



SEVEN BANK

Everyone's ATM network

Anytime and anywhere, safe and secure

SEVEN BANK, LTD.

Annual Report 2008

For the year ended March 31, 2008

Profile

Our primary business is the provision of ATM services to consumers in Japan through our nationwide network of ATMs, most of which are located in the convenience stores of Seven-Eleven Japan Co., Ltd., the operator of Japan's largest network of convenience stores. We have rapidly expanded our operations since our establishment in 2001 and as of March 2008 we operated 13,032 ATMs, the largest ATM network operated by any private sector Japanese bank.

History

Apr. 2001 Incorporated under the name IY Bank Co., Ltd.

May 2001 Began accepting applications for deposit accounts and commenced ATM services

Dec. 2001 Began offering internet banking, mobile internet banking and telephone banking services to account holders

Mar. 2003 Total number of ATMs in our network reached 5,000

Apr. 2005 Total number of ATMs in our network reached 10,000; opened our first manned outlet

Jul. 2005 Began installation of second generation ATMs

Oct. 2005 Changed our corporate name from IY Bank Co., Ltd. to Seven Bank, Ltd.

Mar. 2006 Began offering agency and administrative intermediation services on behalf of our correspondent financial institutions and other retail service companies through our manned outlets; began accepting time deposits

Jun. 2007 Declared the first dividend on shares of our common stock, ¥5,000 per share; began installing our ATMs at locations outside of the Seven & i Holdings Group

Jul. 2007 Introduced new services permitting holders of cash cards and credit cards issued overseas to make Japanese yen withdrawals from our ATMs

Sep. 2007 Upgraded ATM hardware to permit users of the *nanaco* prepaid rechargeable electronic money system offered by the Seven & i Holdings Group to add value to their *nanaco* accounts using our ATMs

Feb. 2008 Listed on the JASDAQ Securities Exchange; total number of ATMs in our network reached 13,000

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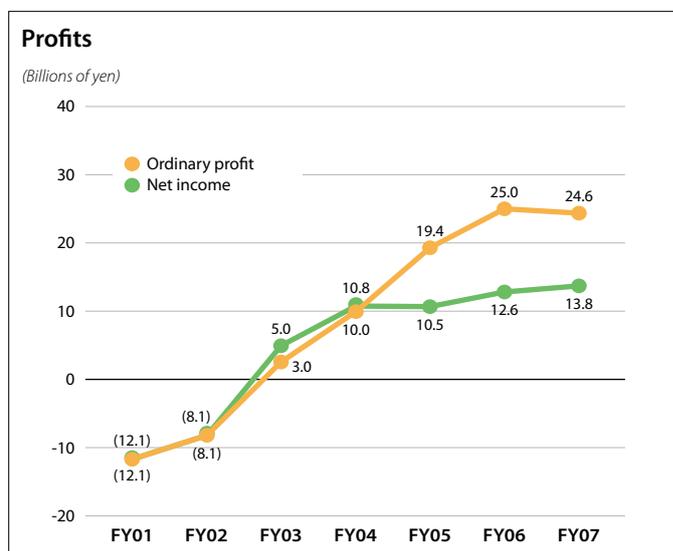
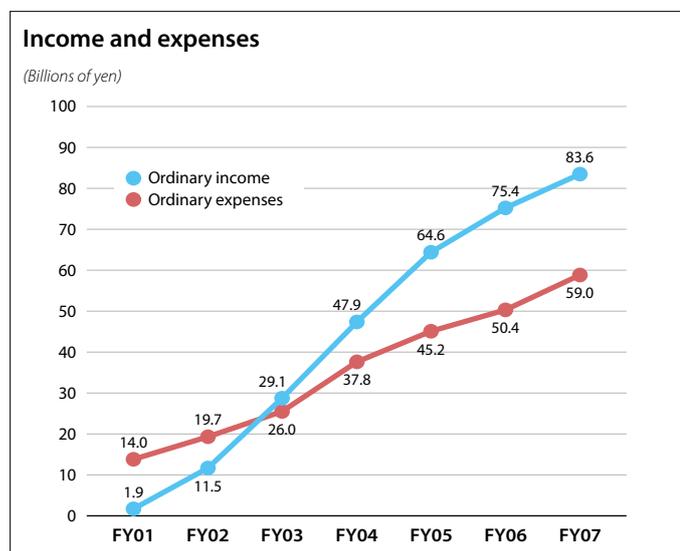
Financial Highlights

Seven Bank, Ltd.

For fiscal years ended March 31

(Millions of yen except where indicated)

	2004	2005	2006	2007	2008
Statements of income					
Ordinary income	29,117	47,967	64,612	75,427	83,663
Net interest income (expense)	(59)	(420)	(556)	(1,112)	(1,852)
Net fees and commissions income	26,641	44,164	59,128	68,384	74,143
Ordinary profit (loss)	3,035	10,075	19,409	25,021	24,650
Net income (loss)	5,027	10,843	10,590	12,667	13,830
Net income per share (¥)	4,120	8,888	8,680	10,736	11,808
Balance sheets					
Total assets	259,676	313,305	361,338	532,757	488,137
Deposits	187,442	189,776	196,880	275,136	219,138
Total liabilities	214,013	256,797	294,257	458,907	399,162
Total stockholders' equity	45,662	56,508	67,080	—	—
Total net assets	—	—	—	73,849	88,974
Other					
Net assets per share (¥)	¥37,428	¥46,318	¥54,984	¥63,317	¥72,930
Return on equity (%)	12.06%	21.14%	15.80%	17.03%	16.89%
Return on assets (%)	1.48%	3.55%	5.74%	5.59%	4.75%
Return on ATM cash (%)	2.02%	3.71%	6.26%	8.73%	7.83%
Overhead ratio (%)	88.13%	76.34%	67.12%	62.40%	65.63%



Forward-Looking Statements

This document contains statements concerning the current plans, expectations, strategies and beliefs of Seven Bank, Ltd. ("Seven Bank"). Statements contained herein that relate to future operating performance and that are not historical facts are forward-looking statements. Forward-looking statements may include, but are not limited to, words such as "believe," "anticipate," "plan," "strategy," "expect," "forecast," "predict," "potential," "possibility" and similar words that describe future operating activities, business performance, events or conditions. Forward-looking statements, whether spoken or written, are based on judgments made by the management of Seven Bank, based on information that is currently available to it. As such, these forward-looking statements are subject to various risks and uncertainties including, but not limited to, changes in the level of demand for the services offered by Seven Bank, challenges Seven Bank faces in achieving further growth and various other factors. As a result of such risks and uncertainties the actual business results of Seven Bank may vary substantially from the forecasts expressed or implied in forward-looking statements. Consequently, investors are cautioned not to place undue reliance on forward-looking statements. Seven Bank disclaims any obligation to revise forward-looking statements in light of new information, future events or other findings. The information contained in this document does not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe for any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

Review of fiscal 2007

In fiscal 2007 (the year ended March 31, 2008), our seventh fiscal year, Seven Bank again achieved growth in profits. The period was marked by a slowdown in Japan's economy, triggered by rapid increases in raw material and fuel prices and the US sub-prime loan problem, which led to weaker export growth and softening consumer sentiment.

However, Seven Bank's core ATM business was almost unaffected by the economic environment and displayed strong growth. Depreciation of fixed assets increased significantly compared to the previous fiscal year as we decided to take expenses early and increased the rate at which we depreciate new ATMs to 50%. Despite this, we achieved year-on-year growth in net income.

Fiscal 2007 was also a year in which we implemented further significant changes, and on February 29, 2008, Seven Bank successfully listed on the JASDAQ Securities Exchange. We regard the public listing of Seven Bank's shares as a vital step in presenting our business to the market, conducting more transparent management, and inspiring the trust of society. In a sense, our listing is a new start for Seven Bank and we are determined to make renewed efforts to fulfill the expectations of our shareholders.

Until recently, nearly all of our ATMs have been located in the stores of Seven & i Holdings Group companies. In order to achieve further growth, we have begun installing our ATMs in other locations, an initiative we began in June 2007 by securing the contract to operate and administer all of the ATMs of Nomura Securities, and installed our first ATM in Narita International Airport. Large numbers of customers use our new ATMs enabling us to remain sensitive to the unique requirements customers have for ATM services, and to appreciate how our sustained efforts to develop our network have fostered customer recognition of our brand.

Seven Bank's corporate mission is to encourage large numbers of customers to use our ATMs, 'Anywhere and Anytime, Safe and Secure'. In Japan, the number of ATMs able to handle cash cards and credit cards issued overseas ('overseas cards'), or those which the vision-impaired can use easily, has been extremely limited. To meet these needs Seven Bank has introduced services that allow the withdrawal of Japanese yen using an overseas card, and has equipped ATMs with audio guidance for the vision-impaired. Our service for overseas cards has been launched in collaboration with the Japanese government's Visit Japan Campaign (the Yokoso! Japan campaign) and has been

highly rated for its unique features, not only by overseas visitors, but also by the Japanese government and the tourism industry. These services are also generating demand from non-Group companies among whom interest in installing our ATMs in their locations is growing.

Another of our new initiatives is linked to the rapid growth of electronic money (e-money) cards in Japan. These are used instead of cash for an increasingly diverse range of transactions in Japan and can be reused by charging them with cash or credit. In fiscal 2007 we started providing a service to charge the Seven & i Holdings e-money card *nanaco* at our ATMs. Despite the rapid growth of e-money in Japan, there is currently no sign that the spread of e-money is reducing notes in circulation in Japan and it has had no significant impact on our business results.

Forecasts for fiscal 2008

We have largely completed placing ATMs in existing facilities throughout the Seven & i Holdings Group in 2007, so looking ahead, we will seek to expand the number of our ATMs by actively placing ATMs in locations outside the Seven & i Holdings Group facilities, as well as in new Group stores. We also forecast higher usage rates although we do not expect to repeat the dramatic growth of ATM usage rates seen in previous years. We expect depreciation to peak in fiscal 2008, so the increased rate at which we depreciate second generation ATMs will slow our profit growth. Nonetheless, in fiscal 2008 we forecast continued growth in ordinary income, ordinary profit, and net income.

Message from Management (cont.)

Medium-term plan until fiscal 2010

Next, I would like to discuss our three-year medium-term plan.

As regards the ATM business, our core operation, we are aiming to establish a solid foundation as an ATM services provider and to be Japan's best ATM service provider in terms of both quantity and quality by increasing to 1,600 the number of ATMs installed outside of Seven & i Holdings Group facilities and reaching a total of 16,000 ATMs by the end of fiscal 2010 (March 2011).

To achieve this increase, ATMs will be installed at new Seven & i Holdings Group stores and second machines will be installed in locations with high usage rates. We will also seek to secure operating contracts for the ATMs of other financial institutions and seek to install ATMs at airports, train stations and other locations with high customer traffic. Additionally, we are improving operational efficiencies, for example through efforts to reduce cash replenishment costs by recycling notes in the Bank's ATMs for use for withdrawals and by expanding marketing to encourage local restaurants and other businesses to deposit their sales proceeds in our ATMs.

During the three-year plan period, we expect that competition from other ATM service providers and banks will intensify, but by rapidly and accurately assessing our customers' needs and responding sincerely to them, we aim to retain and strengthen our competitive advantages.

Although almost all of the Bank's revenues come from our ATM operations, we are striving to cultivate other sources of revenue. During the three-year plan period, we will establish a retail finance model by further developing our current six manned outlets called Everyone's Bank Teller Window and the online version called Everyone's Money-site.

The cash held in ATMs will inevitably increase in line with the Bank's growth. Even though total assets will increase, we aim to maintain our current level of return on assets (ROA), and achieve growth in profits through focusing on operating efficiency. Our targets for fiscal 2010 are an ordinary profit of ¥30.0 billion and net income of ¥18.0 billion.

Dividend policy

We regard returning profits to shareholders as an important management issue. Our basic policy is to make sustained dividend payments while maintaining a balance with the retention of earnings. Our dividend payout ratio target is 35%, and as of fiscal 2008 we aim to distribute profits twice annually, comprising an interim and a year-end dividend.

Internal funds will be maintained for investment in future growth and to increase cash held in ATMs. We will also ensure that cash held in ATMs is funded by a balance between cash from our own internal reserves, long-term funds sourced from deposits, and corporate bonds. Further, we have no intention of making excessive increases to internal reserves and instead will strive to distribute profits to shareholders as much as possible.

Seven Bank's core ATM business is evolving from ATMs in Seven-Eleven stores to a new phase in which we are further expanding our network, locating 'Everyone's ATM' in a broad range of key locations. As we seek to fulfill our customers' needs on this broader stage, we also have the opportunity to realize the true value of Seven Bank.

Looking ahead, we invite our stakeholders to watch us keenly and tell us your opinions and demands. We believe that our future is shaped by your expectations of us, and we are dedicated to continuing to provide the unique services that only Seven Bank can offer.



安高 隆

Takashi Anzai
President and Representative Director

Business Model

Seven Bank's primary business is the provision of ATM services to consumers in Japan through a nationwide network of automated teller machines (ATMs), the largest ATM network of any private sector Japanese bank. We are affiliated with the Seven & i Holdings Group, and most of our ATMs are located in the convenience stores of Seven-Eleven Japan, the operator of Japan's largest network of convenience stores.



Seven Bank's ATMs benefit from customer traffic in Seven-Eleven stores—Japan's largest network of convenience stores

As a result we benefit from Seven-Eleven Japan's existing customer base and customer traffic levels, the extensive geographic reach of its store network and infrastructure, and the convenience of its 24-hours-a-day business model.

We have grown rapidly since establishment in 2001 and we are now extending our network to locations outside the Seven & i Holdings Group, enhancing the services available at our ATMs, and developing an integrated retail financial services business.

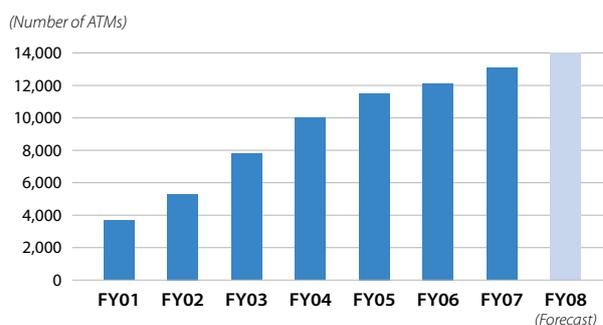
Key competitive strengths of our business model

We believe that the following competitive strengths have been and will continue to be the keys to our success:

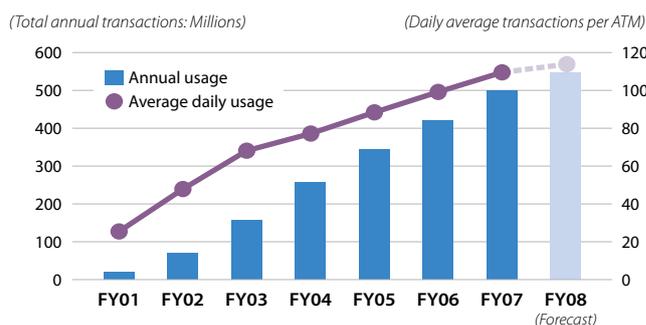
Extensive ATM network and growing usage rate

We believe that the reach, density, accessibility and reliability of our network are key competitive advantages. Most of the ATMs in our network operate 24 hours a day in the convenience stores of Seven-Eleven Japan. In addition, in June 2007 we began installing our ATMs at locations outside of the Seven & i Holdings Group, and by December 31, 2007 we had installed our ATMs in each of Japan's 47 prefectures. As a result total transactions at our ATMs reached 498 million transactions in the year to March 2008 (up 80 million transactions year-on-year). We have also recorded steady increases in the average number of transactions per day per ATM in each year since our establishment, reaching an average of 109.0 transactions per ATM in fiscal 2007 (up 11.2 transactions year-on-year).

Trends in number of ATMs



Total annual transactions and daily average transactions per ATM



The number and breadth of our correspondent financial institutions

We have steadily expanded our customer base of ATM users through steady growth in the number of our correspondent financial institutions to 554 as of March 31, 2008. This means that Japanese consumers can be increasingly confident that they can access almost any account they desire at a Seven Bank ATM.

Cost-efficient, fee-based business model

We have made effective use of technology and third-party service providers to achieve our current scale and profitability. We had only 290 full-time employees as of March 31, 2008, and although we are licensed as a bank in Japan, we are focused on our fee-based business model and do not bear the risks and expenses of traditional banking operations.

Highly-functional and convenient ATMs and a sophisticated and secure ATM network

We have designed our ATM network to link directly to our correspondent financial institutions, which allows us to avoid the connection costs and technological and operational limitations associated with pre-existing correspondent ATM networks and provides us with the pricing flexibility we would not enjoy if our links with correspondent financial institutions depended on such networks. Our direct links also generally allow the customers of our correspondent financial institutions to access the familiar interface and full functionality of their home institutions via our ATMs.

Affiliation with the Seven & i Holdings Group

Our affiliation with the Seven & i Holdings Group, the operator of over 12,000 retail locations nationwide and the largest retail group in Japan by net sales for the most recently ended fiscal year, has helped us to achieve a high level of brand awareness and enabled us to expand our ATM network rapidly, contributing to our steady growth.

Strong financial position

Unlike most banks, we do not rely on interest income as a primary source of revenue and we do not currently engage in commercial lending. Accordingly, we maintain a comparatively low balance of risk assets and our credit risk consists primarily of the ATM-related temporary payments we make to customers of correspondent financial institutions withdrawing money from our ATMs and the call loans that we extend to other banks and our interbank deposits with certain regional banks in Japan. We have a long-term counterparty credit rating of A+, a short-term counterparty credit rating of A-1, and a bank financial strength rating of B, with a positive outlook, from Standard & Poor's. The deposits of Seven Bank accountholders, which have increased steadily in each year since our establishment, provide us with a stable and relatively low-cost source of funding.

Strategy and Targets

Seven Bank has leveraged these key competitive strengths to create a highly profitable, fee-based business model and grown rapidly to become the leader in its sector. Our medium-term strategy is to:

- *Achieve further growth as Japan's No. 1 ATM service provider*
- *Establish an integrated retail financial service business*
- *Continue to achieve steady growth in profits*

Achieve further growth as Japan's No. 1 ATM service provider

Over the three-year period from April 2008 to March 2011 we aim to increase the number of our ATMs by approximately 3,000 and to assure our competitiveness by further improving the operational efficiency and functionality of our ATMs.

We plan to continue to increase the reach and density of our ATM network by installing our ATMs in locations owned by third parties outside the Seven & i Holdings Group, as well as in additional locations operated by Seven & i Holdings Group companies.

In fiscal 2007 we installed 340 of our ATMs in 149 branches of Nomura Securities throughout Japan, and installed our ATMs at Narita International Airport and the international terminal of Haneda Airport, both serving the Tokyo metropolitan area, and New Chitose Airport and Rusutsu



New Chitose Airport

Resort, selected as the media center venue for the 2008 G8 Summit, in Hokkaido. We have also recently announced plans to install our ATMs in certain unmanned ATM locations operated by Shinsei Bank and certain branches of Nikko Cordial Securities. We intend to continue to use the knowledge and expertise we have gained through the efficient operation of our existing ATM network to respond to the cost-saving needs of financial institutions by installing our ATMs in their retail locations while also expanding our ATM network to other attractive high-traffic locations outside the Seven & i Holdings Group, including other airports, railroad stations, hotels, resorts, hospitals and others.

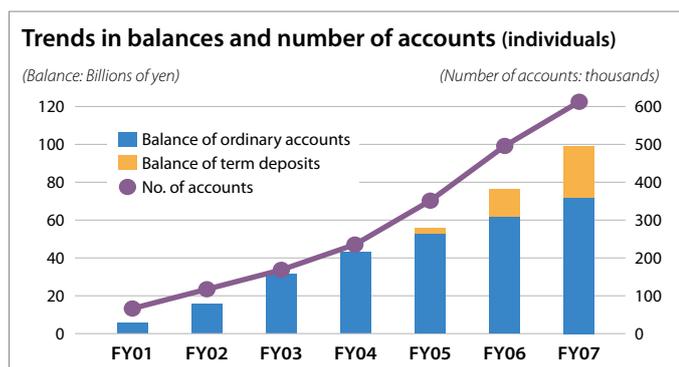
Business Model, Strategy and Targets (cont.)

We also plan to install our ATMs at new Seven-Eleven Japan convenience store locations as Seven-Eleven Japan continues to expand its store network and at department stores, supermarkets and restaurants operated by Seven & i Holdings Group companies. At the same time, we plan to continue to broaden our customer base of ATM users by increasing the number of our correspondent financial institutions, with a particular focus on regional banks.

We are undertaking a number of ongoing initiatives to further improve our ATM network and we intend to continue to enhance the convenience, efficiency and security of our ATM network through the effective use of new technologies and we expect to complete the replacement of all of our earlier-model ATMs with second generation ATMs by September 30, 2008. Our second generation ATMs incorporate additional security features, hardware improvements that increase operating efficiency, and improved expandability to enable the addition of new features and functions in the future.

Establish an integrated retail financial service business

We are exploring new ways to satisfy the needs of our retail customers and diversify our revenue structure by supplementing our steady ATM usage fee income with fees from additional services, including fee-based agency and administrative intermediation services for our correspondent financial institutions and other retail service companies through a limited number of manned outlets and through our internet website.



In November 2006 we began providing online settlement services for certain internet shopping purchases and fund transfers to securities brokerage accounts. We intend to continue to explore opportunities to utilize the competitive advantages of our extensive ATM network, our strong relationships with correspondent financial institutions and our affiliation with the Seven & i Holdings Group to supplement our core ATM services business.



(above) A manned outlet in the Ito Yokado, Ario Nishi Arai store



Internet banking website providing:
 — Internet banking services
 — Internet clearance services
 — Access to affiliate financial institutions' products and services through Everyone's Money-site as well as access to financial intermediary services

<http://www.sevenbank.co.jp/>

Continue to achieve steady growth in profits

By achieving further growth in our network of ATMs in locations owned by third parties, and new Seven & i Holdings Group locations, we aim to increase our number of ATMs by approximately 3,000 during the three years to March 2011. At the same time, by leveraging the improved operational efficiency of our second-generation ATMs, and expanding our integrated retail financial services offering, while maintaining our focus on efficient, low-cost operations, we aim to grow our ordinary profit and net income and achieve the following targets for fiscal 2010 (the fiscal year ending March 2011).

Fiscal 2010 targets

	Fiscal 2007 (actual)	Fiscal 2010 (targets)
Number of ATMs	13,032	16,000
In Group stores	12,678	14,400
Other locations	354	1,600
Ordinary profit (millions of yen)	24,650	30,000
Net income (millions of yen)	13,830	18,000

Management Discussion and Analysis

Seven Bank, Ltd.
For fiscal 2008, ended March 31, 2008

OPERATING RESULTS

Summary of fiscal 2007

Japan's economic growth is slowing, mainly due to the effects of high energy and material prices. Corporate profits have been levelling off, albeit at a high level, and business sentiment has recently become cautious. The pace of increase in business fixed investment has become slower, and both public and housing investment have remained at low levels. Moreover, improvements in the employment situation seems to have stalled and personal income growth is generally flat, resulting in worsening consumer sentiment.

The weakness of corporate demand for funds, the sub-prime loan problem, and other factors have inevitably created challenging conditions for the banking industry, which needs to address the issues of further improving operational efficiency and enhancing its relative competitive position. Against this backdrop, banks are increasing their efforts to develop services to enhance their competitive position. Examples include initiatives to abolish transaction fees during business hours at ATMs placed in convenience stores, collaboration among financial institutions as they seek to cut costs and strengthen their product development capabilities, and efforts to concentrate resources on strategic sectors, while outsourcing business in other sectors. We have also seen other convenience store ATM operators pursue active efforts to develop in regional areas.

Under these conditions, in its results for fiscal 2007 (the financial year ending March 2008) Seven Bank reported ordinary income of ¥83,663 million (up 10.9% year-on-year), ordinary profit of ¥24,650 million (down 1.4% year-on-year) and net income of ¥13,830 million (up 9.1% year-on-year).

Ordinary income rose due to high ATM usage frequency. On the other hand, the change from leasing ATMs to outright purchase by Seven Bank led to an increase in expenses for the depreciation of fixed assets, and ordinary profit declined year-on-year. Nevertheless, due to a decline in ATM lease contract cancellation charges, accounted for as extraordinary losses, net income increased year-on-year. Also during the year, on February 29, 2008 Seven Bank listed on JASDAQ Securities Exchange.

The following is a summary of performance by business segment.

Automated teller machine (ATM) services

Partnerships

During fiscal 2007, Seven Bank established partnerships with Banco do Brazil (April 2007), The Kiyo Bank Ltd, The Akita Bank Ltd. and The Howa Bank Ltd. (July 2007), The Fukuho Bank Ltd. (August 2007), Woori Bank, SBI Sumishin Net Bank Ltd, and The Oita Bank Ltd. (September 2007), The Eighteenth Bank Ltd. (December 2007), The Hong Kong and Shanghai Banking Corporation (January 2008), The Gifu Bank Ltd., The Aichi Bank Ltd. and The Sumitomo Trust & Banking Co., Ltd. (March 2008), as well as three shinkin banks and two other financial institutions.

This brought the total number of partners at the end of March 2008 up to 554, including 92 banks, 260 shinkin banks (Note 1), 122 credit cooperatives (Note 2), 13 labour banks, 1 JA bank, 1 JF Marine bank, 8 securities companies, 8 life insurance companies, and 49 other financial institutions.

Notes: (1) There were 263 partner shinkin banks at the end of March 2007. The subsequent creation of additional partnerships and mergers among partners left 260 partner shinkin banks at the end of March 2008.

(2) There were 124 partner credit cooperatives at the end of March 2007. Subsequent mergers among partners left 122 partner credit cooperatives at the end of March 2008.

ATM installation

We installed ATMs in Akita Prefecture and Wakayama Prefecture in July 2007, followed by Oita Prefecture in September 2007, completing the move into all regions of Japan with Seven-Eleven and/or Ito Yokado stores. Seven Bank was also contracted to handle all ATM operations and management at Nomura Securities' head office and branches (340 units at the end of March 2008), thereby expanding its ATM network into all regions of Japan. Furthermore, we geared up our expansion into stores outside the Seven and i Holdings Group and alongside the July 2007 launch of services compatible with overseas cards, we installed ATMs at Narita International Airport (4 ATMs), The international terminal of Haneda Airport (2 ATMs), New Chitose Airport (1 ATM), Fukuoka Airport (2 ATMs), and at hotels and stations.

Accordingly, the number of our installed ATMs increased by 944 compared with the end of March 2007, to reach 13,032 machines at the end of March 2008.

Management Discussion and Analysis (cont.)

Seven Bank, Ltd.
For fiscal 2008, ended March 31, 2008

ATM usage

At our ATMs, Seven Bank's cash cards can be used to make withdrawals, deposits, transfers, PIN changes, changes to withdrawal limits, and balance inquiries, in addition to which partner financial institutions' cash cards can also be used to make withdrawals, balance inquiries, and access other services. In July 2007 we commenced services allowing users to use cash and credit cards issued overseas, including VISA, MasterCard, American Express, JCB and China UnionPay, to make yen withdrawals at all of our ATMs. Efforts to advertise these services in conjunction with the Japanese government's Visit Japan Campaign (Yokoso! Japan) to encourage foreign visitors to Japan are leading to steady growth in usage. Seven Bank also commenced e-money card charging services for *nanaco* via second-generation ATMs in September 2007. Furthermore, we began a service for vision impaired people that provides audio-guided assistance for ATM transactions via intercom in November 2007, and expanded this to all partner banks (except Japan Post Bank) in February 2008. We also expanded the number of bank's IC cards that are compatible with our ATMs to 52 banks (including Seven Bank) in four industry subsectors at the end of March 2008.

Thanks to the inauguration of these new services, growth in the number of partners and of ATMs, and to the increase in the number of partner financial institutions offering commission-free weekday daytime use of ATMs, total ATM usage in the fiscal year to March 2008 reached 498 million transactions (up 80 million transactions year-on-year), giving average daily usage per ATM of 109.0 transactions over the period (up 11.2 transactions year-on-year).

Note: Handling services, permissible usage times, commissions, and other terms governing other financial institutions' cash cards vary among different partner financial institutions.

Financial services business

Seven Bank had 601,000 accounts at the end of March 2008, with the balance of deposits at ¥170.5 billion. Of these, 580,000 were individual customer accounts (up 114,000 compared to the end of March 2007) with a balance of deposits of ¥92.4 billion (up ¥20.2 billion), representing growth in both the number of accounts and the balance. The balance of individual customers' deposits was ¥66.8 billion in ordinary deposits (up ¥8.8 billion) and ¥25.6 billion in time deposits (up ¥11.4 billion).

In our agency and intermediary services, we expanded the products and services handled, including the launch of a financial product brokerage service, and strengthened our marketing structure. We also added one more manned outlet, Everyone's Bank Teller Window, which operates in the Ito Yokado Ario Nishi Arai store that opened in November 2007, bringing the total to six outlets. We also launched Everyone's Money Site on the internet in June 2007, offering intermediary and brokerage services for financial products.

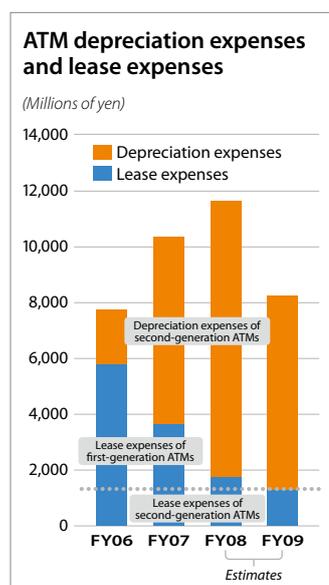
Outlook for fiscal 2008

In fiscal 2008 (the financial year ending March 2009) we will work to enhance our business foundations still further, both in the ATM business and in the financial services business.

In the ATM business, Seven-Eleven is due to set up new stores in the Hokuriku region, and we will establish an ATM presence in this region in tandem with this move. We will also continue to install a second ATM in high-usage Seven-Eleven stores (there were 331 stores with two ATMs each at the end of March 2008), striving to minimize customer waiting times. Additionally, we will actively install ATMs at airports, hotels, stations, and other facilities outside Seven & i Holdings Group stores, while also jointly installing them in other financial institutions' ATM corners and actively seeking contracts to operate and manage all aspects of ATM services on behalf of other financial institutions. Moreover, Seven Bank will not only increase the number of ATMs but also enhance services to meet customers' needs. On May 19, 2008 we extended our ATM service for vision-impaired customers, inaugurated in November 2007, to include those of Japan Post Bank. Accordingly, customers at the 500-plus financial institutions with which Seven Bank has partnership agreements (banks, shinkin banks, credit cooperatives, labour banks, JA Bank, JF Marine Bank, and securities companies) will be able to use this service. The Bank will also work to extend IC card compatibility, PIN change services, and others, to more partner financial institutions, while aiming to complete the upgrade to second-generation ATMs with faster processing speeds by the end of September 2008. We estimate that such initiatives will increase the number of ATMs to around 14,000 by the end of March 2009. We also project total ATM transactions of about 544 million times (up 46 million year-on-year) in fiscal 2008, with average daily transactions per ATM of about 112 times (up 3.0 year-on-year) over the period.

Management Discussion and Analysis (cont.)

Seven Bank, Ltd.
For fiscal 2008, ended March 31, 2008



Turning next to the financial services business, we aim to expand our agency and intermediary services to reflect customers' needs via staffed Everyone's Bank Teller Window services and our Everyone's Money Site website (there are no plans to open new manned outlets). We will also seek to increase both the number of customers at manned outlets and visitors to our website by enhancing consulting functions at staffed branches and by strengthening search and comparison functions on our website, working to create a structure in which each individual customer can select products and services suitable to his or her own requirements.

Accordingly, we forecast fiscal 2008 ordinary income of ¥89.2 billion (up 6.6% year-on-year), ordinary profit of ¥25.3 billion (up 2.6% year-on-year), and net income of ¥14.9 billion (up 7.7% year-on-year).

Seven Bank has broadly concluded the process of increasing the number of its partner financial institutions and expanding into new regions, so the pace of growth in number of ATMs and in ATM usage will slow. On the other hand, the burden of depreciation of ATM fixed assets is expected to peak in fiscal 2008, so although year-on-year profit growth is expected to slow, we will work to maintain steady profit growth.

ANALYSIS OF FINANCIAL POSITION

Assets, liabilities and net assets

Assets

Total assets at the end of March 2008 were ¥488,137 million. The majority of this total comprised cash and due from banks of ¥267,277 million, the funds required to operate our ATMs. The balance of securities, mainly held as collateral for foreign exchange settlement and Bank of Japan current account overdraft transactions, was ¥97,849 million, and tangible fixed assets, mainly consisting of ATMs switched from leases to Bank purchases since fiscal 2006 were ¥17,212 million. ATM-related temporary payments increased as a result of holidays at the end of the previous financial year, but this factor did not apply at the end of fiscal 2007, so total assets were ¥44,619 million lower at the end of this financial year than at the end of FY2006.

Liabilities

Liabilities stood at ¥399,162 million as of March 31, 2008. These largely comprised deposits, which were ¥170,548 million (excluding negotiable certificates of deposit). Of these, the balance of individuals' ordinary deposits was ¥66,834 million, and the balance of term deposits stood at ¥25,609 million.

Net assets

Net assets amounted to ¥88,974 million. Retained earnings were ¥26,755 million, while the Company also booked ¥1,227 million in capital surplus from the difference between the purchase and sale prices associated with the flotation of treasury stocks in the stockmarket listing. Note that the non-consolidated Tier I capital ratio (domestic standard) was 43.89% (preliminary figure).

Cash flow

Cash and cash equivalents increased by ¥12,519 million from the end of the previous financial year to ¥267,277 million. Cash flow in each category and variance factors were as follows:

Cash flow from operating activities

Income before income taxes was ¥23,343 million, while depreciation of fixed assets increased to ¥11,491 million. Including other factors cash generated by operating activities was ¥54,523 million (up ¥14,772 million year-on-year).

Cash flow from investing activities

Cash used in investing activities was ¥43,307 million (up ¥11,091 million year-on-year), mainly because ATM purchases and other outlays on tangible fixed assets increased to ¥14,890 million.

Cash flow from financing activities

Despite dividend payments of ¥5,831 million, cash generated by financing activities was ¥1,303 million (up ¥7,198 million year-on-year) mainly because of ¥7,134 million in receipts from the sale of treasury stock and other items associated with the Bank's stock market listing.

Management Discussion and Analysis (cont.)

Seven Bank, Ltd.
For fiscal 2008, ended March 31, 2008

Basic policy on profit distribution and dividends in fiscal 2007 and fiscal 2008

The Bank regards returning profits to shareholders as an important aspect of its operations and our annual dividend payout ratio target is 35%. From the perspective of providing a fair return to shareholders, the Bank's basic policy is to strive to pay a sustained and stable cash dividend while maintaining a balance between distributing dividends from retained earnings at the end of the financial period and retaining earnings within the Bank.

The dividend for fiscal 2007 was ¥4,200. For fiscal 2008 we forecast an interim dividend of ¥2,100 and a term-end dividend of ¥2,100, to give an annual dividend payment of ¥4,200.

RISK MANAGEMENT

We have designed our risk management system in order to promote financial soundness and operational efficiency through the proper monitoring and management of the specific types of risk that we face in conducting our business. Our board of directors has established a Fundamental Risk Management Policy that governs such matters as:

- *our overall bank-wide risk management policy;*
- *our risk management policy regarding each specific type of risk that we face; and*
- *our internal structures and systems for the management of risk.*

Based upon the Fundamental Risk Management Policy established by our board of directors, our Executive Committee has established detailed rules and regulations governing our day-to-day risk management measures. Our internal risk management structure includes:

- *a Risk Management Office, which is responsible for supervising overall bank-wide risk management activities;*
- *specific Risk Management Divisions corresponding to each of the five types of risk described below; and*
- *an Internal Audit Division to perform internal audits.*

In addition, we have also established a Risk Management Committee and an Asset-Liability Management (ALM) Committee to act as advisory bodies to our Executive Committee with respect to risk management issues.

Credit risk

Our risk management policies relating to credit risk are governed by our Fundamental Risk Management Policy established by our board of directors and by the Credit Risk Rules established thereunder by our Executive Committee. Currently, our risk management activities relating to credit risk are limited to our:

- *ATM remittances business;*
- *ALM management of the interbank deposits placed with top-rated correspondent financial institutions;*
- *lending of funds in the call-money market; and*
- *ATM-related temporary payment amounts due to us from correspondent financial institutions.*

In addition, we perform self-assessments of asset quality and establish an allowance for credit losses in accordance with our self-assessment guidelines, our reserve guidelines and related internal rules and procedures.

Market risk

Our risk management policies relating to market risk are governed by our Fundamental Risk Management Policy established by our board of directors and by the Market Risk Rules established thereunder by our Executive Committee. Our Market Risk Rules establish limits on the maximum level of funds at risk, market position limits and loss allowance limits. Our Risk Management Office monitors and measures our market risk on a daily basis in light of these limits and reports the results to our management. Our risk management operations are also based in part on the monthly reports of our ALM Committee regarding our market risk position, expected trends in the interest rate environment and other matters.

Management Discussion and Analysis (cont.)

Seven Bank, Ltd.
For fiscal 2008, ended March 31, 2008

Liquidity risk

Our risk management policies relating to liquidity risk are governed by our Fundamental Risk Management Policy established by our board of directors and by the Liquidity Risk Rules established thereunder by our Executive Committee. Our Liquidity Risk Rules establish limits regarding the cash gaps that arise from differences between the duration of invested funds and our current cash needs. Our Risk Management Office monitors and measures our liquidity risk on a daily basis in light of these limits and reports the results to our management. In addition, we have adopted contingency plans regarding measures to be invoked in times of liquidity emergencies in order to facilitate timely and flexible bank-wide responses to different types of liquidity risk threats. As additional measures designed to ensure sufficient liquidity even in times of emergency, we limit our investments to highly liquid instruments, primarily government bonds and deposits.

Operational risk

We are a bank whose business consists primarily of the execution of transactions, mainly through our network of ATMs, that do not involve person-to-person interaction. Our Operational Risk Rules, which were established by our Executive Committee in accordance with the Fundamental Risk Management Policy established by our board of directors, reflect this special nature of our business and have been designed to ensure accuracy in our administrative operations. Our Executive Committee has formulated new guidelines for the overall management of operational risk in addition to previously established guidelines for the management of specific types of operational risk, including guidelines governing operational risk associated with the ATM service agreements we enter into with correspondent financial institutions and operational risk associated with the operations of our technology systems.

In addition, we work to prevent administrative errors and employee misconduct through self-monitoring and internal audits of our internal divisions and offices. To prevent the opening of fraudulent accounts and money laundering-related abuses of our accounts, and to ensure compliance with the Law Concerning the Identity Verification of Customers etc., by Financial Institutions and the Prevention of Improper Use of Bank Accounts, we have also independently adopted, and we strictly enforce, our own internal identity verification procedures applicable to customers when they apply to open new accounts.

Through our two ATM support centers and our two separate call centers, we field customer inquiries and complaints on a year-round basis and systematically communicate all complaints to our Customer Service Division and other appropriate divisions. We have designed this system to provide swift responses to customer inquiries and complaints and to ensure that any important issues that arise are communicated to management as appropriate.

Systems risk

Our basic policies for the management of systems risk are set forth in the Systems Risk Rules established by our Executive Committee. In developing and operating our systems in accordance with our Systems Risk Rules, we seek to improve the efficiency of our systems development, the quality of the services we provide, and the safety and soundness of our systems. In designing our systems to protect against systems risks, we have made maximum use of the most up-to-date information technology available, we have incorporated one or more layers of redundancy in our network and our hardware to help protect against system failures and natural disasters, and we have established backup systems designed to engage in the event of an emergency. Our library of programs and files are copied onto backup systems as appropriate based on their relative importance to our operations, and such backup data is kept in off-site storage facilities as a further precaution against unforeseeable events.

We also take the utmost care in managing and protecting the data recorded on our systems, including measures such as the use of firewalls to block unauthorized access to our systems, monitoring access to our systems 24 hours a day 365 days a year, encrypting all electronic transactions with our customers, and employing anti-virus software throughout our systems. To gain our customers' faith in the safety and soundness of our systems, we have also established a contingency plan to govern our response to a major system failure or natural disaster and we conduct periodic training sessions based on this contingency plan.

Balance Sheets

Seven Bank, Ltd.
As of March 31, 2008 and 2007

	Millions of yen	
	2008	2007
ASSETS		
Cash and due from banks (Notes 2, 3 and 4)	¥267,277	¥254,757
Call loans	28,000	94,500
Securities (Notes 2, 5 and 6)	97,849	78,338
Accrued income	7,246	6,562
ATM-related temporary payments	53,280	72,783
Tangible fixed assets (Notes 2 and 7)	17,212	9,024
Intangible fixed assets (Notes 2 and 8)	14,794	13,677
Deferred tax assets (Notes 2 and 23)	1,373	2,145
Other assets (Notes 6 and 9)	1,170	1,038
Allowance for credit losses (Note 2)	(67)	(70)
Total assets	¥488,137	¥532,757
LIABILITIES		
Deposits (Note 11)	¥219,138	¥275,136
Call money	1,700	—
Borrowed money (Note 12)	65,000	65,000
Bonds (Note 13)	75,000	75,000
ATM-related temporary advances	21,238	19,155
Reserve for bonuses (Note 2)	245	199
Reserve for retirement benefits for directors and statutory auditors (Note 2)	270	231
Reserve for losses on cancellation of leases (Note 2)	1,328	2,310
Reserve for losses on relocation of business establishment (Note 2)	—	87
Other liabilities (Note 14)	15,240	21,785
Total liabilities	399,162	458,907
NET ASSETS (Notes 2, 16 and 24)		
Common stock:	30,500	30,500
Authorized — 4,880,000 shares		
Issued — 1,220,000 shares		
Capital surplus	31,739	30,505
Retained earnings (Note 29)	26,755	18,756
Treasury stock	—	(5,901)
Total stockholders' equity	88,994	73,861
Net unrealized losses on available-for-sale securities, net of taxes	(19)	(11)
Total valuation and translation adjustments	(19)	(11)
Total net assets	88,974	73,849
Total liabilities and net assets	¥488,137	¥532,757

See accompanying notes.

Statements of Income

Seven Bank, Ltd.

As of and for the years ended March 31, 2008 and 2007

	Millions of yen	
	2008	2007
INCOME		
Interest income	¥ 893	¥ 422
Interest and dividends on securities	532	284
Other interest income	361	137
Fees and commissions income (Note 17)	82,471	74,875
Other operating income (Note 19)	23	—
Other income (Note 21)	277	129
Total income	83,667	75,427
EXPENSES		
Interest expenses	2,746	1,534
Interest on deposits	967	417
Interest on call money	37	28
Interest on borrowed money	684	661
Interest on bonds	1,057	427
Fees and commissions expenses (Note 18)	8,328	6,491
Other operating expenses (Note 20)	126	653
General and administrative expenses	47,379	41,574
Other expenses (Note 22)	1,742	4,164
Total expenses	60,323	54,418
Income before income taxes	23,343	21,009
Income taxes (Notes 2 and 23)		
Current	8,736	9,564
Deferred	777	(1,223)
Total income taxes	9,513	8,341
Net income	¥13,830	¥12,667

Amounts per share of common stock (Notes 2 and 28)

	Yen	
	2008	2007
Net assets	¥72,930.25	¥63,317.15
Net income	11,808.84	10,736.56
Diluted net income	—	—
Cash dividends applicable to the year	4,200.00	5,000.00

See accompanying notes.

Statements of Changes in Net Assets

Seven Bank, Ltd.
As of March 31, 2008 and 2007

For the year ended March 31, 2008

	Number of shares of common stock	Millions of yen				
		Stockholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2007	1,220,000	¥30,500	¥30,505	¥18,756	¥(5,901)	¥73,861
Cash dividends	—	—	—	(5,831)	—	(5,831)
Net income	—	—	—	13,830	—	13,830
Disposal of treasury stock	—	—	1,233	—	5,901	7,134
Net changes in items other than stockholders' equity	—	—	—	—	—	—
Total changes in items during the period	—	—	1,233	7,998	5,901	15,133
Balance as of March 31, 2008	1,220,000	¥30,500	¥31,739	¥26,755	¥ —	¥88,994

	Millions of yen		
	Valuation and translation adjustments		Total net assets
	Net unrealized losses on available-for-sale securities, net of taxes	Total valuation and transition adjustments	
Balance as of March 31, 2007	¥(11)	¥(11)	¥73,849
Cash dividends	—	—	(5,831)
Net income	—	—	13,830
Disposal of treasury stock	—	—	7,134
Net changes in items other than stockholders' equity	(8)	(8)	(8)
Total changes in items during the period	(8)	(8)	15,124
Balance as of March 31, 2008	¥(19)	¥(19)	¥88,974

See accompanying notes.

For the year ended March 31, 2007

	Number of shares of common stock	Millions of yen				
		Stockholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2006	1,220,000	¥ 61,000	¥ —	¥ 6,089	¥ —	¥67,089
Transfer to capital surplus from common stock	—	(30,500)	30,500	—	—	—
Net income	—	—	—	12,667	—	12,667
Purchase of treasury stock	—	—	—	—	(5,940)	(5,940)
Disposal of treasury stock	—	—	5	—	38	44
Net changes in items other than stockholders' equity	—	—	—	—	—	—
Total changes in items during the period	—	(30,500)	30,505	12,667	(5,901)	6,772
Balance as of March 31, 2007	1,220,000	¥ 30,500	¥30,505	¥18,756	¥(5,901)	¥73,861

	Millions of yen		
	Valuation and translation adjustments		Total net assets
	Net unrealized losses on available-for-sale securities, net of taxes	Total valuation and transition adjustments	
Balance as of March 31, 2006	¥ (8)	¥ (8)	¥67,080
Transfer to capital surplus from common stock	—	—	—
Net income	—	—	12,667
Purchase of treasury stock	—	—	(5,940)
Disposal of treasury stock	—	—	44
Net changes in items other than stockholders' equity	(2)	(2)	(2)
Total changes in items during the period	(2)	(2)	6,769
Balance as of March 31, 2007	¥(11)	¥(11)	¥73,849

See accompanying notes.

Statements of Cash Flows

Seven Bank, Ltd.

As of and for the years ended March 31, 2008 and 2007

	Millions of yen	
	2008	2007
Cash flows from operating activities:		
Income before income taxes	¥ 23,343	¥ 21,009
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation of fixed assets	11,491	5,412
Net change in allowance for credit losses	(3)	25
Net change in reserve for losses on cancellation of leases	(982)	2,310
Net change in reserve for losses on relocation of business establishment	(87)	87
Interest income	(893)	(422)
Interest expenses	2,746	1,534
Net losses on securities transactions	118	105
Net losses on disposal of fixed assets	99	77
Net change in deposits	(17,287)	6,065
Net change in negotiable certificates of deposit	(38,710)	72,190
Net change in call loans	66,500	(94,500)
Net change in call money	1,700	—
Proceeds from issuance and maturity of ordinary bonds	—	60,000
Net change in ATM-related temporary accounts	21,585	(27,332)
Interest received	651	418
Interest paid	(2,695)	(1,144)
Other — net	(625)	(302)
Subtotal	66,949	45,535
Income taxes paid	(12,426)	(5,784)
Net cash provided by operating activities	54,523	39,750
Cash flows from investing activities:		
Purchases of securities	(434,594)	(162,178)
Proceeds from maturity of securities	412,500	145,500
Purchases of tangible fixed assets	(14,890)	(10,178)
Purchases of intangible fixed assets	(6,322)	(5,358)
Net cash used in investing activities	(43,307)	(32,215)
Cash flows from financing activities:		
Purchases of treasury stock	—	(5,940)
Proceeds from disposal of treasury stock	7,134	44
Dividends paid	(5,831)	—
Net cash provided by (used in) financing activities	1,303	(5,895)
Net increase in cash and cash equivalents	12,519	1,640
Cash and cash equivalents at the beginning of the year	254,757	253,117
Cash and cash equivalents at the end of the year (Note 3)	¥267,277	¥254,757

See accompanying notes.

Notes to Financial Statements

Seven Bank, Ltd.

As of and for the years ended March 31, 2008 and 2007

1. Basis of presenting financial statements

(a) The accompanying financial statements of Seven Bank, Ltd. (the "Bank") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying financial statements have been reclassified and translated into English (with some expanded descriptions) from the financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language financial statements, but not required for fair presentation, is not presented in the accompanying financial statements.

(b) The Bank maintains its accounting records in Japanese yen, the currency of the jurisdiction in which the Bank is incorporated and operates. In preparing the accompanying financial statements and notes thereto, Japanese yen figures less than one million yen have been rounded down to the nearest million yen, except for per share data, in accordance with the Financial Instruments and Exchange Law and Enforcement Ordinance concerning the Banking Law of Japan. Therefore, total or subtotal amounts shown in the accompanying financial statements and notes thereto do not necessarily agree with sums of individual amounts.

(c) The preparation of financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Significant accounting policies

(a) Securities

Available-for-sale securities with available fair market values are stated at their fiscal year-end fair market values. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains or losses on sales of such securities are computed using primarily the moving-average method. Available-for-sale securities with no available fair market value are stated at cost using the moving-average method.

(b) Cash and cash equivalents

For the purpose of presenting the statements of cash flows, cash and cash equivalents represent cash and due from banks.

(c) Derivative transactions and hedge accounting

The Bank uses derivative financial instruments to manage its exposure to fluctuations in interest rates. Interest rate swaps are utilized by the Bank to reduce the risk of fluctuations in interest rates. The Bank does not enter into derivative transactions for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows. All derivative transactions are recognized as either assets or liabilities and measured at fair values, and gains or losses on derivative transactions are recognized in the statements of income.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured at fair values, but the difference paid or received under these swap agreements is recognized as, and included in, interest expenses or income.

(d) Tangible fixed assets

Tangible fixed assets are generally stated at cost less accumulated depreciation. Depreciation of tangible fixed assets is mainly calculated by the declining-balance method over the estimated useful lives of the assets.

Estimated useful lives of major items as of March 31, 2008 are as follows:

Buildings:	6–18 years
ATMs:	5 years
Others:	2–20 years

In accordance with revisions to corporate tax laws in the fiscal year ended March 31, 2008, depreciation of tangible fixed assets acquired on or after April 1, 2007 is calculated by the method set forth under the revised laws. As a result, ordinary profits and income before income taxes for the fiscal year ended March 31, 2008 decreased by ¥1,059 million compared with the corresponding amounts under the previously applied method.

As for tangible fixed assets acquired before April 1, 2007, from the fiscal year ended March 31, 2008, the salvage values are depreciated over five years using the straight-line method after the fiscal year in which the depreciable limit is reached. This accounting change has had no material impact on the financial statements for the fiscal year ended March 31, 2008.

(e) Intangible fixed assets

Intangible fixed assets are amortized using the straight-line method. Software utilized by the Bank is amortized over the period in which it is expected to be utilized (five years).

(f) Deferred charges

For the fiscal year ended March 31, 2008, the stock transaction expenses of the Bank are charged to income as incurred.

For the fiscal year ended March 31, 2007, the bond issuance expenses of the Bank were charged to income as incurred.

(g) Foreign currency translation

From the year ended March 31, 2008, assets and liabilities denominated in foreign currencies are translated into Japanese yen mainly at the exchange rate prevailing at the balance sheet date. In the previous year, there were no foreign currency transactions.

(h) Allowance for credit losses

An allowance for credit losses is provided as detailed below in accordance with the Bank's internal standards for write-offs and provisions.

The Bank classifies its obligors into five categories. All credits are classified into five categories for self-assessment purposes: "normal obligors," "watch obligors," "bankruptcy risk obligors," "substantially bankrupt obligors," and "bankrupt obligors."

Notes to Financial Statements (cont.)

Seven Bank, Ltd.

As of and for the years ended March 31, 2008 and 2007

For credits to obligors classified as normal obligors or watch obligors, the allowance for credit losses is provided based on the Bank's estimated rate of credit losses.

For credits to obligors classified as bankruptcy risk obligors, the allowance for credit losses is provided for estimated unrecoverable amounts determined after excluding the portion that is estimated to be recoverable due to available security interests and guarantees.

For credits to obligors classified as substantially bankrupt obligors or bankrupt obligors, the allowance for credit losses is provided in the full amounts of such credits, excluding the portion that is estimated to be recoverable due to available security interests and guarantees.

The Bank's Risk Management Office, which is independent from the Bank's other divisions, evaluates all credits in accordance with its internal rules for self-assessment of assets, and its evaluations are audited by the Internal Audit Division, which is independent from the Bank's other divisions and the Risk Management Office. The allowance is provided based on the results of these assessments.

(i) Reserve for bonuses

The Bank records a reserve for bonuses for employees in the amount of estimated bonuses attributed to the relevant fiscal year.

(j) Employees' severance and retirement benefits

The Bank has contributory funded pension plans for its employees, under which all eligible employees are entitled to benefits based on the level of salaries at the time of retirement or termination, length of service and certain other factors.

Reserve for employees' severance and retirement benefits is provided for the payment of employees' retirement benefits based on estimated amounts of the actuarial retirement benefit obligation and the related plan assets.

As the estimated amounts of the plan assets exceeded those of the actuarial retirement benefit obligation adjusted for unrecognized prior service cost and unrecognized net actuarial difference, the excess was presented as prepaid pension cost in the balance sheets.

Unrecognized prior service cost is amortized using the straight-line method over ten years within the employees' average remaining service period at incurrence. Unrecognized net actuarial difference is amortized using the straight-line method over ten years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

(k) Reserve for retirement benefits for directors and statutory auditors

Retirement benefits for directors and statutory auditors are provided for in an amount equal to the amount of the aggregate retirement benefits that would be payable if they retired from their positions at the balance sheet date under the Bank's internal guidelines.

(l) Reserve for losses on cancellation of leases

From the second half of the fiscal year ended March 31, 2007, the Bank changed its method of accounting to provide for losses on cancellation of leases at amounts to be estimated reasonably in accordance with the Bank's ATM replacement plan. In previous years these losses were recorded when lease contracts were cancelled.

Taking the opportunity presented by the creation of a rational ATM replacement plan, this change was made in order to achieve a more appropriate presentation of the financial position of the Bank. Compared with the corresponding amounts under the previously applied method, income before income taxes decreased by ¥2,310 million and net income decreased by ¥1,370 million for the fiscal year ended March 31, 2007.

(m) Reserve for losses on relocation of business establishment

In the fiscal year ended March 31, 2007, reserve for losses on relocation of business establishment is provided for losses related to the relocation of business establishment at amounts to be estimated reasonably in accordance with the Bank's relocation plan.

(n) Accounting for certain lease transactions

Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

(o) Income taxes

Income taxes consist of corporation, inhabitants and enterprise taxes. The provision for income taxes is computed based on the pretax income of the Bank with certain adjustments required for tax purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

(p) Consumption taxes

National and local consumption taxes are accounted for using the tax-excluded method.

(q) Amounts per share

Net assets per share is calculated by dividing net assets by the number of shares of common stock outstanding at the end of the fiscal year, excluding treasury stock.

Net income per share is calculated by dividing net income attributable to shareholders by the weighted average number of shares of common stock outstanding during the fiscal year, excluding treasury stock.

Cash dividends per share represent the actual amounts declared as applicable to the fiscal year.

(r) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when the relevant proposed appropriation of retained earnings is approved by the board of directors and for which notification is given at a general meeting of shareholders.

(s) Application of new accounting standards

Accounting standards for financial instruments

Provisions on the scope of securities stated on "Accounting Standards for Financial Instruments" (ASBJ Statements No. 10) and "Accounting Practice for Financial Instruments" (JICPA Accounting Practice Committee Report No. 14) were partially revised on June 15 and July 4, 2007, respectively, and became effective from the fiscal year ending on or after enforcement date of the Financial Instruments and Exchange Law. The bank, accordingly, has adopted the revised standards and practices from the fiscal year ended March 31, 2008.

Notes to Financial Statements (cont.)

Seven Bank, Ltd.

As of and for the years ended March 31, 2008 and 2007

3. Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows for the years ended March 31, 2008 and 2007 consisted of cash and due from banks of ¥ 267,277 million and ¥ 254,757 million respectively on the balance sheets as of March 31, 2008 and 2007.

4. Cash and due from banks

Cash and due from banks as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Cash	¥260,533	¥242,556
Due from banks	6,743	12,200
Total	¥267,277	¥254,757

5. Securities

(1) The following tables summarize acquisition cost, book value and fair value of securities with available fair values as of March 31, 2008 and 2007:

(a) Available-for-sale securities:

March 31, 2008	Millions of yen				
	Acquisition cost	Book value	Difference	Unrealized gains	Unrealized losses
Bonds:					
Japanese government bonds	¥97,588	¥97,555	¥(33)	¥0	¥33
Total	¥97,588	¥97,555	¥(33)	¥0	¥33

March 31, 2007	Millions of yen				
	Acquisition cost	Book value	Difference	Unrealized gains	Unrealized losses
Bonds:					
Japanese government bonds	¥78,213	¥78,194	¥(19)	¥0	¥19
Total	¥78,213	¥78,194	¥(19)	¥0	¥19

(2) The following table summarizes the book value of securities with no available fair values as of March 31, 2008 and 2007:

March 31, 2008	Millions of yen	
	2008	2007
Available-for-sale securities:		
Unlisted stocks	¥294	¥144

(3) Available-for-sale securities with maturities as of March 31, 2008 and 2007 are as follows:

March 31, 2008	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Bonds:				
Japanese government bonds	¥97,555	—	—	—
Total	¥97,555	—	—	—

March 31, 2007	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Bonds:				
Japanese government bonds	¥78,194	—	—	—
Total	¥78,194	—	—	—

6. Assets pledged

Securities were pledged as collateral for exchange settlements and overdraft transactions with the Bank of Japan. These securities amounted to ¥92,027 million and ¥69,956 million at March 31, 2008 and 2007, respectively.

Other assets include guarantee deposits of ¥587 million and ¥522 million as of March 31, 2008 and 2007, respectively.

7. Tangible fixed assets

Tangible fixed assets as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Buildings	¥ 729	¥ 237
Construction in progress	—	133
ATMs ¹	15,412	—
Other	1,070	8,653
Total	¥17,212	¥9,024

Note: (1) "ATMs", which were previously reported as part of "Other", are presented as a separate item from the fiscal year ended March 31, 2008 due to their increased significance.

Notes to Financial Statements (cont.)

Seven Bank, Ltd.

As of and for the years ended March 31, 2008 and 2007

8. Intangible fixed assets

Intangible fixed assets as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Software	¥14,065	¥10,988
Software-related temporary accounts	712	2,671
Other intangible fixed assets	15	17
Total	¥14,794	¥13,677

9. Other assets

Other assets as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Prepaid expenses	¥ 272	¥ 263
Prepaid pension cost	118	84
Derivatives other than for trading	76	24
Other	702	666
Total	¥1,170	¥1,038

10. Commitment lines

The Bank has concluded commitment line contracts with four banks. Under these contracts, the Bank may borrow up to ¥15,000 million and ¥30,000 million as of March 31, 2008 and 2007, respectively.

The unused amount under the commitment lines totaled ¥15,000 million and ¥30,000 million as of March 31, 2008 and 2007, respectively.

11. Deposits

Deposits as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Ordinary deposits	¥137,162	¥171,707
Time deposits	33,204	15,955
Other deposits ¹	182	173
Negotiable certificates of deposit	48,590	87,300
Total	¥219,138	¥275,136

Note: (1) Other deposits are specified deposits.

12. Borrowed money

Borrowed money as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Borrowed money from banks and insurance companies	¥65,000	¥65,000

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2008 and 2007 was 1.01%.

The repayment schedule on borrowed money as of March 31, 2008 and 2007 was as follows:

	Millions of yen	
	2008	2007
Within one year	¥ 5,000	¥ —
Over one year but within two years	35,000	5,000
Over two years but within three years	12,000	35,000
Over three years but within four years	—	12,000
Over four years but within five years	—	—
Over five years	13,000	13,000

13. Bonds

Bonds as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Unsecured:		
0.88% unsecured bonds due December 12, 2008	¥15,000	¥15,000
1.45% unsecured bonds due December 20, 2011	36,000	36,000
1.67% unsecured bonds due December 20, 2013	24,000	24,000
Total	¥75,000	¥75,000

Notes to Financial Statements (cont.)

Seven Bank, Ltd.

As of and for the years ended March 31, 2008 and 2007

The repayment schedule on bonds as of March 31, 2008 and 2007 was as follows:

	Millions of yen	
	2008	2007
Within one year	¥15,000	¥ —
Over one year but within two years	—	15,000
Over two years but within three years	—	—
Over three years but within four years	36,000	—
Over four years but within five years	—	36,000
Over five years	24,000	24,000

14. Other liabilities

Other liabilities as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Income taxes payable	¥ 4,106	¥ 7,799
Accrued expenses	3,618	3,412
Unearned income	12	32
Accounts payable on transactions	5,528	8,238
Other	1,975	2,303
Total	¥15,240	¥21,785

15. Employees' severance and retirement benefits

The Bank has an employee pension plan which is a contributory funded defined benefit pension plan.

Reserve for severance and retirement benefits as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
1. Projected benefit obligation	¥(730)	¥(491)
2. Fair value of plan assets	371	227
3. Unaccrued projected benefits obligation (1+2)	(359)	(264)
4. Unrecognized actuarial difference	442	308
5. Unrecognized prior service cost	35	40
6. Net amount recorded on the balance sheet (3+4+5)	118	84
7. Prepaid pension cost	118	84
8. Reserve for severance and retirement benefits (6-7)	¥ —	¥ —

The components of net periodic retirement benefit costs for the fiscal years ended March 31, 2008 and 2007 were as follows:

	Millions of yen	
	2008	2007
Service cost	¥ 81	¥ 63
Interest cost	12	9
Expected return on plan assets	(7)	(5)
Amortization of unrecognized prior service cost	5	5
Amortization of unrecognized actuarial difference	36	28
Other retirement cost (non-actuarial basis cost)	1	—
Net periodic retirement benefit costs	¥128	¥101

Assumptions used for the fiscal years ended March 31, 2008 and 2007 were set forth as follows:

Discount rate	2.5%
Expected rate of return on plan assets	3.5%
Amortization period for prior service cost	10 years (using the straight-line method within the employees' average remaining service period at incurrence)
Amortization period for actuarial difference	10 years (using the straight-line method within the employees' average remaining service period, commencing from the next fiscal year of incurrence)

Notes to Financial Statements (cont.)

Seven Bank, Ltd.

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16. Net assets

Under the Company Law of Japan (the "Company Law"), the entire amount of the issue price for shares is required to be accounted for as capital, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The payment of dividends by the Bank is subject to restrictions under Article 18 of the Banking Law of Japan (the "Banking Law"). The Banking Law provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of the legal earnings reserve and additional paid-in capital equals 100% of common stock. Legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by a resolution of a shareholders' meeting or may be capitalized by a resolution of the board of directors. On condition that the total amount of the legal earnings reserve and additional paid-in capital remains equal to or exceeds 100% of common stock, they are available for distributions or certain other purposes by a resolution of a shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Company Law.

In the fiscal year ended March 31, 2007, as the Bank did not carry out a distribution of surplus, the Bank did not account for additional paid-in capital or legal earnings reserve. And in the fiscal year ended March 31, 2008, as the amount of additional paid in capital was greater than the amount of common stock, the Bank did not account for additional paid-in capital or legal earnings reserve.

17. Fees and commissions income

Fees and commissions income received for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Remittance-related fee income	¥ 477	¥ 365
ATM-related fee income	80,192	73,124
Other	1,801	1,385
Total	¥82,471	¥74,875

18. Fees and commissions expenses

Fees and commissions expenses paid for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Remittance-related fee expenses	¥ 200	¥ 155
ATM placement fee expenses	7,796	6,150
ATM-related fee expenses	306	158
Other	25	26
Total	¥8,328	¥6,491

19. Other operating income

Other operating income for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Gains on derivatives	¥ 23	¥—
Total	¥ 23	¥—

20. Other operating expenses

Other operating expenses for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Losses on foreign exchange transactions	¥ 7	¥ —
Redemption of bonds	118	105
Bond issuance expenses	—	246
Losses on derivatives	—	301
Total	¥126	¥653

Notes to Financial Statements (cont.)

Seven Bank, Ltd.

As of and for the years ended March 31, 2008 and 2007

21. Other income

Other income for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen	
	2008	2007
Reversal of allowance for credit losses	¥ 3	¥ —
Other	273	129
Total	¥277	¥129

22. Other expenses

Other expenses for the fiscal years ended March 31, 2008 and 2007, consisted of the following:

	Millions of yen	
	2008	2007
Provision for allowance for credit losses	¥ —	¥ 25
Stock issuance expenses	49	—
Expenses related to the stockmarket listing	277	—
Losses on disposal of fixed assets	99	77
Losses on cancellation of leases	—	1,396
Provision for reserve for losses on cancellation of leases	1,014	2,310
Extraordinary depreciation	—	140
Expenses related to changes in outsourced business contracts	195	—
Provision for reserve for losses on relocation of business establishment	—	87
Other	105	126
Total	¥1,742	¥4,164

23. Income taxes

Income taxes in the statements of income consist of corporation tax, inhabitants tax and enterprise tax. The statutory tax rate was approximately 41%, and there was no significant difference between the statutory tax rate and the Bank's effective tax rate for the fiscal years ended March 31, 2008 and 2007, respectively.

Significant components of the deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of yen	
	2008	2007
Deferred tax assets:		
Reserve for losses on cancellation of leases	¥ 540	¥ 940
Enterprise tax	327	581
Depreciation	286	397
Reserve for retirement benefits for directors and statutory auditors	110	94
Reserve for bonuses	99	81
Allowance for credit losses	27	28
Other	29	56
Total deferred tax assets	1,422	2,179
Deferred tax liabilities:		
Prepaid expenses	(48)	(34)
Total deferred tax liabilities	(48)	(34)
Net deferred tax assets	¥1,373	¥2,145

24. Changes in net assets

(1) Information on shares issued and treasury shares:

(a) Type and number of shares issued and treasury shares for the fiscal year ended March 31, 2008 were as follows:

	Number of shares			
	March 31, 2007	Increase	Decrease	March 31, 2008
Shares issued				
Common stock	1,220,000	—	—	1,220,000
Total	1,220,000	—	—	1,220,000
Treasury stock				
Common stock ¹	53,650	—	53,650	—
Total	53,650	—	53,650	—

Note: (1) Decrease in number of treasury shares:

300 shares due to sales of own shares pursuant to a resolution of the board of directors on August 3, 2007.

53,350 shares due to sales of own shares pursuant to a resolution of the board of directors on January 22, 2008.

Notes to Financial Statements (cont.)

Seven Bank, Ltd.

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(b) Type and number of shares issued and treasury shares for the fiscal year ended March 31, 2007 were as follows:

	Number of shares			
	March 31, 2006	Increase	Decrease	March 31, 2007
Shares issued				
Common stock	1,220,000	—	—	1,220,000
Total	1,220,000	—	—	1,220,000
Treasury stock				
Common stock ¹	—	54,000	350	53,650
Total	—	54,000	350	53,650

Note: (1) Increase in number of treasury shares:

54,000 shares due to acquisition of own shares pursuant to a resolution of the ordinary general meeting of shareholders held on June 16, 2006.

Decrease in number of treasury shares:

350 shares due to sales of own shares pursuant to a resolution of the board of directors on December 1, 2006.

(2) Information on dividends:

(a) Dividends paid in the fiscal year ended March 31, 2007:

Not applicable

(b) Dividends paid in the fiscal year ended March 31, 2008:

Type of shares	(Millions of yen, except per share amount)				
	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock	¥5,831	Retained earnings	¥5,000	March 31, 2007	June 25, 2007

Date of resolution: Board of directors meeting held on June 1, 2007

(c) Dividends to be paid in the fiscal year ending March 31, 2009:

Type of shares	(Millions of yen, except per share amount)				
	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock	¥5,124	Retained earnings	¥4,200	March 31, 2008	June 2, 2008

Date of resolution: Board of directors meeting held on May 29, 2008

25. Related party transactions

(a) Related party transactions for the fiscal year ended March 31, 2008 were as follows:

Related party	Category	Amounts of the transactions		Balance at end of year	
		Description of the transactions	Millions of yen	Account title	Millions of yen
Seven-Eleven Japan Co., Ltd. ¹	Other related companies	Payment of ATM placement fees expenses ²	¥7,645	Accrued expenses	¥708
SE Capital Corporation	Subsidiary of parent company	Payment of equipment rental expenses ³	4,060	Accrued expenses	168
		Payment of lease cancellation fees ⁴	1,947		

Notes: (1) 24.88% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2008.

(2) The business terms and conditions and decision-making process related to ATM placement fee expenses take into consideration Seven-Eleven Japan's overall infrastructure costs.

(3) The business terms and conditions and decision-making process related to equipment rental expenses are on arm's length, mutually beneficial, terms.

(4) The business terms and conditions and decision-making process related to the payment of lease cancellation fees are on arm's length, mutually beneficial, terms. Lease cancellation fees of ¥1,947 million were paid for the midterm cancellation of the leasing contract of ATMs. As a result, reserve for losses on cancellation of leases was reduced by ¥1,947 million.

Notes to Financial Statements (cont.)

Seven Bank, Ltd.

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(b) Related party transactions for the fiscal year ended March 31, 2007 were as follows:

Related party	Category	Amounts of the transactions		Balance at end of year	
		Description of the transactions	Millions of yen	Account title	Millions of yen
Seven-Eleven Japan Co., Ltd. ¹	Other related companies	Payment of ATM placement fees expenses ²	¥6,024	Accrued expenses	¥626
SE Capital Corporation ³	Subsidiary of other related companies	Payment of equipment rental expenses ⁴	6,200	Accrued expenses	71
		Payment of lease cancellation fees ⁵	1,286		

Notes: (1) 26.03% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2007.

(2) The business terms and conditions and decision-making process related to ATM placement fee expenses take into consideration Seven-Eleven Japan's overall infrastructure costs. As a result of a revision of the applicable rates, effective October 2006, ATM placement fee expenses increased by ¥694 million.

(3) SE Capital Corporation is a subsidiary of Seven-Eleven Japan Co., Ltd.

(4) The business terms and conditions and decision-making process related to equipment rental expenses are on arm's length, mutually beneficial, terms.

(5) The business terms and conditions and decision-making process related to the payment of lease cancellation fees are on arm's length, mutually beneficial, terms.

26. Lease transactions

Finance leases:

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for finance leases without transfer of ownership as of March 31, 2008 and 2007 were as follows:

March 31, 2008

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Equipment	¥13,907	¥8,483	¥5,424
Other	502	273	229
Total	¥14,409	¥8,756	¥5,653

March 31, 2007

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Equipment	¥24,368	¥13,442	¥10,926
Other	475	172	302
Total	¥24,843	¥13,615	¥11,228

Future minimum lease payments excluding interest as of March 31, 2008 and 2007 were as follows:

	Millions of yen	
	2008	2007
Due within one year	¥2,730	¥ 4,499
Due after one year	3,047	6,873
Total	¥5,777	¥11,372

Total lease expenses for the fiscal years ended March 31, 2008 and 2007 were ¥3,961 million and ¥6,153 million, respectively.

Assumed depreciation expenses for the fiscal years ended March 31, 2008 and 2007 amounted to ¥3,774 million and ¥5,939 million, respectively. Assumed depreciation is calculated using the straight-line method over the lease term of the respective assets.

The difference between the minimum lease payments and the acquisition costs of the lease assets represents interest expenses. The allocation of such interest expenses over the lease term is computed using the effective interest method. Interest expenses for the fiscal years ended March 31, 2008 and 2007 amounted to ¥158 million and ¥245 million, respectively.

27. Derivative financial instruments and hedging transactions

The Bank enters into derivative financial instruments, such as interest rate swaps, as a means of mitigating the risks associated with the impact of interest rate fluctuations on assets and liabilities and with mismatches between the duration of its assets and liabilities. All derivative transactions are entered into only for the purpose of reducing or hedging market risks.

Position limit amounts and loss limit amounts were regulated in accordance with the Bank's internal rules. All of the Banks' interest rate risk is measured with these two factors. Derivative transactions entered into by the Bank have been managed in accordance with this limitation.

Derivative transactions are accompanied by losses arising from credit risk and losses arising from market risk. Credit risk represents the potential losses arising from decreases in, or the disappearance of, assets as a result of deterioration in the financial condition of counterparties to derivative financial instruments and hedging transactions. Market risk represents the potential losses arising from decreases in assets as a result of fluctuations in interest rates, the market value of securities, exchange rates and other risk factors. To cope with increasing risks, the Bank is strengthening its credit reviewing system, monitoring position limits, and establishing an effective internal control organization.

Notes to Financial Statements (cont.)

Seven Bank, Ltd.
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The notional principal amount and unrealized gains and losses on derivative financial instruments as of March 31, 2008 and 2007 were as follows:

Interest related:

March 31, 2008

		Millions of yen			
		Contract or notional amount		Fair value	Unrealized gains
		Total	Over one year		
Over-the-counter	Interest rate swaps:				
	Receive variable, pay fixed	¥35,000	—	¥76	¥76
Total		—	—	¥76	¥76

Notes: (1) The above transactions are valued at market value and unrealized gains are accounted for in the statements of income. Derivative transactions to which the hedge accounting method is applied pursuant to "The Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Report No. 24) are not included in the amounts above.

(2) Market value of transactions is calculated using the discounted present value method and others.

March 31, 2007

		Millions of yen			
		Contract or notional amount		Fair value	Unrealized gains
		Total	Over one year		
Over-the-counter	Interest rate swaps:				
	Receive variable, pay fixed	¥35,000	¥35,000	¥24	¥24
Total		—	—	¥24	¥24

Notes: (1) The above transactions are valued at market value and the unrealized gains are accounted for in the statement of income.

(2) Market value of transactions is calculated using the discounted present value method and others.

(3) Derivative transactions to which the hedge accounting method is applied are not included in the amounts above.

28. Per share data

March 31, 2008 and 2007	Yen	
	2008	2007
Net assets per share	¥72,930.25	¥ 63,317.15

Years ended March 31, 2008 and 2007	Yen	
	2008	2007
Net income per share	¥11,808.84	¥ 10,736.56
Net income per share (diluted)	—	—

Notes: (1) Net income per share is calculated based on the following:

Years ended March 31, 2008 and 2007	Millions of yen, except number of shares	
	2008	2007
Net income	¥13,830	¥12,667
Amount not attributable to common shareholders	—	—
Net income attributable to common stock	13,830	12,667
Average number of common stock during the year (in thousands)	1,171	1,179

(2) As there is no diluted stock, the Bank does not discuss the basis for calculating net income per share (diluted).

29. Subsequent events

(1) Dividends

On May 29, 2008, the board of directors approved the following appropriations of retained earnings:

Appropriation of retained earnings as of March 31, 2008:

	Millions of yen
Year – end cash dividends — Common stock (¥4,200 per share)	¥5,124

(2) Stock options

At the Bank's 7th ordinary general meeting of shareholders held on June 18, 2008, and at a meeting of the Bank's board of directors held on the same day, it was resolved to confer share subscription rights as stock options.

Description of stock options

1. Reason for conferring share subscription rights as stock options

With regards to the Bank's compensation system for directors, the Bank is to abolish its system of retirement benefits for directors and statutory auditors and instead newly issue share subscription rights as stock-linked compensatory stock options of an equivalent economic value and up to an annual limit of ¥60 million for directors (excluding outside directors; same for all instances below). In consideration of the linkage between earnings performance and share price performance, the purpose of this initiative is to enhance director motivation and commitment toward sustained, medium- to long-term growth in earnings and corporate value by having directors share with shareholders not only the merits of an increase in share price, but also the risks of a decrease

Notes to Financial Statements (cont.)

Seven Bank, Ltd.

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in share price. Similarly, with regards to its compensation system for executive officers (excluding directors; same for all instances below), the Bank is to abolish its system of retirement benefits and, for the purpose stated above, issue new share subscription rights as stock-linked compensatory stock options of an equivalent economic value.

2. Persons to receive share subscription rights

Bank directors	5 people
Bank executive officers	3 people

3. Outline of the issuance of the share subscription rights

(1) Number and type of shares to be allotted by share subscription rights

To Bank directors, 300 common shares are to be allocated.

To Bank executive officers, 36 common shares are to be allocated.

If the Bank engages in a stock split or a stock consolidation, the number of shares to be allotted is to be adjusted according to the following formula:

No. of shares after adjustment = No. of shares before adjustment x Ratio of split/consolidation

If the Bank engages in a merger, a corporate separation, a stock swap, or a stock transfer (collectively referred to as a "merger, etc." below), if the company issues stock gratis, or if it should otherwise become necessary to adjust the number of shares to be allotted as above, the number of shares to be allotted may be adjusted within a reasonable range in consideration of, among other factors, the terms of the merger, etc. or the terms of the gratis stock issuance. Any fractional number of shares resulting from such an adjustment is to be discarded.

(2) Total number of share subscription rights

The total number of share subscription rights to be issued to directors shall be 300 rights.

The total number of share subscription rights to be issued to executive officers shall be 36 rights.

The number of shares to be acquired upon exercise of one (1) share subscription right (referred to as the "granted share number" below) shall be one common share of the company.

The total number of share subscription rights listed above is a planned allotment. Should a lower number of share subscription rights be issued because, for example, an application for a rights subscription has not been made, then the total number of subscribed share subscription rights to be issued shall be set equal to the total number of subscribed share subscription rights to be allotted.

However, if the granted number of shares is to be adjusted in accordance with the execution of shares subscription rights per (1) above (including cases in which a transfer of treasury stock is to take the place of a new stock issuance), the adjusted total number of share subscription rights shall be taken as the adjusted granted share number multiplied by the total number of shares subscription rights to be issued.

(3) Cash payment for share subscription rights

Directors

Cash payment for one (1) subscription right shall be the amount of the option price per share calculated by the Black-Scholes model as of the allotment date multiplied by the number of shares to be acquired upon exercise of one subscription right. However, pursuant to the provisions of Article 246, paragraph 2, of the Company Law, a director will, in place of making such a payment, offset the cash payment amount for the subscription rights by compensation receivable held with respect to the Bank.

Executive officers

Cash payment for one (1) subscription right shall be the amount of the option price per share calculated by the Black-Scholes model as of the allotment date multiplied by the number of shares to be acquired upon exercise of one subscription right. However, an executive officer will, in place of making such a payment, offset the cash payment amount for the subscription rights by compensation receivable for work-related duties held with respect to the Bank, such that the issuance is not considered to be one made under favorable terms.

(4) Contributions of property upon the exercise of share subscription rights

Property to be contributed upon the exercise of a share subscription right is to be in pecuniary form and of a value equal to ¥1 (the amount to be paid per share upon the execution of a share subscription right) multiplied by the granted share number as stipulated in (2).

(5) Period during which share subscription rights are exercisable

Share subscription rights are exercisable over the period from July 23, 2008 to July 22, 2038.

(6) Increase in common stock and additional paid-in capital when shares are issued upon exercise of share subscription rights

(i) Upon the issuance of shares by the exercise of share subscription rights, common stock shall be increased by one half the maximum amount of increases of common stock, etc., as calculated in accordance with Paragraph 1, Article 40 of the Company Calculation Rules. Any fractional amount of less than ¥1 resulting from such calculation shall be rounded up.

(ii) Upon the issuance of shares by the exercise of share subscription rights, additional paid-in capital shall be increased by the amount of the maximum amount of increases of common stock, etc., after subtracting the increase of common stock prescribed in (i) above.

(7) Restriction on transfer of share subscription rights

An acquisition of share subscription rights by way of transfer requires the approval of the board of directors.

Notes to Financial Statements (cont.)

Seven Bank, Ltd.

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(8) Conditions for the execution of share subscription rights

(i) Should the share subscription rights holder lose his position in the Bank as, if a director, a director or, if an executive officer, an executive officer (or a director in the case that an executive officer assumes the position of director), then, over the 10 days from the following day, that person may exercise his share subscription rights.

(ii) Should the share subscription rights holder die, his heir may execute those rights. The terms under which a heir may execute share subscription rights are to be as stipulated by the contract of (iii) below.

(iii) Other conditions for the execution of share subscription rights are to be as stipulated by a share subscription rights allotment contract between the Bank and the rights holder based on a resolution by the board of directors.

(9) Events and conditions for acquisition of share subscription rights by the Bank

(i) The Bank may acquire share subscription rights without compensation if the rights holder loses his rights because of, for example, he no longer satisfies conditions for the execution of those rights as in (8) above or he abandons his rights.

(ii) The Bank may acquire share subscription rights without compensation on a date separately determined by the board of directors if any of the following proposals is approved at a general meeting of shareholders (or resolved by the board of directors should no shareholders' meeting be required):

(a) a proposal for approval of a merger agreement whereby the Bank is to be dissolved;

(b) a proposal for approval of a corporate separation contract or plan whereby the Bank is to be separated;

(c) a proposal for approval of a stock swap agreement or stock transfer agreement whereby the Bank is to become a wholly owned subsidiary.

(iii) The Bank may acquire share subscription rights without compensation if the share subscription right holder violates the provisions of the share subscription rights allotment contract.

(10) Treatment of share subscription rights upon restructuring

If the Bank is to engage in a merger (limited to cases where the Bank is to be dissolved as a result of the merger), separated and absorbed, separated and newly incorporated, or subject to a stock swap or stock transfer (all of which are collectively referred to as a "restructuring transaction"), share subscription rights in the entity specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Company Law (such entity hereafter referred to as the "restructured company") are, in accordance with applicable items, to be issued to holders of share subscription rights that remain in effect as of the time of the restructuring transaction. In such a case, the remaining share subscription rights will be extinguished.

However, the foregoing shall be limited to cases where it is indicated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type split-off agreement, incorporation-type split-off agreement, share swap agreement or share transfer plan that share subscription rights of the restructured bank are to be granted in accordance with the following conditions.

(i) Number of the share subscription rights of the restructured bank to be granted

Holders of share subscription rights that remain in effect as of the time of the restructuring transaction are to be given, in exchange for those rights, the same number of share subscription rights of the restructured bank.

(ii) Class of shares of the restructured bank to be acquired upon the exercise of share subscription rights

The above shares shall be common stock of the restructured bank.

(iii) Number of shares of the restructured bank to be acquired upon the exercise of share subscription rights

The number of shares is to be set to a rationally adjusted quantity based on a consideration of, among other matters, the terms of the restructuring transaction. Any fractional number of shares resulting from such an adjustment is to be discarded.

(iv) Property to be contributed upon the exercise of a share subscription right is to be of a value equal to the number of shares to be issued per that right multiplied by a post-restructuring exercise price as adjusted upon a consideration of, among other matters, the terms of the restructuring transaction.

(v) Period during which share subscription rights are exercisable

Share subscription rights are exercisable over the period that begins on (a) the first day of the execution period specified in (5) or the effective date of the restructuring transaction, whichever is later, and ends on (b) the last day of the execution period specified in (5).

(vi) Restriction on transfer of share subscription rights

An acquisition of share subscription rights by way of transfer requires the approval of the board of directors of the restructured company.

(vii) Conditions for the execution of share subscription rights

To be determined in accordance with (8).

(viii) Events and conditions for acquisition of share subscription rights by the restructured company

To be determined in accordance with (9).

(11) Rounding off of fractions

If a calculation of the number of shares to be granted to a share subscription rights holder produces a fractional number, that fractional portion is to be discarded.

(12) Share subscription right allotment date

July 22, 2008



Independent Auditors' Report

To the Board of Directors of
Seven Bank, Ltd.:

We have audited the accompanying balance sheets of Seven Bank, Ltd. as of March 31, 2008 and 2007, and the related statements of income, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seven Bank, Ltd. as of March 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

As discussed in Note 2. (1) to the financial statements, effective October 1, 2006, Seven Bank, Ltd. changed the method of accounting for reserve for losses on cancellation of leases.

KPMG AZSA & Co.

Tokyo, Japan
June 18, 2008

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law, is the Japan member firm of KPMG International, a Swiss cooperative.

Corporate Governance

Our basic corporate governance policy

Seven Bank recognizes that good corporate governance plays a vital role in raising our corporate value. We aim to maintain and improve our corporate governance and compliance systems in an effort to ensure swift managerial decision-making, clarify the roles and responsibilities of executives and employees, and maintain effective management oversight and equitable operations.

Corporate governance initiatives

1. Details

As of June 18, 2008, the Bank's Board of Directors consisted of ten directors, of which five were outside directors. The Board meets on a monthly basis to decide on the Bank's basic operational policies and important operational issues, and to supervise the directors' implementation of their duties.

The Board of Directors has established an Executive Committee as a deliberative body concerned with operational implementation within the scope delegated by the Board. In principle, the Executive Committee meets on a weekly basis to supervise the formulation or amendment of business plans, acquisition and disposal of assets, credit provision-related issues, payment of debts and expenses, credit management issues, rewarding and penalizing employees, issues relating to working conditions and benefits, establishing, changing and suspending elements of the organization, and rules and policies, in addition to conferring on issues to be deliberated by the Board of Directors prior to its meetings. Since June 2006, the Bank has adopted an executive officer system and the Executive Committee comprises executive officers and others nominated by the Board of Directors.

As of June 18, 2008, the Bank's Board of Auditors consists of four statutory auditors, all of whom are external statutory auditors. The Board of Auditors meets at least once a month to deliberate and make decisions regarding important auditing-related issues reported to them. On a regular basis, the Board of Auditors convenes with the Chairman of the Board and the Internal Audit Division to exchange opinions and assume responsibility on issues the Bank is addressing, important auditing-related issues, issues related to the status of improvements to the statutory auditors auditing environment and to evaluate requests. Further, the Statutory Auditor's Office, consisting of two staff, has been established in an effort to assist the statutory auditors and to promote the smooth management of the Board of Auditors.

2. Preparation of internal control systems

At a Board of Directors meeting held on May 8, 2006, it was decided that the Bank would adopt items of Company Law Article 362, Paragraph 4, Item 6, necessary to implement system improvements.

Details regarding this decision are reviewed each fiscal year in a Progress Review and the decision to revise certain elements was made at a Board of Directors meeting held May 8, 2008. The following is an outline of these systems:

1. Systems to ensure that directors adhere to laws and Bank statutes in the implementation of their duties.

The Board of Directors has established Basic Compliance Policies and Compliance Standards in order to implement compliance in our management. The directors provide an overview of the status of compliance initiatives to the Board of Directors on a regular basis.

2. Systems for the preservation and administration of information related to the implementation of directors' duties

Information related to the implementation of directors' duties shall be appropriately and reliably preserved and administered, and will be promptly disclosed to directors and statutory auditors on request.

3. Systems and regulations for the management of risk of losses, etc.

The Board of Directors has established Basic Risk Management Policies to systematically make risk management decisions in an effort to ensure sound and effective administration and appropriate management of risk of loss related to the Bank's operations. Risk management related issues are regularly reported by directors to the Board of Directors.

4. Systems to ensure the effective implementation of the Board of Directors duties

Based on the established Board of Directors Regulations, the Board of Directors stipulates important items to report and discuss and will seek effective operation of the Board. The Board of Directors has established an Executive Committee to improve decision-making efficiency in the execution of operations and has introduced an executive officer system aiming for smooth and efficient execution of business duties.

5. Systems to ensure that employees adhere to laws and Bank statutes in the execution of their duties

The Board of Directors will maintain the necessary compliance framework required for compliance to the Basic Compliance Policies and Compliance Standards. The Board of Directors will assume final responsibility for formulating a framework to ensure compliance, policy decision-making, enforcing and verifying the status of policy implementation and the evaluation of policies regarding the execution of staff duties.

6. Systems to ensure fair execution of Group operations

As a member of the Seven & i Holdings Group that shares its management philosophy, the Bank aims to cultivate a shared awareness of compliance among its directors and employees. Further, the Bank places the highest priority on the soundness of bank management and while adhering to regulations such as the arms-length rule, the Bank will maintain a framework for independent management resolution.

7. Items related to requests for placement of support staff for statutory auditors

The Statutory Auditor's Office has been established to support the duties of the statutory auditors and is staffed by specialist staff. In cases where statutory auditors make requests for such support staff the directors will place staff supporting audit operations. The statutory auditors are able to request staff for the support of auditing operations from the Internal Audit Department.

8. Items related to the independence of statutory auditor support staff from the Board of Directors

The Board of Auditors receives a report from the Board of Directors prior to the transfer regarding the placement of Corporate Auditor support staff and an employee evaluation. When necessary, the Board of Auditors is able to apply to the directors to alter their decision.

9. Systems related to the framework for directors and employees to report to statutory auditors and other items related to reporting to statutory auditors

The Board of Directors and employees are required to report promptly to the statutory auditors legal issues as well as other important matters. The Board of Directors receives explanations from the Board of Auditors on auditing policies and the status of auditing initiatives and deliberates with the Board of Auditors on issues to be reported to the Board of Auditors.

10. Other items to ensure that the statutory auditors implement their audit duties effectively

The Board of Directors and the Internal Audit Department hold meetings on a regular basis with the Board of Auditors to exchange opinions on important auditing matters and deepen their mutual understanding.

Compliance

Seven Bank considers compliance with applicable laws and societal norms to be a fundamental prerequisite to earning the trust of its customers. We are also aware that, as a banking institution, we have certain important public duties and significant societal responsibilities. With these concerns in mind, we have developed the practices described below to help ensure proper compliance, one of the most important responsibilities of our management.

The Bank appoints a Compliance Officer to each of its internal divisions, with a duty to supervise compliance efforts and to serve as a point-person whom others in that division may approach to discuss compliance-related complaints and other problems. Our Risk Management Office, led by the officer in charge, works with each of our internal divisions to improve accountability and responsibility, the ability to self-help, and reciprocal monitoring as a means of creating an organizational environment with an inherent self-monitoring function. Our Internal Audit Division conducts independent internal audits of our compliance system on a bank-wide basis. In addition, our Compliance Committee, which acts as an advisory body to our Executive Committee, reviews and evaluates all significant compliance-related issues as they arise.

The Bank establishes a specific compliance program each fiscal year that sets out the compliance to be performed during that year. The measures to be undertaken in any given fiscal year are set forth in that year's compliance program. The Board of Directors reviews and evaluates the progress and the practical results of the compliance activities under the compliance program for the relevant year and, based on such reviews and evaluations, designs and adopts the compliance program for the following fiscal year.

To enhance compliance, we publish a compliance manual that is distributed internally to all of our employees. We revise and update our compliance manual as appropriate to reflect amendments and changes to applicable laws and regulations. In order to emphasize the importance of compliance and to ensure that our employees are familiar with our compliance manual, we also undertake compliance training sessions within each division in accordance with the then-applicable compliance program.

Corporate Social Responsibility

Seven Bank defines CSR as the primary social obligation to be fulfilled in order to co-exist with the environment and society from which it derives its customer and social support. The Bank considers the implementation of CSR as essential to develop its business and conducts its operations based on its Corporate Principles, Management Policy, and Charter of Ethics. Examples of initiatives include the establishment of sleep-mode functions on ATMs, replacing paper-based promotions with screen display paperless promotions and assuring the safety of transactions by strengthening ATM security.

In order for the Bank to grasp the full extent of its CSR initiatives, in July 2007, the Bank reviewed and evaluated its operations and established its Basic CSR Policy to determine ongoing and effective CSR initiatives in light of its business model and scale. Guided by the six points listed below, the Bank is aiming for the realization of a sustainable society.

CSR Policy

Definition of CSR

CSR is the primary social obligation to be fulfilled in order to coexist with the environment and society from which the Bank derives its customer and social support.

CSR activity policy

Based on its Corporate Principle, Management Policy, and Charter of Ethics the Bank will undertake ongoing and effective CSR initiatives in light of its business model and scale.

Understanding CSR

The Bank will evaluate the development of its CSR initiatives based on the following:

1. How do the Bank's business activities contribute to society's economic well-being?
2. Is the Bank sufficiently attentive to its environment and does it make sufficient effort to address environmental problems?
3. What responsibility does the Bank bear for its products and services towards its customers and to what extent are these responsibilities fulfilled?
4. Does the Bank maintain a safe and comfortable working environment and respect the human rights of its employees?

5. Does the Bank work closely with society as a good corporate citizen and actively undertake activities that contribute to society?

6. Does the Bank maintain a policy that strongly opposes anti-social groups?

CSR Initiatives in Fiscal 2007

Parent-child communication support activity magazine

Since June 2005, the Bank has sponsored and distributed the free, bi-monthly magazine *Bonoron* that includes a host of activities for children that aim to deepen the relationship between parents and their children. In fiscal 2007 the Bank held a very successful *Bonoron* painting competition and a family *Bonoron* New Year's resolution activity endeavoring to deepen the relationship between parents and their children. There was a lot of family participation in both events and looking forward, we aim to further support the development of family communication.

ATM service for the vision-impaired

In November 2007 Seven Bank launched its audio-guided ATM system making it possible for vision-impaired people to easily complete ATM transactions without assistance, and as of June 2008 Seven Bank also provides audio-



Audio-guided ATM system

guided ATMs through affiliate financial institutions. The service has been well received by vision-impaired users who have rated it 'easy-to-use' and 'secure to use by yourself'.

Certificate awarded for the prevention of fraudulent bank transfers

On January 10, 2008, Seven Bank was awarded a certificate for the prevention of fraudulent bank transfers and for its contribution to ensuring safety by the Chiba Higashi Police Station in Chiba Prefecture.

Seven & i Holdings nationwide cleaning activity

In fiscal 2007, as a member of the Seven & i Holdings Group, Seven Bank employees again participated in nationwide campaigns to clear up rubbish and tidy the streets.

Corporate Management

(As of June 18, 2008)

Directors

Takashi Anzai	<i>President and Representative Director</i>
Masatoshi Wakasugi	<i>Director, Senior Managing Executive Officer and General Manager, Human Resources Division</i>
Toshiaki Ikeda	<i>Director, Managing Executive Officer and General Manager, System Development Division</i>
Kensuke Futagoishi	<i>Director, Managing Executive Officer and General Manager, Planning Division</i>
Yasuaki Funatake	<i>Director, Executive Officer and General Manager, Business Promotion Division</i>
Takahide Sakurai*	<i>Director</i>
Yoji Ohashi*	<i>Director</i>
Toshikazu Tamura*	<i>Director</i>
Nobutake Sato*	<i>Director</i>
Tadahiko Ujiie*	<i>Director</i>

Statutory Auditors

Hideo Tanaka*	<i>Statutory Auditor (Full-time)</i>
Masaharu Hino*	<i>Statutory Auditor</i>
Sachiko Kishimoto*	<i>Statutory Auditor</i>
Masayuki Sato*	<i>Statutory Auditor</i>

Executive Officers

Nobuo Shirai	<i>Executive Officer and General Manager, General Affairs Division</i>
Naoki Yamazaki	<i>Executive Officer and General Manager, Customer Service Division</i>
Tsutomu Yamazaki	<i>Executive Officer and General Manager, ATM Administration Division</i>

Note: *Indicates outside director or outside statutory auditor as defined under Japanese Law.
The Representative Director is concurrently an executive director.

Investor Information

(As of March 31, 2008)

Head Office

1-6-1, Marunouchi, Chiyoda-ku, Tokyo

Investor Relations

TEL: 03-3211-3041

E-mail

ir-7bk@sevenbank.co.jp

Common Stock

¥30,500 million

Authorized Shares

4,880,000

Number of Shares of Common Stock

1,220,000

Number of Shareholders

20,024

Number of Employees

290

Stock Exchange Listings

The Nasdaq Securities Exchange, Inc.

Stock Code

8410

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
7-10-11, Higashi Suna, Koto-ku, Tokyo 137-8081
Toll-free number (Japan only): 0120-232-711

Independent Auditors

KPMG AZSA & Co.

Major Shareholders

As of March 31, 2008		
Shareholder	Number of Shares	Percentage of voting rights
Seven-Eleven Japan Co., Ltd.	303,639	24.88%
Ito-Yokado Co., Ltd.	196,961	16.14%
The Master Trust Bank of Japan, Ltd (trust account)	75,370	6.17%
Japan Trustee Services Bank, Ltd (trust account)	60,000	4.38%
York-Benimaru Co., Ltd.	52,400	4.29%
Life Foods Co., Ltd.	30,000	2.45%
Goldman Sachs International	23,482	1.92%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,000	1.63%
Sumitomo Mitsui Banking Corporation	15,000	1.22%
Resona Bank, Limited	15,000	1.22%
The Dai-ichi Mutual Life Insurance Company	15,000	1.22%

Composition of Shareholders

As of March 31, 2008							
	Financial institutions	Securities companies	Other corporations	Foreign investors		Individuals and other shareholders	Total
				Corporations	Individuals		
Number of shares owned	340,469	2,323	685,139	107,536	26	84,507	1,220,000
Percentage of shares owned	27.9%	0.19%	56.16%	8.82%	0.00%	6.93%	100.00%

Note: Other corporations include 3 shares held by the Japan Securities Depository Centre, Inc.

