

Financial Results Briefing for Fiscal 2012: Key Questions and Answers

- Q1 What are the possibilities for the installation of ATMs operated by your subsidiary FCTI (Financial Consulting & Trading International, Inc.) in the stores of Seven-Eleven's American division, and have you drawn up a roadmap for future development in this respect?
- A1 As I'm sure you know, ATMs currently installed in the stores of Seven-Eleven's American division are operated by another company, and in view of Seven-Eleven's relationship with this company, this issue cannot be easily solved. The most we can say at the present time is that when the contracts between these companies and Seven-Eleven come up for renewal, we will do our best to persuade both Seven-Eleven and its customers to choose ATMs operated by FCTI.
- Q2 Will the change in the depreciation method affect the schedule for development of your ATM network?
- A2 No, the schedule remains unchanged.
- Q3 On what assumptions have you based your plan for a net increase in the number of ATMs operated in FY2013? You estimate a net increase of 1,117 in the total number of ATMs in operation, but according to figures released by Seven & i Holdings Co., Ltd., the projected net increase is roughly the same as the projected net increase in the number of Seven-Eleven stores, whereas roughly 200 ATMs will be additionally installed outside the Seven & i Group.
- A3 We based our plan on a number of assumptions, including the fact that the two companies have different accounting terms, and we kept in mind Seven-Eleven's plans for expansion of their store network. On this basis, we hope to achieve a net increase of 1,200 ATMs at the very minimum.
- Q4 Why have you changed your method of depreciation?
- A4 In the nature of things, the rate of return on ATMs does not decline from year to year. As ATMs produce a fixed rate of profit each year, it seems natural to adopt the straight-line method of depreciation. Up to now, however, we have been applying the declining-balance method to our of ATMs in order to effect quick depreciation and enable us to install new ATMs that make effective use of technological innovations. We have now arrived at a stage where third-generation ATMs can be said to incorporate all the latest technological

advances, and more than half the ATMs that we plan to install within FY2013 will be of this third-generation type. We have therefore decided to adopt the straight-line method of depreciation, as being more appropriate to our current ATM business model. We were also motivated to switch to the straight-line method by the fact that this is the standard method of depreciation globally.

Q5 What are the depreciation amounts and periods for FCTI's ATMs?

A5 The asset value of each of FCTI's ATMs depreciates by approximately ¥370 million over a period of five years by the straight-line method.

Q6 FCTI reports non-consolidated earnings in the black prior to depreciation costs, but its earnings capacity is poor compared with its parent company Seven Bank. What plans do you have for improving FCTI's earnings?

A6 Compared with the ATM business in Japan, ATM operations in the United States involve a low proportion of demand for small cash payouts, and consequently, the number of transactions per machine is smaller. However, this certainly does not mean that demand for cash is disappearing, and we believe there is plenty of room for further expansion in our business opportunities as long as we adopt the right approach. For example, ATMs in the United States are used principally for cash withdrawal, whereas in Japan the same ATM lets customers deposit cash, transfer money to other accounts, and other functions. In view of this situation, we have every reason to believe we will be able to expand the ways in which our customers in the United States use our ATMs. Regarding cost considerations, ATMs in the US are much less expensive than in Japan, which enables us to make a profit through low-cost operations. We seek further improvement in our profit margin through greater efficiency.

Q7 In your International Money Transfer Service, to which countries are funds most frequently transferred?

A7 The Philippines is the beneficiary country in the overwhelming majority of cases. We believe this is the result of our aggressive advertising campaign right from the start, in which we targeted the Philippine market, as well as the announcement of commencement of a money transfer service to the Philippines by our business partner Western Union. After the Philippines, other countries to which funds are frequently transferred include Thailand, Pakistan, China, and Nigeria. We intend to expand our marketing efforts with the goal of further increasing the number of transfers to these countries.