

**Creating New Value  
by Being Different**



**SEVEN BANK**

**SEVEN BANK, LTD.**

Annual Report **2009**

For the year ended March 31, 2009

# Profile

Founded in 2001, Seven Bank, Ltd. specializes in the ATM business, and has expanded its network of ATMs throughout Japan with the motto "Everyone's ATM network, anytime and anywhere, safe and secure."

Aiming to earn the trust of all stakeholders and dedicated to fulfilling customers' expectations, Seven Bank contributes to the stability and growth of Japan's financial system by providing a secure and efficient settlement infrastructure.

## Corporate Principles

1. We aspire to be a sincere company that is trusted by its customers.
2. We aspire to be a sincere company that is trusted by its shareholders, business partners and society.
3. We aspire to be a sincere company that is trusted by its employees.

## Management Policy

1. Our aim is to be a trusted bank that fully answers customer needs.
2. Each employee will seek to speedily introduce the benefits of technical innovation and pursue personal enhancement.
3. We will contribute to the stability of Japan's financial system by providing a secure and efficient settlement infrastructure.

## 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.





## Contents

Snapshot .....	2
Financial Highlights .....	4
To Our Shareholders and Investors .....	5
An Interview with President Takashi Anzai .....	6
Corporate Governance .....	10
Management Team .....	15
Corporate Social Responsibility .....	16
Management's Discussion and Analysis .....	18
Financial Statements .....	24
Investor Information .....	41

## Our Business Model

The revenue source of Seven Bank's business is transaction fees collected from partner financial institutions in return for ATM use by their customers. Our highly convenient ATM network is available throughout Japan 24 hours a day. The number of transactions at our ATMs is increasing steadily because of the strong preference for cash in Japan and the wide acceptance of our ATMs as an integral part of the social infrastructure. Seven Bank will aim for further growth in a significantly changing economic environment with its stable and unique business model.

## Our Strengths

Development that makes good use of the strengths of Seven-Eleven Japan stores	Our superior competitiveness results from our ATMs installed at Seven-Eleven Japan stores, the leader in Japan among convenience stores in ability to attract customers.
ATM systems with both convenience and security	While working to improve usability of our ATMs, we have stepped up the security of the communication lines of our ATM network, as well as that of the hardware and software of our ATMs.
ATM-related fee income forms a stable earnings base	Seven Bank's ATMs enable stable earnings because ATM usage is solid even amid severe economic changes due to a strong preference for cash in Japan and the wide acceptance of our ATMs as an integral part of the social infrastructure.
A framework for low-cost ATM management and operation	Our ATM management and operation expertise that we have cultivated through the expansion and application of our nationwide ATM network enable low-cost operation.
Efficient management backed by sound finances	Low-cost, stable operations are supported by a non-consolidated Tier 1 capital ratio of 45.05%, representing a sound financial structure.

# Snapshot

As of March 31, 2009

## A Young Bank in Its Ninth Year

- April 2001      Incorporated under the name IY Bank Co., Ltd.
- March 2004      First annual profit (fiscal 2003)
- September 2005    Cleared accumulated losses (fiscal 2005)
- October 2005      Changed corporate name to Seven Bank, Ltd.
- February 2008      Listed on the JASDAQ Securities Exchange

## Everyone's ATM Network

**Partner  
financial institutions**

556

**Daily average  
transactions  
per ATM**

114.3

**Total number of  
transactions in  
fiscal 2008**

555 million

(equivalent to 4.6 transactions  
for each person in Japan)

Cards of Japan's major financial institutions and cards issued overseas are accepted.

Transactions are steadily increasing year on year with solid customer approval of initiatives to provide "anytime and anywhere, safe and secure" ATM services.

**Reference:**

Of all people who used an ATM installed in a convenience store in fiscal 2008, 76.9% used a Seven Bank ATM (No. 1 for seven consecutive years).

(Source: MyVoice internet survey (results from survey of convenience store ATM usage in 2009), conducted by MyVoice Communications, Inc.)

## Anytime and Anywhere

### Number of ATMs installed

13,803

### Areas installed

All 47 prefectures of Japan

We have extended our ATM network to all prefectures of Japan by expanding installation from Seven-Eleven stores, which allow 7-day/24-hour access, to train stations, airports and other locations outside the Seven & i Holdings Group.

## Safe and Secure

- ATM screens display the native interface of each partner financial institution
- Designed for privacy and security, with an advanced security system
- Good visibility in well-lit locations

## Sound and Efficient Management

### Ratings

Standard & Poor's  
Rating and Investment  
Information, Inc.

AA-  
AA

### ROE

(Net income/  
The daily average total stockholders' equity)

16.94%

**Non-consolidated  
Tier 1 capital ratio**  
(Domestic standard)

45.05%

### Net income per employee

(Net income/Number of employees at  
March 31, 2009)

55 million yen

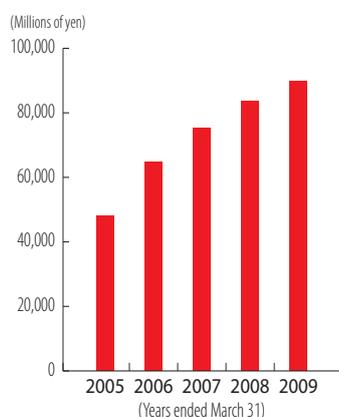
# Financial Highlights

Seven Bank, Ltd.  
Years ended March 31

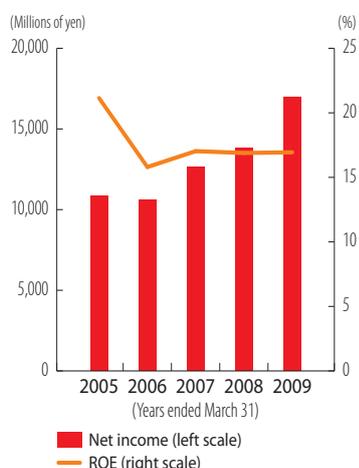
	Millions of yen					% Change 2009/2008
	2009	2008	2007	2006	2005	
<b>For the year:</b>						
Total income .....	¥ 89,842	¥ 83,667	¥ 75,427	¥ 64,628	¥ 47,967	7.3%
Fees and commissions income .....	88,741	82,471	74,875	63,973	47,917	7.6
Fees and commissions expenses .....	9,183	8,328	6,491	4,845	3,753	10.2
Income before income taxes .....	28,736	23,343	21,009	16,601	9,944	23.0
Net income .....	16,988	13,830	12,667	10,590	10,843	22.8
<b>At year-end:</b>						
Total assets .....	¥493,360	¥488,137	¥532,757	¥361,338	¥313,305	1.0%
Deposits .....	229,311	219,138	275,136	196,880	189,776	4.6
Total liabilities .....	394,966	399,162	458,907	294,257	256,797	(1.0)
Total stockholders' equity .....	—	—	—	67,080	56,508	—
Total net assets .....	98,393	88,974	73,849	—	—	10.5
<b>Per share data:</b>						
Net income .....	¥13,924.60	¥11,808.84	¥10,736.56	¥ 8,680.89	¥ 8,888.51	17.9%
Net assets .....	80,610.55	72,930.25	63,371.15	54,984.18	46,318.31	10.5
Dividends .....	4,900.00	4,200.00	5,000.00	—	—	16.6
<b>Management indicators:</b>						
Return on equity (ROE) (%) .....	16.94	16.89	17.03	15.80	21.14	—
Return on assets (ROA) (%) .....	5.13	4.75	5.59	5.74	3.55	—
Return on ATM cash (%) .....	8.30	7.83	8.73	6.26	3.71	—
Overhead ratio (%) .....	62.99	65.63	62.40	67.12	76.34	—
Payout ratio (%) .....	35.1	35.5	46.5	—	—	—

- Notes: 1. Figures for the years ended March 31, 2006 and 2005 are unaudited.  
 2. Return on equity = net income / the daily average total stockholders' equity  
 3. Return on assets = net operating profit (*gyomu jun-eki*) / the average of total assets  
 4. Return on ATM cash = (ATM related fee income - interest expenses - ATM placement fee expenses - general and administrative expenses) / daily average balance of cash and due from banks  
 5. Overhead ratio = general and administrative expenses / gross operating profit (*gyomu ararieki*)

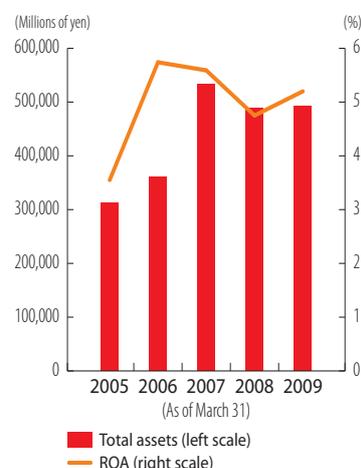
## Total Income



## Net Income / ROE



## Total Assets / ROA



## To Our Shareholders and Investors



### Meeting customers' expectations:

Where Seven Bank's business starts, and its ultimate priority

In fiscal 2008 (the year ended March 31, 2009), the Japanese economy deteriorated sharply from summer 2008 due to the credit crunch that stemmed from the financial crisis in the United States and Europe. Corporate performance and personal consumption both declined substantially.

In the banking sector, factors including losses caused by the financial crisis and increasing credit risks made reinforcing capital and optimizing management urgent issues.

Amid these changes to the economic environment, the decline in personal consumption seems to have had a negative impact. However, Seven Bank grew stably as a result of steady ATM usage. This was backed by strong customer support for its business model, developed over eight years, of effectively providing reliable ATM services that precisely meet customer needs.

Seven Bank will grow steadily by always meeting customers' expectations through its unique value-added services.

I thank you for your continued support.

安高 隆

# An Interview with President Takashi Anzai



**Takashi Anzai**  
President and Representative Director

## Evaluation of Fiscal 2008 Performance

**Q1. Even as the economic downturn became starker, Seven Bank's total income and net income increased. What were the main factors behind this, and what effect did they have?**

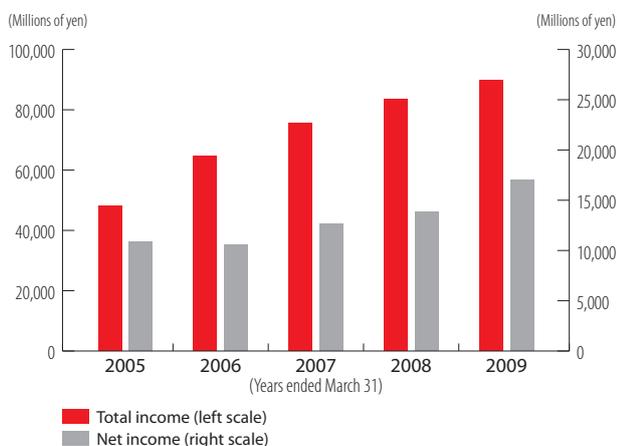
For fiscal 2008 (the year ended March 31, 2009), total income increased 6,175 million yen (7.3%) year on year to 89,842 million yen, income before income taxes increased 5,392 million yen (23.0%) to 28,736 million yen and net income increased 3,157 million yen (22.8%) to 16,988 million yen.

We noticed some negative effects of the recession in Japan, such as slower growth in the number of ATM transactions, but they were not as severe as expected. We

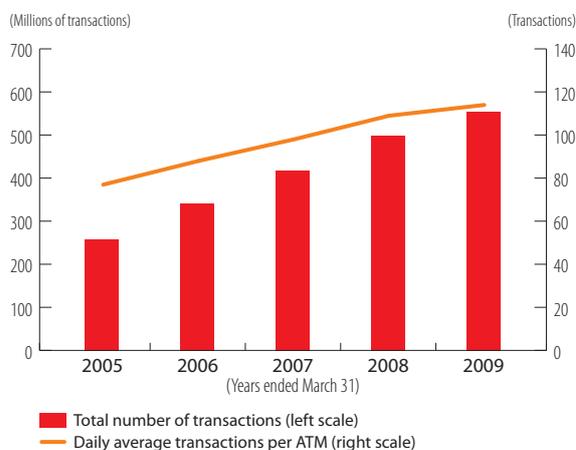
were able to maintain growth because the improvement in services based on customer needs more than offset the impact of the economic downturn. I believe this warrants recognition.

We responded precisely to customer needs in order to improve services. Within the Seven & i Holdings Group, we increased ATMs located at Seven-Eleven stores to prevent long lineups for the large number of transactions. Outside the Seven & i Holdings Group, we installed ATMs in new locations, such as high-traffic airports and commercial facilities. I sensed that our history of initiatives to improve services and safety increased Seven Bank's presence as an integral part of Japan's social infrastructure during the fiscal year. I am therefore confident that we can sustain our growth.

## Total Income and Net Income



## ATM Transactions



## Strengths of Our Business Model

### Q2. Please describe the strengths of the Seven Bank business model, which allowed you to achieve stable growth even amid an economic downturn.

The strengths of Seven Bank's business model can be summarized in three major points.

First, the primary revenue source for our business is ATM usage fees from partner financial institutions. Consequently, risk related to bad loans is much lower than for a typical bank. As a result, we maintain a sound financial structure, as indicated by our Tier 1 capital ratio of 45.05% and our long-term counterparty credit rating of AA- from Standard & Poor's. In addition, the need for ATMs is steady regardless of business conditions due to the strong tendency of Japanese people to prefer cash and the wide acceptance of our nationwide network of ATMs as part of the country's social infrastructure. This enables stable growth.

Second, we provide services that precisely respond to customer needs by fully leveraging the Seven & i Holdings Group store network, which is the base for Seven Bank's ATM network and which includes the stores of the country's largest convenience store chain, Seven-Eleven Japan. In addition, we strive to make improvements to our services

every day in order to provide "anytime and anywhere, safe and secure" ATM services that meet customer needs for safe and fast withdrawals without lineups. Our ATM customers highly appreciate this convenience, which is a major strength of Seven Bank.

Third is the scale advantage of our low-cost operation framework. Even though the number of transactions using Seven Bank's ATM services has been increasing annually, costs have not risen proportionally because we have increasingly raised efficiency by leveraging economies of scale. Our high level of efficiency, a product of Seven Bank's unique know-how accumulated through nationwide operations, cannot be equaled overnight.

**Non-consolidated  
Tier 1 capital ratio**  
(Domestic standard)

45.05%

**Rating**  
Standard & Poor's  
long-term counterparty  
credit rating

AA-

## Initiatives for Further Growth

Q3. The medium-term strategy sets policies of expanding profit opportunities and rigorous cost control under the theme of achieving sustained growth and a strong profit structure by creating new value. What are your specific initiatives for further growth?



To expand profit opportunities, we prioritize strengthening and expanding the core ATM business. In fiscal 2008, while installation of ATMs at Seven-Eleven stores had peaked in general, we increased the number of ATMs at the 326 Seven-Eleven stores with the highest use. Outside the Seven & i Holdings Group, we installed 129 ATMs. We installed ATMs in locations with low installation frequency but high customer need, such as airports, hospitals, train stations and highway service areas, and started comprehensive ATM operating and management services for Nikko Cordial Securities.

In fiscal 2009, we will continue to establish ATMs throughout Japan that are more convenient and closer to customers based on an accurate grasp of customer needs. We will also diversify the ATM business through initiatives including providing comprehensive ATM operating and management services for other financial institutions.

### ■ Medium-Term Strategy to Fiscal 2011

**Achieve sustained growth and a strong profit structure by creating new value**  
—Reinforce our defenses while actively seizing opportunities that lead to future growth—

#### Expand profit opportunities

- 1) Install ATMs in good, profitable locations
  - Not simply pursuing numerical targets
- 2) Create a diversified outsourcing model
  - Diversify the ATM business
- 3) Consider new business/services
  - Respond to small-scale financing needs

#### Rigorous cost control

- 1) Close supervision of return on investment
- 2) Further enhance cost efficiency
- 3) Equalize depreciation expenses
  - At next ATM renewal period consider equalizing depreciation expenses
- 4) Utilize depreciated assets

- Aim to install 16,000 ATMs by March 2012 (1,200 in non-Group locations)
- Steadily accumulate profits
- Maintain dividend payout ratio of 35%

## An Interview with President Takashi Anzai

Moreover, we will prudently and reliably commercialize new businesses and services centered on small-scale financing needs.

To achieve rigorous cost control, we will avoid simply increasing the number of ATMs installed. High profitability is needed for sustained growth, so we are extremely careful to ensure good return on investment. In addition, for the third-generation ATMs\* that we are considering introducing to address customers' fundamental demands for rapid withdrawals without lineups, we expect the greater cost savings from highly efficient operation to exceed the higher investment costs. Further, we will reduce the cost of introducing new ATMs through large-volume ordering that leverages economies of scale, and plan to make ATM replacement more strategic and systematic by equalizing depreciation expenses.

\* Third-generation ATMs: Faster, more efficient and easier to use than current models



Bank aims to be a universally trusted part of the social infrastructure and achieve sustained growth.

### Position on Corporate Value

**Q4. Expectations for Seven Bank are extremely high due to its outlook for stable and steady growth. What are your thoughts on increasing corporate value?**

To increase corporate value, it is critical for Seven Bank to always accurately grasp customer needs in order to continue providing services safely, reliably and rapidly. Customer satisfaction sustains our business. I believe it leads to profits for shareholders, employees, business partners and other stakeholders.

Seven Bank already has Japan's largest ATM network, with 14,000 terminals nationwide. However, from a customer perspective, there are still not enough. By continuing to respond accurately to customer needs, Seven

### Policy on Returning Profits to Shareholders

**Q5. Sustained growth provides profits for shareholders. What is your policy on returns to shareholders?**

Seven Bank regards returning profits to shareholders as an important management policy. At the same time, expansion of the Bank's business increases the number of ATMs, which increases demand for cash held in ATMs. In addition, we will likely need to make new investments for growth in the future. Taking into consideration the need to maintain a balance with internal reserves required to provide for these factors, we have set a dividend payout ratio target of 35% in order to stably return profits to shareholders.

I thank our shareholders and other stakeholders for their continued support.

# Corporate Governance

## Corporate Governance

### Corporate Governance Policy

Seven Bank recognizes that good corporate governance plays a vital role in raising its corporate value. The Bank works to maintain and improve its corporate governance and compliance systems in order 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

The Board of Directors meets on a monthly basis to decide on the Bank's basic operational policies and important operational issues, and to supervise the execution of directors' 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 of Directors. 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, the establishment, change and suspension of elements of the organization, and the formation, revision and elimination of 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.

The Board of Auditors meets in principle at least once a month to deliberate and make decisions regarding important auditing-related issues reported to it. The Board of Auditors convenes with the Representative Director and the Internal Audit Division on a regular basis to exchange opinions and make requests as deemed necessary on issues the Bank is addressing, issues related to the status of improvements to the statutory auditors' auditing environment, and important auditing-related issues. Further, the Statutory Auditors' Office has been established to assist the statutory auditors and promote the smooth management of the Board of Auditors.

#### 2. Preparation of Internal Control Systems

The Board of Directors decided on May 8, 2006 to implement system upgrades stipulated in Company Law Article 362, Paragraph 4, Item 6. Details of this decision are

reviewed each fiscal year in a Progress Review and the Board of Directors decided to revise certain elements at a meeting held on May 15, 2009. The following is an outline of these systems.

#### (1) Systems to ensure that directors adhere to laws and the articles of incorporation in the execution of their duties

The Board of Directors will establish a Basic Policy on Compliance and Compliance Standards for the implementation of compliance as regards management. The directors will provide an overview of the status of compliance initiatives to the Board of Directors on a regular basis.

#### (2) Systems to preserve and manage information related to the execution of directors' duties

Information related to the execution of directors' duties will be preserved and managed appropriately and reliably, and such information will be disclosed promptly upon the request of directors or statutory auditors.

#### (3) Regulations and other systems for managing the risk of losses

The Board of Directors will establish a Basic Policy on Risk Control comprising systematic provisions to appropriately manage the risk of losses related to management and ensure sound and efficient management. The directors will report to the Board of Directors about issues related to risk control on a regular basis.

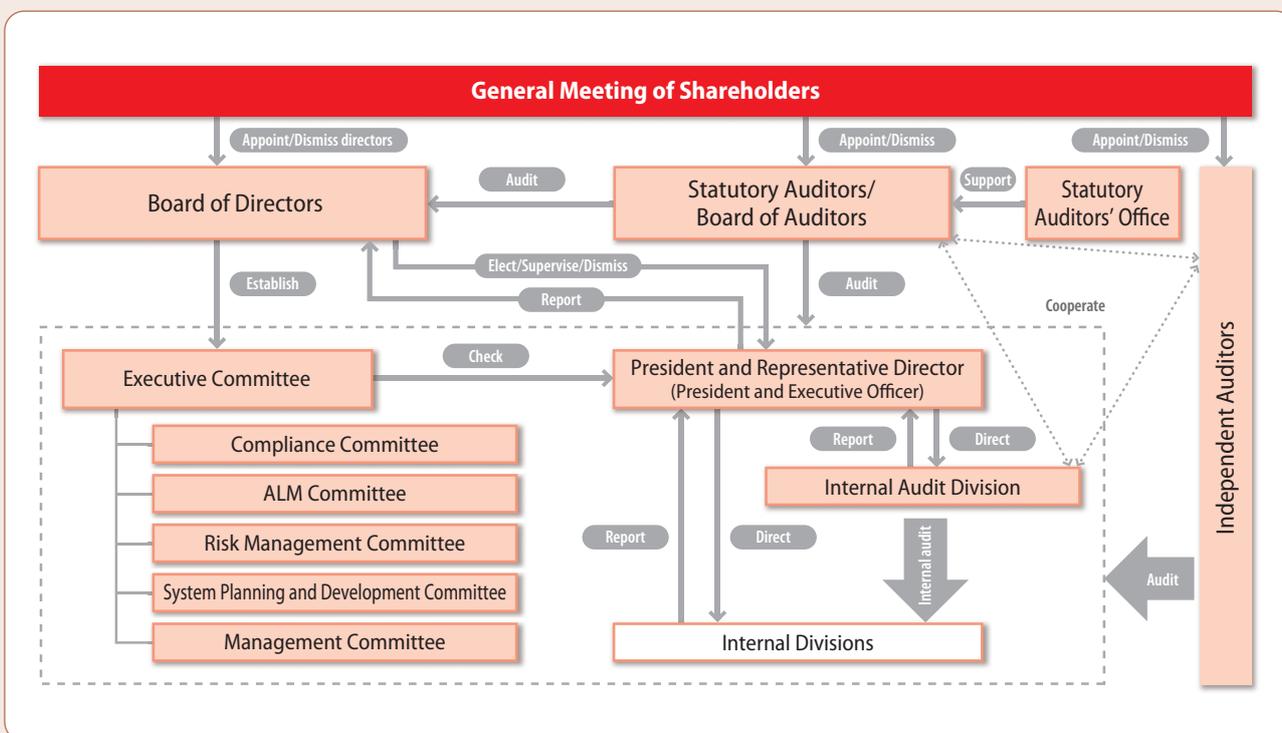
#### (4) Systems to ensure the efficient execution of directors' duties

In aiming for efficient operation, the Board of Directors will establish Rules for the Board of Directors and make provisions for deliberation and reporting of important issues. The Board of Directors will establish an Executive Committee to streamline decision-making in operations and introduce an executive officer system to promote the efficient execution of duties.

#### (5) Systems to ensure compliance with laws and the articles of incorporation in the execution of employees' duties

The directors will upgrade an appropriate compliance system based on the Basic Policy on Compliance and Compliance Standards. The directors bear ultimate responsibility to create structures, determine and implement policy, and inspect and evaluate policy implementation in order to ensure compliance in the execution of employees' duties.

■ Corporate Governance Organization



(6) Structure to ensure appropriate Group operations

Seven Bank, as a member of the Seven & i Holdings Group and sharing its management philosophy, will strive to cultivate a law-abiding attitude among directors and employees. In prioritizing sound management, the Bank will observe a strict arm's-length rule while upgrading a framework for making independent management decisions.

(7) Items concerning relevant support staff in the event that the statutory auditors request the deployment of such staff to support their duties

Bank employees shall be seconded to the Statutory Auditors' Office on its establishment. Moreover, the directors shall appoint employees to assist with the audit functions in response to requests from the statutory auditors. The statutory auditors may request assistance from the Internal Audit Division for auxiliary audit functions.

(8) Items concerning the independence from the directors of the employees appointed as support staff of the statutory auditors

The Board of Auditors, on prior receipt of reports from the directors concerning the transfers and evaluations of the assistants to the statutory auditors, may request the

directors make changes to such transfers and evaluations as necessary.

(9) Systems for reports from directors and employees and other reports to the statutory auditors

Directors and employees will promptly report important legal and other matters to the statutory auditors. On receipt of an explanation of auditing policy and the current state of auditing from the Board of Auditors, the directors will cooperate with the Board of Auditors to determine the issues that should be reported to the Board of Auditors, and carry out such reports.

(10) Systems to ensure effective audits by parties other than the statutory auditors

The directors will ensure that the internal audit department meets with the Board of Auditors on a regular basis to facilitate the exchange of opinions and deepen mutual understanding about important auditing issues.

## Risk Management

### Risk Management Initiatives

Seven Bank has designed a risk management system to promote financial soundness and operational efficiency by appropriately monitoring and managing specific types of risk faced in conducting business. The Board of Directors has established the Basic Policy on Risk Control as overall risk management policy, risk management policy regarding specific risks, and internal structures and systems to manage risk. Based on the Basic Policy on Risk Control, the Executive Committee has established detailed rules and regulations governing day-to-day risk management.

The Bank's risk management structure includes the Risk Management Division, which is responsible for supervising overall risk management activities, specific risk management divisions, and the Internal Audit Division to perform internal audits. In addition, the Risk Management Committee and the Asset-Liability Management (ALM) Committee act as advisory bodies to the Executive Committee with respect to risk management.

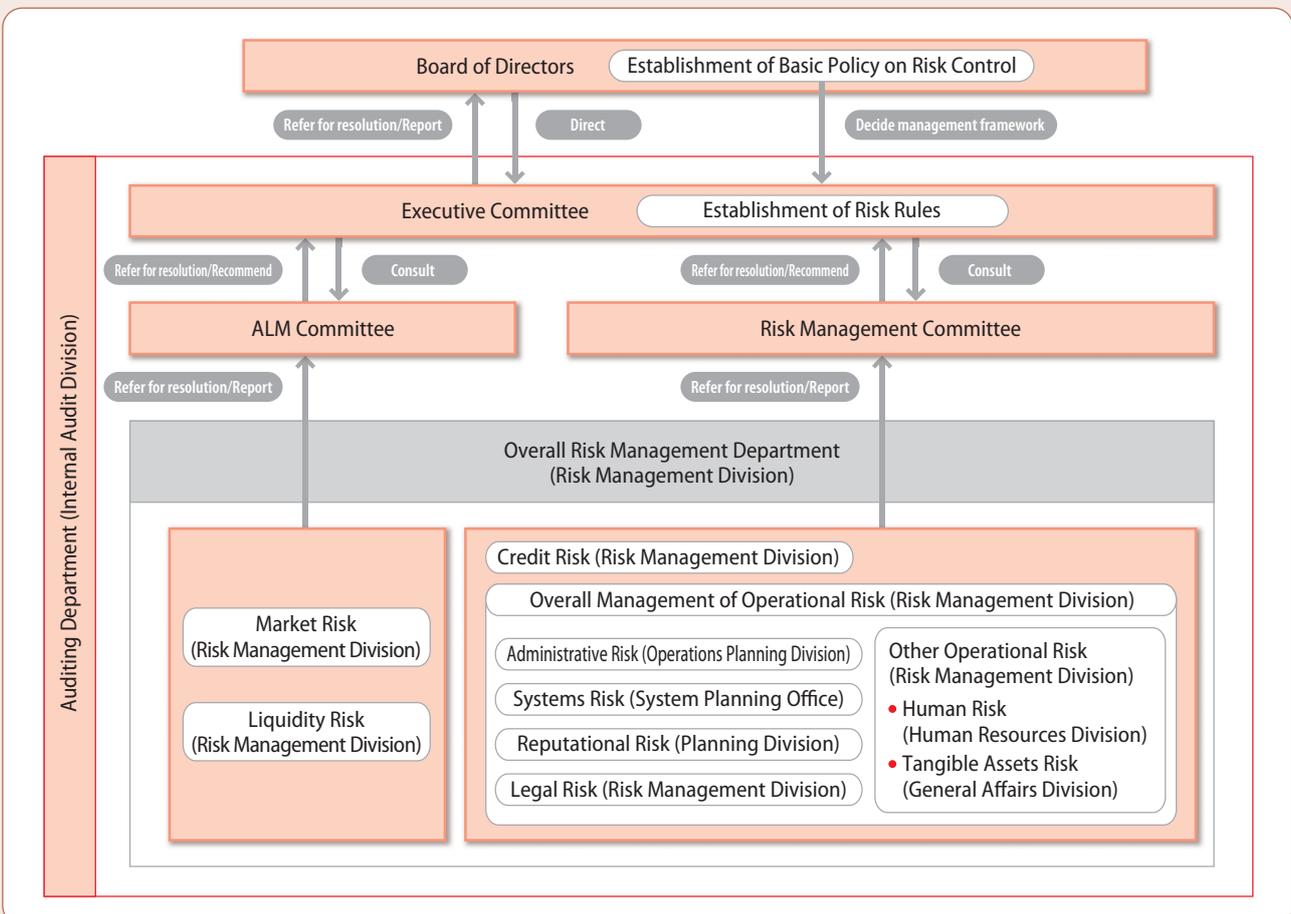
### Overall Management of Risk

Basic policies relating to overall risk management are governed by the Basic Policy on Risk Control. The Bank manages risk comprehensively, evaluating risks by category and comparing them with capital.

### Credit Risk

Basic policies relating to credit risk are governed by the Basic Policy on Risk Control and by the Credit Risk Rules established thereunder. Currently, risk management activities relating to credit risk are limited to the ATM settlement business, ALM management of interbank deposits placed with top-rated partner financial institutions, lending of funds in the call-money market, and temporary ATM payment amounts due. In addition, the Bank performs self-assessment of asset quality as appropriate and establishes an allowance for credit losses in accordance with its self-assessment guidelines, reserve guidelines and related internal rules and regulations.

#### ■ Risk Management System



### Market Risk

Basic policies relating to market risk are governed by the Basic Policy on Risk Control and by the Market Risk Rules established thereunder. The Market Risk Rules establish limits on the maximum level of funds at risk, market position limits and loss allowance limits. The Risk Management Division measures and monitors market risk on a daily basis in light of these limits and reports the results to management including the Executive Committee. Risk management operations are also based on the monthly reports of the ALM Committee regarding the Bank's market risk position, expected trends in interest rates and other matters.

### Liquidity Risk

Basic policies relating to liquidity risk are governed by the Basic Policy on Risk Control and by the Liquidity Risk Rules established thereunder. The Liquidity Risk Rules establish limits regarding the cash gaps arising from differences between the duration of invested funds and those available to meet current cash needs. The Risk Management Division measures and monitors liquidity risk on a daily basis in light of these limits and reports the results to management.

### Overall Management of Operational Risk

Basic policies relating to operational risk are governed by the Basic Policy on Risk Control and by the Operational Risk Rules established thereunder. The Bank recognizes administrative risk, systems risk, reputational risk, legal risk and other operational risks as operational risks, and comprehensively manages risk from a qualitative and a quantitative standpoint.

### Administrative Risk

Seven Bank's business consists primarily of the execution of transactions, mainly through its ATM network, that do not involve face-to-face interaction. The Administrative Risk Rules, which were established in accordance with the Basic Policy on Risk Control, are designed to reflect this special characteristic and ensure accuracy and fairness in administrative operations. In addition, the Bank works to prevent administrative errors and employee misconduct through self-monitoring and appropriate audits of its divisions, offices and centers by the Internal Audit Division. The Bank has implemented a system to field customer inquiries on a year-round basis through ATM support centers and call centers, responding swiftly to complaints through cooperation with administrative and related departments, and to ensure that important issues that arise are communicated to the Executive Committee and other management as appropriate.

### Systems Risk

Basic policies relating to systems risk are governed by the Basic Policy on Risk Control and by the Systems Risk Rules established thereunder. The Bank seeks to improve systems development efficiency, service quality and systems safety. Initiatives in systems construction include one or more layers of redundancy in network and hardware equipment and a backup center designed to engage in the event of a natural disaster or system failure. File libraries and programs are backed up as appropriate based on relative importance to operations, and such backup data is stored off-site as a precaution against unforeseeable events. In addition, the Bank takes the utmost care in information management, including using firewalls to block unauthorized system access, monitoring access 24 hours a day, 365 days a year, encrypting all electronic transactions with customers, and employing anti-virus software.

### Reputational Risk

Basic policies relating to reputational risk are governed by the Basic Policy on Risk Control and by the Reputational Risk Rules established thereunder. The Bank works to gather information concerning its reputation on a daily basis and maintains a response system including a bank-wide communication structure and timely and appropriate disclosure for dealing with events that affect its reputation.

### Legal Risk

Basic policies relating to legal risk are governed by the Basic Policy on Risk Control and by the Legal Risk Rules established thereunder. The Bank works to minimize or prevent the manifestation of legal risks, and respond accurately and efficiently to avert or minimize loss in the event that such risks materialize.

### Other Operational Risk

Basic policies relating to other operational risk are governed by the Basic Policy on Risk Control. Main other operational risks recognized and managed are human risk and tangible assets risk.

## Compliance

### Compliance Initiatives

Seven Bank considers compliance with applicable laws and societal norms to be a fundamental prerequisite to earning the trust of society. Aware of the importance of its public mission and the significance of its societal responsibilities, the Bank has developed the following initiatives to ensure compliance, one of the most important responsibilities of management.

### Compliance Systems

The Bank appoints a Compliance Officer to each of its internal divisions to implement compliance and serve as a point-person to consult on compliance-related problems and other issues. The Risk Management Division, led by the officer in charge, works as the bank-wide compliance department to improve accountability and responsibility, self-help capabilities, and reciprocal monitoring as a means of creating an organization with an inherent self-monitoring function. The Internal Audit Division independently audits the bank-wide compliance system. In addition, the Compliance Committee, which acts as an advisory body to the Executive Committee, reviews and evaluates all significant compliance-related issues as they arise.

### Compliance Program

The Bank establishes a compliance program each fiscal year that sets out the specific compliance plan for that year. The Board of Directors reviews and evaluates the progress and the practical results of 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.

### Compliance Manual

To enhance compliance, the Bank publishes a compliance manual that is distributed internally to all employees, while implementing compliance training sessions in order to repeatedly emphasize the importance of compliance.

## Main Compliance Issues

### 1. Prevention of fraudulent accounts and money laundering

The Bank focuses on preventing the opening of fraudulent accounts by strictly enforcing customer due diligence procedures when customers apply to open new accounts.

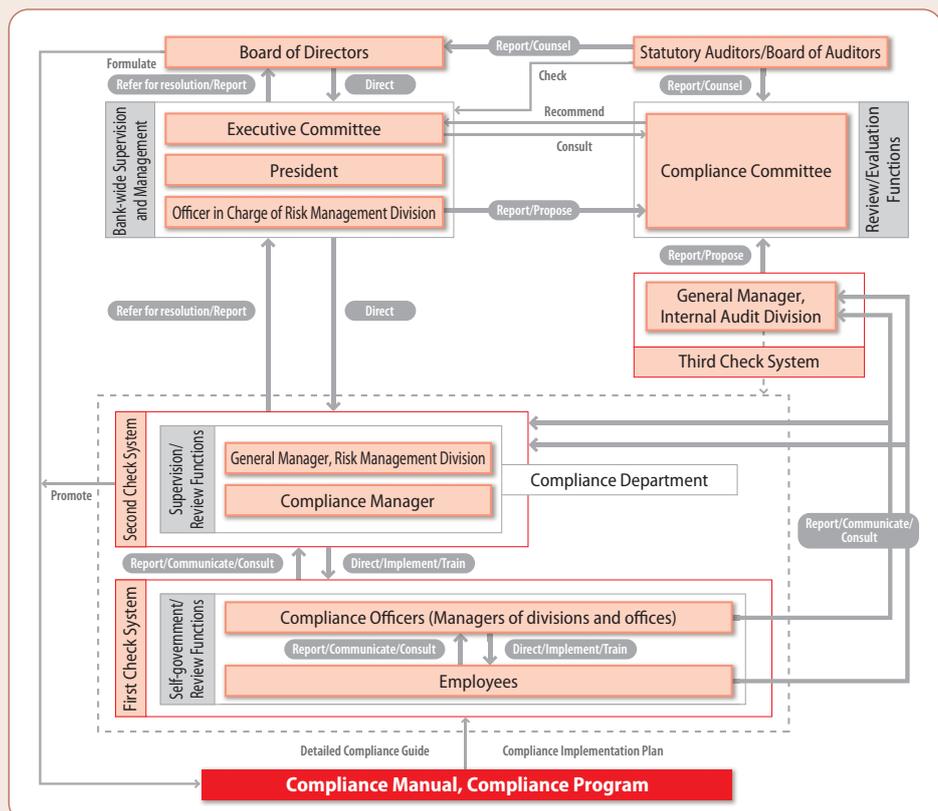
Moreover, in November 2008 the Bank established the Financial Crime Prevention Center (currently the Financial Crime Prevention Office), reinforcing its system to eliminate fraudulent accounts and prevent fraudulent bank transfers and other activities by monitoring accounts on a daily basis and by cooperating appropriately with the police and other governmental authorities.

### 2. Response to anti-social groups

The Bank concentrates on eliminating connections with anti-social groups by continuously gathering and accumulating information concerning these organizations and conducting preliminary reviews based on this information before starting new business transactions.

In addition, the Bank conducts regular training for officers and employees to ensure they respond appropriately, and as an organization, to wrongful demands and other events in accordance with internal rules and regulations.

■ Compliance System



# Management Team

As of June 18, 2009

## Directors



**Takashi Anzai**

President and  
Representative Director



**Masatoshi Wakasugi**

Director, Senior Managing  
Executive Officer and  
General Manager,  
Human Resources Division



**Kensuke Futagoishi**

Director, Senior Managing  
Executive Officer and  
General Manager,  
Planning Division



**Yasuaki Funatake**

Director, Executive Officer  
and General Manager,  
Business Promotion Division



**Yoji Ohashi**

Director (Outside)



**Toshikazu Tamura**

Director (Outside)



**Nobutake Sato**

Director (Outside)



**Tadahiko Ujiie**

Director (Outside)

## Statutory Auditors

**Toshiaki Ikeda**

Statutory Auditor (Full-time)

**Masaharu Hino**

Statutory Auditor (Outside)

**Sachiko Kishimoto**

Statutory Auditor (Outside)

**Masayuki Sato**

Statutory Auditor (Outside)

## Executive Officers

**Nobuo Shirai**

Executive Officer and General Manager,  
General Affairs Division

**Naoki Yamazaki**

Executive Officer and General Manager,  
Customer Service Division

**Tsutomu Yamazaki**

Executive Officer and General Manager,  
ATM Administration Division

**Kazuhiko Ishiguro**

Executive Officer and General Manager,  
System Development Division

**Yoshiaki Nakajima**

Executive Officer and General Manager,  
Risk Management Division

# Corporate Social Responsibility

Seven Bank defines corporate social responsibility (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, and considers the implementation of CSR as essential to develop its business. The Bank conducts its operations based on its Corporate Principles, Management Policy, and Charter of Ethics while aiming for the realization of a sustainable society by using the six standpoints of the CSR Policy as a guide.

## 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.

### Activity Policy

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

### Understanding of CSR

The bank will check and evaluate the development of its CSR initiatives from the following standpoints:

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 toward 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 and the employees of its business partners?
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?

## Environmental Initiatives

### Use of a Second Display

We have equipped second-generation ATMs with second displays to provide a list of partner financial institutions and a variety of promotional campaign information, thus reducing traditional paper-based sales support materials and the energy consumed in their distribution.

### Curbing Paper Usage

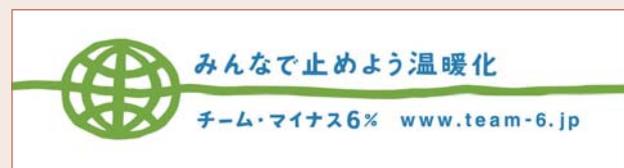
We are reducing excess use of paper resources with a screen option during ATM transactions offering the choice of whether or not to print a transaction slip. In addition, we are reducing paper usage by recording transactions on ATM internal hard disks instead of on the traditional receipt roll.

### Curbing Power Usage

We reduce the power consumption of ATMs by up to 20% with ATMs that switch to energy-saving mode after a set period of inactivity.

### Participation in Team Minus 6%

In May 2009, we joined Team Minus 6%, a national project to stop global warming due to greenhouse gases. While reducing the environmental burden of our business activities, employees are also working to reduce personal CO<sub>2</sub> emissions in ways such as readjusting their lifestyles, separating and reducing waste, conserving electricity and adjusting room temperatures.



## Social Initiatives

### Audio-Guided ATM Service

An audio-guided service for visually impaired individuals via intercom-equipped ATMs is available to customers of over 500 financial institutions, including Seven Bank.



## Overseas Cards Accepted at ATMs

Foreign visitors to Japan are now able to conveniently use Seven Bank's ATMs. Over four billion overseas-issued cash cards and credit cards are accepted. Screen and audio guidance and transaction receipts are provided in English, Korean, Chinese and Portuguese.



## Establishment of Financial Crime Prevention Office

We integrated various related sections to establish the Financial Crime Prevention Center in November 2008 to handle overall financial crime. It became the Financial Crime Prevention Office in April 2009. We are reinforcing our structure for eliminating financial crime by preventing fraudulent accounts at Seven Bank through an account monitoring system, reporting suspicious account activity, taking steps against money laundering and handling inquiries and other correspondence from the police.



## Preventing Fraudulent Bank Transfers

Fraudulent bank transfers and other financial crimes have shown no sign of significant decline. The problem has required the involvement of society as a whole, including joint campaigns by the public and private sectors. Seven Bank implements a variety of measures to prevent improper use of ATMs and accounts.

### 1. Strict customer due diligence

In enforcing stricter customer due diligence for opening accounts at Seven Bank, we require applicants to prove their identity by providing a certificate of residence, an actual utility bill receipt and other verification.

### 2. Screen confirmation during transactions

We inserted a screen message cautioning against fraudulent bank transfers at Seven Bank's ATMs in January 2009. Along with an audio message, the screen does not change until a confirmation button is pressed.

### 3. Detecting suspicious transactions through an account monitoring systems

We introduced a monitoring system in July 2008 to monitor the activity of accounts with activity similar to accounts previously used in fraudulent bank transfers. After first halting a transfer to an account with suspicious activity, we confirm the legitimacy of the payment with the originating financial institution before allowing the transfer to proceed. This has significantly reduced fraudulent bank transfers to accounts at Seven Bank.

# Management's Discussion and Analysis

Seven Bank, Ltd.  
For fiscal 2008, ended March 31, 2009

## Analysis of Operating Results

### Summary of Fiscal 2008

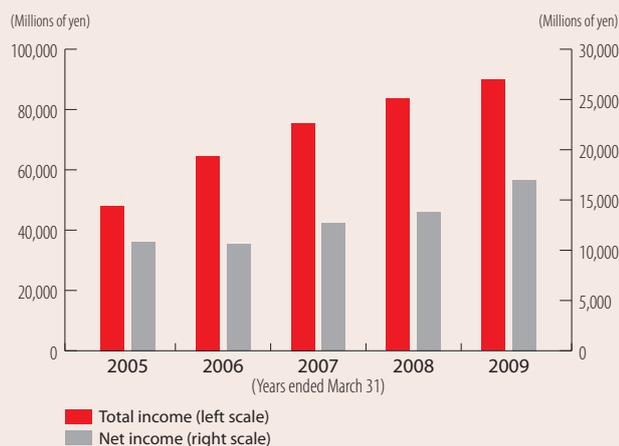
In fiscal 2008, the year ended March 2009, Japan's economy deteriorated sharply from summer 2008 due to the impact of the credit crunch caused by the financial crisis that originated in the U.S. and Europe, and other factors. Moreover, exports declined due to the rapid strengthening of the yen, resulting in a substantial decline in corporate earnings. Pronounced deterioration in business sentiment resulting from these adverse conditions exacerbated the severe employment and personal income environment, weakening personal consumption and reducing investment in housing. Furthermore, public investment remained at a low level.

In the banking sector, factors including losses caused by the financial crisis and increases in reserves reflecting higher levels of credit risk have necessitated the reinforcement of capital and enhanced operational efficiency.

Despite this harsh economic environment, the number of transactions at Seven Bank's ATMs rose steadily, resulting in increased ATM-related fee income. Total income was 89,842 million yen (up 7.3% year on year), income before income taxes was 28,736 million yen (up 23.0%) and net income was 16,988 million yen (up 22.8%).

The following is a summary of performance by business segment.

### Total Income and Net Income



### ATM Services

During fiscal 2008, Seven Bank continued to expand both the scope of its business partnerships and the range of services provided, and worked to enhance customer convenience by installing ATMs in Seven & i Holdings Group

(hereafter "the Group") locations, as well as locations outside the Group.

The Bank formed new partnerships with four banks, six shinkin banks and six credit cooperatives. Consequently, as of March 31, 2009 the Bank had a total of 566 business partners including 95 banks<sup>1</sup>, 264 shinkin banks<sup>2</sup>, 127 credit cooperatives<sup>3</sup>, 13 labor banks, the JA Bank, the JF Marine Bank<sup>4</sup>, eight securities companies, eight life insurance companies and 49 other financial institutions.

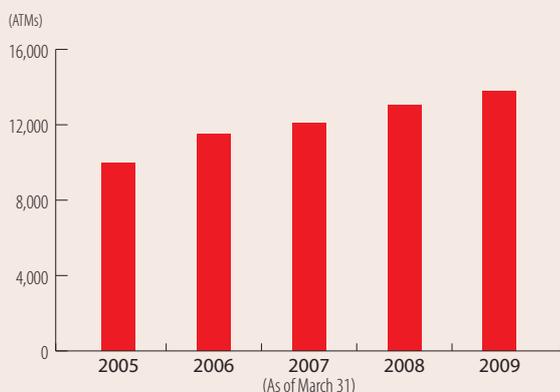
To ensure that customers can use its ATMs safely and securely, the Bank strengthened security through measures including increasing the number of partners with compatible IC cards and those offering PIN changing. Consequently, as of March 31, 2009, 63 banks (including Seven Bank) and four financial sub-sectors had IC cards that were compatible with the Bank's ATMs.

Within the Group, the Bank increased the number of ATMs installed in Seven-Eleven stores with high ATM usage rates (657 such stores had two ATMs installed as of March 31, 2009), and started installing ATMs in Sogo and Seibu department stores and Loft stores. Outside the Group, the Bank expanded ATM installation to new locations including airports and train stations, hotels, hospitals, commercial facilities and highway service areas. In addition, the Bank added new formats such as a comprehensive operating and management service for ATMs installed within branches of Nikko Cordial Securities' branches that began in May 2008, and the operation of combined ATM corners inside Shinsei Bank branches that began in September 2008. As a result, the number of installed ATMs reached 13,803 (an increase of 5.9% from March 31, 2008), and the Bank completed the process of switching to second-generation ATMs by September 30, 2008.

As a result of these initiatives, the total number of ATM transactions in fiscal 2008 reached 555 million (up 11.3% year on year), with daily average transactions per ATM of 114.3 (up 4.8%).

- Notes: 1. There were 92 partner banks as of March 31, 2008. New partnerships formed during fiscal 2008 increased this number by four and mergers among partners reduced it by one, for a net total of 95 partner banks as of March 31, 2009.
2. There were 260 partner shinkin banks as of March 31, 2008. New partnerships formed during fiscal 2008 increased this number by six and mergers among partners reduced it by two, for a net total of 264 partner shinkin banks as of March 31, 2009.
3. There were 122 partner credit cooperatives at the end of March 2008. New partnerships formed during fiscal 2008 increased this number by six and mergers among partners reduced it by one, for a net total of 127 partner credit cooperatives as of March 31, 2009.
4. JA Bank and JF Marine Bank are counted as one institution each.

## Number of ATMs Installed



## ATM Transactions



## Financial Services Business

Seven Bank had 688,000 individual customer accounts as of March 31, 2009 (up 18.5% from March 31, 2008) and the balance of deposits was 113.6 billion yen (up 22.8%). Ordinary deposits accounted for 76.3 billion yen of the balance (up 14.2%) and time deposits for 37.2 billion yen (up 45.3%).

In agency and intermediary services, the Bank expanded the product and service lineup, including services handled by Everyone's Bank Teller Window manned outlets in Ito-Yokado stores and on its online Everyone's Money Site. Moreover, in April 2008, the Bank introduced the Saku Saku Investment Trust Search service on Everyone's Money Site, which allows customers to search for and compare more than 500 investment trust products offered by several different investment trust sales companies.

## Outlook for Fiscal 2009

In fiscal 2009, the year ending March 2010, Seven Bank will strive to strengthen its ATM services and financial services in order to sustain further business development.

The Bank will continue to install ATMs both inside and outside the Group. Within the Group, the Bank will increase the number of ATMs installed in Seven-Eleven stores with high ATM usage to reduce customer waiting times. Outside the Group, the Bank will continue to install ATMs in train stations, highway service areas and other commercial facilities while maintaining a balance between customer needs and investment efficiency. At the same time, the Bank will make efforts to acquire contracts to operate and manage all aspects of ATM services on behalf of other financial institutions. Moreover, to ensure that customers can use its ATMs safely and securely, the Bank aims to increase the number of partners with compatible IC cards and those offering services such as PIN changing.

As a result of these initiatives, the Bank expects the number of ATMs to reach approximately 14,550 by March 31, 2010. Furthermore, the Bank anticipates that the number of ATM transactions in the year ending March 31, 2010 will reach approximately 602 million (up approximately 8.4% year on year), with daily average transactions per ATM of approximately 116.6 (up approximately 2.0%).

In the financial services business, the Bank will continue working to expand while fully considering the needs of its customers. At Everyone's Bank Teller Window manned outlets, the Bank plans to expand and enhance the product lineup and increase its agency and intermediary partners, as well as increase customer contact and reinforce its consulting functions in order to provide products of true value to customers. At the same time, the Bank aims to increase the number of visitors to its online Everyone's Money Site by expanding and enhancing the product lineup.

As a result of these initiatives, for fiscal 2009, the Bank forecasts total income of 91,500 million yen (up 1.8% year on year), income before income taxes of 30,300 million yen (up 5.3%) and net income of 18,000 million yen (up 5.9%).

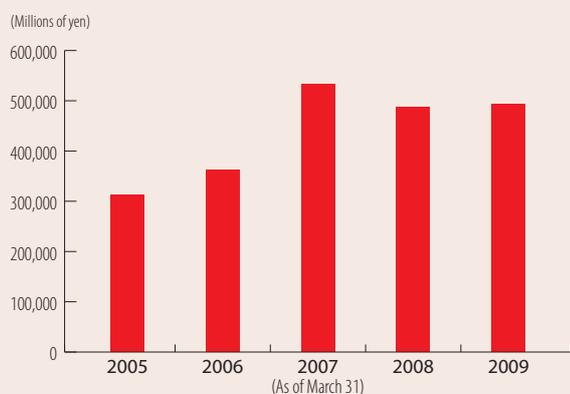
## Analysis of Financial Position

### Assets, Liabilities and Net Assets

#### Assets

Total assets at the end of March 2009 were 493,360 million yen (up 5,223 million yen from the end of the previous financial year). The majority comprised cash and due from banks, required for operation of our ATMs, totaling 280,589 million yen. The remainder mainly consisted of securities, including marketable securities held as collateral for exchange settlements and Bank of Japan current account overdraft transactions, totaling 88,887 million yen, and tangible fixed assets, mainly ATMs, totaling 15,998 million yen.

## Total Assets



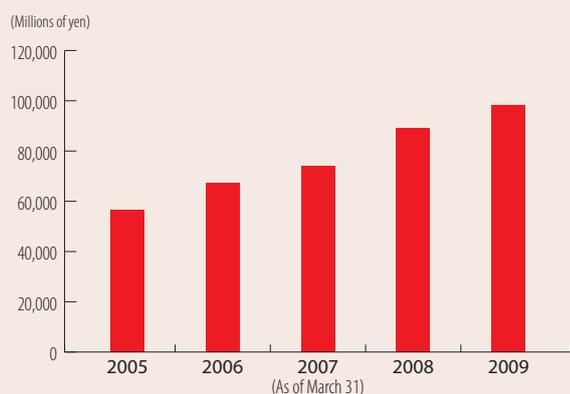
## Liabilities

Total liabilities were 394,966 million yen (down 4,195 million yen from the end of the previous fiscal year). These largely comprised deposits (excluding negotiable certificates of deposit) totaling 188,111 million yen. Of these, the balance of individuals' ordinary deposits was 76,380 million yen and the balance of time deposits was 37,222 million yen.

## Net assets

Total net assets were 98,393 million yen (up 9,418 million yen from the end of the previous fiscal year). Of these, retained earnings were 36,057 million yen and the non-consolidated Tier 1 capital ratio (domestic standard) was 45.05% (preliminary figure).

## Net Assets



## Cash Flows

Cash and cash equivalents increased 13,312 million yen from the end of the previous fiscal year to 280,589 million yen. Cash flows in each category and causes of the changes were as follows:

### Cash flows from operating activities

Net cash provided by operating activities was 32,662 million yen (21,860 million yen less than in the previous fiscal year). Main factors contributing cash, including income before income taxes of 28,736 million yen, depreciation of fixed assets of 15,402 million yen and net increase in deposits of 17,562 million yen, exceeded main factors reducing cash, which included a net decrease in negotiable certificates of deposit of 7,390 million yen and redemption of ordinary bonds at maturity of 15,000 million yen.

### Cash flows from investing activities

Net cash used in investing activities was 11,664 million yen (31,642 million yen less than in the previous fiscal year), mainly for purchases of tangible fixed assets such as ATMs totaling 10,443 million yen.

### Cash flows from financing activities

Net cash used in financing activities was 7,686 million yen (compared with net cash provided by financing activities of 1,303 million yen in the previous financial year), comprising dividends paid of 7,686 million yen.

## Cash flow highlights

(Years ended March 31)	Millions of yen		
	2009	2008	2007
Net cash provided by operating activities	32,662	54,523	39,750
Net cash provided by (used in) investing activities	(11,664)	(43,307)	32,215
Net cash provided by (used in) financing activities	(7,686)	1,303	5,895
Cash and cash equivalents at the end of the year	280,589	267,277	254,757

## Basic Policy on Profit Distribution and Dividends in Fiscal 2008 and Fiscal 2009

Seven Bank regards returning profits to shareholders as an important management issue. With the aim of providing a fair return to shareholders, the Bank's basic policy is to strive to pay sustained and stable cash dividends from retained earnings while maintaining a balance with internal reserves. The Bank targets a dividend payout ratio of 35% and maintains a basic policy of paying dividends twice a year (interim and year-end dividend payments).

Total dividends per share for fiscal 2008 were 4,900 yen, consisting of an interim dividend of 2,100 yen per share and a year-end dividend of 2,800 yen per share. For fiscal 2009, the Bank forecasts total dividends per share of 4,900 yen, consisting of an interim dividend of 2,450 yen per share and a year-end dividend of 2,450 yen per share.

Regarding internal reserves, the Bank plans to allocate funds for capital investment and to increase cash held in ATMs.

## Targeted Management Indicators

Seven Bank uses net income as the measure of its progress toward maximizing corporate value over the medium to long term, and aims to maintain consistent, steady growth in net income. Other measures the Bank focuses on include daily average transactions per ATM, return on ATM cash<sup>5</sup> and overhead ratio.

Note 5. Return on ATM cash = (ATM related fee income - interest expenses - ATM placement fee expenses - general and administrative expenses) / daily average balance of cash and due from banks

## Medium- to Long-Term Management Strategies

Seven Bank will work to build a structure capable of delivering sustainable growth by further expanding in both the ATM services business and the financial services business to create a broad-based earnings structure.

In the ATM services business, the Bank will continue its efforts to extend the ATM network by installing ATMs both inside and outside the Group while maintaining a balance between customer needs and investment efficiency. At the same time, the Bank will work to enhance services, strengthen security and ensure reliable operation so that customers can easily and securely use its ATMs. Moreover, moving beyond its traditional business model, the Bank will build new models to diversify the services it can offer, including handling all aspects of ATM operation and management on behalf of other financial institutions.

In the financial services business, the Bank will work to expand the range of product and service partnerships while seeking to further strengthen its agency and intermediary services. The Bank will actively pursue a greater range of new business opportunities using the relationships forged with its partner financial institutions in the ATM services business and by leveraging the business infrastructure and customer base of Seven & i Holdings.

## Risk Factors

### 1. Risks Relating to Our Business

#### (1) ATM business

Seven Bank substantially depends on the ATM business for its revenues. The Bank is increasing the number and density of ATMs installed, as well as enhancing security, in order to increase customers' convenience and sense of security. However, changes that threaten the ATM business model, such as those described below, may materially affect the Bank's results and financial position.

#### A) Increase in the use of non-cash payment methods

The number of ATM transactions is currently increasing. However, increased use of non-cash payment methods such as credit cards and electronic money may reduce the number of ATM transactions.

#### B) Growing competition from other ATM networks

Seven Bank competes with companies that install ATMs at convenience stores outside the Seven & i Holdings Group and in other locations. In addition, although the Bank has a business partnership with Japan Post Bank Co., Ltd., which has the largest ATM network in Japan, Japan Post Bank could in the future compete more aggressively in the ATM market in Japan if it changes its ATM installation strategy as a result of its privatization.

#### C) Changes in economic conditions

The level of ATM usage fees that Seven Bank charges its partners is judged by both parties to be reasonable. However, there is no guarantee that the level will not change in the future. ATM usage fee levels may decline, or failure to agree on ATM usage fee levels may dissolve partnerships.

#### D) Difficulty in securing ATM locations

Seven Bank has secured and expanded locations for ATMs, centered on Seven & i Holding Group stores. However, there may be obstacles to maintaining or expanding ATM locations in the future.

#### E) Effect of amendment of the Money Lending Business Law

Seven Bank's partners include loan companies. Restrictions on money lending resulting from amendments of the Money Lending Business Law may substantially decrease use of Seven Bank's ATMs by consumer loan customers, causing a decline in the Bank's ATM-related fee income.

F) Risk of increase in interest rates

Seven Bank procures necessary cash for its ATM business through deposits, loans, bonds and other means. The cost of this fund procurement is influenced by market interest rate trends. Substantial interest rate fluctuations may therefore cause an unanticipated rise in the cost of fund procurement.

**(2) Financial services business**

In addition to ordinary deposits, Seven Bank has begun offering time deposits for individuals, as well as agency and intermediary services through manned Everyone's Bank Teller Window outlets and through the Everyone's Money Site on the Internet. However, there is no guarantee that these services will successfully expand.

In addition, the Bank may offer new services or establish other new businesses that it is not currently handling in order to expand the financial services business. However, there is no guarantee that they will succeed. When expanding new businesses, the Bank may also establish new subsidiaries and form capital alliances with other corporations. With no management experience except as an individual corporation, Seven Bank could fail to successfully manage a corporate group.

**2. Risk Management Systems**

Through its Basic Policy on Risk Control, Seven Bank has established bank-wide risk management policies, policies for specific risks and a risk management organization and structure in order to appropriately recognize and manage all kinds of risks in its operations. In addition, for appropriate risk management the Bank has established a Risk Management Committee as an advisory body to the Executive Committee with respect to risk; the Risk Management Division, which is responsible for supervising overall bank-wide management activities; and risk management divisions for managing specific types of risk.

Seven Bank has thus constructed a sufficient framework for and is implementing risk management as required. However, failure to respond adequately to every risk may affect the Bank's results and financial position.

**3. System Failure**

To date, Seven Bank has not experienced any large-scale difficulties with its systems nor any widespread or long-term interruptions of its financial services. However, it is impossible to completely eliminate the danger of system function interruptions due to failure resulting from factors including natural disasters, power outages, network failure, computer

viruses, or due to human error. Such interruptions could affect the Bank's results.

**4. Deterioration in Relationships with External Contractors**

Seven Bank outsources key tasks including ATM cash replenishment, development and operation of various systems, ATM security and management, and call center operations. In addition, the Bank outsources cash card issuance and mail delivery for new deposit accounts.

Relationships with these external contractors are currently satisfactory. However, higher fees resulting from deterioration in these contractors' operating environment, or difficulties in their provision of services for any reason, may affect the Bank's results.

**5. Relationship with Seven & i Holdings Group**

Seven Bank recognizes the following risks associated with installing ATMs in stores of the Seven & i Holdings Group, the Bank's parent company, to conduct the ATM business.

**(1) Changes in terms of ATM placement contracts**

Seven Bank pays ATM placement fees to Seven & i Holdings Group companies. There is no guarantee that such fees will remain unchanged in the future. Substantial changes in ATM placement fees may affect the Bank's results.

**(2) Dependence on Seven & i Holdings Group with respect to ATM installation**

Seven Bank ATMs are installed at Seven & i Holdings Group stores. Difficulties in keeping ATMs installed at Seven-Eleven stores or a marked decrease in customers at Seven & i Holdings Group stores may affect the Bank's results.

**(3) Independence of Seven Bank**

Seven Bank has a cooperative business relationship and exchanges personnel with the Seven & i Holdings Group, but the Bank independently studies and determines its own business strategies, personnel policies, capital policies and other matters.

However, as the Bank assumes that Seven & i Holdings Group will remain one of its major shareholders, there is no guarantee that the Seven & i Holdings Group will not affect the Bank's policy making.

**6. Response to Financial Crime**

Seven Bank's business consists primarily of the execution of non-face-to-face transactions, mainly via ATMs. As such, the Bank undertakes strict customer due diligence when customers apply to open new accounts. In addition, the

Bank monitors accounts to prevent them from being abused for financial crimes and focuses on protecting customers. However, reputational damage and other factors arising from a temporary failure to keep pace with rapid and diverse changes in criminal techniques could affect the Bank's social standing or its results.

### 7. Litigation

To date, Seven Bank has not been involved in significant litigation. In addition, with a focus on preventative measures, the Bank is working to minimize litigation risk in consultation with attorneys who specialize in this area. However, there is no guarantee that the Bank will not be subject to litigation or disputes that affect its results and financial position in the future, resulting from legal issues such as legal violations or inadequate contractual agreements.

### 8. Effects of Legal Amendments

Seven Bank operates its businesses in compliance with current laws and regulations. However, the contents or effects of future legal amendments are difficult to predict or control. Consequently, there is no guarantee that in the future the Bank will be able to continue executing its business plan under initial assumptions.

### 9. Regulations

Seven Bank has a license to conduct banking business under the provisions of Article 4, Item 1 of the Banking Act. However, the license has specific conditions attached. Therefore, future new businesses such as lending would require the approval of the lead regulatory authority, the Financial Services Agency.

Based on the progress in application for approval, Seven Bank may not be able to develop new businesses as planned, which could affect the Bank's results.

In addition, the Bank may be legally required to suspend its operations or have its license revoked.

Seven Bank is currently aware of no reason for these measures to be taken. However, future suspension of operations or revocation of license for whatever reason may present an obstacle to the Bank's business activities.

### 10. Personal Information Leakage

Through its banking business, Seven Bank possesses a large amount of customer information, including personal information. Serious damage to customers from large-scale information leakage may result in orders or punitive measures from regulatory authorities, claims for damages and reputational damage. These and other factors may affect the Bank's results and financial position.

### 11. Reduced Liquidity Due to Ratings Downgrade

Seven Bank currently has a long-term counterparty credit rating of AA- and a short-term counterparty credit rating of A-1+ from Standard & Poor's Ratings Services, with negative outlooks, and a Bank Fundamental Strength Rating of B. The Bank also has an issuer rating of AA, with a stable outlook, from Rating & Investment Information, Inc.

However, there is no guarantee that the Bank can maintain these ratings in the future. A rating downgrade may affect the Bank's capital and fund procurement.

### 12. Securing Personnel

Securing the personnel required to continuously expand as a bank centered on the ATM business, and to develop new businesses, is an essential part of Seven Bank's business strategy.

Seven Bank competes for personnel not only with other financial institutions, but also with Internet service-related businesses, systems-related businesses and other entities. Consequently, an inability to continually hire and retain required personnel may affect the Bank's performance and future development.

### 13. Reputation

Seven Bank has established Reputational Risk Rules that set the range of reputational risks to be recognized as follows.

- (1) Gossip and rumors among customers, in the markets, on the Internet, in e-mail, etc. (hereafter "rumors")
- (2) Rumors caused by inaccurate or inadequate reporting by mass media
- (3) A negative public image caused by an inappropriate response to accidents such as system failure, personal information leakage or operational error, or a fundamental management problem
- (4) Rumors related to financial institutions that are partners in the ATM business, external contractors or other partners

Seven Bank's basic policy is to respond to these reputational risks accurately and urgently, based on the facts. The Bank will take care to prevent the spread of rumors that may damage it. It also has a framework in place to minimize damage by responding appropriately internally and externally in the event that one of the above-noted risks materializes.

However, because Seven Bank has many business partners and external contractors, it could become involved in various difficulties even if it is not to blame, which has the potential to affect the Bank's reputation.

# Balance Sheets

Seven Bank, Ltd.  
As of March 31, 2009 and 2008

	Millions of yen	
	2009	2008
<b>Assets:</b>		
Cash and due from banks (Notes 2, 3 and 4) .....	¥280,589	¥267,277
Call loans .....	29,000	28,000
Securities (Notes 2, 5 and 6) .....	88,887	97,849
Accrued income .....	7,331	7,246
ATM-related temporary payments .....	54,342	53,280
Tangible fixed assets (Notes 2 and 7) .....	15,998	17,212
Intangible fixed assets (Notes 2 and 8) .....	14,777	14,794
Deferred tax assets (Notes 2 and 22) .....	1,291	1,373
Other assets (Notes 6 and 9) .....	1,208	1,170
Allowance for credit losses (Note 2) .....	(65)	(67)
Total assets.....	¥493,360	¥488,137
<b>Liabilities:</b>		
Deposits (Note 10) .....	¥229,311	¥219,138
Call money .....	—	1,700
Borrowed money (Note 11) .....	69,000	65,000
Bonds (Note 12) .....	60,000	75,000
ATM-related temporary advances.....	22,677	21,238
Reserve for bonuses (Note 2) .....	273	245
Reserve for retirement benefits for directors and statutory auditors (Note 2) .....	—	270
Reserve for losses on cancellation of leases .....	—	1,328
Other liabilities (Note 13) .....	13,704	15,240
Total liabilities.....	394,966	399,162
<b>Net assets (Notes 2, 15 and 23):</b>		
Common stock:.....	30,500	30,500
Authorized — 4,880,000 shares		
Issued — 1,220,000 shares		
Capital surplus .....	31,739	31,739
Retained earnings (Note 29) .....	36,057	26,755
Total stockholders' equity .....	98,296	88,994
Net unrealized gains (losses) on available-for-sale securities, net of taxes.....	48	(19)
Total valuation and translation adjustments.....	48	(19)
Subscription rights to shares (Note 27) .....	48	—
Total net assets.....	98,393	88,974
Total liabilities and net assets.....	¥493,360	¥488,137

See accompanying notes.

# Statements of Income

Seven Bank, Ltd.  
For the years ended March 31, 2009 and 2008

	Millions of yen	
	2009	2008
<b>Income:</b>		
Interest income.....	¥ 878	¥ 893
Interest and dividends on securities.....	587	532
Other interest income.....	291	361
Fees and commissions income (Note 16).....	88,741	82,471
Other operating income (Note 18).....	19	23
Other income (Note 20).....	203	277
Total income.....	89,842	83,667
<b>Expenses:</b>		
Interest expenses.....	2,759	2,746
Interest on deposits.....	979	967
Interest on call money.....	62	37
Interest on borrowed money.....	705	684
Interest on bonds.....	1,011	1,057
Fees and commissions expenses (Note 17).....	9,183	8,328
Other operating expenses (Note 19).....	80	126
General and administrative expenses.....	48,891	47,379
Other expenses (Note 21).....	191	1,742
Total expenses.....	61,106	60,323
<b>Income before income taxes.....</b>	<b>28,736</b>	<b>23,343</b>
<b>Income taxes (Notes 2 and 22)</b>		
Current.....	11,712	8,736
Deferred.....	36	777
Total income taxes.....	11,748	9,513
<b>Net income.....</b>	<b>¥16,988</b>	<b>¥13,830</b>

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

	Yen	
	2009	2008
Net assets.....	¥80,610.55	¥72,930.25
Net income.....	13,924.60	11,808.84
Diluted net income.....	13,923.12	—
Cash dividends applicable to the year.....	4,900.00	4,200.00

See accompanying notes.

# Statements of Changes in Net Assets

Seven Bank, Ltd.  
For the years ended March 31, 2009 and 2008

	Millions of yen	
	2009	2008
Stockholders' equity		
Common stock		
Balance at the end of the previous fiscal year.....	¥30,500	¥30,500
Changes in items during the period		
Net changes in items during the period.....	—	—
Balance at the end of the fiscal year.....	¥30,500	¥30,500
Capital surplus		
Legal capital surplus		
Balance at the end of the previous fiscal year.....	¥30,500	¥30,500
Changes in items during the period		
Net changes in items during the period.....	—	—
Balance at the end of the fiscal year.....	¥30,500	¥30,500
Other capital surplus		
Balance at the end of the previous fiscal year.....	¥ 1,239	¥ 5
Changes in items during the period		
Disposal of treasury stock.....	—	1,233
Net changes in items during the period.....	—	1,233
Balance at the end of the fiscal year.....	¥ 1,239	¥ 1,239
Total capital surplus		
Balance at the end of the previous fiscal year.....	¥31,739	¥30,505
Changes in items during the period		
Disposal of treasury stock.....	—	1,233
Net changes in items during the period.....	—	1,233
Balance at the end of the fiscal year.....	¥31,739	¥31,739
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the end of the previous fiscal year.....	¥26,755	¥18,756
Changes in items during the period		
Cash dividends.....	(7,686)	(5,831)
Net income.....	16,988	13,830
Net changes in items during the period.....	9,302	7,998
Balance at the end of the fiscal year.....	¥36,057	¥26,755
Treasury stock		
Balance at the end of the previous fiscal year.....	¥ —	¥ (5,901)
Changes in items during the period.....		
Disposal of treasury stock.....	—	5,901
Net changes in items during the period.....	—	5,901
Balance at the end of the fiscal year.....	—	—
Total stockholders' equity		
Balance at the end of the previous fiscal year.....	¥88,994	¥73,861
Changes in items during the period		
Cash dividends.....	(7,686)	(5,831)
Net income.....	16,988	13,830
Disposal of treasury stock.....	—	7,134
Net changes in items during the period.....	9,302	15,133
Balance at the end of the fiscal year.....	¥98,296	¥88,994
Valuation and translation adjustments		
Net unrealized gains (losses) on available-for-sale securities, net of taxes		
Balance at the end of the previous fiscal year.....	¥ (19)	¥ (11)
Changes in items during the period		
Net changes in items other than shareholders' equity.....	67	(8)
Net changes in items during the period.....	67	(8)
Balance at the end of the fiscal year.....	¥ 48	¥ (19)
Total valuation and translation adjustments		
Balance at the end of the previous fiscal year.....	¥ (19)	¥ (11)
Changes in items during the period		
Net changes in the items other than shareholders' equity.....	67	(8)
Net changes in items during the period.....	67	(8)
Balance at the end of the fiscal year.....	¥ 48	¥ (19)
Subscription rights to shares		
Balance at the end of the previous fiscal year.....	¥ —	¥ —
Changes in items during the period		
Net changes in items other than shareholders' equity.....	48	—
Net changes in items during the period.....	48	—
Balance at the end of the fiscal year.....	¥ 48	¥ —
Total net assets		
Balance at the end of the previous fiscal year.....	¥88,974	¥73,849
Changes in items during the period		
Cash dividends.....	(7,686)	(5,831)
Net income.....	16,988	13,830
Disposal of treasury stock.....	—	7,134
Net changes in items other than shareholders' equity.....	116	(8)
Net changes in items during the period.....	9,418	15,124
Balance at the end of the fiscal year.....	¥98,393	¥88,974

See accompanying notes.

# Statements of Cash Flows

Seven Bank, Ltd.  
For the years ended March 31, 2009 and 2008

	Millions of yen	
	2009	2008
<b>Cash flows from operating activities:</b>		
Income before income taxes .....	¥ 28,736	¥ 23,343
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation of fixed assets .....	15,402	11,491
Net change in allowance for credit losses .....	(1)	(3)
Net change in reserve for losses on cancellation of leases .....	(1,328)	(982)
Net change in reserve for losses on relocation of business establishment .....	—	(87)
Interest income .....	(878)	(893)
Interest expenses .....	2,759	2,746
Net losses on securities transactions .....	74	118
Net losses on disposal of fixed assets .....	41	99
Net change in deposits .....	17,562	(17,287)
Net change in negotiable certificates of deposit .....	(7,390)	(38,710)
Net change in borrowed money .....	4,000	—
Net change in call loans .....	(1,000)	66,500
Net change in call money .....	(1,700)	1,700
Proceeds from issuance and maturity of ordinary bonds .....	(15,000)	—
Net change in ATM-related temporary accounts .....	376	21,585
Interest received .....	1,055	651
Interest paid .....	(2,695)	(2,695)
Other - net .....	1,299	(625)
Subtotal .....	41,315	66,949
Income taxes paid .....	(8,652)	(12,426)
Net cash provided by operating activities .....	32,662	54,523
<b>Cash flows from investing activities:</b>		
Purchases of securities .....	(268,122)	(434,594)
Proceeds from maturity of securities .....	271,400	412,500
Purchases of tangible fixed assets .....	(10,443)	(14,890)
Purchases of intangible fixed assets .....	(4,498)	(6,322)
Net cash used in investing activities .....	(11,664)	(43,307)
<b>Cash flows from financing activities:</b>		
Dividends paid .....	(7,686)	(5,831)
Proceeds from disposal of treasury stock .....	—	7,134
Net cash provided by (used in) financing activities .....	(7,686)	1,303
<b>Net increase in cash and cash equivalents .....</b>	<b>13,312</b>	<b>12,519</b>
<b>Cash and cash equivalents at the beginning of the year .....</b>	<b>267,277</b>	<b>254,757</b>
<b>Cash and cash equivalents at the end of the year (Note 3) .....</b>	<b>¥ 280,589</b>	<b>¥ 267,277</b>

See accompanying notes.

# Notes to Financial Statements

Seven Bank, Ltd.

As of and for the years ended March 31, 2009 and 2008

## 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 financial statements released in Japanese, 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 equal to 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) Tangible fixed assets (excluding leases)

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, 2009 are as follows:

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

### (d) Intangible fixed assets (excluding leases)

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).

### (e) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen mainly at the exchange rate prevailing at the balance sheet date.

### (f) Allowance for credit losses

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 such as "normal obligors," "watch obligors," "bankruptcy risk obligors," "substantially bankrupt obligors," and "bankrupt obligors."

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.

### (g) Reserve for bonuses

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

### (h) Employees' severance and retirement benefit

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.

**(i) Reserve for retirement benefits for directors and statutory auditors**

March 31, 2008

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.

**March 31, 2009**

(Additional information)

The Bank abolished its retirement benefits for directors and statutory auditors in response to a proposal to discontinue the retirement benefits for directors and statutory auditors approved at the Ordinary General Meeting of Shareholders held on June 18, 2008. As a result of this, the entire amount of the reserve for retirement benefits for directors and statutory auditors was drawn down and the unpaid total of 282 million yen of payment for the discontinuation amounts was included in 'Other liabilities'.

**(j) Accounting for certain lease transactions**

Finance leases that do not transfer ownership to lessees and for which the lease term commenced prior to April 1, 2008 are accounted for in the same manner as operating leases.

**(k) 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 derivatives 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.

**(l) 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.

**(m) Consumption taxes**

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

**(n) 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.

**(o) 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.

**(p) Application of new accounting standards**

**Lease transactions**

The accounting treatment for finance lease transactions other than those involving a transfer of legal title was previously based on the operating lease method. However, for accounting periods commencing on or after April 1, 2008 the Bank has adopted "the Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 issued on March 30, 2007) and "the Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued on March 30, 2007), and the accounting treatment for such transactions is now based on these.

Since there were no new finance leases which did not transfer ownership of the leases assets to the lessees during this fiscal year, there were no effects of this change on the financial statements.

**3. Cash and cash equivalents**

Cash and cash equivalents in the statements of cash flows for the years ended March 31, 2009 and 2008 consisted of cash and due from banks of ¥280,589 million and ¥267,277 million on the balance sheets as of March 31, 2009 and 2008, respectively.

#### 4. Cash and due from banks

Cash and due from banks as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Cash .....	¥274,388	¥260,533
Due from banks .....	6,200	6,743
Total .....	¥280,589	¥267,277

#### 5. Securities

(1) The following tables summarize acquisition cost, book value and fair value of securities with available fair values as of March 31, 2009 and 2008:

Available-for-sale securities:

	Millions of yen				
	Acquisition cost	Book value	Difference	Unrealized gains	Unrealized losses
March 31, 2009					
Bonds:					
Japanese government bonds .....	¥86,512	¥86,593	¥81	¥81	¥0
Total .....	¥86,512	¥86,593	¥81	¥81	¥0
March 31, 2008					
Bonds:					
Japanese government bonds .....	¥97,588	¥97,555	¥(33)	¥0	¥33
Total .....	¥97,588	¥97,555	¥(33)	¥0	¥33

(2) The following table summarizes the book value of securities with no available fair values as of March 31, 2009 and 2008.

	Millions of yen	
	2009	2008
Available-for-sale securities:		
Unlisted stocks .....	¥2,294	¥294

(3) Available-for-sale securities with maturities as of March 31, 2009 and 2008 are as follows:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
March 31, 2009				
Bonds:				
Japanese government bonds .....	¥86,593	¥—	¥—	¥—
Total .....	¥86,593	¥—	¥—	¥—
March 31, 2008				
Bonds:				
Japanese government bonds .....	¥97,555	¥—	¥—	¥—
Total .....	¥97,555	¥—	¥—	¥—

#### 6. Assets pledged

Securities were pledged as collateral for exchange settlements and overdraft transactions with the Bank of Japan. These securities amounted to ¥86,593 million and ¥92,027 million at March 31, 2009 and 2008, respectively.

Other assets include guarantee deposits of ¥716 million and ¥587 million as of March 31, 2009 and 2008, respectively.

#### 7. Tangible fixed assets

Tangible fixed assets as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Buildings .....	¥ 772	¥ 729
ATMs .....	14,282	15,412
Other .....	944	1,070
Total .....	¥15,998	¥17,212

## 8. Intangible fixed assets

Intangible fixed assets as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Software.....	¥13,157	¥14,065
Software-related temporary accounts.....	1,605	712
Other intangible fixed assets.....	14	15
Total.....	¥14,777	¥14,794

## 9. Other assets

Other assets as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Prepaid expenses.....	¥ 286	¥ 272
Prepaid pension cost.....	115	118
Derivatives other than for trading.....	—	76
Other.....	806	702
Total.....	¥1,208	¥1,170

## 10. Deposits

Deposits as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Ordinary deposits.....	¥136,073	¥137,162
Time deposits.....	51,795	33,204
Other deposits (1).....	242	182
Negotiable certificates of deposit.....	41,200	48,590
Total.....	¥229,311	¥219,138

Note (1) Other deposits are specified deposits.

## 11. Borrowed money

Borrowed money as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Borrowed money from banks and insurance companies.....	¥69,000	¥65,000

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2009 and 2008 was 1.05% and 1.01%, respectively.

The repayment schedule on borrowed money as of March 31, 2009 and 2008 was as follows:

	Millions of yen	
	2009	2008
Within one year.....	¥44,000	¥ 5,000
Over one year but within two years.....	12,000	35,000
Over two years but within three years.....	—	12,000
Over three years but within four years.....	—	—
Over four years but within five years.....	13,000	—
Over five years.....	—	13,000

## 12. Bonds

Bonds as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Unsecured:		
0.88% unsecured bonds due December 10, 2008.....	¥ —	¥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.....	¥60,000	¥75,000

The repayment schedule on bonds as of March 31, 2009 and 2008 was as follows:

	Millions of yen	
	2009	2008
Within one year .....	¥ —	¥15,000
Over one year but within two years.....	—	—
Over two years but within three years.....	36,000	—
Over three years but within four years.....	—	36,000
Over four years but within five years .....	24,000	—
Over five years.....	—	24,000

### 13. Other liabilities

Other liabilities as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Income taxes payable .....	¥ 7,204	¥ 4,106
Accrued expenses .....	3,982	3,618
Unearned income.....	1	12
Accounts payable on transactions.....	—	5,528
Other.....	2,515	1,975
Total .....	¥13,704	¥15,240

### 14. 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, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
1. Projected benefit obligation.....	¥(994)	¥(730)
2. Fair value of plan assets .....	431	371
3. Unaccrued projected benefits obligation (1+2).....	(562)	(359)
4. Unrecognized actuarial difference.....	648	442
5. Unrecognized prior service cost.....	30	35
6. Net amount recorded on the balance sheet (3+4+5).....	115	118
7. Prepaid pension cost.....	115	118
8. Reserve for severance and retirement benefits (6-7).....	¥ —	¥ —

The components of net periodic retirement benefit costs for the fiscal years ended March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Service cost.....	¥120	¥ 81
Interest cost.....	18	12
Expected return on plan assets.....	(13)	(7)
Amortization of unrecognized prior service cost .....	5	5
Amortization of unrecognized actuarial difference .....	53	36
Other retirement cost (non-actuarial basis cost).....	—	1
Net periodic retirement benefit costs.....	¥183	¥128

Assumptions used for the fiscal years ended March 31, 2009 and 2008 were set forth as follows:

	2009	2008
Discount rate.....	2.0%	2.5%
Expected rate of return on plan assets .....	3.0%	3.5%
Amortization period for prior service cost .....	10 years	10 years
	(using the straight-line method within the employees' average remaining service period at incurrence)	(using the straight-line method within the employees' average remaining service period at incurrence)
Amortization period for actuarial difference .....	10 years	10 years
	(using the straight-line method within the employees' average remaining service period, commencing from the next fiscal year of incurrence)	(using the straight-line method within the employees' average remaining service period, commencing from the next fiscal year of incurrence)

## 15. 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, 2009 and 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.

## 16. Fees and commissions income

Fees and commissions income received for the fiscal years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Remittance-related fee income .....	¥ 527	¥ 477
ATM-related fee income .....	85,554	80,192
Other .....	2,659	1,801
Total .....	¥88,741	¥82,471

## 17. Fees and commissions expenses

Fees and commissions expenses paid for the fiscal years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Remittance-related fee expenses .....	¥ 232	¥ 200
ATM placement fee expenses .....	8,541	7,796
ATM-related fee expenses .....	351	306
Other .....	58	25
Total .....	¥9,183	¥8,328

## 18. Other operating income

Other operating income for the fiscal years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Gains on foreign exchange transactions .....	¥19	¥—
Gains on derivatives .....	—	23
Total .....	¥19	¥23

## 19. Other operating expenses

Other operating expenses for the fiscal years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Losses on foreign exchange transactions .....	¥—	¥ 7
Redemption of bonds .....	74	118
Losses on derivatives .....	6	—
Total .....	¥80	¥126

## 20. Other income

Other income for the fiscal years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Reversal of allowance for credit losses .....	¥ 1	¥ 3
Reversal of reserve for losses on cancellation of leases .....	25	—
Other .....	175	273
Total .....	¥203	¥277

## 21. Other expenses

Other expenses for the fiscal years ended March 31, 2009 and 2008, consisted of the following:

	Millions of yen	
	2009	2008
Stock issuance expenses .....	¥ —	¥ 49
Expenses related to the stock market listing .....	—	277
Losses on disposal of fixed assets .....	41	99
Provision for reserve for losses on cancellation of leases .....	—	1,014
Expenses related to changes in outsourced business contracts .....	—	195
Other .....	149	105
Total .....	¥191	¥1,742

## 22. 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, 2009 and 2008, respectively.

Significant components of the deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Deferred tax assets:		
Reserve for losses on cancellation of leases .....	¥ —	¥ 540
Enterprise tax .....	558	327
Depreciation .....	509	286
Accounts payable (Reserve for retirement benefits for directors and statutory auditors) .....	115	110
Reserve for bonuses .....	111	99
Allowance for credit losses .....	26	27
Other .....	49	29
Total deferred tax assets .....	1,371	1,422
Deferred tax liabilities:		
Valuation difference on available-for-sale securities .....	(32)	—
Prepaid expenses .....	(46)	(48)
Total deferred tax liabilities .....	(79)	(48)
Net deferred tax assets .....	¥1,291	¥1,373

## 23. Changes in net assets

### (1) Information on shares issued and treasury stock:

(a) Type and number of shares issued and treasury stock for the fiscal year ended March 31, 2009 were as follows:

	Number of shares			
	March 31, 2008	Increase	Decrease	March 31, 2009
Shares issued				
Common stock .....	1,220,000	—	—	1,220,000
Total .....	1,220,000	—	—	1,220,000

Note: There are no shares of treasury stock.

## Notes to Financial Statements

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

	Number of shares			March 31, 2008
	March 31, 2007	Increase	Decrease	
<b>Shares issued</b>				
Common stock.....	1,220,000	—	—	1,220,000
Total .....	1,220,000	—	—	1,220,000
<b>Treasury stock</b>				
Common stock (1) .....	53,650	—	53,650	—
Total .....	53,650	—	53,650	—

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

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.

### (2) Information on subscription rights to shares:

(a) Year ended March 31, 2009:

Details of subscription rights to shares	Type of shares	Number of shares			Balance at March 31, 2009 (Millions of yen)
		March 31, 2008	Increase	Decrease	
Subscription rights to shares as stock options .....			—		¥48
Total .....			—		¥48

Note: There are no treasury subscription rights to shares.

(b) Year ended March 31, 2008:

Not applicable.

### (3) Information on dividends:

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

(Millions of yen, except per share amount)

Type of shares	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

Note: Date of resolution: Board of Directors meeting held on June 1, 2008

(b) Dividends paid in the fiscal year ended March 31, 2009

(Millions of yen, except per share amount)

Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock (1)	¥5,124	Retained earnings	¥4,200	March 31, 2008	June 2, 2008
Common stock (2)	¥2,526	Retained earnings	¥2,100	September 30, 2008	December 1, 2008

Notes: (1) Date of resolution: Board of Directors meeting held on May 29, 2008

(2) Date of resolution: Board of Directors meeting held on November 6, 2008

(c) Dividends to be paid in the fiscal year ending March 31, 2010

(Millions of yen, except per share amount)

Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock	¥3,416	Retained earnings	¥2,800	March 31, 2009	June 2, 2009

Note: Date of resolution: Board of Directors meeting held on May 29, 2009

## 24. Related party transactions

(Additional information)

The Bank applies “the Accounting Standard for Disclosure of Transactions with Related Parties” (ASBJ Statement No. 11 issued on October 17, 2006) and “the Guidance on Accounting Standard for Disclosure of Transactions with Related Parties” (ASBJ Guidance No. 13 issued on October 17, 2006) from fiscal 2008.

## (1) Transactions with related parties

(a) Related party transactions for the fiscal year ended March 31, 2009 were as follows:

Related party	Category	Amounts of the transactions		Balance at end of fiscal 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 (3)	¥ 8,348	Accrued expenses	¥ 751
Ito-Yokado Co., Ltd. (2)	Main shareholder	Handling of negotiable deposits (4)	46,095	Negotiable deposits	40,000
		Interest on negotiable deposits (3)	357	Accrued expenses	34

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, 2009.

(2) 16.14% of the outstanding common stock of the Bank is directly owned by Ito-Yokado Co., Ltd., as of March 31, 2009.

(3) Conditions of transactions and method for determining conditions for transactions:

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. The interest rates for negotiable deposits are set at reasonable levels in accordance with the transaction period and currently prevailing market rates.

(4) The transaction amounts for negotiable deposits represent the average balances recorded during the course of the term.

(b) 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 fiscal 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 was paid by ¥1,947 million with the midterm cancellation of the leasing contract of ATMs. As a result, reserve for losses on cancellation of leases was taken down by ¥1,947 million.

## (2) Notes on parent company or important related companies

(a) Parent company information

Seven & i Holdings Co., Ltd. (listed on First Section of Tokyo Stock Exchange)

(b) Summary financial information about important related companies

None

## 25. Lease transactions

### Finance Leases:

The transactions prior to April 1, 2008 are required, by the ASBJ Statement No. 13 and the ASBJ Guidance No. 16, to be disclosed here.

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, 2009 and 2008 were as follows:

#### March 31, 2009

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Equipment.....	¥7,690	¥5,247	¥2,443
Other.....	502	373	128
Total.....	¥8,193	¥5,620	¥2,572

#### 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

Future minimum lease payments excluding interest as of March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Due within one year.....	¥1,577	¥2,730
Due after one year.....	1,079	3,047
Total.....	¥2,657	¥5,777

Total lease expenses for the fiscal years ended March 31, 2009 and 2008 were ¥2,027 million and ¥3,961 million, respectively.

Assumed depreciation expenses for the fiscal years ended March 31, 2009 and 2008 amounted to ¥1,934 million and ¥3,774 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, 2009 and 2008 amounted to ¥80 million and ¥158 million, respectively.

#### Operating Leases:

Future minimum lease payments received at March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Due within one year.....	¥ 7	¥—
Due after one year.....	4	—
Total .....	¥12	¥—

## 26. Derivative financial instruments and hedging transactions

The Bank enters into derivative financial instruments, i.e. 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.

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 Basic Policy on Risk Control 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 Basic Policy on Risk Control 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 Division, which is responsible for supervising overall bank-wide risk management activities;
- specific Risk Management Divisions corresponding to each type of risk; 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.

In derivative transactions, "Contract or notional amount" is simply nominal amount started in the contracts or referred to solely for calculation, and therefore the amount does not mean the risk the Bank retains.

#### Interest related:

##### March 31, 2009

Not applicable.

(To all remaining interest rate swap contracts, 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). Hence, no transaction is applicable in this section.)

##### 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.

Interest rate swap transactions to which the hedge accounting method is applied pursuant to 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.

## 27. Stock options

Share-based compensation expense of ¥48 million is accounted for as general and administrative expenses in the fiscal year ended March 31, 2009.

Outline of stock options and changes are as follows:

### (1) Outline of stock options

	First grant-1	First grant-2
Title and number of grantees .....	5 directors	3 executive officers
Number of stock options (a) .....	184 common shares	21 common shares
Grant date.....	August 12, 2008	August 12, 2008
Condition for vesting.....	Within 10 days from the day following the day that a subscription holder loses its position as a director.	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer.
Requisite service period.....	No provisions	No provisions
Exercise period .....	From August 13, 2008 to August 12, 2038	From August 13, 2008 to August 12, 2038

(a) Number of shares means total shares to be issued upon exercise of subscription rights to shares.

### (2) Scale and changes in stock options

The following describes scale and changes in stock options that existed during the fiscal year ended March 31, 2009. The number of stock options is converted into the number of shares.

#### Fiscal year ended March 31, 2009:

Number of stock options

	First grant-1	First grant-2
Before vested		
As of March 31, 2008 .....	—	—
Granted .....	184	21
Forfeited .....	—	—
Vested .....	184	21
Outstanding .....	—	—
After vested		
As of March 31, 2008 .....	—	—
Vested .....	184	21
Exercised .....	—	—
Forfeited .....	—	—
Outstanding .....	184	21
Price information	First grant-1	First grant-2
Exercise price .....	¥1 per share	¥1 per share
Average stock price at exercise.....	—	—
Fair value at the grant date (a) .....	¥236,480 per subscription to share	¥236,480 per subscription to share

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 1 common share.

### (3) Valuation method for estimating per share fair value of stock options

Valuation technique used for valuating fair value of First grant-1 of subscription rights to shares and First grant-2 of subscription to shares during the fiscal year ended March 31, 2009 were as follows:

Valuation method used: Black-Scholes option-pricing model

Principal parameters and estimation method	First grant-1	First grant-2
Expected volatility of the underlying stock (a) .....	27.95%	27.95%
Remaining expected life of the option (b) .....	5 years and 6 months	5 years and 6 months
Expected dividends on the stock (c).....	¥4,200 per share	¥4,200 per share
Risk-free interest rate during the expected option term (d) .....	1.076%	1.076%

(a) Although shares have been listed on the Jasdq Securities Exchange since February 29, 2008, there is not enough share price data to make a reasonable estimation of expected volatility of the share price. Therefore, the expected volatility was calculated based upon share price data of similar companies during the five years and six months from February 1, 2003 to August 12, 2008.

(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted average period from June 2008 to each director's expected retirement date, based upon the number of stock options allocated to each director, plus 10 days of exercisable period.

(c) Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended March 31, 2008.

(d) Japanese government bond yield corresponding to the average expected life.

**(4) Estimation of the number of stock options vested**

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have actually forfeited is reflected.

**28. Per share data**

	Yen	
March 31, 2009 and 2008	2009	2008
Net assets per share.....	¥80,610.55	¥72,930.25
	Yen	
Years ended March 31, 2009 and 2008	2009	2008
Net income per share.....	¥13,924.60	¥11,808.84
Net income per share (diluted).....	13,923.12	—

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

	Millions of yen, except number of shares	
Years ended March 31, 2009 and 2008	2009	2008
Net income per share		
Net income.....	¥16,988	¥13,830
Amount not attributable to common shareholders.....	—	—
Net income attributable to common stock.....	16,988	13,830
Average number of common stock during the year (in thousands).....	1,220	1,171
Net income per share (diluted)		
Adjustment for net income.....	—	—
Increase in number of common stock (in thousands).....	0	—
Stock acquisition rights.....	0	—

(2) Net income per share (diluted) of 2008 was not stated as there is no potential equity dilution.

**29. Subsequent events****(1) Dividends**

On May 29, 2009, the Board of Directors approved the following appropriations of retained earnings:  
Appropriation of retained earnings as of March 31, 2009

	Millions of yen
Year-end cash dividends — Common stock (¥2,800 per share).....	¥3,416

**(2) Resolution for bond issuance**

At a meeting of the Board of Directors held on May 29, 2009, the Bank resolved to issue unsecured corporate bonds (hereinafter "the Bonds") in Japan through a public placement, as follows:

1. Type of the Bonds  
Unsecured straight corporate bonds
2. Placement method  
Public placement
3. Total amount of the Bonds  
Within 30 billion yen (Although 20 billion yen is the basis, it is permissible to make an add-on within 10 billion yen in light of demand conditions. The Bonds shall also be able to be issued more than once within this range.)
4. Amount of each placement  
100 million yen
5. Interest rate  
Fixed rate: 1.5% or lower a year
6. Redemption method  
Bullet maturity amortization (however, early retirement is possible)
7. Maturity  
Within five years
8. Issue price  
100 yen per 100 yen of each of the Bonds
9. Application of the Act on Book-Entry Transfer of Company Bonds, Shares, etc.  
All of the Bonds offered based on this resolution are subject to the Act on Book-Entry Transfer of Company Bonds, Shares, etc. and bond certificates will not be issued.
10. Time of issue  
After this resolution until the end of July 2009
11. Security and guarantee  
Security and guarantee will not be furnished, and assets will not be reserved.
12. Financial covenant  
As long as there are bonds outstanding, if the Bank provides security to any other unsecured bonds (excluding those to which a switch-to-secured clause is attached) that the Bank has already issued or will issue in the future or at the same time as the Bonds in Japan, the Bank pledges to furnish the Bonds with security of equal priority in accordance with the Secured Bond Trust Act.
13. Bond manager  
The Bank will not appoint a bond manager in accordance with the provision of Article 702 of the Companies Act.

Specific issue terms and all other matters concerning the issuing of the Bonds will be entirely at the discretion of the President, within the scope of the conditions set forth from 1 to 13 above.

# Independent Auditors' Report



## 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, 2009 and 2008, 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

**KPMG AZSA & Co.**

Tokyo, Japan  
June 18, 2009

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

# Investor Information

As of March 31, 2009

## Company Information

Head Office	1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan
Established	April 10, 2001
Common Stock	¥30,500 million
Number of Employees	308
Fiscal Year-End	March 31

<b>Contact Address</b>	<b>Seven Bank, Ltd.</b> <b>Investor Relations</b> Tel: +81-3-3211-3041 E-mail: <a href="mailto:ir-7bk@sevenbank.co.jp">ir-7bk@sevenbank.co.jp</a> URL: <a href="http://www.sevenbank.co.jp/about/ir/english_ir/">http://www.sevenbank.co.jp/about/ir/english_ir/</a>
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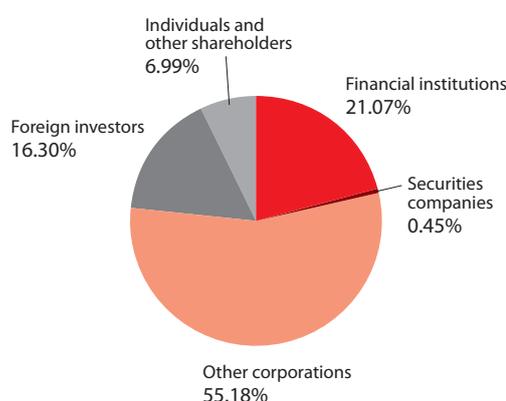
## Shareholder Information

Number of Shareholders	20,861
Common Stock	
Number of Shares Authorized:	4,880,000
Number of Shares Issued:	1,220,000
Stock Exchange Listings	The Jasadq 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
Independent Auditors	KPMG AZSA & Co.

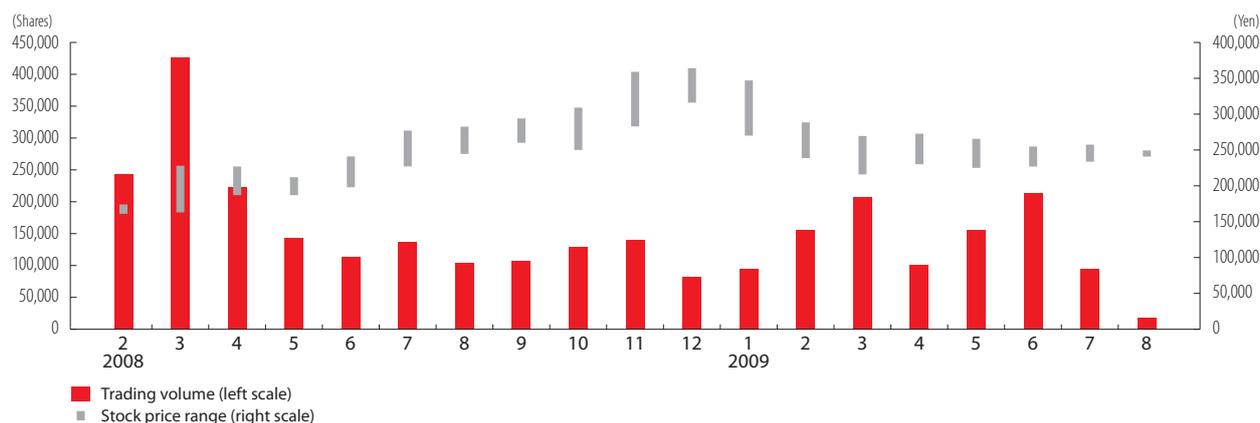
## Major Shareholders

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)	56,310	4.61%
York-Benimaru Co., Ltd.	52,400	4.29%
Japan Trustee Services Bank, Ltd. (trust account)	37,674	3.08%
Life Foods Co., Ltd.	30,000	2.45%
State Street Bank and Trust Company	23,313	1.91%
Sumitomo Mitsui Banking Corporation	15,000	1.22%
The Dai-ichi Mutual Life Insurance Company	15,000	1.22%
The Chase Manhattan Bank N.A. London SL Omnibus Account	12,031	0.98%

## Composition of Shareholders



## Stock Price Range and Trading Volume





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