

Financial Results Briefing for Fiscal 2014
Key Questions and Answers

- Q1 Installations of ATMs outside the Seven & i Group are going well. In terms of costs, have you considered introducing models different from the one currently used – for example, a cheaper version – for the future rollout of ATMs outside the Group?
- A1 We are currently considering a next-generation ATM, but we don't think it's necessary to insist that all ATMs be the same model, as they have been so far. Lower-cost ATMs are preferable whether they are all the same model or not. However, cost considerations involve various factors aside from the ATM itself, such as transmission lines and maintenance, so we will consider the matter as a whole.
- Q2 What are the “unique products” referred to on page 14 of the financial results presentation?
- A2 We have no intention of fighting trends such as the move to a cashless society. Rather, we aim to assimilate such trends. For example, we consider the shift toward cashless transactions as a possible new business field for Seven Bank. One possibility is the rollout of new payment methods as one aspect of the cashless society in a broad sense.
- Q3 What is the status of your competitors in the field of convenience store ATMs?
- A3 The total number of ATMs in Japan has not changed significantly for some time, but the share of ATMs in convenience stores compared to the total has been growing substantially. The main reason is that they are convenient, but Seven Bank has had a particular commitment to raising the quality of its services. We think that if we continue to improve quality, our share will naturally increase. The fact that our ATMs are installed in Seven-Eleven stores nationwide gives us a great advantage, including in terms of costs. We can pursue cost benefits even if demand for cash were to decrease, which is a unique strength of Seven Bank ATMs.
- Q4 When you introduce next-generation ATMs, what new value will they add in terms of functionality compared with the current model?
- A4 We are currently discussing next-generation ATMs within the company. We have told the development team that we want to move away from the premise that the function of an ATM is to handle cash. We had them start from scratch in thinking about what role ATMs play for consumers as service hubs for financial institutions and non-bank companies. It seems likely that demand will arise where consumers

want the convenience of an ATM even for transactions that don't involve cash at all. A good example of a service where cash is not handled is international money transfers, 90% of which are conducted using a Seven Bank ATM. No cash is handled when sending an international money transfer from an ATM. We believe there are many transactions and services that can be conducted conveniently and safely because our ATMs are located in Seven-Eleven stores, where goods are sold. Future examples could include accepting applications for pre-approved loans.

Q5 Will ATMs continue to be your only point of contact with customers?

A5 We already have points of contact other than ATMs. For customers with a Seven Bank account, one of our B-to-C services is to provide notifications to customers using Internet or mobile banking. As for actual outlets, we have five manned outlets in Ito Yokado stores and have recently established branches, mainly to handle international money transfers, in Nagoya and Fukuoka. Furthermore, our multilingual call center backs up these manned outlets to form a customer service support structure, and we intend to establish other points of contact in the future in response to customer needs.

Q6 What is the current status of ATM installations in U.S. Seven-Elevens?

A6 Our acquisition of FCTI and entry into the United States were originally premised on installations in Seven-Eleven stores in the future. There is still time for a changeover if Seven Bank concludes a contract, but it is true that the time for contract renewal is approaching. We are making proposals in consideration of the time constraints, but we are still unable to make an announcement.

Q7 How do you plan to improve the profitability of the ATM business in the United States?

A7 The way of using ATMs and the business model are both different in Japan and the United States. For example, in Japan the ATM operator also owns a relay system and carries out processing work, but in the United States these businesses are outsourced. Moreover, most of what we're referring to as ATMs in the United States are actually cash dispensers. These differences make the profitability of the ATM business in the United States lower than in Japan.

Under these conditions, a rollout that extends the U.S. business model would have low added value and hold profitability down. To stop that from happening, we want to use the expertise we have accumulated over more than a decade in Japan to create new value. We may conduct processing operations, but our first priority right now is to build up a track record of stable ATM operation.