

## Minutes of the Financial Results for the Second Quarter of Fiscal 2019

**Seven Bank, Ltd. achieves an increase in sales and profits on a consolidated basis in the first half of the fiscal year. Average number of ATM transactions increased year on year for the first time in around 6 years.**

**Mr. Yasuaki Funatake (hereafter referred to as “Funatake”):**

Thank you very much for gathering today. I am Funatake of Seven Bank, Ltd. I will explain the financial results for the second quarter and the progress made in the medium-term management plan.

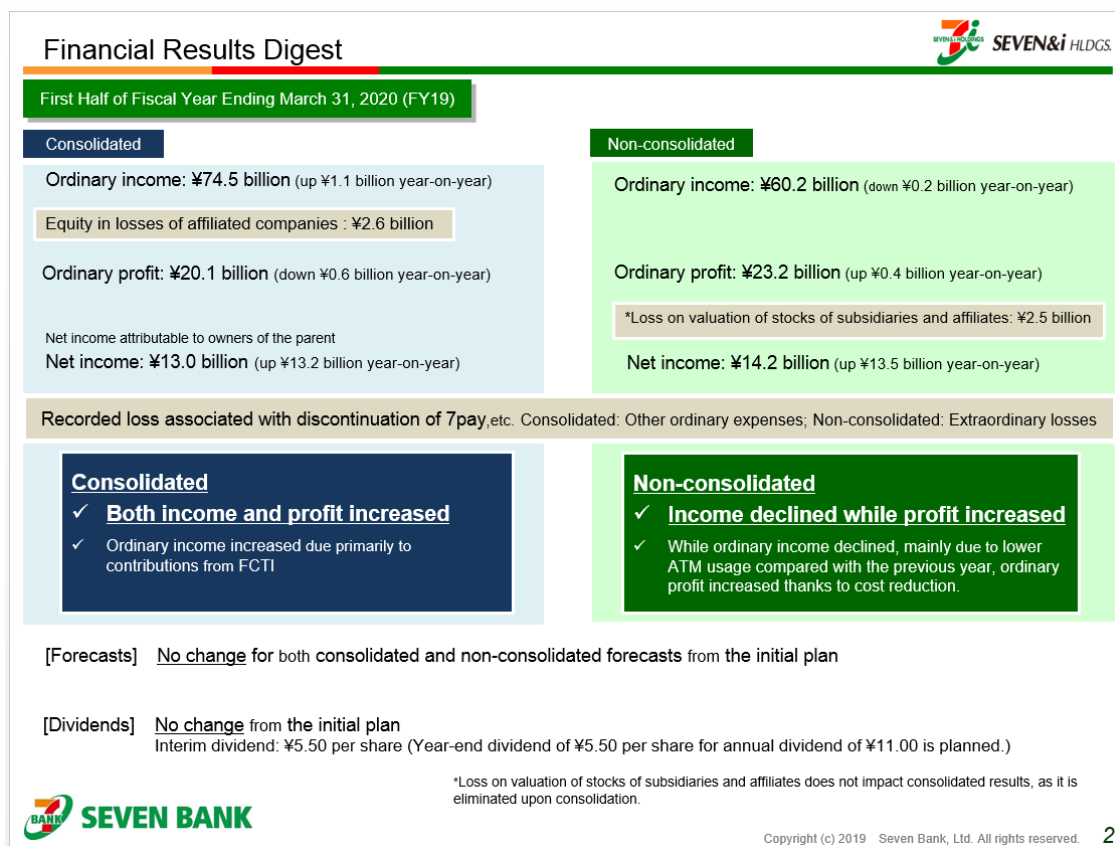
Before starting the explanation, I would like to say that the results for the first half of the fiscal year were more positive than had been expected in the face of a difficult environment.

Amid the worldwide trend toward cashless transactions and the extremely difficult earnings environment for banks, there are various moves to raise fees for banks. As a part of that, raise in ATM usage fees for customers and further limiting the number of times to enable customers using ATMs free of charge have occurred.

In addition, as I will explain later, there were incidents such as the discontinuation of the "7pay" barcode settlement service provided by our equity-method affiliates.

We were in such a headwind, but in the sense that we were largely in line with the plan, I believe we have done an extremely well.

## Financial Results Digest



Now I will explain along with the materials. The first is a settlement digest. As shown on the left, consolidated ordinary income was JPY74.5 billion and ordinary income was JPY20.1 billion. On consolidated basis, the 7pay loss is included in ordinary expenses, absorbing a loss of approximately JPY2.6 billion, resulting in ordinary income of JPY20.1 billion. On an ordinary basis, revenues increased year on year and profits declined slightly.

Consolidated net income rose sharply due to the impairment of FCTI in the first half of the previous fiscal year.

The right-hand side of the chart is for Seven Bank, Ltd. on a non-consolidated basis. Ordinary income declined slightly, to JPY60.2 billion, and ordinary income to JPY23.2 billion. However, this was due to the absence of dividends from funds invested in the first half of the previous fiscal year, around JPY0.3billion which resulted in an actual increase in revenues. Ordinary income was JPY23.2 billion, and despite this challenging business environment, we were able to achieve substantial increases in both income and profits.

At Seven Bank, Ltd. on a non-consolidated basis, we recorded an extraordinary loss of approximately JPY2.5 billion under "7pay" as a valuation loss on stocks, and net income amounted to JPY14.2

billion.


In light of the fact that we were able to absorb the losses from some accidents and manage them almost in line with the plan, we would like to continue to make efforts in the second half of the fiscal year without changing the results forecasts presented at the beginning of the fiscal year.

Dividends are unchanged from the initial plan. The interim payout is JPY5.5, and at present the end of the period is planned to be JPY5.5 yen.

## Income Statement (Consolidated)

Income Statement (Consolidated)							SEVEN <i>i</i> HLDGS.	
								(Billion yen)
	FY18 Results	H1	FY19 H1 Results	Changes from FY18 H1	Difference with plan	FY19 Plan	H1	
Ordinary income	147.2	73.4	74.5	1.1	0.9	148.9	73.6	
Ordinary expenses	106.5	52.7	54.3	1.6	1.3	109.2	53.0	
Ordinary profit	40.7	20.7	20.1	(0.6)	(0.5)	39.7	20.6	
Extraordinary losses	14.9	14.6	(0.0)	(14.6)	0.0	0.1	0.0	
Net income attributable to owners of the parent	13.2	(0.2)	13.0	13.2	(0.8)	26.7	13.8	

Notes:  
1. Amounts less than one hundred million yen have been truncated.  
2. Previous-year comparisons are based on the units used in these materials.  
3. Exchange rates used in the consolidated income statement:  
per USD 1  
FY18 H1 = ¥108.67, FY19 H1 = ¥110.06, FY19 plan = ¥110.00

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First for consolidated bases. Consolidated ordinary income increased by JPY1.1billion from the previous year, and most of it is from ordinary income in FCTI. In FCTI, the number of ATMs in the first half of last year was still on the rise.

Since the second half of the previous fiscal year, the number of ATM transactions has remained stable, and has remained at around 60 transactions a day, contributing to the increase in revenues. Consolidated ordinary expenses increased by about JPY1.6 billion, and ordinary income was JPY20.1 billion.


## Income Statement (Seven Bank, Ltd.)

# Income Statement (Seven Bank)



						(Billion yen)	
	FY18 Results	H1	FY19 H1 Results	Changes from FY18 H1	Difference with plan	FY19 Plan	H1
Ordinary income	119.5	60.4	60.2	(0.2)	0.6	120.2	59.6
ATM-related fee income	107.8	54.4	54.5	0.1	0.2	107.5	54.3
Ordinary expenses	76.5	37.5	36.9	(0.6)	(0.9)	78.4	37.8
Interest expenses	0.6	0.3	0.3	0.0	(0.1)	0.8	0.4
ATM placement fee expenses	15.0	7.4	7.9	0.5	0.0	16.0	7.9
Outsourcing expenses	18.5	9.2	9.3	0.1	(0.4)	20.3	9.7
Maintenance fees	3.8	1.8	1.8	0.0	0.0	3.9	1.8
Depreciation and amortization	15.8	8.1	6.9	(1.2)	0.1	14.2	6.8
Ordinary profit	43.0	22.8	23.2	0.4	1.4	41.7	21.8
Extraordinary losses	22.0	21.8	2.6	(19.2)	2.6	0.1	0.0
Income taxes	6.4	0.2	6.3	6.1	(0.3)	12.7	6.6
Net income	14.5	0.7	14.2	13.5	(0.9)	28.9	15.1
EBITDA	58.9	30.9	30.1	(0.8)	1.4	56.0	28.7
No. of ATMs installed at end of term (units)	25,152	24,756	25,342	586	9	25,502	25,333
ATM-related fee income per transaction (yen)	132.9	133.0	133.8	0.8	(0.5)	134.0	134.3
Daily average transactions per ATM (transactions/ATM/day)	92.3	93.7	90.5	(3.2)	0.3	89.2	90.2
Total no. of transactions (million)	829	419	417	(2)	3	822	414

Note: EBITDA = Ordinary profit + Depreciation and amortization



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Page4 is for Seven Bank, Ltd. non-consolidated.

There are number of ATMs is shown in the lower row, are numbers at the end of September which was 25,342units. This is more than 102% compared to the same period of the previous year.

The total number of ATMs is 417 million. Compared with the same period of the previous fiscal year, it decreased slightly. The number of Deposit-taking financial institutions, especially banks, was about 97% compared to the same period of the previous fiscal year.

On the other hand, in non-bank companies, such as consumer finance firms and recently, fund settlement companies such as "PayPay" and "LINE Pay" (which use has been increasing).

As a result, non-banks as a whole saw significant growth of approximately 118% over the previous fiscal year, accounting for approximately 99.5% of the same period of the previous fiscal year, and the total number of ATM transactions in the first half of the fiscal year under review was 417 million.

In light of this situation, ordinary income was JPY60.2 billion, a decrease of JPY0.2 billion from the same period of the previous fiscal year. However, as I mentioned earlier, in the first half of the previous fiscal year, there were approximately JPY0.3 billion in dividends from funds, and there were no such 1-time profits during the fiscal year under review. Taking into account these factors,




When announcing our first-quarter financial results, we explained to everyone that FCTI had become profitable, but unfortunately we had a negative figure of US\$0.6 million, resulting in a small ordinary loss. This was due to approximately US\$3 million in losses incurred in the period from April to June due to damage of fraudulent transactions of ATMs.

We are working to compensate for the damages caused by the improper use of these assets. Due to the fact that the negotiations were not finalized by the end of September, we consulted with our accountants and conservatively recorded this as a loss in the first half of the fiscal year under review. We intend to continue negotiations to recover the loss, including legal proceedings such as insurance coverage or claims for damages. At this stage, the amount has been recorded as a loss, so it has become a negative US\$0.6 million.

However, in the current fiscal year also, we are making steady progress in achieving profitability on a monthly basis, and we believe that we will be able to steadily return to profitability on a full-year basis.

## Income Statement (Consolidated Subsidiaries)

Income Statement (Consolidated Subsidiaries)							SEVEN <i>i</i> HLDGS.	
							(Million yen)	
BBF	FY18 Results	H1	FY19 H1 Results	Changes from FY18 H1	Difference with plan	FY19 full-year plan	H1	
Ordinary income	1,189	566	668	102	28	1,410	640	
Ordinary expenses	1,052	490	635	145	19	1,260	616	
Ordinary profit	137	76	32	(44)	8	150	24	
Net income	108	49	21	(28)	4	97	17	
✓ Number of financial institutions with outsourcing contracts: 14 as of Mar. 31, 2019 --> 22 as of Sep. 30, 2019								
							(Million yen)	
7PS	FY18 Results	H1	FY19 H1 Results	Changes from FY18 H1	Difference with plan	FY19 full-year plan	H1	
Ordinary income	45	4	46	42	(5)	127	51	
Ordinary expenses	182	87	118	31	(11)	328	129	
Ordinary profit	(137)	(82)	(72)	10	5	(200)	(77)	
Net income	(137)	(83)	(72)	11	5	(200)	(77)	
✓ Number of companies that agreed to service contract: 150 as of Mar. 31, 2019 --> 240 as of Sep. 30, 2019								
							(Million yen)	
ATMi (Indonesia)	FY18 Results	H1	FY19 H1 Results	Changes from FY18 H1	Difference with plan	FY19 full-year plan	H1	
Ordinary income	96	46	57	11	1	143	56	
Ordinary expenses	131	79	48	(31)	(10)	142	58	
Ordinary profit	(34)	(33)	9	42	11	1	(2)	
Net income	(175)	(197)	9	206	11	1	(2)	
✓ Redevelopment of business for growth Contract-based ATM operation business --> switch to a business model to directly operate ATMs								
 Notes: 1. Exchange rate: per IDR 100 FY18 H1 = ¥ 0.790, FY19 H1 = ¥ 0.775, FY19 plan = ¥ 0.778 2. Number of ATMs as of September 30, 2019: 150 (preliminary figure)								
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For the 3 subsidiaries. As for the BBF, we have received many inquiries, mainly for the monitoring

of money laundering, as described here. Currently, the number of companies that have been entrusted with administrative work has increased to 22. As a result of these efforts, ordinary revenues are steadily increasing.

Ordinary incomes are steadily increasing, but the growth in profits is somewhat slower than in the same period of the previous fiscal year. This is because BBF is a labor-intensive industry. If a new transaction is made, it may be necessary to secure a location or personnel for the new transaction, and upfront investment will be made in this area.

In terms of business operations, we have expanded the number of external clerical work from 14 to 22 companies, and we are still receiving many inquiries, so I would like to steadily increase this number.

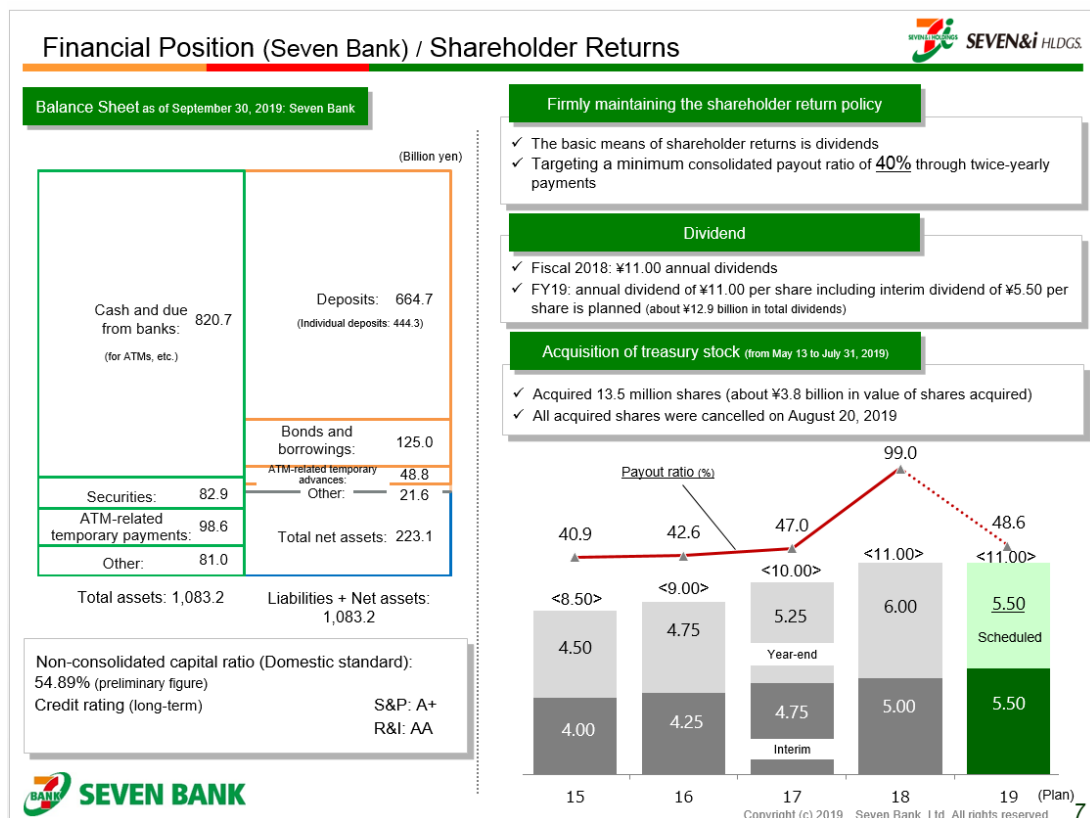
Then about 7PS and "ATM Receipt". This business is still in its start-up stage, and it is a completely new service that has never been seen before. As a result, recognition of this service has not progressed, and profits have remained at a level of less than JPY50 million. However, the number of contracted companies for services increased from 150 at the end of the previous fiscal year to 240 at the end of the fiscal year under review, and so far, the number of business partners who "want to use ATMs" is steadily increasing. I expect that these types of transactions will continue to expand and services will penetrate into the future.

With the expansion of the sharing economy and matching businesses, there is now an increase in a wide range of usage scenarios, including the payment of expenses, the payment of remuneration, and the payment of rewards.

Another thing is, the company in Indonesia, ATMi. The Indonesian business environment has changed greatly, and local Seven-Eleven Japan has also temporarily withdrawn from the market. We were talking about preparations for withdrawal from the business environment. However, after that, ALTO, our joint venture partner, was acquired by 1 of Indonesia's largest BCA banks. As a result, the corporate value of our joint venture partner has greatly increased and the quality of our business has greatly increased.

Amid these changes in the operating environment, we are once again shifting our policy to accelerate the deployment of ATMs in Indonesia. Currently, approximately 150 ATMs have been installed, and the number of ATMs is steadily increasing. The average number of transactions per day has remained stable at around 100. With ordinary profit of around JPY57 million, we are now able to firmly establish profitable operations on a local basis.

## Financial Position (Seven Bank, Ltd.) / Shareholder Return



Regarding shareholder dividends and returns, the balance sheet is as shown on the left-hand side. We have not changed our basic policy on shareholder returns. By focusing on dividends, we intend to maintain a dividend payout ratio of at least 40% while maintaining a stable and continuous dividend payout ratio. We are currently considering paying an annual dividend of JPY11 per share.

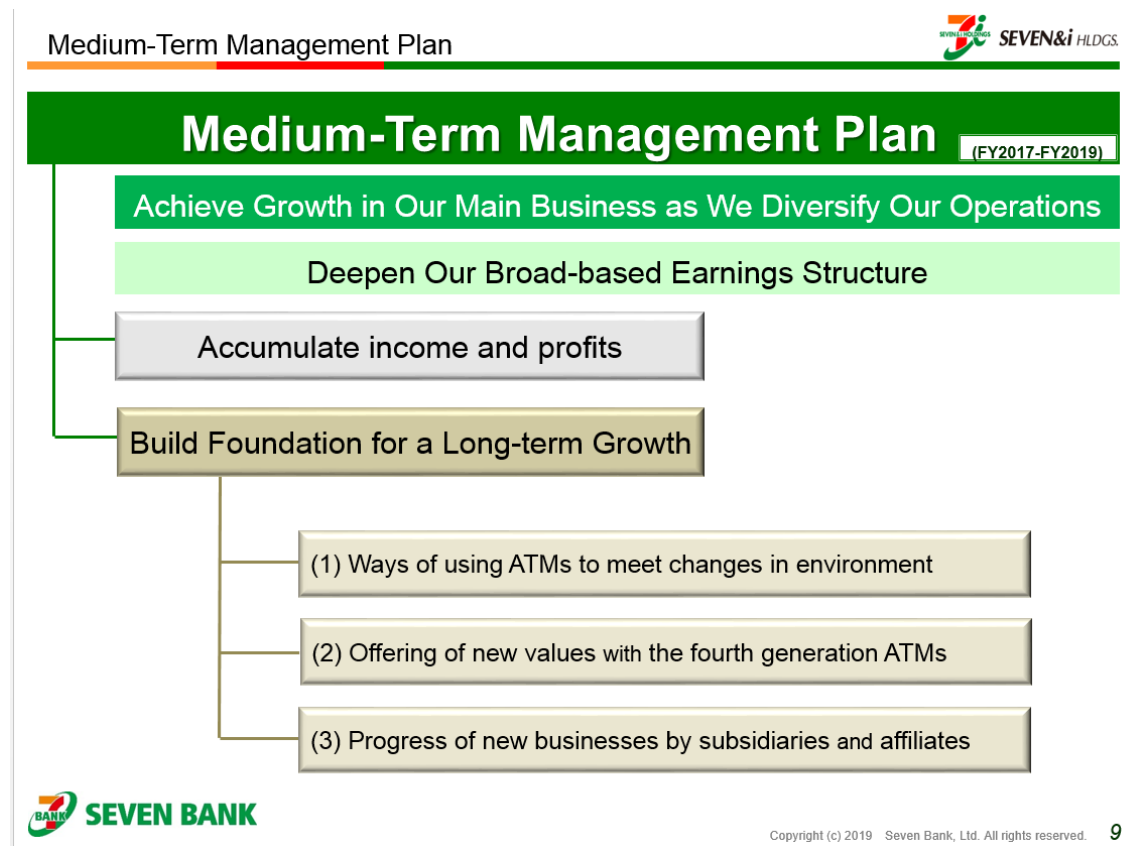
In the first half of the fiscal year under review, the Company purchased 13.5 million shares of its own shares as a result of the purchase of its own shares. The total acquisition cost was approximately JPY3.8 billion.

Under the medium-term plan, we have stated that we will return approximately JPY40 billion to shareholders over the 3 years from 2017 to 2018 and 2019. So far, if we add dividends and share buybacks, we will return approximately JPY41 billion to shareholders.

In the second half of the fiscal year, we would like to make sure that we can pay a dividend of JPY5.5.



## Medium-term Management Plan



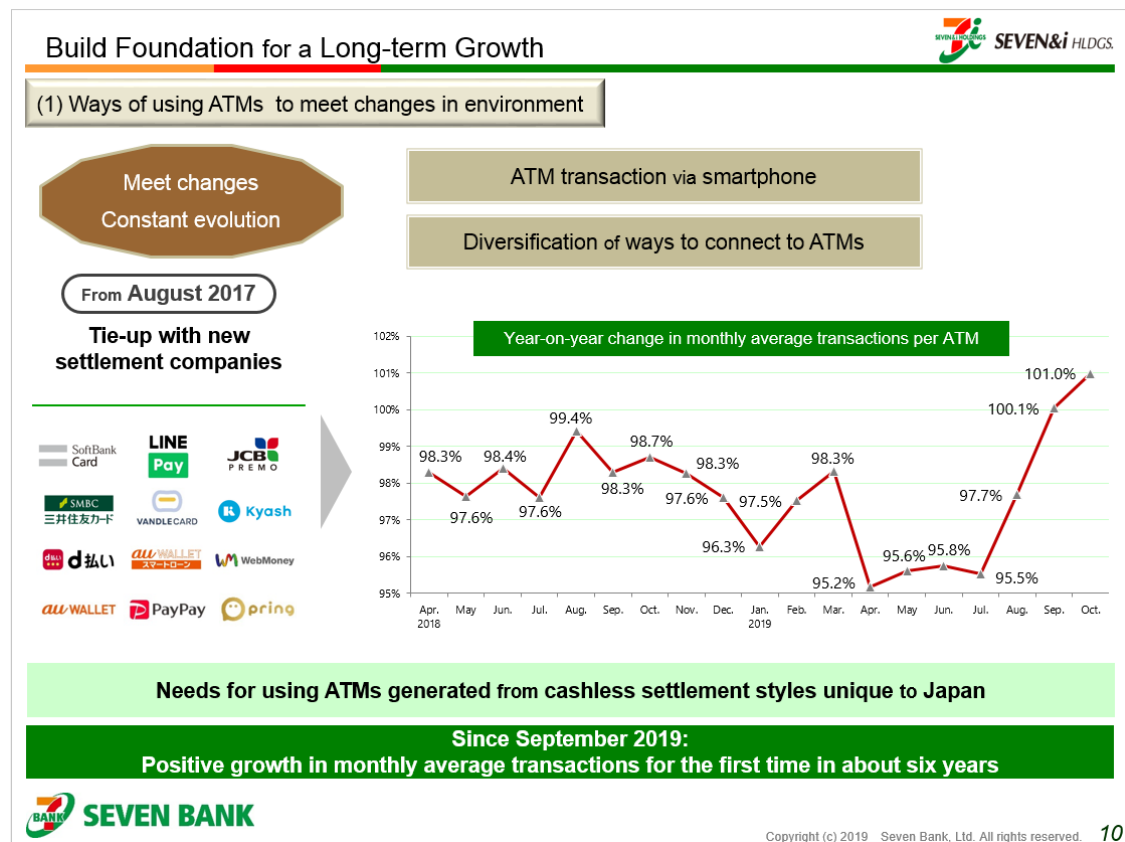
This is all for the status of the interim term. Next, I would like to explain the progress made in the medium-term management plan. The second half of the current fiscal year will be the final year.

Our basic policy is to diversify our business while expanding our core business. Unfortunately, we have revised our income and profit targets at the beginning of this fiscal year. In this sense, this year's plan is the final year of the medium-term plan.

At the same time, in order to lay the foundation for long-term growth, we have set a policy of diversifying our business while expanding our core business. We are steadily and steadily building up these measures. I would like to explain this.

There are 3 major points. The first is to create new ATMs in response to changes in the operating environment. The second is to develop fourth-generation ATMs and provide new value. The third is to diversify our businesses through subsidiaries and affiliates.

## Building a Foundation for Long-term Growth ①



First of all, about the new ATM usage styles. As I mentioned earlier, we have realized partnering with new settlement service providers, and the number of transactions is actually increasing. Since then, we have made it possible to conduct transactions via smartphones, and we have been building a foundation to enable new connections via the Internet without relying on CAFIS connections or connections based on the standards of banking and financial institutions such as the International Organization for Standardization (ISOs). With the success of these efforts, we have achieved a situation in which we can engage with new payment providers.

The line chart on page 10 shows the average number of ATM transactions. You can see that it has been sluggish for a long time, but in September and October 2019, the average number per vehicle per day has exceeded 100%. For the first time in about 6 years, we are now able to raise the average number of contracts to more than 100% of the same month a year earlier.

I thought that (going above 100 percent) would end in September. However, it is also growing in October, and at present it is also growing very steadily in November. I think that this is going to take root.

## Building a foundation for long-term growth ②


### Build Foundation for a Long-term Growth

#### (2) Offering of new values with the fourth generation ATMs

Installed with new technologies such as face recognition and AI  
"Offer new ATM services" that respond to the changes in the needs of the society and customers

**Uniqueness, differentiation**


Installed with functions that respond to the changes in the needs such as cashless settlement and new services



- Sophisticated camera
- Function for reading identity verification documents and bar codes
- Function for communicating with smartphones via Bluetooth

**Ensure safety and security, environmental consideration**


- ✓ Strengthening of security measures
- ✓ Improvement of environmentally friendly capabilities




- Reduction in CO<sub>2</sub> emission (40% power consumption reduction)

**Further improvement in operation efficiency**

Aim to reduce ATM operation cost by about 20% by utilizing AI, IoT, etc.




- Improve cash demand forecast and failure prediction
- Reduce dispatch in failure response



**Deployment schedule**

September 2019	Start replacing ATMs
Summer 2020	Complete replacement in Tokyo (plan)
FY2024	Complete replacing all ATMs (plan)



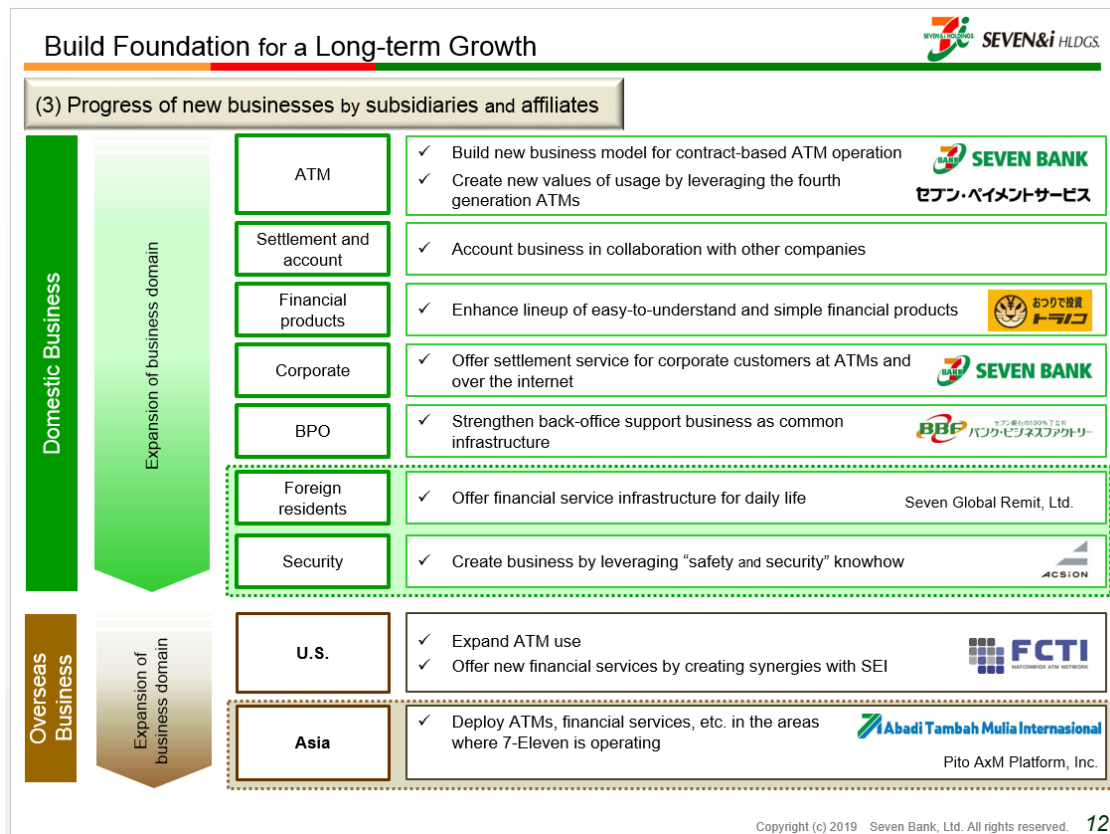
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Also, We announced a brand new ATM, the fourth-generation ATM in September 2019. At the same time, we have been conducting demonstration tests since the end of October, using our bank account as a foundation, to enable personal verification using this ATM. At this stage, approximately 50 fourth-generation ATMs have been installed, but they are operating smoothly without any defects, and we intend to begin full-fledged deployment from the beginning of the year.

As for the certification-based business, based on our account, we are promoting identity verification using a fourth-generation ATM. Although it has become popular on the Web, it is extremely easy to apply for the opening of an account, and it is a situation that has been highly regarded by everyone. I would like to make this a reality and develop it accordingly.

## Creating a Foundation for Long-Term Growth ③



And for measures to diversify our business. We have been moving from the ATM Platform Business to the Payment and Account Business, and we believe that we can leverage our strengths to develop new financial products for our group, payment services for corporations, BPO, and services and security for foreigners as new business domains. We are currently advancing various initiatives in these 5 new fields.

It is TORANOTEC that is linked with this unique financial product. We are considering a variety of measures together with our TORANOTEC, and we intend to achieve significant growth in this area.

It sounds something special when it is said "it's a payment service for corporations", but 1 is Sales Payment Service. It's about helping you with the settlement around cash.

In addition, it is a real-time transfer. Recently, we have provided real-time payment services 24 hours a day, 365 days a year for expenses settlement and payroll payments, and the number of business partners for this service is increasing steadily. There are still many small and medium-sized businesses that cannot ultimately complete everything on their own as e-commerce or Internet business expands. I would also like to focus on developing payment services for corporations as

a business field.

In addition, the main focus of BPO is the Bank Business Factory.


Then there is services targeting foreign residents. It is said that this number will increase steadily from now on.

We have started remittances overseas based on our account, but in order to develop a new service based not only on an account but also on a more convenient smartphone, we have established a subsidiary called Seven Global Remit,Ltd. We would like to create a platform for services for foreigners, remittances overseas, financial services in a broader sense, and non-financial services.

Another is security. The more digitization advances in the Internet business and other areas, the more necessarily there is a need for identity verification, verification, and fraud detection. We have established a joint venture called ACSiON Co., Ltd. with Information Services International-Dentsu, Ltd. to provide services in such fields. We are also preparing for the launch of this system. We are considering these 5 areas.

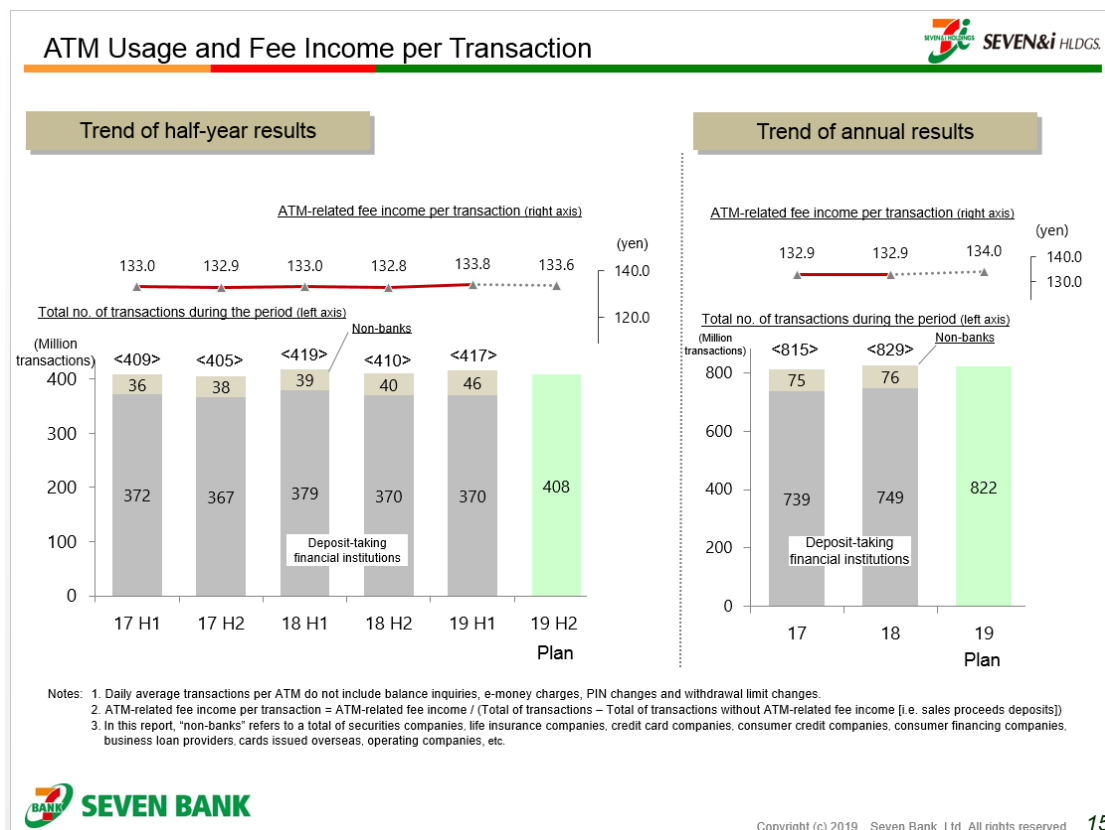
The other is our overseas business. In the United States, we have established a system that will enable us to achieve profitability. Next, in Asia, a growth market, we will first build an ATM network and then develop new businesses. We have already started this business in Indonesia, but we are currently considering the Philippines as a new market. We have already established a subsidiary in the Philippines and are preparing to develop ATMs centered on Seven-Eleven in the Philippines.

## Newly Established Subsidiaries

Newly Established Subsidiaries		SEVEN&i HLDGS.
<b>Business targeting foreign residents</b>		
<b>Name</b>	Seven Global Remit, Ltd.	<ul style="list-style-type: none"> <li>✓ Flexible response to changing environment such as the revised Immigration Control Act, discussion over lifting the ban on payroll cards, etc.</li> <li>✓ Response to diversifying customer needs</li> <li>✓ Financial service platform for foreign residents</li> </ul>
Headquarters:	Chiyoda-ku, Tokyo	
Established	June 3, 2019	
Common stock	495 million yen	
Proportion of voting rights held by Seven Bank	100%	
<b>Security-related business</b>		
<b>Name</b>	ACSiON, Ltd.	<ul style="list-style-type: none"> <li>✓ Utilizes the network of more than 25,000 ATMS in the country</li> <li>✓ The knowhow of countermeasures against financial crimes accumulated by Seven Bank</li> <li>✓ Technological prowess of ISID (Information Services International-Dentsu, Ltd.)</li> </ul>
Headquarters:	Chiyoda-ku, Tokyo	
Established	July 16, 2019	
Common stock	150 million yen	
Proportion of voting rights held by Seven Bank	60% (40% by ISID)	
<b>Asian business</b>		
<b>Name</b>	Pito AxM Platform, Inc.	<ul style="list-style-type: none"> <li>✓ Cooperation with 7-Eleven Philippines</li> <li>✓ Pursue potential in the growing market</li> <li>✓ Tailwind from a state policy to popularize and expand usage of bank accounts</li> </ul>
Headquarters:	Metropolitan Manila, Republic of the Philippines	
Established	April 1, 2019	
Common stock	85,000,000 Philippine pesos	
Proportion of voting rights held by Seven Bank	100%	
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The outline of the new companies that I mentioned is as described on page 13.

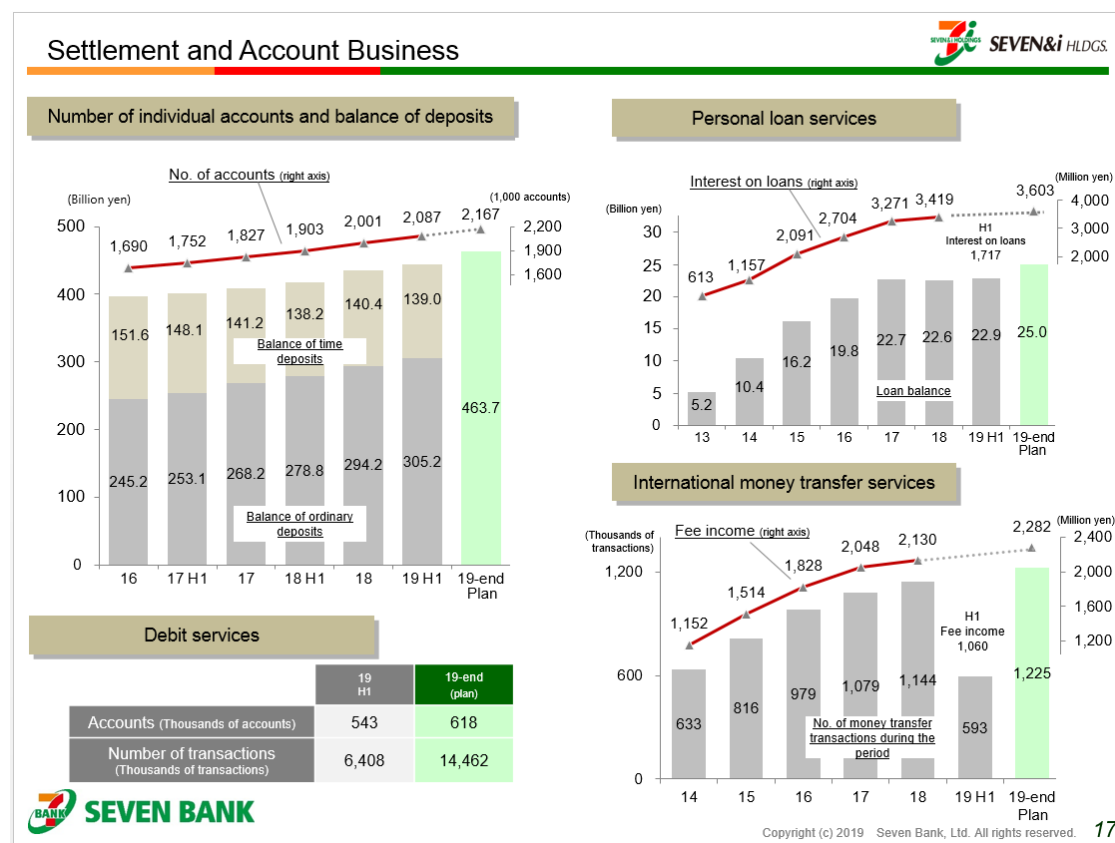
## Changes in the number of ATMs and the fee unit price



Now I will explain page 15. The bar chart on the left shows the total number of transactions. The gray portion is a deposit-taking financial institutions, and the light brown portion above it is a non-bank. The ratio of deposit-taking financial institutions has been decreasing since the first half of the previous fiscal year, at a rate of just over 97 percent. The ratio of non-banks, however, has grown by about 118 percent, and this ratio has grown steadily.

With the advancement of cashless and digitalization, the number of charges by credit card companies and code payment companies has increased significantly, and the number of charges is increasing.

## Settlement Account Business



Pages 17. Business around settlement and accounts. This business has been growing steadily. There is almost no commercial, but the number of accounts is increasing at a considerable pace every month. The monthly rate of increase is about 20 thousand, but the amount of deposits and savings has also been steadily increasing.

Then it's a loan. Unfortunately, in the first half of the fiscal year under review, we faced a number of issues, including the restraint of advertising. In this sense, loans have struggled somewhat, but from the second half of the fiscal year, I would like to proceed by reexamining the method.

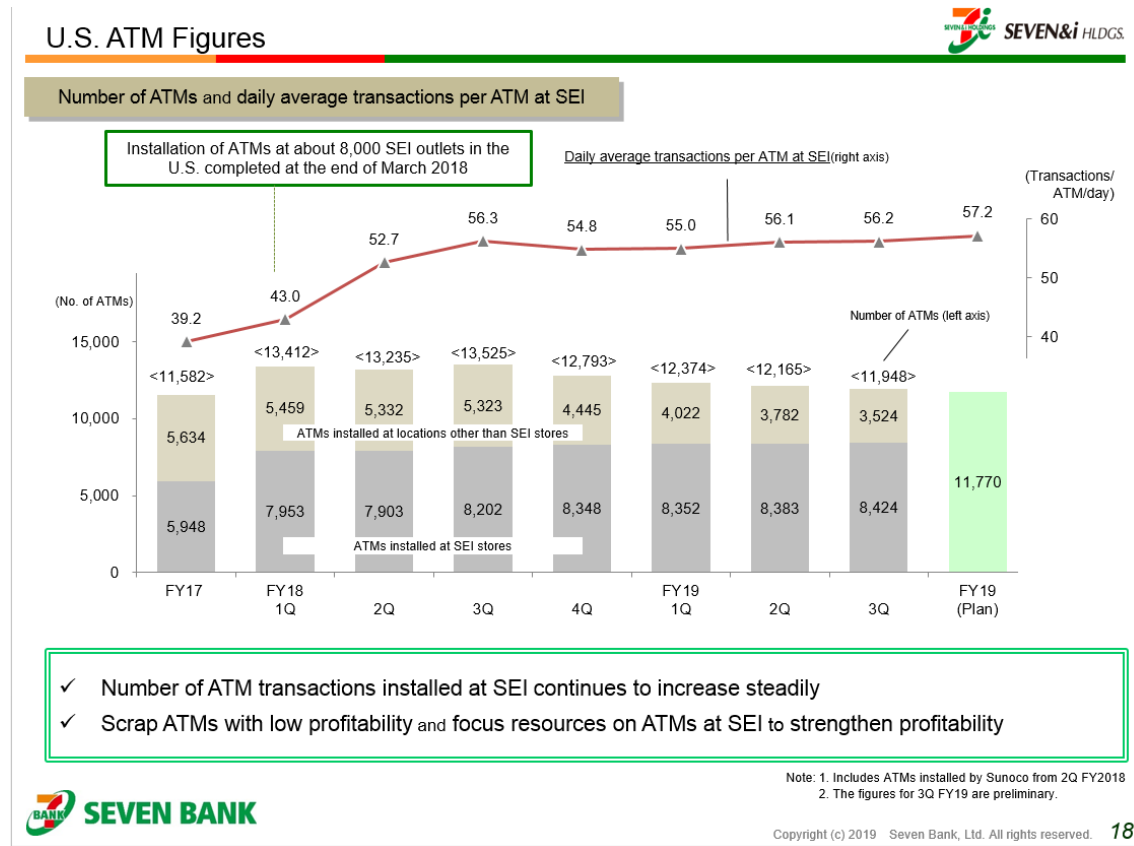
Thankfully, the number of customers in International Money Transfer Service is steadily increasing.

About the debit service. The cash cards in our bank accounts are debited, but it is said to be cashless, and there are now a very large number of people choosing the card with debit, and the number of transactions is increasing.

However, unfortunately, since the system is mainly used at Seven-Eleven Japan stores, the transaction unit price is low, and the transaction value itself does not grow much more than large companies. However, in terms of the number of transactions, the system is steadily expanding.



## U.S. ATM Figures



As I mentioned earlier and stated on page 18, the average number of ATMs installed in SEIs has been steadily changing from 50 to 60 ATMs/day/unit since the latter half of last year.

Although the number of ATMs is decreasing slightly, as I mentioned earlier, we are proceeding with the planned restructuring of low-margin ATMs. When contracts for (low-margin ATMs) come, we are focusing on profitability and refraining from extending contracts. Although the number of ATMs is declining slightly, profitability is improving.

That is it for overview of the interim results and the progress made in the medium-term plan. In fact, we were a little concerned that due to various social developments regarding cashless transactions around the world, number of ATM transactions might rapidly decrease.

At present, however, the role of ATMs as the entry point for digital payments and cashless payments has been recognized by everyone. The number of ATM top-up transactions and payouts from digital payments has continued to be flat.

This is all from me. Thank you.

## **Q& A: Profitability of Transactions with Payment and Settlement Companies**

**Questioner 1:** Please let me ask 3 questions. The first question is on concerns of the profitability of transactions conducted by payment and settlement companies. If possible, please answer how many companies are included in non-banks, and what is the unit price of commissions? I think the commission unit price is lower than that of other deposit and savings financial institutions, but in reality there will be a certain level of charges after the deposit is lowered, and I think that running costs will also decline for fourth-generation ATMs.

In this sense, do you think that profitability for payment providers is not lower than the nominal unit price? This is the first question.

Second, what are your thoughts on the next medium-term management plan starting from the next fiscal year?

Finally, I believe that deposits continue to grow steadily on the liability side. Looking ahead, if the pace of growth in the number of ATMs in Japan slows down, there is a possibility that surplus funds will emerge. What are your thoughts on how to respond to this situation?

**Funatake:** Thank you for a lot of questions. First of all, regarding the profitability of payment and settlement companies, as I mentioned earlier, the unit price per transaction is slightly lower than the terms of business with banks. However, our own maintenance costs have also been lowered overall, and services have already been launched on the network systems that have already been built. As a result, I believe that this is not so low in the sense of marginal profitability.

Regarding the number of transactions, there are only a few companies that have a certain volume of transactions, so I unfortunately cannot answer as this may lead directly to individual issues. However, a closer look at the overall picture of the new code-paying companies' transactions shows that the number of transactions has already reached a level comparable to that of major banks.

As I mentioned earlier, the number of non-bank transactions increased by about 7 million during the first half of the year compared with the first half of the previous year. However, since the growth rate has been substantial since July, it should be assumed that such transactions have continued to grow.

### **Q&A: Next Medium-Term Management Plan**

Second, with regard to the Medium-Term Management Plan, I will work hard to discuss it in the second half of the fiscal year. We have grown through the "Mono-pole structure" solely depending on in the ATM business for more than 20 years.

In this sense, I think it is extremely important to pursue business diversification, and I think that the basic policy of the current medium-term management plan will remain unchanged from the current policy of pursuing business diversification while expanding our core business and, in other words, steadily expanding the ATM business, including new styles.

Nevertheless, the world is undergoing major and rapid changes that exceed our expectations. The conventional business model itself may have to be considered a major transformation or a transformation. Currently, I am thinking of whether it would be good to run a company like in the past to develop a new business, as well as to do business in the same way as in the past.

Furthermore, in terms of the corporate culture, we will need to face new "knowledge" in order to create various new businesses and businesses in the future. In terms of business structure as well, I think it is necessary to comprehensively implement structural reforms in terms of business management and operational management, as well as in terms of the corporate culture and way of working.

Under the next Medium-Term Management Plan, I think a major policy will be to diversify our business while maximizing our core business, and to respond to changes through new structural changes.

### **Q&A: Balance Sheet Management as Deposits Increase**

Regarding the balance sheet. I said that the number of accounts is steadily increasing even though I haven't been aggressively advertising. As a result, deposits have increased, albeit slightly. However, it has not yet reached the level that makes it difficult to manage the fund.

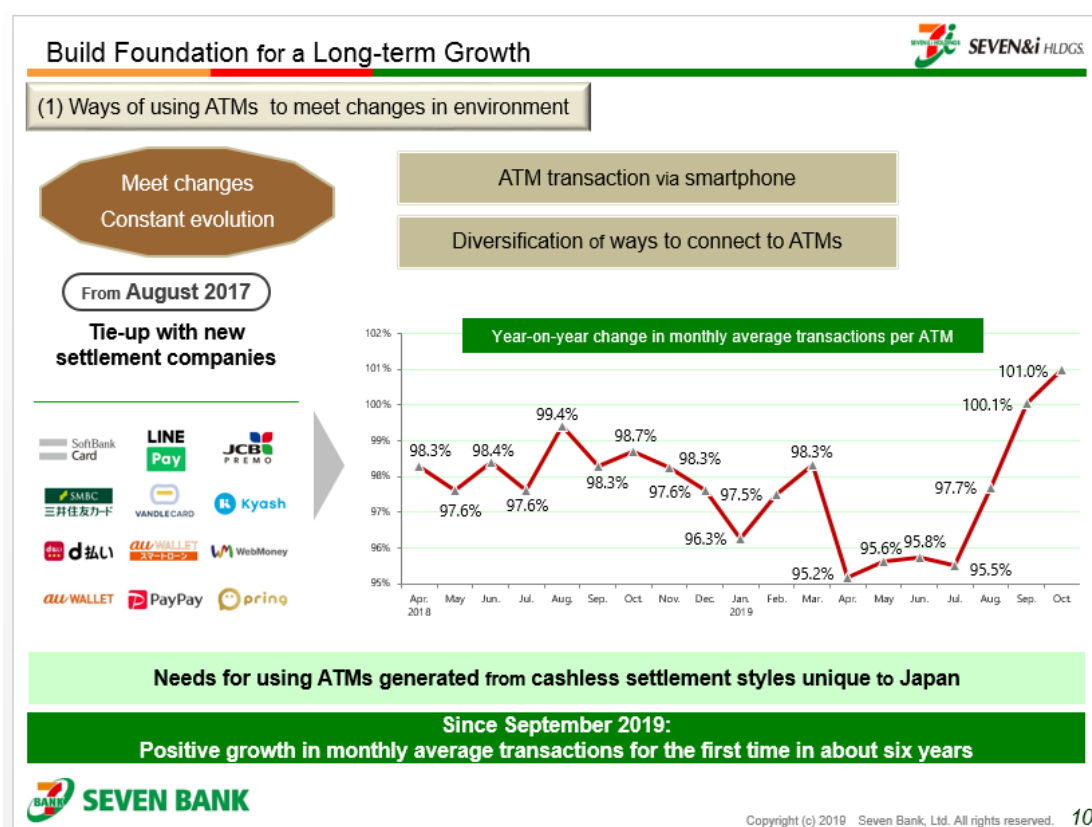
In addition, we still have a balance of approximately 125 billion in corporate bonds, and there is still room for us to choose whether or not to roll over these bonds.

The reason why the number of ATMs has not grown significantly is that the pace of increase in the number of Seven-Eleven stores has slowed somewhat. On the other hand, I would like to see Seven-

Eleven Japan proceed with the replacement of ATMs by banks as much as possible.

Last Friday, we announced that, partly due to the ATM contract from Tokyo Star Bank, if there is an increase in ATM consignment activity, we will be preparing the cash to be loaded into ATMs, so naturally we will need cash. I don't think the situation is worrying about the balance sheet at this moment. This is all.

## Q&A: Average ATM Usage Momentum



**Questioner 2:** There are 2 questions. The first point is to supplement the previous question. Looking at the momentum of the average number of transactions on page 10, it is true that there are many new add-ons, which is quite good, but I think there is also the impact of the campaign. How do you think about the sustainability of Momentum in the future?

Please tell us about the momentum, whether there are still some companies that have not yet formed alliances, and whether you think the momentum is robust to some extent. This is the first point.

## (2) Offering of new values with the fourth generation ATMs

ATM+

Installed with new technologies such as face recognition and AI  
"Offer new ATM services" that respond to the changes in the needs of the society and customers

### Uniqueness, differentiation

Installed with functions that respond to the changes in the needs such as cashless settlement and new services



- Sophisticated camera
- Function for reading identity verification documents and bar codes
- Function for communicating with smartphones via Bluetooth

### Further improvement in operation efficiency

Aim to reduce ATM operation cost by about 20% by utilizing AI, IoT, etc.



- Improve cash demand forecast and failure prediction
- Reduce dispatch in failure response

### Ensure safety and security, environmental consideration

- ✓ Strengthening of security measures
- ✓ Improvement of environmentally friendly capabilities



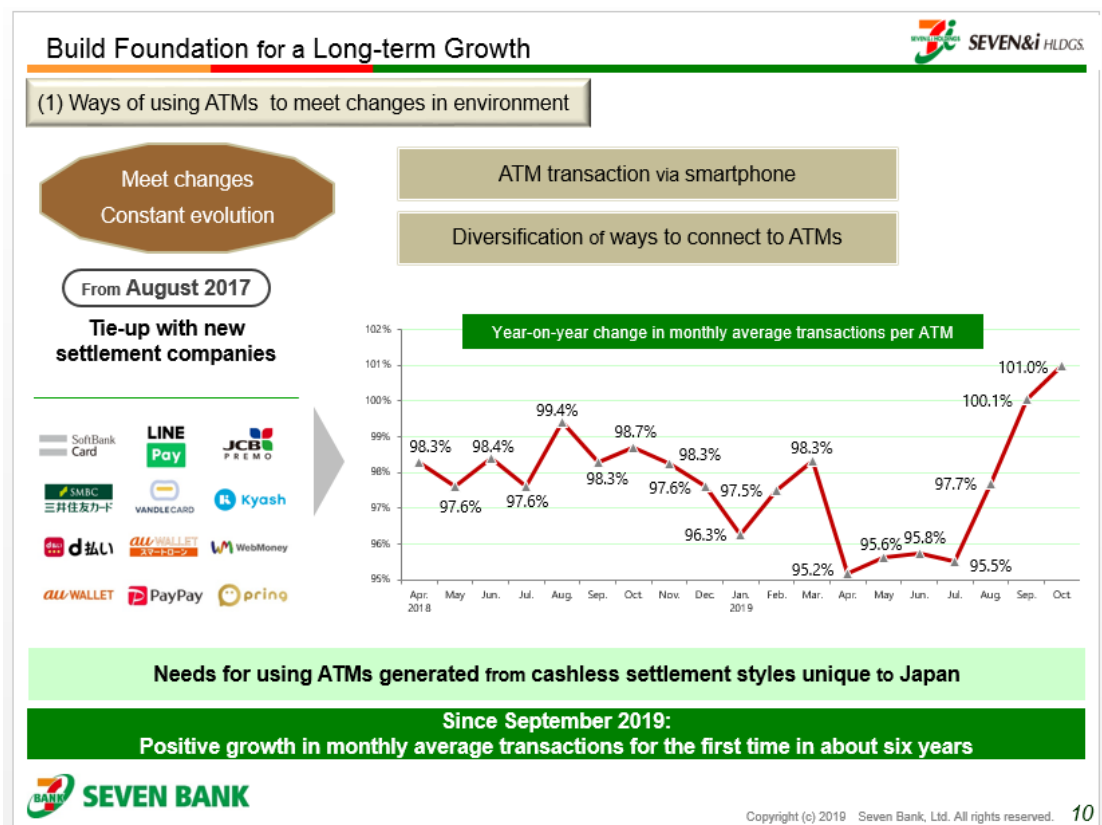
- Reduction in CO<sub>2</sub> emission (40% power consumption reduction)

### Deployment schedule

September 2019	Start replacing ATMs
Summer 2020	Complete replacement in Tokyo (plan)
FY2024	Complete replacing all ATMs (plan)

The second point concerns the fourth generation ATMs on page 11. This installation schedule is described on page 11. I think that the cost of installing a third-generation ATM was several JPY100 thousand. How can you reduce costs with a fourth-generation ATM?

In addition, you are aiming to reduce ATM operation costs by approximately 20%. Please tell us as much as possible whether you can gradually reach this goal in 5 years' time or so. The above 2 points.



**Funatake Yasuaki:** There are still many vendors who have not yet agreed to work with the new settlement service provider. For example, major players such as Merpay, Inc. and Rakuten Payment, Inc. have not yet formed alliances. By forming alliances with these companies, I believe we can increase the number of such deals.

In addition, I think it is the extent to which "PayPay" and "LINE Pay" take root. After the point redemption policy through June 2020 has been completed, it will depend on how it takes to establish itself. If it takes root, however, I think that awareness will expand and the market for ATMs will expand.

Looking at the medium-to long-term, I think that the number of smartphone-based payments is still low, but as the generations change, more people will use smartphone-based payments. Over the long term, I believe that such payment methods will gradually increase.

## Question and Answer: Fourth Generation ATM Installation Costs


### Build Foundation for a Long-term Growth

**(2) Offering of new values with the fourth generation ATMs**

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**Ensure safety and security, environmental consideration**


- ✓ Strengthening of security measures
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- Reduction in CO<sub>2</sub> emission (40% power consumption reduction)

**Deployment schedule**

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In terms of the installation and cost of the fourth generation ATMs, the cash cassettes in the third and fourth generation are the same in fact. In other words, the cost incurred in the third generation can be saved or reused, so the fourth generation is less expensive than the third generation.

The rest is a part of cost reduction. This is because of the advances in technology, and I think the barrier rate will be dramatically reduced. Since then, IoT has become a topic in the world, and it will become possible to grasp how it is used by IoT technology at all times. For this reason, maintenance is also changed from regular maintenance to gradually, and if necessary, to maintenance. I think that cost (reduction effect) will gradually be effective from this point of view.

By gradually spreading a certain amount to a certain area, I believe that the effects of these measures will become apparent from a cost perspective. Above all

Thanks to everyone. In terms of the numerical values of our financial results, there may have been no significant discrepancies between our forecasts and our expectations, so it may be interesting to say that our financial results were not materially different from those of our stakeholders. However, with cashless becoming a topic in the world, I would like to see you think that there is still a lot of new possibilities for analog ATMs.

We would like to expand the scope of our business by developing unprecedented services while utilizing new ATMs to meet the expectations of our stakeholders. We look forward to your continued guidance and encouragement. Thank you for your attention today.