

Seven Bank, Ltd., Increase, and Focus on New Businesses while Strengthening Existing Businesses as Social Infrastructures

Seven Bank, Ltd., held on May 11, 2020, provides a briefing on financial results for the year ended March 31, 2020.

[Speaker]

Yasuaki Funatake President and Representative Director, Seven Bank, Ltd.

< About today's announcement >

Notes Regarding Today's Announcement
<p>Seven Bank postponed the release of its new Medium-Term Management Plan, which was originally planned for today, as it is extremely difficult to make a proper and reasonable future estimate due to the global spread of the novel coronavirus infection (COVID-19). The bank also leaves its performance forecast for the fiscal year ending March 31, 2021, as undetermined for now.</p> <p>It will carefully determine the impact of the novel coronavirus infection on its business performance and announce the plan and forecast as soon as details become clear.</p>

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Mr. Yasuaki Funatake: This is the Funatake of Seven Bank, Ltd. Thank you very much for attending today. Due to the problem of the spread of the novel coronavirus, we will use a telephone conference format, and we may have difficulty hearing it, but we would like to forgive you.

Now, I would like to explain the financial results for the fiscal year ending March 31, 2020 and the policy for future initiatives in accordance with the materials.

This is the second page of the material. Due to the worldwide expansion of the novel coronavirus infections, it is difficult to estimate the future appropriately and rationally. Therefore, the announcement of the new medium-term management plan and the forecast for the fiscal year ending March 31, 2021 have not been determined at this time. I am very sorry.

We would like to promptly disclose the impact of the novel coronavirus once it has been ascertained to some extent, so we would like to wait for this time.

< Financial Results Digest >

Financial Results Digest	
Financial Results for Fiscal Year Ended March 31, 2020	
Consolidated	Non-consolidated
Ordinary income: ¥148.5 billion (up ¥1.3 billion year-on-year)	Ordinary income: ¥120.2 billion (up ¥0.7 billion year-on-year)
Equity in losses of affiliated companies: ¥4.7 billion	Ordinary profit: ¥45.0 billion (up ¥2.0 billion year-on-year)
Ordinary profit: ¥39.8 billion (down ¥0.9 billion year-on-year)	Loss on valuation of stocks of subsidiaries and affiliates: ¥5.0 billion
Net income attributable to owners of the parent: ¥26.1 billion (up ¥12.9 billion year-on-year)	Net income: ¥27.6 billion (up ¥13.1 billion year-on-year)
Losses on equity method affiliates Seven Pay Co., Ltd., TORANOTEC Ltd., TORANOTEC Asset Management Ltd.	
Dividend	
<ul style="list-style-type: none"> Dividends for fiscal 2019: annual dividend of ¥11.00 per share (interim: ¥5.50; year-end: ¥5.50) Dividends for fiscal 2020: undetermined (Nevertheless, the existing return policy will be maintained.) 	
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Page 3. The summary of the financial results is shown in the summary of the financial results. The left side is consolidated and the right side is non-consolidated. Both consolidated and non-consolidated sales and profits increased. Ordinary income and net income also increased.

On a consolidated basis, ordinary income declined by JPY900 million from the same period of the previous fiscal year, but on an ordinary basis, we were able to achieve increases in both sales and profits.

In addition, equity-method affiliates recorded a loss of approximately JPY5 billion. The fact that Seven Pay Co., Ltd. and TORANOTEC Ltd. absorbed the losses of approximately JPY3 billion and JPY2 billion, respectively, totaling approximately JPY5 billion and, on that basis, we were able to achieve these figures is probably a result of our strong performance.

Dividends for the fiscal year ended March 31, 2020 are scheduled to be JPY5.50 at the end of the fiscal year. Since we distribute JPY550 in the interim period, the total annual amount is JPY11, and we will continue to distribute the same amount as in the year ended March 31, 2019.

As I mentioned earlier, the dividend for this fiscal year is undecided at this point. We will explain our policy of returning profits to returns again later.

< Income Statement (Consolidated) >

Income Statement (Consolidated)				
(Billion yen)				
	FY18	Plan	FY19	Changes from FY18
Ordinary income	147.2	148.9	148.5	1.3
Ordinary expenses	106.5	109.2	108.7	2.2
Ordinary profit	40.7	39.7	39.8	(0.9)
Extraordinary losses	14.9	0.1	0.1	(14.8)
Net income attributable to owners of the parent	13.2	26.7	26.1	12.9
(Reference) Equity in net earnings of affiliated companies:	FY18 -0.2 billion yen	FY19 Plan -1.6 billion yen	FY19 Result -4.7 billion yen	

Notes:
1 Amounts less than one hundred million yen have been truncated.
2 Previous year comparisons are based on the same level as these materials.
3 Exchange rates used in the consolidated income statement:
FY2018 \$1=¥110.44, FY2019 \$1=¥109.03

Page 4 shows the consolidated results of operations. As can be seen from the above figures, equity in earnings of affiliates of approximately JPY4.7 billion was posted as ordinary income, putting pressure on ordinary income.

< Income Statement (Seven Bank)>

Income Statement (Seven Bank)				
(Billion yen)				
	FY18	Plan	FY19	Changes from FY18
Ordinary income	119.5	120.2	120.2	0.7
ATM-related fee income	107.8	107.5	108.7	0.9
Ordinary expenses	76.5	78.4	75.2	(1.3)
Interest expenses	0.6	0.6	0.6	0.0
ATM placement fee expenses	15.0	16.0	15.7	0.7
Outsourcing expenses	18.5	20.3	18.9	0.4
Maintenance fees	3.8	3.9	3.7	(0.1)
Depreciation and amortization	15.8	14.2	13.6	(2.2)
Ordinary profit	43.0	41.7	45.0	2.0
Extraordinary losses	22.0	0.1	5.1	(16.9)
Total income taxes	6.4	12.7	12.2	5.8
Net income	14.5	28.9	27.6	13.1
EBITDA	58.9	56.0	58.6	(0.3)

No. of ATMs installed at end of term (unit)	25,152	25,502	25,215	63
ATM-related fee income per transaction (yen)	132.9	134.0	130.9	(2.0)
Daily average transactions per ATM (transactions/ATM/day)	92.3	89.2	92.1	(0.2)
Total no. of transactions (million)	829	822	849	20

Note: EBITDA in this material are: Ordinary profit + Depreciation and amortization

The figures on page 5 show the profit and loss of Seven Bank, Ltd. on a non-consolidated basis. Ordinary revenues amounted to JPY120.2 billion, of which ATM commissions amounted to JPY108.7 billion. As a result, ATM commissions received amounted to 100.8% of the previous year.

Ordinary income was JPY45 billion, a steady increase of 104.6% from the previous year.

There are 25,215 units installed at the end of the fiscal year at the bottom of page 5, an increase of 63 units from the end of the previous fiscal year. In the pas

t few years, the number of units sold has declined sharply from the previous year's increase, and the increase has been limited to 63 units.

The unit price was JPY130.9. The average number of transactions used was originally planned to be 89 per unit per day, but as I will explain later, the average number of transactions used was 92.1, which is basically unchanged from the previous year, partly due to a substantial increase in charges and other transactions related to new settlements from the second half of FY2019.

The total number of transactions was 849 million. An increase of about 20 million from 829 million in the previous fiscal year.

Incomes other than ATM commissions also remained almost unchanged.

< Income Statement (FCTI) >

Income Statement (FCTI)				
(Billion USD)				
	FY18	Plan	FY19	Changes from FY18
Ordinary income	248.5	255.4	254.0	5.5
Ordinary expenses	257.3	253.8	247.7	(9.6)
Interest expenses	31.7	37.7	35.2	3.5
ATM placement fee expenses	140.1	139.9	139.7	(0.4)
Outsourcing expenses	17.8	17.6	17.4	(0.4)
Maintenance fees	19.6	20.8	17.4	(2.2)
Depreciation and amortization	15.7	7.4	6.7	(9.0)
Ordinary profit	(8.7)	1.6	6.3	15.0
Extraordinary losses	90.6	0.6	(0.5)	(91.1)
Net income	(99.5)	0.8	6.6	106.1
EBITDA	6.9	9.0	13.1	6.2
No. of ATMs installed at end of term (unit)	12,795	11,770	10,886	(1,909)
At SEI (unit)	8,349	8,311	8,465	116
Daily average transactions per ATM (transactions/1Million)	37.5	45.0	43.1	5.6
At SEI (transactions/1Million)	52.0	57.2	55.4	3.4
Total no. of transactions during the period (million)	177,628	194,000	191,646	14,018

Notes: 1. Number of ATMs installed as of March 31, 2020: 10,739 (installed at 7-Eleven stores: 5,600 installed at locations other than 7-Eleven stores: 2,279)

2. FCTI interest expenses: Excluded to interest charges paid to financial institutions applying cash to ATMs, refinancing operations, etc.

Page 6 shows the status of FCTI in the United States. In FY2019, ordinary income came to \$254 million, ordinary expenses to \$247.7 million, and ordinary income to \$6.3 million.

The number of ATMs installed at the end of the fiscal year was 10,886, a decrease of approximately 2 thousand from the end of the previous fiscal year. This was due to the restructuring of ATMs installed in locations other than the unprofitable Seven-Eleven stores, and the number of ATMs installed at the Seven-Eleven stores described below has steadily increased to 8,465 unit.

The average number of users is also steadily increasing. The total number of ATMs used increased steadily to approximately 191 million, and the Group was able to steadily build a profitable business structure thanks to restructuring, including the

e consolidation and closure of business sites, and the liquidation of unprofitable ATMs.

< Income Statement (Consolidated Subsidiaries) >

Income Statement (Consolidated Subsidiaries)				
Japan				
BBF				
	FY18	Plan	FY19	Changes from FY18
Ordinary income	1,189	1,410	1,573	384
Ordinary expenses	1,052	1,260	1,414	362
Ordinary profit	137	150	158	21
Net income	108	97	111	3
● Number of non-group companies from which BBF received contracts for back-office support: 23 (as of the end of March 2020)				
Overseas				
ATMi (Indonesia)				
	FY18	Plan	FY19	Changes from FY18
Ordinary income	96	143	142	46
Ordinary expenses	131	142	118	(13)
Ordinary profit	(34)	1	23	57
Net income	(175)	1	29	204
● No. of ATMs installed: 200 (as of the end of December 2019)				
7PS				
	FY18	Plan	FY19	Changes from FY18
Ordinary income	45	127	115	70
Ordinary expenses	182	328	233	51
Ordinary profit	(137)	(200)	(117)	20
Net income	(137)	(200)	(117)	20
● Number of companies with which 7PS has contracts: 276 (as of the end of March 2020)				
Subsidiaries established in FY19				
<ul style="list-style-type: none"> Established in April 2019 (Philippines) Pito AxM Platform, Inc. Established in June 2019 Seven Global Remit, Ltd. Established in July 2019 ACSION, Ltd. Established in January 2020 Credid Finance, Ltd. 				
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Page 7 shows the profit and loss of other consolidated subsidiaries. First is BBF (Bank Business Factory, Inc.). As you can see, we are achieving steady growth in ordinary revenues of JPY157.3 million and ordinary income of JPY158 million.

About 2-thirds of these revenues are earned as Operations Center, but revenues from external sources are also growing steadily. In the future, we anticipate the automation of software robots in a variety of forms, and we believe this is an area where we can expect even greater growth.

The adjacent area is 7PS (Seven Payment Service, Ltd.). Unfortunately, our ATM business is still in the red, but the size of the deficit is steadily declining. Ordinary revenues and expenses were JPY115 million and JPY233 million, respectively, representing a loss of approximately JPY117 million. The penetration of ATM receipts is also progressing steadily (the extent of the loss is decreasing), and the number of service contracts is 276.

Due to the impact of the novel coronavirus in March 2020, many events and other cancellations were cancelled. In March and April, the number of cancellations has roughly doubled compared to a typical year, as the demand for refunds for cancellations has increased slightly.

After a round of payments, I think the number of contracted companies has been steadily increasing, and I think that we can expect a great deal from the widespread recognition of the company through such events as refunds.

Outside Japan, the Indonesian ATMi is also growing steadily. As of the end of December 2019, there were 200 ATMs installed, with ordinary revenues of JPY142 million and ordinary income of JPY23 million. The average number of contracts is around 90.

I thought that ATMi could be affected by the novel coronavirus, but the number of cases in Indonesia has been steadily increasing since then, even when reviewed most recently.

In FY2019, we worked on a variety of new initiatives to diversify our business. We have established 4 subsidiaries to establish bases in several business fields.

First, I was preparing to establish a subsidiary in April 2019 to develop an ATM business in the Philippines. In fact, all of the projects in the Philippines have been suspended due to the problem of the novel coronavirus, so I think the start will be considerably later than originally planned. At this point, I am preparing to proceed with the business as planned.

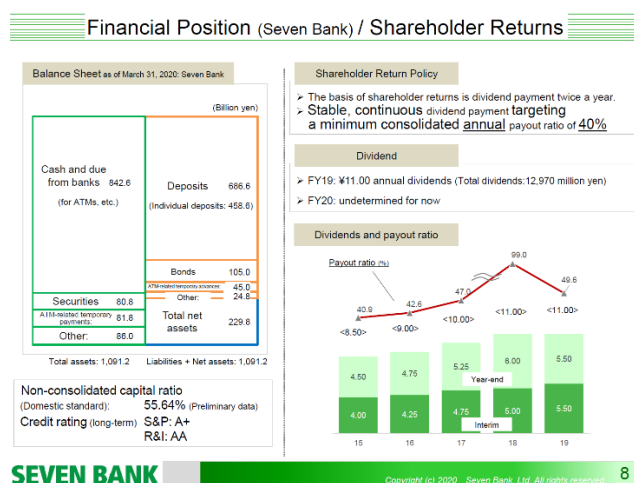
In June 2019, we established Seven Global Remit, Ltd. to expand our International Money Transfer Service business in the form of non-bank-banks.

I was thinking of sending money to the Southeast Asian region, but partly due to the impact of the novel coronavirus, I think that those scheduled to start around the summer will be delayed around the autumn, but in the future, I will proceed with overseas remittance centering on Seven Global Remit.

In July 2019, we established ACSiON, Ltd. This company is a joint venture with ISID Corporation to develop so-called security services and certification services. We believe that we can provide services with banks as early as May and June 2020.

Credd Finance, Ltd. was established in January 2020 as a joint venture with Shinsei Bank, Limited. This company was established in conjunction with Seven Global Remit to provide overseas remittance and credit services to foreigners with the aim of developing a credit service for foreigners together with APLUS Co., Ltd.

<Financial Position (Seven Bank)/Shareholder Return>



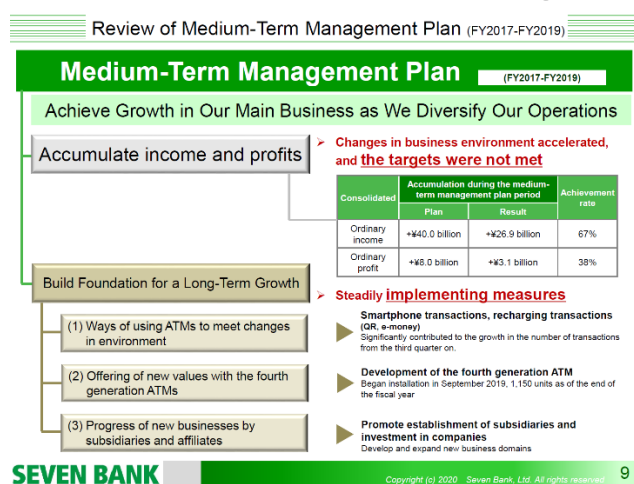
There is no significant change in the balance sheet for financial position and shareholder returns. Almost as in the past.

Our policy is to return profits to shareholders. Although the dividend forecast for this fiscal year has not been determined, there is no change in the policy of paying stable and continuous dividends, with a minimum annual dividend payout ratio of 40%, based on the dividend payment twice a year, which is the basic policy year for shareholder returns.

I would like to improve our business performance so that we can execute it as effectively as possible.

The results of operations for the fiscal year ended March 31, 2020 are as follows. FY2019 was also the last year of our medium-term management plan. We have been working on a 3-year plan covering 2017, 2018 and 2019. The next page is a review of the Medium-Term Management Plan.

< Review of Medium-Term Management Plan (FY2017-FY2019) >



Under the Medium-Term Plan, in order to expand our core business while realizing business diversification, we planned to accumulate revenues and profits in 3 years, with ordinary revenues of +JPY40 billion and ordinary income of +JPY8 billion, as shown in the table. The business environment surrounding convenience stores, particularly Seven-Eleven, has changed significantly during the course of the 3-year plan, and the plans for new store openings have also changed significantly.

Unfortunately, we were unable to achieve our plan, partly due to the increased change in the business environment. The numerical targets were not achieved.

At the same time, we have been diversifying our businesses to build a foundation for long-term growth, and I believe that we have steadily built up these measures.

The first is to create a new style of ATM use. In the 3 years since 2017, we have been streamlining and developing the foundations gradually. From the middle of FY2019, however, the flower started to emerge and the number of smartphone transactions and charge transactions grew significantly.

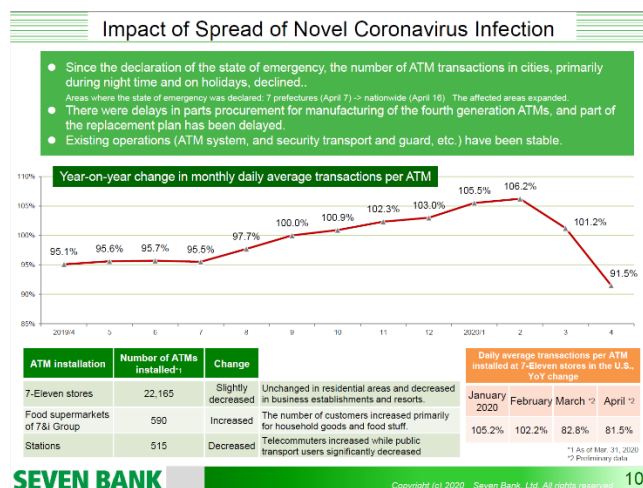
The second is the provision of new value through fourth-generation ATMs. We have been developing fourth-generation ATMs. Installation began in September 2019, and installation was proceeding smoothly.

Initially, we planned to install fourth-generation ATMs all over the Tokyo metropolitan area by the time of the Olympics, but unfortunately, no parts from China have been entered due to the impacts of the novel corona viruses. For this reason, production is currently suspended, and we believe that we need to reexamine the installation plan itself for the fourth-generation ATMs.

The third is the promotion of commercialization by subsidiaries and affiliates. In order to diversify our business, we have made efforts to expand our business domains by establishing subsidiaries and investing in new fields.

Although we were unable to achieve the numerical targets in the Medium-Term Management Plan, we believe that we were able to steadily implement measures to build a foundation for long-term growth.

< Impact of Spread of Novel Coronavirus Infection >



This time, we had originally planned to announce a new medium-term management plan at this financial results briefing, but due to the impact of the novel coronavirus, we cannot announce a medium-term plan, so we are not currently planning to announce this plan, but I would like to talk about our policies for initiatives going forward.

On page 10, I will explain a few of the circumstances surrounding the impact of the novel coronavirus.

The line graph in the middle of page 10 shows the trend in the average number of ATM transactions since April 2019 compared to the same month of the previous year. As can be seen, the year-on-year rate of change has been gradually increasing since July and August 2019.

As a result of the accumulation of charges by new payment service providers, the average number of payments used has increased steadily, reaching 106.2% in February 2020. However, the outbreak of the novel coronavirus began in March 2020, and in March the problem grew steadily to 101.2%. In April, however, the figure fell sharply to 91.5% from the same month of the previous year.

The number of ATMs used in urban and nighttime holidays has declined significantly. Seven-Eleven stores, which account for the majority of the number of installed vehicles, reported a slight decrease, but decreased by about 5% from the same month of the previous year.

On the other hand, although it has been reported recently, the number of customers in the food supermarket is increasing, and in fact, the number of ATMs used in the group's food supermarkets is increasing by about 10%.

As a result of our policy to install ATMs in public places as well, we have installed ATMs in various places, such as stations, airports, and shopping centers. Unfortunately, the number of passengers in such places has declined significantly, and the use of ATMs has declined significantly. There are 515 ATMs in stations, but the number of stations ATMs used has declined significantly, decreasing by approximately 50%.

As Seven-Eleven stores still account for the majority of stores (in places of installation), overall sales have settled to around 91.5% of the previous year's level.

Among the Seven-Eleven stores, there is a big difference between the Seven-Eleven stores in central Tokyo and the Seven-Eleven stores in residential areas. In recent years, there have been economies on newspaper articles on the number of ATMs used by other banks, but approximately 5 percent (ATM usage) has decreased in the center of metropolitan areas.

On the other hand, since there are some residential areas, the entire city of Tokyo has not dropped down to that point. Conversely, I believe that the fact that we have been establishing these facilities in various locations where people are familiar to us has contributed to the stability of our management to some extent.

Another major impact is that the procurement of components for the fourth-generation ATMs, as I mentioned earlier, has been delayed, and some of the replacement plans have been delayed. However, existing operations are being operated in a stable manner.

In addition, the number of ATMs installed at Seven-Eleven stores in the U.S. in the lower right corner is also affected by the novel coronavirus, and has been decreasing by less than 20 percent from the previous year compared to April in March 2020.

Under these circumstances, it is not possible to predict how the line graph will move in the future. Although it is not clear how long the emergency declaration will continue, we judged it very difficult to present the medium-term plan and the outlook for the current fiscal year under the circumstances where the second and third wave are anticipated even if they are cancelled, and decided that this time we have not decided. However, I would like to explain our policies for the future, and I will explain them from page 11 onward.

< Future Approaches (Basic Policy)>

Future Approaches (Basic Policy)

Previous Medium-Term Management Plan (FY2017-FY2019)

Achieve Growth in Our Main Business as We Diversify Our Operations

No major change in the basic policy

➢ Build Foundation for a Long-Term Growth
Move from the "sowing" stage on to "nurture" stage

➢ In response to the novel coronavirus infection, follow through the mission as a **social infrastructure**

➢ Steadily drive forward **the diversification of businesses and services** that realizes medium- to long-term growth, and implement **the structural reforms** to embody and accelerate the growth.

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The basic policy of the previous Medium-Term Management Plan was to realize business diversification while expanding our core business. There is no change in the policy of this major strategy. We will continue to diversify our business while expanding our core business. Rather, given the problem of the novel coronavirus, I think it is necessary to accelerate diversification.

In addition to fulfilling our mission as a social infrastructure, we will diversify our businesses and services and implement structural reforms that will enable us to realize growth over the medium to long term.

Through these structural reforms, we intend to accelerate our efforts to diversify our businesses and services by transforming our various internal business processes, work styles, and business management into new forms that are tailored to the new environment.

< Future Approaches (Business Strategies) >

Future Approaches (Business Strategies)

Response to changes and thorough implementation of the basics	New business domain	Individual	Develop familiar and unique financial products	
		Foreign residents	Provide financial service infrastructure such as remittance	
		BPO	Strengthen back-office support business as common infrastructure	
		Security	Create business by leveraging "safety and security" knowhow	
		Corporate	Offer infrastructure such as settlement agent service	
		[Overseas business]	Expand ATM business and consider new businesses	
Evolution of existing business	Cultivate the world of "ATM+"			
	Further strengthen the ATM platform business			

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The direction of business diversification. As I have been talking about, as the Group has long said, we intend to firmly promote "response to change and thorough adherence to the basics." First, we will steadily evolve existing businesses to ensure thorough adherence to the basics.

As a social infrastructure, we do not know what the market will happen in the future, and there may be major changes. However, we would like to strengthen the ATM market as an automated teller machine with more than 25,000 ATMs.

Nevertheless, there is still some uncertainty in the market for gold deposits and disbursements as cashless and digitalization progresses.

We have been developing the "ATM+" (plus) world because ATMs can be used as a new terminal other than for taking in and out money. In the future, however, we will accelerate the shift to online and remote ATMs due to the novel coronavirus problem, and promote "ATM+" (plus).

Then is about new business areas. As for our domestic operations, we aim to develop the 5 business fields shown on page 12.

The first is individual financial products and services. By offering unique financial products and services that are familiar and unique, customers hope to develop and provide new unique financial products and services that only Seven Bank, Ltd. can provide.

We will not only develop our own products on our own, but also pursue alliances with new business partners. Among them, TORANOTEC Ltd. and others are among them. By forming alliances with companies that provide unique products in the form of API connections, we aim to enhance our individual financial products and services.

The second is financial services for resident foreigners. Unfortunately, due to the problem of the novel coronavirus, the influx of foreigners will slow down. However, in the long run, as Japan's population declines, I think that the structural part of Japan, in which it is forced to rely on the labor force of foreigners to grow as a country, is not unrelated. I would also like to provide solid financial services to foreigners working in Japan.

We intend to firmly establish this business with Seven Global Remit, Ltd. and Credit Finance, Ltd. at the core.

The third is the BPO field. With the spread of telecommuting, remote work, and shifting work, I think the importance of automation is once again recognized. Bank Business Factory Co., Ltd. has already implemented RPA and is automating business processes. By using these functions as infrastructure and providing them to a variety of businesses, we intend to further strengthen our office business.

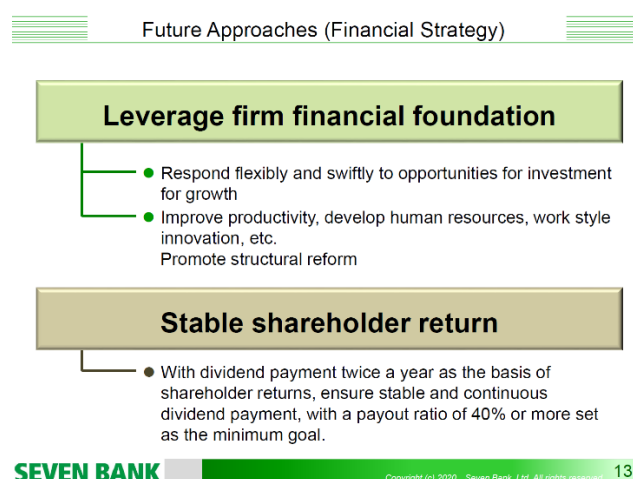
We believe that the more remote we move, such as online and digital, the more we need for security. For this reason, ACSiON, Ltd., a joint venture with ISiD, has embodied security services and certification services, and hopes that these services will be used by everyone as new infrastructures in the digital community.

The latter is the corporate sector. In the case of corporates, we are not loans to corporations, etc. Rather, we would like to provide infrastructure for settlement agency services centered on small-and medium-sized companies. In addition to the actual fund transfer services currently being performed within the bank, we also offer functions such as real-time transfers.

In addition, by successfully combining the ATM receipts handled by Seven Payment Service, Ltd. (7PS) and the settlement agency business of Metaps Payment Inc., which is an investor, we would like to engage in the settlement of corporate transactions centered on small-and mid-sized companies as 1 of our business fields.

In addition, overseas business. In addition to FCTI and ATMi, I just talked about the Philippines. The Philippines has been slightly behind schedule, but there are solid needs, so we will work toward commercialization.

< Future Approaches (Financial Strategy) >



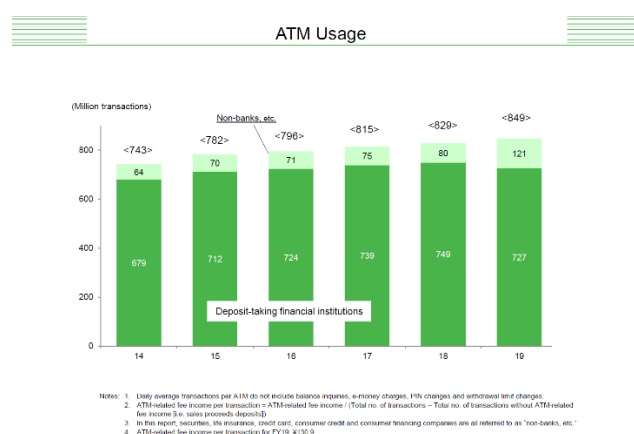
The next page is our future financial strategy. Thanks to these efforts, we have a solid financial base and an internal reserve of more than JPY200 billion. We will

make full use of this financial base, respond flexibly and flexibly to growth investment opportunities, and accelerate and realize the aforementioned 5 fields and overseas businesses.

This time, I feel that there is "nothing we can do" in various ways, such as telecommuting without being able to cope with the problem of the novel coronavirus. At this time, I would like to promptly respond to such issues as investment for improving productivity, human resource development, and work style reform, and promote structural reform.

Meanwhile, we have not decided on the dividend for this time as a stable shareholder return, but we will continue to work to ensure that our basic policy for returning profits to shareholders is unchanged.

< ATM Usage >



That is all. The following is a brief description of the reference material on page 15. The dark green area shows the use of "deposit and savings financial institutions," and the light green area shows the use of "non-banks, etc." Non-banks and other financial institutions are also involved in these transactions, including charges by operating companies. As you can see, the number of transactions of "Deposit Financial Institutions" decreased for the first time in FY2019. This is about 97% of the previous year's level.

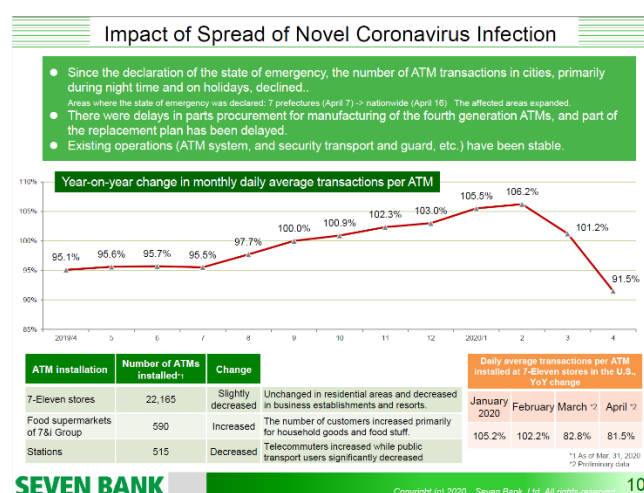
Conversely, the pale green area has increased significantly. The total number of contracts reached 849 million, resulting in an increase in the total number of contracts. While there are some areas in which we do not anticipate how the transaction will evolve in the future, it is becoming difficult to grow the business of deposit financial institutions as in the past, and we will work to increase the number

of customers using ATMs by offering a steady stream of new services offered by operating companies.

That's all, though briefly, but I'll finish my explanation. We will then move to the question and answer session.

[Question and Answer]

<Question and Answer: Among the internal reserves of JPY200 billion, what is the usable amount?>



Questioner 1: Large 2 questions, please. First, please tell us about the impact of the novel coronavirus on the situation in Japan and overseas on page 10. Looking first at Japan, the average number of users in April was 91.5% in Y-o-Y. If we look more closely at the dates, what was the trend?

At the same time, I think it will be difficult, but what is your outlook for the average number of transactions and unit prices going forward, and what is your thinking at this point?

Regarding the United States, if the average number of transactions is around 80 percent in Y-o-Y when considering FCTI's profits, then the proportion of variable costs will be larger and funding costs will decline than in Japan. So should you understand that the level is at which you can secure a surplus? This is the first question.

Leverage firm financial foundation

- Respond flexibly and swiftly to opportunities for investment for growth
- Improve productivity, develop human resources, work style innovation, etc.
Promote structural reform

Stable shareholder return

- With dividend payment twice a year as the basis of shareholder returns, ensure stable and continuous dividend payment, with a payout ratio of 40% or more set as the minimum goal.

The second question concerns the financial strategy on page 13. As I explained earlier, you said that you will respond flexibly to these 5 areas. How much of the JP Y200 billion in internal reserves is available at this point?

Funatake: First of all, what happens when the average number of transactions in April is broken down by day? In fact, the situation was around 95% before the announcement of an emergency situation in April, but after the announcement of an emergency situation was issued, it fell sharply, and ultimately the total figure as of the end of April was 91.5%.

As expected, the issuance of the Emergency Declaration has further restrained your actions, and I think this is the situation.

Then, the average number of transactions is the number of transactions. If this is read, the forecast for FY2020 could also be made. However, I think it is difficult to predict what will happen to the Company in a honest manner.

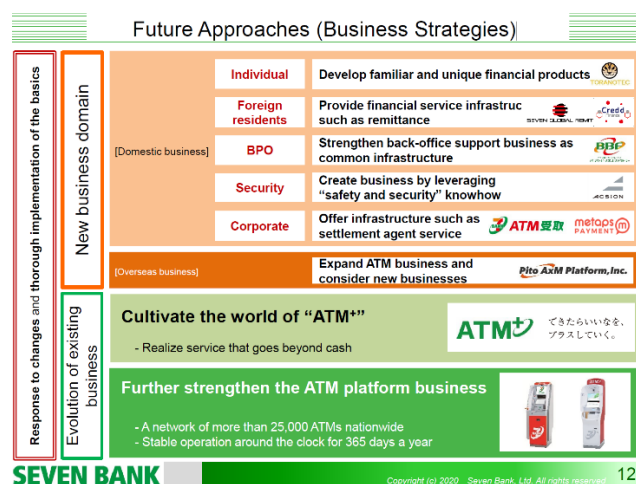
However, as the figure was 91.5% in April, when you experienced it, we believe that the 90% voluntary restraint of action will lead to a slight return if it is cancelled, depending on what kind of action will be taken in the future.

However, it is unlikely that we will immediately return to our actions before the announcement of the state of emergency. In this sense, even if we return a little, it will be difficult to completely return to the situation of last year.

I think the unit price itself has not been affected by the novel coronavirus. Rather, I think that the issue of unit prices will change depending on how the proportion of transactions between non-banks and banks will increase or decrease.

If the proportion of transactions between banks declines and the proportion of transactions between non-banks and other financial institutions rises, I would have to think that the unit price will decline slightly.

Then, in the U.S. FCTI, although it is currently at around 80%, I think that we will be able to secure a surplus if various conditions, such as interest rates and clients, remain unchanged.



As I discussed investment opportunities on page 12, I would like to invest firmly in the 5 fields of our domestic business, our overseas business, and the "ATM+ (Plus)" world.

Although it is difficult to say what the monetary amount will be, we have accumulated internal reserves that are beneficial to us, and the environment in which startups are located will probably change greatly. Under these circumstances, we will look at the timing and respond flexibly.

<Question and Answer: Negative and Positive Changes in Post-covid coronavirus>

Questioner 2: I have two questions. The first point is that, in the term of March 31, 2021, there will be a considerable downward pressure on the number of ATM users. However, please confirm what measures are available to be concretely taken during this period.

In terms of incomes, we believe that the equity-method loss of JPY4.7 billion will dissipate and that the replacement of fourth-generation ATMs will curb costs as well.

In terms of costs, how much downside potential can you see, and what other measures you expect to take during the current fiscal year, such as top-line and expenses?

Looking at the second point and the post-novel coronavirus outlook, what are your current views on the aspects that are likely to become negative compared to the previous 1 and those that are likely to become positive from the perspective of the president?

Funatake: Although we will not respond proactively to the countermeasures during the current fiscal year, in reality the burden of depreciation will be reduced as long as the replacement of the 4th-generation ATMs is delayed. Rather than aggressively implementing countermeasures, we intend to respond to new services by introducing Type 4 at an early stage.

However, as there are some areas that we cannot do alone, in the end, the replacement of type 4 will probably be slightly delayed and the expenses will be lower.

The development and replacement of the fourth-generation ATMs is scheduled to cost approximately JPY70 billion as a whole, and the number of ATMs is 25,000, so if you calculate it, you will know how much it will be per unit.

If you can think that this is a 5-year depreciation, if the 1000 units are pushed back, you should think that the costs will be in the range of JPY500 million to JPY600 million.

Needless to say, we have been talking about the development of a new "ATM+ (plus)" world, as a few scenarios. For example, we can't handle the "My Number" or we are actually developing the product. If this is the case, we believe we can contribute a little to the "Top Line" by the end of this fiscal year.

In addition, although it is unclear whether or not this period will be possible, the problem of the novel coronavirus may also affect the second problem, but I think banks will be able to proceed with rationalization and take various steps before taking action.

As part of this effort, I think that we will reconsider our ATM strategy, including the replacement of ATMs. We believe that we can actively promote the replacement of ATMs.

Second, I think that the Post- novel coronavirus world is in a position, but I think that the environment will continue to change greatly, such as remote, online, and digitized, and unfortunately cashless.

In doing so, it is "negative" or "positive," but if we are focusing on our conventional ATM services centered on cash receipts and disbursements, we would probably have to regard almost all of the items I have mentioned as negative impacts.

However, if we take the view that these changes cannot be stopped and that we ourselves and our ATMs have to change, I think that in a sense this would be a positive environment.

In that sense, as I explained earlier, if we can provide services such as "ATM+ (plus)" certification in the world, then if people who cannot immediately cope with digitization can come to and authenticate ATMs, I think that if we can do so, we will be able to become a bridge between digital and analog.

Or under the current status, I think that if the Japanese nation as a whole had been able to receive money through the My Number certification, the 100,000 yen in support could have been given immediately, but there is a possibility that this kind of thing will move forward in the future at once.

In this sense, I believe that it will become easier for us to realize a variety of "ATM+ (plus)" worlds that we are currently preparing.

As I mentioned earlier, the BPO world, security world, mid-sized companies, and small and medium-sized corporations also need to respond to the needs of people with remote, online, or automated systems.

Within this context, the need for security, automation of clerical processes, and online payment agency services will increase, and I think that we will be able to take full advantage of these needs.

In this sense, if it is said to be negative, there is a negative aspect, but we would rather take it positively and make it a business opportunity.

<Question and Answer: How likely is the negotiation of lower fees?>

Questioner 3: I have two questions. One is about the charge system. How much should we be aware of the possibility of negotiations to reduce fees and other fees in

the future? If we were to be aware of this, what should we be thinking about the time horizon?

Second, I think there has been a change in the commission structure of Mizuho Bank since March and Mitsubishi UFJ Bank since May. Would the impact of these changes and the possibility that this trend will spread to other banks and regional banks? Thank you in advance for the above two points.

Funatake: The problem of lowering the charge of the charge system has not yet been 1 year since the start of the negotiation, although it has been slowly lowering the value.

For this reason, we are saying, "Let's see how things are going for at least one year." It is not possible to simply accept the negotiations for a reduction, so we would like to consider it while looking at the leeway for 1 year.

The change in customer service fees at Mizuho Bank and Mitsubishi UFJ Bank was followed by a substantial decline in the number of cases at Mizuho Bank and Mitsubishi UFJ Bank due to the impact of the novel coronavirus.

Frankly, it is not clear whether the impact of the novel coronavirus was due to a change in customer commissions or the impact of a change in customer commissions. As I mentioned earlier, however, the number of banks as a whole is decreasing considerably, so in that sense, it is honest to know whether this is due to the impact of customer commissions at this point.

Questionnaire 3: What is the trend for other banks to follow, including regional banks?

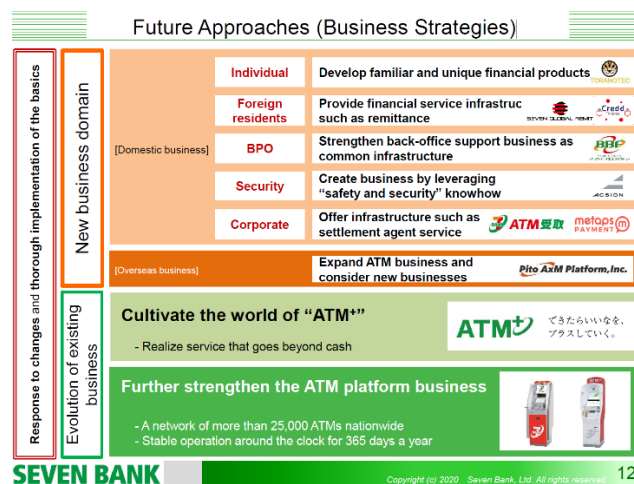
Funatake: In addition, the effect of the novel coronavirus is overwhelmingly greater, because the 2 banks do not differ significantly from the other banks (the degree of decline in the number of cases), and it seems that the impact of customer commissions is not yet visible.

Whether or not other banks will follow suit, however, is still not so significant at this point in time, but as I explained earlier, this may be the case when banks are considering a variety of factors, including their own rationalization.

Based on such facts, we will have to consider how we will respond to them from now on. This is all.

<Question and Answer: What period was initially assumed for monetization of the 5 new businesses?>

Questioner 4: I would also like to ask you two things.



The first point is the business strategy shown on page 12 of the slide. It is said that the novel coronaviruses may push a variety of things back from now on.

Please tell us how long it took for the new 5 businesses to monetize before the outbreak of the novel coronavirus began when the new medium-term plan was formulated.

This is the second point. There was a talk that the replacement of the fourth-generation ATMs will be delayed, so I think the capital and money that were planned to be invested in that will be left out to some extent.

I would like to ask you to tell us whether you can swiftly allocate this amount to other growth investments, such as those on page 12, or whether it will remain on hand for a while.

Funatake: First, I would like to ask you about your business strategy. In our attempt to diversify into new business areas, what kind of timeline were we thinking of returning to profitability in each area?

Roughly speaking, I was watching the market and thinking that if there were no problems with the novel coronavirus, it would be possible to keep the balance between 3 and 4 years.

Some will be postponed by the effects of the novel coronavirus. Conversely, I think there will be areas where the novel coronavirus will drive market expansion.

The second and fourth generation of ATMs. As I mentioned earlier, the replacement of 25,000 units is lagging behind schedule, but basically we plan to complete the replacement of them over the next few years.

Therefore, rather than spending the money this year for other fields, we intend to spend it as wasteful money for the steady replacement work from the next fiscal year onward.

< Question and Answer: What are the major differences from the initial assumptions in terms of TORANOTEC impairment ?>

Questioner 5: Two things, please. The first point concerns the introduction schedule for the fourth generation of ATMs. In the past, I think this was a speedy assumption, such as a 1-time introduction in about 3 years.

It is said that the procurement of parts is currently at a halt, but when you return to normal conditions, please tell us about your schedule as to whether you will immediately introduce ATMs at the same pace as initially anticipated, or whether you will introduce them at a moderate pace from 5 to 6 years.

This is the second point. TORANOTEC Ltd. is impaired this time. If we were to say "the estimate was too sweet," that would be the end, but I would appreciate it if you could comment to the extent that it would be acceptable to make a significant difference from the original assumption.

Funatake: First, I would like to answer the schedule for the introduction of the fourth-generation ATMs. In fact, we planned to replace the products over the first 5 years or so.

Currently, the procurement of parts is slightly behind schedule, but what will be done if it becomes possible to procure parts is still unchanged.

We are still considering whether to shift the schedule back and complete it in the fifth year, and whether to gradually increase the number of units to be replaced each year. It will take about 5 years, but I think it will depend on the development of new services rather than on money.

There is a service that can only be provided at the fourth generation ATMs. Photographs and barcodes can be scanned with cameras only in the fourth generation of AT

Ms. If such services are rapidly expanding, I think that there will be a rapid replacement in 3 years, regardless of whether we are focusing on 5 years.

If that happens, the annual investment plan will increase, but we have internal reserves, so I think we can respond flexibly. This is an answer to the replacement schedule for the fourth generation ATMs.

Regarding the impairment of TORANOTEC Ltd. Originally, TORANOTEC Ltd. thought of it as 1 of the major contents of our personal services.

At that time, we thought that we would broaden our contact points with customers not only through our bank accounts, but also through our group-wide "7pay" contact points.

In this sense, we have invested JPY3 billion to develop 7pay, but unfortunately 7pay has stumbled in the same way as before.

As we planned to expand the services called Tranoco of TORANOTEC Ltd. in the midst of the expansion of the 7pay, the 7pay stumbled, and the progress of the tranoco was delayed in the same way.

We postponed the plan along with 7pay, and accounted for the impairment in this way. However, TORANOTEC's "TRANOCO" service creates a new world in which banks born from convenience stores are unique in that they invest in fishing.

In addition, in the sense that we conduct various transactions with smartphones, I believe that we will be able to drive the world of investment centered on smartphones in the new world after the novel coronavirus.

This impairment was made, but the Group intends to continue its support as far as possible. This is all.

Moderator: Thank you very much. Lastly, I would like to say one word from Funatake.

Funatake: Here is your boat bamboo. Thank you very much for joining us today by a large number of people. Due to the impact of the novel coronavirus, it is difficult to anticipate the future. Therefore, we cannot present our FY2020 plan, dividend, and medium-term management plan, and we are very pleased. We would like to disclose the plan as soon as we can see the situation to some extent, so we would like you to understand it.

There have been no major changes in the strategies implemented since the previous medium-term management plan period. Rather, we need to further accelerate our efforts to diversify our businesses and reform our internal systems and systems with an eye toward the world of after novel coronavirus. Perhaps the world will undergo a major change after the novel coronavirus.

This change will have a negative impact if we try to protect our traditional business, but I would rather take it positively and use it as an opportunity for us to change our business model and work style.

We will respond to changes by boldly and flexibly changing what we need to change, while firmly protecting what we need to protect. We look forward to your continued support. Thank you so much for today.