

Seven Bank and Corona saw lower sales and profits in First Quarter, but the number of ATMs used recovered, contributing to profits at U.S. affiliates

Seven Bank, Ltd.

8410 Tokyo Stock Exchange First Section • Banking

We will report the details of Seven Bank, Ltd. for the First Quarter of the Fiscal Year Ending March 31, 2021 results briefing on August 7, 2020.

[Speaker]

Seven Bank, Ltd. Senior Managing Executive Officer, General Manager of Planning
Department Kawada Hisanao

[Text]-----

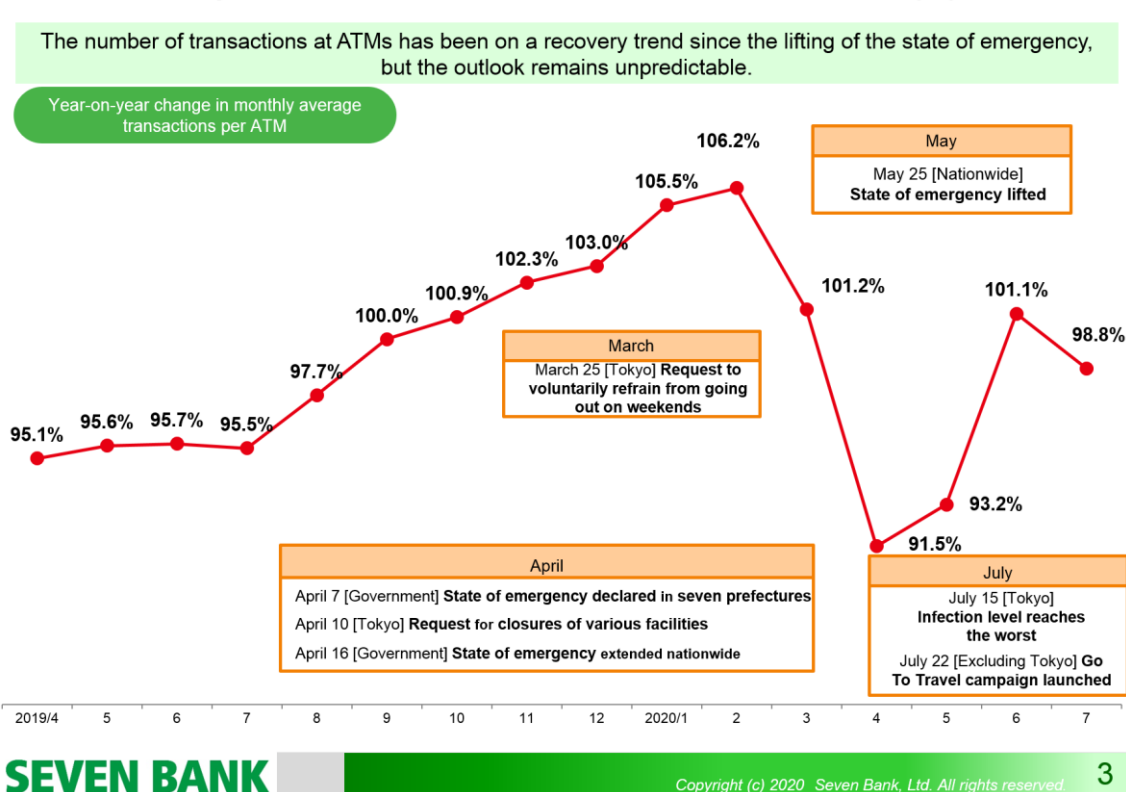
<Explanatory Meeting for the first quarter of the fiscal year ending March 31, 2021>

Kawada Hisanao (hereafter, Kawada): Kawada in Seven Bank. Thank you very much for taking care of me more than usual. We also thank our many participants for their participation in today's difficult business environment, such as new coronaviral infections and multiple heat strokes caused by severe heat. We will explain this in accordance with the financial results briefing materials announced today for the first quarter.

At the time of the May financial results announcement, I believe that the Company's forecasts for the fiscal year ending March 2021 would have been presented. However, this year, the Company was unable to demonstrate the impact of the new coronavirus infection on our group. Today, I would like to explain the impact of the new type of coronaviral infectious disease, the second point being the content of the financial results for the first quarter, and the third point being the 3 points of the financial results forecast for the fiscal year ending March 2021.

< Impact of Novel Coronavirus Infection (1) >

Impact of Novel Coronavirus Infection (1)

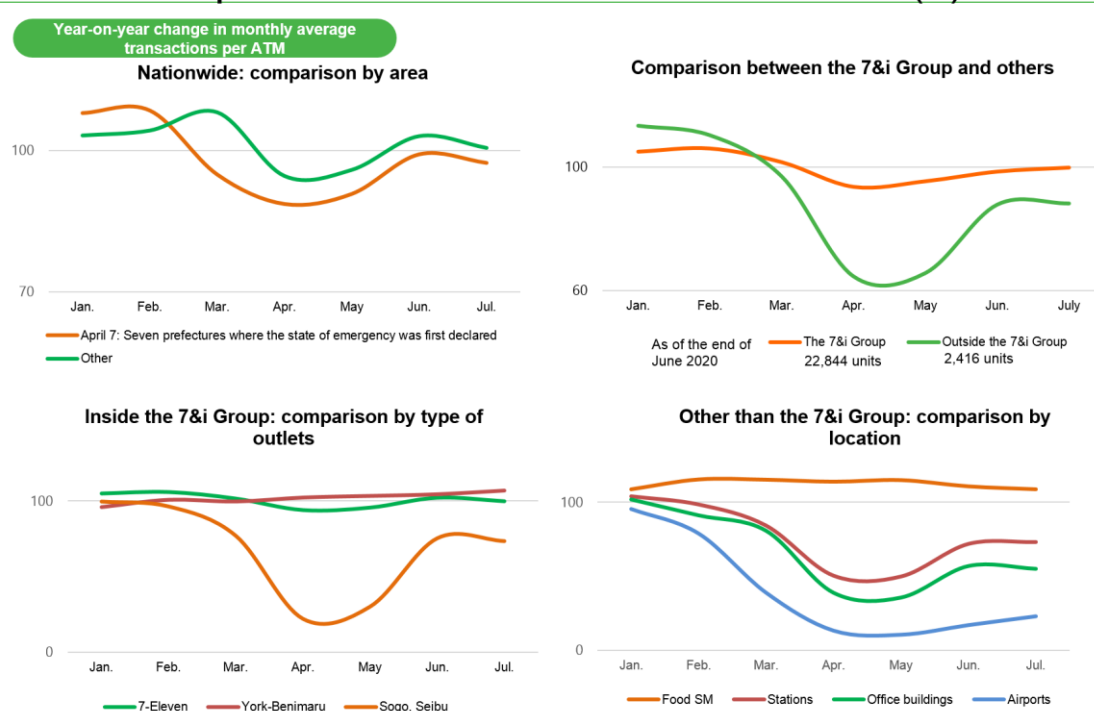


First, see the graph on page 3 for the impact of the new coronaviral infections. The graph below shows the average number of ATMs used in Japan compared to the same month of the previous year. I think you can understand that our ATM usage grew significantly by more than 100% from last fall to winter, and as shown in the graph, it has fallen significantly since March. This is the impact of the new type of coronavirus infections.

If the impact of the new coronaviral infections were unaffected and the trend from fall to winter last year were progressing, the number of ATM users probably increased to around 108% or 110% this time, but the impact of the new coronaviral infections caused the number to fall sharply, from 91.5% in April to 93.2% in May to 101.0% in June. It is recovering again in June, but we believe the impact of the new coronaviral infections remains, given that the figure is considerably lower than the previous trend.

< Impact of Novel Coronavirus Infection (2)>

Impact of Novel Coronavirus Infection (2)



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Our average number of ATM transactions compared with the same month of the previous year is shown from various perspectives. Please note that the figures are shown in curved graphs because they are not clearly disclosed. Regarding the scale as well, there are differences depending on the graph, as the lower limit of the scale is 70% or 0%, but I would like to see it also include that.

First is a comparison of areas across the country. In 7 urban prefectures where an emergency declaration was issued on April 7, the use of ATMs was relatively good. However, the impact after the announcement of the emergency was extremely large, and the orange line is below the green line and continues to be below the previous year's level.

When compared within and outside the 7&i Group, the number of users is overwhelmingly large, with 22844 orange lines representing the 7&i Group, 90% of the total. There are 2,416 units outside the group. Within the Group, the impact of the new type of coronaviral infections was relatively stable, and outside the Group, the impact of the new type of coronaviral infections was significant.

This is broken down a little further, and there are various stores in the Group, such as Seven-Eleven, York-Benimaru food supermarkets, and Sogo and Seibu department stores, so what we divide into these stores is the graph at the lower left part of page 4.

Since there are more than 20,000 Seven-Eleven stores in a variety of locations, including residential areas across Japan, sales have been fairly stable. York-Benimaru, a supermarket, performed very well, as reported in newspapers and TV, and this was reflected in the number of ATMs used.

On the other hand, sales at department stores fell considerably in April and May due to closures and a sharp decline in the number of inbound tourists. The graphs outside the next 7&i group are broken down into those outside the group (green lines) in the graph above which the comparisons within and outside the 7&i group are made.

There are facilities outside the Group, but among them, supermarkets are also performing well. On the other hand, as reported, the fact of people commuting from the red line, the office building on the green line, and the airport on the bottom blue line decreased due to the progress of telecommuting, the number of people coming to office buildings decreased, and because international routes were virtually all shut down, the number of ATMs used by us was also significantly affected.

< Novel Coronavirus Infection Response Policy and Strategy >

Novel Coronavirus Infection Response Policy and Strategy

Response Policy

- Priority on **safety and security** of customers, business partners, and employees
- Ensure stable operation of ATMs, as **social infrastructure**, so that they would not stop
- Amid **coexistence with the coronavirus**, **promote various innovations** including in-house business process, work style, business administration

Strategy

Response that takes into account daily life with the coronavirus and after the pandemic

Changes were accelerated after the spread of the coronavirus

Remote, non-face-to-face

Cashless

Online

Digitization

A world where diverse options are required

- Steadily accumulate measures essential for the future growth



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This section describes policies and strategies for dealing with pandemic coronavirus infections. With regard to our response policy, we will put the safety and security of our customers, business partners and employees first and ensure the stable operation of ATM services as part of our social infrastructure. In addition, we will promote a variety of reforms, including internal business processes, work styles, and business management, while coexisting with the new Coronavirus.

We believe that our response to With corona and After corona has accelerated with the emergence of new coronavirus infections. These changes are remote and non-face-to-face, cashless, online, and digital, and I believe that these changes are taking place at an accelerated pace following the outbreak of a new type of coronaviral infectious disease.

As the world becomes increasingly demanded for a variety of options, we will respond to these changes and steadily accumulate measures essential for future growth. As we have been discussing these important areas, we intend to further evolve the individual, BPO, resident foreigners, corporate, security, and ATM businesses, as well as realize "ATM+ (plus)" world

where ATMs can be used beyond cash receipts and disbursements. We are currently working as a unified company to achieve these goals. These are the consequences of new coronavirus infections.

<Financial Results Digest for First Quarter of Fiscal Year Ending March 31, 2021>


**Financial Results Digest for First Quarter of
Fiscal Year Ending March 31, 2021**


Results for the First Quarter of Fiscal
Year Ending March 31, 2021

➤ **Both consolidated and non-consolidated
(Seven Bank) income and profit declined**

- Number of ATM transactions declined mainly due to the **coronavirus crisis**
(Year-on-year comparison of number of total ATM transactions in 1Q: down 4.8% in Japan, down 7.9% in the U.S.)

➤ **Consolidated subsidiaries made profit contributions**

- U.S. subsidiary FCTI **achieved an increase in profit** owing to the impact of controlling interest expenses, etc.
- Ordinary profit [consolidated] ¥8.3 billion > [non-consolidated] ¥8.1 billion
 Net income [consolidated] ¥6.7 billion > [non-consolidated] ¥5.6 billion



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This section presents the financial results for the first quarter of the fiscal year ending March 2021. There are 2 digest points for the financial results for the first quarter.

First, both consolidated and Seven Bank sales and profits declined on a non-consolidated basis. There was the coronavirus crisis, and the number of ATMs used for the period decreased.

The total number of ATMs used in the first quarter was negative 4.8% year-on-year in Japan and negative 7.9% year-on-year in the United States, where FCTI, Inc. is located. As I mentioned earlier in the graph below, the impact of the new coronaviral infections declined considerably in April and May, but recovered in June. In this sense, although there were considerable changes during the first quarter, Japan's total declined to minus 4.8%.

The second factor is the contribution of consolidated subsidiaries to incomes by providing positive materials in this environment. The U.S. FCTI, Inc. saw a considerable increase in profits due to restrained fund procurement costs and other factors.

This may be a matter of course, in which consolidated incomes exceed non-consolidated profits on a profit basis. However, because of the fact that consolidated profits have fallen below non-consolidated profits, the businesses of consolidated subsidiaries have finally become able to contribute to the profits of Seven Bank Group.

< Income Statement (Consolidated) >

Income Statement (Consolidated)				
➤ Declines in both income and profit				
	Three months ended June 30, 2019	Three months ended June 30, 2020	Changes from FY19 1Q	Comparison with FY19 1Q
Ordinary income	36.8	33.0	(3.8)	(10.3%)
Ordinary expenses	25.7	24.6	(1.1)	(4.2%)
Ordinary profit	11.1	8.3	(2.8)	(25.2%)
Net income	7.6	6.7	(0.9)	(11.8%)

(Billion yen)

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 per USD 1 on the consolidated income statement
FY19 1Q \$1 = ¥110.22, FY20 1Q \$1 = ¥108.86
4. Net income is net income attributable to owners of the parent.

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In the first quarter of the fiscal year under review, both sales and profits declined. Ordinary income was JPY33 billion, a negative 10.3% year-on-year, and ordinary income was JPY8.3 billion, a negative 25.2% year-on-year.

< Income Statement (Seven Bank) >

Income Statement (Seven Bank)

➤ Declines in both income and profit

(Billion yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Changes from FY19 1Q	Comparison with FY19 1Q
Ordinary income	29.8	26.5	(3.3)	(11.0%)
ATM-related fee income	27.0	23.8	(3.2)	(11.8%)
Ordinary expenses	18.4	18.4	(0.0)	(0.0%)
Ordinary profit	11.3	8.1	(3.2)	(28.3%)
Net income	7.8	5.6	(2.2)	(28.2%)
EBITDA	14.8	11.2	(3.6)	(24.3%)
No. of ATMs installed at end of term (units)	25,252	25,260	8	+0.0%
ATM-related fee income per transaction (yen)	135.0	124.8	(10.2)	(7.5%)
Daily average transactions per ATM (transactions/ATM/day)	89.6	85.4	(4.2)	(4.6%)
Total no. of transactions (million)	205	195	(10)	(4.8%)

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

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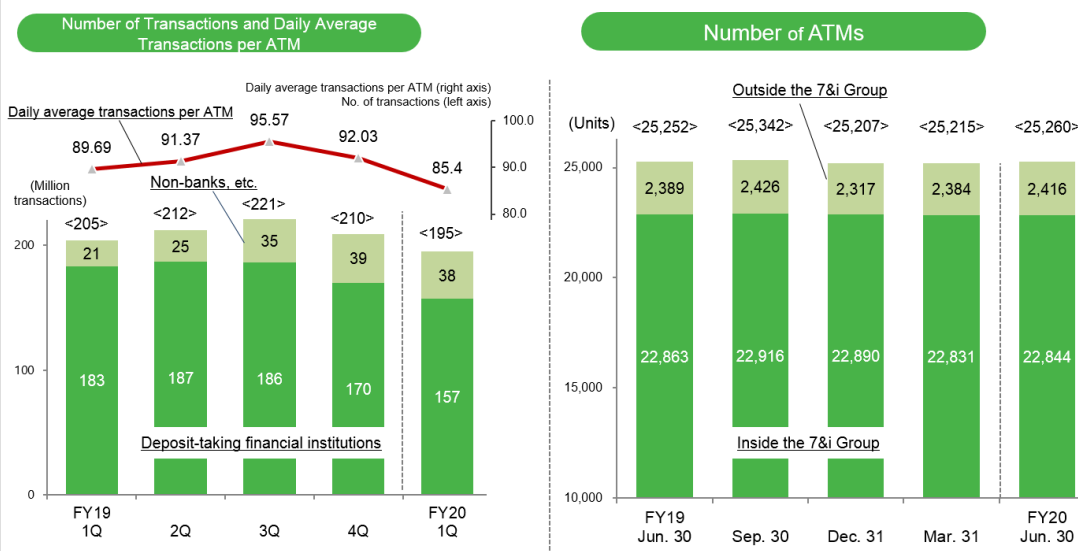
Profit and loss of Seven Bank on a non-consolidated basis. Ordinary income was JPY26.5 billion, down 11% year-on-year, ordinary income was JPY8.1 billion, and net income was JPY5.6 billion, for negative 28% each.

To explain why we are facing difficulties so far, we can point out that the ATM commission unit price shown in the table below was negative 7.5% compared to the previous year and the total number of ATM transactions was negative 4.8%. Because sales are calculated by multiplying the number of transactions by the unit price, these 2 negative factors have resulted in a negative 11.8% ATM commission fee shown in the second row of the above table.

When sales decline and expenses decline, it is sufficient to maintain profits. However, as you know, Seven Bank's expenses are largely linked to the number of ATMs, and even if sales decline due to a decline in the number of ATMs, there is no immediate reduction in expenses. As a result, both sales and profits declined in this way.

<ATM Platform Business Figures (Seven Bank)>

ATM Platform Business Figures (Seven Bank)



Notes:

1. Total number of transactions and daily average transactions per ATM do not include balance inquiries, e-money charges, PIN changes, and withdrawal limit changes.
2. In this report, securities, life insurance, credit card, consumer credit and consumer financing companies are all referred to as "non-banks, etc."
3. ATM-related fee income per transaction for FY20 1Q: ¥124.8
ATM-related fee income per transaction = ATM-related fee income / (Total of transactions – Total of transactions without ATM-related fee income (i.e. sales proceeds deposits))

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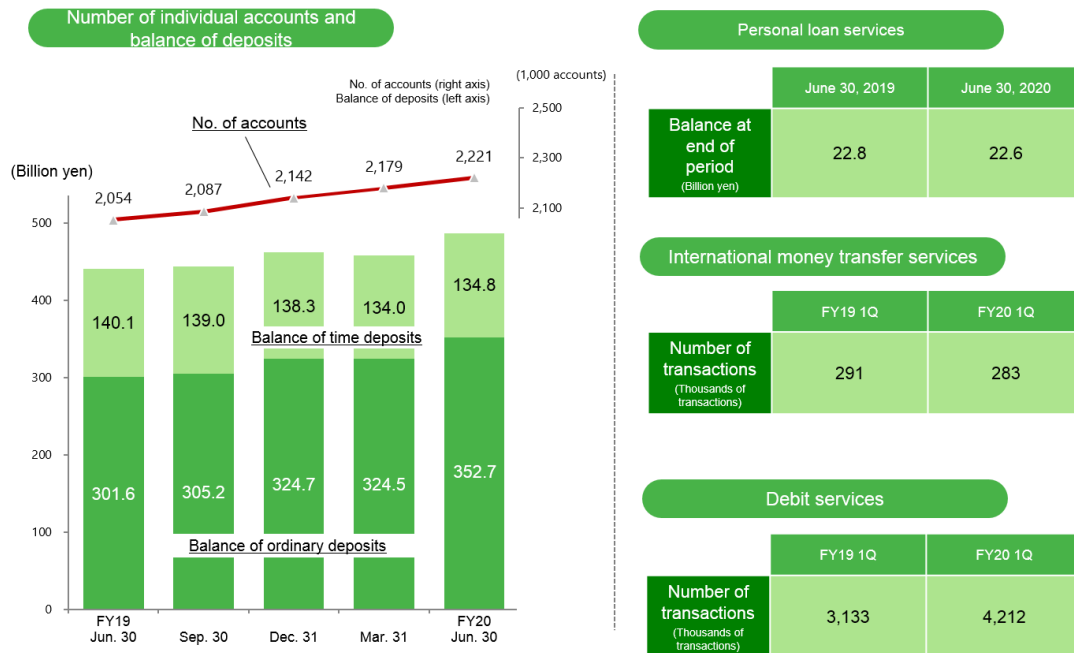
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Figures are for ATM platform business. In the graph on the left-hand side, the bar graph shows the number of deposit and savings financial institutions and non-banks by quarter, and the line graph shows the average number of transactions. In the first quarter of FY2020, status the number of cases and the average number of cases used declined significantly, mainly due to the impact of the new coronaviral infections.

The graph on the right shows changes in the number of ATMs. 7 & i Group's total number of vehicles is 25,260 as of the end of June 2020 and 25,252 a year ago, showing little increase. Until now, an increase in the number of ATMs has been a driver of growth, but in this regard, the situation is fairly weak.

< Settlement and Account Business Figures (Seven Bank)>

Settlement and Account Business Figures (Seven Bank)



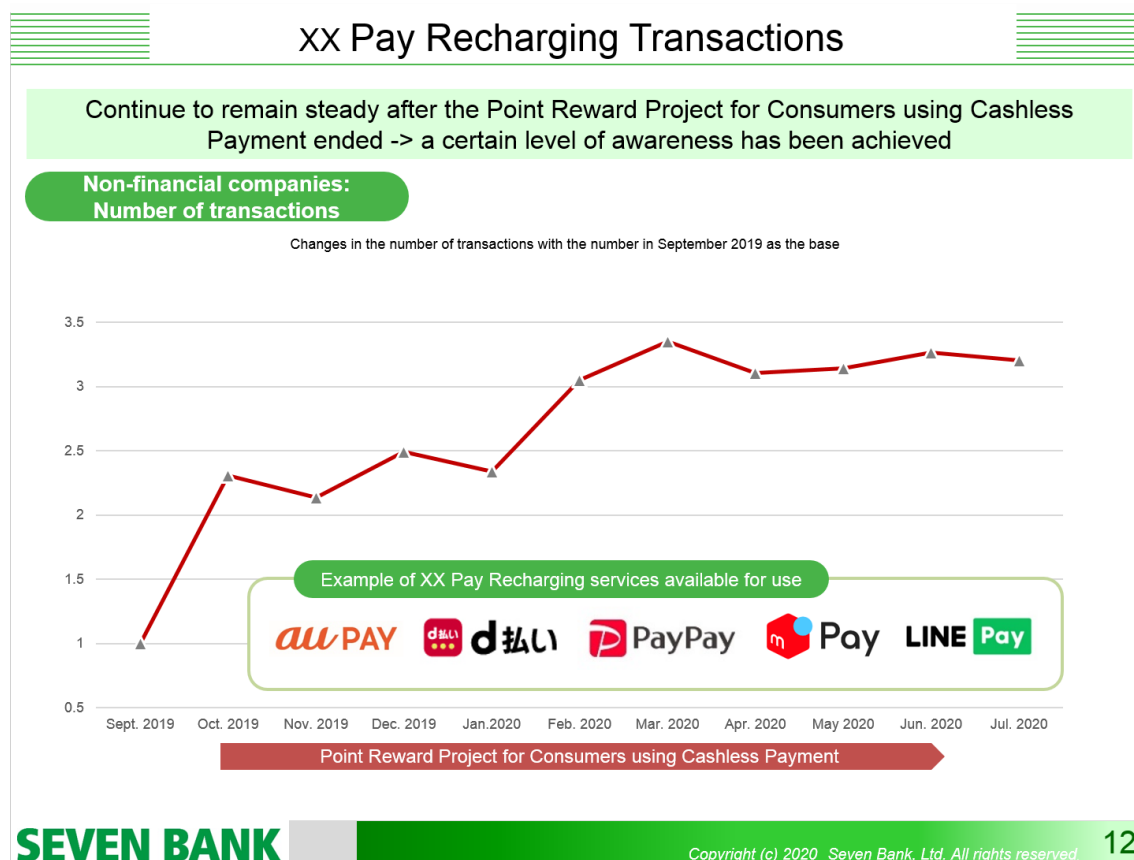
I would like to explain the main figures for the Settlement Account Business. The graph on the left shows the number of accounts and the balance of deposits, but we are doing very well. The number of accounts and the balance of deposits are steadily increasing, partly because we are making a variety of efforts to make it easier to open our accounts.

In the case of personal loans to the right, general consumer finance companies have struggled considerably due to very weak economic activity, especially in April and May. As a result, the overall market shrank, and our results were slightly negative.

International Money Transfer Service business is also negatively impacted by the fact that, despite the fact that foreign workers living in Japan are the main customers, it is difficult for them to remit money locally in an extremely difficult economic environment. As a result, it has been negative compared with the same period of the previous fiscal year.

Debit services are steadily increasing due to the impact of the cashless point redemption business and other factors.

< XX Pay Recharging Transactions >



Pages 12 and 13 describe the topics in two ways. Page 12 shows the status of charge transactions such as "XX Pay", e.g. "PayPay", "LINE Pay". The graph shows not figures, but September 2019 as 1. It increased steadily from the second half of last year to the beginning of this year, and has remained at a high level since then.

Point Reward Project for Consumers using Cashless Payment was completed at the end of June, but it did not decline significantly in July, so we believe that the use of cashless payments by charging and using our ATMs has become firmly established to some extent.

< Participation in the Individual Number Card Points service >

Participation in the Individual Number Card Points service

Create new ATM values that go beyond the existing concepts

Cultivate the world of ATM+

-Realize service that goes beyond cash

ATM+

できたらいいなを、
プラスしていく。

Upgrade digital service from real contact points to a supporting terminal

Participation in the Individual Number Card Points service with ATMs

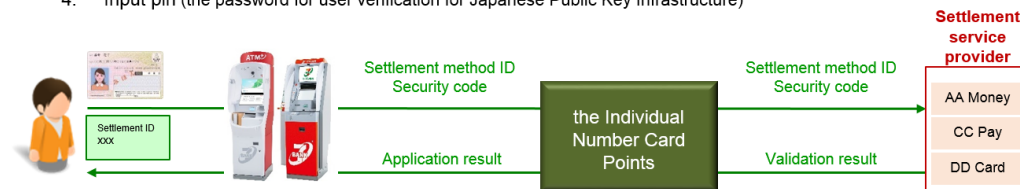
the Individual Number Card Points : the government offers points through cashless settlement service providers for a limited period of time

Consumers can "book and apply for the Individual Number Card Points" simply from a Seven Bank ATM

※ Scheduled to start service on August 31, 2020

Image of transaction procedure

1. Manually input ID of the settlement means (or set up the e-money medium)
2. Manually input the security code tied to the settlement means ID (no need to input it for e-money medium)
3. Insert "Individual Number Cards" in ATM
4. Input pin (the password for user verification for Japanese Public Key Infrastructure)



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In participating in the Individual Number Card Points service, we have positioned this as the first step in the creation of new value for ATMs that go beyond the conventional concept. ATMs have a strong image as cash deposit/withdrawal machines, but we are considering the development of the "ATM+ (plus)" world, in which cash exceeds cash.

Since the Individual Number Card Points service will begin in the future, there is a trend toward commercials for accepting reservations on televisions, and we are participating in this. Specifically, we will develop a service that enables customers to link their Individual Number Cards with payment methods with incentives to use them at ATMs.

The service itself is scheduled to be launched on August 31, so it is still not available as of today, but the link between the Individual Number Card Points and the method of settlement is still the reservation period. The actual 25% point return or cash back will start from September. We are working to develop this system in time for the commencement of this business. These are the topics.

< Income Statement (FCTI)>

Income Statement (FCTI)

(Million USD)

➤ Income declined while profit increased

	Three months ended March 31, 2019	Three months ended March 31, 2020	Changes from FY19 1Q	Comparison with FY19 1Q
Ordinary income	63.4	58.1	(5.3)	(8.3%)
Ordinary expenses	62.0	53.7	(8.3)	(13.3%)
Ordinary profit	1.3	4.3	3.0	+230.7%
Net income	1.2	4.2	3.0	+250.0%
EBITDA	3.0	6.0	3.0	+100.0%
No. of ATMs installed at end of term (units)	12,374	10,759	(1,615)	(13.0%)
At SEI (units)	8,352	8,480	128	+1.5%
Daily average transactions per ATM (transactions/ATM/day)	41.7	44.7	3.0	+7.1%
At SEI (transactions/ATM/day)	55.0	53.1	(1.9)	(3.4%)
Total no. of transactions (million)	47.7	43.9	(3.8)	(7.9%)

Notes:

1. Total number of transactions for U.S. ATMs includes balance inquiries.
2. Number of ATMs as of June 30, 2020: 10,663 (preliminary figure)
At SEI: 8,494 units Other than SEI: 2,169
3. 1Q (January-March), 2Q (April-June), 3Q (July-September), 4Q (October-December)

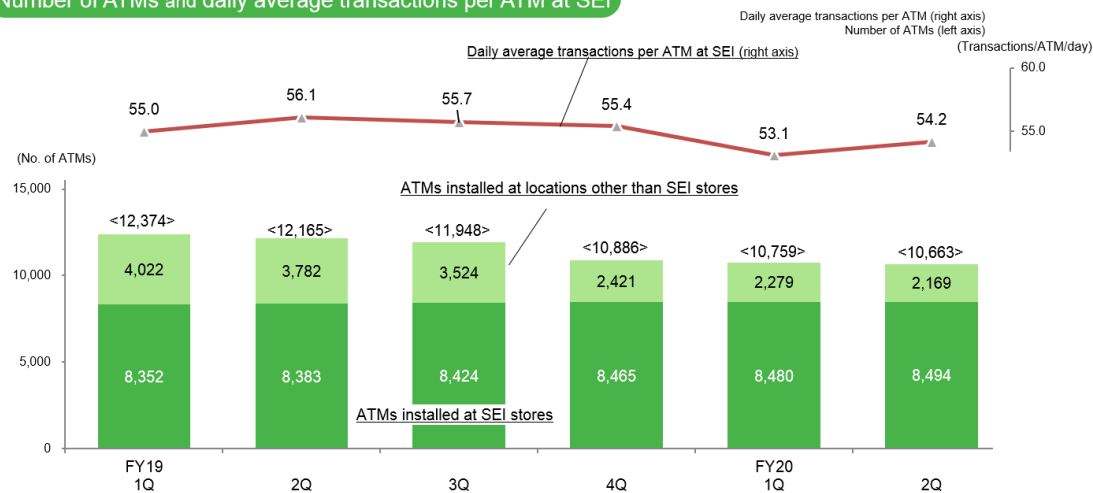
Profitability of FCTI, Inc. in the United States. Overseas results are in December, so the first quarter is from January to March. Ordinary income was \$58.1 million, down 8.3% year-on-year, ordinary income was \$4.3 million and net income was \$4.2 million.

In the case of the U.S., the business structure is quite different from that of Japan, and as the number of ATMs used declines, expenses are also reduced. In addition, interest rates in the United States have declined considerably, and we have to store cash in our ATMs. However, due to the substantial reduction in our funding costs, our ordinary expenses have declined significantly, and profits have increased significantly.

< U.S. ATM Figures (FCTI)>

U.S. ATM Figures (FCTI)

Number of ATMs and daily average transactions per ATM at SEI



- The number of transactions at ATMs declined after the declaration of the state of emergency by the U.S. in March 2020, but it has started recovering recently.
- Seven-Eleven outlets in the U.S. also continued operating as social infrastructure.

Notes:
 1. 1Q (January-March), 2Q (April-June), 3Q (July-September), 4Q (October-December)
 2. The figures for 2Q FY20 are preliminary.

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Calculation of ATMs in the U.S. indicates the average number of ATMs installed at Seven-Eleven (SEI) in the U.S. using the orange line graph. The bar graph shows the number of ATMs. The bottom portion of the green indicates that it is in SEI stores, and the light amber green part indicates that it is outside SEI stores. Yellow-green color is decreasing steadily because it is less profitable and is being sold. Currently, there are still 2,169 units, but we are also negotiating to sell them, and we are moving forward with this to reach zero in the future.

As a result, we anticipate a slight decline in the top-line of the business as well as a further drop in costs and a stronger performance on a profit basis.

<Business and Dividend Forecasts for the Fiscal Year Ending March 31, 2021>

Business and Dividend Forecasts for the Fiscal Year Ending March 31, 2021

Forecast for the fiscal year ending March
31, 2021

➤ See the next page for preconditions of the calculation

Consolidated

Ordinary income: **¥134.2 billion**
(down ¥14.3 billion, or 9.6%, year-on-year)

Ordinary profit: **¥32.8 billion**
(down ¥7.0 billion, or 17.5%, year-on-year)

Net income
attributable to owners of parent: **¥23.0 billion**
(down ¥3.1 billion, or 11.8%, year-on-year)

Non-consolidated

Ordinary income: **¥109.8 billion**
(down ¥10.4 billion, or 8.6%, year-on-year)

Ordinary profit: **¥32.4 billion**
(down ¥12.6 billion, or 28.0%, year-on-year)

Net income: **¥22.4 billion**
(down ¥5.2 billion, or 18.8%, year-on-year)

Dividend forecast for the fiscal year ending
March 31, 2021

➤ Maintain the same dividend amount in the previous fiscal year

- Interim dividend of ¥5.50 and year-end dividend of ¥5.50 for annual dividend of ¥11.00

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Lastly, I would like to explain about our earnings forecasts for the fiscal year ending March 2021. For the fiscal year ending March 2021, result forecast consolidated ordinary revenues of JPY134.2 billion, negative 9.6%, ordinary income of JPY32.8 billion, and net income of JPY23 billion.

On a non-consolidated basis, ordinary revenues are forecast to be JPY109.8 billion, minus 8.6%, and ordinary income and net income are forecast to decline for the full fiscal year as shown in the table below.

Regarding the dividend forecast for the fiscal year ending March 31, 2021, we expect to maintain the dividend amount for the previous fiscal year, resulting in an interim dividend of JPY5.50 and a year-end dividend of JPY5.50, for an annual dividend of JPY11, which is the same as in FY2019.

< **Preconditions for Calculation of Business Forecast** >

Preconditions for Calculation of Business Forecast

Outlook	
Number of infected people	Further expansion of the infection and strong concerns over a second wave
Economic activity Consumption behavior	Gradually resuming but situation is difficult
Telecommuting	30 to 40% It may expand depending on the situation
Excursions, downtown areas Holding of events	Restrictions corresponding to infection status -> avoiding 3Cs (new norm)
Inbound	Entry restrictions -> possibility of partial easing

- Outlook of economy is **extremely opaque**
- There are concerns that the infection will continue to expand and prolong in the second quarter and onwards, and **the impact** of voluntary restrictions and the new lifestyle **on the business environment will remain** at least till the end of the fiscal year.
- The number of ATM transactions is expected to remain at **a level similar to the current level**.

These forecasts are based on the assumptions used in the calculation of financial results. As the situation of the new type of coronaviral infections continues to change, it is very difficult to assess the impact on our business, but we provide our outlook for the future. With regard to the number of infectious diseases, there are strong concerns about further expand of the infectious disease and the second wave, and the government has reported that economic activities will gradually resume and that it will not stop them all as in April and May. However, I think the situation will continue to be difficult.

Many people are now returning to work from work at a company, but the situation may become more widespread depending on the status of the infectious disease. With regard to tourism, entertainment districts, and the holding of events, we believe that responses will continue to be moderated or tightened according to the status of the infectious disease. Inbound tourists came as close to zero as possible due to the restrictions on entry, but there is a possibility of some easing.

Generally speaking, the economic outlook is extremely uncertain. The earnings forecast is calculated on the assumption that the number of ATM transactions is expected to remain at the same level as the current status.

Consequently, in the event that conditions around the world change considerably, such as the second wave of spread of the infectious disease, and if an emergency announcement is made again, the results may fall short of the forecast, but under the assumptions of this forecast, we consider it in the form described on page 18 of the slide.

< Income Statement (Consolidated) >

Income Statement (Consolidated)						
	FY19 results		FY20 plan (announced in August 2020)			
	Full year	1H	Full year	Changes from FY19	1H	Changes from FY19 1H
Ordinary income	148.5	74.5	134.2	(14.3)	67.8	(6.7)
Ordinary expenses	108.7	54.3	101.3	(7.4)	49.7	(4.6)
Ordinary profit	39.8	20.1	32.8	(7.0)	18.0	(2.1)
Net income	26.1	13.0	23.0	(3.1)	12.6	(0.4)

(Billion yen)

Notes:
 1. Exchange rates per USD 1 on the consolidated income statement
 FY19 \$1 = ¥109.0, FY19 H1 \$1 = ¥110.06, FY20 plan \$1 = ¥108.00
 2. Net income is net income attributable to owners of the parent.

Forecast for the consolidated fiscal year. Ordinary revenues were JPY134.2 billion, a year-on-year decrease of JPY14.3 billion, ordinary income of JPY32.8 billion, and net income of JPY23 billion. Accordingly, we are forecasting lower revenues and profits.

< Income Statement (Seven Bank) >

Income Statement (Seven Bank)

(Billion yen)

	FY19 results		FY20 plan (announced in August 2020)			
	Full year	1H	Full year	Changes from FY19	1H	Changes from FY19 1H
Ordinary income	120.2	60.2	109.8	(10.4)	54.8	(5.4)
ATM-related fee income	108.7	54.5	98.0	(10.7)	49.1	(5.4)
Ordinary expenses	75.2	36.9	77.3	2.1	37.8	0.9
Interest expenses	0.6	0.3	0.6	(0.0)	0.2	(0.1)
ATM placement fee expenses	15.7	7.9	15.9	0.2	7.9	(0.0)
Outsourcing expenses	18.9	9.3	20.8	1.9	10.1	0.8
Maintenance fees	3.7	1.8	4.1	0.4	1.9	0.1
Depreciation and amortization	13.6	6.9	13.0	(0.6)	6.2	(0.7)
Ordinary profit	45.0	23.2	32.4	(12.6)	16.9	(6.3)
Extraordinary losses	5.1	2.6	0.0	(5.1)	0.0	(2.6)
Total income taxes	12.2	6.3	9.9	(2.3)	5.0	(1.3)
Net income	27.6	14.2	22.4	(5.2)	11.8	(2.4)
EBITDA	58.6	30.1	45.5	(13.1)	23.2	(6.9)

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

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Seven Bank Non-Consolidated Income Statements. As detailed in detail on the slide, ordinary revenues for the full year were JPY109.8 billion and the year-on-year difference was minus JPY10.4 billion. As I mentioned earlier, in the case of Japan, the cost structure is quite difficult to reduce. In addition, as we continue to make strategic investments for the future, we are planning positive expenses, ordinary income of JPY32.4 billion, negative JPY12.6 billion compared to the previous fiscal year, and net income of JPY22.4 billion.

< Principal Figures (Seven Bank)>

Principal Figures (Seven Bank)

	FY19 results		FY20 plan (announced in August 2020)			
	Full year	1H	Full year	Changes from FY19	1H	Changes from FY19 1H
No. of ATMs installed at end of term (units)	25,215	25,342	25,515	300	25,300	(42)
ATM-related fee income per transaction (yen)	130.9	133.8	124.0	(6.9)	124.4	(9.4)
Daily average transactions per ATM (transactions/ATM/day)	92.1	90.5	87.5	(4.6)	87.6	(2.9)
Total no. of transactions (million)	849	417	807	(42)	403	(14)
No. of individual accounts (thousands of accounts)	2,179	2,087	2,400	221	--	--
Balance of individual deposits (billion yen)	458.6	444.3	497.5	38.9	--	--
Balance of personal loans (billion yen)	23.2	22.9	26.0	2.8	--	--

Regarding the main figures, we plan to increase the number of ATMs by 300 and plan to increase the number to 25,515 by the end of the fiscal year. And we believe that it will increase as much as possible at the end of the fiscal year.

The unit price of ATM commissions received is negative JPY6.9, and the total number of ATM transactions is negative 42 million, for a total of 807 million transactions. This multiplication determines the gross income from ATM commissions, so it is significantly negative. And we expect that the balance around accounts will be relatively favorable. The above are the major figures behind the full-year forecasts.

< Income Statement (FCTI)>

Income Statement (FCTI)

(Million USD)						
	Fiscal year ended December 31, 2019		Fiscal year ending December 31, 2020 plan (announced in August 2020)			
	Full year	1H	Full year	Changes from FY19	1H	Changes from FY19 1H
Ordinary income	254.0	128.0	213.0	(41.0)	114.3	(13.7)
Ordinary expenses	247.7	128.6	194.4	(53.3)	100.8	(27.8)
Interest expenses	35.2	19.1	16.9	(18.3)	10.2	(8.9)
ATM placement fee expenses	139.7	70.6	112.9	(26.8)	58.2	(12.4)
Outsourcing expenses	17.4	8.9	15.2	(2.2)	8.1	(0.8)
Maintenance fees	17.4	8.6	15.3	(2.1)	8.1	(0.5)
Depreciation and amortization	6.7	3.3	6.8	0.1	3.3	0.0
Ordinary profit	6.3	(0.6)	18.6	12.3	13.5	14.1
Extraordinary losses	(0.5)	(0.4)	(2.0)	(1.5)	(0.0)	0.4
Net income	6.6	(0.3)	20.5	13.9	13.5	13.8
EBITDA	13.1	2.7	25.5	12.4	16.8	14.1
No. of ATMs installed at end of term (units)	10,886	12,165	8,640	(2,246)	10,660	(1,505)
At SEI (units)	8,465	8,383	8,640	175	8,490	107
Daily average transactions per ATM (transactions/ATM/day)	43.1	43.7	46.5	3.4	45.1	1.4
At SEI (transactions/ATM/day)	55.4	55.4	52.6	(2.8)	53.7	(1.7)
Total no. of transactions (million)	191.6	96.1	171.5	(20.1)	88.2	(7.9)

Notes:
1. Total number of transactions for U.S. ATMs includes balance inquiries.
2. 1Q (January-March), 2Q (April-June), 3Q (July-September), 4Q (October-December)

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Next is FCTI, Inc.. As I mentioned earlier, a reduction in the number of ATMs reduces costs. In addition, a reduction in the policy interest rate has resulted in a substantial reduction in funding costs.

Ordinary revenues for the full year are negative \$2.13 billion to \$410 million, but expenses are also declining. Ordinary income is expected to be very strong, rising \$186 million to \$123 million, and we expect to make a solid contribution to profits for the full year.

< Shareholder Returns >

Shareholder Returns

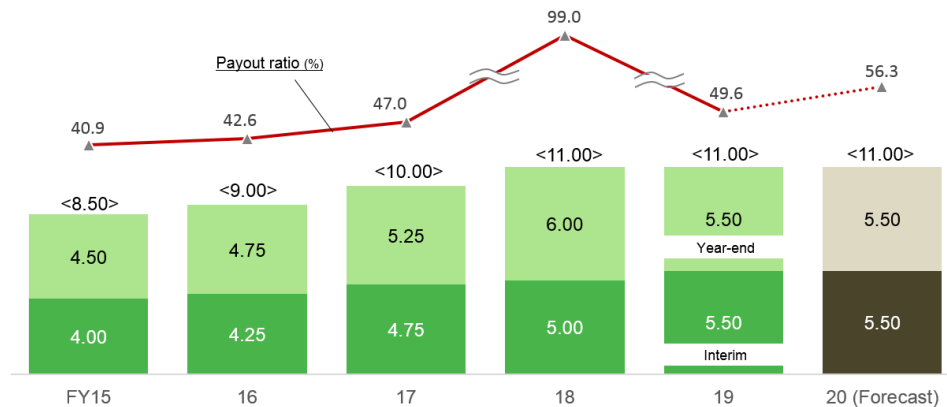
Stable dividend payment

- 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.

Dividend Forecast

➤FY20 Forecast: annual dividend of ¥11.00 per share
(approximately ¥12.97 billion in total dividends)

Dividends and payout ratio



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As I explained earlier, we have not changed our annual dividend forecasts to JPY5.50 for the previous fiscal year and JPY5.50 for the second half, for a full-year dividend of JPY11. Since there are about 1.18 billion shares outstanding, the total amount of dividends will be slightly less than JPY13 billion.

However, even if we pay out dividends properly, as shown in the graph below, the dividend payout ratio is 56.3%, which is the level that can be sufficiently paid out of net income. Accordingly, we intend to return profits to shareholders at the same level as last year in accordance with our policy of providing a stable return of profits to shareholders. So, I will finish my explanation for now.

< Q&A: Introduction of FCTI, Inc. and fourth-generation ATMs >

[Questioner 1:] Three questions, please. The first question concerns FCTI, Inc. Both the results for the first quarter and the plan announced this time have the impression that it is better than personally expected. Please explain why ATM installation commissions have declined significantly, particularly in the full-year plan. The question is whether there is any significance in the number of units decreasing outside the SEI. Also, when looking ahead to the next fiscal year and beyond, what percentage of consolidated profit will you expect to increase?

The second question concerns the impact on Seven Bank of the acquisition of Speedway by 7 & i Holdings, and we hope that you will comment on the possibility of installing ATMs and whether your parent company will take measures to shrink the balance sheet and increase ROE in the future, so as to the extent that you can change your equity.

Finally, we are planning to introduce a fourth-generation ATM in the current fiscal year, but I think that the procurement of parts was delayed 3 months ago. If there is a delay between this current status and the future, is there the possibility that outsourcing costs and depreciation costs will fall short of the plan?

[Kawada:] We have received three questions, so we will answer them in order. First, there were questions about the results and profits of FCTI, Inc. that were relatively strong, particularly about the portion of the decline in ATM installation fees for the full year, and how they would look at the percentage of consolidated profits going forward.

As I have explained in part, the ATM installation fee in FCTI, Inc. is the cost that depends on the number of ATMs and the usage status, and it is the cost paid to the installation site. In Japan and the U.S., the system is slightly different. In the U.S., the proportion of loans linked to the number of loans is greater than in the U.S. Therefore, it is not a good thing to decrease the number of cases, but it is a good thing to say that the impact on incomes can be minimized because the expense decreases as the number of cases declines, and this has a considerable effect.

On the other hand, the number of ATMs installed outside the SEI is still around 2 thousand, but the sale of these ATMs is almost certain to proceed by the end of this fiscal year, and there are many cases where installation fees are reduced due to the elimination of these ATMs. Each of

these contributions will benefit FCTI, Inc., and in this sense, each of the 2 factors will have a significant effect, reducing the installation fee for ATMs.

As a percentage of our consolidated profits, our consolidated profits are still largely attributable to our domestic business, with ordinary income of JPY32.8 billion and net income of JPY23 billion based on the current full-year forecast for the fiscal year ending March 2021. I hope that FCTI, Inc. will contribute more to earnings, but, honestly, I think that it will take a long time for FCTI, Inc. to account for 10% of consolidated earnings, and I think that it is currently in the single digit percentage. That is the answer to your first question.

The second point is the acquisition of Speedway, which was recently announced by 7 & i Holdings. I'm embarrassed to say that the information you have and the information we have are not so different, so it's not at the moment that I can answer clearly, but it's said that there are 3,900 stores, so I think it's definitely a good story for FCTI, Inc. to increase the number of places where ATMs will be installed as a possibility.

However, it is not currently clear when and under what conditions installation will be possible, so it is honest to say at this stage that we do not know at all how it will work on incomes.

I then talked about balance sheet adjustments and ROE at the parent company. I think that is what 7 & i Holdings believes, not us. At this point in time, there is no specific talk.

And the third question. As for the plan to introduce the fourth-generation ATMs, a part of the components is being produced in China, but it is true that the new coronavirus-related plant has ceased to come in, but the situation is now improving considerably.

Our ATMs are manufactured by NEC, and I am asking about the replacement installation as planned in the future. As April, May, and June have not increased, they will be about 3 months behind the initial forecast for the current fiscal year. As far as we are currently hearing, we expect installation to be delayed compared to this fiscal year's plan, ranging from 1,200 to 1,300 units.

In such an environment, the replacement installation stagnated considerably in April, May, and June, but it has been progressing as planned since July, so if it is delayed only by the blank portion, the depreciation expense and the installation cost will also be required, so this will be reduced as the cost. If we reduce the number of units by 1,000, there will be a postponement

effect of depreciation and expenses from JPY600 million to JPY700 million, so if we say 1,200 units, it will be from JPY800 million to JPY1 billion.

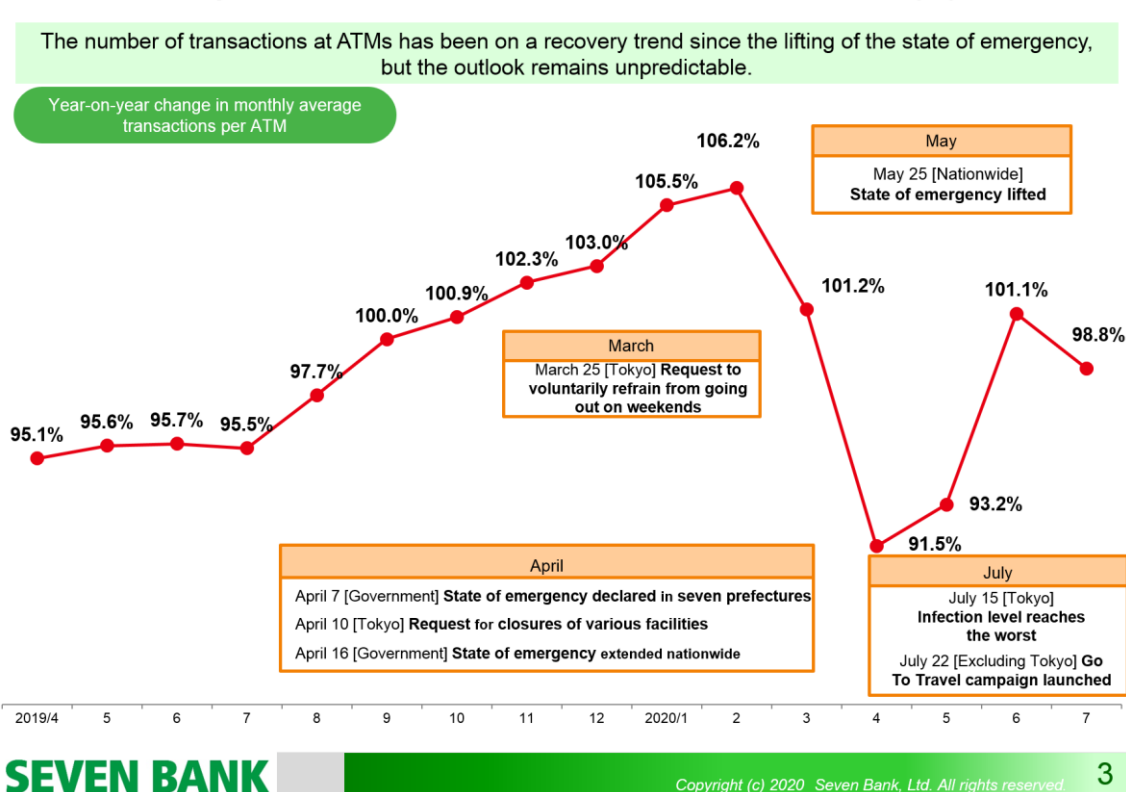
< Questions and answers: The average number of ATMs used at home and abroad and the unit fee >

[Questionnaire 2:] There are 2 points. The first point is the momentum of the average number of internal and external ATMs used. Of course, given guidance, the domestic economy was seeing current momentum, at a negative 5 percent. In the United States, the pace of improvement in the average number of unemployment insurance transactions will slow in the second half of the fiscal year, although the number of unemployment insurance contracts may decline in the second half of the fiscal year due to a slight decline in demand-supply and demand for unemployment insurance. Looking at the current status, let us know if there is some room to exceed this outlook, and as far as possible, what will be the color of the future?

Also, I think that the QR Code Settlement transaction is having an impact, but since the ATM commission unit price is JPY124 in the full-year plan, it seems that it has been seen leveling off in the near future. However, should the pace of the decline in the commission unit price be fairly moderate from the next fiscal year onward, considering the first quarter and full-year forecasts?

[Kawada:] The first point is the average number of ATMs used in Japan and overseas. I think this is Japan and the United States. The outbreak of a new type of coronaviral disease will of course have a major impact, but the trend toward cashless and gradual decline in the use of ATMs is not the latest story, regardless of the outbreak of the new coronaviral disease.

Impact of Novel Coronavirus Infection (1)



In the previous explanatory materials, prior to starting the recharging of "XX Pay" and other ATMs on page 3, the average number of ATM transactions for the same month of the previous year was far less than 100%. The reason why the rate falls below 100% is that the average number of ATM transactions has not increased as the number of ATMs has increased, so in essence, the total number of ATM transactions has not increased.

The trend itself is cashless, whether it is in Japan or the United States, or in developed countries, wherever it is, and I think there will be no major difference between them. As a result, when you look at long-term trends, you don't see them going up steadily, but they tend to be flat or faltering. I think it is about how to do our best in such an environment.

However, in terms of Japan, the number of applications increased significantly from autumn to winter when you looked at the graph above. The reason why it has risen is that the charge of "XX Pay" such as "PayPay" contributed, but this is a result of the service only of Seven Bank's ATMs, so if we can realize this new form of transaction, we will be able to use the ATMs. I think the decline in cash receipts and disbursements has been difficult, but we will focus on "ATM+ (plus)" by including new services or exceeding cash. With this in mind, we are already

working on how to avoid losing the use of ATMs, and we will continue to devote more effort to this.

On the other hand, the U.S. does not currently offer such differentiated services through FCTI, Inc.'s ATMs, so in this sense it is likely to become a trend similar to that in macroeconomic conditions. In the U.S., the impact of the new type of coronaviral infections was faster than in Japan, and there was even more severe lockdown than in Japan. In this sense, the situation temporarily declined considerably. As I mentioned earlier, however, government subsidies, such as unemployment insurance and benefits, were quicker than in Japan, and this situation became more rapid. In the United States, it was clear that many people were trying to withdraw and use cash at ATMs when the subsidy came out, so the number of ATMs returned in June and July at a very early pace.

This is a government benefit request, so if the impact of the new coronaviral infections is limited to the lack of a second or third round of benefits, the number of cases will naturally be weak. Therefore, we do not intend to conservatively look at the average number of internal and external ATM usage. We are currently paying close attention to the pace with which this faltering trend will advance and whether this will be accelerated by new coronaviral infections, and we will steadily increase our services of differentiated Seven Bank ATMs during this period.

The second question is whether the unit price has fallen considerably due to the effects of QR code transaction, but will level off.

At present, the unit price has certainly declined considerably. Looking at our ATMs largely, we will charge deposits and withdrawals using the cash cards of deposit and savings financial institutions, various non-bank loans and cash advances, etc., and “XX Pay” of the QR code. 2 of these are deposit and savings financial institutions and non-banks that can use any ATMs, and we do not touch on any of them at all.

Therefore, the reason why the unit price of ATMs has fallen is simply because the percentage of QR Code Settlements has risen. As you know, the unit price for QR Code Transactions is lower than for banking and non-bank transactions. Therefore, the average unit price naturally falls as the percentage of QR Code Transactions increases.

While the composition ratio of QR code transactions such as "XX Pay" will probably remain at a high level, the proportion of transactions between banks and depository financial institutions will decline slightly. In terms of the composition ratio of QR code transactions, I think that QR code transactions will continue to rise in the future.

If that happens, it will not be flat at JPY124, but the unit price will decline by the amount of the change in the composition ratio. However, we believe that even if the number of cases is about half of the current number of cases, we can absolutely generate incomes. In that sense, I think it is safe, but in the sense of unit price, it is the situation that I have explained today.

< Question and Answer: "XX Pay" Unit Price >

[Questionnaire 3:] 1 question is about the unit price of JPY124. I fully understand that the mix has changed due to an increase in "XX Pay", etc. Please tell us about the unit price of "XX Pay" and other items themselves. Maybe it will come down from your side. Otherwise, I don't think it will be 124 yen, so please tell me just the trends around that time.

[Kawada :] Among the things that are said to be "XX Pay," for example, "LINE Pay""au PAY""PayPay" is used differently in each case, and the unit price also varies. The composition ratio of which brands in "XX Pay" will have a significant impact on the unit price. Currently, "PayPay" is extremely strong, but with regard to "PayPay," we have developed a system in which the fees we receive change depending on how customers use the product and how much money they charge.

In this sense, the average unit price is not so high, but I think this is due to the fact that the weight of that part is higher than that of "XX Pay".

< Greetings from Kawada >

[Kawada:] Thank you very much for today. I am very grateful to say that despite the impact of the new coronavirus infection, we will announce today a full-year outlook for lower revenues and profits and extremely severe results.

In-house, we are calmly thinking about what will change with a new type of coronaviral infectious disease. For example, we are talking about cashless because we don't want to touch the currency. Regarding cashless, as mentioned in the previous material, I think there are

absolutely some factors that will accelerate the use of the new type of coronaviral infections, but that's what has been done before.

Therefore, I don't think it is necessarily possible to say that something entirely new has been added by this.

On the other hand, in the case of Japan, cashless work will undoubtedly proceed, and the population will certainly decline, so this change is absolutely a headwind for the conventional ATM business. However, even if this is a headwind, I think it's better than it doesn't.

This change can be differentiated depending on the way of responding, and it is possible to grasp new needs and create new markets. Therefore, I am very excited to see that we can differentiate ourselves within ATMs by moving ATMs with smartphones, charging “XX Pay”, and making Seven Bank ATMs alone. We hope you will have high expectations. Although the severe environment continues, such as new coronavirus infections and heat stroke caused by hot weather, I hope you will be loved by everyone. I would like to thank you for participating in our financial results briefing today.