

SEVEN BANK, LTD.

Annual Report 2017

For the year ended March 31, 2017



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

In response to such comments from customers, Seven Bank was established and it 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 some years or some decades.

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



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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.

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.

We will leverage our Medium-Term Management Plan as a Bridge to the Next Growth Stage.

We sincerely appreciate your using the services provided by Seven Bank.

Since its establishment in 2001, Seven Bank has made continuous efforts to provide ATM services that can be accessed “anytime, anywhere, by anyone, and with safety and security.” In the year ended March 31, 2017, the number of ATMs installed in Japan, which are used by approximately 2.2 million customers a day, exceeded 23,000.

In recent years, the business environment surrounding the Bank has seen radical changes including the spread of smartphones, the emergence of new settlement services and changes in customers’ lifestyles.

To address such changes in our business environment, Seven Bank has announced a three-year Medium-Term Management Plan (the “Plan”). Although our businesses have centered on ATM services to date, we will now strive to diversify our businesses while steadily expanding ATM services as our main business. Positioning the three years under this Plan as a bridge to the next growth stage, we will solidify our new growth stage by making full efforts to achieve the Plan.

Being a provider of ATM services as part of the social infrastructure, the Bank regards it an important responsibility to continue to provide a secure and efficient settlement infrastructure for customers. Under the Management Policy of achieving corporate growth while solving social issues, we will continue sincere efforts to deliver safe and secure services for all customers.

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

July 2017



Takashi Anzai
Chairman and Representative Director



Kensuke Futagoishi
President and Representative Director

Seven Bank's Growth and History

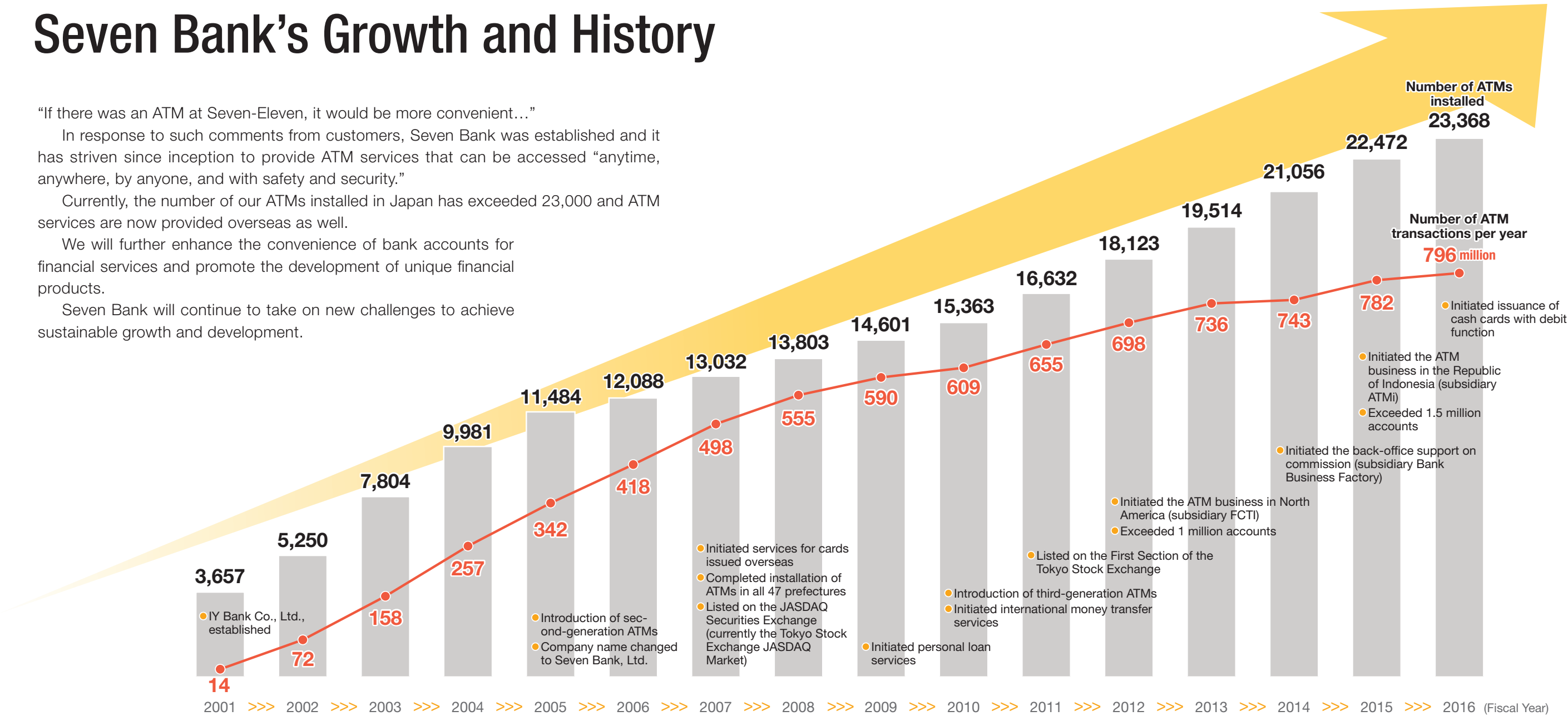
“If there was an ATM at Seven-Eleven, it would be more convenient...”

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

Currently, the number of our ATMs installed in Japan has exceeded 23,000 and ATM services are now provided overseas as well.

We will further enhance the convenience of bank accounts for financial services and promote the development of unique financial products.

Seven Bank will continue to take on new challenges to achieve sustainable growth and development.



Corporate Value in Numbers (As of March 31, 2017)

Scale of Business

Number of ATM installations **23,368 units**

During the year ended March 31, 2017, we promoted the installation of ATMs at various locations, including Seven-Eleven stores. This resulted in an increase of 896 units in the number of ATMs installed.

Number of Partner Financial Institutions, etc. **601**

We aim to partner with all financial institutions so that any cards held by customers will be available at our ATMs.

Profitability

ROE **13.1%**

Regarding the return on equity (consolidated), or net income divided by average total shareholders' equity, Seven Bank has maintained a level of over 13% in recent years.

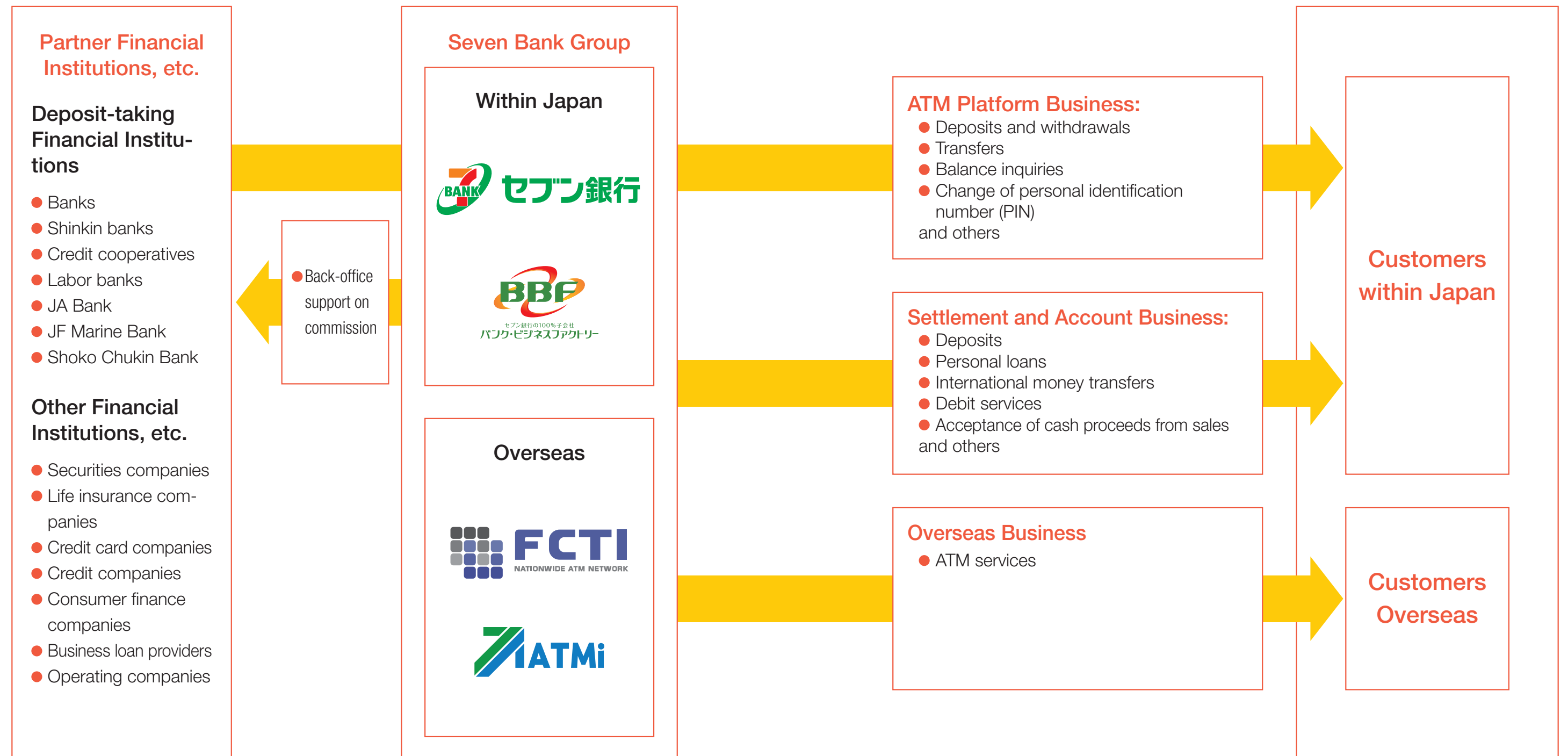
Shareholder Returns

Payout ratio **42.6%**

Regarding returns to our shareholders, Seven Bank targets an annual minimum payout ratio of 40% or more from fiscal 2017.

Major Businesses

Seven Bank creates “new kinds of convenience” based on its network of ATMs accessible 24 hours a day, 365 days a year in partnership with financial institutions. In addition, we also provide ATM services overseas and back-office support on commission through our subsidiaries.



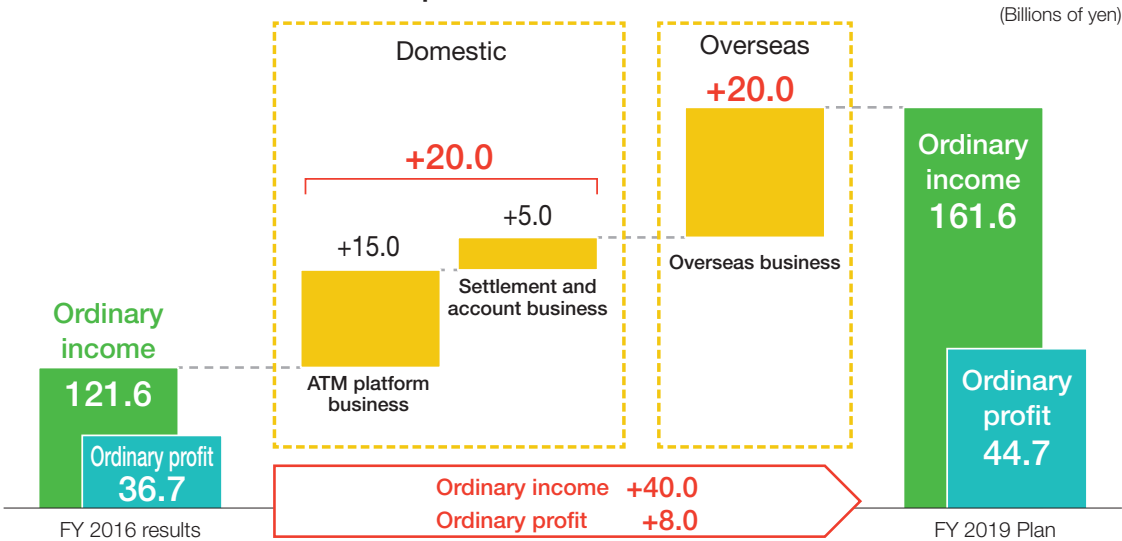
Seven Bank Medium-Term Management Plan 2017–2019

In fiscal 2017, our earnings environment is predicted to continue to be strong mainly because the number of our ATMs to be installed is expected to grow along with the opening of more Seven-Eleven stores and further development outside the Seven & i Group. On the other hand, changes in domestic and overseas macro economies and the increasingly diverse settlement methods as technologies evolve could affect our earnings.

To achieve our sustainable growth under these circumstances, we recognize as a crucial issue the need to create a broad-based earnings structure. To solve the issue, we formulated the Medium-Term Management Plan with fiscal 2019 as its final year.

Outline of the Medium-Term Management Plan

- **Basic Policy** **Achieve growth in our main business as we diversify our operations**
- **Businesses to be strengthened**
1 ATM platform business 2 Settlement and account business 3 Overseas business
- **Targets of the three-year period (consolidated)**
Ordinary income 161.6 billion yen Ordinary profit 44.7 billion yen ROE 13% or higher



Specific Initiatives

1 ATM platform business

- Positioning our nationwide ATM network with more than 23,000 units as our platform, we will develop initiatives to increase the number of business partners and customers.
- By providing services that cater to our existing partner financial institutions and businesses that have newly entered the settlement market, we will strive to create ATM utilization styles that transcend convention.
 - Promote the installation of ATMs within and outside the Group, aiming for a net increase of 3,000 units in three years.
 - Improve the utilization rate by enhancing the user environment and other measures.

2 Settlement and account business

- In addition to improving convenience and enhancing profitability of our existing services such as personal loan services and international money transfer services, we will strive to further increase earnings by developing our proprietary services utilizing new technologies. We will also promote initiatives to provide new financial services such as a settlement service in collaboration with financial companies in the Seven & i Group.
- Group Financial Strategy
 - Provide new settlement services for as many as 22 million customers a day who visit stores of the Group.
 - Provide financial services suitable for the Seven & i Group

3 Overseas business

- We will strive for the smooth installation and stable operation of ATMs in 7-Eleven stores in the United States and pursue synergies with 7-Eleven, Inc. (SEI) to provide new services. We will also leverage our expertise cultivated in Japan to develop new operations overseas.
- Increase the number of ATMs to around 14,000 units by installing ATMs in U.S. 7-Eleven stores.
 - Develop our overseas business in Indonesia and other regions by maximizing the Bank's know-how and infrastructure.

Capital Policy

We will allocate the net income to be created in the next three years primarily to investment for growth and enhancing shareholder returns.

- **Investment for growth**
Proactive investment mainly in improving our ATM infrastructure
- **Further enhancement of management base**
Materialize the Group financial strategy, prepare for new investment opportunities and address the BCP (business continuity plan)
- **Shareholder returns**
Use results of income growth to enhance returns, with a minimum payout ratio of 40% or more



We will continue to change with the times and our customers.

Kensuke Futagoishi
President and Representative Director

Q First, let us hear your comments on the business performance in fiscal 2016.

For fiscal 2016, we achieved an increase in revenues but recorded our first profit decline in six fiscal years, chiefly due to the lower-than-expected growth in the number of ATM transactions in the domestic market and expenses in preparation for the installation of ATMs at Seven-Eleven stores in the United States for the overseas business.

The number of ATMs installed in Japan increased to 23,368 units at the end of fiscal 2016, primarily due to installations at newly opened Seven-Eleven stores

and active efforts to install ATMs at locations outside the Seven & i Group. The number of ATM transactions suffered sluggish growth, mainly reflecting a downturn in consumer confidence caused by the introduction of the negative interest rate, but has been gaining upward momentum in 2017.

Regarding the settlement and account business, we achieved steady growth in revenues from the debit service, which started in October 2016, as well as the personal loan service, the international money transfer service and other services. In addition, efforts to provide new services from the standpoint of customers have been increasingly active, including the development of new applications and services.

Regarding the overseas business, we have proceeded with preparations, in terms of systems and human resources, for the installation of ATMs at 7-Eleven stores in the United States that will begin in the summer of 2017.

As a result of these efforts, I recognize that our businesses proceeded as planned overall, with satisfactory results for fiscal 2016.

Q Tell us about your outlook for results in fiscal 2017.

As for the number of ATM installations in Japan, we plan for a net increase of more than 900 units during fiscal 2017. By taking measures to increase the number of ATM transactions, we expect the total number of ATM transactions in fiscal 2017 to increase 3.0% from the previous year to 820 million. The replacement of third-generation ATMs was completed in September 2016, and there will be less requirements for depreciation and amortization. In addition, by increasing the efficiency of operations, we seek to expand profitability. Accordingly, we expect increases in consolidated revenues and profits in fiscal 2017 with a forecast of 130.8 billion yen in ordinary income (up 7.5% from the previous year), 38.6 billion yen in ordinary profit (up 5.1%) and 26.4 billion yen in net income attributable to owners of the parent (up 5.1%).

For the five years following 2010, we have increased the number of ATM installations significantly along with the active opening of Seven-Eleven stores. From now, we will focus more on reviewing the user environment, and for installation of stores outside the Seven & i Group, we will carefully examine the conditions for each installation to focus on locations with a potential for high utilization rate.

Q You released the Medium-Term Management Plan from fiscal 2017 to 2019. What kind of business environment did you assume in formulating the plan?

Every business eventually reaches a period of maturation. Although the ATM platform business that we operate is less likely to have a drastic decline in performance, its period of growth through the expansion of partner financial institutions is over and the business is now approaching a period of maturity. The environment surrounding our business has undergone radical changes in the past few years. These include the

advancement of the cashless society resulting from the diversification of means of settlement due to the widespread use of credit cards and smartphones, changes in the lifestyles and consumption behavior of customers, and the entry of new service providers into the area of financial services.

On the assumption that further changes will occur in the future, we have repeatedly discussed how we should change the way we do business and what we should focus on. We are not yet sure what services will prevail in the future and how extensive the market will be for them. However, considering how fast changes will occur, if we spend too much time on the discussion, it could be too late when we get a clear vision of the direction to take. We should and will maintain a sense of urgency when discussing and taking actions to address the changing business environment for the three years under the new management plan.

Q Please tell us about the outline of the medium-term management plan and its priority themes.

The basic policy we follow is to “achieve growth in our main business as we diversify our operations.” Our main business is the ATM platform business through more than 23,000 units of ATMs nationwide. Currently, the combined amount of revenues from the settlement and account business and overseas business accounts for about 14% of the Bank's total consolidated revenue. More than 80% of the total revenue comes from the ATM platform business. In the three years of the plan, we aim to increase the combined percentage of revenues from the settlement and account business and overseas business to 25%. To ensure the continued growth of the Bank, it is important to achieve the plan's three-year targets and diversify our business structure.

The management indicators for the three-year plan are set at a total increase in ordinary income of 40 billion yen, with a total target of 20 billion yen for the domestic businesses comprised of 15 billion yen from ATM platform business and 5 billion yen from the settlement and account business, as well as a total target of 20 billion yen for the overseas business with great growth expectation from fiscal 2017 onwards. Growth in ordinary profit is targeted at 8 billion yen, with ROE levels maintaining the current level.

Q Please tell us about the strategies of the ATM platform business.

While continuing the installation of ATMs at the Group stores, we will promote the installation of ATMs outside the Group as well, primarily at each center of transportation, logistics and tourism, thereby expanding the scale of the ATM network with a target of adding 3,000 units of ATMs on a net basis in the three years ahead. We will also make continued efforts to improve the quality of the ATM business, as well as raise the utilization rate per ATM, by improving the user environment and conducting promotions based on the unique characteristics of each area. In addition, we will increase the range of ATM partners and enhance our



ATM services, thereby striving to create new styles of ATM utilization.

We are internally searching for new products and services that can propose new styles of ATM utilization. At the same time, we hope that the increase in the number of external business operators who are interested in our ATMs with new ideas for utilization lead to the diversification of our ATM services. We will pursue value as a platform to attract business operators that have never used our services and present our ATM platforms as an ocean of opportunity that provides them with endless potentials, so they come up with new services by using our ATMs.

To attract the attention of such operators, it is important not only to increase the scale and quality of the ATM network but also enhance its functions. As a specific example of such efforts, we started offering the ATM deposit/withdrawal transaction service through smartphones in March 2017, based on our belief that the use of smartphones to provide various services will expand. The introduction of this service is an extremely important addition to our service menu, which opens doors to our ATM platform for settlement service providers that do not issue cash cards or those who provide settlement through smartphones. We will continue the steady promotion of our ATMs including the development of next-generation ATMs by incorporating the latest technological innovation to invite a new category of partners to utilize our ATM services such as fund transfer service providers and settlement service providers in the communications industry.

As one example of new styles of ATM utilization, we plan to start offering the “cash receipt service” sometime next spring. This service addresses the growing need for cash transfers from a company to an individual that arises in such occasions as the return of products purchased via the Internet, the refund of tickets and the receipt of salaries and remuneration. Conventionally, such money transfers were done mostly by registered mail, a postal money order or a bank account transfer, which took a lot of time, cost and effort. The new cash receipt service will be extremely convenient for both the sender and the receiver of money because it only requires the entry at a Seven Bank ATM of a code given through e-mail or other means to receive the money on the spot, without going through a bank account. We are promoting the provision of guidance to business operators to prepare for the rollout of this new service. We will seek further expansion of new styles of ATM utilization to expand the range of users.

Q How about the settlement and account business?

Seeking convenience from the standpoint of customers has enabled Seven Bank ATMs to evolve to become part of the social infrastructure, and our efforts in that direction will never stop. However, we cannot rely only on ATMs.

We have made steady achievements in the settlement and account business. By ensuring the steady growth of the services we are currently offering, such as personal loans, international money transfers, debit service and acceptance of cash proceeds from sales, we aim to expand the revenue from the settlement and account business by 5 billion yen. In addition, by carrying out the “Group financial strategy” in cooperation with the Seven & i Group companies, we will offer additional benefits and ensure the growth of the business after the three-year Medium-Term Management Plan currently under way.

The Group financial strategy focuses on two points.

One is to provide customers who daily use Group stores with “a new platform for settlement” so that they can shop more conveniently. Currently, 22 million customers visit the Group stores per day and they are given various choices as a means of settlement, including cash, credit card and electronic money. However, too many choices not only seem to confuse customers but also complicate the cashier operations. To make settlement easier, we are considering the creation of a new app for smartphones.

Another focus is the development of financial products that feature the characteristics of the Seven & i Group stores: “close-by, convenient”. The most important thing when you develop a new product is to identify who will be the customers of the product. In many cases, target customers are categorized for example as the young generation, the elderly, or women. In our case, target customers are the “22 million customers who visit the Seven & i Group stores every day.” We aim to offer products and services required by the customers who shop at the Group stores and provide a “Financial service private brand” by leveraging our strengths as a comprehensive retail group with diversified businesses. By reflecting the opinions of the Group stores, the closest to the customers, and in cooperation with the financial companies of the Group, we will work to create new financial services.

Bank Business Factory, a subsidiary of the Bank, provides back-office support on commission for financial institutions. Because this business has a high affinity with the Bank's business model of pursuing coexistence and co-prosperity with partner financial



institutions, I fully expect opportunities for business expansion in the foreseeable future. Toward the establishment of a unified infrastructure for back-office operations, we will continue necessary efforts, such as cost reductions, while accommodating changes in the business environment.

Q Turning to the overseas business, the countdown on the installation of ATMs at the U.S. 7-Eleven stores has begun.

In August 2017, FCTI, Inc., a subsidiary of the Bank in the United States, will start installing ATMs at about 8,000 U.S. 7-Eleven stores. Our first step is to complete the installation of ATMs smoothly and strive for their steady operation. The next focus will be to enhance the efficiency of operations to increase profitability of the ATMs so that improvement of scale of the revenue base and level of profitability go hand in hand.

We plan on a revenue increase of 20 billion yen for the overseas business, but this is merely the outset of the Group's global development. We would like to accumulate experience carrying out ATM operations efficiently in the United States, and bring these operations to the next step in our global development. As the next step, we have established a subsidiary in Indonesia, which is the main target area, and we will continue studies, discussions and preparations to develop new areas and regions.



Q What do you think is the key aspect required to be chosen as a partner in the quest for creating new services?

It is essential to always be the first choice for external business operators to go to when striking up any new business.

The Bank has several advantages. First, we have direct contact with customers through the ATM platform with more than 23,000 units of ATMs nationwide. Second, we enjoy benefits as a member of the Seven & i Group, including its store network and customer footfall. Third, we have a track record of creating innovative services using ATMs in the banking industry bound by regulations. These three advantages bring us unwavering strength, which I believe are our most powerful weapon to achieve continued growth by appropriately addressing the business environment where nothing is clear about what will change and how fast it will occur.

Q What do you think is the building block of a company that continues to offer new value to the world?

First, as mentioned in our Corporate Principles, we should continue to be “a sincere company that our customers trust.” The Bank has successfully expanded

its ATM network as an infrastructure that is shared with its partner financial institutions through coexistence and co-prosperity, without competition. This trust from our partners should never be betrayed. We have created new services by building on this trust with the perspective of what we can do to resolve customers’ inconvenience or dissatisfaction.

The services thus offered so far include accepting cards issued overseas, international money transfers and accepting cash proceeds from sales. The accumulation of new challenges and achievements has nurtured our corporate climate of seeking and realizing something new in search of customer satisfaction.

Recently, we have expanded our network with external members in various fields through Seven Labo, which was established in April 2016. This network has created a stimulating atmosphere for new ideas or innovative ways of doing business, and is gradually taking root.

To continue to offer new value in society, one needs the qualities of sincerity and honesty that deserve the trust of others. On the other hand, you must have a bold spirit of challenge. Both aspects are important.

Q What are your ideals on corporate social responsibility (CSR)?

CSR is ultimately whether you are indispensable for society.

Our ATM services have been counted as one of the elements of the social infrastructure from a certain point in time. I think that a prerequisite for being acknowledged as “social infrastructure” is that it is available whenever and for whomever necessary, with the fulfillment of responsibility worthy of trust. I feel the gravity of the responsibility whenever our ATM network is associated with social infrastructure. For example, shortage of cash is not acceptable for our ATMs, as our operations are based on one ATM per store. We need to do business with the basic understanding that it is vital for our services be available whenever needed

by customers. This is the first and foremost social responsibility that we should fulfill.

Q You have changed the policy of returns to shareholders. Could you tell us about the Bank's capital policy?

During fiscal 2016, we declared an increase of 0.50 yen in dividend per share and paid an annual dividend of 9.00 yen per share. For fiscal 2017, we have forecast an annual dividend of 9.50 yen per share. This was the first time that we announced a dividend increase at the beginning of the fiscal year.

Japan is a country frequently visited by natural disasters such as earthquakes and typhoons. As a business operator of ATMs at convenience stores that support the social infrastructure, we have so far considered it a necessity to maintain sufficient capital to enable restoration in the event of an ATM shutdown in an extensive area for an extended period caused by such a disaster. However, now that our net assets are approaching 200 billion yen, there are good prospects for sustainable growth and sufficient capital for strengthening our business foundations. Going forward, we have decided to focus on enhancing returns to shareholders. Dividends are the basis of our returns to shareholders. We will raise our target payout ratio from 35% or more to 40% or more.

The long-term support of our shareholders is essential to be a company that grows steadily in the future. For Seven Bank to achieve continued support of shareholders, it is important to steadily increase profit and show our commitment to distributing earnings to society, thereby developing a relationship of mutual trust. The payment of dividends plays a central role in this. Although we will continue to secure an appropriate level of equity capital, maintain return on equity (ROE) of 13% and a payout ratio of more than 40%, we would like to meet the expectations of our shareholders by ensuring a steady increase in the amount of dividend payments in proportion to our sustainable growth.

Q Finally, could you give a message to your stakeholders?

By reflecting the rapidly changing business environment in the way we do business, we would like to advance toward the next stage of growth. We must change how we view the current business model and the businesses in which we engage. The new Medium-Term Management Plan was formulated bearing this in mind. The three years of this plan will be a bridge connecting us to the next stage of growth. By reaching the other side of the bridge, we would like to firmly stand on the new stage of growth.

ATMs started out as a financial service tool to deposit and withdraw funds from a bank account. However, various technological advancements and changing customer lifestyles have expanded what ATMs can do and what is expected of them. It is impossible for us to precisely imagine today how conveniently they will be used in the future. If we continue to pursue how we can contribute through an ATM, there are infinite possibilities in an ATM.

By changing with the times and our customers, we will aim to be a vessel always desired by society and ensure continued growth. Your continued support would be greatly appreciated.



Feature: Seven Bank's Endeavors

Employees' capabilities are indispensable for achieving the targets of the Medium-Term Management Plan. We introduce front-line employees' thoughts about their endeavors and future business development.

Smartphone ATM Transaction Service

I would like to continue to provide ATM services that are needed by various customers in diverse situations.

In March 2017, we started providing the "Smartphone ATM Transaction Service," which allows deposit and withdrawal transactions at Seven Bank ATMs using only a smartphone. By using a service-compatible app that reads a QR code displayed on an ATM screen, customers can complete deposit and withdrawal transactions without a card.

Kei Ichikawa, Business Promotion Division



Q Please explain the origin of the "Smartphone ATM Transaction Service."

Although there had been requests from financial institutions that do not issue cash cards to offer cardless deposit/withdrawal transactions at our ATMs, it was yet to become a major trend in society. However, the proliferation of smartphones has led to the emergence of new settlement services, which has expanded the demand from business operators. We created this service to provide more customers with access to Seven Bank ATMs.

This service combines an app provided by our partner and our ATMs. Our initial partnership with Jibun Bank, which has many smartphone users as customers and possesses a high caliber of expertise in the development of apps, contributed to realizing this service.

Q What feature did you put the most effort in when developing the "Smartphone ATM Transaction Service"?

For the convenient and secure use of this service by as many people as possible, an essential requirement was that any iPhone or Android smartphone model could be used to complete transactions at any of our more than 23,000 units of ATMs nationwide, enabling a simultaneous rollout of services. The solution was QR codes generated by ATMs and read by a smartphone. We also emphasized strong security and smooth ATM operation—as smooth as the operation using a card.

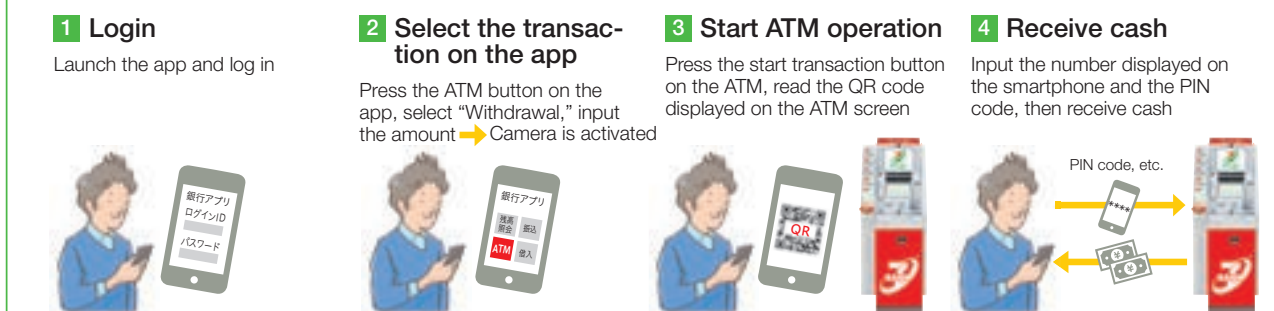
Q What are your ongoing initiatives?

We believe the smartphone ATM transaction service will become the core of the creation of a new ATM utilization style. As more people use this service, we will receive customer feedback and learn about new needs, leading to the next innovation. As a stepping stone toward the creation of next-stage services, the smartphone ATM transaction service is significant. This is just a first step. We will strive to increase the number of business partners and disseminate our services so that our services will be adopted in customers' lifestyles.

Q What is the outlook for further business development?

We would like to expand the variety of usage of ATMs from cash deposit and withdrawal transactions, so that ATMs will be a base for various transactions and interactions. We will offer new services so that they become a familiar necessity in customers' lives and surprise them with the versatility of an ATM, thereby to be trusted by customers that issues will be solved once they reach a Seven Bank ATM. Our quest for what is desired, what we can provide, never ends.

Image of transaction process (cash withdrawal)



*"iPhone" is a trademark of Apple Inc. registered in the United States and other countries.

*"Android" is a trademark or registered trademark of Google Inc.

Cash Card with Debit Function

Drawing on our strength as a member of a retail group, we would like to provide services that are convenient and beneficial for customers.



The “Seven Bank Debit Card” is a Seven Bank cash card with the “JCB Debit Card” and *nanaco* electronic money functions. This card is popular as a convenient and beneficial service that earns “*nanaco* points” every time the card is used. Since the launch of the service in October 2016, the number of Seven Bank Debit Cards issued has exceeded 180,000.

Yukio Ohashi, Product Development and Promotion Division

Q What feature did you put the most effort in for the Seven Bank Debit Card and what features does it have?

We focused on “convenience” in using the card. Seven Bank’s accounts are selected by many customers as a convenient account that is easy to use and serves as a “wallet”. These cards can be used just like cash because the amount is quickly withdrawn from the deposit account. This easy-to-manage debit service is highly compatible with our accounts.

In addition, we provide services that leverage the strength as a member of a retail group. Based on the linkage with *nanaco* electronic money, 1.5% in *nanaco* points will be earned for each debit transaction with this card according to the transaction amount at Seven-Eleven stores, while at other locations it will be 0.5%.

nanaco points are allocated according to the transaction amount.



Store of usage	Points to be allocated (Percentage of transaction amount)
Seven-Eleven stores	1.5%
•Sogo & Seibu stores *Excluding food, restaurants and specialty stores	1.0%
•Seven Net Shopping •Denny's, Famil, Poppo and other restaurants	0.5%
JCB merchants other than the above	0.5%

As of July 1, 2017

(Great benefit!)

* *nanaco* is the electronic money service provided by Seven Card Service Co., Ltd.

Q What initiatives will you take to disseminate and expand services?

Because we thought that it would be increasingly convenient to check the account balance and expenditures via one’s phone, along with the issuance of this card we launched the “App Bankbook” for smartphone to check the account balance, transaction history and the balance of *nanaco* electronic money. The app already has more than 240,000 downloads. An increasing number of customers who use this app are changing their cash cards to debit cards, showing significant synergies.

Moreover, the “memo function,” which we added in response to customer requests, is appreciated for making money management easier.



Memo function (prototype)

Q What are your plans for development?

In recent years, the number of transactions involving debit cards has increased rapidly in domestic markets. For our debit cards to be chosen by customers, we will emphasize the convenience and easy use of our services. We will conduct promotional activities to encourage a variety of uses of our debit cards not only at Seven-Eleven stores but also for other channels such as online shopping.

We added a function in June 2017 to enable customers to check their monthly inflow and outflow balance as part of an initiative to develop apps for a more convenient daily use of our debit cards.

We will continue to make meticulous upgrades and strengthen peripheral services from the customers’ standpoint to enhance user convenience as an account like a wallet.

Three types of design—Standard, Bonolon, Traditional



Standard



Bonolon



Traditional

The card featuring Bonolon is a social contribution-type card. For every Bonolon card issued, Seven Bank contributes 100 yen to donate picture books to children's centers nationwide.

*The number of debit cards issued and the number of downloads of the “App Bankbook” are as of May 31, 2017.

ATM Deployment at U.S. 7-Eleven Stores

We will strive to improve the value of our business in the United States by providing leading edge ATM services and forming partnerships with financial service providers.

In August 2017, we started installing ATMs in approximately 8,000 7-Eleven stores in the United States, aiming to provide convenient and secure ATM services for our customers.



Q How are the preparations going for ATM installations at the U.S. 7-Eleven stores?

Preparation is complete for the full-scale installation project, which commenced in August 2017. Currently, we are fine-tuning processes and procedures with each partner to ensure a smooth installation at each location, as well as reliable operation after each ATM is installed.

In preparation for a successful rollout at the U.S. 7-Eleven stores, we have focused on hiring and training additional personnel. We also completed a significant upgrade of our IT infrastructure at all three U.S. offices. Lastly, we shifted our server technology to a new data center to reinforce measures to cope with all potential disasters or malfunctions.

7-Eleven is the largest convenience store chain in the country, and we are very excited to install our ATMs in these locations. We will put a great deal of effort into establishing a favorable, long-term partnership with 7-Eleven in the U.S.

Q What are the prospects for the ATM business in the United States?

In the United States, a segment of the population is said to be moving towards cashless, but we continue to see a strong customer demand for cash. However, customers still tend to use ATMs located at bank branches as opposed to off-premise ATMs installed by ATM operators like FCTI. Our challenge is shifting ATM usage away from banks and increasing our transactions.

In recent years, a new trend is emerging in the U.S. banking industry. Many U.S. banks are reducing their number of branches to lower costs, and ATM business operators such as FCTI are becoming recognized as important partners to help provide a contact point between banks and their customers. We feel that FCTI has a unique advantage to fully capitalize on these types of emerging opportunities.

Q What are your plans for future business development?

Our future success lies beyond simple withdrawal ATM transactions. To reach the next stage, we need to provide services that demonstrate to our partner financial institutions and their customers the convenience and advanced functionality of FCTI's ATMs.

Moreover, unlike in Japan, many people in the United States do not have bank accounts. We are developing services that will make our ATMs attractive to such customers. We feel FCTI is well-positioned for future growth by striving to provide ATM services that are secure and convenient for all types of customers.



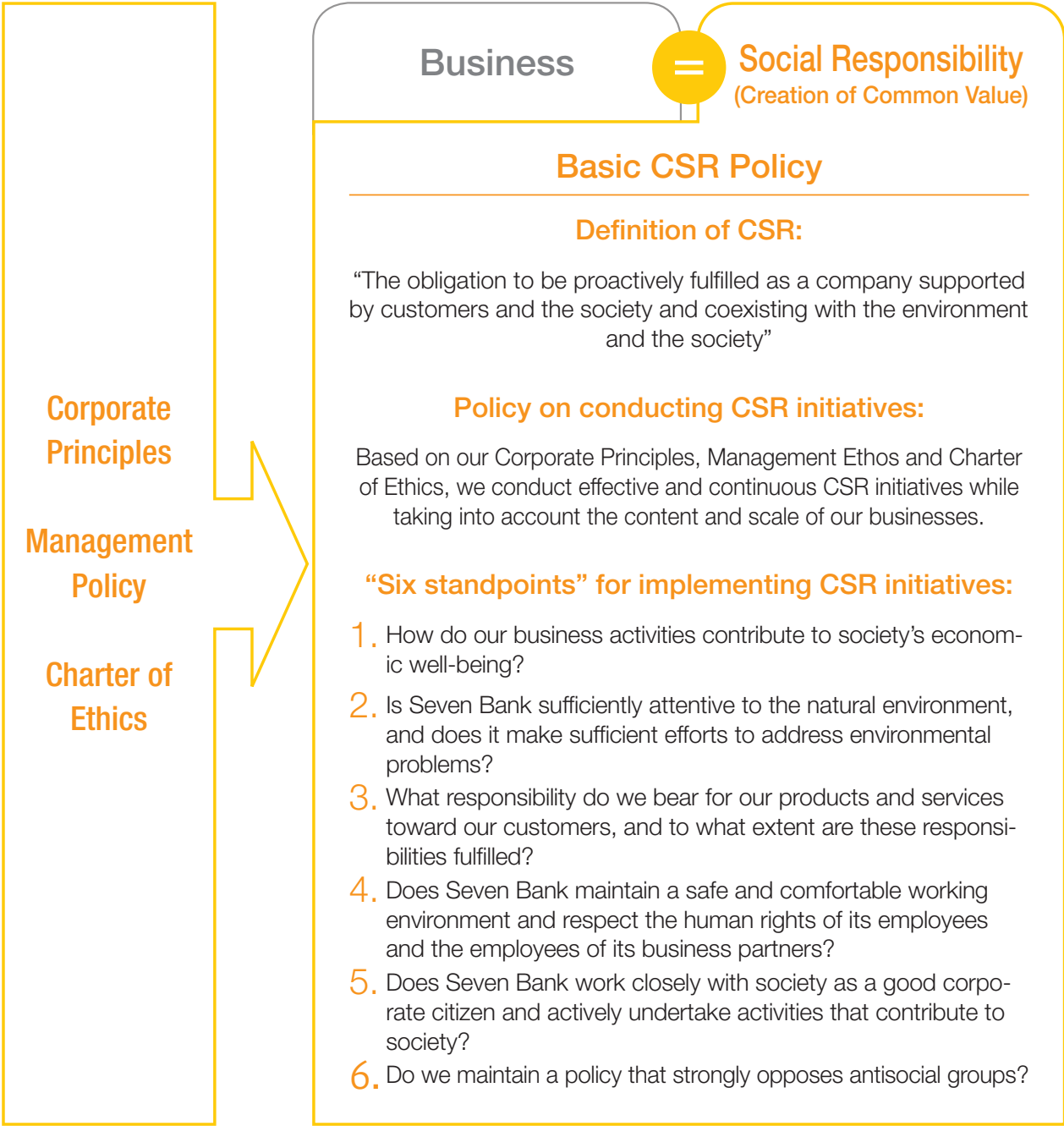
Seven Bank’s Standards of Judgment and Behavior

Since its establishment, Seven Bank has operated with adherence to its Corporate Principles, Management Ethos and Charter of Ethics, which serve as the standards of every judgment and the behavior of the people working with Seven Bank.

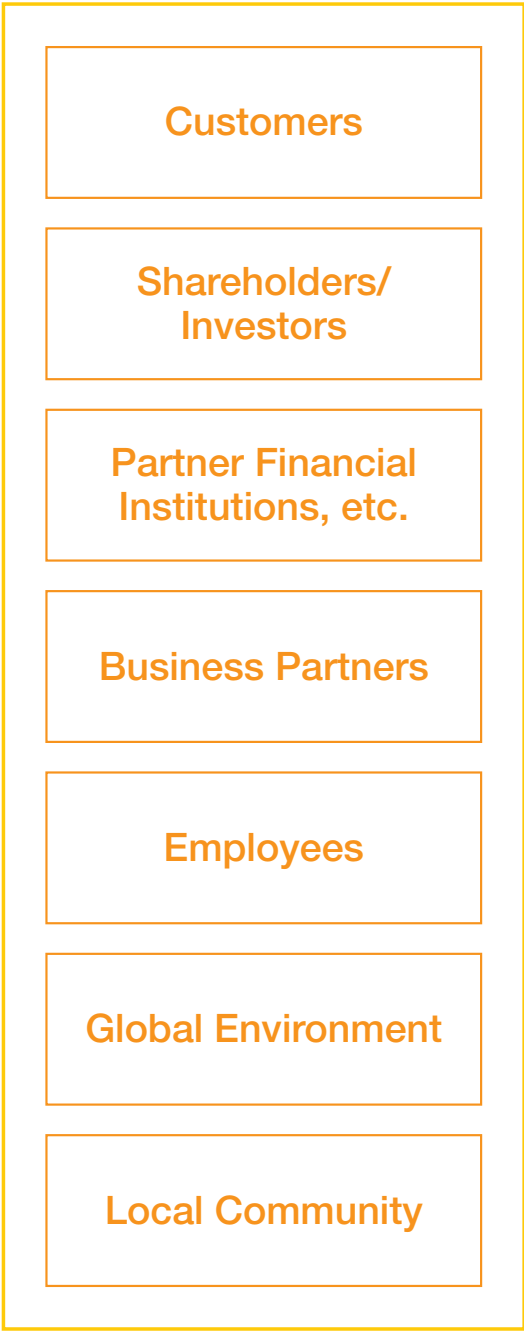
To ensure sustainable growth together with various stakeholders, Seven Bank defines its corporate social responsibility and engages in various initiatives, which are subject to inspection and evaluation from six standpoints under the Basic CSR Policy.

Through its business operations, Seven Bank fulfills the expectations and trust of society.

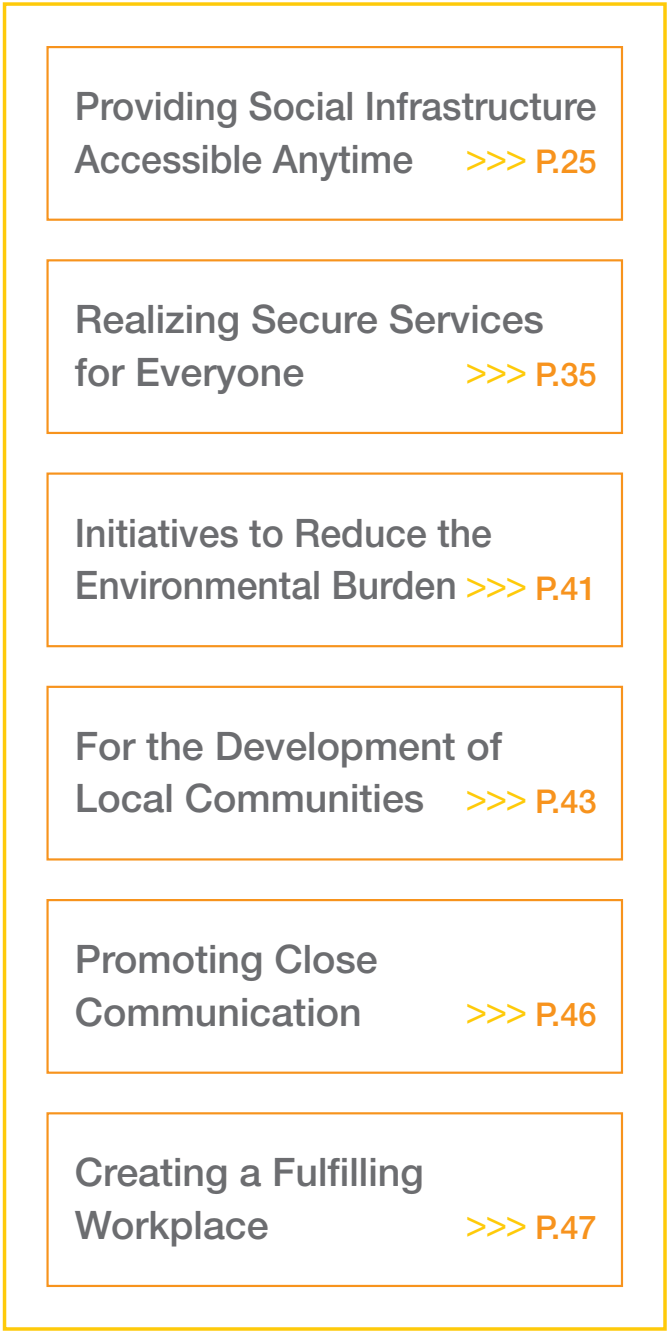
Standards of Judgment and Behavior



Stakeholders



Seven Bank provides new value:





Providing Social Infrastructure Accessible Anytime

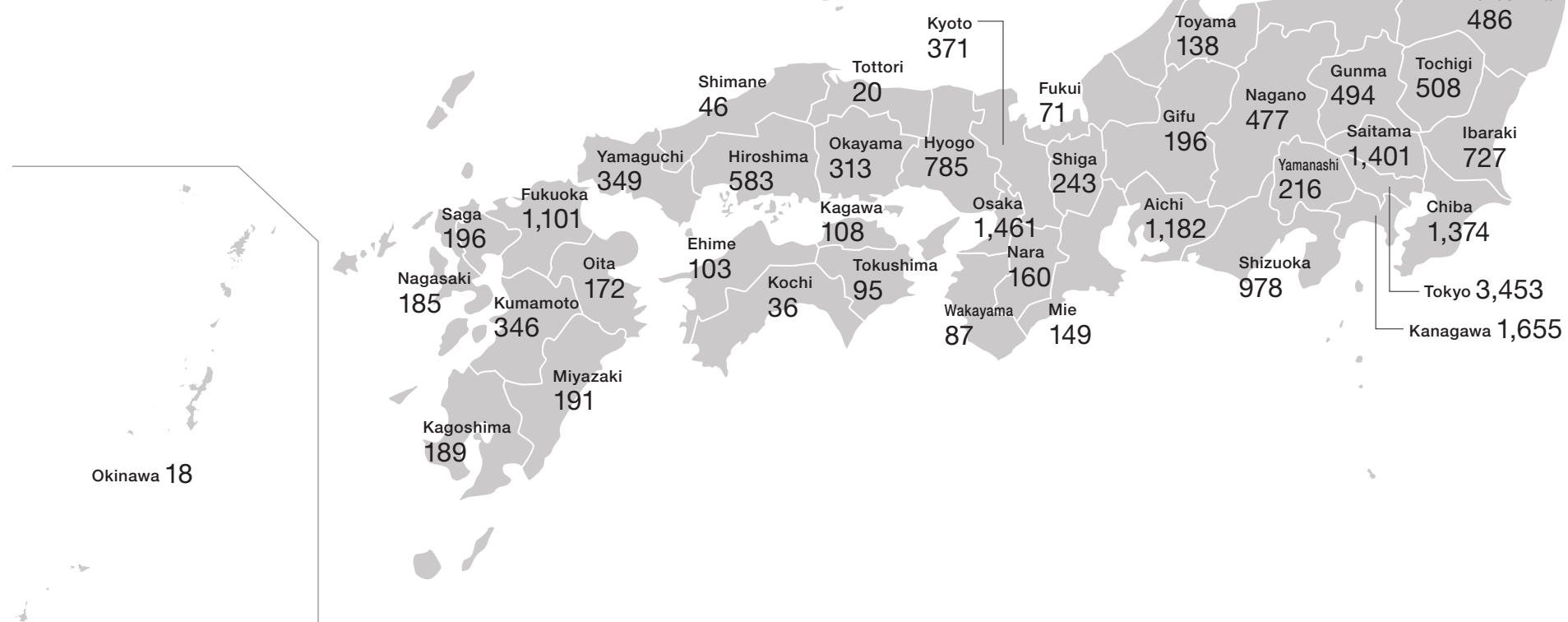
ATMs Nationwide

We are promoting the installation of ATMs throughout Japan. As of March 31, 2017, the number of ATMs installed was 23,368. After the installation of ATMs, we proactively review the ATM locations and make improvements based on the user environment.

ATMs nationwide

(as of March 31, 2017)

23,368



Number of ATMs installed by prefecture

Number of ATMs installed by location
(As of March 31, 2017)

Seven-Eleven stores **20,615**

(Stores with multiple ATMs installed: **1,293** 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 **623**

Partner financial institution branches **433**

Railway stations and station buildings **294**

Commercial facilities outside the Group **1,075**

Highway rest areas **55**

Airports **46**

Other locations **227**

We proactively partner with various financial institutions so their customers can use whatever cards they hold at our ATMs. As of March 31, 2017, we had 601 partner institutions throughout Japan.

 北洋銀行
 北海道銀行
 青森銀行
 みちのく銀行
 岩手銀行
 東北銀行

 北日本銀行
 七十七銀行
 仙台銀行
 秋田銀行
 北都銀行
 山形銀行

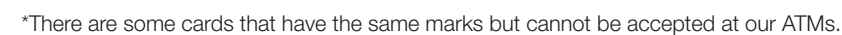
 きらやか銀行
 荘内銀行
 東邦銀行
 福島銀行
 大東銀行

Securities companies

 野村証券
 SMBC日興証券
 SBI証券
 マネックス証券
 東洋証券
 みずほ証券

 岡三証券
 SMBCフレンド証券
 大和証券
Daiwa Securities
 高木証券
 三菱UFJモルガン・スタンレー証券
 東海東京証券

Cards issued overseas (international brands)



鳥取銀行 山陰合同銀行 SHIMANE 島根銀行 中国銀行 BANK 中国銀行 広島銀行
もみじ銀行 山口銀行 SAIKYO 西京銀行 阿波銀行 徳島銀行 百十四銀行
香川銀行 伊予銀行 愛媛銀行 四国銀行 高知銀行

 福岡銀行
 筑邦銀行
 北九州銀行
 西日本シティ銀行
 福岡中央銀行
 佐賀銀行

 佐賀共栄銀行
 親和銀行
 18bank 十八銀行
 長崎銀行
 肥後銀行
 熊本銀行
 大分銀行

 豊和銀行
 宮崎銀行
 宮崎太陽銀行
 南日本銀行
 沖縄銀行
 琉球銀行
 海邦銀行



A large grid of logos for various Japanese credit cards, including Rakuten Card, VISA, JCB, and others.

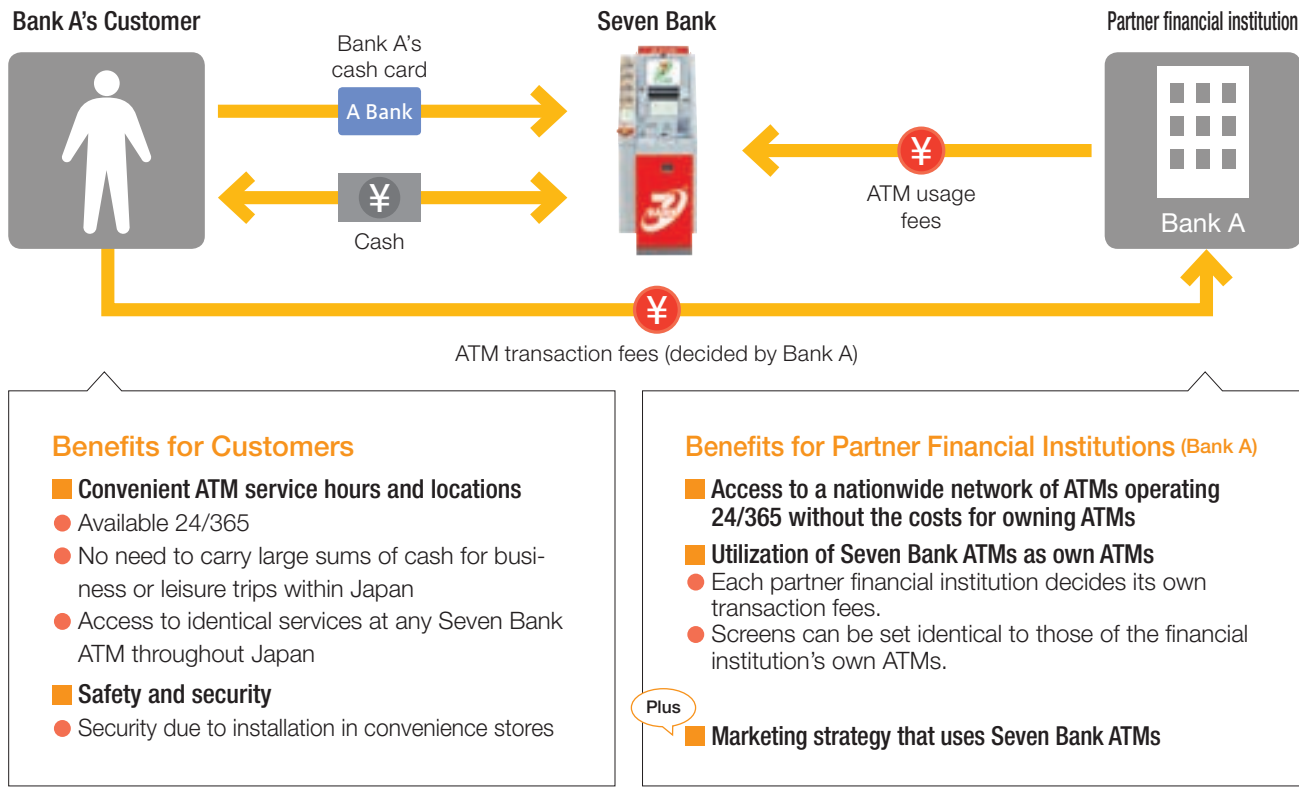
Bank Business Factory, a subsidiary of Seven Bank mainly engaged in back-office support on commission, provides secure and high-quality operational services, capitalizing on Seven Bank's know-how in the administration of banking office work. As of July 1, 2017, the company conducts back-office support on commission for seven clients including Seven Bank.



A Unique Business Model Founded on Coexistence and Co-Prosperity

Seven Bank provides ATM services that can be accessed “anytime, anywhere, by anyone, and with safety and security” throughout Japan. Our services also benefit our partner financial institutions in various ways in terms of cost and enhancing services for their customers. Seven Bank and its partner financial institutions have built a unique business model founded on coexistence and co-prosperity.

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

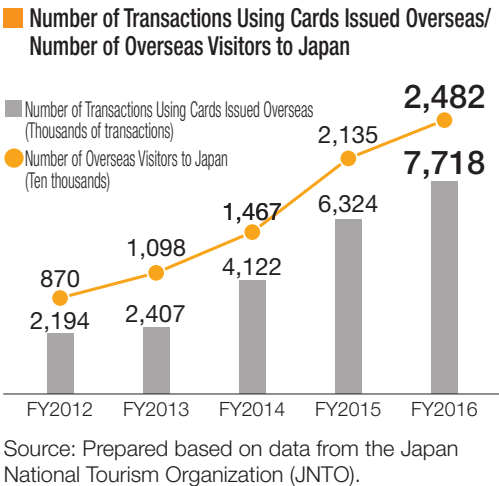


ATMs That Handle Cards Issued Overseas

Seven Bank ATMs accept cash cards and credit cards issued overseas to withdraw Japanese yen. Seven Bank is working to increase the support functions of its ATMs for customers' peace of mind. The number of transactions using cards issued overseas at our ATMs is on a steady rise.

For Customers' Use of ATMs with Peace of Mind

- The ATM screens and receipts are available in 12 languages.
- Operators who speak both Japanese and English can respond on a 24-hour basis.
- Compatible with International Standard IC cards
- Adopted a system to detect fraudulent ATM use



Convenient ATM Functions

With Seven Bank's ATMs, which can be used easily anytime, we pursue easy and safe ATM uses by any ATM user.

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

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

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

Partitions
The partitions on the right and left sides ensure privacy.

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

nanaco reader
Money can be loaded onto *nanaco* electronic money cards, and the balance can be checked.
* Some ATMs are not compatible.

Smartphone ATM transaction service
Cardless ATM transactions are available by reading a QR code using a compatible smartphone app.
* Limited to some partner companies.

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

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

Coming in the Spring of 2018! Japan's First "Cash Receipt Service" without an Account

Amid the growing need for cash transfers from a company to an individual to repayment for return of products purchased via the Internet and to pay compensation for sharing services, we will start to provide the "Cash Receipt Service" in the spring of 2018 to resolve the inconvenience of conventional methods such as bank account transfer or registered mail. Using this service, customers can receive cash anytime 24 hours a day, 365 days a year, at their convenience simply by entering a code given through e-mail or other means from the payer at a Seven Bank ATM.

Convenient Bank Account Just Like a “Wallet”

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

Debit Service

In October 2016, Seven Bank started issuing the “Seven Bank Debit Card,” a Seven Bank cash card with the “JCB Debit Card” and the *nanaco* electronic money functions. Because the transaction amount is automatically deducted from the card user’s deposit account immediately at the time of a transaction, a Seven Bank Debit Card can be used just like cash while shopping.



Internet shopping with a debit card

Merits of the Seven Bank Debit Service

- 1. Available at domestic and overseas JCB merchants
- 2. Earn *nanaco* points at a maximum of 1.5% of debit transaction amounts
- 3. Can be used at overseas ATMs with the JCB or Cirrus mark, convenient for overseas trips

What Is a Debit Card?

A debit card is a convenient card that can be used to make payments from one’s deposit account instead of cash while shopping. Unlike a credit card, the transaction amount is withdrawn immediately from the user’s deposit account at the time of purchase, just like using cash.

■ “App Bankbook”—Convenience coupled with a Debit Card

Seven Bank offers the “App Bankbook,” an app that enables users to check with simple operation their Seven Bank account balance, transaction history and the balance of *nanaco* electronic money. By combining this app with our debit services, users will be able to check the amount available for use in real time, the amount and the names of the stores of usage, acting as a household account book.

Merits of the App Bankbook



- 1. Can check a Seven Bank account balance in real time



- 2. Can confirm the transaction history, which makes account management easier



- 3. Can check the *nanaco* balance anytime

Deposits

- Ordinary Deposits Customers can make deposits, withdrawals and other transactions 24/365, in principle.
- Time Deposits Customers can make quick and easy time deposits starting from 10,000 yen. In addition to being able to select terms ranging from one month to five years, customers can make a partial cancellation of the necessary amount for an early withdrawal.

Personal Loan Services

Customers can apply for a personal loan at the same time as they open an account and can choose a credit limit of 100,000 yen, 300,000 yen or 500,000 yen. In addition, customers can apply to increase their credit line (300,000 yen, 500,000 yen, 700,000 yen or 1,000,000 yen) during the contract term.

- * To increase a credit limit to 300,000 yen or 500,000 yen, the customer must be at least two months from the initial conclusion of a contract. To increase a credit limit to 700,000 yen or 1,000,000 yen, the customer must be at least six months from the first borrowing.
- * Screening is required when applying for personal loan services.

International Money Transfer Services

Seven Bank offers international money transfer services to meet the needs of customers who have family members and/or friends living overseas. Money can be transferred from a Seven Bank account using a personal computer, smartphone or any of more than 23,000 units of Seven Bank ATMs nationwide. The ATM transaction screen and the help desk for international money transfers, which are our points of contact with customers, are available in nine languages so that customers can use them with peace of mind.

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

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

Merits of the International Money Transfer App

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

Good-Deal “Point Service”

For customers who are already subscribers of the *nanaco* electronic money service and have registered with the “Point Service*,” *nanaco* points are allocated according to the transactions made.

*For details on the Point Service, please refer to our Web site.

■ Seven Bank ATM transaction fees (including consumption tax)

	0:00	7:00	19:00	24:00
Withdrawal (including withdrawal for transfer)	¥108	Free	¥108	
Deposit	Free			
Balance inquiry	Free			

■ Transfer fees (including consumption tax)

To a Seven Bank account	¥54
To other financial institution’s account	¥216

* A transfer transaction can be made 24 hours a day, in principle. (as of July 1, 2017)

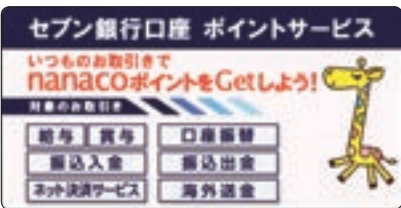
The customer opens a Seven Bank account
Registers the sender, recipient, etc.

In Japan

After completing a money transfer transaction using a Seven Bank ATM, a personal computer or a smartphone, the sender notifies the recipient of the money transfer control number (MTCN).

Recipient located overseas

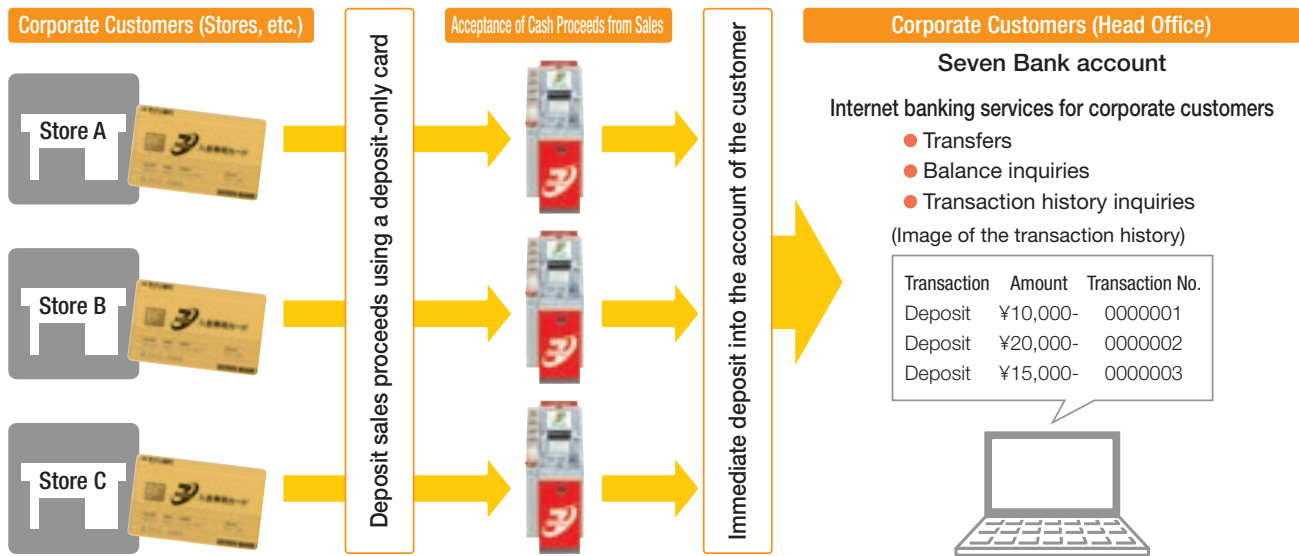
A recipient provides the MTCN and receives the money.



Accepting Cash Proceeds from Sales for Corporate Customers

To address corporations’ need for “collecting sales proceeds from multiple stores quickly and safely,” we provide the service of accepting cash proceeds from sales for corporate customers, which is used by corporate customers, such as those with multiple branches and sales offices and restaurants that operate until late at night.

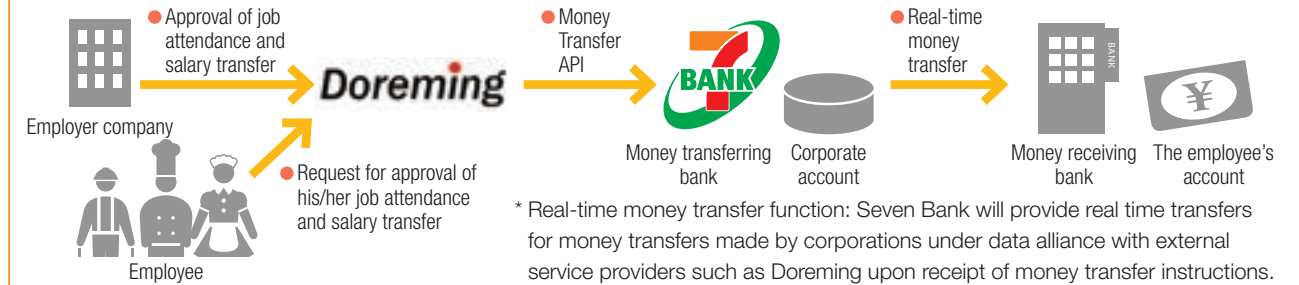
When a person from each branch, sales office or restaurant deposits sales proceeds, using a card dedicated to depositing sales proceeds, with any Seven Bank ATM nationwide at the convenience of the customer, the proceeds are immediately reflected in the customer’s account anytime 24/365, in principle. The features of this service—the card being for deposit only, the ability to deposit at any Seven Bank ATM and a safe in-store deposit environment—are highly appreciated by our customers.



“Instant Wage Payment Service” Utilizing Our “Real-Time Money Transfer Function” Slated for Launch

Seven Bank will start offering the “Real-Time Money Transfer Function” in the fall of 2017. Doreming Co., Ltd. will offer an “Instant Wage Payment Service” by linking our new function with their labor management and salary calculation system. Using this service, employees of corporations that use Doreming’s service will be able to receive a salary at the timing they want according to their performance.

Seven Bank will strive to offer increasingly convenient financial services via alliances with providers of salary calculation, expense settlement and money transfer-related services using the “Real-Time Money Transfer Function”.

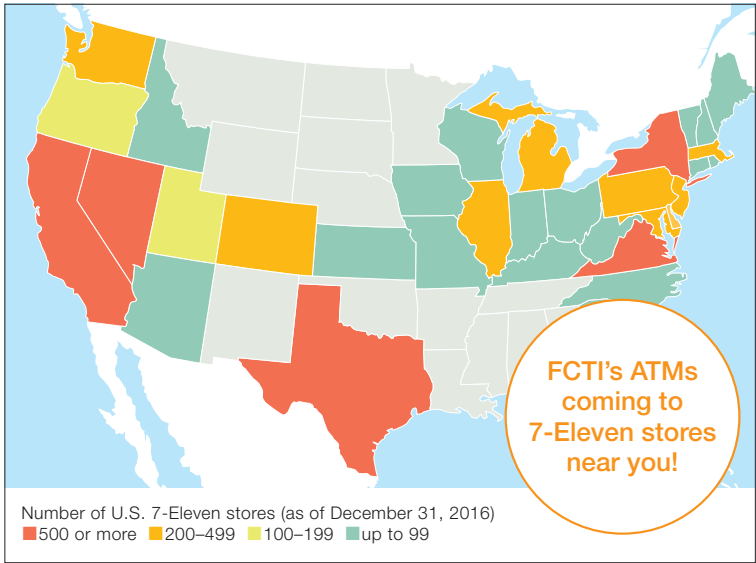


Overseas ATM Development

Drawing on its experience in Japan, Seven Bank strives to offer ATM services overseas through its overseas consolidated subsidiaries.

Rollout of ATM services at U.S. 7-Eleven stores

In August 2017, FCTI, Inc. (“FCTI”), Seven Bank’s subsidiary in the United States, will start installing ATMs inside approximately 8,000 7-Eleven stores countrywide. The eventual number of ATMs managed by FCTI is targeted to be over 12,000. Stable ATM operation will be a priority to provide peace of mind to all customers.



A 7-Eleven store in the United States

Cultivating New Markets

Our Indonesian subsidiary PT. ABADI TAMBAH MULIA INTERNASIONAL is proceeding with ATM installations at hotels and office buildings. As of March 31, 2017, the number of ATMs installed was 127.

Building on this project, we will explore entrance into other regions and develop overseas business making full use of Seven Bank’s know-how and infrastructure.



An ATM located in Indonesia



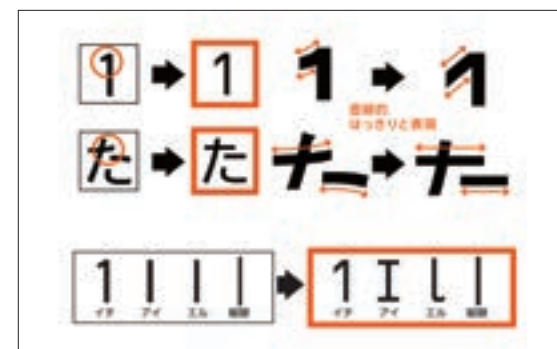
Realizing Secure Services for Everyone

Pursuing Services that Can Address Diverse Customer Needs

Making the Letters Easy to View and Read

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

■ Example of letters in the UD font used for our ATMs



For Customers with Visual Impairment

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



Installing a Cane/Drink Holder for Persons Using a Cane

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



Cane/drink holder

Easy-to-View Colors on the Transaction Screen

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

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



Handling Many Languages

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

■ For Visitors to Japan

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



Twelve languages available

■ For Seven Bank Account Holders

Seven Bank accounts, which offer convenient international money transfer services, are used by many customers of foreign nationalities residing in Japan. ATM transaction screens are available in nine languages—Japanese, English, Tagalog, Chinese, Portuguese, Spanish, Vietnamese, Indonesian and Thai—so that all customers can use them with ease.

Services available in nine languages

- ATM transaction screen for a Seven Bank account
- "App Bankbook" for checking an account's transactions and other status
- "International Money Transfer App," for convenient use of the international money transfer services
- Help desk for international money transfers



ATM transaction screen available in nine languages

Offering a User Environment Where Safety and Security Are Maximized

For customers to be able to use our ATMs anytime, an optimal structure is in place to address a breakdown or a malfunction quickly to restore normal ATM operation as soon as possible.

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.

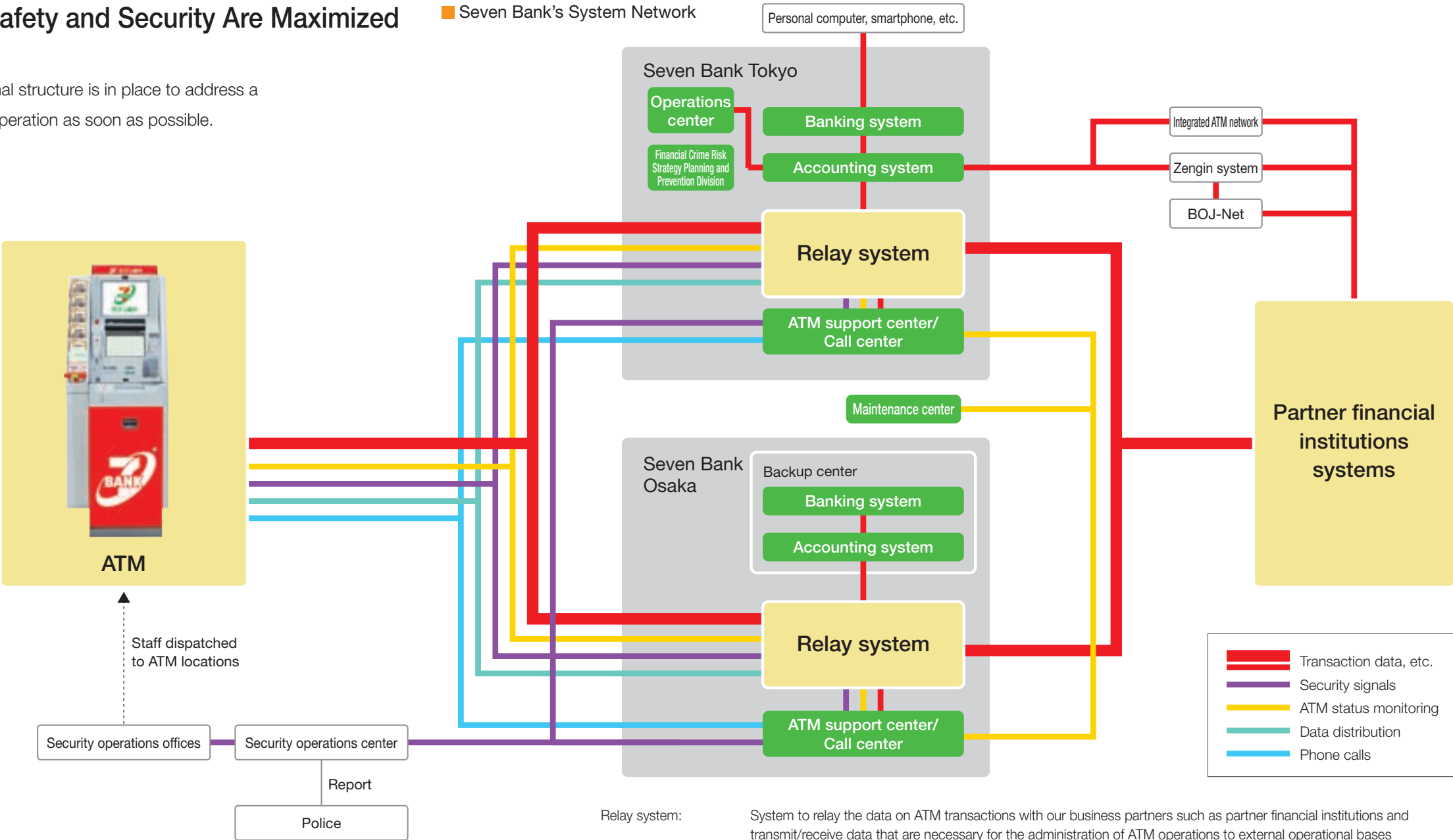
Monitoring Cash in ATMs

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



Security Measures

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.



- Relay system: System to relay the data on ATM transactions with our business partners such as partner financial institutions and transmit/receive data that are 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 participate in this system.

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 or malfunction or physical damage to the ATM, enabling a speedy and accurate response.

Measures to Address Blackouts

To be able to complete a transaction uninterrupted even when a blackouts 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 uses 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 operation even in the event that either of our operational bases—one in the Tokyo metropolitan area and the other one in Osaka—has shut down due to events such as a disaster, by operating the intact system in the other area.

To Prevent Financial Crime

To protect customers’ important assets and for customers to be able to conduct transactions with peace of mind, Seven Bank has been conducting various measures to prevent crime. To cope with increasingly sophisticated and intricate cyberattacks, Seven Bank CSIRT^{*1} has been in place to respond to cyber security incidents.

Cyber Security Measures at ATMs

Our ATMs have a camera for recording situations, screens and a keypad designed to keep others from viewing the input. When customers make money transfers using our ATMs, an alert is shown on the screen or by voice to remind the ATM user of a potential crime to prevent fraudulent money transfers. Our ATMs have an embedded device to detect a suspicious object and prevent the fraudulent capturing of card information (skimming).

Moreover, to prevent financial crime from expanding, 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

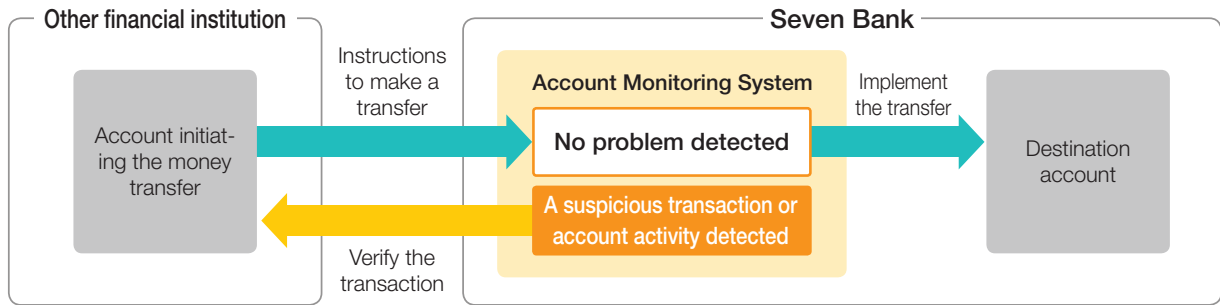
To prevent Seven Bank accounts from being abused for financial crimes, the Bank undertakes strict customer due diligence procedures and identifies persons who have been involved in crimes in the past when customers apply to open new accounts. After opening a new account, the transaction status is monitored in real time by the Account Monitoring System. To cope with increasingly sophisticated crimes targeting Internet banking, the measures have been conducted as described on the right.

- For individual customers
- The Smartphone Authentication^{*2} has been adopted for Internet banking.
 - A system is in place to detect if a customer’s personal computer is infected by malware^{*3}.
- For corporate customers
- One-Time Password^{*4} has been adopted.

Account Monitoring System:

We analyze the activities of an account that was used for suspicious transactions, such as a fraudulent money transfer, and check other accounts that show similar activity. In the event of detecting a suspicious transaction or account activity, the transfer is temporarily suspended and the transfer is implemented after verifying the authenticity of the transaction with the initiating financial institution.

■ Money transfer to a Seven Bank account (scheme)



Quick Cooperation with the Police

The Bank responds to more than 70,000 requests for cooperation annually from police departments nationwide, and has cooperated with investigations by providing requested information such as the ATM journals, the record of account transactions and the security camera recordings. Our cooperation led to preventing fraudulent requests for reimbursements and the arrest of a suspect in a special criminal fraud case, and we received a Letter of Appreciation from the police.



*1. CSIRT (Computer Security Incident Response Team): an organization that takes quick and appropriate measures in the event of computer security-related incidents.

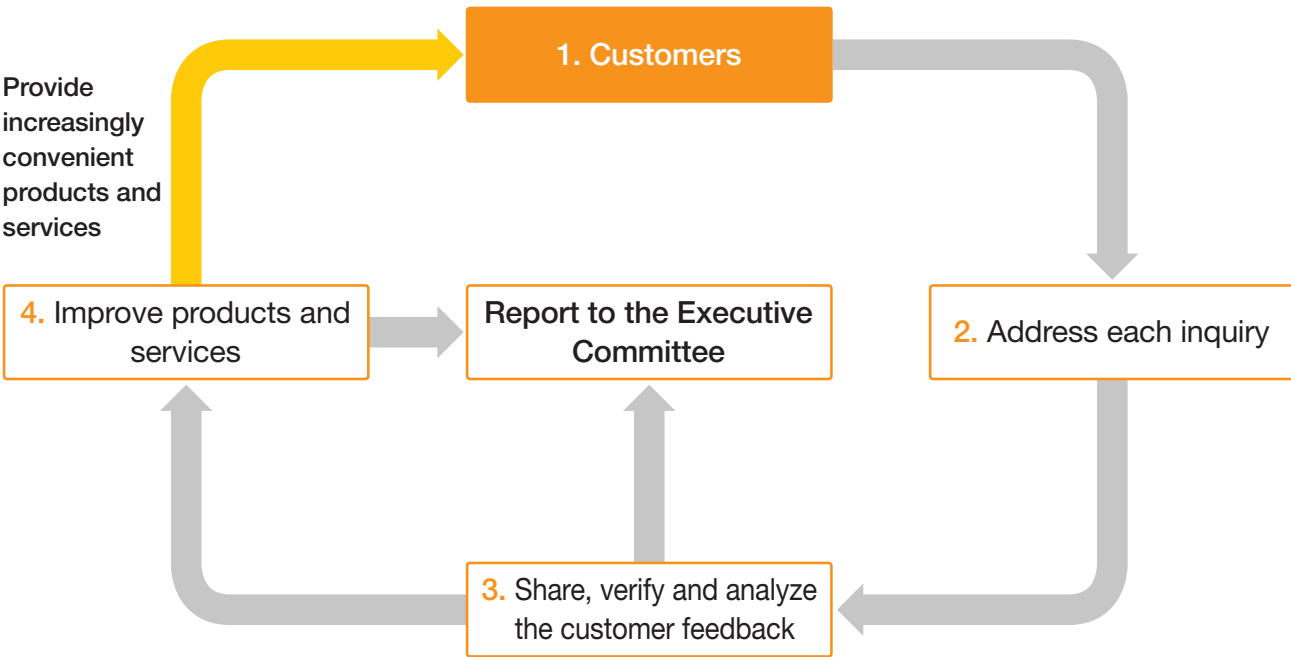
*2. Smartphone Authentication: Method to verify the right user for Internet transactions such as a “Money Transfer to a New Recipient” using a dedicated app for a smartphone. The use of this authentication app requires a registration procedure.

*3. Malware: A general term referring to harmful software made for the purpose of accessing others’ computers in a fraudulent way to attack or cause an information leak.

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

To Respond to Feedback from Customers

Seven Bank values customers’ opinions and requests especially because we were born to address customer needs. Customers’ opinions collected by the call centers, ATM support centers and the help desk for international money transfers are shared within the Bank, then verified and analyzed to improve the convenience of our products and services.



Measures to Reduce the Environmental Burden

Energy-Saving Measures for ATM Operations and Recycling of ATMs

Energy consumption of our third-generation ATMs is 48% less than that of our second-generation ATMs. As a result of replacing all 23,000 units nationwide with third-generation ATMs, CO₂ emissions were reduced by approximately 15,000 tons* a year. A significant reduction in energy consumption was achieved by aggressively adopting cutting-edge technologies to set our ATMs on an energy-saving mode when a transaction is not ongoing and by switching the back light of the display to an LED light. We are also promoting the effective use of natural resources by using durable parts and recyclable materials.

We strive to recycle aged ATM units and Uninterruptible Power Supply (UPS) batteries with the help of recycling business operators.

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

Performance of disposal of ATMs

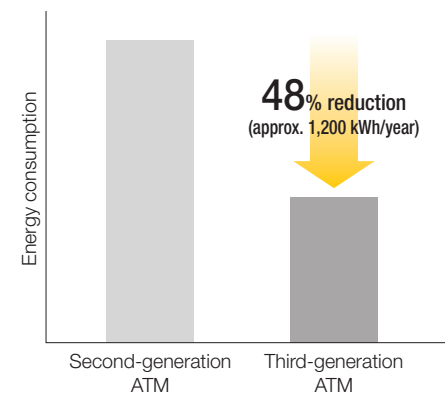
(Fiscal Year)	2011	2012	2013	2014	2015	2016	Total
Number of disposed ATM units	724	3,538	3,559	3,812	2,597	1,423	15,653
Volume disposed (t)	203	997	1,002	1,071	727	402	4,403

Performance of disposal of UPS batteries

(Fiscal Year)	2015	2016
Number of batteries disposed	2,597	1,434

* Disposed ATM units and UPS batteries have been almost 100% recycled. (The disposal of UPS batteries began in fiscal 2015.)

Comparison of ATM energy consumption



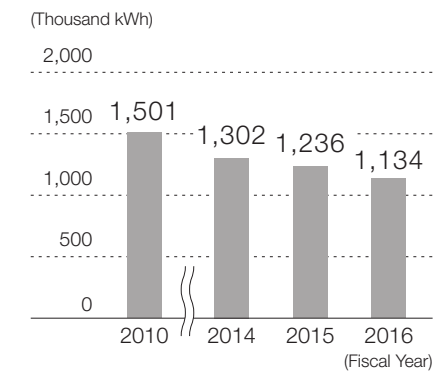
Environmental Considerations at Our Offices

CO₂ emissions from the production, logistics and disposal of “SEVEN BANK, LTD. Business Report 2017” are 10,289 kg, which is offset by the domestic credit from supporting the restoration from the East Japan Great Earthquake.



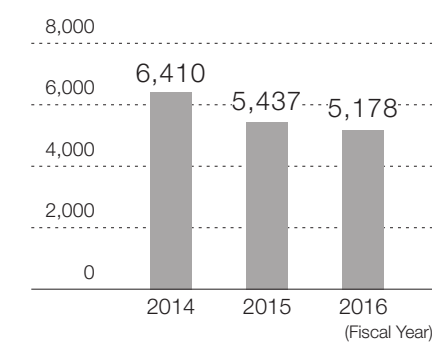
Environmental Performance Index/Electricity use^{*1}

(Offices, staffed outlets, ATM corners directly managed by Seven Bank)



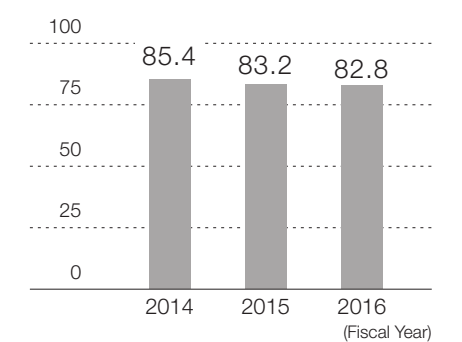
Environmental Performance Index/Volume of OA paper purchased

(Thousand sheets of paper)



Environmental Performance Index/Ratio of green office supplies purchased^{*2}

(%)



*1. Mainly based on requests from the government, with fiscal 2010 used as the standard.

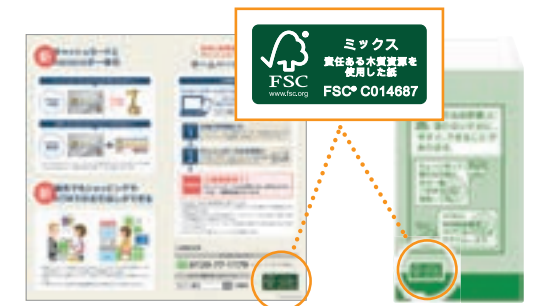
The data on 23,000 units of ATMs nationwide are not included in the chart above because the electricity to run the ATMs is from the facilities that house our ATMs.

*2. To calculate and compare green purchasing accurately, the ratios of green purchasing of office supplies were calculated retrospectively from fiscal 2015.

Utilization of FSC Certified Paper

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

The international “Forest Stewardship Council (FSC) certification” system awards certification to appropriately 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 Preservation Activities by Employees

To contribute to the preservation of the global environment and local communities, Seven Bank employees actively participate in various activities including those hosted by the Bank and volunteer activities conducted as a Group-wide initiative.

In September 2016, we conducted the 9th Bonolon-no-mori (“Bonolon Woods”) environmental activity. The participants collected illegally discarded materials and trash in the nearby forest owned by the prefecture after a nature walk with a guide in the woods.



For the Development of Local Communities

Cosponsoring “Mori no Senshi Bonolon”

Since June 2005, Seven Bank has cosponsored a picture book, “Mori no Senshi (Guardian of the Forest) Bonolon,” for children, distributing approximately 1 million copies per issue during even months at Seven-Eleven stores, Denny’s and Famil restaurants, and York-Benimaru supermarkets, all of which are Seven & i Group companies, as well as at the staffed outlets of Seven Bank. In April 2017, Seven Bank started to distribute copies of the picture book at Akachan Honpo stores as well.

This picture book was issued to foster communication between children and their parents through reading to children the meaningful content to help nurture their inquisitive minds.

Who is “Mori no Senshi Bonolon”?

Bonolon is the guardian of the forest of Tasmun, the spiritual dwelling of a giant tree. He is nine years old, a boy with a large build in an orange complexion. Everybody trusts him because he has a strong sense of justice. When human tears of sadness trickle down on the giant tree, it reaches the forest of Tasmun through its roots. Bonolon hears the reason of the tears from the giant tree and decides to appear before the human being, trying to encourage people to overcome the issues without relying on his magical powers—truly kind at heart, Bonolon makes wishes come true through a gentle push on the back.



©NSP2005
© Together with Bonolon 2007

Issuance of Social Contribution-Type Cash Cards

Seven Bank has issued social contribution-type cash cards since 2011. For every issue of a cash card with the “Mori no Senshi Bonolon” design, Seven Bank contributes 100 yen to donate picture books to children’s centers nationwide. In fiscal 2016, 49,120 customers chose the Bonolon cash card, followed by the production of the picture books, which were donated to 2,812 children’s centers.



Support Activities for Disaster Victims and Disaster-Afflicted Areas

Seven Bank conducts a donation activity to support victims of disasters such as earthquake and typhoon. The Seven Bank Web site has a dedicated Web page that accepts donations from customers and employees.

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

Name of disaster	Total amount donated	Destination to which money was delivered
Kumamoto earthquakes	¥2,735,751	Kumamoto and Oita prefectures
Torrential rains due to Typhoon No. 10	¥103,110	Japanese Red Cross Society (Iwate and Hokkaido branches)
The Fire in Itoigawa, Niigata	¥111,371	Niigata prefecture

Seven Bank Click Donation

Using the Seven Bank Web site, we conducted “Click Donation,” donating one yen for every click made by customers (1 click = ¥1).

Name of donation	Period of accepting donations	Total amount donated ¹	Destination to which money was delivered
“Click Donation to Support Environmental NPOs”	June 2016	¥287,216	Environmental NPOs (Whole Earth Nature School, FUJISAN CLUB)
“Learn! Spread! ATM Voice Guidance Service Campaign”	December 2016	¥669,964	“Radio Charity Musicson” charity campaign (sponsored by 11 radio stations such as Nippon Broadcasting System, Inc.)
Click Donation to Support Children’s Center	March 2017	¥430,116	Foundation for Promoting Sound Growth of Children ²

*1. “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.

*2. The delivered donation was used to purchase children’s outdoor play tools at the Mashiki Town Children’s Center in Kumamoto Prefecture, which was afflicted by the Kumamoto earthquakes.

Exhibiting at the “Forum for the Promotion of Children’s Reading Activities”

In April 2016, Seven Bank participated in the Forum for the Promotion of Reading Activities for Children, hosted by the National Institution for Youth Education under the Ministry of Education, Culture, Sports, Science and Technology, introducing its “Mori no Senshi Bonolon” initiatives.

The Forum is held on April 23 every year, the “Children’s Reading Day” under the Act on the Promotion of Children’s Reading, featuring special mention of the schools that have shown substantial performance in reading activities and the presentation of case studies. At the 2016 Forum, we distributed past issues of “Mori no Senshi Bonolon” copies to visitors from schools and library associates and introduced Seven Bank’s activity holding story-reading events using a large picture book.



Seven Bank’s panel display

Supporting Multicultural Coexistence

For customers who use our international money transfer services, we offer the “International Money Transfer App,” which is available in nine languages. In fiscal 2016, Seven Bank concluded an agreement with a municipal public organization in Japan with a large foreign population to disseminate regional information through this app. We provide information useful for everyday life and alerts on natural disasters for residents in multiple languages.

■ Municipalities with which Seven Bank concluded an agreement to promote multicultural coexistence (as of July 1, 2017)

September 2016	Nagoya-shi, Aichi prefecture
February 2017	Kani-shi, Gifu prefecture
March 2017	Aichi prefecture
April 2017	Kanagawa prefecture
May 2017	Kawasaki-shi, Kanagawa prefecture

Participating in Local Volunteer Activities

Seven Bank participates in the Chiyoda Corporate Volunteer Liaison Group, which engages in local community contribution activities conducted by companies that have an office in Chiyoda-ku, Tokyo, and their employees. As a good corporate citizen, we strive to strengthen communication with local communities.

In fiscal 2016, we participated in a volunteer activity at a “Tokubetsu Yogo Rojin Home” (elderly care facility for those who need special care) and a welfare festival held at a municipal office.



Dementia Supporter Training

To deepen employees’ understanding about dementia and help make a more supportive environment for dementia patients and their family so that they can live peacefully, Seven Bank engages in nurturing Dementia Supporters*. At present, 78 employees have qualified as a Dementia Supporter to contribute to the safety and security of local communities.

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

Shinjuku’s Kabukicho ATM corner is brand new! Collaboration with the ward of Shinjuku and the Shinjuku Convention & Visitors Bureau

In alliance with the ward of Shinjuku, Tokyo, and the Shinjuku Convention & Visitors Bureau, with a theme of “Revitalization of tourism in Shinjuku,” we renewed the Seven Bank ATM corner in Kabukicho, Shinjuku. The ATM terminals are colorfully wrapped, representing the diversity of Shinjuku. The floor depicts the image of the landscape of Shinjuku in spring, summer and fall, as well as festivals held in the ward. And the ceiling has a dye design, featuring a traditional industry of Shinjuku. To enhance convenience especially for overseas guests, tourism information magazines are provided, a DVD is played to introduce the attractions of Shinjuku and free Wi-Fi access is available at this ATM corner.



Kabukicho ATM corner



Seven Bank aims to deepen an understanding of shareholders and investors in its business activities by providing accurate information on 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.

To Deepen Communication with Shareholders and Investors

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

List of Tools for Dialogue

- Distribution of videos and audio recording of the presentation meetings for analysts and institutional investors (Japanese and English)
- Issuance of Business Report in Japanese
- Issuance of Annual Report in English
- Issuance of Shareholders Newsletter in Japanese
- Posting information on the Bank’s Web page for individual investors in Japanese



Streaming video of financial results presentation

■ IR Calendar (Major activities in fiscal 2016) * For analysts and institutional investors

	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Financial Statements		● Financial results for the fiscal year ● Presentation about financial results* ● Ordinary General Meeting of Shareholders			● Financial results for the first quarter ● Conference call*			● Financial results for the second quarter ● Presentation about financial results* ● Conference call*			● Financial results for the third quarter ● Conference call*	
Communication Using Useful Tools				● Issuance of Business Report in Japanese ● Issuance of Annual Report in English			● Issuance of Shareholders Newsletter in Japanese			● Issuance of the Interim Business Report in Japanese		
Overseas IR activities			● Asia	● North America	● Asia			● Europe				

Creating a Fulfilling Workplace

Efforts to Create a Workplace that Fosters Employees' Self-Growth

To create a workplace where employees can work energetically and fulfill self-growth and self-realization, Seven Bank encourages each employee to conduct self-motivated and independent activities and learn of his/her own accord.

Under such concepts, Seven Bank employees regard work as an opportunity for growth and we support their growth, aiming for a corporate culture wherein employees help each other, learn and grow.

Providing Active Support for Employees' Learning

Seven Bank has developed a capability development program suited to each employee's growth stage, providing various training sessions to acquire the knowledge and skills required for each tier. In addition, we send some employees who are selected from within the Bank to a business school. Moreover, we are focused on nurturing human resources who can communicate in multiple languages. To this end, we are providing aids for e-learning and support for language learning using external training.

Training and seminars provided by Seven Bank

- Training for new employees
- Training for employees who joined the Bank midcareer
- Send employees to an MBA program (3 employees were sent during fiscal 2016)
- Overseas training (2 employees were sent during fiscal 2016)
- Training on communication
- Aids for various types of e-learning (used by 115 employees during fiscal 2016)

Insight on Self-motivation through Training on Communication

The training helped me deepen my understanding of the operations of various departments and learn the importance of a self-motivated attitude. Moreover, although I used to have concerns about being a midcareer hire, I got acquainted with co-workers beyond the borders of my department and built a lasting relationship of camaraderie. It brought positive effects to my work.

Mami Igarashi,
Sales Management
Division



Respect for the Attitude to Tackle Challenges

Seven Bank values employees' self-motivated attitude to tackle challenging issues. To support employees' endeavors, various opportunities are provided.

In fiscal 2016, to motivate employees toward new businesses creation, we implemented events such as seminars inviting external entrepreneurs and workshops to inspire each other to develop new business ideas. An internal new business creation contest followed, where employees were encouraged to enter their ideas on new products and services of the future Seven Bank and the Group financial strategy. There were 26 entries, and upon presentation to the management team, two were chosen as candidates for commercialization and feasibility study is underway.



Discussion at a workshop

Creation of a Workplace Environment that Ensures a Feeling of Security

A good workplace environment where employees can work worry-free is the key to supporting workers who regard work as fulfilling and the workplace as a place of self-growth. Seven Bank is focused on promoting a work-life balance so that every employee can maximize his/her abilities and motivation.

By implementing systems to accommodate various lifestyles, we will continue to enrich a workplace environment that can utilize the diversity of human resources.

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 childrearing support company, which was our second time receiving this recognition.



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

Work-at-Home System

A work-at-home system has been in place to allow employees experiencing difficulty in commuting for such reasons as pregnancy, child care, nursing care for their family or injury to continue working.

Permanent Employment Transition System

Since fiscal 2016, a system has been in place to allow contract employees with a certain period of service transition to permanent hire (associate employee) if desired.

Regular Employee Promotion System

Since fiscal 2016, a system has been in place to promote contract employees and associate employees to regular employee if they satisfy certain conditions.

Employment of Persons with a Disability

From the perspective of normalization, we have a work environment where persons with a disability can work utilizing their abilities and aptitude.

Data on Employees and Employment

(As of March 31, 2017)

Number of employees (male/female) ^{*1}	472 (302/170)
Number of part-time employees (male/female) ^{*2}	10 (3/7)
Number of temporary staff (male/female)	21 (8/13)
Average service years of employees	6.8 years
Ratio of female managers ^{*3}	12.0%
Ratio of employment of persons with a disability	2.2%
Ratio of paid leave taken by employees	83.4%

*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 8 work hours a day

*3. Ratio of female managers excludes those seconded from the Bank to the Seven & i Group companies and those seconded to the Bank from companies outside the Group but includes those seconded to the Bank from the Group companies.

(During fiscal 2016)

Number of persons promoted to regular employee (male/female)	2 (0/2)
Number of employees who took a leave for childbirth	8
Number of employees who took a leave for child care (male/female) ^{*4}	13(1/12)
Number of employees who took a leave for nursing care (male/female)	0
Reemployment of persons who retired due to pregnancy, child care and nursing care (male/female)	1 (0/1)
Number of employees who used the shorter work-hour system due to child care or nursing care (male/female)	21 (3/18)
Number of employees who used the work-at-home system (male/female)	6 (2/4)
Number of uses of a leave for volunteer activities	11
Occupational accident frequency rate ^{*5}	0%
Occupational accident severity rate ^{*6}	0%
Number of contacts received at the Help Line for employees	1
Average employee overtime per month	21.0 hours

*4. Number of regular employees who took a leave for child care during fiscal 2016

*5. Occupational accident frequency rate = (Number of occupational accidents occurred/Cumulative work hours) × 1,000,000

*6. Occupational accident severity rate = (Lost work days due to an accident/Cumulative work hours) × 1,000

Seven Bank Management Team

(as of July 1, 2017)

Directors



Takashi Anzai
Chairman and Representative Director



Kensuke Futagoishi
President and Representative Director
In charge of Internal Audit Division



Yasuaki Funatake
Director, Executive Vice President
In charge of Planning Division, General Affairs Division and Human Resources Division



Kazuhiko Ishiguro
Director, Senior Managing Executive Officer
General Manager of Operations Division
In charge of Operations Division, System Development Division and ATM Solution Division



Taku Oizumi
Director, Managing Executive Officer
General Manager of International Business Division
In charge of International Business Division



Hisanao Kawada
Director, Managing Executive Officer,
General Manager of Business Promotion Division
In charge of Business Promotion Division, Treasury Division and Sales Management Division



Katsuhiro Goto
Director



Yoji Ohashi
Outside Director



Yuko Miyazaki
Outside Director



Shuji Ohashi
Outside Director

Audit & Supervisory Board Members



Isamu Hirai
Full-time Audit & Supervisory Board Member



Akihiko Shimizu
Full-time Audit & Supervisory Board Member



Naomi Ushio
Outside Audit & Supervisory Board Member



Kunihiro Matsuo
Outside Audit & Supervisory Board Member

Executive Officers

Masaaki Matsuhashi
Managing Executive Officer
In charge of ATM Administration Division and Seven Labo

Tomofumi Oguchi
Managing Executive Officer, General Manager of Product Development and Promotion Division
In charge of Product Development and Promotion Division and Corporate Business Division

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

Koji Maekawa
Executive Officer, General Manager of ATM Administration Division

Hiroshi Ishimura
Executive Officer, General Manager of Customer Service Division
In charge of Customer Service Division

Kenichi Yamamoto
Executive Officer, Seven Labo Leader

Ken Shimizu
Executive Officer, General Manager of Human Resources Division

Hiroshi Takeuchi
Executive Officer, General Manager of Planning Division

Takashi Koyama
Executive Officer, General Manager of System Development Division

Kazutaka Inagaki
Executive Officer, General Manager of Sales Management Division

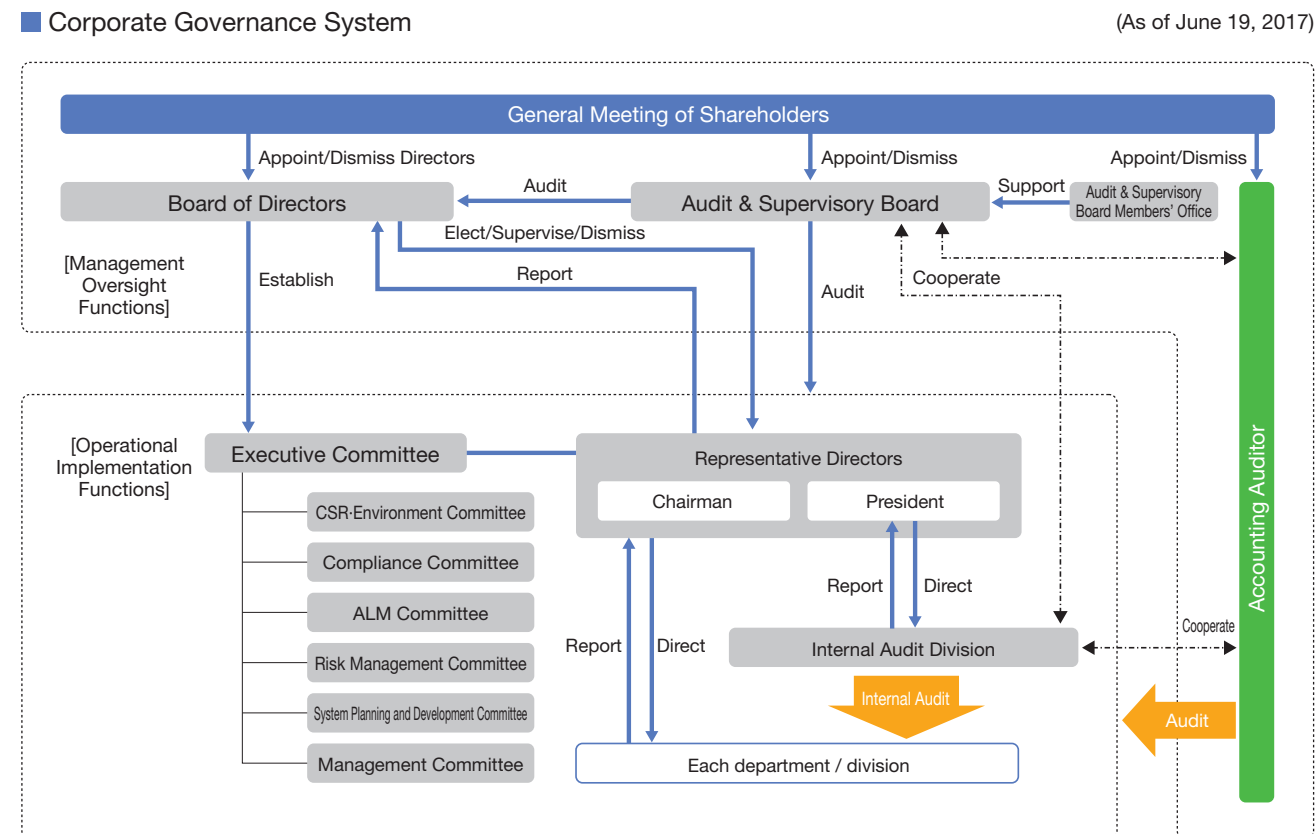
Status of Corporate Governance

Basic Views on Corporate Governance

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 the social trust and seeks to ensure effective corporate governance. This is achieved by maintaining and improving its corporate governance and compliance systems to ensure transparent, fair and swift managerial decision making; clarify the roles and responsibilities of executives and employees; strengthen management oversight functions; and ensure 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 the audits by the Audit & Supervisory Board Members.

Seven Bank's corporate governance system is as follows.



Implementation Status of the Corporate Governance Initiatives

Details of the organization of the Bank

As of June 19, 2017, the Board of Directors consisted of 10 Directors, including three Outside Directors. The Board of Directors meets to decide on the Bank's basic managerial policies and important operational issues, and to supervise execution of duties of Directors with executive authority over operations and Executive Officers.

As of June 19, 2017, the Audit & Supervisory Board consisted of four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members. The Audit & Supervisory Board meets to receive reports on important auditing-related issues, deliberate on such issues or make decisions.

Status of Improvement 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. Based on this resolution, Seven Bank strives for good corporate governance and internal control, while ensuring appropriateness in the Group's operations in an efficient manner.

Corporate Governance Guidelines

To clarify the specific issues to be addressed by the Bank to realize the basic views on corporate governance and fulfill accountability to its shareholders, the Bank has established the "Corporate Governance Guidelines," which are disclosed on its Web site.

Corporate Governance Report

Seven Bank submitted its "Corporate Governance Report" to the Tokyo Stock Exchange to report the status of the implementation of the its corporate governance system and discloses the report on its Web site.

Details of the Bank's organization and the progress of development of the Internal Control System are disclosed in the "Corporate Governance Report" posted on the Bank's Web site:

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

Corporate Governance Guidelines

Corporate Governance Report



Risk Management Initiatives

The “Basic Policy on Risk Control” established by the Board of Directors as an overall risk management policy, risk management policies regarding specific risks and internal organization for risk management and risk management structure have been formulated. Based on the Basic Policy on Risk Control, the Executive Committee has established detailed rules and regulations related to risk management.

The Bank’s risk management structure includes the Risk Management Division, which is responsible for supervising overall risk management activities, specific risk management divisions and the Internal Audit Division to perform internal audits. In addition, the Risk Management Committee and the Asset-Liability Management (ALM) Committee act as advisory bodies for the Executive Committee with respect to risk management.

Overall Management of Risk

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

Credit Risk

The Bank observes its basic policies relating to credit risk, which are governed by the Basic Policy on Risk Control and the Credit Risk Rules established under the policy. Currently, our risk management activities relating to credit risk are limited to the ATM settlement business, the ALM of interbank deposits placed with top-rated partner financial institutions, 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 guidelines and rules.

Market Risk

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

Liquidity Risk

The Bank observes its basic policies relating to liquidity risk, which are governed by the Basic Policy on Risk Control and the Liquidity Risk Rules established under the policy. The Liquidity Risk Rules include the limits regarding the cash gaps arising from differences between the period of the management of invested funds and the timing of the liquidation. The Risk Management 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 a quick and flexible company-wide action by scenario, and therefore does not expect to experience a major liquidity problem.

Overall Management of Operational Risk

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

Administrative Risk

Seven Bank’s business consists primarily of the execution of transactions, mainly through its ATM network, without involving face-to-face interaction. The Bank observes its Administrative Risk Rules, which were established in accordance with the Basic Policy on Risk Control, which includes a basic policy regarding administrative risks particularly due to this special

characteristic of our business. To manage administrative risks, we have improved the administrative rules that are based on transactions without face-to-face interaction. In addition, the Bank works to prevent administrative errors and employee misconduct through self-monitoring and appropriate audits of all department/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 recognize the occurrence of administrative errors in all department/divisions and centers and manage administrative risk, including potential administrative risk.

Systems Risk

The Bank observes its basic policies relating to systems risk, which are governed by the Basic Policy on Risk Control and the Systems Risk Rules established under the policy. The Bank seeks to thoroughly improve systems development efficiency, service quality and safe operation of systems. The system configuration includes the full utilization of the 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 based on the relative importance to operations, and such backup data is stored offsite 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 system,

monitoring access 24 hours/day and 365 days/year, encrypting all electronic transactions with customers, and employing antivirus software. Furthermore, so that the customers can use the Bank’s services with peace of mind, the Bank has prepared a business succession plan in advance to prepare for unforeseen events such as service interruptions or disasters, and has set up a framework for conducting regular drills and other measures.

Reputation Risk

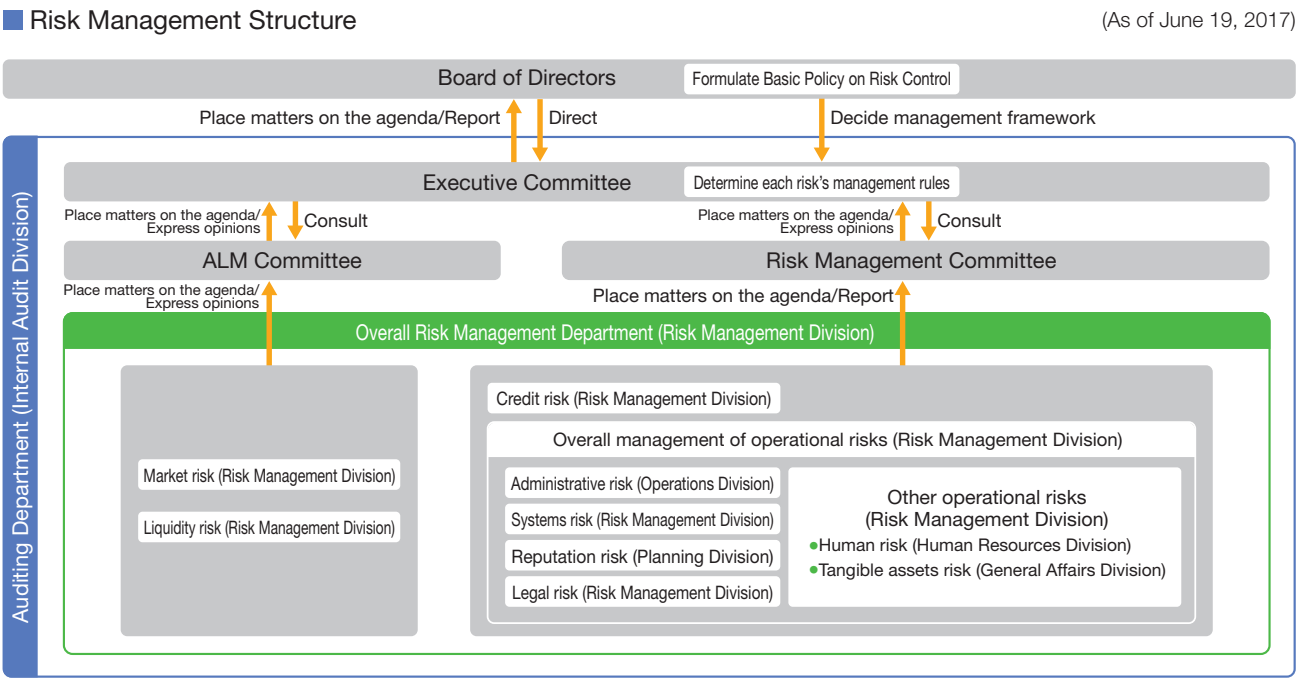
The Bank observes its basic policies relating to reputation risk, which are governed by the Basic Policy on Risk Control and the Reputation Risk Rules established under the policy. The Bank works to gather information concerning its reputation on a daily basis and maintains a response system, including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

Legal Risk

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

Other Operational Risks

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

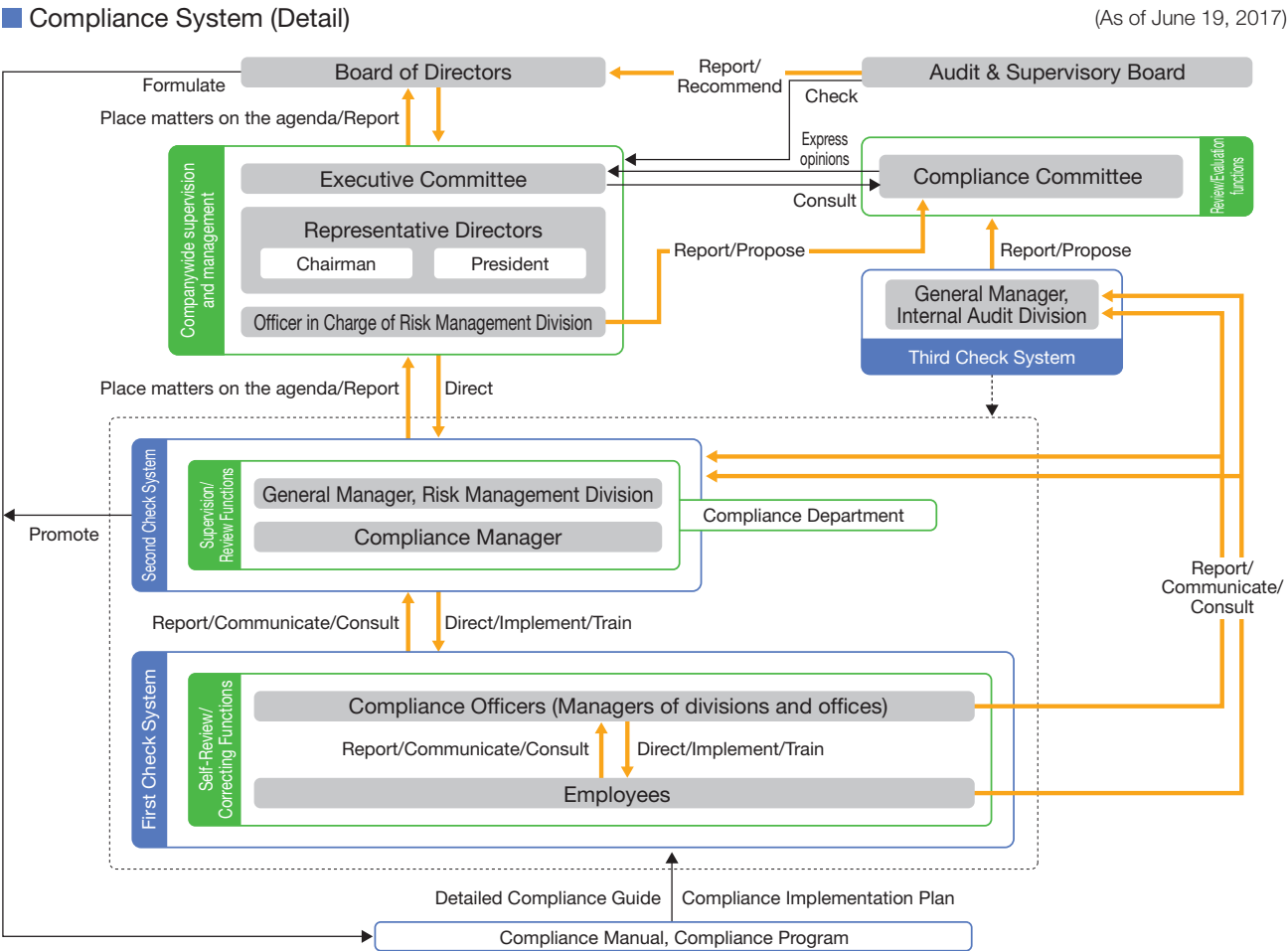


Compliance Initiatives

The Bank regards compliance with applicable laws and societal norms as a fundamental prerequisite to earning the trust of society. Being 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 department/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 Bank-wide compliance department to improve accountability and responsibility, self-supportive capabilities and mutual checks to create an organization with an inherent self-monitoring function. In addition, the Compliance Committee, which acts as an advisory body for the Executive Committee, reviews and evaluates all significant compliance-related issues.



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, based on such reviews and evaluations, formulates a compliance program for the following fiscal year.

Compliance Manual

To implement thorough compliance, the Bank has formulated a compliance manual, which has been distributed internally to all employees so they can keep it handy. The content of the manual has been updated when necessary in line with revisions and abolition of laws and regulations. To disseminate the content of the compliance manual thoroughly, the Bank is implementing various kinds of compliance training sessions.

Main Compliance Issues

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

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 on a daily basis, this division works to eliminate fraudulent accounts, prevent fraudulent bank transfers and other activities, and cooperate with the police and other governmental authorities appropriately.
- 2. Response to Antisocial Groups**

The Bank has ordinarily 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 for opening accounts to sign an affidavit stating they are not associated with antisocial forces. By including the 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.

Dissemination of Compliance

With the belief that compliance with laws and regulations is a prerequisite for gaining trust from stakeholders, the Bank positions compliance as a priority managerial issue.

Compliance Standards Card

Portable cards stating the Bank's Management Ethos and Compliance Standards have been distributed to all employees so they can always keep it handy as a reminder of the importance of compliance.



Compliance Guide File

All employees of the Bank carry a file containing the compliance-related rules. We are striving to disseminate compliance by reading the content aloud altogether at the Bank-wide morning assembly meetings.



Compliance Consultation System

A small book containing where to and how to consult on compliance-related concerns when they arise has been distributed to all employees.



Suppliers' Help Line

To promote fair transactions and provide safe and secure products and services for customers, a consultation and report contact has been in place for the Seven & i Holdings Group's common use.



Summary of Fiscal 2016

During the fiscal year under review, the Japanese economy continued to stay on a moderate recovery path with the effect of the economic measures by the Japanese government. The financial environment remained substantially saturated with corporations’ fund procurement costs staying low.

In this operating environment, consolidated results for Seven Bank (the “Bank”) for fiscal 2016 were ordinary income of 121,608 million yen, ordinary profit of 36,710 million yen, and net income attributable to owners of the parent of 25,114 million yen.

Non-consolidated results for the Bank were ordinary income of 113,109 million yen, ordinary profit of 38,911 million yen, and net income of 26,871 million yen. The total ATM transactions steadily grew mainly as a result of an increase in the number of ATMs installed. However, profits decreased compared with the previous fiscal year, despite an increase in revenues, due to an increase in ordinary expenses.

Operating results by service segment are as follows:

(1) ATM Business

During fiscal 2016, Seven Bank aggressively promoted the installation of ATMs within and outside the Seven & i Holdings and its operating companies (the “Group”) to enhance the convenience for customers.

Also during fiscal 2016, we established new partnerships with THE OKINAWA KAIHO BANK, LTD. (August 2016), as well as one *shinkin* bank, three credit cooperatives, one securities company and four other financial institutions. As a result, as of March 31, 2017, we partnered with 124 banks¹, 261 *shinkin* banks², 130 credit cooperatives³, 13 labor banks, JA Bank, JF Marine Bank, Shoko Chukin Bank, 12 securities companies⁴, 8 life insurance companies and 50 other financial institutions⁵, totaling 601 businesses⁶.

Within the Group, we have installed ATMs along with new Seven-Eleven store openings and steadily increased the number of ATMs installed. As for operations outside the Group, to address customer needs, we aggressively promoted the installation of ATMs inside each facility for transportation, logistics and tourism.

In addition, to further enrich ATM services, in March 2017 we started to provide a service that allows ATM deposit and withdrawal transactions using only a smartphone without using a cash card.

As a result of such initiatives, the number of our ATMs installed reached 23,368 (up 3.9% compared with the end of March 2016). The average daily transactions per ATM were 95.5 (down 3.3% year over year), and a total of 796 million transactions were recorded (up 1.7% year over year).

Notes: 1. Compared with the 123 banks with which we had partnerships at the end of March 2016, one bank was newly added as a partner, resulting in 124 bank partnerships at the end of March 2017.
2. Compared with 261 *shinkin* banks with which we had partnerships at the end of March 2016, one *shinkin* bank was newly added as a partner, and one *shinkin* bank ceased to be a partner due to a merger, resulting in 261 partnerships at the end of March 2017.
3. Compared with 129 credit cooperatives with which we had partnerships at the end of March 2016, three credit cooperatives were newly added as partners, and two credit cooperatives ceased to be partners due to a merger, resulting in 130 partnerships at the end of March 2017.

4. Compared with 11 securities companies with which we had partnerships at the end of March 2016, one securities company was newly added as a partner, resulting in 12 partnerships at the end of March 2017.
5. Compared with 47 other financial institutions with which we had partnerships at the end of March 2016, four financial institutions were newly added as partners, and one financial institution ceased to be a partner due to cancellation of partnership, resulting in 50 partnerships at the end of March 2017.
6. JA Bank and JF Marine Bank are each counted as one institution.

(2) Financial services business

The Bank had 1,690 thousand individual customer accounts at the end of March 2017 (up 8.1% compared with the end of March 2016), a balance of deposits of 396,800 million yen (up 1.8% year over year) and a balance of personal loan services of 19,800 million yen (up 22.3% year over year).

In October 2016, we started issuing cash cards with a debit function.

(3) Consolidated subsidiaries

As of December 31, 2016, the number of ATMs installed by FCTI, Inc., the Bank’s consolidated subsidiary in the United States, was 6,227. With regard to business results of FCTI, Inc. for the consolidated fiscal year (from January 2016 to December 2016), ordinary income was 77.6 million U.S. dollars, the ordinary loss was 6.6 million U.S. dollars and the net loss was 4.3 million U.S. dollars.

PT. ABADI TAMBAH MULIA INTERNASIONAL, the Bank’s consolidated subsidiary in Indonesia, promoted installation of ATMs. As of December 31, 2016, the number of ATMs installed by PT. ABADI TAMBAH MULIA INTERNASIONAL was 127.

Bank Business Factory Co., Ltd, the Bank’s domestic consolidated subsidiary, is developing businesses of back-office support on commission not only for the Bank but also for other financial institutions.

Summary of Financial Position of Fiscal 2016

Assets

Total assets were 957,792 million yen. The majority of this total comprised of cash and due from banks required for the operation of ATMs of 694,588 million yen. The remainder mostly consisted of securities held as collateral for domestic exchange settlements and Bank of Japan current account overdraft transactions of 77,866 million yen and ATM-related temporary payments to partner financial institutions of 89,286 million yen.

Liabilities

Liabilities were 758,710 million yen. These largely comprised deposits (excluding negotiable certificates of deposit) totaling 571,510 million yen. Of these, the outstanding balance of individuals’ ordinary deposits was 245,245 million yen and the balance of time deposits was 151,632 million yen.

Net Assets

Net assets were 199,081 million yen. Of these, retained earnings were 132,093 million yen. The consolidated capital ratio was 51.71%.

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Summary of Cash Flows of Fiscal 2016

Cash and cash equivalents increased by 48,750 million yen during the current fiscal year to 694,588 million yen. Cash flows in each category and the factors behind changes were as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was 88,118 million yen. Factors contributing cash included income before income taxes and non-controlling interests of 36,542 million yen and net increase in deposits of 24,529 million yen. These factors exceeded factors using cash such as net increase in loans of 3,620 million yen and net decrease in borrowed money of 5,021 million yen.

Cash Flow from Investing Activities

Net cash used in investing activities was 28,818 million yen. Factors that used cash included purchase of securities of 33,849 million yen and purchase of tangible fixed assets of 6,712 million yen. These exceeded the factor that provided cash: proceeds from maturity of securities of 21,000 million yen.

Cash Flow from Financing Activities

Net cash used in financing activities was 10,446 million yen, due to factors including 10,419 million yen in dividends paid.

Outlook for Fiscal 2017

For our consolidated results for fiscal 2017, we forecast ordinary income of 130,800 million yen (up 7.5% year on year), ordinary profit of 38,600 million yen (up 5.1% year on year), and net income attributable to owners of the parent of 26,400 million yen (up 5.1% year on year).

For non-consolidated results of Seven Bank, we forecast ordinary income of 117,000 million yen (up 3.4% year on year), ordinary profit of 41,000 million yen (up 5.3% year on year), and net income of 28,300 million yen (up 5.3% year on year).

In fiscal 2017, we will continue to increase the number of ATMs installed and work to develop new users. We forecast that the number of ATMs installed to be approximately 24,300 (up 3.9% compared with the end of March 2017), the total number of ATM transactions will be approximately 820 million (up 2.9% year on year), and the average daily transactions per ATM will be 94.7 (down 0.8% year on year). Due to growth in the number of ATMs installed and the total number of transactions as a result of these measures and other factors, we forecast increases in ordinary income, ordinary profit and net income.

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

Risk Factors

Major risks related to Seven Bank’s business and other areas that may significantly affect investors’ decisions are listed as follows. Moreover, items that may not qualify as such, but are deemed important for investment decisions of investors are also disclosed below, for the purpose of proactive disclosure to investors. Risks related to the Bank’s business and other areas are not limited to those stated, and the Bank does not guarantee that it is free from risks other than those stated, including those that are unidentified.

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

1. Risk Relating to Our Business Strategy

(1) ATM Business

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

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

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

B) Growing competition from other ATM networks

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

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

C) Changes in economic conditions

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

D) Difficulty in securing ATM locations

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

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

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

F) Risk of higher interest rates

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

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

(2) Financial Services Business

In addition to ordinary deposits and time deposits, Seven Bank offers personal loans and international money transfer services for individuals and debit card service, as well as a back-office support on commission for other financial institutions through a 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 financial services business, but cannot guarantee that they will succeed. When expanding new businesses, the Bank may also establish new subsidiaries, engage in M&A or form capital alliances with other corporations. However, the inability of the Bank to realize the initially expected effect of these strategic investments and to achieve its strategic objectives could affect the Bank’s results and financial position.

(3) Risks of Overseas Subsidiaries

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

(4) Impairment of Fixed Assets

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

2. Risk Management Systems

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

3. System Failure

Seven Bank has established Systems Risk Rules to articulate its

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

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

4. Deterioration in Relationships with External Contractors

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

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

5. Relationship with Seven & i Group

Overall, Seven Bank determines issues including business strategy, personnel policy, and capital policy autonomously after independent consideration. However, the Bank operates its ATM 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 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, 2017, the Seven & i Group controls 45.78% of the voting rights of Seven Bank. The Group is expected to remain a major Seven Bank shareholder, and the Bank cannot guarantee that the Group will not influence its policies and decisions.

(2) Personnel Relationships

Seven Bank’s Directors Takashi Anzai and Katsuhiro Goto concurrently serve as directors of the Company. In addition, Seven Bank has a cooperative business relationship with the Group that involves personnel exchanges.

(3) Transactional Relationships

At the end of March 2017, Seven Bank had installed 21,238 ATMs at the Group stores (including 20,615 ATMs at Seven-Eleven stores, 305 ATMs at Ito-Yokado stores, and 318 ATMs at other

locations in the Group). In addition, the Bank has installed 2,130 ATMs at locations other than the Group stores. Thus, 90.8% of the Bank's ATMs are installed at the Group stores. Difficulties in keeping ATMs installed at the Group stores or a marked decrease in customers at the Group stores could affect the Bank's results.

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

6. Response to Financial Crime

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

7. Litigation

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

8. Effects of Legal Amendments

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

9. Regulations

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

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

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

suspend its operations or its license may be revoked.

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

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

10. Capital Adequacy Ratio

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

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

11. Personal Information Leakage

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

12. Reduced Liquidity due to Ratings Downgrade

Seven Bank currently has a long-term issuer rating of A+ with a stable outlook and a short-term issuer rating of A-1 from S&P Global Ratings. The Bank also has an issuer rating of AA with a stable outlook from Rating & Investment Information, Inc. However, there is no guarantee that the Bank can maintain these ratings in the future. A rating downgrade may affect the Bank's capital and fund procurement.

13. Securing Personnel

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

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

14. Reputation

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

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

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

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

Status of the Corporate Group

Seven Bank Group comprises five companies, i.e. the Bank and its four consolidated subsidiaries, which provide ATM and financial services.

Additionally, Seven Bank is a subsidiary of Seven & i Holdings Co., Ltd., while Seven-Eleven Japan Co., Ltd. is its affiliate.

(1) Seven Bank's Domestic ATM Services

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

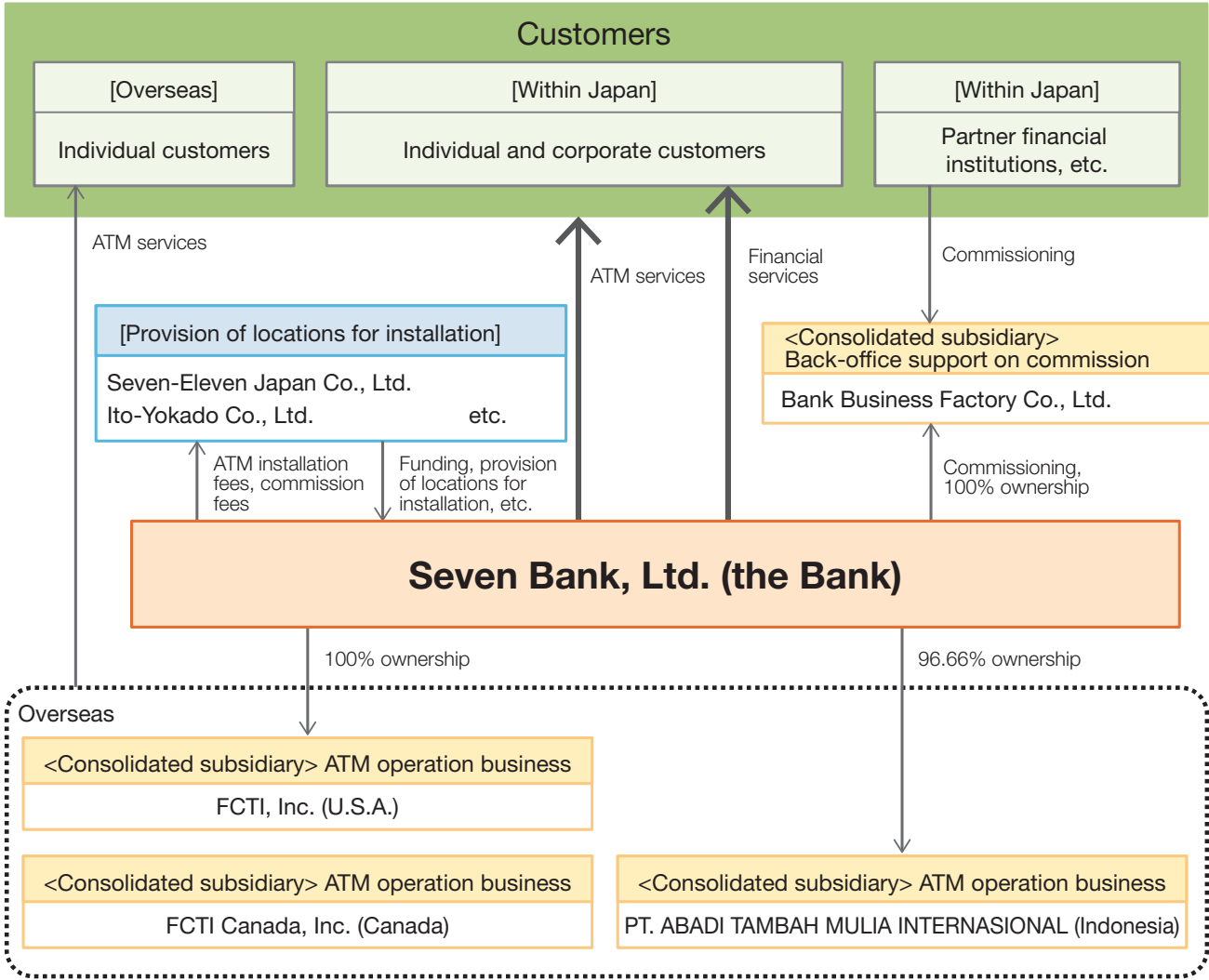
(2) Seven Bank's Financial Services

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 accounts 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, in addition to those commissioned by the Bank.

(3) Seven Bank's Overseas ATM Services

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

■ Seven Bank's Operating System



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

(1) Management Policies

1. Management Ethos

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

2. Management Approach

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, utilizing the 20,000-plus retail locations of Seven & i Holdings and its operating companies (the "Group") led by Seven-Eleven convenience stores.

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

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

(2) Medium-Term Management Plan

In fiscal 2017, our earnings environment is predicted to continue to be strong mainly because the number of our ATMs to be installed is expected to grow along with the opening of more Seven-Eleven stores and further development outside the Group. On the other hand, changes in domestic and overseas macro economies and the increasingly diverse settlement methods as technologies evolve could affect our earnings.

To achieve our sustainable growth under these circumstances, we recognize as a crucial issue the need to create a broad-based earnings structure. To solve the issue, we formulated the Medium-Term Management Plan with fiscal 2019 as its final year.

Positioning the period for the Medium-Term Management Plan as a phase for establishing foundations for sustainable growth of the Bank, we will strive for business expansion by strengthening the following three businesses.

- 1) ATM platform business;
 - 2) Settlement and account business; and
 - 3) Overseas business
- Specific initiatives for the above are as follows:

(1) ATM platform business

Positioning our nationwide ATM infrastructure with more than 23,000 units as our platform, we will develop initiatives to increase the number of business partners and customers. Specifically, mainly by providing new services for our existing

partner financial institutions and by providing services that cater to businesses that have newly entered the settlement market, we will strive to create ATM utilization styles that transcend convention and explore new markets.

In addition, while continuing the steady installation of ATMs within the Group, we will aggressively promote the installation of high-operability ATMs outside the Group as well, primarily at each center of transportation, logistics and tourism. Through these initiatives, we will strive to enrich both the quality and quantity of our ATM platform as we expand our ATM services.

(2) Settlement and account business

In addition to improving convenience and enhancing profitability of our existing services such as personal loan services and international money transfer services, we will strive to further increase earnings by developing our proprietary services utilizing new technologies. We will also promote initiatives to provide new financial services such as a settlement service for as many as 22 million customers a day who visit stores of the Group.

(3) Overseas business

In fiscal 2017, FCTI, Inc., the Bank's consolidated subsidiary in the United States, will start installing ATMs inside 7-Eleven stores all over the United States. We will strive to ensure steady ATM operation, pursue synergies with 7-Eleven, Inc. (U.S.) and aim to provide new services as well. In our efforts to expand in Indonesia and other regions, we will optimize the Bank's know-how and infrastructure to develop our overseas business.

(3) Target Management Indicators

We will strive to create ¥44.7 billion of consolidated ordinary profit in fiscal 2019, the final year of the Medium-Term Management Plan.

	Target for FY2019	Results of FY2016
Consolidated ordinary income	¥161.6 billion	¥121.6 billion
Consolidated ordinary profit	¥44.7 billion	¥36.7 billion
Consolidated ROE	13% or higher	13.1%

Consolidated Balance Sheets

Seven Bank, Ltd. and Consolidated Subsidiaries
As of March 31, 2017 and 2016

	Millions of yen	
	2017	2016
Assets:		
Cash and due from banks (Notes 2, 3, 4 and 5)	¥694,588	¥645,838
Call loans (Note 5)	—	25,000
Securities (Notes 2, 5, 6 and 7)	77,866	66,797
Loans (Notes 5 and 8)	19,829	16,208
ATM-related temporary payments (Note 5)	89,286	83,407
Tangible fixed assets (Notes 2, 9, 31 and 33)	25,740	30,890
Intangible fixed assets (Notes 2 and 10)	34,473	34,356
Asset for retirement benefits (Notes 2 and 16)	183	68
Deferred tax assets (Notes 2 and 25)	790	921
Other assets (Notes 2, 7 and 11)	15,064	11,961
Allowance for credit losses (Notes 2 and 5)	(30)	(65)
Total assets	¥957,792	¥915,385
Liabilities:		
Deposits (Notes 5 and 12)	¥572,310	¥547,781
Call money (Note 5)	10,000	—
Borrowed money (Notes 5, 13 and 29)	10,000	15,022
Bonds (Notes 5 and 14)	110,000	110,000
Income taxes payable	6,040	6,808
ATM-related temporary advances (Note 5)	37,763	37,830
Reserve for bonuses (Note 2)	471	458
Liability for retirement benefits (Notes 2 and 16)	1	0
Deferred tax liabilities (Notes 2 and 25)	1,170	1,690
Other liabilities (Notes 2, 13, 15, 27 and 31)	10,952	10,999
Total liabilities	758,710	730,590
Net assets (Notes 2, 17 and 26):		
Shareholders' equity:		
Common stock, authorized 4,763,632 thousand shares, issued 1,191,528 thousand shares as of March 31, 2017 and 1,191,001 thousand shares as of March 31, 2016	30,572	30,514
Capital surplus	30,554	30,496
Retained earnings	132,093	117,402
Treasury stock, at cost, 0 thousand shares as of March 31, 2017 and 2016	(0)	(0)
Total shareholders' equity	193,221	178,412
Accumulated other comprehensive income:		
Net unrealized gains (losses) on available-for-sale securities, net of taxes (Note 6)	217	343
Foreign currency translation adjustments	5,012	5,462
Accumulated adjustments for retirement benefit (Note 16)	73	6
Total accumulated other comprehensive income	5,303	5,812
Subscription rights to shares (Note 30)	533	545
Non-controlling interests	22	24
Total net assets	199,081	184,794
Total liabilities and net assets	¥957,792	¥915,385

See accompanying notes.

Consolidated Statements of Income

Seven Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen	
	2017	2016
Income:		
Interest income	¥ 2,848	¥ 2,274
Interest on loans	2,704	2,078
Interest and dividends on securities	26	58
Other interest income	118	137
Fees and commissions income (Note 18)	118,226	117,265
Other operating income (Note 20)	249	193
Other income (Note 22)	283	206
Total income	121,608	119,939
Expenses:		
Interest expenses	954	1,253
Interest on deposits	321	567
Interest on call money	(20)	18
Interest on borrowed money	105	113
Interest on bonds	548	553
Fees and commissions expenses (Notes 19 and 27)	23,092	21,661
General and administrative expenses (Notes 21 and 30)	60,781	59,757
Other expenses (Note 23)	236	310
Total expenses	85,065	82,983
Income before income taxes	36,542	36,956
Income taxes (Notes 2 and 25)		
Current	11,701	12,666
Deferred	(272)	(413)
Total income taxes	11,429	12,252
Net income	25,113	24,703
Net income (loss) attributable to non-controlling interests	(1)	(13)
Net income attributable to owners of the parent	¥ 25,114	¥ 24,716

Amounts per share of common stock (Note 32):

	Yen	
	2017	2016
Net assets	¥166.61	¥154.68
Net income	21.07	20.75
Diluted net income	21.04	20.71
Cash dividends applicable to the year	9.00	8.50

See accompanying notes.

Consolidated Statements of Comprehensive Income

Seven Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen	
	2017	2016
Net income	¥25,113	¥24,703
Other comprehensive income (Note 24)		
Net unrealized gains (losses) on available-for-sale securities, net of taxes ...	(126)	(17)
Foreign currency translation adjustments	(450)	(44)
Adjustments for retirement benefit (Note 16)	67	(6)
Total other comprehensive income	(509)	(68)
Comprehensive income	¥24,604	¥24,635
Comprehensive income attributable to:		
Owners of the parent	¥24,605	¥24,655
Non-controlling interests	(1)	(19)

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Seven Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2015	¥30,514	¥30,514	¥102,511	¥(0)	¥163,539
Changes in items during the period					
Issuance of new shares					—
Cash dividends			(9,825)		(9,825)
Net income attributable to owners of the parent ..			24,716		24,716
Increase (decrease) in capital surplus arising from changes in interests in consolidated subsidiaries		(17)			(17)
Net changes in items other than shareholders' equity					
Net changes in items during the period ..	—	(17)	14,891	—	14,873
Balance at April 1, 2016	¥30,514	¥30,496	¥117,402	¥(0)	¥178,412
Changes in items during the period					
Issuance of new shares	58	58			117
Cash dividends			(10,423)		(10,423)
Net income attributable to owners of the parent ..			25,114		25,114
Increase (decrease) in capital surplus arising from changes in interests in consolidated subsidiaries					—
Net changes in items other than shareholders' equity					
Net changes in items during the period ..	58	58	14,691	—	14,808
Balance at March 31, 2017	¥30,572	¥30,554	¥132,093	¥(0)	¥193,221

	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2015	¥360	¥5,500	¥13	¥5,874	¥449	¥26	¥169,890
Changes in items during the period							
Issuance of new shares							—
Cash dividends							(9,825)
Net income attributable to owners of the parent ..							24,716
Increase (decrease) in capital surplus arising from changes in interests in consolidated subsidiaries							(17)
Net changes in items other than shareholders' equity	(17)	(37)	(6)	(61)	95	(1)	31
Net changes in items during the period ..	(17)	(37)	(6)	(61)	95	(1)	14,904
Balance at April 1, 2016	¥343	¥5,462	¥ 6	¥5,812	¥545	¥24	¥184,794
Changes in items during the period							
Issuance of new shares							117
Cash dividends							(10,423)
Net income attributable to owners of the parent ..							25,114
Increase (decrease) in capital surplus arising from changes in interests in consolidated subsidiaries							—
Net changes in items other than shareholders' equity	(126)	(450)	67	(508)	(11)	(1)	(522)
Net changes in items during the period ..	(126)	(450)	67	(508)	(11)	(1)	14,286
Balance at March 31, 2017	¥217	¥5,012	¥73	¥5,303	¥533	¥22	¥199,081

See accompanying notes.

Consolidated Statements of Cash Flows

Seven Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen	
	2017	2016
Cash flows from operating activities:		
Income before income taxes	¥ 36,542	¥ 36,956
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation of fixed assets	18,766	18,779
Amortization of goodwill	960	1,069
Net change in allowance for credit losses	(34)	18
Net change in asset or liability for retirement benefits	(16)	(18)
Interest income	(2,848)	(2,274)
Interest expenses	954	1,253
Net losses (gains) related to securities	—	(2)
Net foreign exchange gains	—	(8)
Net losses on disposal of fixed assets	167	210
Net change in loans	(3,620)	(5,801)
Net change in deposits	24,529	45,608
Net change in borrowed money	(5,021)	(976)
Net change in call loans	25,000	(12,000)
Net change in call money	10,000	—
Net change in ATM-related temporary accounts	(5,944)	(1,817)
Interest received	3,086	2,295
Interest paid	(1,011)	(1,395)
Other – net	(628)	(2,161)
Subtotal	100,882	79,735
Income taxes paid	(12,802)	(13,268)
Income taxes refund	38	15
Net cash provided by operating activities	88,118	66,482
Cash flows from investing activities:		
Purchase of securities	(33,849)	(43,013)
Proceeds from sales of securities	—	334
Proceeds from redemption of securities	21,000	49,000
Purchase of tangible fixed assets	(6,712)	(10,511)
Purchase of intangible fixed assets	(9,256)	(7,444)
Net cash used in investing activities	(28,818)	(11,634)
Cash flows from financing activities:		
Proceeds from exercise of stock options	0	—
Dividends paid	(10,419)	(9,823)
Other – net	(26)	(2)
Net cash used in financing activities	(10,446)	(9,826)
Effect of exchange rate changes on cash and cash equivalents	(103)	(42)
Net change in cash and cash equivalents	48,750	44,978
Cash and cash equivalents at the beginning of the year	645,838	600,859
Cash and cash equivalents at the end of the year (Notes 2, 3 and 4)	¥694,588	¥645,838

See accompanying notes.

Notes to Consolidated Financial Statements

Seven Bank, Ltd. and its consolidated subsidiaries
As of and for the years ended March 31, 2017 and 2016

1. Basis of Presenting Consolidated Financial Statements

- (a) The accompanying consolidated financial statements of Seven Bank, Ltd. (the “Bank”) and its consolidated subsidiaries (collectively the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.
- The accompanying consolidated financial statements have been reclassified and translated into English (with some expanded descriptions) from the consolidated financial statements of the Group prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.
- (b) In preparing the accompanying consolidated financial statements and notes, Japanese yen figures less than one million yen have been rounded down to the nearest million yen, except for per share data, in accordance with the Financial Instruments and Exchange Law and Enforcement Ordinance concerning the Banking Law of Japan. Therefore, total or subtotal amounts shown in the accompanying consolidated financial statements and notes thereto are not necessarily equal to sums of individual amounts. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the Group’s consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.
- (c) The preparation of consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its four consolidated subsidiaries.

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

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

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

(b) Securities

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

(c) Tangible fixed assets

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, 2017 and 2016 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 standards for write-offs and provisions.

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

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

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

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

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

(f) Reserve for bonuses

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

(g) Method of accounting for retirement benefits

In calculating the projected benefit obligation, projected retirement benefit attributable up to the end of the fiscal year is determined on a benefit formula basis. Also, 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.

(h) Foreign currency translation

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

(i) Derivative transactions and hedge accounting

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

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

Derivative financial instruments are classified and accounted for as follows. All derivative transactions are recognized as either assets or liabilities and measured at fair values, and gains or losses on derivative transactions are recognized in the consolidated statement of income.

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

(j) Amortization of goodwill

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

(k) Cash and cash equivalents

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

(l) Income taxes

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

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

(m) Consumption taxes

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

(n) Amounts per share

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

(o) Appropriation of retained earnings

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

(p) Additional information

The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the current fiscal year.

3. Supplemental Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2017 and 2016 consisted of cash and due from banks of ¥694,588 million and ¥645,838 million on the consolidated balance sheets as of March 31, 2017 and 2016, respectively.

4. Cash and Due from Banks

Cash and due from banks as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Cash	¥605,297	¥559,912
Due from banks	89,290	85,925
Total	¥694,588	¥645,838

5. Financial Instruments

1) Disclosure on Financial Instruments

(1) Policy on Financial Instruments

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

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

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

(2) Types of and Risks Associated with Financial Instruments

Cash for the operation of the ATM business accounts for most of the financial instruments the Bank holds. The Bank provides unutilized capital to call loan lending and is subject to credit risk of the borrowers. Securities mainly consist of bonds and stocks with high creditworthiness and liquidity, all of which are classified as being held as available-for-sale securities. These securities are subject to borrower and issuers' credit risks, interest rate risk, foreign exchange risk, and market (price) risk. Loans are those for individual customers (revolving card loans), which are subject to credit risks of the borrowers. However, the risk is limited because guarantees are attached to the entire loan amounts.

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

Borrowed money and bonds also entail liquidity risk in that the Bank cannot make necessary payments upon the due dates under certain circumstances where the Bank cannot access the capital market. Additionally, the borrowed money bears floating rate interest payments and is subject to interest rate risk, which, however, is hedged by the use of interest rate swaps.

(3) Risk Management Relating to Financial Instruments

(A) Credit Risk Management

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

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

(B) Market Risk Management

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

Quantitative Information related to Market Risk

Major market risk for the Bank is interest rate risk. The Bank measures the market risk using Value at Risk (VaR) for the overall assets and liabilities of the Bank. The Bank has adopted the variance-covariance method and calculates VaR with reference to data from the past one year to a 99.9% confidence level assuming a 125-day holding period. As of March 31, 2017, the Bank's market risk quantity (maximum potential loss) is ¥4,753 million in the aggregate. In addition, given the characteristics of the Bank's business, in measuring the market risk, the Bank has recognized the interest period for cash assets and regarded cash assets as five-year zero-coupon bonds (average duration of about 2.5 years). The Bank regularly performs back-testing to compare the VaR calculated by its internal model against actual profit and loss. However, as VaR measures the amount of market risk under certain probabilities statically calculated based on past market volatility, it may underestimate the probability of extreme market movements and, may in some instances, not properly capture those risks.

(C) Management of Liquidity Risk

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

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

(4) Supplementary Explanation on Fair Value of Financial Instruments

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

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

2) Fair Value of Financial Instruments

The following table summarizes the amounts stated in the consolidated balance sheets and the fair value of financial instruments as of March 31, 2017 and 2016 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, 2017	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks ¹	¥694,586	¥694,586	¥ —
(2) Call loans ¹	—	—	—
(3) Securities			
Available-for-sale securities	75,490	75,490	—
(4) Loans	19,829		
Allowance for credit losses ¹	(0)		
	19,828	19,828	—
(5) ATM-related temporary payments ¹	89,284	89,284	—
Total assets	¥879,191	¥879,191	¥ —
(1) Deposits	¥572,310	¥572,823	¥ 512
(2) Call money	10,000	10,000	—
(3) Borrowed money	10,000	10,159	159
(4) Bonds	110,000	111,497	1,497
(5) ATM-related temporary advances	37,763	37,763	—
Total liabilities	¥740,074	¥742,243	¥2,169

March 31, 2016	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks ¹	¥645,835	¥645,835	¥ —
(2) Call loans ¹	24,949	24,949	—
(3) Securities			
Available-for-sale securities	65,140	65,140	—
(4) Loans	16,208		
Allowance for credit losses ¹	(0)		
	16,207	16,207	—
(5) ATM-related temporary payments ¹	83,406	83,406	—
Total assets	¥835,539	¥835,539	¥ —
(1) Deposits	¥547,781	¥548,473	¥ 692
(2) Call money	—	—	—
(3) Borrowed money	15,022	15,234	211
(4) Bonds	110,000	111,837	1,837
(5) ATM-related temporary advances	37,830	37,830	—
Total liabilities	¥710,634	¥713,375	¥2,741

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

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

Assets

(1) Cash and due from banks

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

(2) Call loans

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

(3) Securities

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

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

(4) Loans

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

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

(5) ATM-related temporary payments

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

Liabilities

(1) Deposits

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

(2) Call money

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

(3) Borrowed money

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

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

(4) Bonds

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

(5) 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, for the fair value approximates such carrying amount.

(Note 2) The following table summarizes financial instruments whose fair value is extremely difficult to estimate. These securities are not included in the amount presented under the line item “(3) Securities” in the table summarizing fair value of financial instruments.

	Millions of yen	
	2017	2016
Unlisted equity securities ¹	¥ 144	¥ 144
Investments in partnership ²	2,231	1,513
Total	¥2,375	¥1,657

Notes: 1. Unlisted equity securities 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. Investments in partnership are not included in the scope of fair value disclosure, because the partnership assets consist of unlisted equity securities and other items whose fair value is extremely difficult to estimate.

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

March 31, 2017	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	¥ 89,290	¥ —	¥ —	¥—	¥—	¥—
Call loans	—	—	—	—	—	—
Securities:						
Available-for-sale securities with maturity	32,600	35,060	6,600	—	—	—
Japanese municipal bonds	7,500	16,320	4,700	—	—	—
Corporate bonds	25,100	18,740	1,900	—	—	—
Loans ²	19,763	—	—	—	—	—
ATM-related temporary payments	89,286	—	—	—	—	—
Total	¥230,939	¥35,060	¥6,600	¥—	¥—	¥—

March 31, 2016	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	¥ 85,925	¥ —	¥ —	¥—	¥—	¥—
Call loans	25,000	—	—	—	—	—
Securities:						
Available-for-sale securities with maturity	21,000	38,800	4,200	—	—	—
Japanese municipal bonds	—	9,000	4,200	—	—	—
Corporate bonds	21,000	29,800	—	—	—	—
Loans ²	16,166	—	—	—	—	—
ATM-related temporary payments	83,407	—	—	—	—	—
Total	¥231,500	¥38,800	¥4,200	¥—	¥—	¥—

Notes: 1. Due from banks with no maturities are included in the "Within one year" category.
2. For loans, ¥65 million and ¥41 million as of March 31, 2017 and 2016 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."

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

March 31, 2017	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	¥466,895	¥ 68,298	¥37,116	¥ —	¥ —	¥—
Call money	10,000	—	—	—	—	—
Borrowed money	—	10,000	—	—	—	—
Bonds	45,000	30,000	—	20,000	15,000	—
ATM-related temporary advances	37,763	—	—	—	—	—
Total	¥559,659	¥108,298	¥37,116	¥20,000	¥15,000	¥—

March 31, 2016	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	¥441,324	¥ 60,409	¥46,047	¥ —	¥ —	¥—
Call money	—	—	—	—	—	—
Borrowed money	5,022	—	10,000	—	—	—
Bonds	—	45,000	30,000	20,000	15,000	—
ATM-related temporary advances	37,830	—	—	—	—	—
Total	¥484,178	¥105,409	¥86,047	¥20,000	¥15,000	¥—

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

6. Securities

(1) The following tables summarize acquisition cost and carrying amount of securities with available fair values as of March 31, 2017 and 2016:

Available-for-sale securities:

March 31, 2017	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with higher balances than acquisition costs			
Equity securities	¥ 151	¥ 540	¥388
Bonds:			
Japanese municipal bonds	13,745	13,747	2
Corporate bonds	25,659	25,664	5
Total	¥39,556	¥39,952	¥396

Securities with the same or lower balances than acquisition costs	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Bonds:			
Japanese municipal bonds	¥15,259	¥15,255	¥ (3)
Corporate bonds	20,292	20,282	(9)
Total	¥35,551	¥35,538	¥ (13)
Grand total	¥75,108	¥75,490	¥382

March 31, 2016	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with higher balances than acquisition costs			
Equity securities	¥ 151	¥ 793	¥641
Bonds:			
Japanese municipal bonds	—	—	—
Corporate bonds	36,900	36,918	18
Total	¥37,051	¥37,711	¥659

Securities with the same or lower balances than acquisition costs	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Bonds:			
Japanese municipal bonds	¥13,457	¥13,446	¥ (10)
Corporate bonds	13,986	13,981	(4)
Total	¥27,443	¥27,428	¥ (14)
Grand total	¥64,495	¥65,140	¥645

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

There were no sales of available-for-sale securities during the fiscal year ended March 31, 2017.

March 31, 2016	Millions of yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥189	¥2	¥—
Total	¥189	¥2	¥—

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

March 31	Millions of yen	
	2017	2016
Unrealized gains (losses):		
On available-for-sale securities	¥ 313	¥ 494
Deferred tax liability	(95)	(151)
Net unrealized gains (losses) on available-for-sale securities, net of taxes	¥ 217	¥ 343

Note: Unrealized gains (losses) on investments in partnership whose fair value is extremely difficult to estimate of ¥(69) million and ¥(150) million as of March 31, 2017 and 2016, respectively, are included in "On available-for-sale securities."

7. Assets Pledged

Available-for-sale securities were pledged as collateral for exchange settlements and overdraft transactions with the Bank of Japan. The securities amounted to ¥74,940 million and ¥61,776 million as of March 31, 2017 and 2016, respectively.

Other assets included guarantee deposits of ¥905 million and ¥896 million as of March 31, 2017 and 2016, respectively.

8. Loans

Loans to bankrupt borrowers and delinquent loans were ¥1 million and ¥64 million as of March 31, 2017, and ¥2 million and ¥39 million as of March 31, 2016, respectively.

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

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

There were no loans past due three months or more as of March 31, 2017 and 2016. 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, 2017 and 2016. Those loans are ones on which terms and conditions have been amended in favor of borrowers, in order to facilitate or assist the borrowers' restructuring by reducing the rate of interest, by providing a grace period for the payment of principal or interest or by debt forgiveness, and are not classified in any of the above categories.

The totals of loans to bankrupt borrowers, delinquent loans, loans past due three months or more, and renegotiated loans were ¥65 million and ¥41 million as of March 31, 2017 and 2016, 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 ¥8,065 million and ¥6,455 million as of March 31, 2017 and 2016, respectively. Unused overdraft facilities for contracts with a term of within one year also amounted to ¥8,065 million and ¥6,455 million as of March 31, 2017 and 2016, respectively.

9. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Buildings	¥ 1,724	¥ 1,741
ATMs	19,867	25,493
Other	4,148	3,656
Total	¥25,740	¥30,890

The accumulated depreciation of tangible fixed assets as of March 31, 2017 and 2016 amounted to ¥46,970 million and ¥40,247 million, respectively.

10. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Software	¥19,424	¥18,626
Goodwill	5,845	7,116
Other	9,203	8,613
Total	¥34,473	¥34,356

11. Other Assets

Other assets as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Accrued income	¥ 8,976	¥ 8,698
Prepaid expenses	4,912	2,137
Other	1,176	1,124
Total	¥15,064	¥11,961

12. Deposits

Deposits as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Deposits	¥571,510	¥546,981
Negotiable certificates of deposit	800	800
Total	¥572,310	¥547,781

13. Borrowed Money and Lease Obligations

Borrowed money and lease obligations as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Borrowed money from banks and insurance companies	¥10,000	¥15,022
Lease obligations	75	50

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2017 and 2016 was 0.70% and 0.73%, respectively.

The weighted average interest rate applicable to the balance of lease obligation (excluding amounts due within one year) as of March 31, 2017 was 11.73%, while the weighted average interest rate applicable to amounts due within one year of lease obligations as of March 31, 2017 was 11.59%.

The repayment schedule on borrowed money and lease obligations as of March 31, 2017 and 2016 were as follows:

	Millions of yen	
	2017	2016
Borrowed money		
Within one year	¥ —	¥ 5,022
Over one year but within two years	—	—
Over two years but within three years	10,000	—
Over three years but within four years	—	10,000
Over four years but within five years	—	—
Over five years	—	—
Lease obligations		
Within one year	¥ 35	¥ 16
Over one year but within two years	35	17
Over two years but within three years	4	16
Over three years but within four years	—	—
Over four years but within five years	—	—
Over five years	—	—

14. Bonds

Bonds as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Unsecured:		
0.39% unsecured bonds due June 20, 2017, date of issue May 31, 2012	¥ 30,000	¥ 30,000
0.61% unsecured bonds due June 20, 2019, date of issue May 31, 2012	10,000	10,000
0.24% unsecured bonds due March 20, 2018, date of issue March 7, 2013	15,000	15,000
0.46% unsecured bonds due March 19, 2020, date of issue March 7, 2013	20,000	20,000
0.80% unsecured bonds due March 20, 2023, date of issue March 7, 2013	20,000	20,000
0.53% unsecured bonds due December 20, 2024, date of issue December 17, 2014	15,000	15,000
Total	¥110,000	¥110,000

The repayment schedule on bonds as of March 31, 2017 and 2016 was as follows:

	Millions of yen	
	2017	2016
Within one year	¥45,000	¥ —
Over one year but within two years	—	45,000
Over two years but within three years	30,000	—
Over three years but within four years	—	30,000
Over four years but within five years	—	—
Over five years	35,000	35,000

15. Other liabilities

Other liabilities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Accrued expenses	¥ 6,541	¥ 6,013
Asset retirement obligations	353	350
Other	4,057	4,635
Total	¥10,952	¥10,999

16. Employees' Severance and Retirement Benefits

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

Fiscal years ended March 31, 2017 and 2016

(1) Movement in projected benefit obligation

	Millions of yen	
	2017	2016
Balance at the beginning of the year	¥2,327	¥2,163
Service cost	220	207
Interest cost	23	21
Actuarial difference	20	40
Benefits paid	(78)	(106)
Other	0	(0)
Balance at the end of the year	¥2,514	¥2,327

(2) Movement in plan assets

	Millions of yen	
	2017	2016
Balance at the beginning of the year	¥2,395	¥2,224
Expected return on plan assets	59	55
Actuarial difference	81	(7)
Contributions paid by the employer	236	230
Benefits paid	(77)	(106)
Balance at the end of the year	¥2,696	¥2,395

(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	
	2017	2016
Funded projected benefit obligation	¥ 2,512	¥ 2,326
Plan assets	(2,696)	(2,395)
	(183)	(68)
Unfunded projected benefit obligation	1	0
Total net liability (asset) for retirement benefits at the end of the year	(182)	(68)
Liability for retirement benefits	1	0
Asset for retirement benefits	(183)	(68)
Total net liability (asset) for retirement benefits at the end of the year	¥ (182)	¥ (68)

(4) Retirement benefit costs

	Millions of yen	
	2017	2016
Service cost	¥220	¥207
Interest cost	23	21
Expected return on plan assets	(59)	(55)
Amortization of actuarial difference	36	37
Other	2	2
Retirement benefit costs	¥223	¥214

(5) Adjustments for retirement benefit

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

	Millions of yen	
	2017	2016
Actuarial difference	¥97	¥(10)
Total amount recognized for the year	¥97	¥(10)

(6) Accumulated adjustments for retirement benefit

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

	Millions of yen	
	2017	2016
Unrecognized actuarial difference	¥(106)	¥(9)
Total balance at the end of the year	¥(106)	¥(9)

(7) Plan assets

(a) Plan assets comprise:

	2017	2016
Bonds	43%	49%
Equity securities	39%	37%
Other	18%	14%
Total	100%	100%

(b) Long-term expected rate of return on plan assets

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions, presented in weighted average rates, as of March 31, 2017 and 2016 were as follows:

	2017	2016
Discount rate	1.0%	1.0%
Long-term expected rate of return on plan assets	2.5%	2.5%
Expected rate of salary increase	2.9%	2.9%

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

17. Net Assets

Under the Company Law of Japan (the “Company Law”), the entire amount of the issue price for shares is required to be accounted for as capital, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The payment of dividends by the Bank is subject to restrictions under Article 18 of the Banking Law of Japan (the “Banking Law”). The Banking Law provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of the legal earnings reserve and additional paid-in capital equals 100% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by a resolution of a shareholders’ meeting or may be capitalized by a resolution of the board of directors. On condition that the total amount of the legal earnings reserve and additional paid-in capital remains equal to or exceeds 100% of common stock, they are available for distributions or certain other purposes by a resolution of a shareholders’ meeting.

The maximum amount that the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Company Law.

18. Fees and Commissions Income

Fees and commissions income for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Remittance-related fee income	¥ 2,358	¥ 2,039
ATM-related fee income	112,051	111,619
Other	3,815	3,606
Total	¥118,226	¥117,265

19. Fees and Commissions Expenses

Fees and commissions expenses for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Remittance-related fee expenses	¥ 1,359	¥ 1,164
ATM placement fee expenses	18,693	17,858
ATM-related fee expenses	1,527	1,448
Other	1,511	1,190
Total	¥23,092	¥21,661

20. Other Operating Income

Other operating income for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Gains on foreign exchange transactions	¥249	¥193
Total	¥249	¥193

21. General and Administrative Expenses

Main items and amounts of general and administrative expenses for the fiscal years ended March 31, 2017 and 2016 were as follows:

	Millions of yen	
	2017	2016
Salary and allowance	¥ 5,999	¥ 5,798
Retirement benefit costs	223	214
Depreciation of fixed assets	18,766	18,779
Business outsourcing expenses	17,861	17,697

22. Other Income

Other income for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Reversal of allowance for credit losses	¥ 34	¥ —
Other	248	206
Total	¥283	¥206

23. Other Expenses

Other expenses for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Losses on disposal of fixed assets	¥167	¥210
Provision of allowance for credit losses	—	18
Other	68	81
Total	¥236	¥310

24. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen	
	2017	2016
Net unrealized gains (losses) on available-for-sale securities, net of taxes		
Amount arising during the year	¥(181)	¥(35)
Reclassification adjustment	—	(2)
Amount before income tax effect	(181)	(37)
Income tax effect	55	20
Total	¥(126)	¥(17)
Foreign currency translation adjustments		
Amount arising during the year	¥(450)	¥(44)
Reclassification adjustment	—	—
Amount before income tax effect	(450)	(44)
Income tax effect	—	—
Total	¥(450)	¥(44)
Adjustments for retirement benefit		
Amount arising during the year	¥ 60	¥(48)
Reclassification adjustment	36	37
Amount before income tax effect	97	(10)
Income tax effect	(29)	3
Total	¥ 67	¥ (6)
Total other comprehensive income	¥(509)	¥(68)

25. Income Taxes

Income taxes of the Bank and its domestic consolidated subsidiary in the consolidated statements of income consist of corporation tax, inhabitants tax and enterprise tax. For the fiscal years ended March 31, 2017 and 2016, reconciliation of the material difference between the statutory tax rate and the effective income tax rate is not disclosed because the difference is less than 5% of the statutory tax rate.

Significant components of the deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen	
	2017	2016
Deferred tax assets:		
Net operating loss carry forwards	¥ 678	¥ 237
Enterprise tax	271	450
Depreciation of fixed assets	180	167
Stock option expenses	163	167
Reserve for bonuses	131	127
Asset retirement obligations	108	107
Accounts payable		
(Reserve for retirement benefits for directors and statutory auditors)	45	61
Allowance for credit losses	9	20
Other	72	73
Subtotal deferred tax assets	1,661	1,412
Valuation allowance	(16)	(10)
Total deferred tax assets	¥ 1,644	¥ 1,402
Deferred tax liabilities:		
Intangible fixed assets recognized with business combination	¥(1,560)	¥(1,789)
Net unrealized gains (losses) on available-for-sale securities	(95)	(151)
Adjustment for tangible fixed assets related to asset retirement obligations	(35)	(39)
Other	(332)	(190)
Total deferred tax liabilities	(2,024)	(2,171)
Net deferred tax liabilities	¥ (380)	¥ (768)

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

	Millions of yen	
	2017	2016
Deferred tax assets	¥ 790	¥ 921
Deferred tax liabilities	1,170	1,690

26. Changes in Net Assets

(1) Information on shares issued and treasury stock:

Type and number of shares issued and treasury stock for the fiscal years ended March 31, 2017 and 2016 were as follows:

Year ended March 31, 2017	Thousands of shares			
	April 1, 2016	Increase	Decrease	March 31, 2017
Shares issued				
Common stock ¹	1,191,001	527	—	1,191,528
Total	1,191,001	527	—	1,191,528
Treasury stock				
Common stock	0	—	—	0
Total	0	—	—	0

Year ended March 31, 2016	Thousands of shares			
	April 1, 2015	Increase	Decrease	March 31, 2016
Shares issued				
Common stock	1,191,001	—	—	1,191,001
Total	1,191,001	—	—	1,191,001
Treasury stock				
Common stock	0	—	—	0
Total	0	—	—	0

Note: 1. Increase in number of shares of common stock: 527 thousand shares due to exercise of subscription rights to shares.

(2) Information on subscription rights to shares:

Year ended March 31, 2017	Thousands of shares				
	Type of shares	April 1, 2016	Increase	Decrease	March 31, 2017
Details of subscription rights to shares					Balance at March 31, 2017 (Millions of yen)
Subscription rights to shares as stock options			—		¥533
Total			—		¥533

Note: There are no treasury subscription rights to shares.

Year ended March 31, 2016	Thousands of shares				
	Type of shares	April 1, 2015	Increase	Decrease	March 31, 2016
Details of subscription rights to shares					Balance at March 31, 2016 (Millions of yen)
Subscription rights to shares as stock options			—		¥545
Total			—		¥545

Note: There are no treasury subscription rights to shares.

(3) Information on dividends:

(a) Dividends paid in the fiscal years ended March 31, 2017 and 2016

Year ended March 31, 2017					
(Millions of yen, except per share amounts)					
Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock ¹	¥5,359	Retained earnings	¥4.50	March 31, 2016	June 1, 2016
Common stock ²	¥5,063	Retained earnings	¥4.25	September 30, 2016	December 1, 2016

Notes: 1. Date of resolution: Board of Directors meeting held on May 25, 2016

2. Date of resolution: Board of Directors meeting held on November 4, 2016

Year ended March 31, 2016					
(Millions of yen, except per share amounts)					
Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock ¹	¥5,061	Retained earnings	¥4.25	March 31, 2015	June 1, 2015
Common stock ²	¥4,764	Retained earnings	¥4.00	September 30, 2015	December 1, 2015

Notes: 1. Date of resolution: Board of Directors meeting held on May 22, 2015
2. Date of resolution: Board of Directors meeting held on November 6, 2015

(b) Dividends to be paid in the fiscal year ending March 31, 2018

(Millions of yen, except per share amounts)					
Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock	¥5,659	Retained earnings	¥4.75	March 31, 2017	June 1, 2017

Note: Date of resolution: Board of Directors meeting held on May 26, 2017

Cash dividends per share based on business results for the fiscal year ended March 31, 2017 were ¥9.00 annually with the year-end dividend of ¥4.75 added to the interim dividend of ¥4.25.

27. Related Party Transactions

(1) Transactions with related parties

Related party transactions for the fiscal years ended March 31, 2017 and 2016 were as follows:

(a) Parent company and major shareholders

Year ended March 31, 2017

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	¥12,681	Other liabilities (Accrued expenses) ³	¥1,160

Notes: 1. 38.07% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2017.
2. Terms and conditions as well as decision policies of terms and conditions:
The terms and conditions as well as decision policies of terms and conditions associated with ATM placement fees are determined by comprehensively taking into account of compensation for delegated administrative work and Seven-Eleven Japan's infrastructure costs.
3. The accrued expenses include consumption tax.

Year ended March 31, 2016

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	¥11,667	Other liabilities (Accrued expenses) ³	¥1,062

Notes: 1. 38.08% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2016.
2. Terms and conditions as well as decision policies of terms and conditions:
The terms and conditions as well as decision policies of terms and conditions associated with ATM placement fees are determined by comprehensively taking into account of compensation for delegated administrative work and Seven-Eleven Japan's infrastructure costs.
3. The accrued expenses include consumption tax.

(b) 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, 2017 and 2016.

28. Lease Transactions

Finance Leases:

Disclosure is omitted as it is immaterial.

Operating Leases:

Future minimum lease payments under non-cancelable operating leases as of March 31, 2017 and 2016 were as follows:

	Millions of yen	
	2017	2016
Due within one year	¥679	¥ 573
Due after one year	298	805
Total	¥977	¥1,379

29. Derivative Financial Instruments and Hedging Transactions

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

None

Derivative transactions to which the hedge accounting method is applied:

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

Interest related transactions:

March 31, 2017

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

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

March 31, 2016

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

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

30. Stock Options

Share-based compensation expenses of ¥105 million and ¥95 million are recorded as general and administrative expenses in the fiscal years ended March 31, 2017 and 2016, respectively.

Outline of stock options and changes were as follows:

(1) Outline of stock options

	First grant-1	First grant-2
Title and number of grantees	5 directors	3 executive officers
Number of stock options ¹	184,000 common shares	21,000 common shares
Grant date	August 12, 2008	August 12, 2008
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 13, 2008 to August 12, 2038	From August 13, 2008 to August 12, 2038
	Second grant-1	Second grant-2
Title and number of grantees	4 directors	5 executive officers
Number of stock options ¹	171,000 common shares	38,000 common shares
Grant date	August 3, 2009	August 3, 2009
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 4, 2009 to August 3, 2039	From August 4, 2009 to August 3, 2039
	Third grant-1	Third grant-2
Title and number of grantees	5 directors	4 executive officers
Number of stock options ¹	423,000 common shares	51,000 common shares
Grant date	August 9, 2010	August 9, 2010
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 10, 2010 to August 9, 2040	From August 10, 2010 to August 9, 2040

	Fourth grant-1	Fourth grant-2
Title and number of grantees	5 directors	8 executive officers
Number of stock options ¹	440,000 common shares	118,000 common shares
Grant date	August 8, 2011	August 8, 2011
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 9, 2011 to August 8, 2041	From August 9, 2011 to August 8, 2041
	Fifth grant-1	Fifth grant-2
Title and number of grantees	6 directors	7 executive officers
Number of stock options ¹	363,000 common shares	77,000 common shares
Grant date	August 6, 2012	August 6, 2012
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 7, 2012 to August 6, 2042	From August 7, 2012 to August 6, 2042
	Sixth grant-1	Sixth grant-2
Title and number of grantees	6 directors	7 executive officers
Number of stock options ¹	216,000 common shares	43,000 common shares
Grant date	August 5, 2013	August 5, 2013
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 6, 2013 to August 5, 2043	From August 6, 2013 to August 5, 2043
	Seventh grant-1	Seventh grant-2
Title and number of grantees	6 directors	8 executive officers
Number of stock options ¹	193,000 common shares	44,000 common shares
Grant date	August 4, 2014	August 4, 2014
Condition for vesting	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period	No provisions	No provisions
Exercise period	From August 5, 2014 to August 4, 2044	From August 5, 2014 to August 4, 2044

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

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

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

(2) Scale and changes in stock options

The following describes scale and changes in stock options during the fiscal year ended March 31, 2017.

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

Fiscal year ended March 31, 2017:

Number of stock options

	First grant-1	First grant-2
Before vested		
As of March 31, 2016	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2016	157,000	7,000
Vested	—	—
Exercised	37,000	7,000
Forfeited	—	—
Outstanding	120,000	—

	Second grant-1	Second grant-2
Before vested		
As of March 31, 2016	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2016	171,000	16,000
Vested	—	—
Exercised	38,000	7,000
Forfeited	—	—
Outstanding	133,000	9,000

	Third grant-1	Third grant-2
Before vested		
As of March 31, 2016	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2016	423,000	13,000
Vested	—	—
Exercised	81,000	13,000
Forfeited	—	—
Outstanding	342,000	—

	Fourth grant-1	Fourth grant-2
Before vested		
As of March 31, 2016	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2016	440,000	90,000
Vested	—	—
Exercised	84,000	35,000
Forfeited	—	—
Outstanding	356,000	55,000

	Fifth grant-1	Fifth grant-2
Before vested		
As of March 31, 2016	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2016	363,000	67,000
Vested	—	—
Exercised	64,000	27,000
Forfeited	—	—
Outstanding	299,000	40,000

	Sixth grant-1	Sixth grant-2
Before vested		
As of March 31, 2016	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2016	216,000	34,000
Vested	—	—
Exercised	37,000	14,000
Forfeited	—	—
Outstanding	179,000	20,000

	Seventh grant-1	Seventh grant-2
Before vested		
As of March 31, 2016	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2016	193,000	44,000
Vested	—	—
Exercised	32,000	16,000
Forfeited	—	—
Outstanding	161,000	28,000

	Eighth grant-1	Eighth grant-2
Before vested		
As of March 31, 2016	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2016	138,000	39,000
Vested	—	—
Exercised	23,000	12,000
Forfeited	—	—
Outstanding	115,000	27,000

	Ninth grant-1	Ninth grant-2
Before vested		
As of March 31, 2016	—	—
Granted	278,000	72,000
Forfeited	—	—
Vested	278,000	72,000
Outstanding	—	—
After vested		
As of March 31, 2016	—	—
Vested	278,000	72,000
Exercised	—	—
Forfeited	—	—
Outstanding	278,000	72,000

Price information	First grant-1	First grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥336,000 per subscription right to shares	¥483,000 per subscription right to shares
Fair value at the grant date ¹	¥236,480 per subscription right to shares	¥236,480 per subscription right to shares

Price information	Second grant-1	Second grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥336,000 per subscription right to shares	¥483,000 per subscription right to shares
Fair value at the grant date ¹	¥221,862 per subscription right to shares	¥221,862 per subscription right to shares

Price information	Third grant-1	Third grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥336,000 per subscription right to shares	¥483,000 per subscription right to shares
Fair value at the grant date ¹	¥139,824 per subscription right to shares	¥139,824 per subscription right to shares

Price information	Fourth grant-1	Fourth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	¥336,000 per subscription right to shares	¥483,000 per subscription right to shares
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	¥336,000 per subscription right to shares	¥483,000 per subscription right to shares
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	¥336,000 per subscription right to shares	¥483,000 per subscription right to shares
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	¥336,000 per subscription right to shares	¥483,000 per subscription right to shares
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	¥336,000 per subscription right to shares	¥483,000 per subscription right to shares
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	—	—
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

Valuation technique used for valuing fair value of Ninth grant-1 of subscription rights to shares and Ninth grant-2 of subscription right to shares granted during the fiscal year ended March 31, 2017 was as follows:

Valuation method used: Black-Scholes option-pricing model

Principal parameters and estimation method	Ninth grant-1	Ninth grant-2
Expected volatility of the underlying stock ¹	30.354%	30.354 %
Remaining expected life of the option ²	7.69 years	7.69 years
Expected dividends on the stock ³	¥8.5 per share	¥8.5 per share
Risk-free interest rate during the expected option term ⁴	(0.187) %	(0.187) %

Notes: 1. The expected volatility was calculated based upon share price data during seven years and eight months from November 29, 2008 to August 8, 2016.
2. The average expected life of the option was estimated assuming that the options would remain for the simple average period from June 2016 to each director's expected retirement date, plus 10 days of exercisable period.
3. Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended March 31, 2016.
4. Japanese government bond yield corresponding to the average expected life.

(4) Estimation of the number of stock options vested

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

31. Asset Retirement Obligations

(1) Overview of asset retirement obligations

Asset retirement obligations are based upon estimated future restoration obligations pursuant to real estate lease agreements of head office and others.

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

Estimated useful life: 5-18 years
Discount rate: 0.8-1.9%

(3) The changes in asset retirement obligations for the fiscal years ended March 31, 2017 and 2016 were as follows:

	Millions of yen	
	2017	2016
Balance at the beginning of the year	¥350	¥346
Increase due to acquisition of tangible fixed assets	2	5
Accretion expense	5	5
Obligations settled in current period	4	7
Balance at the end of the year	¥353	¥350

32. Per Share Data

Amounts per share as of March 31, 2017 and 2016 and for the years then ended were as follows:

	Yen	
March 31	2017	2016
Net assets per share	¥166.61	¥154.68

	Yen	
Years ended March 31	2017	2016
Net income per share	¥21.07	¥20.75
Net income per share (diluted)	¥21.04	¥20.71

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

	Millions of yen, except thousands of shares	
March 31	2017	2016
Net assets	¥ 199,081	¥ 184,794
Amount excluded from net assets	556	569
Subscription rights to shares (inclusive)	533	545
Non-controlling interests	22	24
Net assets attributable to common stock at the fiscal year end	¥ 198,525	¥ 184,225
Number of shares of common stock at the fiscal year end used for the calculation of net assets per share	1,191,527	1,191,000

2. Net income per share and net income per share (diluted) are calculated based on the following:

	Millions of yen, except thousands of shares	
Years ended March 31	2017	2016
Net income per share		
Net income attributable to owners of the parent	¥ 25,114	¥ 24,716
Amount not attributable to common shareholders	—	—
Net income attributable to common shareholders of the parent	¥ 25,114	¥ 24,716
Average number of shares of common stock during the year	1,191,431	1,191,000
Net income per share (diluted)		
Adjustment for net income attributable to owners of the parent	¥ —	¥ —
Increase in number of shares of common stock	2,200	2,343
Subscription rights to shares (inclusive)	2,200	2,343
Description of dilutive shares not included in the calculation of net income per share (diluted) because the shares have no dilutive effects	—	—

33. Segment Information

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

Related Information

(1) Information by service

The amount of ordinary income attributable to outside customers for ATM-related business exceeds 90% of that on the consolidated statements of income for the fiscal years ended March 31, 2017 and 2016; therefore, information by service is omitted.

(2) Information by geographical area

- a. Ordinary income
The amount of ordinary income attributable to outside customers in Japan exceeds 90% of that on the consolidated statements of income for the fiscal years ended March 31, 2017 and 2016; therefore, geographical information is omitted.
- b. Tangible fixed assets
The amount of tangible fixed assets located in Japan exceeds 90% of that on the consolidated balance sheet as of March 31, 2017 and 2016; therefore, geographical information is omitted.

(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, 2017 and 2016.

34. Significant Subsequent Events

None



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Seven Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and 2016, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Seven Bank, Ltd. and its consolidated subsidiaries as at March 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

July 28, 2017
Tokyo, Japan

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

Company Information

(As of March 31, 2017)

The Company

Company Name	Seven Bank, Ltd.	Number of Employees	472 (Non-consolidated, excluding officers, executive officers, part-time employees and temporary staff)
Head Office	1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan	Credit Ratings	[S&P] Long-term counterparty issuer rating "A +" Outlook "stable" Short-term counterparty issuer rating "A-1" [Rating & Investment Information, Inc. (R&I)] Issuer rating "AA" Outlook "stable"
Chairman and Representative Director	Takashi Anzai		
President and Representative Director	Kensuke Futagoishi		
Established	April 10, 2001		
Initiated Operations	May 7, 2001		
Common Stock	30,572 million yen		
Number of Shares Issued	1,191,528,000		

Subsidiaries

Company Name	FCTI, Inc.	FCTI Canada, Inc.	PT. ABADI TAMBAH MULIA INTERNASIONAL	Bank Business Factory Co., Ltd.
Head Office	Los Angeles, California, USA	Toronto, Ontario, Canada	Jakarta Special Capital Region, Indonesia	Hodogaya-ku, Yokohama-shi, Kanagawa Prefecture, Japan
Representative (title/name)	Co-CEO / Jeffrey Wernecke Co-CEO / Robel Gugsu	Co-CEO / Jeffrey Wernecke Co-CEO / Robel Gugsu	President Director / Akira Teshigawara	President and Representative Director / Yasuyuki Yanaba
Established	August 25, 1993	July 8, 2015	June 10, 2014	July 1, 2014
Common Stock	19 million U.S. dollars	200 thousand Canadian dollars	90,000 million Indonesian Rupiah	50 million yen
Business Description	ATM operation business	ATM operation business	ATM operation business	Back-office support on commission
Percentage of Voting Rights Held by the Bank	100%	—	96.66%	100%
Percentage of Voting Rights Held by Subsidiaries, etc.	—	100%	—	—

*Data about Bank Business Factory Co., Ltd., are as of July 1, 2017.

Name and Address of Branches and Outlets

(As of March 31, 2017)

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
January	Margaret	July	Rose
February	Freesia	August	Hibiscus
March	Pansy	September	Salvia
April	Tulip	October	Cosmos
May	Carnation	November	Cattleya
June	Iris	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 Soga Store Outlet of the Headquarters**
Location: Ito-Yokado Soga store 1F, 52-7, Kawasakicho, Chuo-ku, Chiba-shi, Chiba Prefecture
- Ito-Yokado Kawaguchi Store Outlet of the Headquarters**
Location: Ito-Yokado Kawaguchi store 1F, 1-79, Namikimotomachi, Kawaguchi-shi, Saitama Prefecture
- Ito-Yokado Kasai Store Outlet of the Headquarters**
Location: Ito-Yokado Kasai store 1F, 9-3-3, Higashika-sai, Edogawa-ku, Tokyo
- NAGOYA · SAKAE Outlet of the Headquarters**
Location: Nagoya Hirokoji Place Building 1F, 4-2-29, Sakae Naka-ku, Nagoya-shi, Aichi Prefecture
- Fukuoka Outlet of the Headquarters**
Location: Seven-Eleven Hakata Ekimae (Inside Asahi Building), 2-1-1, Hakata Ekimae, Hakata-Ku, Fukuoka-shi, Fukuoka 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

*Ito-Yokado Soga Store Outlet of the Headquarters closed as of April 28, 2017. Ito-Yokado Kasai Store Outlet of the Headquarters closed as of June 30, 2017.

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

	Number of locations	Number of ATMs
Seven-Eleven	19,311	20,615
Others	2,383	2,753
Total	21,694	23,368

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

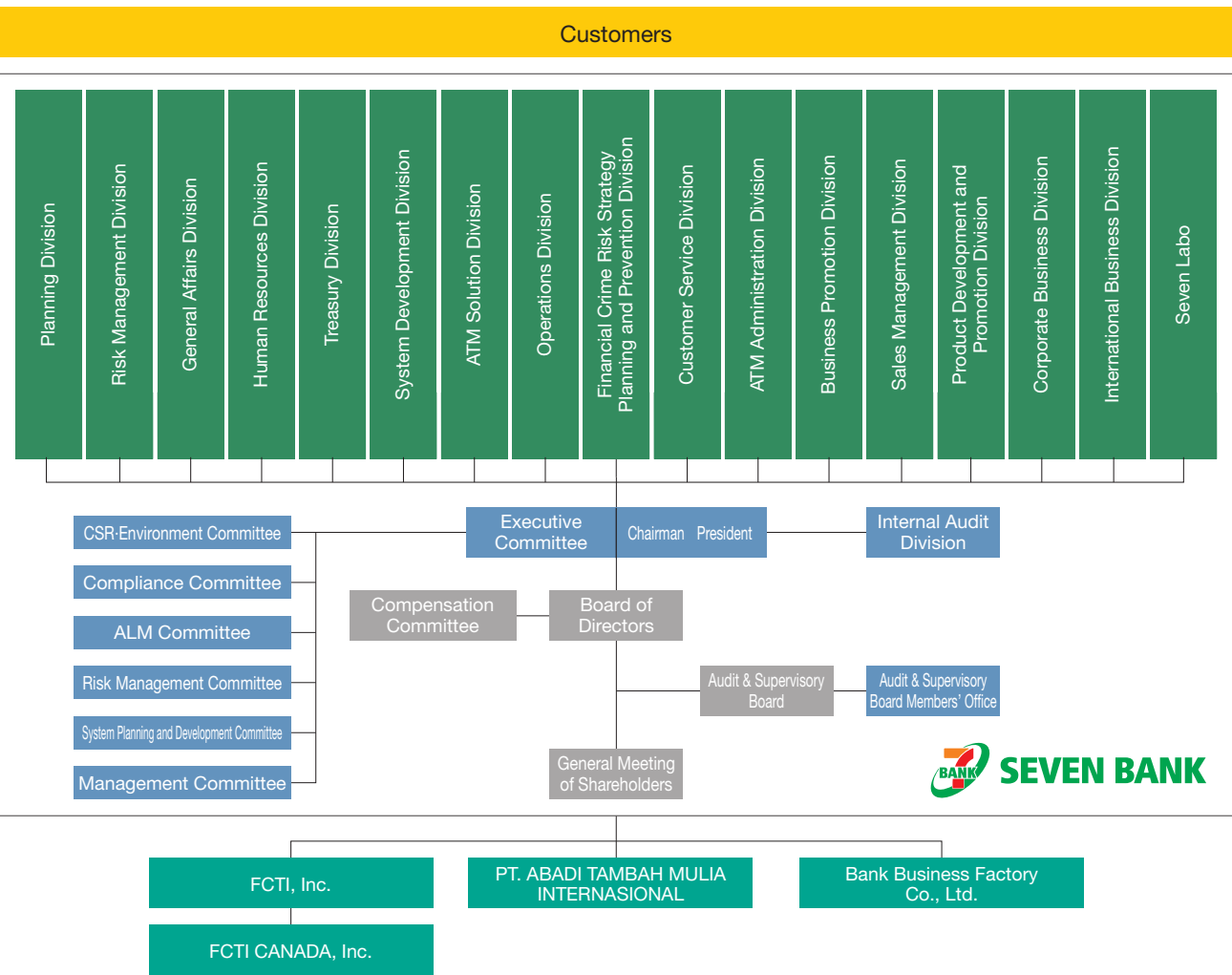
- Relia, Inc.**
Location: 2-6-5, Yoyogi, Shibuya-ku, Tokyo

Joint Outlets

Bank Agency

Organization Chart

(As of July 1, 2017)



Status of Major Shareholders

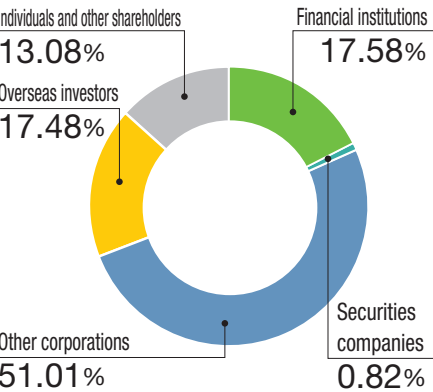
(As of March 31, 2017)

Shareholder name/title	Number of shares (Thousands of shares)	Holding (%)
Seven-Eleven Japan Co., Ltd.	453,639	38.07
Ito-Yokado Co., Ltd.	46,961	3.94
York-Benimaru Co., Ltd.	45,000	3.77
Japan Trustee Services Bank, Ltd. (trust account)	26,038	2.18
The Master Trust Bank of Japan, Ltd. (trust account)	25,174	2.11
BBH FOR MATTHEWS ASIA DIVIDEND FUND	23,009	1.93
Sumitomo Mitsui Banking Corporation	15,000	1.25
The Dai-ichi Life Insurance Company, Limited	15,000	1.25
Japan Trustee Services Bank, Ltd. (trust account 5)	13,591	1.14
JP MORGAN CHASE BANK 385174	12,810	1.07

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

Composition of Shareholders

(As of March 31, 2017)



History (As of July 1, 2017)

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

(Fiscal Year)

Non-consolidated

		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Items on the Statement of Income:	Ordinary income (Millions of yen)	75,427	83,663	89,815	88,830	83,964	88,318	94,105	99,832	105,648	110,465	113,109
	Fees and commissions income (Millions of yen)	74,875	82,471	88,741	88,350	83,644	87,711	93,242	98,892	104,015	107,894	109,830
	Fees and commissions expenses (Millions of yen)	6,491	8,328	9,183	9,691	10,011	10,705	11,765	12,911	14,131	15,698	17,440
	Income before income taxes (Millions of yen)	25,021	24,650	28,751	30,407	27,449	29,557	32,013	37,142	38,258	39,002	38,911
	Net income (Millions of yen)	12,667	13,830	16,988	17,953	16,008	17,267	19,515	22,325	24,457	26,107	26,871
	EBITDA* ¹ (Millions of yen)	30,433	36,141	44,153	43,253	39,052	41,912	45,865	48,841	53,300	56,489	56,507
	Depreciation and amortization (Millions of yen)	5,412	11,491	15,402	12,846	11,603	12,355	13,852	11,699	15,096	17,487	17,596
Items on the Balance Sheet:	Total assets (Millions of yen)	532,757	488,137	493,360	502,782	600,061	652,956	809,465	785,380	850,369	910,801	955,644
	Deposits* ² (Millions of yen)	275,136	219,138	229,311	219,008	333,382	372,271	394,615	438,348	502,285	547,865	572,353
	Total liabilities (Millions of yen)	458,907	399,162	394,966	392,843	485,522	527,326	672,374	634,237	683,554	727,627	756,042
	Total net assets (Millions of yen)	73,849	88,974	98,393	109,939	114,539	125,629	137,091	151,142	166,814	183,174	199,602
Per share data* ³ :	Net income (Yen)	10.73	11.80	13.92	14.71	13.19	14.49	16.38	18.74	20.53	21.92	22.55
	Net assets (Yen)	63.31	72.93	80.61	90.03	96.05	105.30	114.86	126.59	139.68	153.34	167.07
	Dividends (Yen)	5.00	4.20	4.90	5.20	5.20	6.20	6.75	7.50	8.00	8.50	9.00
Management indicators:	EBITDA margin* ⁴ (%)	40.3	43.1	49.1	48.6	46.5	47.4	48.7	48.9	50.5	51.0	49.9
	ROE* ⁵ (%)	17.0	16.8	16.9	16.1	13.2	13.5	14.0	14.7	14.7	14.3	13.5
	Tier 1 capital ratio (%)	37.91	43.86	45.99	49.58	51.19	53.25	50.13	52.47	54.01	53.90	56.21
ATM indicators:	Number of ATMs installed (Units)	12,088	13,032	13,803	14,601	15,363	16,632	18,123	19,514	21,056	22,472	23,368
	Daily average transactions per ATM (Transactions/ATM/day)	97.8	109.0	114.3	114.4	112.3	112.6	111.1	107.8	100.9	98.8	95.5
	Total number of transactions (Millions of transactions)	418	498	555	590	609	655	698	736	743	782	796

*1. EBITDA = ordinary profit + depreciation and amortization

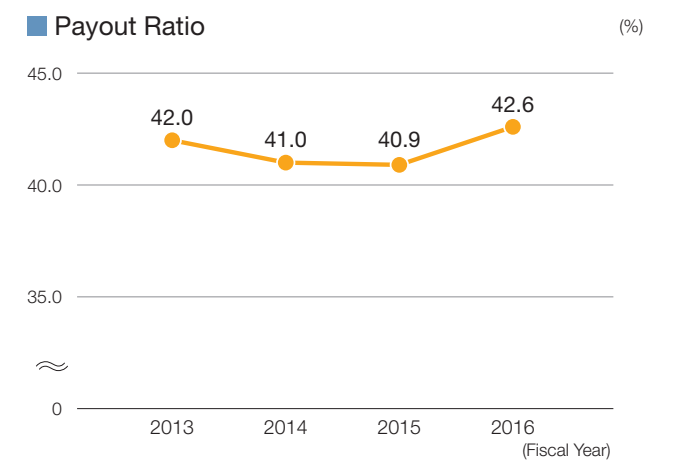
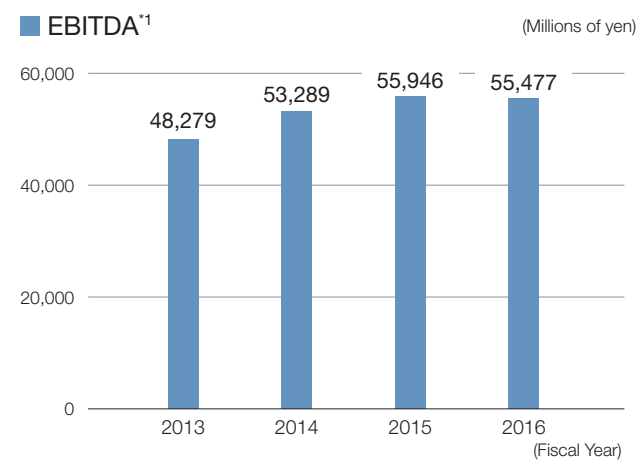
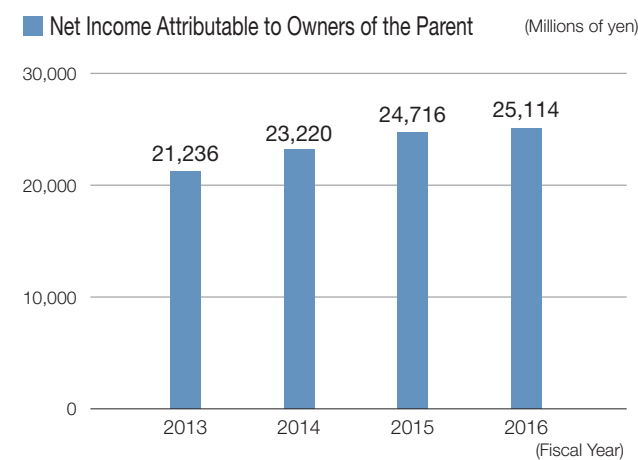
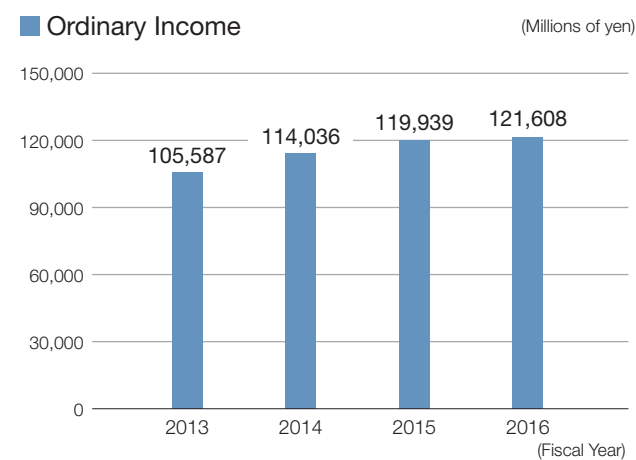
*2. Including negotiable certificates of deposits

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

*4. EBITDA margin = EBITDA/ordinary income

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

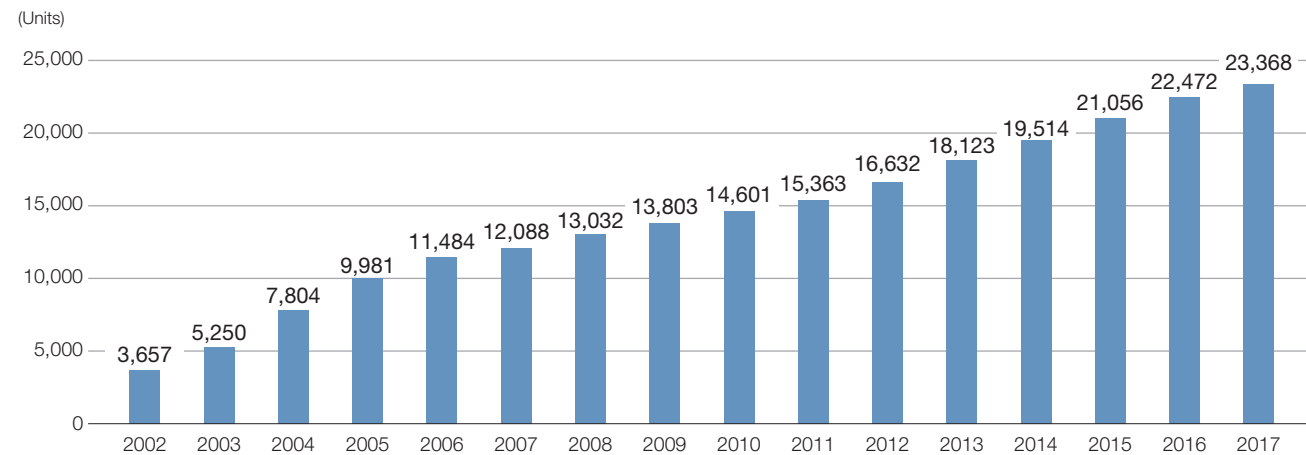
Consolidated



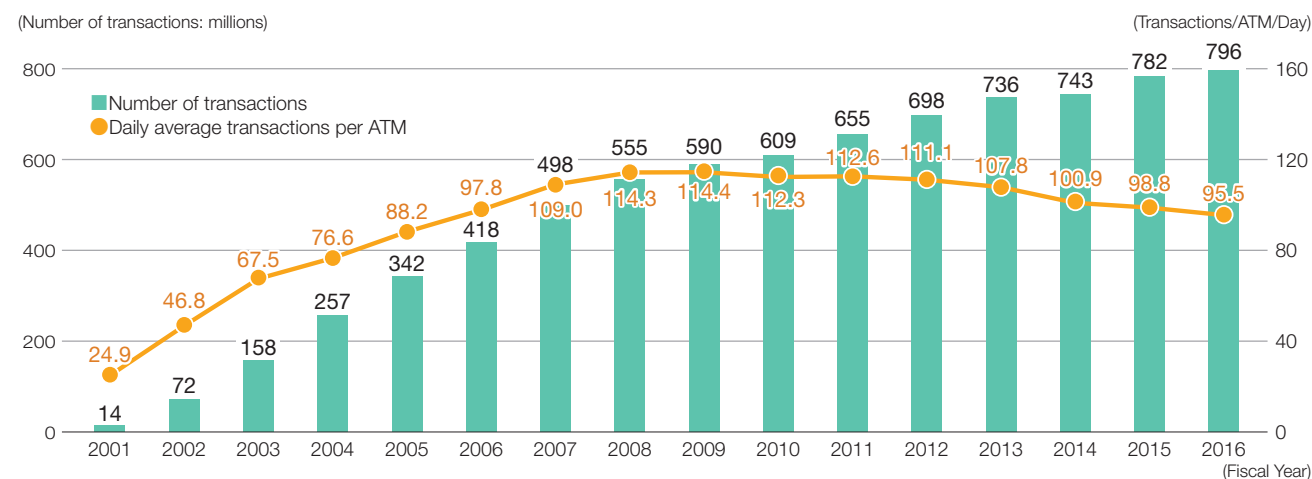
Principal Data

Growth Trajectory of Seven Bank's ATM

Number of ATMs installed as of March 31



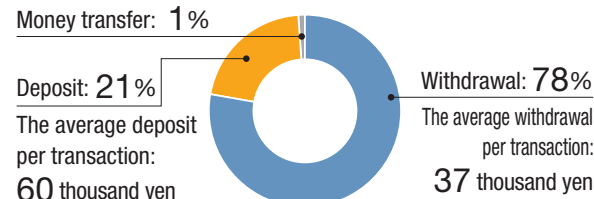
Number of ATM transactions per Fiscal Year¹ and Daily Average Transactions per ATM¹



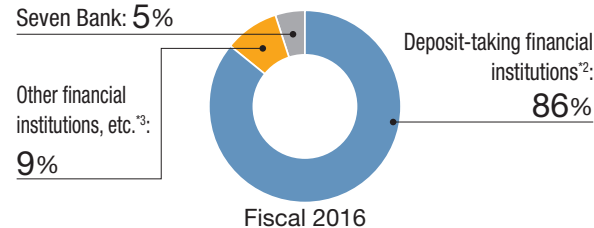
Number of ATMs Installed by Location (as of March 31, 2017: 23,368 units)

Within Seven & i Group	Total 21,238	Outside the Group	Total 2,130
Seven-Eleven (Stores with multiple units installed: 1,293)	20,615	Commercial facilities	1,075
Ito-Yokado	305	Financial institutions	433
York-Benimaru	154	Railway stations and station buildings	294
York Mart	74	Highway rest areas	55
Seibu	17	Airports	46
Sogo	13	Others	227
LOFT	6		
Akachan Honpo	4		
Denny's	7		
Directly managed ATM corner	13		
Headquarters, etc.	30		

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



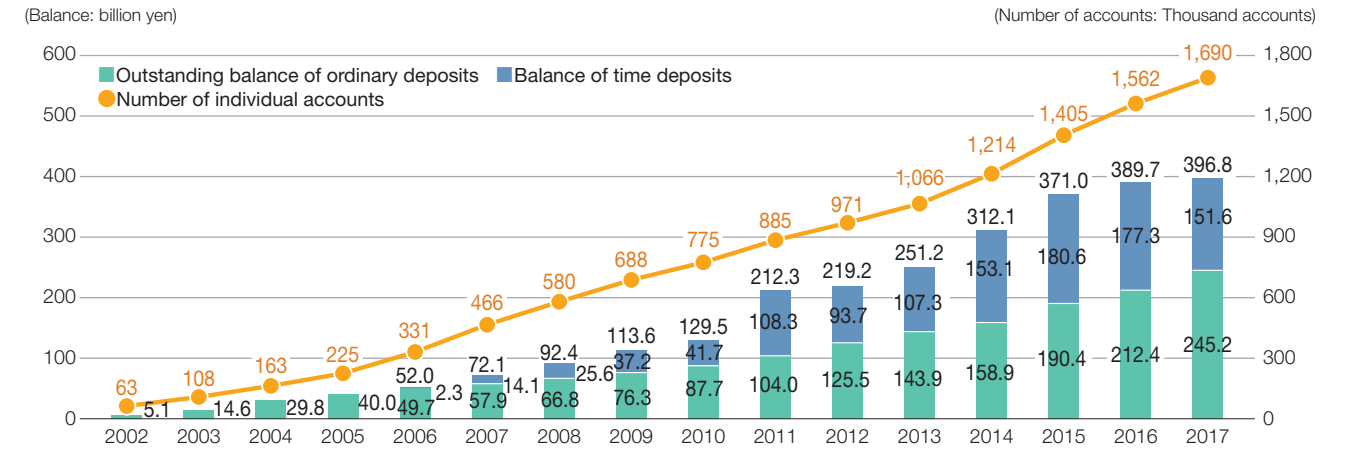
Number of ATM Transactions by Business Category¹ Breakdown



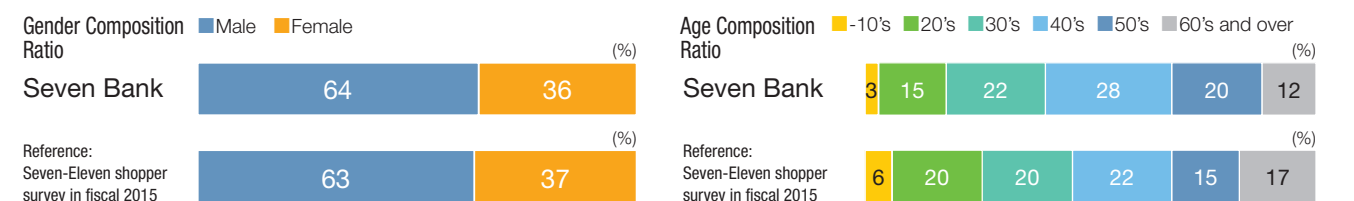
¹1. Number of transactions: Total number of deposits, withdrawals and money transfers. Balance inquiry, electronic money charge/balance confirmation, PIN number change, and usage limit change are not included.
²2. Deposit-taking financial institutions: Banks (excluding Seven Bank), Shinkin banks, credit cooperatives, labor banks, the JA Bank, the JF Marine Bank, the Shoko Chukin Bank.
³3. Other financial institutions, etc.: securities companies, life insurance companies, credit card companies, consumer finance companies, business loan providers, operating companies, cards issued overseas.

Growth Trajectory of Seven Bank's Accounts (individuals)

Growth in Total Balance and Number of Accounts (individuals) as of March 31

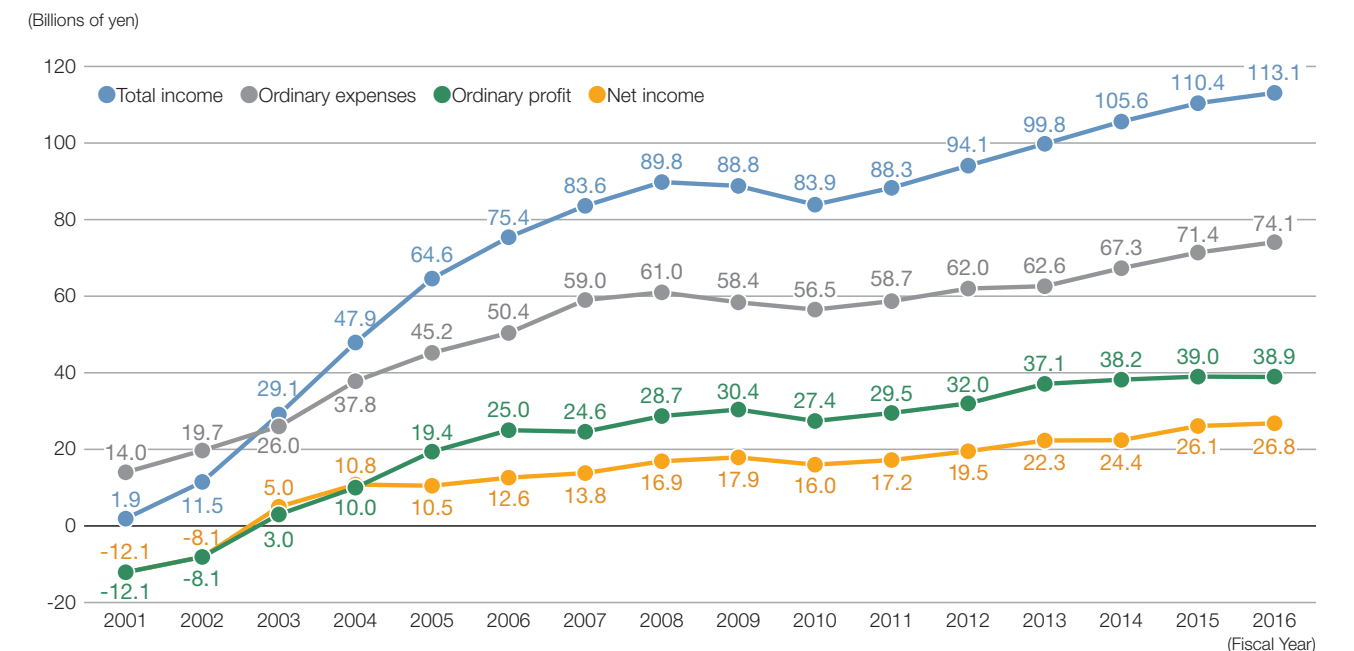


Breakdown of Accounts (individuals) (as of March 31, 2017)



Financial Highlights

Changes in Profit/Loss (non-consolidated)





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

