

Fiscal 2011 results briefing: Q&A session (excerpts)

Q1

It seems you are beginning to reverse the trend of declining transactions with non-banks. What's the situation as of April?

Loan transactions with non-banks that go through our ATMs are in positive territory year on year at the moment in terms of number of cash withdrawals. Repayments through our ATMs are still down year on year by number of transactions, but the shortfall is narrowing. Combining both withdrawal and deposit services, we are in positive territory year on year.

Q2

What difficulties do you face in developing the ATM business overseas?

At the moment, Seven-Eleven store openings overseas are proceeding smoothly, and we are in talks with corporations and authorities, chiefly in areas where Seven-Eleven's stores have opened.

At the same time, we have also discovered that conditions vary from country to country, and that it will be difficult to apply our business model as is in overseas markets. For example, in areas in Asia where we wish to launch payment services and install ATMs that reuse cash directly recycled from Seven-Eleven store sales proceeds, the poor quality of paper in bank bills poses a problem. Costs might be too great if we imported our business model as it is. Currently, we are exploring a wide range of options, including different models to those used in Japan.

Q3

I'd like to turn to customer segments in terms of region and

gender. What differences are there between your customers and Seven-Eleven shoppers? Which customer segments have most potential?

I do not have details on this, but our customer segments are roughly the same as those of Seven-Eleven stores. The core market is men in their 30s and 40s; men and women in their 50s and older are relatively few. Seven-Eleven is developing new products to meet the needs of the increasing numbers of elderly and single-person households. Through quality products such as the "Seven Premium" range, we are focusing on increasing customers among the elderly and other groups.

As part of this, we are developing policies for expanding the customer base. We ran a TV commercial in March targeting the elderly and women. Later, some surveys showed that ATM use among these groups had risen, so I think our marketing strategy here is having an effect.

Q4

Do you plan to raise the minimum dividend payout ratio of 35%?

We have made no change to our dividend policy, which is broad-based and also factors in shareholder returns, capital accumulation and investment needed for growth. So we have left the threshold at a minimum of 35%. We expect depreciation and amortization expenses to increase in the future, but we believe we can grow earnings nonetheless and keep the payout ratio at 35% at least. Shareholder returns will be reviewed assuming a steady increase in future earnings.

Q5

What is the medium-term outlook for ATM-related fee income per transaction and daily average transactions per ATM?

At the moment, growth in annual transactions at ATMs for

financial institutions for deposit-taking and savings, which generate relatively low levels of fee income, is faster than that for non-banks. I think there is a chance that ATM-related fee income per transaction will sink further, though not much.

We are installing over 1,000 new ATMs a year, but we expect daily average transactions per machine to hold up on increased numbers of partner companies and expansion of the customer base. We have been building up know-how in estimating usage levels of ATMs relative to location, and we plan to use that knowledge to maintain or raise daily average transaction levels per ATM as we continue with new installations.