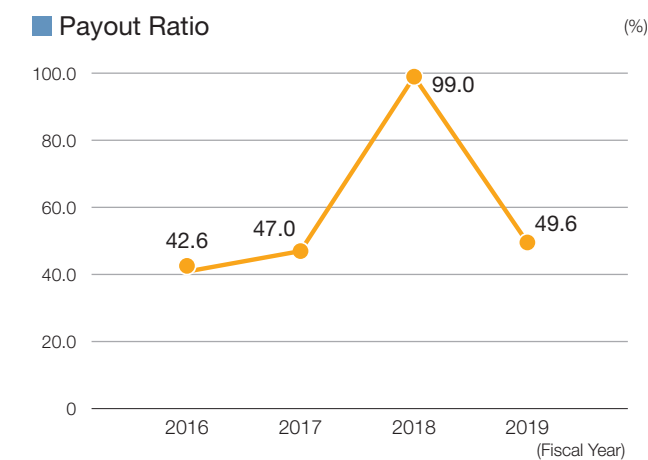
Net Income Attributable to Owners of the Parent



EBITDA^{*2}



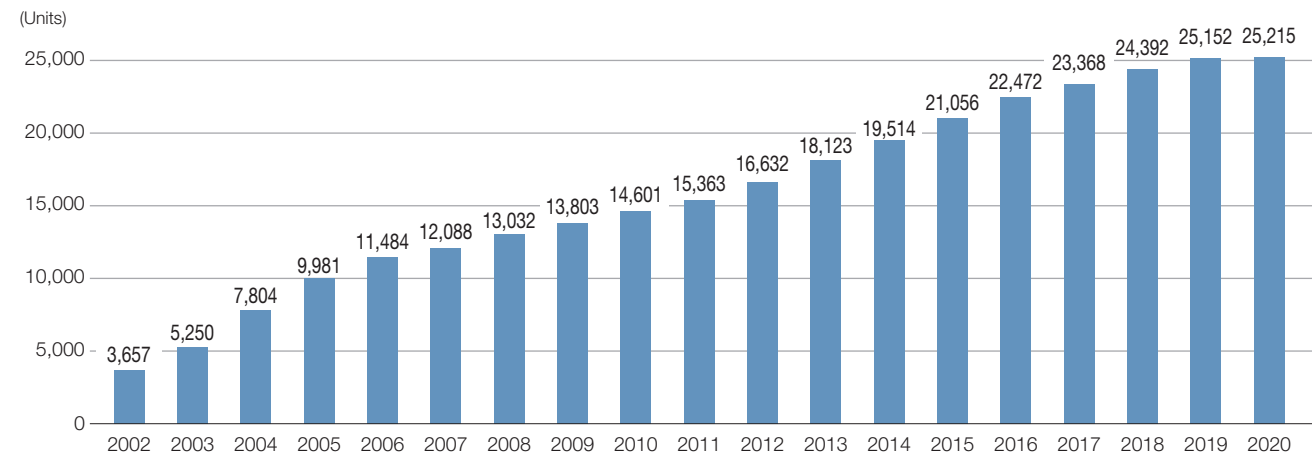
Payout Ratio



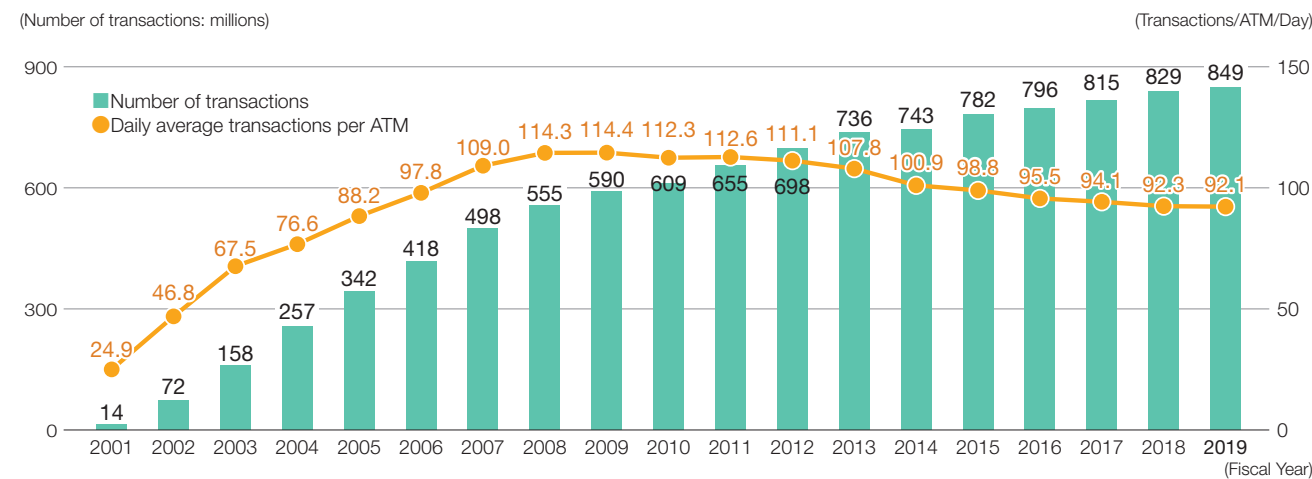
Principal Data

Growth Trajectory of Seven Bank's ATM

■ Number of ATMs installed as of March 31



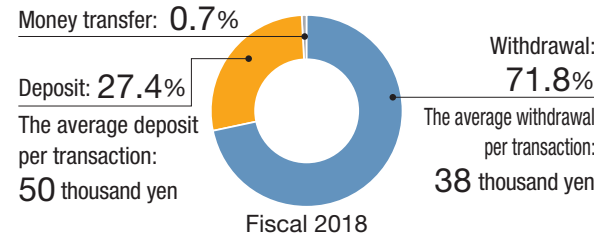
■ Number of ATM transactions per Fiscal Year¹ and Daily Average Transactions per ATM¹



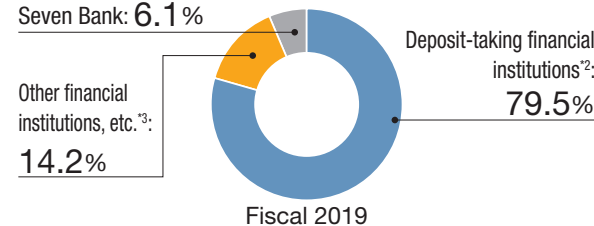
■ Number of ATMs Installed by Location (as of March 31, 2020: 25,215 units)

Within Seven & i Group	Total	Outside the Group	Total
Seven-Eleven (Stores with multiple units installed: 1,382)	22,165	Commercial facilities	1,253
Ito-Yokado	284	Financial institutions	235
York-Benimaru	231	Railway stations and station buildings	515
York Mart	75	Highway rest areas	69
Seibu	13	Airports	60
Sogo	12	Others	252
LOFT	5		
Akachan Honpo	3		
Denny's	2		
Directly managed ATM corner	13		
Headquarters, etc.	28		

■ Number of ATM Transactions by Service¹ Breakdown (excluding Seven Bank)



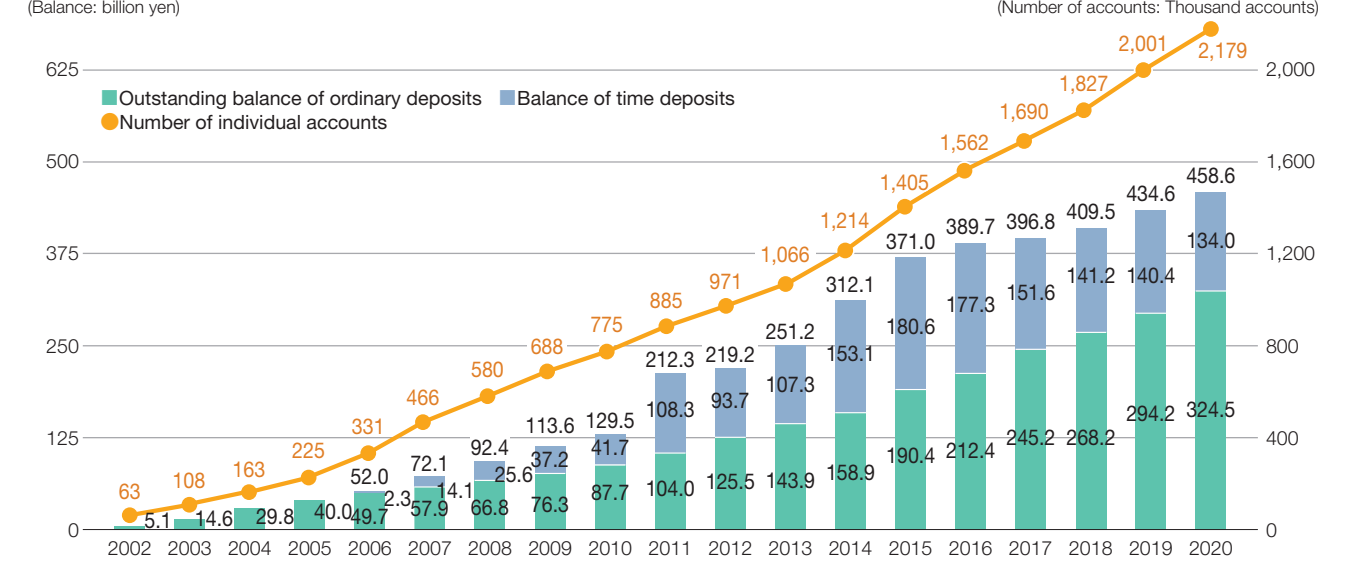
■ Number of ATM Transactions by Business Category¹ Breakdown



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

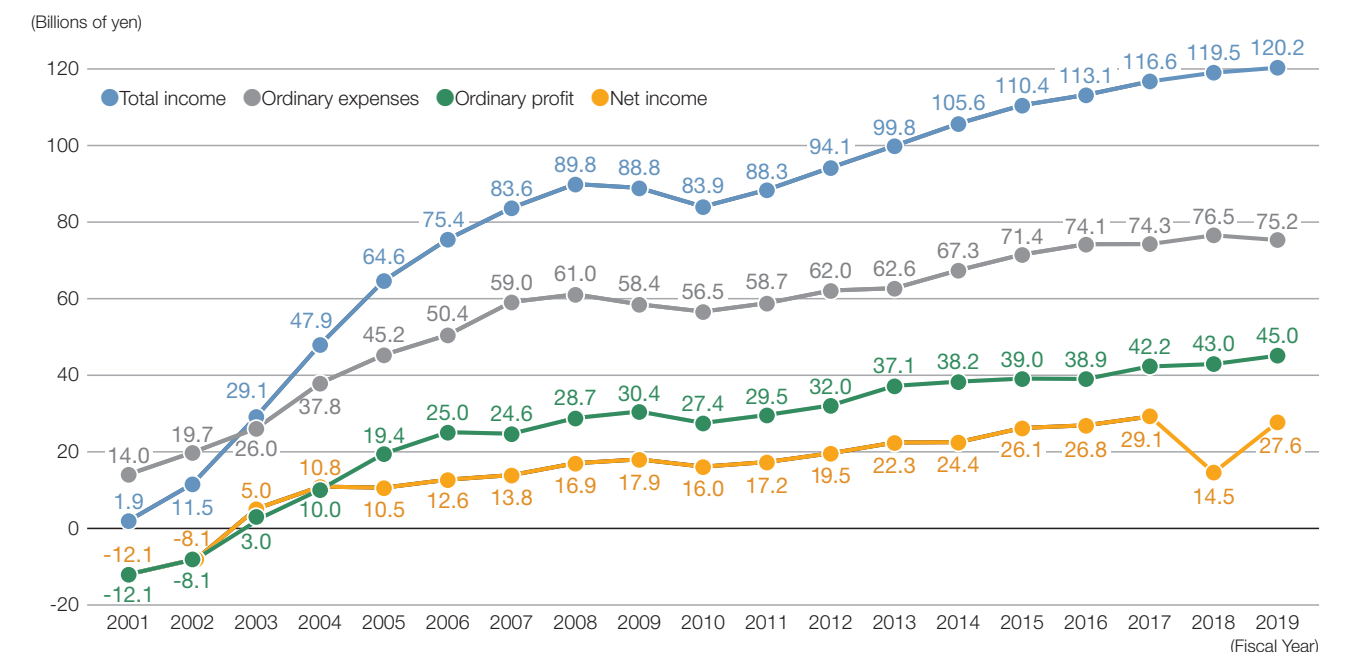
Growth Trajectory of Seven Bank's Accounts (individuals)

■ 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, and usage limit change are not included.
 *2. Deposit-taking financial institutions: Banks (excluding Seven Bank), Shinkin banks, credit cooperatives, labor banks, the JA Bank, the JF Marine Bank, the Shoko Chukin Bank.
 *3. Other financial institutions, etc.: securities companies, life insurance companies, credit card companies, consumer finance companies, business loan providers, operating companies, cards issued overseas.