SEVEN BANK

Expanding Our Horizons

SEVEN BANK, LTD.

Annual Report **2013**
For the year ended March 31, 2013

EXPANDING OUR HORIZONS

Seven Bank, Ltd.'s focus on ATM services makes it unique among the world's banks, with 94% of revenues coming from ATM usage fees paid by partner financial institutions. From our foundation as one of Japan's preeminent ATM networks, we are expanding our horizons for further growth.

Customers

ATM services that can be accessed "anytime, anywhere, by anyone, and with safety and security" all over Japan

Account services that are easy to use, convenient, reasonably priced, and serve as an "instant wallet"

Seven Bank's Business Areas

ATM Services

- **ATM services through the stores of the Seven & i Holdings Group**
- **ATM services available from our machines in other public and commercial facilities**

ATM Locations

Seven & i Holdings Group

- Seven-Eleven
- Ito-Yokado
- Other companies

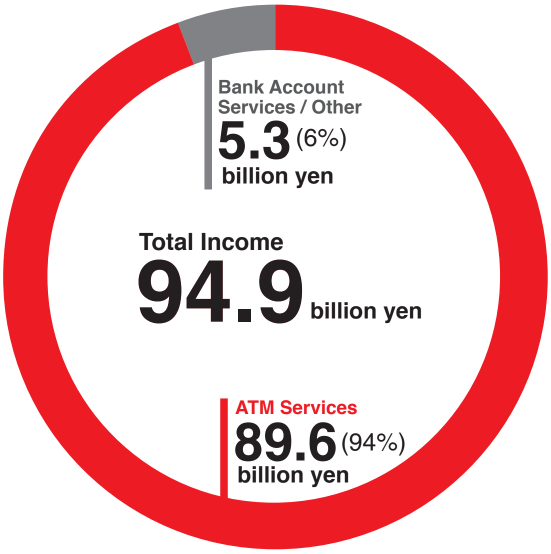
Bank Account Services

Services for individuals

- International money transfer services
- Ordinary deposit accounts and time deposit accounts
- Domestic money transfers, payment, and online settlement services
- Personal loan services
- Other services

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



Contents

- Our own ATM corner facilities
- A full range of services for operating and managing the ATMs of other financial institutions

ATMs outside Group company premises

- Airports
- Railway and other stations
- Commercial facilities
- Other locations

Services for corporations

- Acceptance of cash proceeds from sales
- Cash pickup and delivery services

Contribution to improving the efficiency of the financial system

Creation of a symbiotic business model with partner financial institutions

- Tie-ups for ATM use
- Full turnkey services for ATM operation and management

Partner Financial Institutions

Deposit-taking financial institutions

- Banks
- Shinkin banks
- Credit cooperatives
- Labor banks
- JA Bank, JF Marine Bank
- Shoko Chukin Bank

Non-banks

- Securities companies
- Life insurance companies
- Credit card companies
- Credit companies
- Consumer finance companies
- Business loan providers

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.

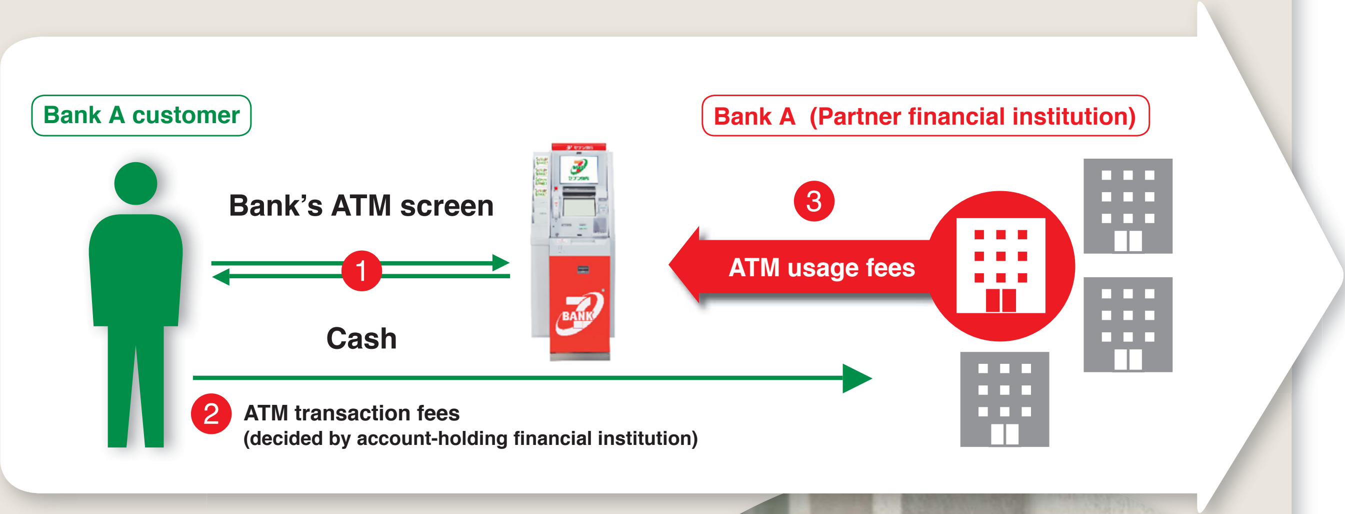
The information contained in this document does not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe for any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

Proven Business Become Part of the

Seven Bank has developed an innovative business model to build its unique ATM network. Highly valued by customers and financial institutions alike, our ATM network is part of the social infrastructure and indispensable to people's daily lives.

A Stable Business Model That Generates ATM Usage Fees from Partner Financial Institutions

We have built a stable business model in which we collect an ATM usage fee from a partner financial institution each time a customer conducts transactions using that financial institution's screen on one of our ATMs. Even with the increase in free ATM services offered by financial institutions to their customers, Seven Bank's business model has not been adversely affected by competition from financial institutions.



1. The customer makes a withdrawal (deposit) using the ATM screen of the financial institution where he or she has an account.
2. The financial institution charges the customer an ATM transaction fee.
3. The financial institution pays Seven Bank an ATM usage fee.

Model That Has Social Infrastructure

Benefits for Customers

Convenient ATM service hours and locations

- 24/365 availability
- Customers can use their usual bank card to access a network of more than 580 financial institutions
- No need to carry large sums of cash for business or leisure trips within Japan
- Access to identical services from any Seven Bank ATM throughout Japan

Safety and security

- Security due to installation in convenience stores

Benefits for Financial Institutions

Access to nationwide network of ATMs operating 24/365 without the cost of owning ATMs

Utilization as own ATMs

- Each financial institution decides its own transaction fees
- Screens are identical to the financial institution's own ATMs

Scaling back of own ATMs (cost reduction); marketing strategy that uses Seven Bank ATMs

Maximizing the Advantages of Seven-Eleven's Store Network

Convenience stores are an indispensable part of the Japanese lifestyle. Seven Bank's ATM network deploys the strong advantage of locations in the Seven-Eleven store network, by far the country's largest.

Convenience Stores in Everyday Life in Japan

- A total of 47,510 convenience stores nationwide (as of March 31, 2013; Source: Japan Franchise Association)
- The number of convenience stores is on the rise amid decreases in the number of supermarkets and department stores
- Completely integrated into the Japanese lifestyle

Seven-Eleven: A Dominant Presence in the Convenience Store Industry

- The most stores in Japan: 15,072 stores (31.8% market share)*
- The highest annual sales in Japan: 3,508.4 billion yen

Maximizing the Opportunities for Interactions with ATM Users

*As of February 28, 2013

Powerful Market Presence

We have expanded rapidly since our foundation. Today, our ever-more convenient ATM services can be accessed, “anytime, anywhere, by anyone, and with safety and security” all over Japan.

Strong ATM Network

Partner Financial Institutions

- The number of our partner financial institutions has increased each year, with only nine banks in Japan that are not yet partners. The resulting strong network helps us realize our concept of being “everyone’s ATM network.”

More than **580**

Number of ATM Installations

- We proactively promote installations of ATMs and take pride in being a leader in Japan in the number of ATM installations. This large network lets us promise services “anywhere.”

18,123

Scope of ATM Network

- Installation of ATMs in each of Japan’s 47 prefectures ensures that our services really are available “anywhere.”

All **47** prefectures

Availability

- Our original network with a complete backup system allows “safe and secure” ATM use “anytime.”

7 days/week

24 hours/day

Expansion into New Businesses Based on ATMs

International Money Transfer Services
(Service initiated in 2011)

- Substantial growth in usage with the introduction of multi-language services

189,000 transfers

32,000 transfers in fiscal 2011

Personal Loan Services
(Service initiated in 2010)

- Steady increase in balance of loans with effective, low-cost approach to customers

3.3 billion yen

74% year-on-year increase

Sound Finances

Consolidated Capital Ratio

- An extremely high level of soundness among Japanese banks

43.13%

Ratings

- Top-ranked creditworthiness, based on our high level of soundness

S&P AA-

R&I AA

The highest among Japanese banks

As of March 31, 2013

Solid Prospects

Dedicated to fulfilling customers' expectations, we will continue to strengthen our ATM operations while creating new revenue sources that use our proven ATM infrastructure.

Increase new service earnings

Full-scale rollout of international money transfer and personal loan services

Diversify revenues by expanding the range of convenient financial services using our well-developed ATM network

Expand new services

International money transfer services

- Increase the number of languages handled
- Expand the user segment

Personal loan services

- Raise recognition level to increase the balance of loans

Expand ATM business

Broaden customer base and expand ATM network

Aim to steadily increase transactions by raising awareness of our close and convenient ATM network and by actively expanding installations

Increase number of ATM installations

- Continue steady installations inside the Group
- Actively expand non-Group locations

Improve rate of usage

- Develop new users
  Conduct campaigns to promote usage in cooperation with partner financial institutions
- Improve safety, security and convenience
  Further increase convenience by replacing ATMs with third-generation models
  Improve in-store access to ATMs in Seven-Eleven stores
  Enhance ATM security
  Make ATM screens easier to understand

Increase the number of partner financial institutions

- Increase ATM partners
  Approach financial institutions in areas where Seven-Eleven Japan Co., Ltd. has yet to penetrate

Promote and cultivate new businesses

Strengthen profitability of the ATM business in the United States

Rapidly strengthen the profitability of Financial Consulting & Trading International, Inc., a U.S. company acquired by Seven Bank, and use it to build an ATM business base in the United States

Promote and cultivate new businesses

Overseas ATM business and banking agency services, etc.

Increase new service earnings

International money transfer and personal loan services

Expand ATM business

Expand installation locations

Enhance convenience

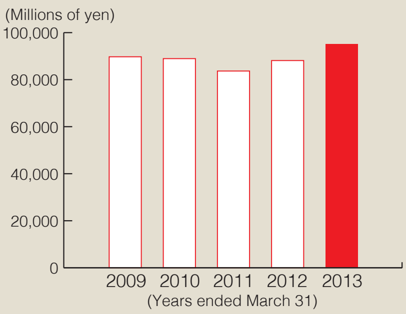
Financial Highlights

Seven Bank, Ltd. and consolidated subsidiary for the year ended March 31, 2013/Seven Bank, Ltd. for the years ended March 31, 2012, 2011, 2010, and 2009

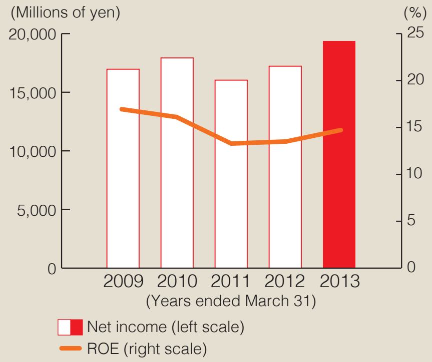
		Millions of yen			
	2013	2012	2011	2010	2009
For the year:					
Total income	**¥ 94,965**	¥ 88,318	¥ 84,022	¥ 88,830	¥ 89,842
Fees and commissions income	**94,046**	87,711	83,644	88,350	88,741
Fees and commissions expenses	**12,217**	10,705	10,011	9,691	9,183
Income before income taxes	**31,370**	29,300	26,999	30,306	28,736
Net income	**19,377**	17,267	16,008	17,953	16,988
At year-end:					
Total assets	**¥812,531**	¥652,956	¥600,061	¥502,782	¥493,360
Deposits	**394,615**	372,271	333,382	219,008	229,311
Total liabilities	**674,486**	527,326	485,522	392,843	394,966
Total net assets	**138,045**	125,629	114,539	109,939	98,393
		Yen			
Per share data (Note 1):					
Net income	**¥ 16.27**	¥ 14.49	¥ 13.19	¥ 14.71	¥ 13.92
Net assets	**115.66**	105.30	96.05	90.03	80.61
Dividends (Note 2)	**6.75**	6.20	5.20	5.20	4.90
Management indicators:					
Return on equity (ROE) (%) (Note 3)	**14.72**	13.50	13.28	16.11	16.94
Return on assets (ROA) (%) (Note 4)	**4.52**	4.55	4.66	5.49	5.13
Non-consolidated Tier 1 capital ratio (Domestic standard) (%)	**50.13**	53.25	51.19	49.58	45.05
Non-consolidated return on ATM cash (%) (Note 5)	**6.61**	7.04	7.58	9.05	8.30
Overhead ratio (%) (Note 6)	**60.57**	60.97	61.73	60.35	62.99
Payout ratio (%)	**41.40**	42.75	39.39	35.33	35.18

Notes:
1. On December 1, 2011, Seven Bank conducted a 1,000-for-1 stock split. Per share data for previous fiscal years have been restated to reflect the change.
2. The year-end dividend for the fiscal year ended March 31, 2012 included an extra 1 yen to commemorate the Bank's listing on the First Section of the Tokyo Stock Exchange.
3. Return on equity = net income/daily average total shareholders' equity
4. Return on assets = net operating profit (*gyomu jun-eki*)/average of total assets. Non-consolidated basis.
5. Non-consolidated return on ATM cash = (ATM-related fee income - interest expenses - ATM placement fees - general and administrative expenses)/daily average balance of cash and due from banks
6. Overhead ratio = general and administrative expenses/gross operating profit (*gyomu ararieki*)

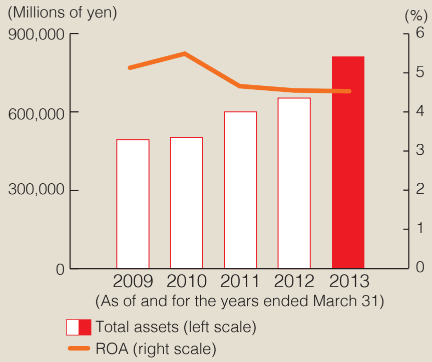
Total Income



Net Income/ROE



Total Assets/ROA



To Our Shareholders and Investors

Seven Bank was established in April 2001 under the concept of ATM services that can be accessed "anytime, anywhere, by anyone, and with safety and security" all over Japan. Since then, we have achieved steady growth based on our business model of receiving ATM usage fee income from partner financial institutions.

During fiscal 2012, ended March 31, 2013, our core ATM business remained firm and our financial services business, which uses the ATM network that has become part of Japan's social infrastructure, grew substantially. Together with steady business operations for further growth, including the full-scale start of the overseas ATM business, Seven Bank achieved growth in both revenues and profits, reaching record-high income.

Going forward with an ongoing spirit of challenge, we aim to increase shareholder value by augmenting the ATM infrastructure and maximizing its use through the creation of new financial services.

安斎 隆

Takashi Anzai
Chairman and Representative Director

二子石謙輔

Kensuke Futagoishi
President and Representative Director

Interview with President Kensuke Futagoishi

For continued growth, we aim to create new value based on our powerful ATM network, which has become part of Japan’s social infrastructure.

Kensuke Futagoishi
President and Representative Director

Q1 In a changing operating environment, Seven Bank was able to continue its growth in revenues and profits from the previous year to reach record-high income. Looking back at fiscal 2012, ended March 31, 2013, what is your personal evaluation of the year?

I view it as a highly productive year in which we were able to achieve results from a short-term, medium-term, and long-term perspective.

In my management, I keep in mind an overall balance among the short term, the medium term, and the long term for achieving continued growth. I rate fiscal 2012 highly as a year of good results in each of these three areas.

The core ATM business, which drives short-term growth, performed solidly, with a steady increase in the number of ATMs installed and an increase in the total number of transactions due to stable growth in transactions with deposit-taking financial institutions and non-bank transactions. From a medium-term perspective, the financial services business has been growing steadily, with 189,000 transactions in international money transfer services, exceeding our target for the year of 170,000 transactions, and a balance of 3.3 billion yen in our personal loan services business, compared with our loan balance target of 3.0 billion yen. As a measure for long-term growth, we entered the overseas ATM business with the acquisition of Financial Consulting & Trading International, Inc. ("FCTI"), which operates ATMs in the United States.

While conducting measures along various timelines in this way, we can take pride in achieving growth in revenues and profits and reaching record-high income.

Q2 To further expand the ATM business, Seven Bank will need to install more ATMs. What is your specific policy for increasing the number of ATMs installed?

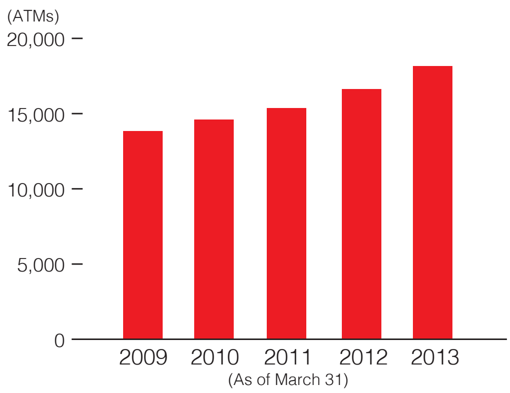
As we increase the number of ATMs installed in tandem with the expansion of the Seven-Eleven Japan store network, we will increase installations in locations outside the Seven & i Holdings Group while balancing profitability and scale.

For the short term, Seven-Eleven Japan Co., Ltd. expects to open more stores, and so our basic policy is to install ATMs in those new stores.

On the other hand, over the medium-to-long term, I believe it has become necessary for us to increase installations outside the Group, and we will install ATMs wherever needed, catering to different types of use based on our track record to date. So far, we have maintained high profitability at ATMs installed outside the Group by focusing only on locations where we could expect daily transactions on a level comparable to Seven-Eleven stores. For the time being, we will continue this policy in working to increase the number of ATMs installed, but in the future we will look for further growth in income by more deeply considering the balance between latent user demand and profitability.

Either way, I believe there is still substantial room for an increase in the number of ATM installations in Japan. We will not change our basic policy of efficiently increasing the number of installations by understanding customer needs, such as the rising demand for ATMs that can handle cards issued overseas, and helping to improve convenience for users and our partner financial institutions, thus expanding our own profits.

Number of ATM Installations



Q3 The number of daily transactions per ATM is trending downward. How do you plan to raise capacity utilization?

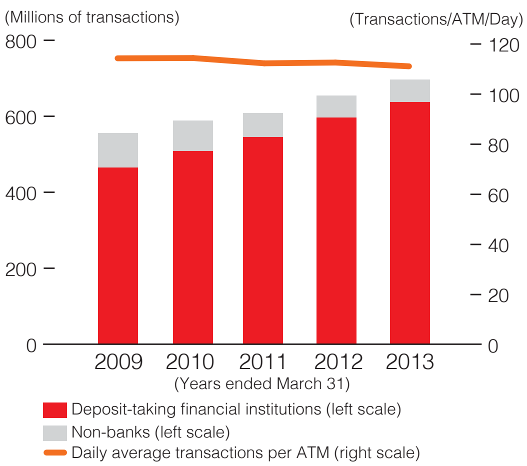
We are working to raise capacity utilization by improving convenience and through tie-up activities with partner financial institutions.

First of all, the most important benchmark for Seven Bank is the total number of transactions. We need to work out whether to boost that figure by increasing the number of ATM installations or by raising capacity utilization (average transactions per day). Up until now, on balance, we have placed greater emphasis on increasing the number of ATM installations. As long as we have kept the decrease in capacity utilization to a minimum while increasing the number of ATMs installed by more than 1,000 each year, the number of total transactions has steadily increased. The downward pressure on average transactions per ATM has been caused by the initial lack of awareness in areas where they are newly installed, so that they have not yet reached the stage of stable use. With that in mind, we do not view the resulting decrease as a particularly major problem.

However, relying on increasing the number of ATM installations alone will not ensure continued growth. Consequently, we are promoting measures to raise capacity utilization from the two basic perspectives of improving convenience and attracting new users.

To improve convenience, we will begin by improving conditions for ATMs already installed in Seven-Eleven stores. As is characteristic of convenience stores, Seven-Eleven rapidly replaces its product lineup and as a result, it changes its layout. This change

ATM Transactions



in store layout can sometimes make the ATM inconvenient to access. It is important that we steadily work to eliminate this problem together with the headquarters of Seven-Eleven. In fiscal 2012, we improved the in-store access to 2,500 ATMs, and the actual number of transactions increased. Moreover, we are making the ATM screen and transaction receipts easier to read, improving convenience by continuing to replace ATMs with third-generation models, handling IC card transactions using cash and credit cards issued overseas, and ensuring safety and security through methods such as introducing monitoring and detection systems for foreign objects in ATMs. Rather than simply increasing the number of ATMs, we believe it is more important to improve their quality through these steady efforts.

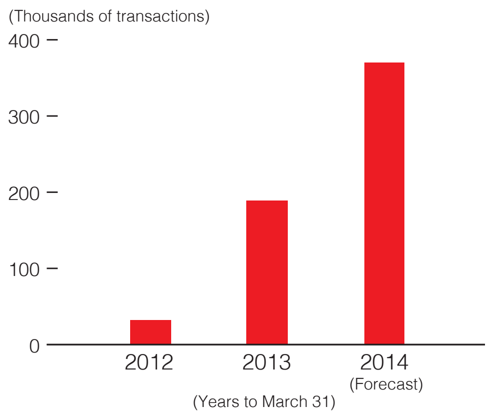
For attracting new users, tie-ups with partner financial institutions will be critical. For example, if a partner bank wants to increase the number of pension accounts held by elderly customers, we could conduct campaigns such as offering a present when they make a withdrawal at Seven-Eleven. In this way, the pensioner can make withdrawals close to home and receives a present. Seven-Eleven can sell products to the pensioner who visits the store. Our partner bank can increase its accounts and Seven Bank attracts a first-time user. This sort of win-win campaign could be highly effective. The salient point is how we can get our partner financial institutions to have the ATMs installed in Seven-Elevens used as their own ATMs.

Q4 Over the next 10 years, Seven Bank will be accelerating its efforts to develop new services and businesses. What direction will you take in the future in developing your business?

In addition to creating new financial services using our ATMs as a platform, we will focus on raising the profit level of our overseas ATM business.

The thrust of the next decade will be launching new services that use our extensive ATM infrastructure to diversify our earning sources. As an example, I will explain our approach to international money transfer services, which we began in the previous fiscal year. The number of transfers is growing steadily, and we have been working to differentiate ourselves by promoting multilingual ATM screens with the aim of reaching one million transactions per year, with a scale of about 2 billion yen in income, within the next three or four years. However, as far as we are concerned, this is just the tip of the iceberg for our financial services. This service is an example of our response to needs that are clearly different from the traditional role of ATMs in meeting demand for cash. The number of foreign workers in Japan is forecast to increase, and from the viewpoint of developing ATM-based

Number of International Money Transfers



financial services for this group, there is still a wide range of possible services. We may develop these new services on our own or we may proceed in cooperation with partner financial institutions, but we intend to expand the financial services business by creating new uses for ATMs other than to meet needs for cash.

In addition, although this is not directly related to the ATM infrastructure, to deploy the know-how we have accumulated in the ATM business in Japan in overseas markets, we made our full-scale entry into the overseas ATM business with the acquisition in October 2012 of FCTI, a company that operates ATMs in the United States. Our first order of business is to raise the company's profit level. Based on its unique business model, Seven Bank has established a strong presence in Japan. However, due to differences in business practices and the needs of ATM users in the United States, the same business model will not work there. First, we will study the operating methods of FCTI as our second business model, and then we intend to roll out a wide-ranging scheme for further expansion.

Q5 You increased dividends in fiscal 2012 and you have announced plans to increase dividends again in fiscal 2013. What is your stance on shareholder returns?

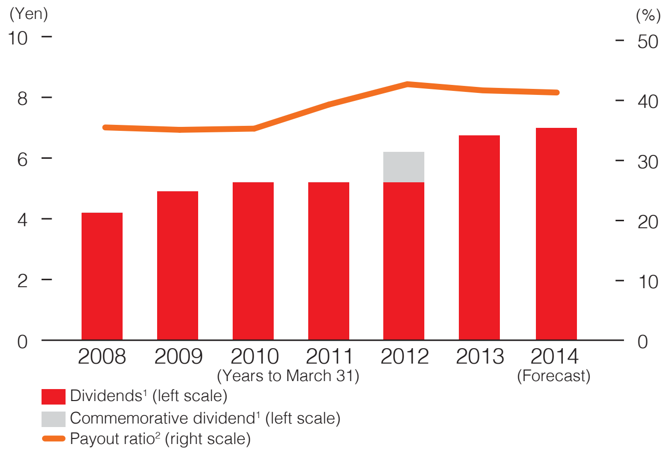
We will work to increase dividends based on our business results, keeping in mind a balance with investments for growth.

Seven Bank considers returning profits to shareholders to be an important management policy. Our basic policy is to provide stable and sustained cash dividends in consideration of an appropriate balance between distributions of earnings to shareholders and retained earnings. Our target consolidated dividend payout ratio is 35% or higher, and we have a basic policy of paying an interim and year-end dividend. In line with these basic policies, we increased dividends per share for fiscal 2012 by 0.55 yen from the previous fiscal year in light of our business results, paying an interim dividend of 3.25 yen per share and a year-end dividend of 3.50 yen per share for annual total dividends of 6.75 yen per share and a consolidated payout ratio of 41.4%.

For fiscal 2013, we plan to increase annual dividends per share by 0.25 yen to 7.00 yen because of our forecasted growth in business results.

We will continue working to increase dividends based on our business results, keeping in mind a balance with investments for growth.

Dividends[1] and Payout Ratio[2]



1. Adjusted for the 1,000-for-1 stock split conducted on December 1, 2011. The year-end dividend for the fiscal year ended March 31, 2012 included an extra 1 yen to commemorate the Bank's listing on the First Section of the Tokyo Stock Exchange.
2. Consolidated payout ratio for the years to March 31, 2013 and 2014

Q6 In corporate management, what is your priority as president for achieving continuing improvement in shareholder value?

My objective is to take on challenges for the future while simultaneously strengthening the foundation that allows us to do so.

The most important quality is a spirit of addressing challenge. Because we operate ATMs, which are a social infrastructure business, obviously safety and security are essential and the major underlying premise in managing our business is ensuring that nothing falls outside the scope of our assumptions.

Our business model has become such an integral element of today's Japan that it is recognized as part of the country's social infrastructure. In other words, as long as we continue steady everyday operations, we are guaranteed a reasonable profit. However, a company is sure to atrophy if it does not continue to take on the challenge of further growth and new business.

One example of taking on challenges for the future is our acquisition of FCTI, a company that operates ATMs in the United States. The management is making decisions that take on challenges for the future, and the employees are working on-site and generating results to grow both as a company and as individuals. I want this sort of positive spiral to become the norm in our everyday corporate culture.

On the other hand, if we are able to take on these challenges now, it is because of the foundation we have built over the past 10 years since Seven Bank was established. For this reason, I realize that at the same time as we sow the seeds for meeting our future challenges, it will be necessary to strengthen the foundation that will allow those seeds to grow.

Based on this approach, we will continue to take on challenges over a short-to-long-term perspective in fiscal 2013, ending March 31, 2014. By achieving steady growth in both revenues and profits, with a forecast of 104.1 billion yen in total income and 20.7 billion yen in net income, we will improve shareholder value.

Business Topics: Entering the ATM Business Overseas

In October 2012, Seven Bank acquired Financial Consulting & Trading International, Inc. (FCTI), an independent service operator (ISO) of ATMs in the United States, making a full-scale entry into the ATM business overseas.

We aim to accumulate more know-how by launching services in the United States, the world's largest market for ATM services.

Financial Consulting & Trading International, Inc. (As of December 31, 2012)

Location:	**Los Angeles, California, United States**
No. of employees:	**38**
Common stock:	**US$19 million**

Business outline

Business development throughout North America

Develop the ATM business as an ISO in the United States

High fee income per transaction

- In addition to interchange fees paid by financial institutions, FCTI receives customer surcharges from its directly owned ATMs
- Specialization in installations at truck stops, where relatively high surcharges are possible

Low operational costs

Low operational costs due to the use of basic ATM models and a limited number of personnel

(Unit: Million US$)

	FY2012 Full-year results (consolidation period)	FY2013 (forecast)
Ordinary income	10.5	55.8
Ordinary expenses	10.4	53.7
Ordinary profit	0.1	2.0
Net income	0.1	2.0
Number of ATMs installed at end of term (units)	2,542	3,300
Total number of transactions (millions)	3.7	20.9

Notes:1. The relevant period of FCTI consolidation (October 6, 2012 to December 31, 2012) only has been included in consolidated financial results for the full fiscal 2012 period.
2. Amounts less than one unit have been truncated.

Comparison of FCTI (an ISO in the U.S.) and Seven Bank

	FCTI (an ISO in the U.S.)	Seven Bank (Japan)
Revenue source	Surcharges from users and interchange fees from banks	Interchange fees from partner financial institutions
Level of service	Functions as a cash dispenser	Financial services platform (ex.: withdrawals/deposits, transfers, international money transfers, etc.)
	Only $20 bills handled	Deposit / recycling of ¥1,000 and ¥10,000 bills (deposit only for ¥2,000 and ¥5,000 bills)

Extremely High Level of Service Required in the Japanese Market

In Japan's financial services market, which includes the ATM business, extremely high levels of convenience and operational stability are required.

It is no exaggeration to say that Seven Bank's ability to become a leader in the ATM business in Japan is the result of continuing to meet these high standards.

On the other hand, low-cost operations that use inexpensive ATMs for withdrawals only are the norm for ISOs in the United States. Because ATM users in Japan and the United States expect different levels of service, success in the United States will require adapting the ATM business to local conditions, rather than simply exporting the business model used in Japan. Moreover, operations in the United States are more typical of the ATM business around the world than the Japanese style of business. Consequently, this opportunity to study the ATM business model used in the United States will be a major advantage in the future when developing business in other countries.

Corporate Governance

Corporate Governance Policy

Seven Bank (the "Bank") recognizes that good corporate governance plays a vital role in raising its corporate value. The Bank works to maintain and improve its corporate governance and compliance systems in order to ensure swift managerial decision making, clarify the roles and responsibilities of executives and employees, maintain effective management oversight, and ensure equitable operations.

Corporate Governance Initiatives

1. Details

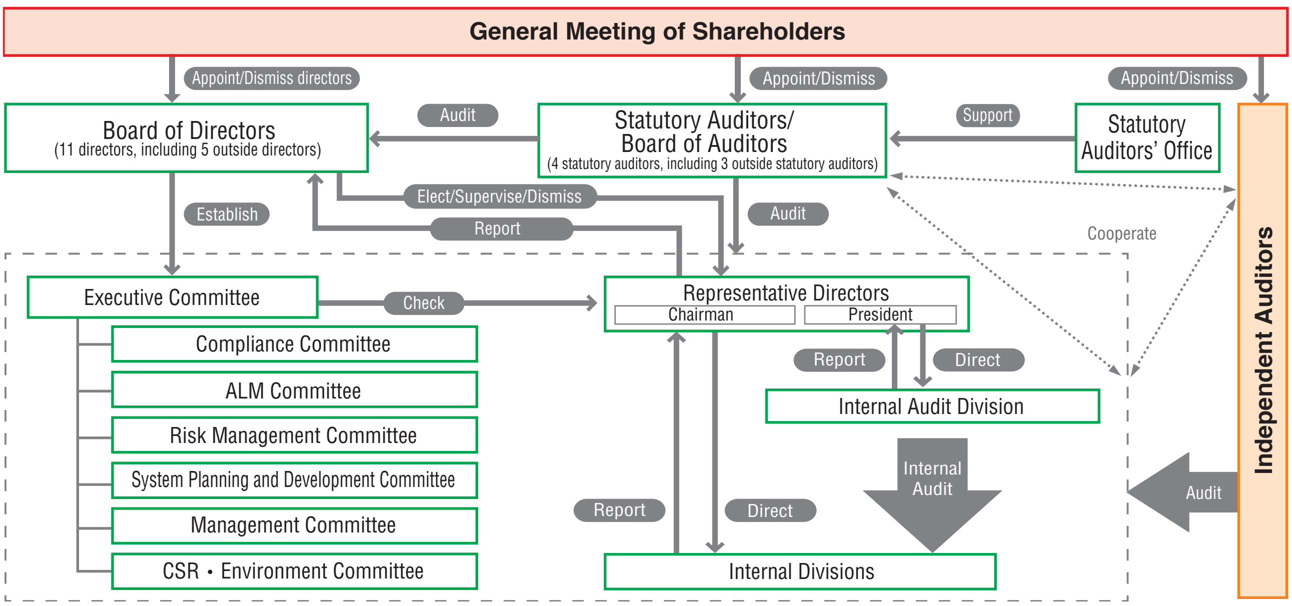
As of June 18, 2013, the Board of Directors consists of 11 directors, including five outside directors. The Board of Directors meets at least once a month to decide on the Bank's basic operational policies and important operational issues, and to supervise the execution of directors' duties.

The Board of Directors has established an Executive Committee as a deliberative body concerned with operational implementation within the scope delegated by the Board of Directors. In principle, the Executive Committee meets on a weekly basis to supervise the formulation or amendment of business plans; acquisition and disposal of assets; credit provision-related issues; payment of debts and expenses; credit management issues; rewards and sanctions for employees; issues related to working conditions and benefits; the establishment, change, and abolition of elements of the organization; and the formation, revision, and elimination of rules and policies, in addition to conferring on issues to be deliberated by the Board of Directors prior to its meetings. Since June 2006, the Bank has adopted an executive officer system, and the Executive Committee comprises executive officers and others nominated by the Board of Directors.

As of June 18, 2013, the Board of Auditors consists of four statutory auditors, including three outside statutory auditors. The Board of Auditors meets, in principle, at least once a month to deliberate and make decisions regarding important auditing-related issues reported to it. The Board of Auditors convenes with a representative director and the Internal Audit Division on a regular basis to exchange opinions and make requests as deemed necessary on issues the Bank is addressing, issues related to the status of improvements to the statutory auditors' auditing environment, and important auditing-related issues. In addition, the statutory auditors oversee and verify the status of fulfillment of legal obligations, including the duty of care of a good manager and the duty of loyalty, with regard to resolutions of the Board of Directors and other decision making by directors.

Corporate Governance Organization

(As of June 18, 2013)



2. Preparation of Internal Control Systems

The Board of Directors decided on May 8, 2006 to implement system upgrades stipulated in Company Law Article 362, Paragraph 4, Item 6. Details of this decision are reviewed each fiscal year in a Progress Review.

Oversight or Audits by Outside Directors or Outside Statutory Auditors; Cooperation with Accounting Audits; and Relationship with Internal Control Department

The outside statutory auditors are responsible for asking frank questions and submitting their opinions to the Representative Director and Board of Directors from an independent standpoint, in keeping with their independence and reasons for appointment. To fulfill these responsibilities, the outside statutory auditors receive information gathered by the full-time statutory auditors, who are responsible for ensuring the effectiveness of audits in cooperation with the Internal Audit Division and the department in charge of internal control functions. In addition, the Board of Auditors, which is composed of all statutory auditors including outside statutory auditors, regularly exchanges opinions with the accounting auditors for mutual collaboration.

The outside directors do not collaborate with the Internal Audit Department, accounting auditors and Internal Control Department directly. However, they fulfill their management oversight function from a position of independence from business execution based on their reasons for appointment and on the questions and opinions submitted at Board of Directors meetings by outside statutory auditors, who share information with the full-time statutory auditors who collaborate with those departments.

Approach to Roles and Appointment of Outside Directors and Outside Statutory Auditors

A. OUTSIDE DIRECTORS

Mr. Yoji Ohashi was appointed as an outside director of the Bank in order to utilize his experience and insight as Representative Director of ANA Holdings Inc. and as Vice Chairman of the Japan Business Federation (Nippon Keidanren) in the Bank's management. In addition, the Bank has notified the Tokyo Stock Exchange that Mr. Ohashi is an independent officer as stipulated by said exchange.

Ms. Yuko Miyazaki was appointed as an outside director of the Bank in order to utilize her legal knowledge and extensive experience as an attorney at law specializing in tax law and corporate legal affairs in the Bank's management.

Mr. Shuji Ohashi was appointed as an outside director of the Bank in order to utilize his specialized knowledge as a certified public accountant, broad insight as a management consultant and extensive experience as a company manager in the Bank's management. In addition, the Bank has notified the Tokyo Stock Exchange that Mr. Ohashi is an independent officer as stipulated by said exchange.

Ms. Yuri Okina was appointed as an outside director of the Bank in order to utilize her many years of research into financial systems and financial administration and her experience on the Financial System Council of the Financial Services Agency in the Bank's management. In addition, the Bank has notified the Tokyo Stock Exchange that Ms. Okina is an independent officer as stipulated by said exchange.

Mr. Akihiko Shimizu was appointed as an outside director of the Bank in order to utilize his experience as a director of Seven & i Holdings Co., Ltd. in the Bank's management.

B. OUTSIDE STATUTORY AUDITORS

Mr. Tetsuya Katada was appointed as an outside statutory auditor of the Bank in order to oversee the Bank's management in general, utilizing his extensive experience as a corporate manager, his broad insight in various economic organizations and his many years of experience in monetary

Compensation of Directors and Statutory Auditors in the Fiscal Year Ended March 31, 2013

(Millions of yen)

	Amount of Compensation	Total Compensation by Type				Number of Recipients (persons)
		Basic Remuneration	Stock Options	Bonuses	Retirement Benefits	
Directors (excluding outside directors)	273	210	63	–	–	6
Statutory Auditors (excluding outside statutory auditors)	23	23	–	–	–	1
Outside Directors and Outside Statutory Auditors	55	55	–	–	–	7

policy deliberations. In addition, the Bank has notified the Tokyo Stock Exchange that Mr. Katada is an independent officer as stipulated by said exchange.

Ms. Naomi Ushio was appointed as an outside statutory auditor of the Bank in order to oversee the Bank's management in general, utilizing her expert knowledge and insight as a professor at Meiji University. In addition, the Bank has notified the Tokyo Stock Exchange that Ms. Ushio is an independent officer as stipulated by said exchange.

Mr. Kunihiro Matsuo was appointed as an outside statutory auditor of the Bank in order to utilize his insight accumulated over many years, primarily as a public prosecutor, and his experience as an outside director and outside auditor at other companies in the Bank's auditing. In addition, the Bank has notified the Tokyo Stock Exchange that Mr. Matsuo is an independent officer as stipulated by said exchange.

Policy for Determining the Amount and Method of Calculation of Compensation of Directors and Statutory Auditors

Compensation of directors and statutory auditors of the Bank is determined by taking into consideration factors including contribution to the Bank, content and importance of duties, performance of duties, and years in office.

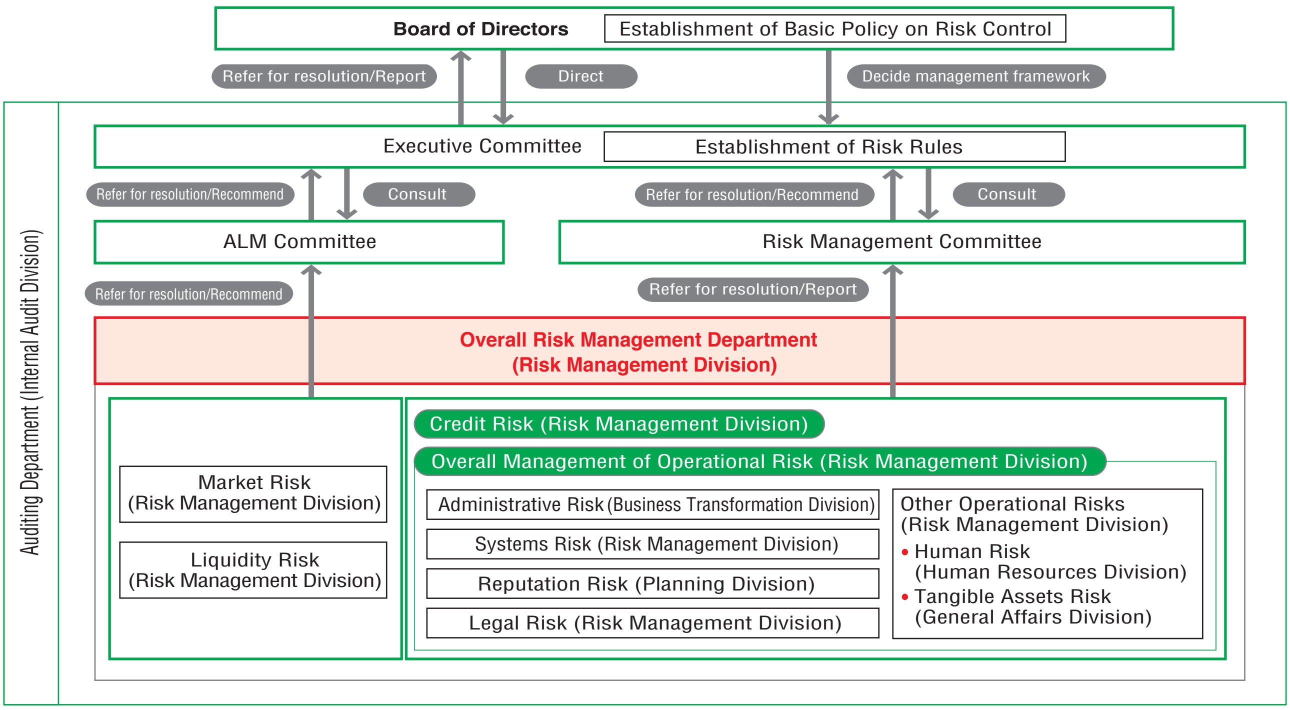
The Bank has established the Compensation Committee, which is chaired by an outside director and composed of two representative directors and two outside directors, as an organization that makes proposals for the system of compensation of directors and statutory auditors and specific amounts of compensation (including stock option compensation). The Compensation Committee proposes to the Board of Directors specific amounts for compensation of directors, within the annual limits for directors' compensation and stock option compensation approved by the General Meeting of Shareholders, and the final decision is made by resolution of the Board of Directors.

Risk Management

Risk Management Initiatives

Seven Bank has designed a risk management system to ensure the soundness and efficiency of management by recognizing and appropriately managing specific types of risk faced in conducting business. The Board of Directors has established the Basic Policy on Risk Control as an overall risk management policy, risk management policy regarding specific risks, and internal structures and

Risk Management System



systems to manage risk. Based on the Basic Policy on Risk Control, the Executive Committee has established detailed rules and regulations governing day-to-day 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 to the Executive Committee with respect to risk management.

Formulation of Business Continuity Plan (BCP)

Seven Bank has defined three priority business operations to maintain in the event of a major disaster or accident to fulfill its social obligation as a bank. These operations are ATM business, fund settlement with other banks and partner financial institutions, and payment of withdrawals and currency exchange. In addition, to ensure that these important business operations can continue even if a disaster or accident occurs, each department has created a business continuity plan (BCP). The departments conduct BCP drills on a regular basis that assume cases in which data centers and other facilities are damaged for varying periods of time.

In the Great East Japan Earthquake of March 2011, an emergency headquarters headed by the president was set up in accordance with the business continuity management policy. The headquarters held a response meeting to decide policies and measures for the quick restoration and stable operation of ATMs and other matters, and immediately moved to implement them.

Overall Management of Risk

Basic policies relating to overall risk management 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

Basic policies relating to credit risk are governed by the Basic Policy on Risk Control and by the Credit Risk Rules established thereunder. Currently, risk management activities relating to credit risk are limited to the ATM settlement business, ALM of interbank deposits placed with top-rated partner financial institutions, lending of funds in the call-money market, temporary ATM payment amounts due, and small personal loans. 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 guidelines, reserve guidelines, and related internal rules and regulations.

Market Risk

Basic policies relating 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 the monthly reports of the ALM Committee regarding the Bank's market risk position, expected trends in interest rates, and other matters.

Liquidity Risk

Basic policies relating 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 available 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 the Executive Committee. The Bank has devised comprehensive countermeasures for a number of constrained funding scenarios to enable a quick and flexible Bank-wide response, and therefore does not expect to experience liquidity problems.

Overall Management of Operational Risk

Basic policies relating to operational risk are governed by the Basic Policy on Risk Control and by the Operational Risk Rules established thereunder. The Bank recognizes administrative risk, systems risk, reputation risk, legal risk, and other operational risks as operational risks, and comprehensively manages risk 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, that do not involve face-to-face interaction. The Administrative Risk Rules, which were established in accordance with the Basic Policy on Risk Control, are designed to reflect this special characteristic and ensure accuracy and fairness in administrative operations. In addition, the Bank works to prevent administrative errors and employee misconduct through self-monitoring and appropriate audits of all divisions, offices, and centers by the Internal Audit Division. The Bank is organized to quickly analyze the cause of problems it has identified, such as scandals, work-related accident and complaints, and determine measures to prevent their recurrence. The Bank also manages administrative risk, including potential administrative risk, by verifying administrative error reports and self-monitoring in order to understand the occurrence of administrative errors in all divisions and centers.

Systems Risk

Basic policies relating to systems risk are governed by the Basic Policy on Risk Control and by the Systems Risk Rules established thereunder. The Bank seeks to improve systems development efficiency, service quality, and systems safety. Initiatives in systems construction include one or more layers of redundancy in network and hardware equipment and a backup center designed to engage in the event of a natural disaster or systems failure. File libraries and programs are backed up as appropriate based on relative importance to operations, and such backup data is stored off-site as a precaution against unforeseeable events. In addition, the Bank takes the utmost care in information management, including using firewalls to block unauthorized systems access, monitoring access 24 hours a day, 365 days a year, encrypting all electronic transactions with customers, and employing anti-virus software. Furthermore, in order for its customers to use the Bank's services with peace of mind, the Bank prepares for unforeseen events such as service interruptions or disasters and has prepared a business succession plan in advance, and also has set up a framework for conducting regular drills and other measures.

Reputation Risk

Basic policies relating to reputation risk are governed by the Basic Policy on Risk Control and by the Reputation Risk Rules established thereunder. The Bank works to gather information concerning its reputation on a daily basis and maintains a response system, including a Bank-wide communication structure and timely and appropriate disclosure for dealing with events that affect its reputation.

Legal Risk

Basic policies relating to legal risk are governed by the Basic Policy on Risk Control and by the Legal Risk Rules established thereunder. The Bank works to minimize or prevent the manifestation of legal risks, and respond accurately and efficiently to avert or minimize losses in the event that such risks materialize.

Other Operational Risks

Basic policies relating to other operational risks are governed by the Basic Policy on Risk Control. The main other operational risks recognized and managed are human risk and tangible assets risk.

Compliance

Compliance Initiatives

Seven Bank considers compliance with applicable laws and societal norms to be a fundamental prerequisite to earning the trust of society. Aware of the importance of its public mission and the significance of its societal responsibilities, the Bank has developed the following initiatives to ensure compliance, one of the most important responsibilities of management.

Compliance Systems

The Bank appoints a compliance officer to each of its internal divisions to implement compliance and serve as a point-person to consult on compliance-related problems and other issues. The Risk Management Division, led by the officer in charge, works as the Bank-wide compliance department to improve accountability and responsibility, self-help capabilities, and reciprocal monitoring as a means of creating an organization with an inherent self-monitoring function. The Internal Audit Division independently audits the Bank-wide compliance system. In addition, the Compliance Committee, which acts as an advisory body to the Executive Committee, reviews and evaluates all significant compliance-related issues as they arise.

Compliance Program

The Bank establishes a compliance program each fiscal year that sets out the specific compliance plan for that year. The Board of Directors reviews and evaluates the progress and the practical results of the compliance program for the relevant year and, based on such reviews and evaluations, designs and adopts the compliance program for the following fiscal year.

Compliance Manual

To enhance compliance, the Bank publishes a compliance manual that is distributed internally to all employees, while implementing compliance training sessions in order to repeatedly keep employees informed about compliance.

Main Compliance Issues

1. Prevention of fraudulent accounts and money laundering

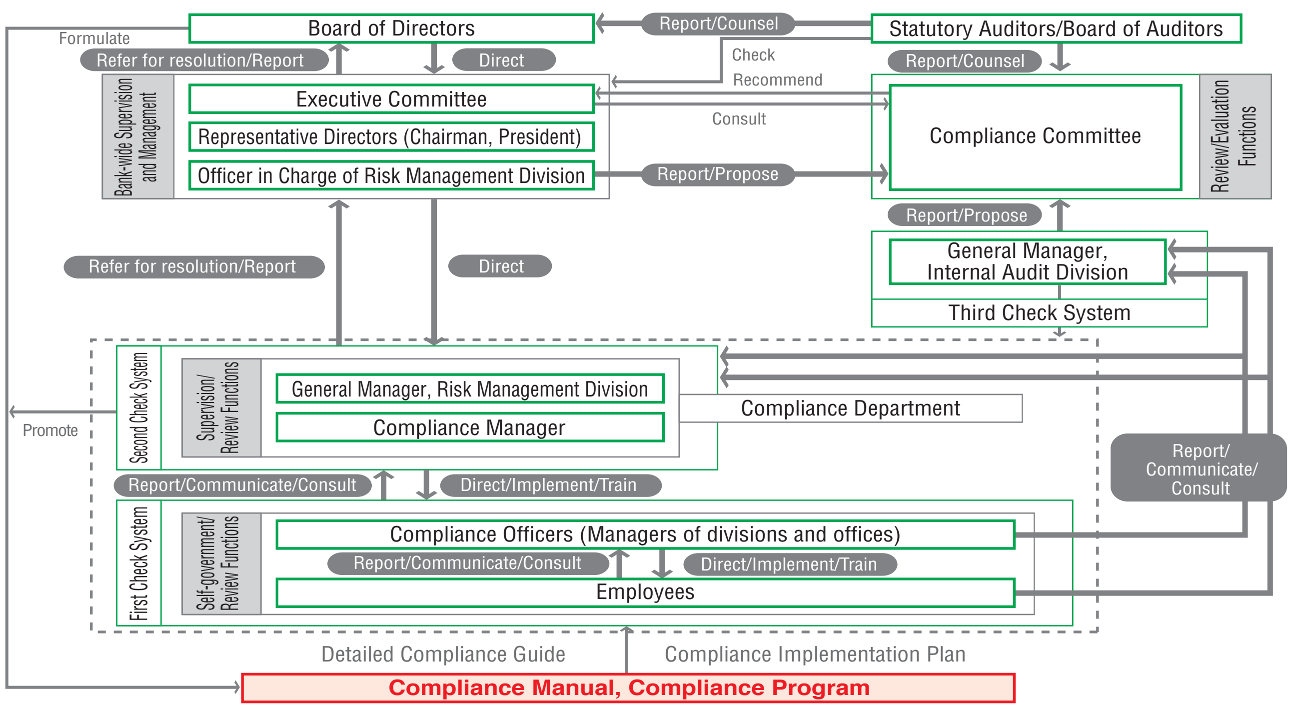
The Bank focuses on preventing the opening of fraudulent accounts by strictly enforcing customer due diligence procedures when customers apply to open new accounts.

Moreover, the Bank has established the Financial Crime Prevention Division as a specialized unit to combat financial crime. This division works to eliminate fraudulent accounts, prevent fraudulent bank transfers and other activities, and cooperate appropriately with the police and other governmental authorities by monitoring and filtering accounts on a daily basis.

2. Response to anti-social groups

The Bank concentrates on eliminating connections with anti-social groups by continuously gathering and accumulating information concerning these organizations and conducting preliminary reviews based on this information before starting new business transactions. Also, among other steps since January 2010, we have asked customers applying to open accounts to sign an affidavit stating they are not associated with anti-social forces, have included rules and other clauses that provide explicitly for the exclusion of organized crime groups, and have enabled account application rejection and account closure for customers associated with anti-social forces. In addition, the Bank conducts regular training for officers and employees to ensure they respond appropriately, and as an organization, to wrongful demands and other events in accordance with internal rules and regulations.

Compliance System



Management Team

As of July 1, 2013

Directors

Chairman and Representative Director
Takashi Anzai

Director, Vice Chairman, Executive Officer
Masatoshi Wakasugi
In charge of: Human Resources Division

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

Director, Senior Managing Executive Officer, General Manager of Planning Division
Yasuaki Funatake
In charge of: Planning Division, General Affairs Division, Business Transformation Division

Director, Managing Executive Officer, General Manager of System Development Division
Kazuhiko Ishiguro
In charge of: System Development Division, ATM Solution Division, Product Development and Promotion Division

Director, Executive Officer
Taku Oizumi
In charge of: Research Division, Treasury Division, ATM Administration Division, Strategic Business Development Division

Outside Director
Yoji Ohashi

Outside Director
Yuko Miyazaki

Outside Director
Shuji Ohashi

Outside Director
Yuri Okina

Outside Director
Akihiko Shimizu

Statutory Auditors

Statutory Auditor
Toshiaki Ikeda

Outside Statutory Auditor
Tetsuya Katada

Outside Statutory Auditor
Naomi Ushio

Outside Statutory Auditor
Kunihiro Matsuo

Executive Officers

Managing Executive Officer
Tsutomu Yamazaki
In charge of:
Customer Service Division, Business Promotion Division, Sales Promotion Division

Managing Executive Officer, General Manager of Operations Division
Yoshiaki Nakajima
In charge of:
Operations Division

Executive Officer, General Manager of Human Resources Division
Shinichi Hayashi

Executive Officer, General Manager of ATM Solution Division
Masaaki Matsuhashi

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

Executive Officer, General Manager of Product Development and Promotion Division
Tomofumi Oguchi

Executive Officer, General Manager of Business Promotion Division
Hisanao Kawada

Notes: 1. Takashi Anzai and Kensuke Futagoishi concurrently act as executive officers.
2. Mr. Yoji Ohashi, Ms. Yuko Miyazaki, Mr. Shuji Ohashi, Ms. Yuri Okina, Mr. Akihiko Shimizu, Mr. Tetsuya Katada, Ms. Naomi Ushio, and Mr. Kunihiro Matsuo have been reported as independent officers to the Tokyo Stock Exchange.

Corporate Social Responsibility

Basic CSR Policy

Seven Bank defines corporate social responsibility (CSR) as "the primary obligation to be fulfilled to coexist with the environment and society from which Seven Bank derives its customer and social support." To continue to pursue and further develop business operations, we are fully aware that our CSR activities are indispensable. To fulfill our responsibilities, we have established a basic policy of conducting effective and continuous CSR initiatives based on our Corporate Principles, Management Policy, and Charter of Ethics.

In addition, in promoting CSR, Seven Bank aims to enhance its CSR activities to meet the demands of the international community, with reference to the ISO 26000 international guidelines for social responsibility.

Conducting CSR Activities from Six Standpoints

To conduct ongoing and effective CSR activities, we have established the following six standpoints for the implementation of CSR activities, under our Basic CSR Policy.

1. How do our business activities contribute to society's economic well-being?
2. Is Seven Bank sufficiently attentive to the natural environment, and does it make sufficient efforts to address environmental problems?
3. What responsibility do we bear for our products and services toward our customers, and to what extent are these responsibilities fulfilled?
4. Does Seven Bank maintain a safe and comfortable working environment and respect the human rights of its employees and the employees of its business partners?
5. Does Seven Bank work closely with society as a good corporate citizen and actively undertake activities that contribute to society?
6. Do we maintain a policy that strongly opposes anti-social groups?

Overview of Seven Bank's CSR Activities

Core Subjects of ISO 26000	Seven Bank Initiatives
Organizational governance	• Corporate governance • Risk management
Human rights	• Ensuring equal opportunity and diversity in employment • Compliance
Labor practices	• Helping employees to achieve good work-life balance • Ensuring diversity • Establishing education and training programs
The environment	• Reducing environmental impact of ATM services • Environmental protection through employee participation
Fair operating practices	• Cooperating with partner companies • Compliance
Consumer issues	• Stable operation of the ATM system network • Providing safe and secure services • Considering the diversity of customers • Dialogue with customers
Community involvement and development	• Communication with society

Visit the Seven Bank website for more information on its CSR activities.

http://www.sevenbank.co.jp/english/ir/csr/

Financial Section

Management's Discussion and Analysis

Seven Bank, Ltd. and consolidated subsidiary for the year ended March 31, 2013/Seven Bank, Ltd., for the years ended March 31, 2012, 2011, 2010, and 2009. In the year ended March 31, 2013 (fiscal 2012), Seven Bank newly acquired the shares of Financial Consulting & Trading International, Inc. and added it to the scope of consolidation (period of consolidation: October 6, 2012 to December 31, 2012). All figures for years prior to fiscal 2012 are non-consolidated.

Operating Results

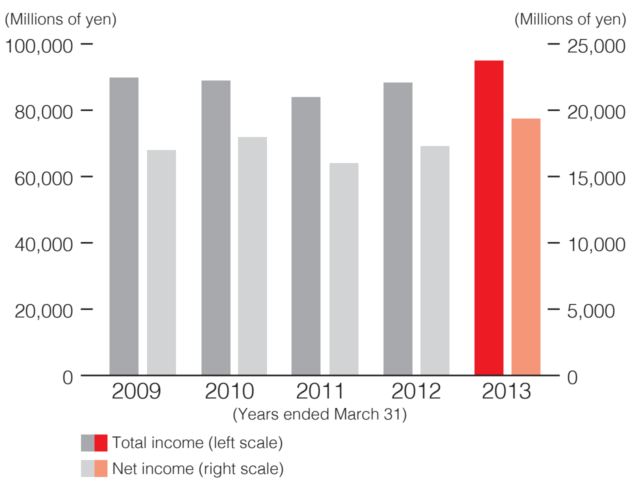
Summary of Fiscal 2012

Signs of recovery became apparent in the Japanese economy, reflecting solid domestic and global demand. The recovery trend is expected to continue, supported by firm public investment and consumer spending, in addition to signs that the decline in exports has bottomed out. Fiscal easing continued. With rising demand from private corporations for funding, particularly for operating capital and corporate acquisition-related funding, available funds at financial institutions increased compared with the previous year and generally favorable conditions for fund procurement continued.

Amid this operating environment, consolidated results for Seven Bank (the "Bank") for fiscal 2012 were total income of 94,965 million yen (compared with non-consolidated results of 88,318 million yen in the previous fiscal year), and net income of 19,377 million yen (compared with non-consolidated results of 17,267 million yen in the previous fiscal year).

Both revenues and profits increased as total ATM transaction levels continued to steadily rise due to the increase in our ATM network and the increase in transactions at deposit-taking financial institutions, as well as the bottoming out of the decline in non-bank transactions coinciding with the full enforcement of the revised Money Lending Business Act.

Total Income and Net Income



ATM Business

Seven Bank continued to add ATMs within and outside the Seven & i Holdings Group during fiscal 2012. In addition, we worked to increase the number of our partner financial institutions to enhance convenience for customers of these financial institutions when they use our ATMs.

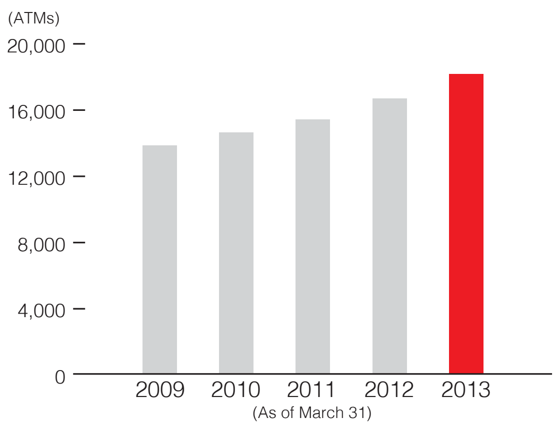
During fiscal 2012, the Bank established new partnerships with The Hyakujushi Bank, Ltd. (May 2012), THE NISHI-NIPPON CITY BANK, LTD. (May 2012), Hokuto Bank, Ltd. (May 2012), The Senshu Ikeda Bank, Ltd. (August 2012), THE KAGAWA BANK, Ltd. (October 2012), THE TOKUSHIMA BANK, Ltd. (October 2012), Ogaki Kyoritsu Bank, Ltd. (November 2012), The Michinoku Bank, Ltd. (January 2013), The Bank of Toyama, Ltd. (January 2013) and The Awa Bank, Limited (February 2013) as well as one shinkin bank and one other financial institution. As a result, we now partner with 113 banks (Note 1), 264 shinkin banks (Note 2), 132 credit cooperatives (Note 3), 13 labor banks, the JA Bank, the JF Marine Bank, the Shoko Chukin Bank, nine securities companies, eight life insurance companies, and 42 other financial institutions (Note 4). Thus, we had a total of 584 business partners (Note 5) as of March 31, 2013.

Within the Group, we mainly installed ATMs to coincide with openings of new Seven-Eleven stores, and promoted installations in the Shikoku region, where Seven-Eleven opened new stores during fiscal 2012, and in Kagoshima Prefecture, where it opened new stores during the previous fiscal year. The Bank also installed additional ATMs at Seven-Eleven stores with high ATM usage rates (1,209 stores had more than one ATM at the end of fiscal 2012). As for operations outside the Group, demand grew for installation of ATMs that can handle cards issued overseas, and locations where we installed ATMs included the JR Tokyo Station Marunouchi North Entrance dome, eight stations on five Tokyo Metro lines and Naha Airport. In addition, during the annual meeting of the International Monetary Fund and the World Bank Group in October 2012, we offered ATM services at its main venue.

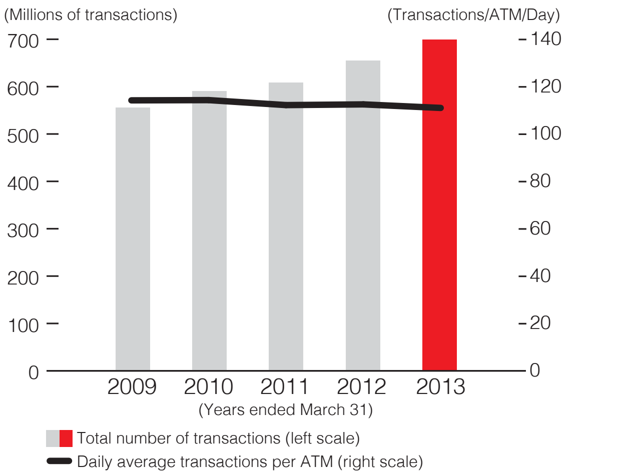
As a result of such initiatives, the Bank's ATM network reached 18,123 machines as of March 31, 2013 (up 8.9% from the end of March 2012). Average daily transactions per ATM were 111.1 (down 1.4% year on year), and a total of 698 million transactions were recorded (up 6.5% year on year).

Notes: 1. We had partnerships with 105 banks at the end of March 2012. Ten banks were newly added as partners, one ceased to be a partner due to a merger and another ceased to be a partner due to the end of its contract, resulting in 113 bank partnerships at the end of March 2013.
2. We had partnerships with 265 shinkin banks at the end of March 2012. The loss of one shinkin bank due to a merger resulted in 264 such partnerships at the end of March 2013.
3. We had partnerships with 132 credit cooperatives at the end of March 2012. One was newly added as a partner and one ceased to be a partner due to a merger, resulting in 132 such partnerships at the end of March 2013.
4. We had partnerships with 42 other financial institutions at the end of March 2012. One financial institution was newly added as a partner and one ceased to be a partner due to the end of its contract, resulting in the same number of such partnerships at the end of March 2013.
5. JA Bank and JF Marine Bank are each counted as one institution.

Number of ATM Installations



ATM Transactions



Financial Services Business

Seven Bank had 1,066,000 customer accounts at the end of March 2013 (up 9.7% compared with the end of March 2012) and 23,000 contract accounts for personal loan services (up 35.1% year on year).

In the international money transfer service, the number of contract accounts, mainly held by foreign customers residing in Japan, and money transfers both increased steadily. In fiscal 2012, the second year since the start of the service, the number of contract accounts was 35,000 and the number of money transfers made during the year was 189,000. For further convenience, we added Thai, Vietnamese and Indonesian to the six languages that our telephone support was previously able to handle for a total of nine languages.

Outlook for Fiscal 2013

For fiscal 2013 results, we forecast increases in both revenues and profits to total income of 104,100 million yen (up 9.6% year on year) and net income of 20,700 million yen (up 6.8% year on year).

In fiscal 2013, we will continue to increase the number of ATMs installed and work to develop new users. We forecast that the number of ATMs installed will increase 6.4% year on year to approximately 19,300, the total number of ATM transactions will increase 6.3% to approximately 742 million, and average daily transactions per ATM will decrease 1.5% to approximately 109.4. In addition to the increase in total income resulting from these measures, we expect a continuing increase in the number of non-bank transactions.

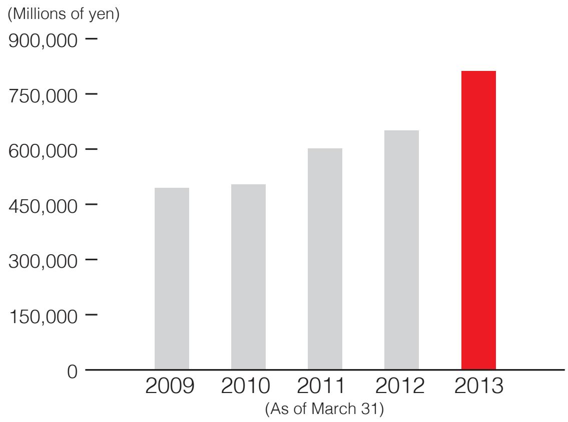
Moreover, the depreciation method for tangible fixed assets will change in fiscal 2013 from the declining-balance method to the straight-line method to bring it in line with actual business conditions, based on our judgment that the ATM business has entered a stable phase. As a result of the change, depreciation will decrease by 3,000 million yen compared with the previous method.

Analysis of Financial Position

Assets

Total assets at the end of March 2013 were 812,531 million yen. The majority of this total comprised cash and due from banks required for the operation of ATMs of 472,012 million yen. The remainder mostly consisted of securities held as collateral for domestic exchange settlements and Bank of Japan current account overdraft transactions of 72,944 million yen and ATM-related temporary payments to partner financial institutions of 174,900 million yen.

Total Assets



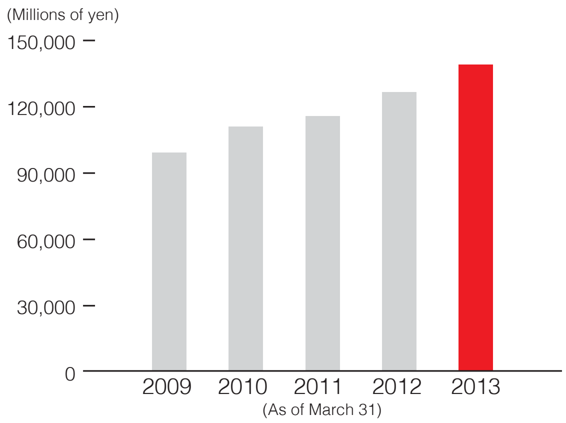
Liabilities

Liabilities were 674,486 million yen. These largely comprised deposits (excluding negotiable certificates of deposit) totaling 394,615 million yen. Of these, the outstanding balance of individuals' ordinary deposits was 143,925 million yen and the balance of term deposits was 107,348 million yen.

Net Assets

Net assets were 138,045 million yen. Of these, retained earnings were 75,621 million yen. The consolidated capital ratio was 43.13%.

Net Assets



Cash Flows

Cash and cash equivalents increased by 103,493 million yen compared with the end of March 2012 to 472,012 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 118,550 million yen. Factors contributing cash included income before income taxes of 31,370 million yen, net increase in deposits of 22,344 million yen and proceeds from issuance and maturity of ordinary bonds of 85,000 million yen. These factors exceeded factors using cash such as net decrease in negotiable certificates of deposit of 40,390 million yen and net change in ATM-related temporary accounts of 32,158 million yen.

Cash Flow from Investing Activities

Net cash used in investing activities was 6,927 million yen. Factors that used cash included purchases of securities of 71,038 million yen, purchase of tangible fixed assets of 15,007 million yen and purchases of investments in subsidiaries resulting in change in scope of consolidation of 10,527 million yen. These exceeded factors that provided cash such as proceeds from maturity of securities of 96,500 million yen.

Cash Flow from Financing Activities

Net cash used in financing activities was 8,157 million yen, due to factors including 8,157 million yen in dividends paid.

Cash Flow Highlights

	Millions of yen		
(Years ended March 31)	2013	2012	2011
Net cash provided by operating activities	118,550	1,401	125,487
Net cash used in investing activities	(6,927)	(11,703)	(23,140)
Net cash used in financing activities	(8,157)	(6,192)	(11,526)
Cash and cash equivalents at the end of the year	472,012	368,518	385,013

Basic Policy on Profit Distribution and Dividends in Fiscal 2012 and Fiscal 2013

Seven Bank regards returning profits to shareholders as an important management issue. With the aim of providing a fair return to shareholders, the Bank's basic policy is to pay a sustained and stable cash dividend while maintaining an appropriate balance between dividend payments and internally retaining a suitable level of earnings. Seven Bank targets a minimum dividend payout ratio of 35% and maintains a basic policy of paying dividends twice a year (interim and year-end dividend payments).

For fiscal 2012, we paid an interim dividend of 3.25 yen and a year-end dividend of 3.50 yen, resulting in an annual dividend of 6.75 yen per share.

For fiscal 2013, we intend to pay an annual dividend of 7.00 yen (comprising an interim dividend of 3.50 yen and year-end dividend of 3.50 yen).

Retained earnings will be allocated to provide working capital for ATM operations and to fund capital investment. Retained earnings will also be set aside for growth investments.

Management Policies

1. Basic Management Policies

(1) Management Ethos

A) Seven Bank strives to be a trustworthy bank that accurately meets its customers' needs.
B) Every single staff member will swiftly adopt the benefits of technological innovation and aim for self-improvement.
C) Seven Bank contributes to the stability and development of Japan's financial system by offering a safe and efficient transaction settlement infrastructure.

(2) Basic Management Policy

Seven Bank is working to offer safe, accurate, and speedy banking services deeply embedded in customers' daily lives as their "instant wallets." We aim to achieve this by creating a network of ATMs accessible 24 hours a day, 365 days a year, utilizing the 15,000-plus retail locations of Seven & i Holdings'-related companies led by Seven-Eleven convenience stores.

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

Further, by proactively offering financial services sought by customers of Seven & i Holdings and its affiliates, we are working to attract a wider range of customers to Seven & i Holdings' stores more often, and we will continue to pursue synergies to enhance Seven & i Holdings' profitability.

2. Target Management Indicators

Seven Bank aims to maintain consistent, steady growth in net income with the aim of maximizing corporate value over the medium-to-long term. Other performance metrics that the Bank focuses on include daily average transactions per ATM, return on ATM cash (see note below), and the overhead ratio.

Note: Return on ATM cash = (ATM-related fee income – interest expenses – ATM placement fees – general and administrative expenses)/daily average balance of cash and due from banks

3. Medium-to-Long-Term Management Strategies

Initiatives to achieve sustained growth include 1) further strengthening the ATM business; 2) quickly generating earnings in the financial services business; and 3) working to build international and new businesses. We will work to enhance our earnings structure through these initiatives.

(1) In the ATM business, we will increase the number of partner financial institutions and ATMs installed and work to raise usage rates with emphasis on ATMs installed at non-Group locations. Regarding increasing the number of partner financial institutions, we aim to further raise convenience for customers who use our ATMs by strengthening our approach to financial institutions that are not yet partners. Regarding increasing the number of ATMs installed, we will continue to steadily install ATMs at Group locations while further increasing our proactive efforts to install more ATMs at non-Group locations. To raise ATM usage rates, we will carefully select non-Group installation locations that we expect a large number of customers to use,

and we will carry out ATM usage promotion activities after installation at Group and non-Group locations. In addition, we will steadily phase in third-generation ATMs, which we began introducing on a full-scale basis in fiscal 2011, and work to increase customer convenience and safety.

(2) In the financial services business, the Bank will improve the convenience of its accounts and aim to quickly generate earnings from new services. For our international money transfer services, we will work to further cultivate and expand our user base. For personal loan services, we intend to raise awareness of our services in order to increase the number of contract accounts.

(3) In international businesses, we will generate synergies with the U.S. subsidiary we acquired in fiscal 2012 by sharing know-how and expertise and supplementing each other, and we will nurture human resources who can achieve this objective. Regarding other new businesses, we intend to cultivate new business opportunities for which we can fully utilize our know-how and infrastructure.

Risk Factors

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 Holdings 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 Seven & i Holdings 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 term deposits, Seven Bank has begun offering card loans and international money transfer services for individuals. 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 subsidiary

Seven Bank has a subsidiary that operates ATMs in the United States. The future occurrence of major changes in the political or economic environment surrounding that subsidiary or an unforeseen event such as a natural disaster 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. Although the Bank applies impairment accounting, 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 as an advisory body 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 Holdings 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 Holdings Group, which is Seven Bank's parent company.

As of March 31, 2013, the relationship between Seven Bank and the Seven & i Holdings Group was as follows.

(1) Equity relationship

Seven Bank is a subsidiary of Seven & i Holdings Co., Ltd., which is listed on the First Section of the Tokyo Stock Exchange. Seven & i Holdings controls 38.09% of the voting rights of Seven Bank. The Seven & i Holdings Group is expected to remain a major Seven Bank shareholder, and the Bank cannot guarantee that the Seven & i Holdings Group will not influence its policies and decisions.

(2) Personnel relationships

Seven Bank's Chairman and Representative Director, Takashi Anzai, concurrently serves as a director of Seven & i Holdings Co., Ltd.

In addition, Seven Bank has a cooperative business relationship with the Seven & i Holdings Group that involves personnel exchanges.

(3) Transactional relationships

At the end of March 2013, Seven Bank had installed 16,914 ATMs at Seven & i Holdings Group stores (including 16,414 ATMs at Seven-Eleven stores, 305 ATMs at Ito-Yokado stores, and 195 ATMs at other Seven & i Holdings Group stores). In addition, the Bank has installed 1,209 ATMs at locations other than Seven & i Holdings Group stores.

Thus, 93.3% of the Bank's ATMs are installed at Seven & i Holdings Group stores. Difficulties in keeping ATMs installed at Group stores or a marked decrease in customers at Seven & i Holdings Group stores could affect the Bank's results.

In addition, Seven Bank pays ATM installation fees to Seven & i Holdings Group companies, 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 the Personal Information Protection Act, 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 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 AA- with a negative outlook and a short-term issuer rating of A-1+ from Standard & Poor's Ratings Services. 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 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.

(1) Gossip and rumors among customers, in the markets, on the Internet, in e-mail, etc. (hereafter "rumors")
(2) Rumors caused by inaccurate or inadequate reporting by mass media
(3) 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
(4) 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.

Consolidated Balance Sheet

Seven Bank, Ltd. and Consolidated Subsidiary
As of March 31, 2013

	Millions of yen
	2013
Assets:	
Cash and due from banks (Notes 2, 3, 4 and 5)	¥472,012
Call loans (Note 5)	30,000
Securities (Notes 2, 5, 6 and 7)	72,944
Loans (Notes 5 and 8)	3,387
ATM-related temporary payments (Note 5)	174,900
Tangible fixed assets (Notes 2, 9, 31 and 33)	17,636
Intangible fixed assets (Notes 2, 10 and 34)	31,166
Deferred tax assets (Notes 2 and 25)	1,133
Other assets (Notes 2, 7, 11 and 16)	9,415
Allowance for credit losses (Notes 2 and 5)	(65)
Total assets	¥812,531
Liabilities:	
Deposits (Notes 5, 12 and 27)	¥394,615
Call money (Note 5)	28,300
Borrowed money (Notes 5, 13 and 29)	34,000
Bonds (Notes 5 and 14)	139,000
ATM-related temporary advances (Note 5)	61,766
Reserve for bonuses (Note 2)	366
Deferred tax liabilities (Notes 2, 25 and 34)	1,811
Other liabilities (Notes 2, 15, 27 and 31)	14,626
Total liabilities	674,486
Net assets (Notes 2, 17 and 26):	
Shareholders' equity:	
Common stock, authorized 4,763,632 thousand shares, issued 1,190,949 thousand shares in 2013	30,509
Capital surplus	30,509
Retained earnings (Notes 2 and 35)	75,621
Treasury stock, at cost, 0 thousand shares in 2013	(0)
Total shareholders' equity	136,639
Net unrealized gains on available-for-sale securities, net of taxes (Note 6)	21
Foreign currency translation adjustments	1,092
Total accumulated other comprehensive income	1,114
Subscription rights to shares (Note 30)	291
Total net assets	138,045
Total liabilities and net assets	¥812,531

See accompanying notes.

Consolidated Statement of Income

Seven Bank, Ltd. and Consolidated Subsidiary
For the year ended March 31, 2013

	Millions of yen
	2013
Income:	
Interest income	¥ 572
Interest on loans	411
Interest and dividends on securities	96
Other interest income	63
Fees and commissions income (Note 18)	94,046
Other operating income (Note 20)	49
Other income (Note 22)	296
Total income	94,965
Expenses:	
Interest expenses	1,627
Interest on deposits (Note 27)	480
Interest on call money	19
Interest on borrowed money	337
Interest on bonds	790
Fees and commissions expenses (Notes 19 and 27)	12,217
Other operating expenses (Note 21)	405
General and administrative expenses (Note 30)	48,809
Other expenses (Note 23)	535
Total expenses	63,594
Income before income taxes and minority interests	31,370
Income taxes (Notes 2 and 25)	
Current	11,999
Deferred	(6)
Total income taxes	11,992
Income before minority interests	19,377
Net income	¥19,377

Amounts per share of common stock (Notes 2, 26 and 32):

	Yen
	2013
Net assets	¥115.66
Net income	16.27
Diluted net income	16.24
Cash dividends applicable to the year	6.75

See accompanying notes.

Consolidated Statement of Comprehensive Income

Seven Bank, Ltd. and Consolidated Subsidiary
For the year ended March 31, 2013

	Millions of yen
	2013
Income before minority interests	¥19,377
Other comprehensive income (Note 24)	
Net unrealized gains on available-for-sale securities, net of taxes	26
Foreign currency translation adjustments	1,092
Total other comprehensive income	1,118
Comprehensive income	¥20,496
Comprehensive income attributable to:	
Owners of the parent	¥20,496
Minority interests	—

See accompanying notes.

Consolidated Statement of Changes in Net Assets

Seven Bank, Ltd. and Consolidated Subsidiary
For the year ended March 31, 2013

	Millions of yen
	2013
Shareholders' equity	
Common stock	
Balance at the beginning of the fiscal year	¥ 30,505
Changes in items during the period	
Issuance of new shares	3
Net changes in items during the period	3
Balance at the end of the fiscal year	¥ 30,509
Capital surplus	
Balance at the beginning of the fiscal year	¥ 30,505
Changes in items during the period	
Issuance of new shares	3
Net changes in items during the period	3
Balance at the end of the fiscal year	¥ 30,509
Retained earnings	
Balance at the beginning of the fiscal year	¥ 64,401
Changes in items during the period	
Cash dividends	(8,157)
Net income	19,377
Net changes in items during the period	11,219
Balance at the end of the fiscal year	¥ 75,621
Treasury stock	
Balance at the beginning of the fiscal year	¥ (0)
Changes in items during the period	
Net changes in items during the period	—
Balance at the end of the fiscal year	¥ (0)
Total shareholders' equity	
Balance at the beginning of the fiscal year	¥125,413
Changes in items during the period	
Issuance of new shares	6
Cash dividends	(8,157)
Net income	19,377
Net changes in items during the period	11,226
Balance at the end of the fiscal year	¥136,639
Accumulated other comprehensive income	
Net unrealized gains (losses) on available-for-sale securities, net of taxes	
Balance at the beginning of the fiscal year	¥ (4)
Changes in items during the period	
Net changes in items other than shareholders' equity	26
Net changes in items during the period	26
Balance at the end of the fiscal year	¥ 21
Foreign currency translation adjustments	
Balance at the beginning of the fiscal year	¥ —
Changes in items during the period	
Net changes in items other than shareholders' equity	1,092
Net changes in items during the period	1,092
Balance at the end of the fiscal year	¥ 1,092
Total accumulated other comprehensive income	
Balance at the beginning of the fiscal year	¥ (4)
Changes in items during the period	
Net changes in items other than shareholders' equity	1,118
Net changes in items during the period	1,118
Balance at the end of the fiscal year	¥ 1,114
Subscription rights to shares	
Balance at the beginning of the fiscal year	¥ 220
Changes in items during the period	
Net changes in items other than shareholders' equity	70
Net changes in items during the period	70
Balance at the end of the fiscal year	¥ 291
Total net assets	
Balance at the beginning of the fiscal year	¥125,629
Changes in items during the period	
Issuance of new shares	6
Cash dividends	(8,157)
Net income	19,377
Net changes in items other than shareholders' equity	1,189
Net changes in items during the period	12,415
Balance at the end of the fiscal year	¥138,045

See accompanying notes.

Consolidated Statement of Cash Flows

Seven Bank, Ltd. and Consolidated Subsidiary
For the year ended March 31, 2013

	Millions of yen
	2013
Cash flows from operating activities:	
Income before income taxes and minority interests	¥ 31,370
Adjustments to reconcile income before income taxes to net cash provided by operating activities:	
Depreciation of fixed assets	14,001
Losses on impairment of fixed assets	389
Amortization of goodwill	179
Net change in allowance for credit losses	(11)
Net change in prepaid pension	(102)
Interest income	(572)
Interest expenses	1,627
Net foreign exchange gains	(11)
Net losses on disposal of fixed assets	111
Net change in loans	(1,471)
Net change in deposits	22,344
Net change in borrowed money	10,000
Net change in call loans	(7,000)
Net change in call money	9,300
Proceeds from issuance and maturity of ordinary bonds	85,000
Net change in ATM-related temporary accounts	(32,158)
Interest received	1,061
Interest paid	(1,593)
Other – net	(1,346)
Subtotal	131,116
Income taxes paid	(12,566)
Net cash provided by operating activities	118,550
Cash flows from investing activities:	
Purchase of securities	(71,038)
Proceeds from maturity of securities	96,500
Purchase of tangible fixed assets	(15,007)
Purchase of intangible fixed assets	(6,853)
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 3)	(10,527)
Net cash used in investing activities	(6,927)
Cash flows from financing activities:	
Proceeds from exercise of stock options	0
Dividends paid	(8,157)
Net cash used in financing activities	(8,157)
Effect of exchange rate changes on cash and cash equivalents	28
Net change in cash and cash equivalents	103,493
Cash and cash equivalents at the beginning of the year	368,518
Cash and cash equivalents at the end of the year (Notes 3 and 4)	¥472,012

See accompanying notes.

Notes to Consolidated Financial Statements

Seven Bank, Ltd. and Consolidated Subsidiary
As of and for the year ended March 31, 2013

1. Basis of Presenting Consolidated Financial Statements

(a) The accompanying consolidated financial statements of Seven Bank, Ltd. (the "Bank") and its consolidated subsidiary (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 consolidated subsidiary.

(Change in scope of consolidation)

Financial Consulting & Trading International, Inc. has been included in the scope of consolidation due to purchase of stock since the fiscal year ended March 31, 2013.

Under the control concept, the company in which the Bank, directly or indirectly is able to exercise control over operations is fully consolidated.

The balance sheet date of the consolidated subsidiary is December 31. The subsidiary is consolidated using the financial statements on its balance sheet date. 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 (excluding leases)

Tangible fixed assets are generally stated at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank is mainly calculated by the declining-balance method over the estimated useful lives of the assets.

Estimated useful lives of major items as of March 31, 2013 are as follows:

Buildings: 6-18 years
ATMs: 5 years
Others: 2-20 years

Depreciation of tangible fixed assets of the consolidated subsidiary is mainly calculated by the straight-line method over the estimated useful lives of the assets.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

In accordance with the amendment of the Corporation Tax Act, effective from the beginning of the fiscal year ended March 31, 2013, the Bank has changed its depreciation method for those tangible fixed assets acquired on and after April 1, 2012. As a result of this change, income before income taxes and minority interests increased by ¥712 million from the corresponding amounts that would have been recorded under the previous method.

(d) Intangible fixed assets (excluding leases)

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, 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, 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

The Bank records a reserve for bonuses for employees in the amount of estimated bonuses attributed to the relevant fiscal year.

(g) Employees' severance and retirement benefits

The Bank has contributory funded pension plans for its employees, under which all eligible employees are entitled to benefits based on the level of salaries at the time of retirement or termination, length of service and certain other factors.

The reserve for employees' severance and retirement benefits is provided for the payment of employees' retirement benefits based on estimated amounts of the actuarial retirement benefit obligation and the related plan assets.

As the estimated amounts of the plan assets exceeded those of the actuarial retirement benefit obligation adjusted for unrecognized prior service cost and unrecognized net actuarial difference, the excess was presented as prepaid pension cost in the consolidated balance sheet.

Unrecognized prior service cost is amortized using the straight-line method over ten years within the employees' average remaining service period at incurrence. Unrecognized 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 subsidiary denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date of the consolidated subsidiary.

(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.

(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 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 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 shareholders 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) Unapplied new accounting standard

"Accounting Standard for Retirement Benefits" (the Accounting Standards Board of Japan (hereinafter "ASBJ") Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview

Accounting standard for retirement benefits has been revised from the viewpoint of improvements to financial reporting and international convergence, and the following items have been revised; (i) accounting treatment for unrealized actuarial difference and service cost, as well as expansion of related disclosures, and (ii) calculation method for projected benefit obligation and service cost.

(2) Date of adoption

The Bank will adopt the revised accounting standard effective from the end of the fiscal year ending March 31, 2014. However, the Bank will adopt the amendments to the method for calculating projected benefit obligation and service cost from the beginning of the fiscal year ending March 31, 2015.

(3) The effect of adopting the accounting standard

The effect of adopting the revised accounting standard is currently under evaluation.

3. Supplemental Cash Flow Information

(1) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows for the year ended March 31, 2013 consisted of cash and due from banks of ¥472,012 million on the consolidated balance sheet as of March 31, 2013.

(2) Assets and liabilities of newly consolidated subsidiary by acquisition of stock

Financial Consulting & Trading International, Inc. has been newly consolidated by acquisition of stock by the Bank. Assets and liabilities as of the beginning of consolidation and a summary of stock acquisition cost and net cash used for the acquisition were as follows:

	Millions of yen
	2013
Assets	¥ 5,745
Liabilities	(1,997)
Goodwill	6,928
Stock acquisition cost	10,675
Cash and cash equivalents of the acquired company	(148)
Difference: Net cash used for the acquisition	¥10,527

4. Cash and Due from Banks

Cash and due from banks as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
Cash	¥440,726
Due from banks	31,285
Total	¥472,012

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 lends money to individuals with minimal 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 consist of Japanese government bonds, Japanese municipal bonds, and stocks, all of which are classified as being held as available-for-sale securities. These securities are subject to issuers' credit risks, interest rate risk, and market (price) risk. Loans are those for individual customers (revolving card loans), which are subject to credit risk 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 days holding period. As of March 31, 2013, the Bank's market risk quantity (maximum potential loss) is ¥1,354 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 movement 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 amount stated in the consolidated balance sheet and the fair value of financial instruments as of March 31, 2013 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, 2013	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks *1	¥472,011	¥472,011	¥ —
(2) Call loans *1	29,955	29,955	—
(3) Securities			
Available-for-sale securities	70,800	70,800	—
(4) Loans	3,387		
Allowance for credit losses *1	(0)		
	3,387	3,387	—
(5) ATM-related temporary payments *1	174,897	174,897	—
Total assets	¥751,053	¥751,053	¥ —
(1) Deposits	¥394,615	¥395,202	¥ 586
(2) Call money	28,300	28,300	—
(3) Borrowed money	34,000	34,304	304
(4) Bonds	139,000	140,176	1,176
(5) ATM-related temporary advances	61,766	61,766	—
Total liabilities	¥657,682	¥659,750	¥2,068

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 sheet 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. There is no deposit with maturity.

(2) Call loans

The majority of transactions have short contractual terms (less than 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 amounts that are 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 (less than 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 less than a year, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount.

(2) Call money

The majority of transactions have short contractual terms (less than 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 less than a 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 (less than 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
Category	2013
Unlisted equity securities *	¥2,144
Total	¥2,144

* Unlisted equity securities do not have market prices to quote. Since it is extremely difficult to estimate the fair value of these securities, their fair value is not included in the scope of fair value disclosure.

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

March 31, 2013	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	¥ 31,285	¥—	¥—	¥—	¥—	¥—
Call loans	30,000	—	—	—	—	—
Securities:						
Available-for-sale securities with maturity	70,500	—	—	—	—	—
Japanese government bonds	70,500	—	—	—	—	—
Loans *2	3,381	—	—	—	—	—
ATM-related temporary payments	174,900	—	—	—	—	—
Total	¥310,067	¥—	¥—	¥—	¥—	¥—

Notes: *1 Due from banks with no maturities are included in the "Within one year" category.

*2 For loans, ¥6 million as of March 31, 2013 is 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, 2013	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 *	¥326,570	¥41,556	¥26,488	¥ —	¥ —	¥—
Call money	28,300	—	—	—	—	—
Borrowed money	13,000	6,000	5,000	10,000	—	—
Bonds	24,000	20,000	45,000	30,000	20,000	—
ATM-related temporary advances	61,766	—	—	—	—	—
Total	¥453,637	¥67,556	¥76,488	¥40,000	¥20,000	¥—

* 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, 2013:

Available-for-sale securities:

Securities with higher balances than acquisition costs

March 31, 2013	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Equity securities	¥ 151	¥ 178	¥26
Bonds:			
Japanese government bonds	60,614	60,621	7
Total	¥60,766	¥60,800	¥33

Securities with the same or lower balances than acquisition costs

March 31, 2013	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Bonds:			
Japanese government bonds	¥10,000	¥10,000	¥ (0)
Total	¥10,000	¥10,000	¥ (0)
Grand total	¥70,766	¥70,800	¥33

Note: Unlisted equity securities do not have market prices to quote. Since it is extremely difficult to estimate the fair value of these securities, they are not included in the above tables.

(2) Net unrealized gains on available-for-sale securities on the consolidated balance sheet are as follows:

March 31, 2013	Millions of yen 2013
Unrealized gains (losses):	
On available-for-sale securities	¥ 33
Deferred tax liability	(11)
Net unrealized gains on available-for-sale securities, net of taxes	¥ 21

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 ¥70,621 million as of March 31, 2013.

Other assets include guarantee deposits of ¥824 million as of March 31, 2013.

8. Loans

Loans to bankrupt borrowers and delinquent loans were ¥1 million and ¥5 million, respectively, as of March 31, 2013.

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.

Loans past due three months or more were ¥0 million as of March 31, 2013. 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.

The renegotiated loans were ¥0 million as of March 31, 2013. 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 ¥6 million as of March 31, 2013. 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 ¥1,757 million as of March 31, 2013. Unused overdraft facilities for contracts with a term of less than one year also amounted to ¥1,757 million as of March 31, 2013.

9. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2013 consisted of the following:

	Millions of yen 2013
Buildings	¥ 795
ATMs	14,407
Other	2,433
Total	¥17,636

The accumulated depreciation of tangible fixed assets as of March 31, 2013 amounted to ¥40,339 million.

10. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2013 consisted of the following:

	Millions of yen 2013
Software	¥14,831
Goodwill	7,452
Other	8,882
Total	¥31,166

11. Other Assets

Other assets as of March 31, 2013 consisted of the following:

	Millions of yen 2013
Accrued income	¥ 7,764
Prepaid expenses	425
Prepaid pension cost	103
Other	1,121
Total	¥ 9,415

12. Deposits

Deposits as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
Deposits	¥394,315
Negotiable certificates of deposit	300
Total	¥394,615

13. Borrowed Money

Borrowed money as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
Borrowed money from banks and insurance companies	¥34,000

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2013 was 1.01%.
The repayment schedule on borrowed money as of March 31, 2013 was as follows:

	Millions of yen
	2013
Within one year	¥13,000
Over one year but within two years	5,000
Over two years but within three years	1,000
Over three years but within four years	5,000
Over four years but within five years	—
Over five years	10,000

14. Bonds

Bonds as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
Unsecured:	
1.67% unsecured bonds due December 20, 2013, date of issue December 4, 2006	¥ 24,000
1.03% unsecured bonds due June 20, 2014, date of issue July 2, 2009	20,000
0.39% unsecured bonds due June 20, 2017, date of issue May 31, 2012	30,000
0.61% unsecured bonds due June 20, 2019, date of issue May 31, 2012	10,000
0.24% unsecured bonds due March 20, 2018, date of issue March 7, 2013	15,000
0.46% unsecured bonds due March 19, 2020, date of issue March 7, 2013	20,000
0.80% unsecured bonds due March 20, 2023, date of issue March 7, 2013	20,000
Total	¥139,000

The repayment schedule on bonds as of March 31, 2013 was as follows:

	Millions of yen
	2013
Within one year	¥24,000
Over one year but within two years	20,000
Over two years but within three years	—
Over three years but within four years	—
Over four years but within five years	45,000
Over five years	50,000

15. Other Liabilities

Other liabilities as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
Income taxes payable	¥ 6,203
Accrued expenses	4,851
Asset retirement obligations	270
Other	3,300
Total	¥14,626

16. Employees' Severance and Retirement Benefits

The Bank has an employee pension plan that is a contributory funded defined benefit pension plan.

The reserve for severance and retirement benefits as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
1. Projected benefit obligation	¥(1,689)
2. Fair value of plan assets	1,434
3. Unaccrued projected benefits obligation (1+2)	(255)
4. Unrecognized actuarial difference	349
5. Unrecognized prior service cost	10
6. Net amount recorded on the consolidated balance sheet (3+4+5)	103
7. Prepaid pension cost	103
8. Reserve for severance and retirement benefits (6-7)	¥ —

The components of net periodic retirement benefit costs for the fiscal year ended March 31, 2013 were as follows:

	Millions of yen
	2013
Service cost	¥167
Interest cost	29
Expected return on plan assets	(24)
Amortization of unrecognized prior service cost	5
Amortization of unrecognized actuarial difference	86
Other retirement cost (non-actuarial basis cost)	6
Net periodic retirement benefit costs	¥271

Assumptions used for the fiscal year ended March 31, 2013 are set forth as follows:

	2013
Discount rate	1.5%
Expected rate of return on plan assets	2.5%
Allocation method of projected retirement benefit obligation	Point based
Amortization period for prior service cost	10 years (using the straight-line method within the employees' average remaining service period at incurrence)
Amortization period for actuarial difference	10 years (using the straight-line method within the employees' average remaining service period, commencing from the fiscal year after the year of incurrence)

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 year ended March 31, 2013 consisted of the following:

	Millions of yen
	2013
Remittance-related fee income	¥ 856
ATM-related fee income	89,690
Other	3,499
Total	¥94,046

19. Fees and Commissions Expenses

Fees and commissions expenses for the fiscal year ended March 31, 2013 consisted of the following:

	Millions of yen
	2013
Remittance-related fee expenses	¥ 432
ATM placement fee expenses	11,045
ATM-related fee expenses	516
Other	222
Total	¥12,217

20. Other Operating Income

Other operating income for the fiscal year ended March 31, 2013 consisted of the following:

	Millions of yen
	2013
Gains on foreign exchange transactions	¥49
Total	¥49

21. Other Operating Expenses

Other operating expenses for the fiscal year ended March 31, 2013 consisted of the following:

	Millions of yen
	2013
Amortization of bond issuance cost	¥405
Total	¥405

22. Other Income

Other income for the fiscal year ended March 31, 2013 consisted of the following:

	Millions of yen
	2013
Reversal of allowance for credit losses	¥ 11
Other	284
Total	¥296

23. Other Expenses

Other expenses for the fiscal year ended March 31, 2013, consisted of the following:

	Millions of yen
	2013
Losses on disposal of fixed assets	¥111
Losses on impairment of fixed assets *1	389
Other	34
Total	¥535

Notes: *1 The Bank has recorded losses on impairment of fixed assets for the following assets.
Main area: West Tokyo
Main use: Idle assets
Class: ATMs
Grouping of the assets is based on each company that is the smallest cash flow generation group. Idle assets are treated as an individual unit.
Along with replacement of third-generation ATMs, the carrying amount of assets that are not expected to be used in the future is reduced to recoverable amount, and the amount of such decrease is recorded as impairment loss.
Recoverable amount is calculated using net selling price, and net selling price is zero since diversion to other purposes or sale is difficult.

24. Other Comprehensive Income

Other comprehensive income for the fiscal year ended March 31, 2013, consisted of the following:

	Millions of yen
	2013
Net unrealized gains on available-for-sale securities, net of taxes	
Amount arising during the year	¥ 40
Reclassification adjustment	—
Amount before income tax effect	40
Income tax effect	(14)
Total	¥ 26
Foreign currency translation adjustments	
Amount arising during the year	¥1,092
Reclassification adjustment	—
Amount before income tax effect	1,092
Income tax effect	—
Total	¥1,092
Total other comprehensive income	¥1,118

25. Income Taxes

Income taxes of the Bank in the consolidated statement of income consist of corporation tax, inhabitants tax and enterprise tax. For the fiscal year ended March 31, 2013, the difference between the effective income tax rate and effective tax payout ratio was less than 5%.

Significant components of the deferred tax assets and liabilities as of March 31, 2013 were as follows:

	Millions of yen
	2013
Deferred tax assets:	
Enterprise tax	¥ 512
Depreciation	186
Reserve for bonuses	137
Stock option expenses	106
Asset retirement obligations	96
Net operating loss carry forwards	77
Accounts payable (Reserve for retirement benefits for directors and statutory auditors)	77
Allowance for credit losses	24
Losses on impairment of fixed assets	23
Other	53
Total deferred tax assets	¥ 1,296
Deferred tax liabilities:	
Intangible fixed assets recognized with business combination	¥(1,762)
Prepaid pension cost	(36)
Adjustment for tangible fixed assets related to asset retirement obligations	(29)
Net unrealized gains on available-for-sale securities	(11)
Other	(133)
Total deferred tax liabilities	(1,973)
Net deferred tax liabilities	¥ (677)

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

	Millions of yen
Deferred tax assets	¥ 1,133
Deferred tax liabilities	1,811

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 year ended March 31, 2013 were as follows:

	Thousands of shares			
	March 31, 2012	Increase	Decrease	March 31, 2013
Shares issued				
Common stock *1	1,190,908	41	—	1,190,949
Total	1,190,908	41	—	1,190,949
Treasury stock				
Common stock	0	—	—	0
Total	0	—	—	0

Note: *1 Increase in number of shares: 41 thousand shares due to exercise of stock options.

(2) Information on subscription rights to shares:

Year ended March 31, 2013:

		Thousands of shares				
Details of subscription rights to shares	Type of shares	April 1, 2012	Increase	Decrease	March 31, 2013	Balance at March 31, 2013 (Millions of yen)
Subscription rights to shares as stock options			—			¥291
Total			—			¥291

Note: There are no treasury subscription rights to shares.

(3) Information on dividends:

(a) Dividends paid in the fiscal year ended March 31, 2013

(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	¥4,287	Retained earnings	¥3.60	March 31, 2012	June 4, 2012
Common stock *2	¥3,870	Retained earnings	¥3.25	September 30, 2012	December 3, 2012

Notes: *1 Date of resolution: Board of Directors meeting held on May 25, 2012
*2 Date of resolution: Board of Directors meeting held on November 9, 2012

(b) Dividends to be paid in the fiscal year ending March 31, 2014

(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	¥4,168	Retained earnings	¥3.50	March 31, 2013	June 3, 2013

Note: Date of resolution: Board of Directors meeting held on May 24, 2013

Cash dividends per share based on business results for the fiscal year ended March 31, 2013 were ¥6.75 annually with the year-end dividend of ¥3.50 added to the interim dividend of ¥3.25.

27. Related Party Transactions

(1) Transactions with related parties

(a) Related party transactions for the fiscal year ended March 31, 2013 were as follows:

Parent company and major shareholders

		Amounts of transactions		Balance at the end of fiscal year	
Related party	Category	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	¥10,164	Other liabilities (Accrued expenses)*3	¥928

Notes: *1 38.09% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2013.
*2 Conditions of transactions and method for determining conditions for transactions:
The business terms and conditions and decision-making process related to ATM placement fee expenses take into consideration Seven-Eleven Japan's overall infrastructure costs.
*3 The accrued expenses include consumption tax.

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

		Amounts of transactions		Balance at the end of fiscal year	
Related party	Category	Description of transactions	Millions of yen	Account title	Millions of yen
Seven & i Financial Center Co., Ltd.	Sister companies	Handling of negotiable certificates of deposits *2	¥41,342	Deposits (Negotiable certificates of deposits)	—
		Interest on negotiable certificates of deposits *1	47	Other liabilities (Accrued expenses)	—

Notes: *1 Conditions of transactions and method for determining conditions for transactions:
The interest rates for negotiable certificates of deposits are set at reasonable levels in accordance with the transaction period and currently prevailing market rates.
*2 The transaction amounts for negotiable certificates of deposits represent the average balances recorded during the fiscal year ended March 31, 2013.

(2) Notes on parent company or important related companies

(a) Parent company information

Seven & i Holdings Co., Ltd. (listed on First Section of Tokyo Stock Exchange)

(b) Summary financial information about important related companies

None

28. Lease Transactions

Finance Leases:
None
Operating Leases:
Future minimum lease payments under non-cancelable operating leases as of March 31, 2013 were as follows:

	Millions of yen
	2013
Due within one year	¥66
Due after one year	2
Total	¥68

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, 2013

			Millions of yen		
Hedge accounting method	Hedging instruments	Hedged items	Contract or notional amount	Over one year	Fair value
Special treatment for interest rate swap	Interest rate swaps Receive variable, pay fixed	Borrowed money	¥15,000	¥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 ¥77 million are accounted for as general and administrative expenses in the fiscal year ended March 31, 2013.

Outline of stock options and changes are 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

Notes: *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, 2013.
The number of stock options is converted into the number of shares.

Fiscal year ended March 31, 2013:
Number of stock options

	First grant-1	First grant-2
Before vested		
As of March 31, 2012	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2012	157,000	14,000
Vested	—	—
Exercised	—	7,000
Forfeited	—	—
Outstanding	157,000	7,000

	Second grant-1	Second grant-2
Before vested		
As of March 31, 2012	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2012	171,000	30,000
Vested	—	—
Exercised	—	7,000
Forfeited	—	—
Outstanding	171,000	23,000

	Third grant-1	Third grant-2
Before vested		
As of March 31, 2012	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2012	423,000	38,000
Vested	—	—
Exercised	—	13,000
Forfeited	—	—
Outstanding	423,000	25,000

	Fourth grant-1	Fourth grant-2
Before vested		
As of March 31, 2012	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2012	440,000	118,000
Vested	—	—
Exercised	—	14,000
Forfeited	—	—
Outstanding	440,000	104,000

	Fifth grant-1	Fifth grant-2
Before vested		
As of March 31, 2012	—	—
Granted	363,000	77,000
Forfeited	—	—
Vested	363,000	77,000
Outstanding	—	—
After vested		
As of March 31, 2012	—	—
Vested	363,000	77,000
Exercised	—	—
Forfeited	—	—
Outstanding	363,000	77,000

Price information	First grant-1	First grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	¥186,000
Fair value at the grant date *1	¥236,480 per subscription to share	¥236,480 per subscription to share

Price information	Second grant-1	Second grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	¥186,000
Fair value at the grant date *1	¥221,862 per subscription to share	¥221,862 per subscription to share

Price information	Third grant-1	Third grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	¥186,000
Fair value at the grant date *1	¥139,824 per subscription to share	¥139,824 per subscription to share

Price information	Fourth grant-1	Fourth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	¥186,000
Fair value at the grant date *1	¥127,950 per subscription to share	¥127,950 per subscription to share

Price information	Fifth grant-1	Fifth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date *1	¥175,000 per subscription to share	¥175,000 per subscription to share

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 per subscription to share 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 Fifth grant-1 of subscription rights to shares and Fifth grant-2 of subscription to shares during the fiscal year ended March 31, 2013 is as follows:

Valuation method used: Black-Scholes option-pricing model

Principal parameters and estimation method	Fifth grant-1	Fifth grant-2
Expected volatility of the underlying stock *1	32.448%	32.448%
Remaining expected life of the option *2	5.95 years	5.95 years
Expected dividends on the stock *3	¥5.2 per share	¥5.2 per share
Risk-free interest rate during the expected option term *4	0.264%	0.264%

Notes: *1 The expected volatility was calculated based upon share price data during the four years and five months from February 29, 2008 to August 6, 2012.
*2 The average expected life of the option was estimated assuming that the options were exercised at the simple average period from June 2012 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, 2012.
*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: 4-18 years
Discount rate: 0.4-1.9%

(3) The changes in asset retirement obligations for the fiscal year ended March 31, 2013 were as follows:

	Millions of yen
	2013
Balance at the beginning of the year	¥265
Increase in purchases of tangible fixed assets	—
Accretion expense	4
Obligations settled in current period	—
Balance at the end of the year	¥270

32. Per Share Data

Basis for the calculation of net assets per share and net income per share for the fiscal year ended March 31, 2013 were as follows:

	Yen
March 31, 2013	2013
Net assets per share	¥115.66

	Yen
Year ended March 31, 2013	2013
Net income per share	¥ 16.27
Net income per share (diluted)	16.24

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

March 31, 2013	Millions of yen, except thousands of shares 2013
Net assets	¥ 138,045
Amount excluded from net assets	291
Subscription rights to shares (inclusive)	291
Minority interests	—
Net assets attributable to common stock at the fiscal year end	137,754
Number of common stock at the fiscal year end used for the calculation of net assets per share	1,190,948

2. Net income per share is calculated based on the following:

Year ended March 31, 2013	Millions of yen, except thousands of shares 2013
Net income per share	
Net income	¥ 19,377
Amount not attributable to common shareholders	—
Net income attributable to common stock	19,377
Average number of common stock during the year	1,190,939
Net income per share (diluted)	
Adjustment for net income	—
Increase in number of common stock	1,638
Subscription rights to shares (inclusive)	1,638
Description of dilutive shares not included in the calculation of diluted net income per share 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

Fiscal year ended March 31, 2013:

(1) Information by service

The amount of ordinary income attributable to outside customers with ATM-related business exceeds 90% of that for the fiscal year ended March 31, 2013; 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 for the fiscal year ended March 31, 2013; 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 for the fiscal year ended March 31, 2013; therefore, geographical information is omitted.

(3) Information by major customer

(Millions of yen)

Name of customer	Ordinary income	Related segment
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥10,871	Banking service

Note: Ordinary income is stated as sales of general enterprises.

34. Business Combination

Business combination through purchase of shares

The Bank made an agreement with FCTI Holdings, LLC, as of September 6, 2012, on the purchase by the Bank of all the shares held by FCTI Holdings, which were issued by Financial Consulting & Trading International, Inc. (Headquarters in the State of California, United States; Representative; Paul Cooley: hereinafter "FCTI"), and both parties entered into a stock purchase and sale agreement. Based on said agreement between the Bank and FCTI Holdings, the Bank purchased all of FCTI's shares issued and outstanding on October 6, 2012.

(1) Summary of the business combination

(a) Designation and business of the acquired company

Designation of the acquired company: Financial Consulting & Trading International, Inc.
Business: Automatic Teller Machine (ATM) operating business

(b) Major reason for the business combination

The Bank has studied the possibility of promoting overseas ATM development by drawing on its experience in the domestic market as a promising growth field. The Bank positions the U.S. market as the world's greatest market for the ATM operating business because the infrastructure necessary for business operation is already in place.

FCTI is a leading company dedicated to the ATM operating business in the U.S. market, and its business model features proactive corporate management that allows it to set fees independently by owning ATMs. This policy has ensured stable profit capability, supported by trading relations with leading retailers that operate throughout the United States. The Bank considers the purchase of all FCTI's shares and its conversion into a subsidiary to be a significant step toward full-fledged ATM operations overseas.

(c) Date of the business combination

October 6, 2012

(d) Legal form of the business combination

Purchase of shares for consideration of cash

(e) Percentage of voting rights acquired by the Bank

100%

(f) Major reasons that led to the final decision on the acquiring company

As the consideration for the acquisition was cash, the Bank that delivered the cash was designated as the acquiring company.

(2) Period for the operating results of the acquired company for which was included in the consolidated financial statements

From October 6, 2012, to December 31, 2012

(3) Acquisition cost of the acquired company and the breakdown thereof

	Millions of U.S. dollars
Consideration for the purchase of shares	$132
Expenses directly required for the purchase of shares	3
Acquisition cost	$136

(4) Amount of goodwill incurred, reasons, amortization method and period

(a) Amount of goodwill

$88 million

(b) Reason for goodwill

The extra earning potential expected to be delivered through the future development of the acquired company business.

(c) Amortization method and period

Straight-line method over 10 years

(5) Assets acquired and liabilities assumed on the business combination date and their major breakdown

(a) Assets

	Millions of U.S. dollars
Total assets	$161
Goodwill	88
Intangible fixed assets (except goodwill)	66

(b) Liabilities

	Millions of U.S. dollars
Total liabilities	$25
Deferred tax liabilities	20

(6) Amounts allocated to intangible fixed assets other than goodwill, and their breakdown, and weighted-average amortization period by major category

Major category	Amount	Weighted-average amortization period
Customer-related assets	$60 million	15 years
Others	6 million	5 years
Total	$66 million	12 years

(7) Approximate amounts of the impact on the consolidated statement of income for the year ended March 31, 2013 and the computing method thereof, assuming that the business combination is completed on the beginning date of the year ended March 31, 2013.

This disclosure is omitted since the amount is not significant.

35. Subsequent Events

Dividends

On May 24, 2013, the Board of Directors approved the following appropriations of retained earnings:

Appropriation of retained earnings as of March 31, 2013

	Millions of yen
Year-end cash dividends — Common stock (¥3.50 per share)	¥4,168

Independent Auditor's Report

KPMG

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 subsidiary, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 subsidiary as at March 31, 2013, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

August 9, 2013
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.

Non-consolidated Eleven-Year Summary of Selected Financial Data

Seven Bank, Ltd. Years ended March 31

	2013	2012	2011	2010
For the year:				
Total income	**¥ 94,105**	¥ 88,318	¥ 84,022	¥ 88,830
Fees and commissions income	**93,242**	87,711	83,644	88,350
Fees and commissions expenses	**11,765**	10,705	10,011	9,691
Income before income taxes	**31,512**	29,300	26,999	30,306
Net income	**19,515**	17,267	16,008	17,953
EBITDA	**45,865**	41,912	39,052	43,253
Depreciation of fixed assets	**13,852**	12,355	11,603	12,846
At year-end:				
Total assets	**¥809,465**	¥652,956	¥600,061	¥502,782
Deposits	**394,615**	372,271	333,382	219,008
Total liabilities	**672,374**	527,326	485,522	392,843
Total net assets	**137,091**	125,629	114,539	109,939

	2013	2012	2011	2010
Per share data (Note 1):				
Net income	**¥ 16.38**	¥ 14.49	¥ 13.19	¥ 14.71
Net assets	**114.86**	105.30	96.05	90.03
Dividends (Note 2)	**6.75**	6.20	5.20	5.20
Management indicators:				
EBITDA margin (%)	**48.74**	47.45	46.51	48.69
Return on equity (ROE) (%) (Note 3)	**14.09**	13.50	13.28	16.11
Return on assets (ROA) (%) (Note 4)	**4.52**	4.55	4.66	5.49
Tier 1 capital ratio (Domestic standard) (%)	**50.13**	53.25	52.09	50.51
Return on ATM cash (%) (Note 5)	**7.04**	7.04	7.58	9.05
Overhead ratio (%) (Note 6)	**60.97**	60.97	61.73	60.35
Payout ratio (%)	**41.19**	42.7	39.3	35.3
ATM indicators:				
Number of ATM installations	**18,123**	16,632	15,363	14,601
Daily average transactions per ATM (Transactions)	**111.1**	112.6	112.3	114.4
Total number of transactions (Millions of transactions)	**698**	655	609	590

Notes: 1. On December 1, 2011, Seven Bank conducted a 1,000-for-1 stock split. Per share data for previous fiscal years have been restated to reflect the change.
2. The year-end dividend for the fiscal year ended March 31, 2012 included an extra 1 yen to commemorate the Bank's listing on the First Section of the Tokyo Stock Exchange.
3. Return on equity = net income/daily average total shareholders' equity
4. Return on assets = net operating profit (*gyomu jun-eki*)/average of total assets
5. Return on ATM cash = (ATM-related fee income - interest expenses - ATM placement fees - general and administrative expenses)/daily average balance of cash and due from banks
6. Overhead ratio = general and administrative expenses/gross operating profit (*gyomu ararieki*)

Millions of yen

2009	2008	2007	2006	2005	2004	2003
¥ 89,842	¥ 83,667	¥ 75,427	¥ 64,628	¥ 47,967	¥ 29,138	¥ 11,591
88,741	82,471	74,875	63,973	47,917	29,045	11,421
9,183	8,328	6,491	4,845	3,753	2,404	1,261
28,736	23,343	21,009	16,601	9,944	2,892	(8,176)
16,988	13,830	12,667	10,590	10,843	5,027	(8,191)
44,153	36,141	30,433	23,720	13,649	6,156	(5,556)
15,402	11,491	5,412	4,311	3,574	3,121	2,617
¥493,360	¥488,137	¥532,757	¥361,338	¥313,305	¥259,676	¥159,928
229,311	219,138	275,136	196,880	189,776	187,442	115,908
394,966	399,162	458,907	294,257	256,797	214,013	119,269
98,393	88,974	73,849	—	—	—	—

Yen

¥ 13.92	¥ 11.80	¥ 10.73	¥ 8.68	¥ 8.88	¥ 4.12	¥ —
80.61	72.93	63.31	54.98	46.31	37.42	—
4.90	4.20	5.00	—	—	—	—
49.15	43.19	40.34	36.71	28.45	21.14	—
16.94	16.89	17.03	15.80	21.14	12.06	—
5.13	4.75	5.59	5.74	3.55	1.48	—
45.99	43.86	37.91	233.35	182.20	200.98	221.23
8.30	7.83	8.73	6.26	3.71	2.02	—
62.99	65.63	62.40	67.12	76.34	88.13	181.46
35.1	35.5	46.5	—	—	—	—
13,803	13,032	12,088	11,484	9,981	7,804	5,250
114.3	109.0	97.8	88.2	76.6	67.5	46.8
555	498	418	342	257	158	72

History

2001	April 6	Preliminary license received
	April 10	IY Bank Co., Ltd. established (common stock: 20,205 million yen)
	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*
	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
	December 10	First issue of unsecured bonds (limited to qualified institutional investors; 15,000 million yen in five-year bonds)
2005	April 4	Number of ATMs installed exceeded 10,000 Began handling time deposits for defined contribution pension plans
	April 27	Established first manned 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.
2006	March 2	Initiated bank agency services at Ito-Yokado Kawaguchi Branch
	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)
	December 4	Second and third issues of unsecured bonds (36,000 million yen in five-year bonds; 24,000 million yen in seven-year bonds)
2007	June 25	First dividend paid since establishment Began outsourcing 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 *nanaco* electronic money cards at ATMs
	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 Osaka Securities Exchange JASDAQ Market) (delisted on April 14, 2012)
2009	July 2	Fourth and fifth issues of unsecured bonds (10,000 million yen in three-year bonds; 20,000 million yen in five-year bonds)
2010	January 25	Initiated personal loan services
	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
	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
2012	May 31	Sixth and seventh issues of unsecured bonds (30,000 million yen in five-year bonds; 10,000 million yen in seven-year bonds)
	June 27	Number of Seven Bank accounts exceeded 1 million
	October 6	Acquired all issued shares of Financial Consulting & Trading International, Inc. (made a subsidiary)
2013	February 1	Customer Service Center for International Money Transfers began operation
	March 7	Eighth, ninth, and tenth issues of unsecured bonds (15,000 million yen in five-year bonds; 20,000 million yen in seven-year bonds; 20,000 million yen in ten-year bonds)

Investor Information

As of March 31, 2013

Company Information

Head Office	1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan
Established	April 10, 2001
Common Stock	30,509 million yen
Number of Employees	453
Fiscal Year-End	March 31

Contact Address	Seven Bank, Ltd. Investor Relations E-mail: ir-7bk@sevenbank.co.jp URL: http://www.sevenbank.co.jp/english/ir/

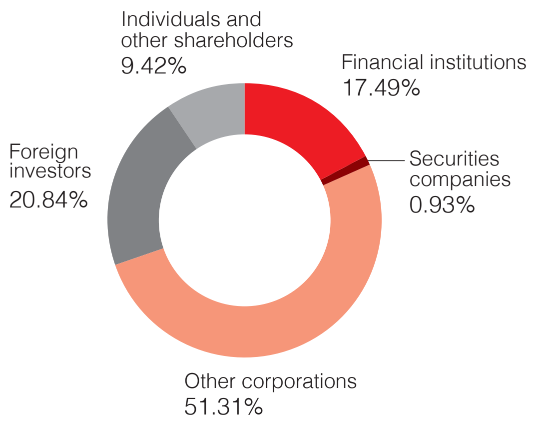
Shareholder Information

Number of Shareholders	35,198
Common Stock Number of Shares Issued	1,190,949,000
Stock Code	8410 (Tokyo Stock Exchange, First Section)
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division 7-10-11, Higashi Suna, Koto-ku, Tokyo 137-8081
Independent Auditors	KPMG AZSA LLC

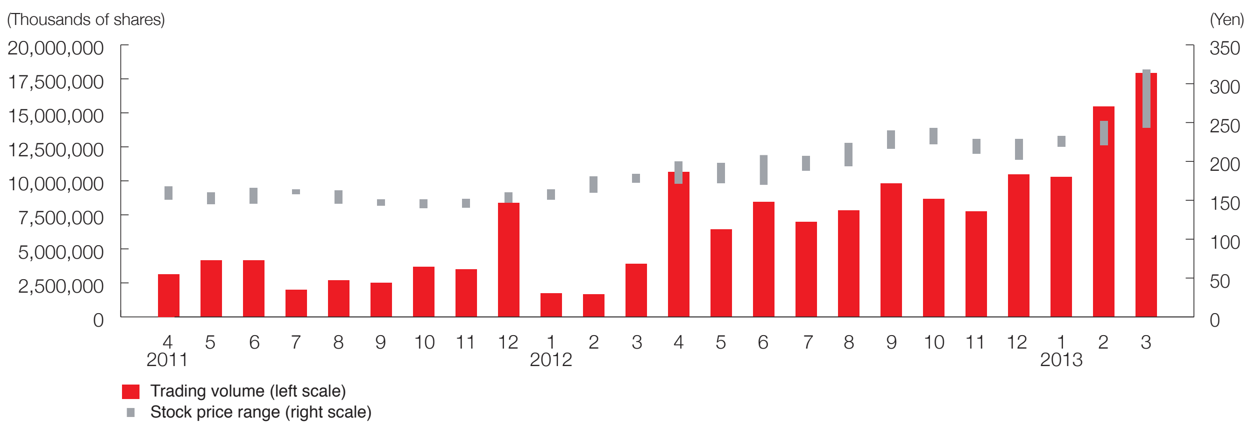
Major Shareholders

Shareholder name / title	Shareholding in the Seven Bank: Number of shares	% holding
Seven-Eleven Japan Co., Ltd.	453,639,000	38.09
Ito-Yokado Co., Ltd.	46,961,000	3.94
State Street Bank and Trust Company (standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	45,789,147	3.84
York-Benimaru Co., Ltd.	45,000,000	3.77
Japan Trustee Services Bank, Ltd. (trust account)	32,202,000	2.70
The Master Trust Bank of Japan, Ltd. (trust account)	30,386,600	2.55
JP Morgan Chase Bank 385174 (standing proxy: Mizuho Corporate Bank, Ltd., Settlement & Sales Division)	25,954,900	2.17
The Chase Manhattan Bank 385036 (standing proxy: Mizuho Corporate Bank, Ltd., Settlement & Sales Division)	17,128,800	1.43
NORTHERN TRUST CO. AVFC RE FIDELITY FUNDS (standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	15,453,000	1.29
Sumitomo Mitsui Banking Corporation	15,000,000	1.25
The Dai-ichi Life Insurance Company, Limited (standing proxy: Trust & Custody Services Bank, Ltd.)	15,000,000	1.25

Composition of Shareholders



Stock Price Range and Trading Volume



Note: On December 1, 2011, Seven Bank conducted a 1,000-for-1 stock split. Stock prices for previous fiscal years have been restated to reflect the change.

SEVEN BANK

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

Waterless Printing. Naturally.

VEGETABLE OIL INK

006-01-1309-1000
Printed in Japan