

Seven Bank, ordinary revenues increased 1.2% YoY. Introduced a New ATM-related Fee Income System as a Strategic moves for growth.

We will report the details of Seven Bank, Ltd. for the First Quarter of the Fiscal Year Ending March 31, 2022, at the results briefing on August 6, 2021.

[Speakers]

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

[Main Text]

Financial Results for the First Quarter of Fiscal 2021



Kawada Hisanao (hereafter, Kawada): Kawada in Seven Bank. Today, we sincerely thank you for your participation in the conference call to explain our financial results. Next, I will explain the financial results for the first quarter of FY2021 in accordance with the financial results briefing materials.

In May of this year, we announced our medium-term management plan, and our progress will be reported at the time of our interim or annual financial results in the future. The presentation of financial results for the first and third quarters mainly focuses on the financial aspects.

Particularly in the current fiscal year, the new medium-term management plan has just begun, so I would like to explain the current situation firmly today.

< Financial Results Digest for First Quarter of Fiscal Year Ending March 31, 2022 [Consolidated] >

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Financial Results for the First Quarter of Fiscal Year Ending March 31, 2022



Financial Results Digest for First Quarter of Fiscal Year Ending March 31, 2022 [Consolidated]

Ordinary income: Ordinary income increased due primarily to the rise in the number of ATM transactions reflecting return of people
Ordinary Profit: Ordinary profit declined owing mainly to an increase in expenses related to upfront investment

Ordinary income	¥33.4 billion	+1.2%
Ordinary Profit	¥7.6 billion	(8.4%)
Net income	¥5.4 billion	(19.4%)
EBITDA	¥11.4 billion	(3.3%)

Notes: 1. All comments and figures regarding changes are compared with the same period a year ago.
2. Amounts less than one hundred million yen have been truncated.
3. Previous-year comparisons are based on the units used in these materials.
4. All EBITDA in this material are Ordinary profit + Depreciation and amortization.

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I will explain this from the digest of the financial results on page 2. Ordinary income, ordinary profit, net income and EBITDA are described respectively. Positive or negative percentages on the right-hand side of the slides are the percentage increases or decreases compared to the first quarter of last year.

In a word, in the first quarter of the fiscal year under review, ordinary income increased slightly and net income decreased. The first quarter is generally in line with the plan. Although there is no particular surprise, we believe that we can steadily take this 1 step toward realizing our medium-term management plan despite the headwinds of the development of cashless operations and the prevalence of the new Corona contagious disease.

<Trend of First Quarter Performance [Consolidated] >

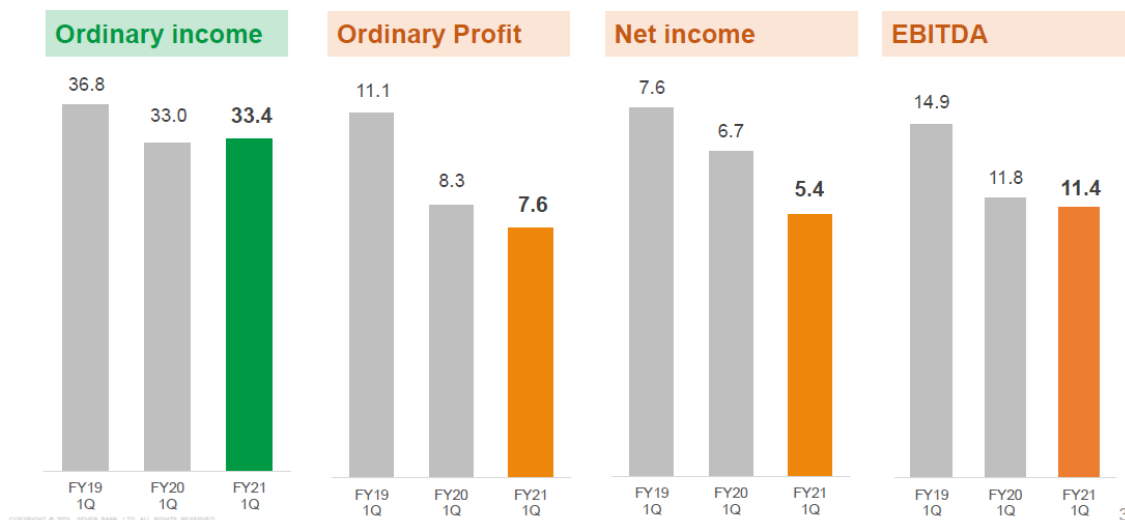
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Financial Results for the First Quarter of Fiscal Year Ending March 31, 2022



Trend of First Quarter Performance [Consolidated]

(Billion yen)



Please refer to page 3. The chart below shows the ordinary income, ordinary Profit, net income, and EBITDA items shown in the digest for the last 3 fiscal years: the first quarter of FY2019, the first quarter of FY2020, and the first quarter of FY2021.

The figures on the right-hand side of each graph, with colors, are the results for the first quarter of FY2021 and are shown in the amount posted in the digest on the previous page.

Ordinary income was slightly higher than 1 year ago, but the figure is still low compared to 2 years ago, when compared to before the impact of the new Corona viral infectious disease, and we believe that it is somewhat affected by the major trend of cashless operations.

Ordinary profit has declined from JPY8.3 billion in the first quarter of last year to JPY7.6 billion. For more information on this issue, please refer to the following page.

<Year-on-Year Change in Ordinary Profit (Approximation) [Consolidated] >

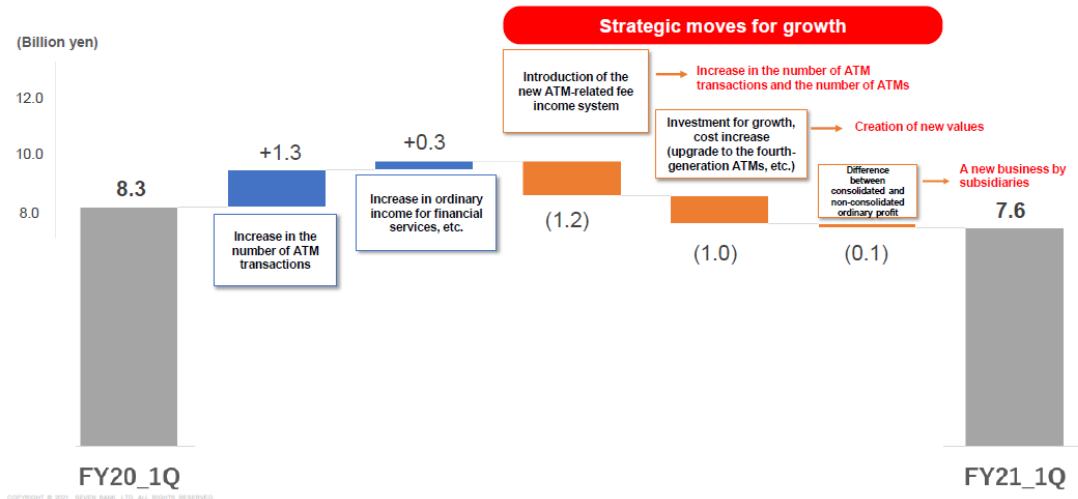
01

Financial Results for the First Quarter of Fiscal Year Ending March 31, 2022



Year-on-Year Change in Ordinary Profit (Approximation) [Consolidated]

■ While ordinary income increased reflecting the rise in the number of ATM transactions, ordinary profit declined approx. ¥700 million due mainly to an increase in costs related to introduction of new ATM-related fee income system and investment for growth.



Ordinary profit was JPY7.6 billion for the first quarter of FY2021, after adjusting for both positive and negative factors, compared to JPY8.3 billion for the first quarter of FY2020. Positive factors included a considerable decline in the number of ATMs used last year due to the impact of the sudden expansion of the new Corona infectious disease, but an increase of JPY1.3 billion due to a recovery in the number of ATMs used along with the trend of people.

In addition, as a result of promoting business diversification outside the ATM business, various initiatives, including loan services, gradually boosted earnings, which resulted in a positive impact of JPY300 million.

The first negative factor was a negative JPY1.2 billion due to the introduction of a new ATM-related fee income system. The second factor was a negative JPY1 billion, mainly due to growth investment and increased expenses resulting from investment in renewal of fourth-generation ATMs, etc. In addition, the difference between consolidated and non-consolidated ordinary profit was negative JPY100 million, resulting in ordinary profit was JPY7.6 billion.

However, each of these 3 negative factors is being carried out with strategic intent, as described in the top section of the section describing the negative factors on the right-hand half of the slides as "Strategic moves for growth." In other words, in order to achieve future growth, we currently intend to proactively use our expenses and lay the groundwork for them. This is in line with the medium-term management plan.

The biggest of these negative factors is the introduction of a new ATM-related fee income system, which resulted in a negative JPY1.2 billion figure. I would like to explain about this a little more properly, so please see page 5 below.

<Introduction of New ATM-related Fee Income System>

01

Financial Results for the First Quarter of Fiscal Year Ending March 31, 2022

Introduction of New ATM-related Fee Income System



Starting in April 2021, We introduced a new ATM-related fee income system* that makes it easier for partner banks to use Seven Bank ATMs as points of contact with customers.

* ATM-related fee income and ATM transaction fees are linked.



Cooperate with partner banks and directly encourage customers to use the ATMs



Period	From July 1 to Sept. 30, 2021 (3 months)
Details	Users of the target transactions of banks participating in the campaign during the campaign period have a chance to win gifts.
Banks participating in the campaign	70 banks (including Seven Bank)
Target transactions	Deposit, withdrawal, transfer, loan transactions
Gifts	(i) Cash worth ¥1,000: 7,000 people (ii) Gift coupon for tea: 70,000 people

In April 2021, we introduced a new ATM-related fee income system for partner banks that makes it easier for them to use Seven Bank's ATMs as points of contact with customers.

As shown in the figure on the right-hand side of the slides, when using Seven Bank's ATM, the customer will visit Seven Bank's ATM with a cash card from ○○ banks. If a customer uses a ○○ bank card at a Seven Bank ATM, a fee of JPY100 or JPY200 will be charged. The fees are not determined by Seven Bank, but are determined by its partner bank, ○○ Bank, and are earned by ○○ Bank as an ATM transaction fees. Seven Bank receives ATM-related fee income from affiliated banks whenever customers use them.

Until now, ATM transaction fees and ATM-related fee income were determined separately, but we have changed our direction a little so that they will be linked to each other. That is the introduction of a new ATM-related fee income system.

We have received the approval of many banks, and there are now about 120 partner banks. Of these, more than 80 banks have adopted this new ATM-related fee income system.

We are also conducting a campaign at the same time, and 70 banks are participating in the campaign. A campaign to "cooperate with partner banks and directly encourage customers to use the ATMs" is described at the bottom of the slides.

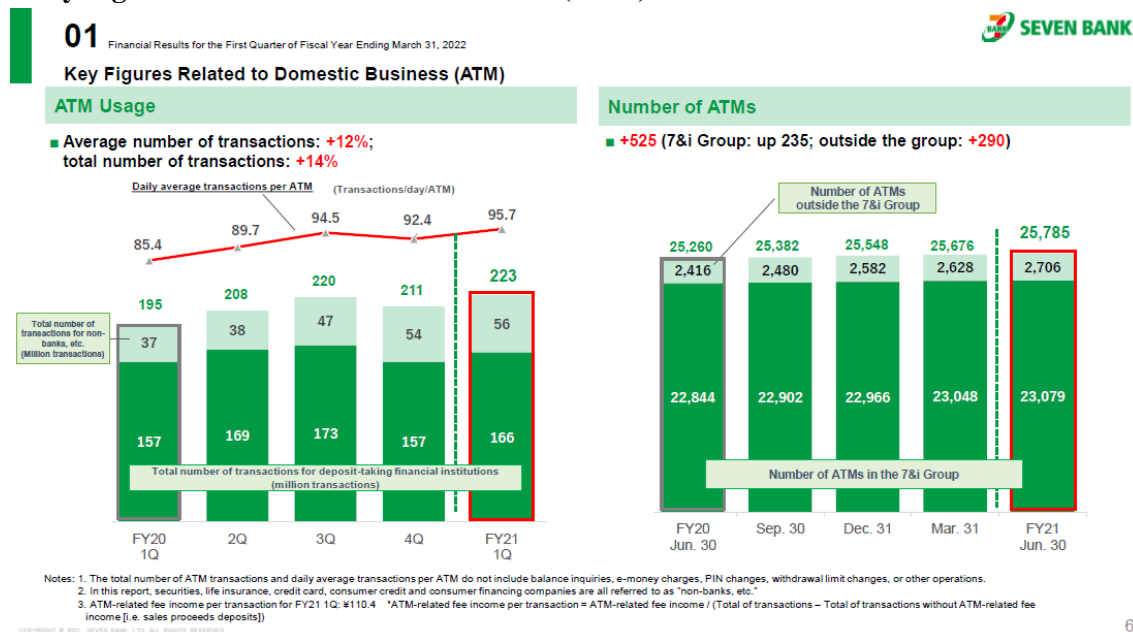
In the past, it was difficult to implement such a campaign. For example, campaigns calling on customers to use have been carried out only once well in advance. "If you use Seven Bank's ATM, your lottery ticket closes." If you want to withdraw JPY10 thousand, the lottery will be

closed only once, but if you withdraw 10 times in JPY1 thousand installments, the lottery will be closed 10 times. There is no customer burden if the ATM transaction fee is free, so there were many customers who took such action.

We only receive 1 ATM-related fee income from a partner bank if you use it 1 time, but if you use it 10 times, you will receive 10 ATM-related fee income. Our partner banks have said that they would like to stop such a campaign, so we have not done so far. However, the introduction of a new -related fee income system has created an environment that enables campaigns to promote use.

I don't think this is something that will show results in the short term. I hope that you will gradually increase the use of Seven Bank ATMs by steadily continuing to make steady efforts.

<Key Figures Related to Domestic Business (ATM) >



Please refer to page 6 for an explanation of the main figures for the domestic ATM business. Same as those previously disclosed. Figures in red are year-on-year comparisons, that is, comparisons with figures 1 year ago.

First, the line graph on the left-hand side of the slides shows the average number of transactions, which increased by about 12% from 85.4 a year ago to 95.7. The total number of transactions increased by about 14%, from 195 million to 223 million.

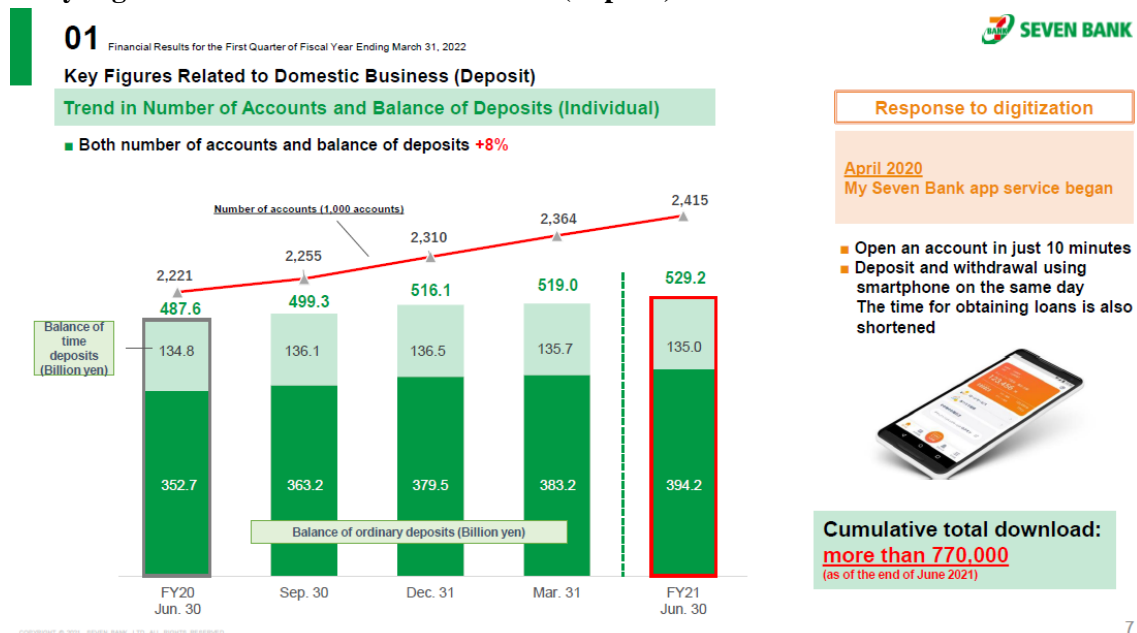
When you see the bar graph of the accumulation, the thin color is indicated as "non-bank, etc." This includes the number of cash charge transactions involving a new smartphone Pay. The number of "non-banks, etc." increased significantly due to a sharp increase in the number of cash charges due to the impact of smartphone Pay campaigns and other factors.

The number of cases used by non-banks and operating companies are not separately disclosed. However, if you look at the financial results briefing materials and other documents 1 year ago, the number of transactions 1 year ago is included. 2 years ago, I think the number of "non-banks, etc." ranged from 20 million to 25 million. Since the number of non-bank transactions has not changed significantly from before, the number of transactions in other areas is currently around 30 million. The portion will be due to the transaction of cash charges for Pay businesses, but we do not disclose detailed figures. The following is an explanation of the total number of transactions and the average number of transactions.

Slide right is the number of ATMs. An increase of 525 units from the end of June a year ago. As you know, we are seeing a slower pace of store openings in the 7 & i Group, particularly the 7-11 brand. As in the past, we can no longer expect an increase in ATMs driven by the expansion of 7-11 stores.

Instead, "Let's do our best to install ATMs outside the group," which is a positive 290 units, and we are steadily increasing the number of units within the group. There are some installations at stations and commercial facilities, and some have been asked by banks to "operate ATMs in lieu of ATMs" and are installed in the form of bank ATMs substitutes.

<Key Figures Related to Domestic Business (Deposit) >



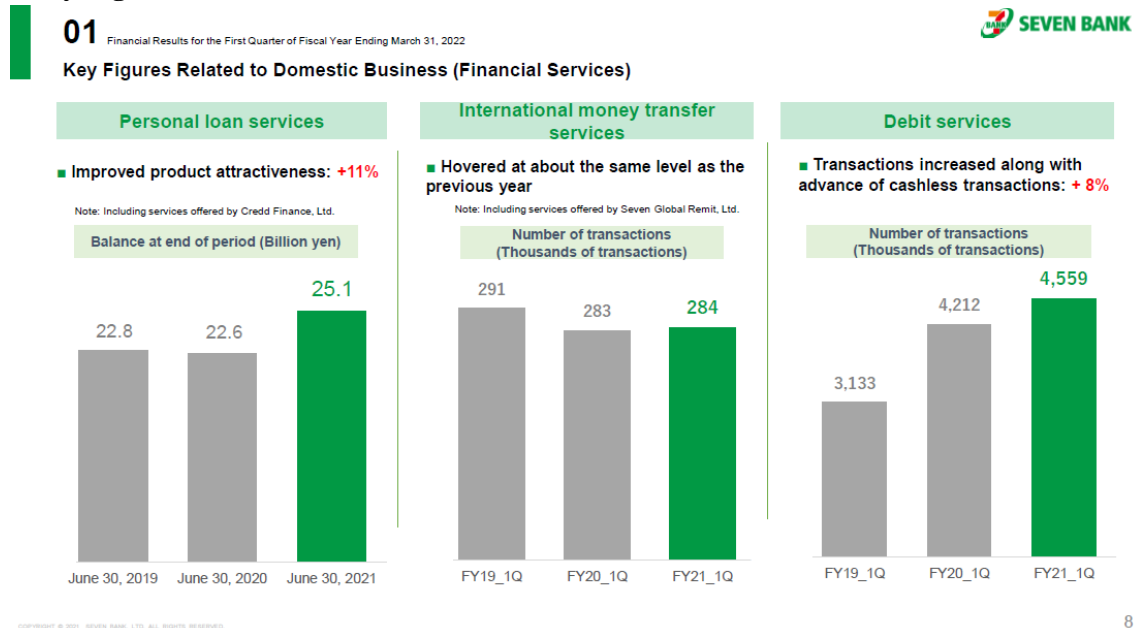
Page 7 shows the main figures for domestic deposits. The line graph on the left side of the slides shows the number of accounts, and the bar graph shows the deposit balance. "+8%" means that both the number of accounts and the balance of deposits at the end of June 2021 increased steadily to 8% compared to the end of June 2020.

In April 2020, we launched the "My Seven Bank" app service for "Response to Digitalization" on the right side of the slides, allowing new accounts to be opened in a minimum of 10 minutes. In addition, we have started a service whereby same-day deposits and withdrawals can be made on a smartphone before cash cards are delivered and loans can be borrowed immediately.

Perhaps a breakthrough for a bank. In order to open a new account or use a cash card, it is usually necessary to send it by mail, but it is very convenient because it can be shortened and transactions can be done immediately.

The total number of downloads of this app is over 770,000. As the graph on the left-hand side of the slides shows, the total number of accounts is 2,415,000, so if the total number of app users is 770,000, more than 30% are using the service.

<Key Figures Related to Domestic Business (Financial Services) >



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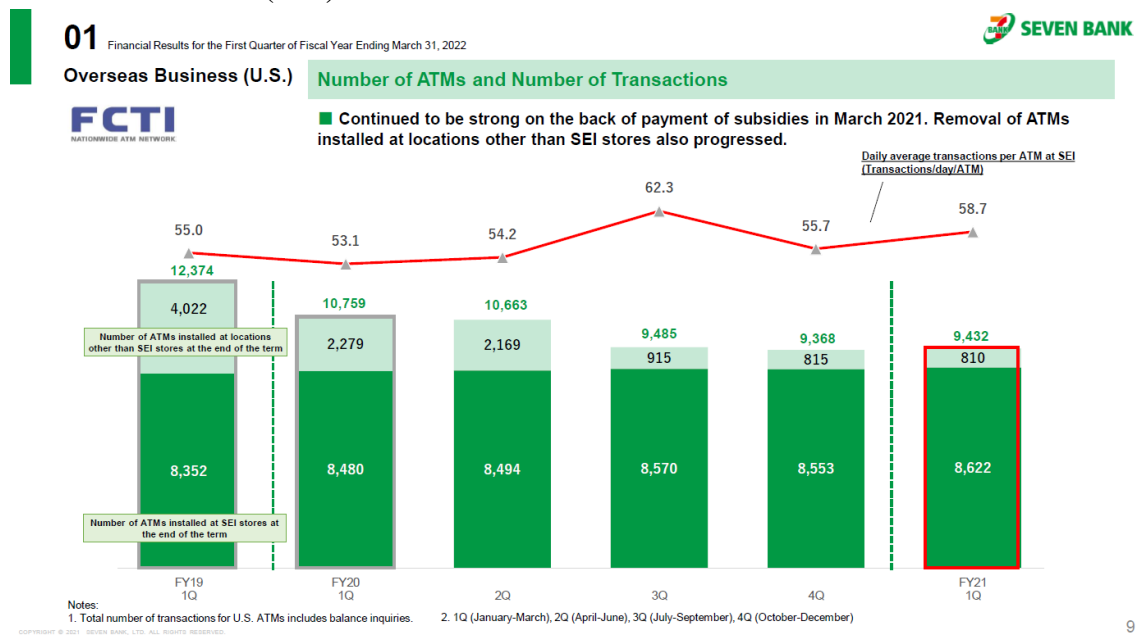
Page 8 explains the 3 financial services. Results for "Personal loan services," "International money transfer services," and "Debit services" are shown respectively. This is also made possible to compare in a graph for 3 years. Figures in deficit are compared with changes from the previous year.

First, the "personal loan service" is +11%. The slides described "Improvement of product attractiveness, etc." We are doing well thanks in part to the "My Seven Bank" app that I mentioned earlier, which enabled us to apply immediately and realize a service that can be borrowed immediately. Perhaps in the world as a whole, non-banks and consumer finance are struggling considerably, but they are doing well even in such a situation.

"International money transfer services" have remained at almost the same level as 1 year ago. The number of people coming to Japan from overseas due to the impact of the new Corona Virus infectious disease is small, and the number of foreigners living in Japan is not increasing. However, in this situation, it is steadily maintaining the same level as the previous year.

Debit services are steadily increasing in line with the general cashless trend in the world.

<Overseas Business (U.S.) >



FCTI in the U.S. is shown on page 9. The graph shows the first quarter of FY2019 and the first, second, third and fourth quarters for FY2020. Finally, the first quarter of FY2021 is shown.

The line graph at the top of the slides shows the daily average transactions per ATM installed in 7-11's U.S. stores. As stated at the beginning of the report, due to the payment of benefits related to the new Corona Virus and other factors, the amount of cash paid increased, which is a positive factor, and has remained at a stable high level.

The bar graph shows the number of ATMs, with a dark green color in 7-11 stores, and a thin green color in ATMs other than stores. ATMs located outside 7-11 stores are currently being sold due to their low profitability and inefficiency. Compared to 4022 units 2 years ago, the number of units has recently declined to 810. We plan to sell all of these ATMs by the end of this year, so we expect to eliminate low-margin ATMs.

Looking at the dark green color, we can see that the number of units is steadily increasing within 7-11 stores. At the same time, the number of ATMs in FCTI as a whole is declining due to the sale of low-profit ATMs. However, ATMs at 7-11 stores, which are the core of the Company's business, are steadily increasing.

<Overseas Business (Indonesia, Philippines)>

01

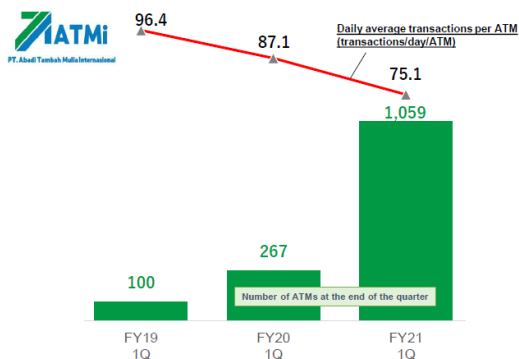
Financial Results for the First Quarter of Fiscal Year Ending March 31, 2022



Overseas Business (Indonesia, Philippines)

Indonesia

■ The business is on track. Accelerated installation of ATMs.



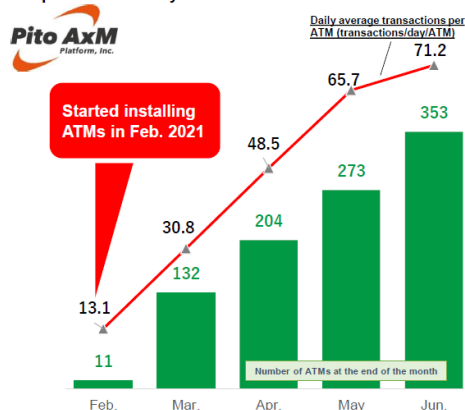
(Reference) The number of ATMs as of the end of June 2021 was **1,399** (+1,049 compared with the end of June 2020)

Notes: 1. The first quarter of ATMi is from Jan. to Mar. 2. The figure as of the end of June is preliminary.

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Philippines

■ Both ATM installation and number of transactions expanded smoothly.



Note: The figures from April onwards are preliminary.

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The overseas operations of Indonesia and the Philippines are shown on page 10.

First, regarding Indonesia, in the slides, we stated that "Our business will be on track and we will accelerate the installation of ATMs." If you look at the graph, the number of ATMs is rapidly increasing, but you may be a little worried because the average transactions is declining inversely with that.

Although the average transactions of recently installed ATMs is small, they will catch up in a few months as awareness increases. In other words, the more new installations, the lower the overall average number of transactions.

However, even at this level, we have sufficiently cleared the break-even point, and the Indonesian ATMi is already in the black. Currently, we are moving forward with a strategy of steadily increasing the number of ATMs installed.

As for the Philippines, we have only just started installing ATMs in February this year, so we are naturally still in the red. Following the United States and Indonesia, the Philippines is the third country overseas. In the United States and Indonesia, we can only disburse money, which is called CDs in Japan. Meanwhile, in the Philippines, we have installed machines that can make deposits and withdrawals as well as general ATMs in Japan.

I was quite worried that the establishment of the first overseas deposit and withdrawal system would result in many obstacles that would cause bids to become stuck in the flight. However, it has been 4 or 5 months since its start, but it is operating very stably and we are reassured

In the case of the Philippines, we have adopted so-called "recycling ATMs" that allow deposits and withdrawals. As a result, the expense of ATMs is a little expensive, but on the other hand, we can expect a wide range of businesses to expand, so this is an area that we have great expectations for in the future.

< Statement of Income < Consolidated > >

02 APPENDIX

Statement of Income <Consolidated>



(Billion yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021	Changes from FY20 1Q	Comparison with FY20 1Q
Ordinary income	33.0	33.4	0.4	101.2%
Ordinary expenses	24.6	25.8	1.2	104.8%
Ordinary profit	8.3	7.6	(0.7)	91.5%
Net income	6.7	5.4	(1.3)	80.5%
EBITDA	11.8	11.4	(0.4)	96.6%

Notes:
 1. Exchange rates per USD 1 on the consolidated income statement
 FY20 1Q \$1 = ¥108.86, FY21 1Q \$1 = ¥106.09
 2. Net income is net income attributable to owners of the parent.
 3. All EBITDA in this material are Ordinary profit + Depreciation and amortization.
 4. Previous-year comparisons are based on the units used in these materials.

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The APPENDIX presents consolidated, non-consolidated, and FCTI non-consolidated statements of income that have been previously disclosed.

The consolidated income statement is the same as the figures shown in the digest at the beginning, so a detailed explanation will be omitted.

< Statement of Income < Seven Bank > >

02 APPENDIX

Statement of Income <Seven Bank>



(Billion yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021		
			Changes from FY20 1Q	Comparison with FY20 1Q
Ordinary income	26.5	27.3	0.8	103.0%
ATM-related fee income	23.8	24.1	0.3	101.2%
Ordinary expenses	18.4	19.8	1.4	107.6%
Ordinary profit	8.1	7.4	(0.7)	91.3%
Net income	5.6	5.0	(0.6)	89.2%
EBITDA	11.2	11.0	(0.2)	98.2%
No. of ATMs installed at end of term (units)	25,260	25,785	525	102.0%
ATM-related fee income per transaction (yen)	124.8	110.4	(14.4)	88.4%
Daily average transactions per ATM (transactions/ATM/day)	85.4	95.7	10.3	112.0%
Total no. of transactions (million)	195	223	28	114.3%

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Figures on page 13 are for 7 Bank on a non-consolidated basis. Ordinary income is JPY27.3 billion, 103.0% compared to the previous year, ordinary expenses are JPY19.8 billion, and 107.6% compared to the previous year. As a result, both ordinary profit and net income declined. The increase in ordinary expenses is in line with our strategy, as stated in our medium-term management plan, because our basic policy is to "invest aggressively for future growth."

Below is the number of ATMs at the end of term, the ATM-related fee income per transaction, daily average transactions per ATM, and the total number of transactions. I think that everyone is concerned about the fact that "the ATM-related fee income per transaction" has fallen sharply by JPY14 compared to a year ago." However, there are 2 factors behind this decline.

The first is the introduction of a new commission system, which I mentioned earlier as "strategically implemented." Also, as you are familiar with, the unit price of commissions for transactions such as cash charges for Pay operating companies is lower than that for banks, etc. As a result, the average unit price of commissions declines when the percentage of transactions accounted for by that portion rises.

These two elements are mixed, but I think the image is that "two-thirds are due to the new fee system and one-third to changes in the composition ratio."

< Statement of Income < FCTI > >

02 APPENDIX

Statement of Income <FCTI>



(Million USD)

	Three months ended March 31, 2020	Three months ended March 31, 2021		
			Changes from FY20 1Q	Comparison with FY20 1Q
Ordinary income	58.1	52.6	(5.5)	90.5%
Ordinary expenses	53.7	46.2	(7.5)	86.0%
Ordinary profit	4.3	6.3	2.0	146.5%
Net income	4.2	6.1	1.9	145.2%
EBITDA	6.0	7.9	1.9	131.6%
No. of ATMs installed at end of term (units)	10,759	9,432	(1,327)	87.6%
At SEI (units)	8,480	8,622	142	101.6%
Daily average transactions per ATM (transactions/ATM/day)	44.7	54.2	9.5	121.2%
At SEI (transactions/ATM/day)	53.1	58.7	5.6	110.5%
Total no. of transactions (million)	43.9	45.9	2.0	104.5%

Notes: 1. Number of ATMs installed as of June 30, 2021 (preliminary data): 9,006 (8,651 at 7-Eleven stores; 355 at locations other than 7-Eleven stores)

2. The first quarter of FCTI is from Jan. to Mar.

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The last page is the single number of FCTI. As I mentioned earlier, FCTI is reducing the number of ATMs, so ordinary income will decline. Regarding ordinary expenses, on the other hand, FCTI is not a bank, so we procure cash to cover ATM interiors through borrowings. However, we were able to control expenses for a variety of reasons, such as the substantial reduction in the cost of procuring these funds. As a result, both ordinary income and net income increased significantly.

Although the number of ATMs is declining, the number of SEI installs is steadily increasing and the total number of transactions is steadily increasing, so I would like to say that they are trending steadily.

I would like to answer your questions with the above explanation.

Q&A: Non-consolidated ATM-related Fee Income and business diversification

[Questioner 1:] Question 1 regarding ATM-related fee income on a non-consolidated basis for the first quarter results. Compared to the plan, it seems that non-banks have not grown as expected, but in spite of this, it looks steady. Please tell us about this background and sustainability.

The second question is about future business diversification. The financial business has been excluded from the numerical targets in the mid-term plan of the parent company, 7 & i Holdings, announced last month. Some may think that "the possibility of the integration of Seven Bank and Seven Financial Services has emerged." Given that your bank is diversifying its

business under the Medium-Term Management Plan, please tell us once again the possibility of integration with 7 Financial Services to the extent that it is unavoidable.

Kawada: Answers the first question. Looking at page 13 of the APPENDIX, the ATM-related fee income per transaction decreased from JPY124.8 in the same period of the previous fiscal year to JPY110.4. I think that the figure of JPY110.4 per unit is close to our expectations. We believe that the introduction of a new ATM-related fee income per transaction system has had a considerable impact.

Compared to the fourth quarter of the previous fiscal year, the Pay operating company conducted a large-scale campaign in March. As a result, from January to March, the cash charge ratio of the Pay operator as a percentage of the total transactions was extremely high, but from April to June, it returned to normal position.

In this sense, when comparing the fourth quarter of the previous fiscal year with the first quarter of the current fiscal year, the change in the composition ratio is a factor that raises unit prices, and the new ATM-related fee income system that began in April is a factor that reduces unit prices. While these factors have declined without canceling each other out rather than canceling each other out, I think the actual results for the first quarter are almost in line with expectations, partly because, as a positive factor, the change in the composition ratio is moving a little more toward an increase in the ratio of banks, etc.

Looking ahead, I think it is unlikely that the ATM-related fee income per transaction will decline further. We do not know how transactions by operating companies will take place in the future. However, from October onward, there are talks that Pay operators will charge for merchant commissions, so there may not be a significant increase as in the past. Therefore, I think ATM-related fee income will proceed almost at the same level.

Regarding the second question, first of all, I do not know in detail why the financial sector's future numerical targets are not specified in 7 & i Holdings' medium-term management plan.

Next, regarding the possibility of integrating Seven Bank and Seven Financial Services, at least we are not currently consulting on any specific matters. This does not mean that we can't say something about it, but that there is no possibility of integration.

However, as stated in the Medium-Term Management Plan, in addition to the ATM business, we are considering initiatives to provide a variety of BtoC of services to customers visiting 7-11 or the 7 & i Group in cooperation with Seven Financial Services in our financial strategy. We are also advancing cooperation with these initiatives. However, I think that the story of integration between it and the companies is quite different.

[Q&A] About the effect of the campaign and the growth of ACSiON

[Questioner 2 :] First of all, on the campaign presented on page 5 of the slide. I do not think there have been any such campaigns in recent years. Is there a track record of such campaigns in the past? In that case, what expenses have been spent in terms of cost effectiveness, and what amount of growth in the transactions, if any, of quantitative data?

The second question. This is like the medium-term management plan, but in ACSiON, I understand that your company is looking to provide anti-money laundering services to regional banks.

In response to this, I think there are talks that the regional banks themselves will talk about measures against money laundering and that the regional bank cooperatives as a whole may deal with this issue. Could you tell us whether there are any such talks, such as your company's view of ACSiON's growth potential has changed?

Kawada: First, As I explained earlier, quite a long time ago, I think it was 10 to 15 years ago, but I had campaigned only once, but I haven't done it since then. Therefore, we have not yet reached a situation that will lead to verification of the effects.

This time, by introducing a new ATM-related fee income system, we are now able to conduct such a campaign because it has become a form of merit for both our partner banks and us. In fact, as described on the slides, 70 banks are participating.

We are verifying various types of transactions, such as the growth rate of transactions between banks that are conducting such a campaign and those that are not, but we have not confirmed clear effects at present.

Nevertheless, we believe it is important to conduct campaigns for our customers on an ongoing basis in this manner. Since our foundation, our partner banks have been doing business with us in Win-Win businesses. If we were a Win-Win, our partner bank would have a good business relationship. Over the past few years, however, we would like to see an increase in the number of ATMs used, but for our partner banks, an increase in the number of transactions would have become a burden on our partner banks, and this relationship was not necessarily Win-Win.

Naturally, as long as we conduct the ATM business as a partner business, we will not be able to do so without having a Win-Win relationship with the partner bank. We have introduced a new ATM-related fee income system this time to "want to become a Win-Win relationship again." It may take some time, but we believe that partner banks and customers using our ATMs will also benefit from using our ATMs firmly.

Regarding the second ACSiON, we have established subsidiaries in several business areas and are engaged in businesses for foreigners in Japan and outsourced operations. I think the market for ACSiON will undoubtedly grow in the business domain of so-called security and

certification services. However, the fact that the market is extremely competitive differs greatly from that of other subsidiaries. The market for other subsidiaries is not that large, and I think competition is not so intense, but ACSiON is not the only one.

Going forward, I think that the more non-face-to-face transactions, the greater the possibilities for security and verification services will be in the future, not to mention various EC operators and banks, as well as the increasing number of non-face-to-face transactions. The market will be large, but there are so many companies that are trying to enter it, so it will be a battle to be the last one standing in such a situation.

Currently, a number of specific expectations are emerging. As you are familiar with, every bank is concerned about the publication of FATF statements and other matters, so I feel that we can work together in this situation.

However, other operating companies, as well as security-related companies, are also working hard to target this field, and I think that our challenge will be whether or not we can survive in this environment over the next two years.

[Q & A] About change of ATM-related fee income system and unit price

[Questioner 3 :] About changes in the ATM-related fee income system. With volume discounts, I understand that you will be able to bring more cases to a positive figure when the number of transactions is higher than the decrease in the unit price, and that you will be taking a positive figure on the whole. Can you tell me, however, that "the unit price will not fall any further." If the number of banks that will be introduced increases, will the unit price fall on a weighted average?

As for the second point, the first quarter, the impact of lower unit prices is becoming apparent. However, as the answer I just mentioned is that there is no difference in the number of transactions between the places where the number is declining and those where the number is not declining. Should I understand that the impact on the number of transactions has not yet appeared?

Kawada: First of all, the concept of changing the ATM-related fee income system is quite different from that of volume discount.

To be sure, Seven Bank has changed its commission structure several times since its inception and has cut prices, including volume discounts on the commissions system.

Introduction of New ATM-related Fee Income System

Starting in April 2021,
We introduced a new ATM-related fee income system*
that makes it easier for partner banks to use Seven Bank
ATMs as points of contact with customers.

* ATM-related fee income and ATM transaction fees are linked.



Cooperate with partner banks and directly encourage customers to use the ATMs



Period	From July 1 to Sept. 30, 2021 (3 months)
Details	Users of the target transactions of banks participating in the campaign during the campaign period have a chance to win gifts.
Banks participating in the campaign	70 banks (including Seven Bank)
Target transactions	Deposit, withdrawal, transfer, loan transactions
Gifts	(i) Cash worth ¥1,000: 7,000 people (ii) Gift coupon for tea: 70,000 people

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(Here, we will explain the ATM business model.) Please refer to page 5 of the slides.
First of all, ATM transaction fees are income from partner banks.

This is determined by the business strategy of the partner bank. Whether you want to use Seven Bank's ATM for your own card holder at JPY0, JPY100, or JPY200 or JPY300, all of these are determined by the partner bank. Since all ATM transaction fees are earned by partner banks, Seven Bank is not involved there. Regardless of that, the conventional way of thinking is to charge an ATM-related fee income from a partner bank in the form of one case.

However, as a result of the partner bank's free determination of ATM transaction fees, Seven Bank will receive JPY150 per transaction for any amount of ATM fees. "Let's stop it" because it will not be for customers using ATMs.

This change is fundamentally different from the change we have made since our foundation that changed the method of calculating only ATM commissions. That is the first response.

In addition, I mentioned earlier that the unit price per commission declined in the first quarter, while there was no clear positive effect on the number of transactions. We do not know the effect of this kind of thing without seeing it for a considerably long period of time.

It is probably not yet permeated by the fact that Seven Bank is conducting a thanks campaign itself, and I think customer behavior will not change easily even if there is a change in ATM transaction fees when using Seven Bank's ATMs. In this sense, we expect changes in customer behavior to occur gradually from 6 months to 1 year.

More than that, the partner bank is really worried, and we are considering revising our ATM strategy. In banks, accounting systems have already been shared, but ATMs are operated on a stand-alone basis. I think that we will continue to do this on our own, or that we will stop

operating our own ATMs and outsource them to Seven Bank, and open them up to each other. In this situation, I think it is more important that you can consider using Seven Bank's ATMs as a powerful option.

Closing statements from Kawada

Kawada: Thank you for attending today in large numbers. Since our founding in 2001, we have grown steadily in almost only ATM business for approximately 20 years. However, we are fully aware that we are now facing a major turning point, with headwinds such as the proliferation of cashless transactions and the expansion of the new Corona contagious disease.

Under such circumstances, all employees spent several months discussing "What is Seven Bank?" and "For what is we there?" and formulated a purpose. We also formulated a medium-term management plan.

As long as we have grown our ATM business so far, we will need to further evolve it and firmly realize that we can do this with ATMs. Rather than a single leg of the ATM business, we are actively working on businesses other than ATMs in Japan and overseas.

It is not easy to understand that each is a major challenge, but the entire company is working together.

We may present the situation in which profits have not risen amid upfront investment and upfront expenses in the medium-term management plan. However, we are making steady progress toward our second growth, and I hope that you will look forward to it in the future.

The new Corona Virus is expanding, and very hot days continue. Everyone, I hope you will take good care of yourselves. Thank you very much for today.