

**[Title]**

Seven Bank progressed almost according to plan in 3Q, and will continue to invest aggressively in the first year of the mid-term plan, aiming for the second growth following the ATM business.

We will report the details of Seven Bank, Ltd. for the Third Quarter of the Fiscal Year Ending March 31, 2022, at the results briefing on February 4, 2022.

**[Speaker]**

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

**[Main text]**

**Financial Results for Third Quarter of Fiscal 2022**



Hisanao Kawada (hereafter, Kawada): Hello, everyone. I'm Hisanao Kawada from Seven Bank. Thank you very much for joining us today.

I would like to explain about Seven Bank's financial results for the third quarter of the fiscal year ending March 31, 2022. I will start with an overview of the financial results.

Financial results for the third quarter of the fiscal year ended March 31, 2022, showing a year-on-year decrease in both sales and profits. The introduction of a new ATM-related fee income system for banks in April last year was a major factor in the decline in revenue. On the other hand, the number of ATMs used increased significantly year on year, despite the factor of the reaction to the Corona disaster of the previous year, so we were able to land with a slight decrease in revenue.

In the mid-term management plan announced in May last year, we set forth a second growth strategy following the domestic ATM business. In order to realize our future

growth strategy, we are making aggressive investments in the first year of the medium-term management plan. As a result, ordinary revenues were on par with the previous year, but expenses increased, resulting in a decrease in ordinary income.

On the other hand, compared to the plan, progress in the current fiscal year is generally in line with the plan. The new ATM-related fee income system for banks was introduced based on the strategic intent, so it was originally incorporated into the plan. As aggressive expenditures were also made in accordance with our strategic intent, recurring revenues are progressing almost in line with our plan.

As for expenses, ordinary income and quarterly net income exceeded plans as a result of delays in the timing of system depreciation expenses and other expenses due to revisions to the timing of commencement of various services. However, an extraordinary loss of approximately ¥700 million was recorded in the consolidated financial statements related to the impairment loss treatment of Seven Global Remit. Although this is not planned, we expect to achieve the plan on a quarterly net income basis even if we take this into account.

The business situation has not changed significantly since I explained our interim financial results. However, at present, the number of ATMs used is likely to be slightly affected by the decline in human flow due to the re-emergence of the new coronavirus infection from the second half of January this year. In this environment, the situation continues to be unpredictable.

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

### 01

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



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

- Ordinary income declined slightly from the same period a year earlier. It declined due primarily to an increase in ordinary expenses for upfront investment, etc.

|  | Nine months ended<br>December 31, 2021 | Nine months ended<br>December 31, 2020 | Comparison |
|--|--|--|------------|
| Ordinary income                                  | ¥103.1 billion                         | ¥104.0 billion                         | (0.8%)     |
| Ordinary expenses                                | ¥79.6 billion                          | ¥75.2 billion                          | +5.8%      |
| Ordinary profit                                  | ¥23.5 billion                          | ¥28.7 billion                          | (18.1%)    |
| Net income attributable to owners of the parent* | ¥15.9 billion                          | ¥21.3 billion                          | (25.3%)    |
| EBITDA   | ¥35.5 billion                          | ¥39.0 billion                          | (8.9%)     |

\*Recorded 712 million yen in impairment loss of Seven Global Remit as an extraordinary loss

#### Notes:

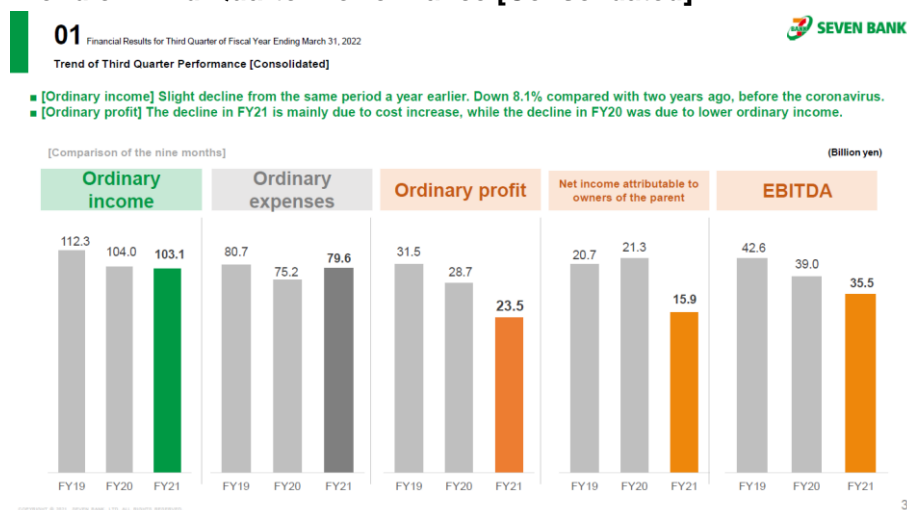
1. Amounts less than one hundred million yen have been truncated.
2. Previous-year comparisons are based on the units used in this material.
3. Exchange rates used in the consolidated income statement: FY20 3Q \$1 = ¥107.55, FY21 3Q \$1 = ¥108.58, FY21 plan \$1 = ¥108.00
4. All EBITDA in this material are Ordinary profit + Depreciation and amortization.

I will explain the financial results digest for the third quarter of the consolidated fiscal year. Ordinary income fell slightly short of the previous year's figure at 103.1 billion yen, down 0.8% from the previous year.

Ordinary expenses are 79.6 billion yen. Increased 5.8% year-on-year, mainly due to strategic expense expenditures. As a result, ordinary profit was ¥23.5 billion, down 18.1% from the previous year. Quarterly net income is 15.9 billion yen, down 25.3% from the previous year.

As indicated in orange outside of the table on the slide, we recorded an impairment loss of 712 million yen on our consolidated subsidiary Seven Global Remit, Ltd. as an extraordinary loss. In a situation where the entry of foreigners, who are the company's major customers, is greatly restricted, the achievement of the earnings plan has been significantly pushed back, and as a result, after consulting with the auditing firm, we decided to record an impairment loss.

## Trend of Third Quarter Performance [Consolidated]



The graphs on the slide show the changes in performance for FY2019, FY2020, and FY2021. What I would like you to pay particular attention to is ordinary profit and net income. Ordinary profit has gradually declined over the past three years to 31.5 billion yen, 28.7 billion yen, and 23.5 billion yen. Under normal circumstances, net income would also decline in tandem, but in fiscal 2020, net income is actually higher than the previous year.

This was due to a decrease in the amount of income taxes in fiscal 2020 related to the impairment loss on “7pay (Seven Pay)” in fiscal 2019; in fiscal 2021, the difference, plus the inclusion of the impairment loss on Seven Global Remit, Ltd., came to ¥15.9 billion.

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

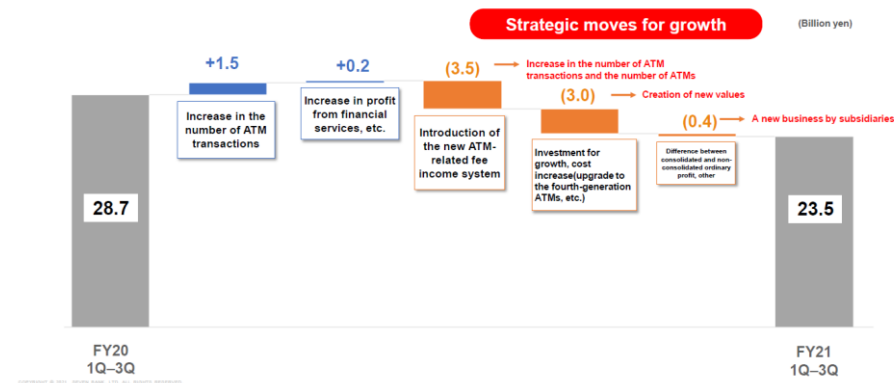
01

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



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

- While the number of ATM transactions increased, ordinary profit declined approx. ¥5.2 billion due mainly to an increase in costs related to introduction of new ATM-related fee income system and investment for growth.



I would like to explain the change in ordinary profit from the previous year, comparing the first three quarters of fiscal 2020 with the first three quarters of fiscal 2021. Ordinary profit for the first three quarters of fiscal 2020 was 28.7 billion yen, but for the first three quarters of fiscal 2021 it was 23.5 billion yen, a decrease of 5.2 billion yen. This is a decrease of 5.2 billion yen. As shown on the slide, the increase was due to a 1.5 billion yen increase in the number of ATMs used and a 0.2 billion yen increase in profit from financial services, for a total of 1.7 billion yen.

The decrease was due to 3.5 billion yen from the new ATM-related fee income system for banks, 3.0 billion yen from aggressive investment in growth, and 0.4 billion yen from the difference between consolidated and non-consolidated. After subtracting the increase factors, the total decrease was 5.2 billion yen.

## Income Statement [Seven Bank]

01

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

Income Statement [Seven Bank]



|                   | Nine months ended<br>December 31, 2021 | Nine months ended<br>December 31, 2020 | Comparison |
|-------------------|--|--|------------|
| Ordinary income   | ¥83.6 billion                          | ¥84.3 billion                          | (0.8%)     |
| Ordinary expenses | ¥60.5 billion                          | ¥56.8 billion                          | +6.5%      |
| Ordinary profit   | ¥23.0 billion                          | ¥27.4 billion                          | (16.0%)    |
| Net income*       | ¥14.7 billion                          | ¥18.9 billion                          | (22.2%)    |
| EBITDA            | ¥34.1 billion                          | ¥37.0 billion                          | (7.8%)     |

\*Recorded 987 million yen in loss on valuation of shares in Seven Global Remit as an extraordinary loss

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5

Let me explain about Seven Bank on a non-consolidated basis. A detailed explanation is omitted because the content will be almost the same as that of the consolidated financial results.

As described at the bottom of the slides, we recorded an extraordinary loss of ¥987 million on the valuation of shares of Seven Global Remit, a consolidated subsidiary. We reported an impairment loss of ¥712 million on a consolidated basis, but the non-consolidated financial results are larger.

Seven Global Remit had accumulated losses due to the delay in achieving its business plan, but the non-consolidated financial results did not reflect those losses. Based on the accumulated loss and impairment loss, a stock valuation loss of 987 million yen has been recorded as an extraordinary loss.

## Income Statement of Main Consolidated Subsidiaries [Non-consolidated, for Nine Months, Before Consolidation Adjustment]

01

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



Income Statement of Main Consolidated Subsidiaries [Non-consolidated, for Nine Months, Before Consolidation Adjustment]

(Million yen)

|  | Subsidiaries in Japan                |                              | Overseas subsidiaries (Note: fiscal year ended December 2021; nine months from January to September) |                              |
|--|--------------------------------------|------------------------------|--|------------------------------|
|  | Bank Business Factory                | Seven Payment Service        | FCTI   | ATMi                         |
|  | [Contract-based back-office support] | [Money transfer, settlement] | [ATM operation in the U.S.]  | [ATM operation in Indonesia] |
| Ordinary income  | 1,672                                | 325                          | 17,269   | 979                          |
| (Changes from FY20)  | 349                                  | 57                           | (1,640)  | 734                          |
| Ordinary profit  | (4)                                  | 78                           | 2,095  | 256                          |
| (Changes from FY20)  | (4)                                  | 80                           | (1)  | 197                          |
| Net income   | (5)                                  | 66                           | 2,043  | 256                          |
| (Changes from FY20)  | (1)                                  | 68                           | (176)  | 197                          |
| <div> <div> <p><b>Lower profit on higher income</b><br/>Income increased reflecting large orders.<br/>Profit fell due to upfront investment for business expansion</p> </div> <div> <p><b>Higher profit on higher income</b><br/>ATM cash receipt service expanded steadily</p> </div> <div> <p><b>Lower profit on lower income</b><br/>Income declined as low margin ATMs were removed</p> </div> <div> <p><b>Higher profit on higher income</b><br/>The business is on track.<br/>Significantly increased installation of ATMs</p> </div> </div> |                                      |                              |  |                              |

Note: Exchange rate: FY20 3Q IDR 100 = ¥0.758, FY21 3Q IDR 100 = ¥0.737

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6

I will now explain the performance of our major subsidiaries. The slide shows the figures for each of the two domestic and two overseas companies. I will provide supplementary explanations, especially focusing on the areas of lower sales and profits shown in orange.

Bank Business Factory has experienced an increase in sales and a decrease in profits, due to the nature of its business model, expenses for this company may be up-front when large-scale orders are received. In the fiscal year under review, operating income declined temporarily due to upfront expenses in the preliminary stage of recording sales. However, if sales are recorded, incomes are also expected to recover.

In addition, FCTI in the U.S. has reported a decrease in both sales and profits. In the U.S., ATMs installed in stores other than 7-Eleven are unprofitable, and we have been strategically selling them. Naturally, even though they are unprofitable, a decrease in the number of machines will result in a decrease in recurring income.

Ordinary income, on the other hand, has remained in a slightly negative range. We aim to secure ordinary income by eliminating unprofitable ATMs and controlling expenses.

## Financial Results Forecast

01

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

Financial Results Forecast



### Full-year forecast for fiscal year ending March 31, 2022 [Consolidated]

#### ➤ No change to the full-year plan

- Performing roughly in line with the FY21 plan

- The business results forecast was left unchanged given the uncertainties over the spread of the novel coronavirus infection caused by a new variant (omicron)

### Dividend forecast for the fiscal year ending March 31, 2022

#### ➤ No change from the initial plan

- Interim dividend: ¥5.50 per share (Year-end dividend of ¥5.50 per share for annual dividend of ¥11.00 is planned.)

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7

I would like to talk about the financial forecast. There is no change in the full-year plan, and we are on track to meet the fiscal year plan almost at the expected line. However, as mentioned in the slide, the outlook is uncertain due to the re-emergence of the new coronavirus infection. Therefore, the full-year plan will remain unchanged at this stage.

There is no change in the dividend from the initial plan. We plan to pay an interim dividend of 5.5 yen per share and a year-end dividend of 5.5 yen per share, for an annual dividend of 11 yen per share.

## ATM Platform Strategy 1 Key Figures

02

Progress in Business Strategies

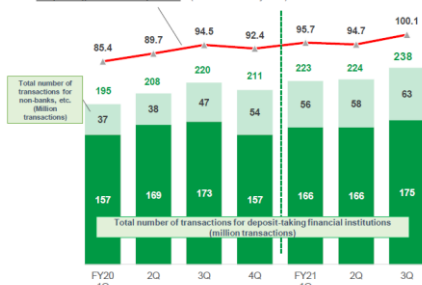
ATM Platform Strategy 1 Key Figures



### ATM Usage

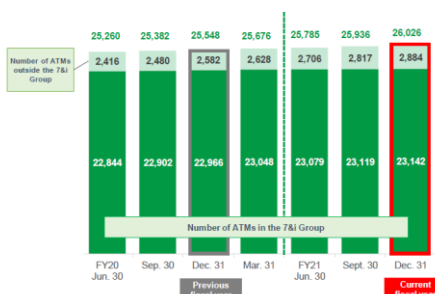
- Average number of transactions for the nine months: **+7%**;  
total number of transactions: **+9%**

Daily average transactions per ATM (Transactions/day/ATM)



### Number of ATMs

- **+478** (7&i Group: up 176; outside the group: **+302**)



Notes:

1. The total number of ATM transactions and daily average transactions per ATM do not include balance inquiries, e-money charges, PIN changes, withdrawal limit changes, or other operations.

2. In this report, securities, life insurance, credit card, consumer credit, consumer financing companies, and code payment companies are all referred to as "non-banks, etc."

3. ATM-related fee income per transaction: FY21 1Q-3Q: "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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9

I would like to explain the progress of our business strategy. Slide 9 shows the key figures for the ATM platform strategy.

In the cumulative third quarter of fiscal 2021, the average number of transactions increased by 7% year-on-year and the total number of transactions increased by 9% year-on-year. Looking at the graph on the left side of the slides, we can see that we are trending steadily upward.

In fiscal 2020, the outbreak of the new Corona viral infectious disease was expanding, and as a reaction to this, the total number of ATMs used increased in the fiscal year under review. In addition, among the cashless trend, the total number of ATMs used by depository institutions has been firm.

In addition, the total number of ATMs used by non-banks and others is steadily increasing, driven by an increase in ATM cash charge transactions by smartphone payment companies. As you can see from the graph on the left side of the slide, the total number of ATMs used by nonbanks and others in the third quarter of fiscal 2021 was 63 million. The total number of ATMs used by nonbanks includes the number used by business companies.

As you can see from our historical data, the total number of non-banks and others per quarter period is about 20 million. The first time we partnered with PayPay was in July 2019. Considering that non-banks were the main users before that, I think it is safe to assume that the number of cash recharge transactions by business companies is 63 million less the number of non-banks in the past. Although we do not disclose specific figures, we would like to share them with you for your reference.

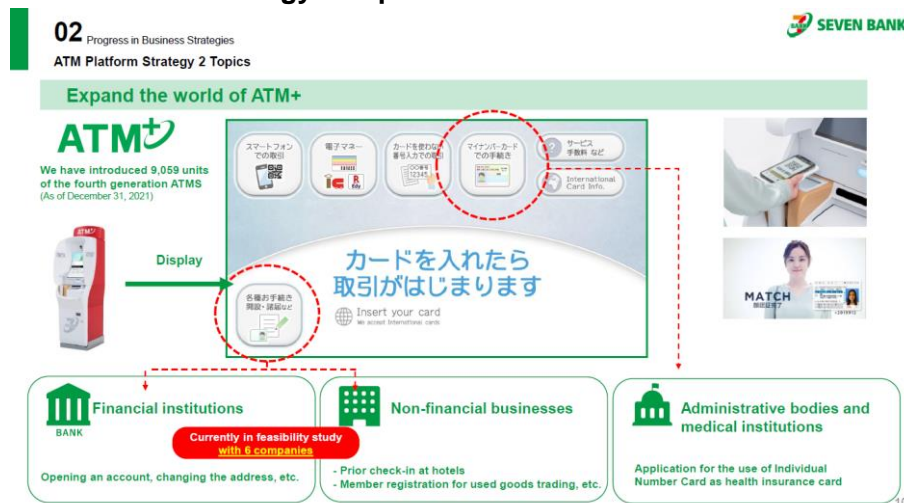
In addition, the number of ATMs increased by 478 units compared to the previous year. This includes 176 ATMs within the Group and 302 ATMs outside the Group. The



increase in the number of ATMs within the Group is limited because Seven-Eleven and other Group companies have considerably reduced the pace of new store openings.

On the other hand, outside of the group, we have been installing ATMs at railroad stations and commercial facilities. We have installed new ATMs next to station ticket vending machines, and we are also steadily increasing the number of ATMs in commercial facilities, as many commercial facilities have told us that they are in need of ATMs after other banks have removed theirs.

## ATM Platform Strategy 2 Topics



This section explains two topics related to ATM platform strategy.

The first is the "Various Procedures" button at the bottom left of the ATM screen. By pressing this button, you can open an account at a financial institution or register as a member of various business companies. Initially, we started with procedures for changing the address of Shizuoka Bank, but have now expanded to six companies. Identity verification is required when checking in at a hotel in advance or registering as a member of a used goods trading company. We are verifying through demonstration tests how many customers can use the ATMs for such purposes.

The second point is the "Procedure with Individual Number Card" button. We had already implemented the application for My Number Points, but in addition to that, we have started the application for using the health insurance card. When you press the button, two menus will come up.

Since the number of hospitals and pharmacies that accept the use of health insurance cards with Individual Number Card has not increased, the world has not made much progress. However, since this is a national policy, we would like to contribute to the popularization of the Individual Number Card by making it possible for people to apply conveniently not only from their smartphones but also from ATMs.

## Retail Strategy 1 Key Deposit Figures

02

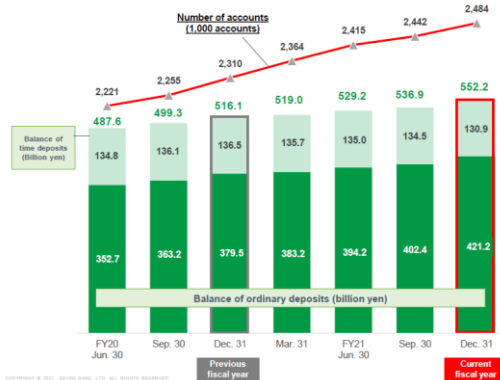
Progress in Business Strategies

Retail Strategy 1 Key Deposit Figures



### Trend in Number of Accounts and Balance of Deposits (Individual)

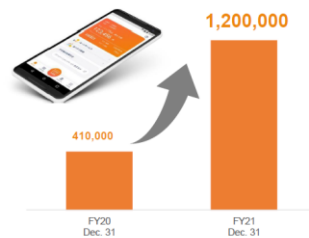
Both number of accounts and balance of deposits increased strongly



### Trend of My Seven Bank app

Launched April 2020  
The My Seven Bank app, which enables deposit and withdrawal using a smartphone from the same day of opening the account, has been growing steadily

<<Cumulative total download>>



11

I would like to explain our retail strategy. The graph on the left side of the slide shows the changes in the number of accounts and the balance of deposits at Seven Bank. As you can see, the number of accounts and the balance of deposits have been steadily increasing. The biggest reason for this is the "My Seven Bank" application, which is shown on the right.

Launched in April 2020, opening a bank account can be completed in as little as 10 minutes, making it a unique service offered in Japan. Cash cards are usually sent by mail, which takes about a week, but by using the "My Seven Bank" application, customers can make deposits and withdrawals at ATMs on the same day through their smartphones. I believe that this is one of the areas where we are greatly supported by our customers.

## Retail Strategy 2 Key Financial Service Figures

02

Progress in Business Strategies

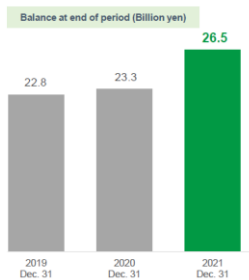
Retail Strategy 2 Key Financial Service Figures



### Personal loan services

Improved product attractiveness significantly: +13%

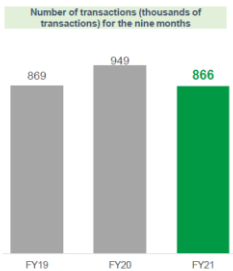
Note: Including services offered by Credit Finance, Ltd.



### International money transfer services

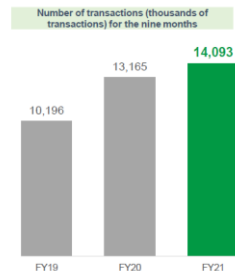
Number of users declined due to restrictions on entering the country: -8%

Note: Including services offered by Seven Global Remit, Ltd.



### Debit services

Transactions increased along with advance of cashless transactions: +7%



12

I will explain the personal loan service, international money transfer service, and debit service. With regard to loans, the "My Seven Bank" application, which I explained earlier, has shortened the time required to borrow a loan and improved other product features, and we are continuing to expand steadily.

In the ATM business, the number of consumer finance ATM transactions is extremely challenging, but the balance of Seven Bank's personal loan services is steadily increasing.

The overseas remittance service, found in the center of the slide, was down 8 percent due to a decrease in the number of users as a result of entry restrictions. The business environment is very unfavorable, as entry into Japan has been virtually halted due to the spread of the new coronavirus infection, but even if the timing is delayed, we are determined to make good progress in our services for foreign residents.

With regard to debit services on the right-hand side of the slides, it has remained positive at 7%, supported by the cashless progress of society as a whole.

## Retail Strategy 3 Topics: BNPL (Buy Now Pay Later)

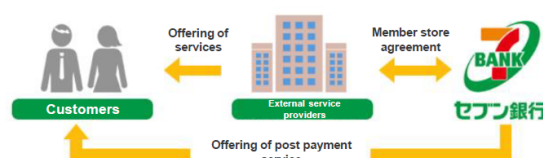
### 02 Progress in Business Strategies

#### Retail Strategy 3 Topics: BNPL (Buy Now Pay Later)

##### Started offering Seven Bank Post Payment Service

- In addition to recharge (pre-payment) at ATM, post payments for small amounts also available
- Started offering the service to external businesses (prepaid card issuers, etc.)

##### [Scheme diagram]



In the first round, we are offering the service to prepaid Vandle Card issued by Kanmu.



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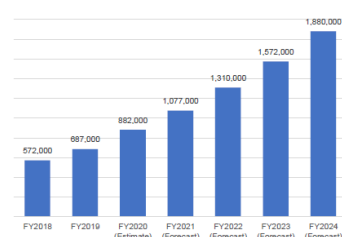


### Total transactions: ¥10.7 billion

\*Results for the period from September 21 to the end of December 2021

[Reference]  
Japan's BNPL market is forecast to be almost ¥2 trillion in FY2024

Trend and forecast of Japan's BNPL market  
The graph shows transactions (million yen)



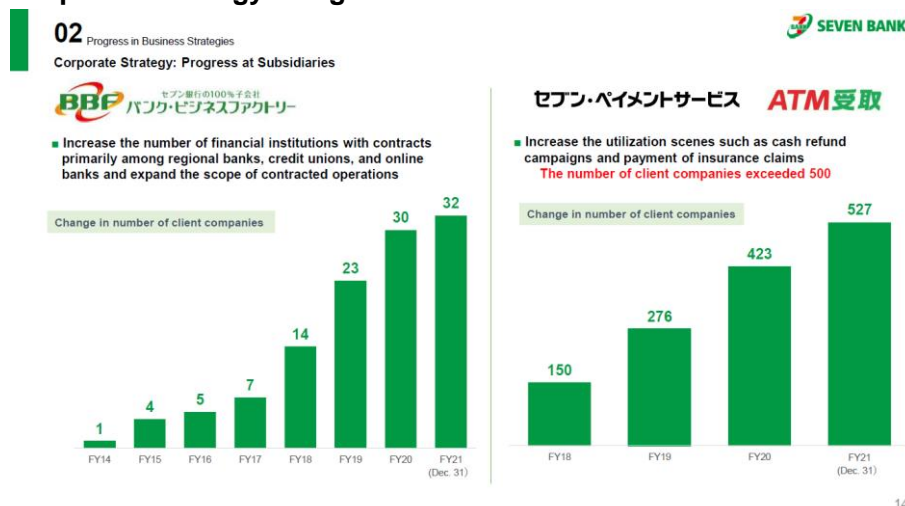
Notes:  
1. Based on transactions at businesses offering BNPL services.  
2. The figure for FY2020 is an estimate and those for FY2021 and onwards are forecasts (as of March 2021).  
Source: "Ecommerce Website Designing Service Market in Japan: Key Research Findings 2021" by Yano Research Institute Ltd.

About the Seven Bank Deferred Payment Service launched in September 2021. I hope you will think about it in the same way as the services that are referred to as BNPL these days.

This service is intended for "the Pochitto-charge" service of Kanmu. The service was launched on September 21, and the cumulative transaction value through the end of December is 10.7 billion yen. This service is highly supported by younger customers, with between 250,000 and 300,000 users per month.

As you can see on the right side of the slide, the Yano Research Institute Ltd. has published a forecast of the market scale of postpaid settlement services, and it is said that the transaction volume of postpaid settlement services will grow to just under 2 trillion yen by FY2024.

## Corporate Strategy: Progress at Subsidiaries



Let me explain about corporate strategy. Our corporate strategy is being promoted mainly by our subsidiaries. I would like to explain the business progress of Bank Business Factory, an outsourcing company, and Seven Payment Service, an ATM pickup company. The graph on the slide shows the number of clients for each of these companies, and I think you can see that they are steadily increasing.

In the beginning, Bank Business Factory was mainly engaged in deposit investigation services, but since then, anti-money laundering measures and eKYC services have been increasing, and we are now also engaged in bank housing loan services. We are steadily increasing the number of companies we do business with, and the volume of business is also increasing.

The number of transactions with ATMs for Seven Payment Service has been steadily increasing, and the number of companies doing business with Seven Bank is now over 500. This is a unique service that only Seven Bank offers, with over 100,000 transactions per month. Initially, we received a lot of prepaid salaries and campaign winnings, but in fiscal 2020, due to the many cancellations of events due to the Corona disaster, we saw an increase in the use of refunds and other services. However, in fiscal year 2020, due to the Corona disaster, there were many cancellations of events, which led to an increase in refunds.

In fiscal year 2021, in addition to prepaid salaries and wages, in the past, gift cards and other items were sent as cash back for campaigns (by merchandising companies), but ATMs have been adopted in place of these items, and many customers are using them.

## Overseas Strategy 1 Number of ATMs, Transactions in U.S.

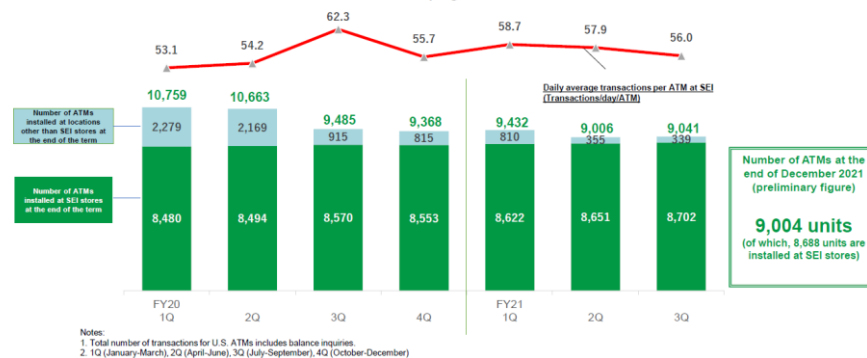
02

Progress in Business Strategies



Overseas Strategy 1 Number of ATMs, Transactions in U.S.

- Daily average transactions per ATM is on a declining trend in 3Q affected by the resurgence of the coronavirus infection
- Removal of ATMs installed at locations other than SEI stores progressed



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15

I would like to explain about our overseas business. Regarding FCTI in the United States, the stacked bar graph on the slide shows the number of ATMs installed. As I mentioned earlier, we are promoting measures to remove or sell ATMs placed outside of 7-Eleven stores. Although the total number of ATMs installed is decreasing, the number of ATMs in 7-Eleven stores, as indicated by the dark green graph, is steadily increasing, and we are making progress as planned.

Please refer to the line graph for the average number of transactions; the third quarter of FY2020 was outstanding with 62.3 transactions, and the first and second quarters of FY2021 were also strong with 58.7 and 57.9 transactions, respectively. This is due to the fact that during this period, benefits to combat the new coronavirus infection were provided in the U.S., and many people used ATMs to make withdrawals. Please think of this as a figure that takes into account special factors rather than our true strength.

FCTI's third quarter is the period from July to September. The average number of cases used has dropped to 56. The fourth quarter is preliminary, but the number has dropped to about 51. This is due to the fact that the new coronavirus infection spread again in the U.S. in November and December.

It is the same in both Japan and the U.S. that when the human flow decreases, the number of ATM usage also decreases. For these reasons, the number of ATMs used in the fourth quarter was not very strong. However, we are still well above our break-even point.

## Overseas Strategy 2 Number of ATMs, Transactions in Indonesia

02

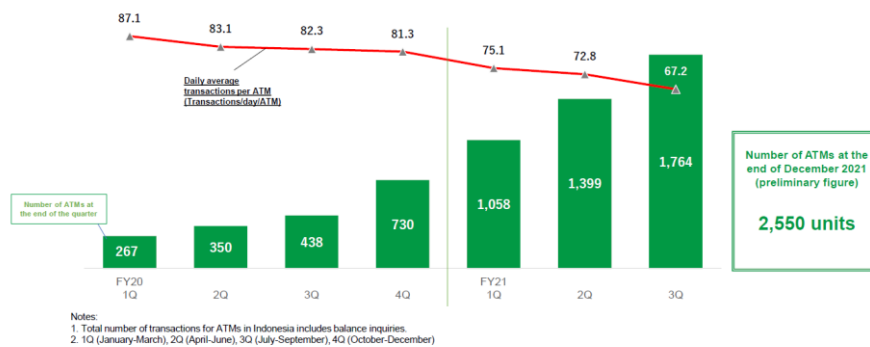
Progress in Business Strategies

Overseas Strategy 2 Number of ATMs, Transactions in Indonesia

- The number of ATMs installed significantly exceeded the fiscal year plan of 2,000 units, reaching 2,550
- The number of daily average transactions per ATM declined as there are more ATMs that have been installed recently

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PT. Abadi Tambak Mulia Internasional



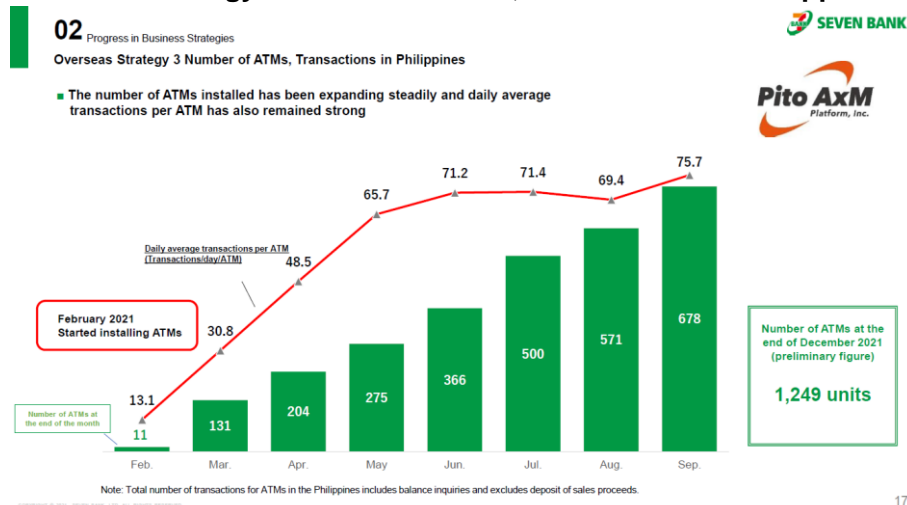
16

Let me explain about Indonesia. Indonesia is doing very well. It is the only country where Seven Bank has a presence that does not have a Seven-Eleven convenience store, but we have received many requests from the two major convenience stores in the country to install ATMs, as about 60% of their stores do not have them. Since the number of ATMs is steadily increasing and the number of users is also steadily increasing, we have revised our plan upward and are now actively increasing the number of ATMs.

As we increase the number of ATMs installed, we need customer recognition during the first, second, and third months after installation. As the number of ATMs with a short history of installation increases as a weight, the average number of usages will naturally decrease.

We have been actively increasing the number of ATMs in the fourth quarter, but the average number of ATMs used has declined to about 63 according to preliminary figures. Once the ratio of newly installed ATMs reaches a certain level, the average number of cases will settle down, and we expect the number of cases to exceed 60 in fiscal 2022, which is the same level as in the fourth quarter. The break-even point here is also in the 50-unit range, so we are proceeding at a level that is sufficient to ensure profitability.

## Overseas Strategy 3 Number of ATMs, Transactions in Philippines



I would like to explain about our subsidiary in the Philippines, PAPI, which just started business in February and is still in the red, but as you can see on the slide, the number of ATMs installed is steadily increasing and the average number of transactions shown on the line graph is also on the rise.

The average number of cases has remained slightly flat in July, August, and September, but the Philippines struggled very much due to the spread of the new coronavirus infection during this period, as well as typhoon disasters and other unfavorable weather conditions. However, the number of cases has been steady since then and is currently hovering around 100.

There are about 3,000 Seven-Eleven stores in the Philippines, and we are planning to install ATMs in all of them.

The above is the progress of our business strategy. Page 18 onwards is the APPENDIX, which outlines the consolidated and non-consolidated results of Seven Bank, FCTI and other major subsidiaries, but I will omit the explanation.

## Question and answer session: BNPL's profitability and the impact of US interest rate hike

Questioner 1: About BNPL on page 13. As you indicated that the cumulative transaction value is 10.7 billion yen this time, what are the commissions your bank can get from Kanmu? Also, what are the reserve methods and what are the profitability of BNPL? At the same time, please tell us if there is a possibility that alliance partners will expand in addition to Kanmu, and if there are any hurdles to this, etc.

The second question concerns the impact of the U.S. interest rate hike. Please tell us about measures to curb FCTI's financing costs amid the certainty of an interest rate hike in the U.S. in the future.

Kawada: Regarding your first question about fees and allowances for BNPL, as with the ATM business, we do not disclose the terms and conditions of transactions for individual companies. As you can see in the slide, the total transaction volume is 10.7 billion yen, and there are 250,000 to 300,000 transactions per month, so if you divide that by the number of transactions, you can see that the transaction amount per transaction is about 13,000 yen. I think you can understand.

In addition, if you look at Kanmu's website, the commission for "Pochitto Charge" is listed. This is a commission that the customer pays, but from 3000 yen to 10000 yen it costs 510 yen, and from 11000 yen to 20000 yen it costs 815 yen. Thereafter, the commission will increase in stages based on the amount applied for, up to a maximum of 50000 yen. However, we may not be able to receive all the fees described here. However, we receive a reasonable fee commensurate with credit risk, etc. The above is what we can discuss about sales.

On the other hand, in terms of incomes, only three months have passed since the service was launched. However, given various costs, such as the provision for credit risk, the contribution to profits is unfortunately minimal at this point. These are responses related to profitability and reserves, etc.

In addition to Kanmu, we would naturally like to expand our partnerships to a variety of other companies, and we have been working on this from the beginning, but at the moment, we do not have any concrete examples that we can discuss.

I will answer the second question about the impact of interest rate hikes in the United States. Unlike the Japanese Seven Bank, American FCTI is a non-bank, so we procure filling cash from local banks. ATMs in the U.S. are approximately ¥10 million per unit, and since there are around 8900 units, approximately ¥89 billion to ¥90 billion is used as total cash for filling.

What will happen in the future, however, if the 1% funding rate rises, the cost will increase by 900 million yen. Therefore, if the current level of income rises by 2%, we will remain in the black, but if it rises by 3%, the actual value in FCTI is in a difficult situation, and we had a very problematic awareness of the interest rate hike, so we instruct the local FCTI more than six months ago to make a concrete study. Specifically, we will take measures such as setting an interest rate cap.

For example, we have been continuously studying the terms and conditions of interest rate caps and other measures to be selected for about six months now, since it is naturally costly to apply interest rate caps. However, so far we have not yet implemented any interest rate caps or other measures.



We are currently in a fairly serious consideration, considering the anticipated future rise in interest rates and anticipated damage.

**Question and answer session: Impact of interest rate hike on the Philippines and Indonesia and the outlook for the average number of FCTI users in the future**

Questioner 2: The first point is partly related to the previous question, but what do you think about the risk that the Fed's interest rate hikes will lead to higher procurement costs in Indonesia and the Philippines, as emerging market currencies will also have to raise rates to defend their currency values? What are your thoughts on the possibility that procurement cost risks in the future will slow down the pace of profit growth?

The second point is about the outlook for the average number of FCTI uses in the future. Traditionally, the level has been "slightly higher", so will it continue to hover around the current level for a while? Or, since there will be no more non-7-Eleven ATMs, will 7-Eleven's own be able to aim a little higher, or will it fall slightly? I think the ATMs with SEI are the ones that give the average number of uses for FCTI, but can you give me an idea of whether this one will be flat, decline, or aim a little higher?

Kawada: I understood the first point to be a question about the impact of the interest rate hike on the Philippines and Indonesia. Other than the U.S., the countries where we are expanding overseas are Indonesia and the Philippines. In Indonesia, the amount of cash loaded per ATM is about 2 million yen. Since there are about 2,500 ATMs in Indonesia, the total amount of cash loaded in ATMs is about 4 to 5 billion yen.

Indonesia is still financing the project by borrowing from local banks. The procurement cost is about 6 percent. We are fully in the black, and a 1% increase in the cost would result in a cost burden of about 50 million yen per year, even if the loaded cash is 5 billion yen, so we believe we can make the business profitable.

In the Philippines, each unit costs about 5 million yen in cash, so the total cost is about 6 to 7 billion yen, and a 1 percent increase in the cost burden would be 60 to 70 million yen. Since we have just started operations, we are still in the red at the moment, but we expect to break even in FY2023. If interest rates rise by 1, 2, or 3 percent, the timing of the return to profitability may be delayed a little, perhaps to FY2024 or later, but we don't think that the business will become unsustainable.

Unlike in Japan, our overseas subsidiaries do not have banking licenses, so naturally we are aware of the cost of raising cash from the start.

Regarding the second FCTI's average number of ATMs in the future, the red line graph on the slides shows the number of ATMs placed on Seven-Eleven, as indicated. I think 50 to 55 cases are merit values.

Since the U.S. is a developed country, it is moving toward a cashless society, just like Japan, but I think it will be a gradual process rather than a rapid one. Of course, it depends on the situation of the new coronavirus, but basically, I think the number of cases will stay between 50 and 55.

#### **Question and answer session: Future installation volume and revenue outlook for the Philippines and Indonesia**

Questioner 3: I would like to talk about Indonesia and the Philippines. I think you are saying that the number of units installed in Indonesia is increasing well above the plan for the fiscal year and that the number of units installed in the Philippines is also increasing steadily. How much do you expect the number of units to increase over the next year? Please also tell us about your earnings.

Kawada: I would like to explain Indonesia and the Philippines, respectively. First of all, in Indonesia, we are increasing the number at a fairly rapid pace, adding about 250 units in a month. In Indonesia, there is a large shortage of ATMs in the country and an increase in the number of ATMs used is also expected to be commensurate, so we intend to proceed at such a pace for the next year or two.

However, we are aware that since the ATMs will be located farther away from the capital city of Jakarta, their usage and cost may be different from the past, and we are carefully monitoring the profitability while placing orders for ATMs.

As we proceed in this way, if we find that some regions are not profitable, we will change our course, but for now, we are drawing up an expansion plan based on the expectation that the number of ATMs used will remain steadily above the break-even point. If we cannot exceed the break-even point, we will stop.

In the Philippines, as I mentioned earlier, we plan to install ATMs in all of our approximately 3,000 Seven-Eleven stores. Therefore, we expect to install up to 3,000 ATMs, but currently there are no concrete plans beyond that point.

However, it will take between one and two years for the installation of the system at Seven-Eleven alone, so we will consider a subsequent installation plan based on market conditions and whether there are inquiries from other parties during that time.

#### **Question and answer session: Future sales and profit expectations for postpaid settlements, and the Seven & i Group**

Questioner 4: The first point is about BNPL once again, what are your expectations for future sales and profits? You mentioned that profits were extremely low in the third

quarter, but it was just a coincidence that the first provision was so large. Please give us your view on the future of sales profit as much as you can talk about that as well.

Secondly, talking about within the group, with reports coming out that the parent company is going to concentrate on convenience stores, what are your expectations for the relationship between the Bank and the parent company, either for the better or for the worse, in terms of whether the relationship will change or not?

Kawada: First of all, I apologize for not being able to give you a clear picture of the BNPL. Sales are linked to the number of users of the "Pochitto Charge" service provided by Kanmu, so it is dependent on the sales power of Kanmu.

Profits will be affected by the amount of defaults that occur in the future. The current profit is not negative, but it is difficult to talk about the future outlook at this point. We do not expect to generate large profits in the next quarter either.

Once we are able to estimate the amount of defaults that will occur as the service continues, we will be able to read the profits more accurately, but at this stage it is difficult to tell.

Regarding the second point, the Seven & i Group, there have been various reports, but there is nothing specific, and the information we know is almost the same as what you know.

In a sense, Seven Bank's ATMs are very much like one of the services of Seven-Eleven, so I think the relationship is such that when Seven-Eleven becomes stronger, Seven Bank becomes stronger.

Newspapers have reported on department stores, but this has not been decided, so I don't know. However, the number of ATMs we have in department stores is 20 to 30 in total for Sogo and Seibu. Compared to 26000 units, this is very small, so we have no choice but to think that our business will have little impact.

#### **Closing Remarks from Mr. Kawada**

Thank you very much today. We mainly explained our business results for the third quarter, but I think the impression is that the results were probably there were probably few surprises in our financial results.

In May last year, we announced our mid-term management plan, and we clearly stated that we aim for the second growth. Also, in April last year, we established the "Purpose", and we have decided that our raison d'etre is to focus on going beyond what our customers "wish they had".

Under such circumstances, we are trying to create a pillar of growth next to the ATM business, but it must be something meaningful and unique to Seven Bank. It is not enough to just make a profit," and we have had various internal discussions, which are gradually taking shape.

I think we need to present this information as soon as possible, but I think we will be able to present it around the time of the closing of accounts, so please look forward to it.

As the new coronavirus is spreading rapidly and the flow of people is decreasing, we are concerned about the decrease in the use of ATMs in terms of company performance, and we are also very concerned about our health. We will do our best. I look forward to talking with you again in three months. Thank you very much for your time today!