

What we have created and what we want to create

SEVEN BANK, LTD.
Annual Report **2010**
For the year ended March 31, 2010



SEVEN BANK

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.

Contents

To Our Shareholders and Investors.....	1
An Interview with the President	2
Seven Bank’s Principal Services.....	9
Seven Bank’s Basic Approach.....	10
Business Model	12
Seven Bank’s Broad-Ranging ATM Network	14
ATM Functions We Are Giving Special Attention	16
Support Systems that Keep ATM Operations Stable.....	18
Offering a Diverse Range of Services	20
Convenience Store ATMs: An Integral Part of the Community.....	23
Corporate Governance	26
Management Team.....	31
Corporate Social Responsibility	32
Management’s Discussion and Analysis	34
Financial Statements.....	40
Independent Auditors’ Report.....	62
Investor Information	63

Forward-Looking Statements

This document contains statements concerning the current plans, expectations, strategies, and beliefs of Seven Bank, Ltd. (“Seven Bank”). Statements contained herein that relate to future operating performance and that are not historical facts are forward-looking statements. Forward-looking statements may include, but are not limited to, words such as “believe,” “anticipate,” “plan,” “strategy,” “expect,” “forecast,” “predict,” “potential,” “possibility”, and similar words that describe future operating activities, business performance, events, or conditions. Forward-looking statements, whether spoken or written, are based on judgments made by the management of Seven Bank, based on information that is currently available to it. As such, these forward-looking statements are subject to various risks and uncertainties including, but not limited to, changes in the level of demand for the services offered by Seven Bank, challenges Seven Bank faces in achieving further growth and various other factors. As a result of such risks and uncertainties, the actual business results of Seven Bank may vary substantially from the forecasts expressed or implied in forward-looking statements.

Consequently, investors are cautioned not to place undue reliance on forward-looking statements. Seven Bank disclaims any obligation to revise forward-looking statements in light of new information, future events, or other findings.

The information contained in this document does not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe for any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.



安高隆
Takashi Anzai
Chairman and Representative Director

二子石謙輔
Kensuke Futagoishi
President and Representative Director

Seven Bank has created an ATM services system that is unique throughout Japan.

In June 2010, we fortified our management systems and further strengthened our ATM services business. To draw fully on the know-how and infrastructure that we have accumulated thus far to create new businesses, Takashi Anzai assumed the office of Chairman and Representative Director and Kensuke Futagoishi was newly appointed as President and Representative Director.

An Interview with the President

Q

Since its foundation, Seven Bank has attained stable growth. What do you believe are the reasons for this?

A

I believe there are two reasons. One is that the convenience of our services has won strong acceptance among our customers. The second is that we have a unique business model, which generates earnings solely from fees for ATM usage and is not directly influenced by major changes in economic and financial conditions.

Our business began because customers said “We want you to put ATMs in convenience stores.” At present, we have installed more than 14,600 ATMs nationwide in Japan, mainly in the convenience stores of Seven-Eleven, which is the largest convenience store chain in Japan. These ATMs are available for use 24 hours a day, 365 days a year. Customers can use the bank and other cards of our approximately 550 partner financial institutions. Services of these ATMs are known to be “everyone’s ATM network, available anytime and anywhere, safe and secure,” and they are accepted and used by many customers.

Also, while we are a bank, we do not engage in lending or provide most other banking services; so, we are focused on generating earnings from fees from ATM services. Each time individual customers make withdrawals and deposits, we receive a fee from our partner financial institutions. In comparison with other countries, Japan is a society where people prefer to pay in cash. For this reason, the number of our ATMs installed has increased, and, along with the rising awareness of our services, we have continued to grow steadily, without experiencing a major impact from economic conditions.

Q

What efforts has Seven Bank made to win a favorable appraisal and acceptance among so many customers?



A

Both ATM users, on the one hand, and our partner financial institutions, on the other, are valued customers of Seven Bank. We work to understand the needs of our customers at all times and believe that, by continuing to provide them with customer-centric services, we will continue to win their acceptance and business.

As I mentioned just now, we are a bank that provides services that our customers specifically asked for; so, our approach is to be completely customer-centric.

Customers who use ATMs want to be able to make withdrawals as safely and quickly as possible. In addition, our partner financial institutions have a need to expand their ATM networks to satisfy the needs of their customers and control costs.

To respond to these needs, we have implemented many initiatives. For example, we have worked to increase convenience for customers by making available our ATM services in brightly lit Seven-Eleven stores and other locations 24 hours a day, 365 days a year. We have also implemented measures to give customers peace of mind and security by enabling them to see and operate the same ATM screens they would use at partner financial institutions when they



use our ATMs. We have also increased the speed of processing on our ATMs and taken thoroughgoing measures to make our ATMs safe through the encryption of transaction messages and designing our ATMs to maintain privacy by preventing others from peeking at customers entering a PIN into our ATMs. In addition, to eliminate ATM downtime because of shortages of cash in the machines, breakdowns, and other problems, we have worked to improve our systems and are constantly analyzing how our ATMs are used on a day-to-day basis.

Our customers have given our initiatives high marks, and this has prompted them to conduct almost 600 million transactions annually using our ATMs.

As customer acceptance of ATMs has increased, our partner financial institutions have placed a higher valuation on our services. Other financial institutions would incur enormous costs if they ran a network of more than 14,600 ATMs reliably 24 hours a day, 365 days a year. By leaving this up to Seven Bank, they are able to control their costs and increase customer satisfaction.



Q Could you please outline the highlights of Seven Bank's performance in fiscal 2009?

A For fiscal 2009, we reported total income of 88,830 million yen (a decrease of 1.0% from the previous fiscal year), income before income taxes of 30,306 million yen (an increase of 5.5%), and net income of 17,953 million yen (an increase of 5.6%). Therefore, total income declined slightly but income rose.

Although we saw an increase in the total number of times our ATMs were used by customers, driven by increasing use by customers of deposit-taking financial institutions, total income decreased slightly. This was because we reviewed the level of fees received from partner financial institutions for certain ATM services and because the implementation of revisions in Japan's Money Lending Business Act led to a decline in consumer lending card usage through our ATMs. On the other hand, income before income taxes and net income increased because of a decline in depreciation on our ATMs, initiatives we took to restrain expenses, and other factors.

During fiscal 2010, the effects of these factors, which are tending to reduce total income, will continue, but we will steadily increase the number of ATMs installed. ATM services are an integral part of our daily lives. So, if customers use our ATMs once, they can understand the convenience of our ATMs, and we can look forward to stable growth due to rising usage among repeat customers. We will work to increase awareness and steadily add to the number of

ATMs we have installed to achieve increases in the number of times customers use our ATMs.

Through a combination of gains in the number of times ATMs are used and activities to restrain costs, we are forecasting a return, by fiscal 2011, to the level of profits in fiscal 2009. In addition, we will not stop there but will also be focusing on the development of new businesses where growth is expected.

Financial Highlights

Seven Bank, Ltd.
Years ended March 31

	Millions of yen					% Change
	2010	2009	2008	2007	2006	2010/2009
For the year:						
Total income	¥ 88,830	¥ 89,842	¥ 83,667	¥ 75,427	¥ 64,628	(1.0)%
Fees and commissions income	88,350	88,741	82,471	74,875	63,973	(0.4)
Fees and commissions expenses	9,691	9,183	8,328	6,491	4,845	5.5
Income before income taxes	30,306	28,736	23,343	21,009	16,601	5.5
Net income	17,953	16,988	13,830	12,667	10,590	5.6
At year-end:						
Total assets	¥ 502,782	¥ 493,360	¥ 488,137	¥ 532,757	¥ 361,338	1.9%
Deposits	219,008	229,311	219,138	275,136	196,880	(4.4)
Total liabilities	392,843	394,966	399,162	458,907	294,257	(0.5)
Total stockholders' equity	—	—	—	—	67,080	—
Total net assets	109,939	98,393	88,974	73,849	—	11.7
Per share data:						
Net income	¥14,716.01	¥13,924.60	¥11,808.84	¥10,736.56	¥ 8,680.89	5.6%
Net assets	90,039.83	80,610.55	72,930.25	63,371.15	54,984.18	11.6
Dividends	5,200.00	4,900.00	4,200.00	5,000.00	—	6.1
Management indicators:						
Return on equity (ROE) (%)	16.11	16.94	16.89	17.03	15.80	—
Return on assets (ROA) (%)	5.49	5.13	4.75	5.59	5.74	—
Return on ATM cash (%)	9.05	8.30	7.83	8.73	6.26	—
Overhead ratio (%)	60.35	62.99	65.63	62.40	67.12	—
Payout ratio (%)	35.3	35.1	35.5	46.5	—	—

Notes: 1. Figures for the year ended March 31, 2006 are unaudited.

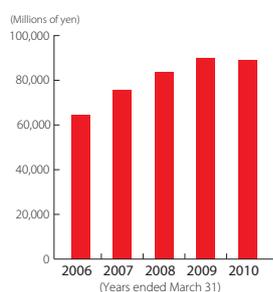
2. Return on equity = net income/the daily average total stockholders' equity

3. Return on assets = net operating profit (*gyomu jun-eki*)/the average of total assets

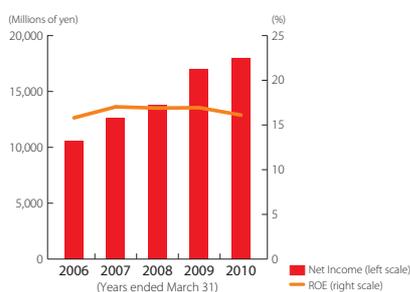
4. Return on ATM cash = (ATM related fee income - interest expenses - ATM placement fee expenses - general and administrative expenses)/daily average balance of cash and due from banks

5. Overhead ratio = general and administrative expenses/gross operating profit (*gyomu arariki*)

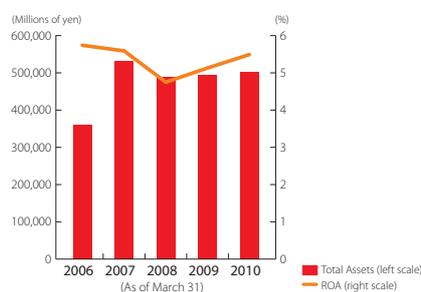
Total Income



Net Income/ROE



Total Assets/ROA



Q

As the new president of Seven Bank, what will you do to realize sustainable growth going forward?

A

I will work to strengthen our ATM business and create new businesses.

During the current fiscal year, we will mark the 10th year since our establishment. Thus far, we have concentrated our efforts on establishing and further developing our ATM business. Since we are confident that there is still room for growth in this business, we believe that it will be essential to further strengthen our ATM business. In addition, I believe that my mission is to develop new growth fields by creating new businesses that draw on what we have accumulated thus far.

■ Further Strengthening Our ATM Business

Installation of ATMs in the existing stores of the Seven & i Holdings Group is almost fully completed. Going forward, we will work to substantially increase the awareness among customers of these ATM services. Just as customers requested the installation of ATMs in convenience stores, the need for ATMs in a wider range of locations is growing, and we are considering the installation of ATMs in other commercial facilities and railway stations with the aim of

drawing even more customers to those locations. We intend to develop the demand for ATM services outside the business sites of our Group, by installing ATMs in more locations and developing a broader range of different types of ATMs.

In the ATM operating services business for other financial institutions, we have already begun initiatives to obtain contracts for operating the ATMs of securities companies inside their branches and for taking over the operation of bank ATMs that are located outside their branch sites. In addition, looking ahead, we intend to take active initiatives to increase the diversity of the subcontracting services that we offer, including the development of ATMs with external designs customized to match those of other financial institutions.

■ Creating New Businesses

As we consider the best ways of using our ATM infrastructure as well as the operating and management know-how that we have accumulated thus far, we will be working to develop second and third businesses that will follow our ATM business.

The service that we are currently offering to foreign visitors to Japan that allows them to use their cards issued overseas for making withdrawals from our ATMs has been



What we want to create

Medium-Term Strategy to FY2012

Strengthen the ATM business

Create new businesses using know-how and infrastructure



Sustained growth

Establish deep earnings structure

- ◆End of FY2012: 17,000 ATMs (1,700 ATMs in non-7&i Group locations)
- ◆Although there will be a fall in revenue and income in FY2010, a return to FY2009 income levels is anticipated in FY2011, marking the start of rising revenue and income.

New Businesses We Are Creating:

Loan services for individual customers (began in January 2010), International money transfer services (scheduled to begin during fiscal 2010), Expansion into overseas markets, Agency services for the processing operations of other financial institutions, and Other activities

possible precisely because of the nationwide ATM network that we have built in Japan. By providing this service in all locations, we will be able to capture customer needs over a broader area and recover the cost of this service. During fiscal 2010, we are also planning to enter the international money transfer service field, and, as with the previously mentioned withdrawal service, by drawing on the strengths of our nationwide ATM infrastructure in Japan, we will be able to offer international money transfer services at reasonable costs. This will be a major development that will respond to the needs of foreigners who have come from abroad to work in Japan and to the needs of customers in Japan who have to remit funds overseas.

At the same time, we are considering the expansion of our ATM network outside Japan by adapting our corporate resources—which include IT capabilities, high-quality ATMs, systems infrastructure, and operational know-how—to the requirements of overseas markets.

The most-likely countries or areas to expand ATMs into will be where Seven-Eleven has already established business sites. Installing ATMs inside these convenience stores will increase the level of service for customers. In addition, since the installation of ATMs in convenience stores will make it possible to manage cash within those stores, interest, especially among convenience store management in



the rest of Asia, is high. Moreover, the Seven Bank brand name, which is derived from the Seven-Eleven brand, will be a positive factor for entry into overseas markets.

In addition to these new businesses, from a longer-term perspective, we are considering the provision of agency services for the processing operations of other financial institutions. To respond to the needs of our partner financial institutions for reducing costs, we are giving consideration to the possibilities for creating a common platform for ATMs.

Q

What are your thoughts regarding providing a return to shareholders?

A

We will maintain a minimum dividend payout ratio of 35%.

I believe that providing a return to shareholders is a very important management issue. At the present time, we are maintaining a dividend payout ratio of at least 35% and are working to provide dividends on a stable basis. In fiscal 2010, ending March 31, 2011, we are forecasting temporary declines in total income and net income, but, by raising our dividend payout ratio, we are scheduled to maintain dividends at the same level as in the previous fiscal year. We are considering the appropriate way to provide a return to shareholders at all times and want to make the most-appropriate judgments in view of the prevailing conditions of the times.

Regarding retained earnings after the payment of dividends, we want to use these financial sources to make timely investments for future growth. However, ATMs are part of the social infrastructure, and keeping more than 14,600 of these units, each of which contains about 20 million yen, in stable operation at all times requires considerable



working capital. As a banking institution, Seven Bank has a very high capital ratio, and the presence of this large balance of shareholders' equity on our financial statements gives us a strong feeling of confidence.

On a related issue, withdrawals from and deposits of cash into our ATMs generate fee income for Seven Bank. If we convert these fees to an equivalent interest rate, we are generating a return of about 9% on our cash, including shareholders' equity.

Q

As the new president of Seven Bank, what vision do you have for the Bank's future?

A

We should never forget that we are a youthful company, and we must always aim for sustainable growth.

We of Seven Bank want to be a company that has the capabilities necessary for both stability and growth and always maintains a youthful outlook. Stability is important for companies, but, if we become too defensive, we will only shrink. The Seven Bank corporate culture calls on us, saying "Since there should be a solution, let us think about what it is." In reality, we were told that installing ATMs in convenience stores would be impossible, but we took up the challenge and we succeeded. If we said we "can't" and gave up before really trying, we would never start anything.

Nevertheless, what we are aiming for is to give our customers what they want. We want to look carefully at our customers' needs and requirements, create services that offer new value, and use these new services to fuel our growth.

I would like to thank you, our shareholders and other stakeholders, and sincerely request your continuing support.

August 2010

Kensuke Futagoishi

President and Representative Director



Seven Bank's
Basic Approach

P10



Business
Model

P12

Everyone's ATM network, anytime and anywhere, safe and secure

We are not like an ordinary bank. We accept deposits, but we do not use these to make loans and charge interest to generate earnings. Instead, we operate fee-based businesses and use these deposits as a source of funds for generating fee and commission income. More than 95% of our ordinary revenue comes from fees we receive from our partner financial institutions.



Seven Bank's
Broad-Ranging
ATM Network

P14

ATM Functions
We Are Giving
Special
Attention



Support
Systems that
Keep ATM
Operations
Stable

P18

Offering a
Diverse Range
of Services



P20



Seven Bank's Principal Services

ATM Services

We have installed more than 14,600 ATMs*, both in the nationwide store networks managed by Seven & i Holdings, which are focused around the Seven-Eleven Japan convenience stores network, and in public and commercial facilities. Holders of the cards of our more-than-555 partner financial institutions* can make use of these ATMs. In addition, Seven Bank ATMs are equipped to provide audio guidance for the visually impaired. For persons visiting Japan from other countries, Seven Bank ATMs offer screens in four languages in addition to Japanese. In summary, we offer:

- ATM services through the stores of the Seven & i Holdings Group,
- ATM services available from our machines in public and commercial facilities, and
- A full range of services for operating and managing the ATMs of other financial institutions.

* These figures are as of June 30, 2010.



Financial Distribution Services

At our manned outlets, which we call "Everyone's Bank Teller Window," we offer advisory services on financial matters to our customers. We also act as an agent for our partner financial institutions by providing the financial products they offer (including housing loans and other services) and by receiving orders from customers and forwarding these to partner financial institutions. Moreover, on our Internet website "Everyone's Money Site," we accept and forward applications for a wide range of financial instruments and services offered by our partner financial institutions. In summary, we offer:

- Bank agency services (for housing loans and other services),
- Insurance agency services (automobile, medical, and other types of insurance),
- Intermediary services for financial instruments, and
- Accepting and forwarding services for applications for products and services of partner financial institutions.



Bank Account Services

Seven Bank offers convenient ordinary accounts, which are available when needed, and term deposits that provide customers with an easy way to build up their assets. Related services include e-mail notices that are sent to customers when they conduct specific transactions and electronic money awards based on the volume of customer transactions. In January 2010, we introduced a personal loan service that provides up to 100,000 yen. In summary, we offer:

- Seven Bank accounts (including ordinary deposits, term deposits, domestic money transfers, and online settlement services),
- Direct debit services,
- Internet and mobile banking services, and
- Personal loans services.



Services for Business Customers

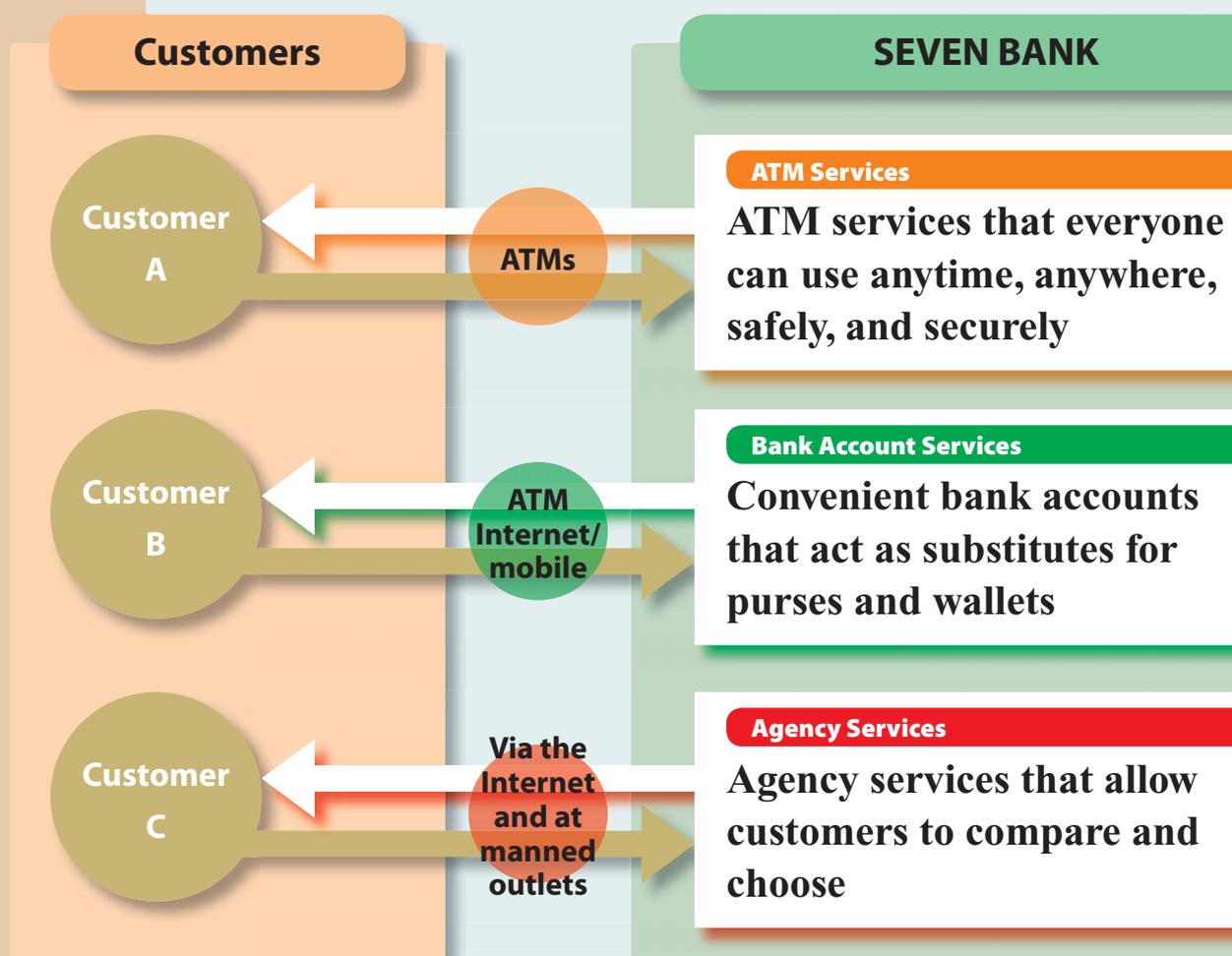
For corporations and other businesses, we issue cards especially for making deposits in our ATMs, and then forward these funds immediately to their headquarters bank accounts to enhance the efficiency of handling sales proceeds. This service is also useful in replenishing the stock of cash available in our ATMs and contributes to the high level of efficiency of our operations. In summary, services for businesses include:

- Acceptance of cash proceeds from sales and
- Cash pickup and delivery services.

Seven Bank's Basic Approach

Seven Bank is aiming to offer more-convenient and easy-to-access financial services by expanding its ATM services, banking services (for individuals and corporates), and financial distribution services via both manned outlets and its website.

Seven Bank Operations in Outline



In April 2001, Seven Bank responded to the voices of many Seven-Eleven Japan customers who said "It would really be great if there were ATMs in Seven-Eleven stores." Seven Bank thus became the unique banking company with its financial service activities focused around ATM services and with a retailer mind-set. From

there, we of Seven Bank went on to build a nationwide ATM network that offers withdrawal and deposit services 24 hours a day, 365 days a year, with the business philosophy of "being everyone's ATM network, anytime and anywhere, safe and secure." As a new addition to the social infrastructure, we have installed ATMs not

Partner Financial Institutions

- ▶ Services offered include:
Deposits and withdrawals, transfers, changes of PIN codes
- ▶ Number of ATMs installed: 14,601 units
Located in Seven & i Holdings Group stores (Seven-Eleven and other Group stores) and outside Group stores in airports, railway stations, other financial institutions, and elsewhere



- Banks
- Shinkin banks
- Credit cooperatives
- Labor banks
- JA Bank
- JF Marine Bank
- Shoko Chukin Bank
- Securities companies
- Life insurance companies
- Credit card companies
- Credit companies
- Consumer finance companies

- ▶ Deposits (Ordinary and term deposits)
For sales proceeds of companies:
Transfers, moving funds among accounts, and net settlements
- ▶ Loans



- ▶ Bank agency services (housing loans and other services), Intermediary services for financial products (investment trusts), Insurance agency services (fire, casualty, and other), Intermediary services for opening accounts (in other banks, securities companies, etc.), and Other services



- Banks
- Securities companies
- Life insurance companies
- General (non-life) insurance
- Credit cards
- Other

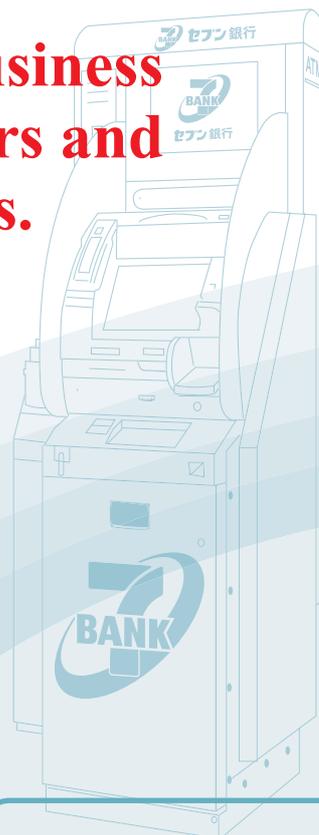
As of March 31, 2010

only in the stores of Seven-Eleven and other companies of the Seven & i Holdings Group but also in commercial facilities outside of the Seven & i Holdings Group, transportation stations, and other locations.

We have a win-win relationship with our partner financial institutions, and our business model allows us to coexist with them.

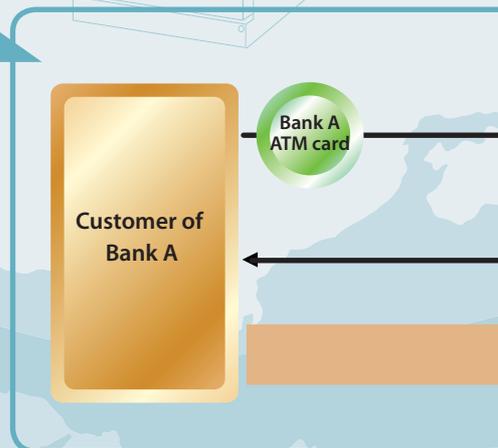
By making use of the Seven Bank ATM network, our partner financial institutions can increase the efficiency of their business operations, provide a high level of convenience for customers, and offer safe and secure ATM services.

Seven Bank has created a business model that delights customers and partner financial institutions.



Customers

Seven Bank offers customers convenient choices of time and location. This is because our ATMs are installed inside convenience stores and in other locations that are open 24 hours a day, 365 days a year. This gives customers a feeling of safety and security when they make withdrawals and deposits. In addition, our ATMs display the same screens as those shown on the ATMs of partner financial institutions, which reassures customers and gives them a feeling that they are in familiar territory. Since the number of banks offering ATM services for free to their customers is increasing, as more and more people become aware of our services, the number of customers making use of Seven Bank ATMs is continuing to expand. Visitors to Japan from overseas who are holders of credit cards and bank ATM cards issued outside Japan can also easily withdraw yen funds. Also, our ATM screens are available in four languages in addition to Japanese.



Total Number
of Transactions in
Fiscal 2009

590 mil.

Daily Average
Transactions
per ATM

114.4

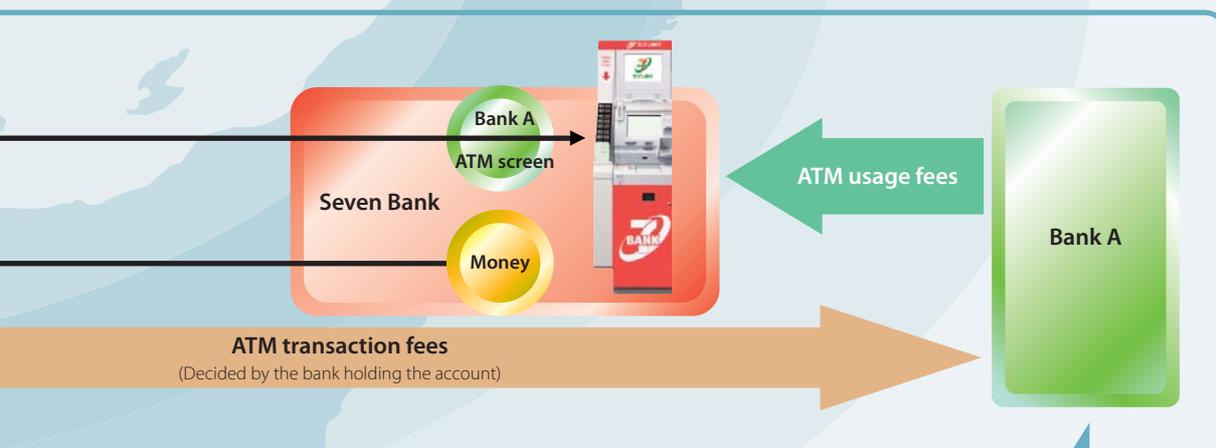
As of March 31, 2010

Number of
ATMs Installed
14,601



SEVEN BANK ATM NETWORK

Partner Financial
Institutions
555



Area Installed
All 47
Prefectures of
Japan

Partner Financial Institutions

Seven Bank has been partnering not only with Japanese banks but also with a range of other financial institutions, including securities companies, credit card companies, consumer finance companies, and international payment brands. We are continuing to expand the list of alliance partners. Partner financial institutions can make use of Seven Bank's ATM services just as they use their own ATM services. The screen that appears on a Seven Bank ATM is exactly the same as the screen on the ATMs of alliance partners. Our partners can set their ATM transaction fees based on their own pricing strategies, including offering a reward program for their preferred customer programs. In addition, our alliance partners can reduce their own maintenance and funding costs compared to having their own ATMs as they make use of Seven Bank's ATMs. They can use our ATMs as a backup for their own ATM network.

Seven Bank's Broad-Ranging ATM Network

In addition to expanding the number of locations where its ATMs are available, Seven Bank is diversifying the range of its ATM services business.

■ Seven Bank has expanded its ATM network widely to include international airports, railway stations, and commercial facilities.

Along with the installation of ATMs in newly opened stores of the Seven & i Holdings Group companies, Seven Bank is continuing to increase the number of ATMs installed in Seven-Eleven stores with high ATM usage rates. The ratio of existing Seven-Eleven and Ito-Yokado stores with at least one ATM is almost 100% in Japan. Besides the stores of Group companies, Seven Bank has also installed its ATMs in airports, railway stations, expressway service areas, shopping complexes built above stations, shopping malls, and other commercial facilities that are open to the public and attract large numbers of customers.

In fiscal 2009, we began to install ATMs in chain stores, beginning with mass-market appliance outlets. We also increased the number of ATMs in the underground shopping center beneath

JR Tokyo Station and in other large-scale commercial and office complexes. Similarly, along with the conversion of a portion of the kiosks in the stations of the Keihin Electric Express Railway to Seven-Eleven stores, we are, step by step, installing Seven Bank ATMs in these new stores.

In October 2009, we installed three ATMs just beyond the passport control area at Narita International Airport. These were the first ATMs to be installed in the restricted area of an airport in Japan. Many Japanese nationals and foreign visitors are making use of these ATMs as they wait for their flights after completing embarkation procedures or wait to make transfers to international flights.

■ ATM Network Covering the Whole of Japan

Located in all 47 prefectures nationwide



■ ATMs in a Diversity of Locations

Locations where Seven Bank ATMs are installed (As of June 30, 2010)

Seven & i Holdings Group		Total of 14,065	
Seven-Eleven	13,657 (stores with two-or-more ATMs: 893)	Sogo	11
Ito-Yokado	298	Seibu Department Stores	5
York Mart	33	Robinson Department Stores	4
York Benimaru	32	Loft	5
Denny's	4	Akachan Honpo	5
		Head offices, other	11

ATMs outside Group stores		Total of 616	
Nomura Securities	319	Hotels	8
Nikko Cordial Securities	29	Hospitals	7
Shinsei Bank	7	Commercial facilities	148
Airports	30	Other locations	28
Railway and other transportation stations	40		

What we want to create

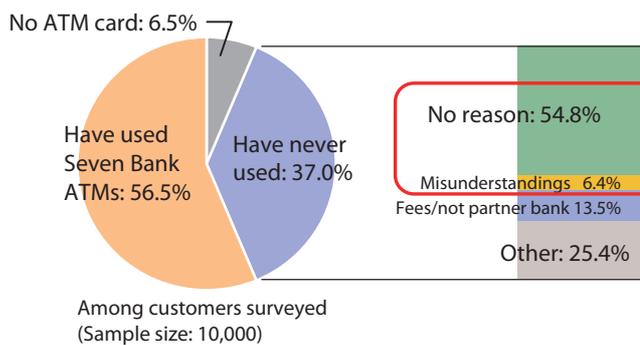
Further Strengthen Our ATM Business and Diversify

Raising Awareness of Seven Bank ATMs

According to a survey conducted by Seven Bank in November 2009, among customers coming to Seven-Eleven stores, only about 60% have made use of Seven Bank ATMs, implying that there is a significant number—about 40% of store customers—who have still not used our ATMs. In addition to those customers who responded that they did not have any particular reason for not using Seven Bank ATMs, many had the misunderstanding that they could not use their ATM cards and/or that they would have to pay a fee. For this reason,

there is also still considerable leeway for expanding the frequency of usage of ATMs in Seven-Eleven stores. We are, therefore, working to encourage more customers to use our ATMs by using effective means to raise awareness. These include displaying information more prominently in stores where we have ATMs installed, working jointly with our partner financial institutions to provide more information to potential users, and raising awareness among foreign visitors to Japan.

Experience of Using Seven Bank ATMs among Seven-Eleven Customers



Aim to obtain more users through effective advertising

Note: Misunderstandings occur when customers think they will be charged a fee for using a Seven Bank ATM (when they will not incur any such charge) or when customers think they cannot use their ATM card because their bank is not a Seven Bank partner.

Expanding ATM Locations and Applications

We are working to install ATMs in locations where we can expect high traffic. To this end, we are strengthening our relationships with partner financial institutions, security companies, real estate developers, and others to develop new ATM locations. We are also drawing on the ATM-related know-how that Seven Bank has accumulated and are actively working to provide full-service packages for operating and managing ATMs to financial institutions and others.

In fiscal 2009, we began to replace ATMs that other financial institutions had installed within their customers' outlets with Seven Bank ATMs. A new type of ATM application, which we are introducing during the current fiscal year, will be setting up Seven Bank ATMs in places where Seven-Eleven stores or financial institution locations have

been closed. With a long-term perspective, we also intend to further develop our ATM business for locations outside of the Group, including ATMs outsourcing business, which we believe has much room for further development.



ATM Functions We Are Giving Special Attention

As a specialist in the ATM business, Seven Bank seeks to provide its customers with convenience, safety, and security as it works to maintain a high level of competitiveness for its services.

■ Expanding the Range of International Brand Payment Cards that Customers Can Use

Seven Bank's ATMs also accept ATM cards and credit cards issued overseas. Our ATMs offer both screen information and audio guidance in four foreign languages (English, Korean, Chinese (in simplified characters), and Portuguese). Transaction receipts are also available in these four languages. In October 2009, the Discover card and, in November, the Diners Club card were added to the list of cards accepted by Seven Bank ATMs, and holders of these cards can now make withdrawals in yen. More recently, Mastercard was also reinstated from August 2010.

■ Making ATMs User-Friendly for the Visually Impaired

Seven Bank ATMs are installed in barrier-free locations, and, to enable visually impaired persons to enjoy convenience and safety,



audio guidance for ATM operations is available through an intercom installed on each ATM. This service is available from more than 500 partner financial institutions.

■ ATMs that Respond Accurately to Legal Requirements

Seven Bank ATMs respond properly to the legal requirements that non-bank money lenders must comply with under Japan's Money Lending Business Act.

Seven Bank's ATMs, acting on the behalf of the partner money lending company, provide the specifics of loan contracts, which must be conveyed to borrowers at the time of the transaction, on the ATM screen and the transaction's receipt. Our ATMs are the only such units that can provide this information to customers on the behalf of a number of partner money lending companies at the same time.

What we want to create

Cost restraints by introducing third-generation ATMs

To attain steady growth in net income, beginning in the latter half of 2010, Seven Bank will begin to introduce third-generation ATMs. These new units will feature improvements in the efficiency of replenishment of cash for loading into ATMs, improvements in the efficiency of maintenance, and other benefits that will have the positive effect of restraining costs. We will be incorporating the experience we have gained in operating second-generation ATMs into the new third-generation models.

Features of third-generation ATMs

Improved efficiency of cash handling: Will reduce the frequency of cash replenishment and restrain agent services fees

Reduced frequency of maintenance: Will use longer-lasting parts and restrain maintenance costs

Faster operation: Will increase the speed of processing and raise customer satisfaction

Energy-saving: Will restrain electric power usage compared with previous ATM models

■ Aiming for Ease of Use and Security

1. Designed for protecting personal information

Key input: The user's hand hides the inputting of a PIN.

Touch screen: Customer transaction details cannot be seen at an angle from the sides.

2. Advanced security functions

Cash is marked with ink as a measure to prevent theft.

A security camera records transactions.

Triple data encryption standard (DES) prevents the interception of information.

3. Compatible with IC cards

4. The user's PIN and daily withdrawal limits can be changed.

5. Screens also used for advertisements and security warnings

6. The screen displays the user ATM interface of partner financial institutions.

When a bank card is inserted, the screen interface of that bank, which the user is accustomed to, appears on the display.



8. Electronic money cards can be recharged.



9. Accessible for visually impaired customers

Visually impaired customers can operate the ATMs by following audio guidance available through the intercom.

10. Prints legally required loan receipts

Seven Bank ATMs can print out loan receipts with transaction details, as required under Japanese law, on the behalf of partner money lending companies.



7. International payment brand cards issued overseas can be used for withdrawals.

Holders of ATM cards and credit cards issued overseas can make withdrawals of yen from Seven Bank ATMs.



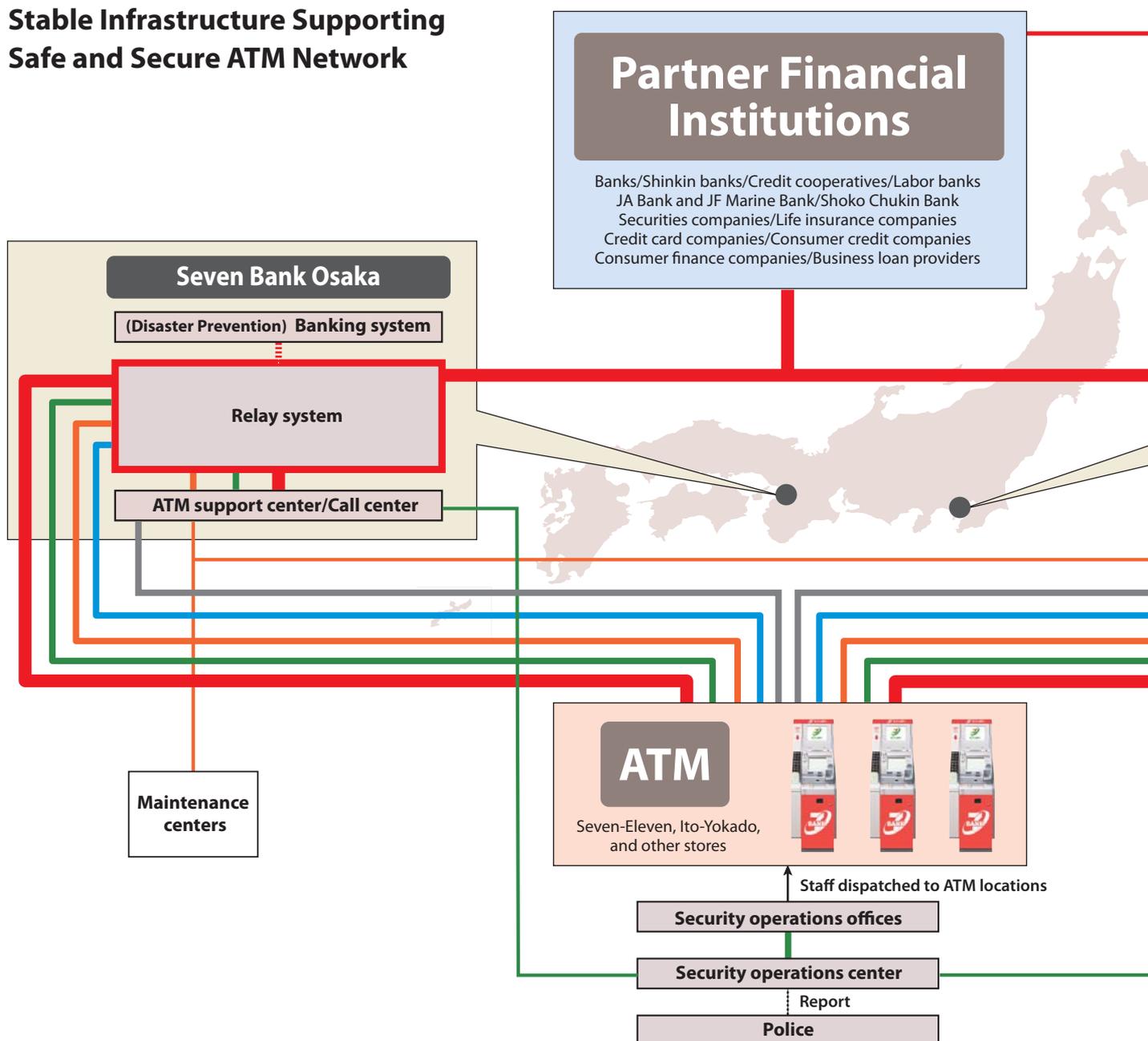
Support Systems that Keep ATM Operations Stable

Seven Bank ATMs are almost never down* because of effective support systems. *According to the Seven Bank operations data, the average utilization rate is more than 99.9%.

An original network with backup functions

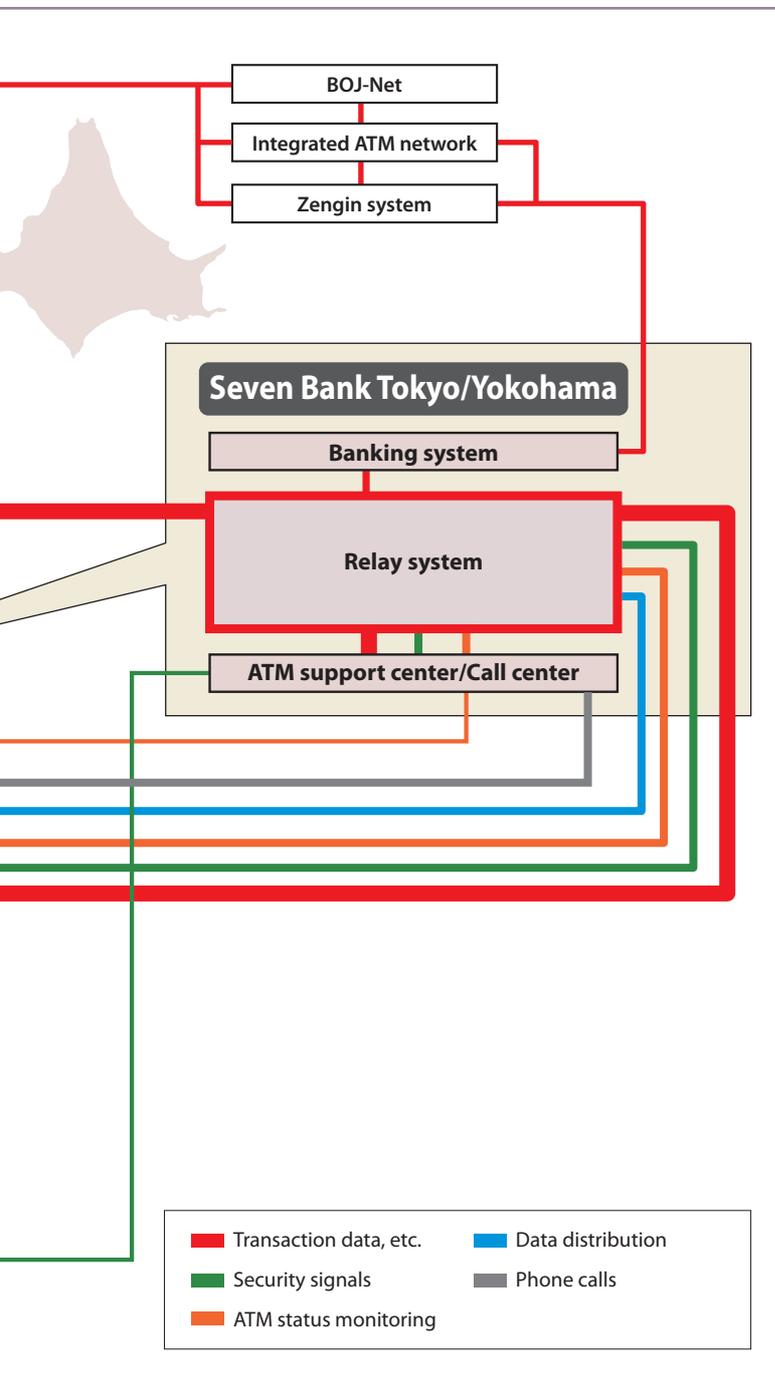
Seven Bank ATMs and its partner financial institutions are linked to relay systems in Yokohama and Osaka where transactions are processed. Both the Yokohama and Osaka systems are in operation at all times, and each has the capacity for handling all transactions if the other system should be down.

Stable Infrastructure Supporting Safe and Secure ATM Network



■ ATM Support Centers on Call 24 Hours a Day

The ATM support centers, which monitor the operation of ATMs, stand ready 24 hours a day to respond to inquiries from customers, and their role is to observe all ATMs and the transactions from locations in Tokyo and Osaka. Breakdowns or other problems are handled by remote control, and, when necessary, activities are coordinated with security and maintenance companies. As usage of ATMs by customers from other countries is increasing, ATM support centers are prepared to respond to inquiries in English on a 24-hour-a-day basis.



■ Aiming for Non-Stop ATM Operations

To prevent ATM outage due to insufficient cash, breakdowns, and for other reasons, Seven Bank works with its partner security company and is ready to deal immediately with unexpected problems on a 24-hour basis. In addition, to minimize temporary stoppages of ATMs for regular inspections and maintenance as well as the insertion and replenishment of cash, we analyze the operating trends of each ATM and manage these units appropriately for how they are being used.

If the cash within ATMs is increased, this will reduce the frequency of replenishing cash, but funding costs will rise. On the other hand, if cash in ATMs is reduced, this will increase the frequency of replenishing cash, and the outsourcing costs of related services will rise. To address this issue, we pay close attention to the way each unit is being used, and, by having Seven-Eleven stores and other businesses in the vicinity of ATMs put their sales proceeds into our ATMs, we are working to achieve much more efficient cash management. The ATMs will not run out of cash, and the frequency of replenishing cash per month for one ATM has been restrained to 1.7 times.



Offering a Diverse Range of Services

Seven Bank aims to provide banking accounts that can be accessed conveniently, are easy to use, and are secure.

■ Services for Individual Customers

Commencement of Loan Services for Individuals

Beginning in January 2010, Seven Bank introduced a loan service for its individual customers. The service provides small loans of up to a limit of 100,000 yen and can be accessed not only from Seven Bank ATMs throughout Japan but also from the Internet, mobile phones, and telephone banking systems. Available 24 hours a day, 365 days a year, the service allows customers to borrow and make repayments. Customers who have accounts with Seven Bank are able to make applications for loans immediately on their PCs and mobile phones. The shortest time for completing the whole process from application to the making of the loan is 30 minutes.* After the introduction of loan services for individuals, the number of accounts opened with Seven Bank has increased, and this is contributing to the Bank's funding activities.

* This excludes nights, bank holidays, and other times when applications are not being processed.

Services Begin on "Everyone's Account Aggregation"

In October 2009, Seven Bank made available a new service to its customers who make use of its website "Everyone's Money Site," which provides various agency services. The new service, which is entitled "Everyone's Account Aggregation," enables customers to access account information from multiple financial institutions through the Internet on a single screen. This service provides access not only to other financial institutions that have contract agreements with "Everyone's Money Site" but also enables customers to confirm their account balances from a range of financial institutions and view transactions histories. Customers can log onto the sites of other financial institutions with a single ID and password and access other services that make it easier for them to manage their accounts. Seven Bank is the first in Japan to allow even customers who do not have a Seven Bank account to use such a service without a charge.



● Specialist Staff Provide Advice on Money Matters through "Everyone's Bank Teller Window"

Seven Bank currently has "Everyone's Bank Teller Window" outlets, which are similar to manned bank outlets and offer ready and friendly advice while shopping, in six Ito-Yokado stores in the Tokyo metropolitan area. These outlets act as agencies for banking services, financial products, insurance products, and the other products and services of Seven Bank's partner financial institutions. The roles of staff at these outlets include accepting applications for the services of other partner financial institutions and responding to customers' questions. Customers visiting these outlets can use video-phones to obtain advice not only from Seven Bank personnel but also the staff of other partner financial institutions, even on Saturdays and during the evening hours. Seven Bank is continuing to gradually expand the range of partner financial institutions and the range of services available.

●Using “Everyone’s Money Site” to Make Comparisons and Do Searches

Seven Bank’s “Everyone’s Money Site” enables customers to make comparisons of financial products via the Internet. In addition to an introduction of the deposit accounts, securities accounts, loan products, and insurance products offered by other financial institutions, the site also offers information on credit cards, electronic money, and the various campaigns conducted by partner financial institutions. The site also forwards applications for a broad spectrum of financial products suited to the customer needs of partner financial institutions.



■Services for Corporate Customers

Commencement of Cash Pickup and Delivery Services

In the field of services for corporations also, Seven Bank is taking the initiative in developing new business opportunities. In June 2009, we introduced a retail store cash pickup and delivery service. Under our sales proceeds deposit service, which we introduced previously, retail stores and other business customers can place their sales proceeds in Seven Bank ATMs, instead of night deposits, and the value is concentrated in a mother account. Using our store cash pickup and delivery service offers increased safety and security, since guards from a security company visit customers’ stores. The security company will come to pick up cash, no matter how small the amount, and, in principle, it will be deposited in the Seven Bank account specified by the customer the next day.



What we want to create

Creating New Businesses and Aiming for Sustained Growth

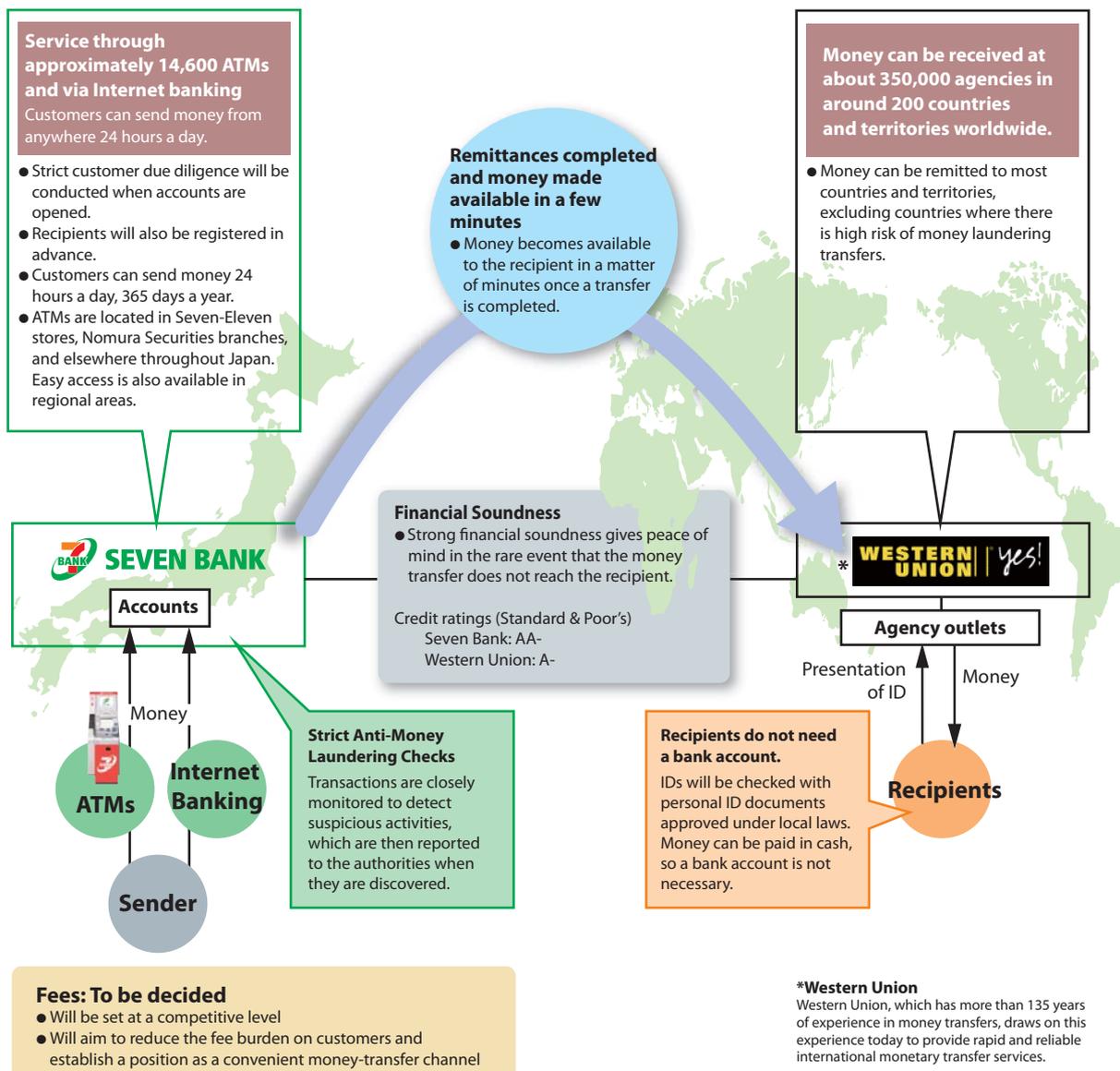
Plans for Offering International Money Transfer Services

Seven Bank has begun to make preparations and plans to enter the field of international money transfer during fiscal 2010. These remittance services will respond to the recent rising demand for transferring money from Japan to other countries. These services will meet the needs of foreign persons working in Japan who want to remit money to their home countries and persons in Japan who want to send money from Japan to family members who are located overseas. Our new remittance services will respond to the need for highly convenient and reliable international money transfer services at

reasonable prices. To take full account of the possibility of money laundering and prevent illegal remittances, recipients will be registered in advance and specified usage limits will be set.

The existing market for international remittances between individuals in Japan is estimated to be slightly less than 1 trillion yen a year, and the number of such remittance transactions each year is about 10 million. For the time being, we will aim to capture a 10% share of this market.

Overview of Seven Bank's International Money Transfer Services



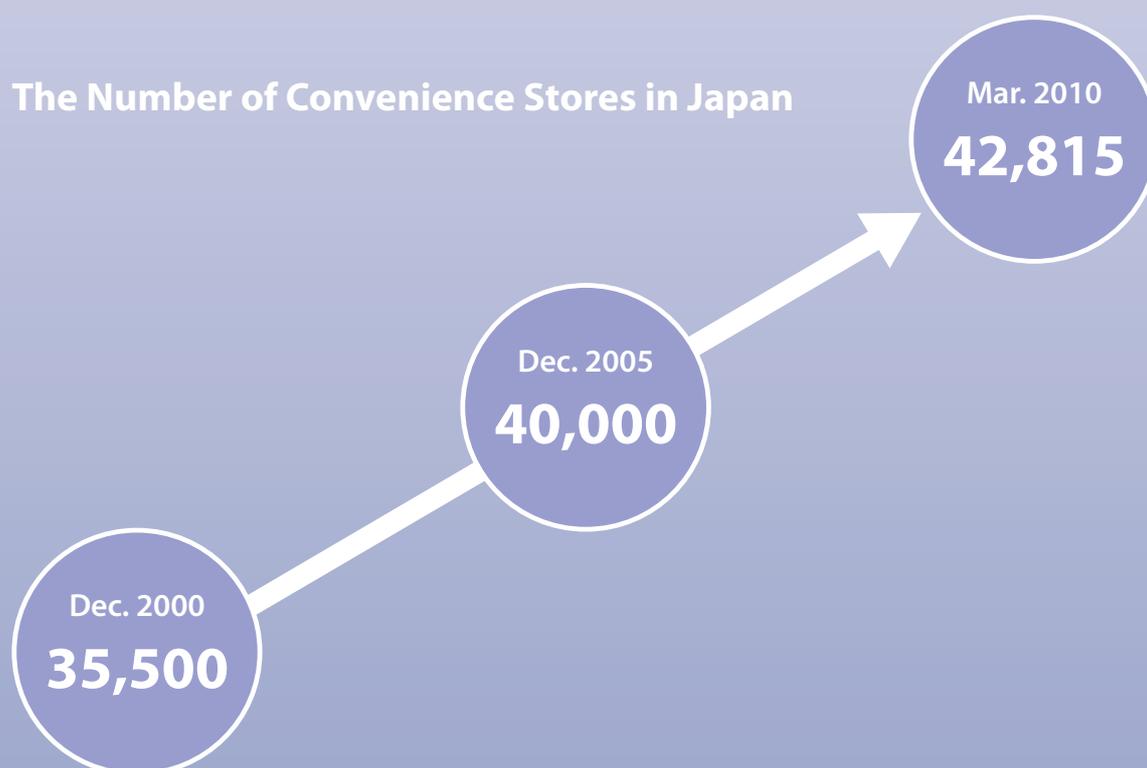
Convenience Store ATMs: An Integral Part of the Community

Japan's convenience stores have followed a unique development path.

Convenience stores made their appearance in Japan in the early part of the 1970s. Today, they are indispensable in the lives of the Japanese people. Convenience stores in Japan have followed a path of development not seen in other countries. They do not stop at just offering goods for sale but also provide a diversity of services to the nearby community and have become part of the "social infrastructure."

Convenience store ATMs enable us to withdraw and deposit money with ease, and they have become the financial service that is closest to consumers. At the same time, for the financial institutions that offer this service, convenience store ATMs have become a strategic channel for the further development of their business activities.

The Number of Convenience Stores in Japan



Source : Japan Franchise Association

A Model for Modernizing the Small Retail Store Industry

7-ELEVEN opened the first convenience store in Japan in 1974.

At that time, Japan was in its high-growth phase of development, and a consumption boom of unheard-of proportions was in progress, with mass-produced goods selling in massive volumes. The small and medium-sized retailers that were operated in mom-and-pop type outlets that were deeply rooted in the local communities had some structural problems with low labor productivity, difficulty in finding suitable personnel because of a drain of employees to the manufacturing industry, and changes from a selling market to a buying market.

The small and medium-sized stores began to experience tough times as large supermarkets began to open stores one after another. In the midst of these developments, Ito-Yokado Co., Ltd., which expanded to large supermarkets, aimed to modernize and re-energize the management of small and medium-sized retailers and to fulfill mutual harmony and benefits for both large supermarkets and small and medium-sized retailers. After Ito-Yokado decided to introduce 7-ELEVEN, which was a famous convenience store chain, to Japan, the franchise system became Japanized and established.

In the United States, which was the birthplace of the convenience store, the majority of these stores were set up jointly with gas stations, but in Japan, virtually all convenience stores are stand-alone establishments. Most are located in residential areas, but the number of convenience stores located in office buildings and near railway and other transportation stations is increasing.

Service Establishments that Support the Life of the Community

Japan's convenience stores offer useful services to consumers and have become known as "stores that are conveniently located and always open." They have followed a unique development path as they have taken the initiative in offering a diversity of services. Everyone knows that convenience stores offer fast foods, delicatessen items, ice cream and other desserts, and confectionary items as well as magazines and other goods for daily life. Moreover, they also offer a diversity of services (e.g., copy services, parcel delivery arrangement, ticket

sales, utility bill payments, and ATM service, etc.) to meet consumers' daily needs. Now, they have clearly become part of Japan's social infrastructure. Convenience stores have also come to play an important role in the economy.

Although retail sales as a whole in Japan are stagnant, annual sales of the convenience store industry have climbed to 7,904.3 billion yen, thus exceeding the 7,420.1 billion yen in annual sales of department stores. The number of convenience stores in operation throughout Japan, as of March 31, 2010, was 42,815.* Seven-Eleven Japan Co., Ltd., which operates 7-ELEVEN stores where Seven Bank has installed ATMs, is the biggest company in the Japanese convenience store sector, and it had annual sales of 1,968.5 billion yen in fiscal 2009 and 12,753 stores in Japan as of February 28, 2010.

* According to the Statistical Annual Report on Trends in Convenience Stores (covering January to December 2009), the Monthly Statistics Report, published by the Japan Franchise Association, and the Annual Sales of Department Stores Nationwide (covering January to December 2009) published by the Japan Department Stores Association

What Convenience Store ATMs Mean to the Consumer

Although they have established themselves in a relatively small sales area, convenience stores have become a major presence, providing support for the lives of the people in the surrounding community. These "stores that are conveniently located and always open" have become a major support for consumers as their lifestyles have changed to include more late-night hours and a greater diversity of living patterns. Also, as the operations of these stores have become more standardized, customers can count on receiving the same services at convenience stores everywhere. That is why convenience stores are so strongly supported by consumers.

At convenience stores, customers have access to ATMs and can pay their utility and other bills. They are open 24 hours a day, 365 days a year; on the other hand, regular banks are open from 9 a.m. to 5 p.m. only on weekdays. Furthermore, convenience stores are located closer to and alongside the normal places where customers go and offer more advantages for customers than regular banks. Thus, convenience stores have come to play important roles in urban areas by supporting the lives of single persons and families where both husbands and wives hold jobs, and they are very accessible in the countryside.

Convenience Store ATMs: An Integral Part of the Community

Also, from a safety perspective, convenience stores offer more peace of mind and more security than other financial institutions' unmanned ATM stations since employees are always in the well-lit stores on the job. In terms of numbers of outlets, Japan's financial institutions have about 38,000 branches and unmanned outlets, etc. (with banks accounting for 13,538 of these and JP Bank (Japan Post Bank) having 24,086 branches, etc.), but there are about 43,000 convenience stores.* In fact, consumers who make frequent use of convenience stores use ATMs even during hours when financial institutions are open.

* According to Japanese Statistics 2009 (chapter 14 on finance and insurance), published by the Ministry of Internal Affairs and Communications

What Convenience Store ATMs Mean to Financial Institutions

ATMs are the most frequently used service delivery channel of financial institutions. These institutions have worked to streamline their clerical processing operations by shifting the handling of cash from bank teller stations to ATMs. At the same time, to make an appeal to customers for the convenience of their ATM network and to expand the volume of deposits, banks continued to install more ATMs.

However, more recently, to restrain the cost of having ATMs, banks have begun to reduce the number of their own ATMs, taking advantage of outsourcing to ATM operators related with convenience store chains, and maintaining a superior level of convenience for customers. To enhance efficiency and stability, convenience store chains have developed full-scale distribution and information networks. In addition, based on a policy of opening a large number of stores with a high location density, individual convenience stores are linked by sophisticated logistics and information systems. These networks form an important basis for enabling convenience stores to work together with other industries and with companies implementing other business models. Even compared with a wide range of other types of business locations serving the public, convenience stores have outstanding characteristics.

Since Seven Bank's ATM services are designed to be installed in the ATMs of 7-ELEVEN stores in Japan, the partner financial institutions enjoy every advantage of 7-ELEVEN, the giant convenience store chain in Japan.



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 the Companies Act 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 annually. 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.

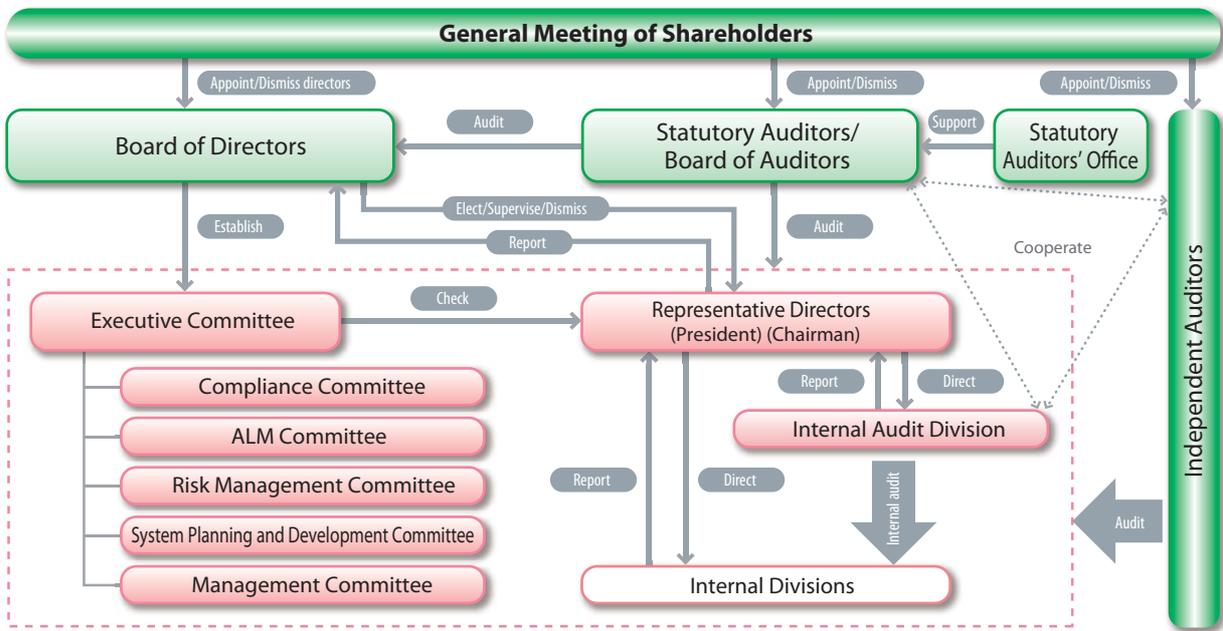
(5) Systems to ensure compliance with laws and the articles of incorporation in the execution of employees' duties

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.

(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.

■ Corporate Governance Organization



(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.

(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 staff of the Statutory Auditors' Office, may request the directors make changes to such transfers and evaluations as necessary.

In addition, in cases where staff belonging to the Statutory Auditors' Office are to be subjected to disciplinary action, the directors must obtain permission in advance from the Board of Auditors.

(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.

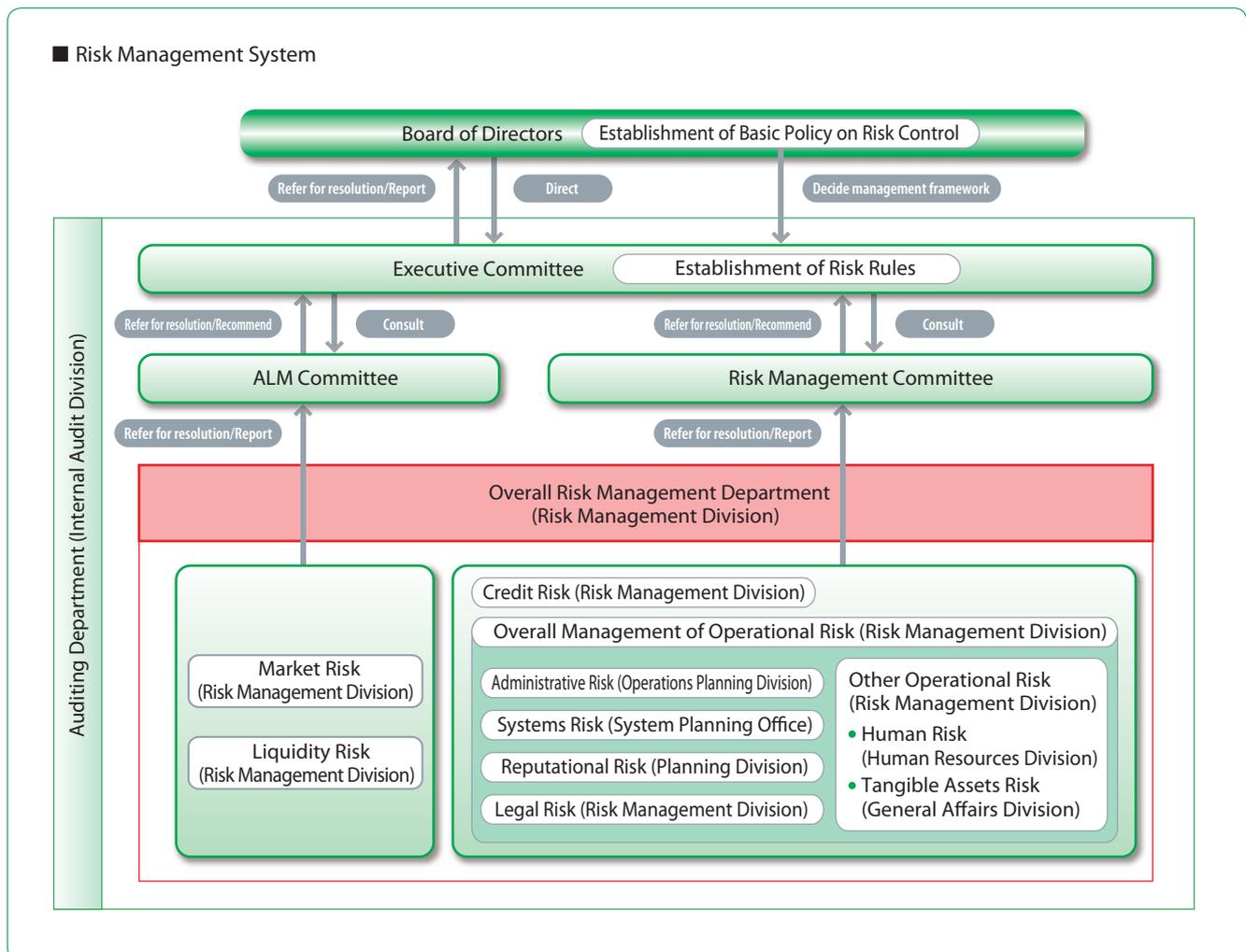
Credit Risk

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, temporary ATM payment amounts due, and small amount personal loans. 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.

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 the Executive Committee.

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 systems 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 systems 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 losses 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

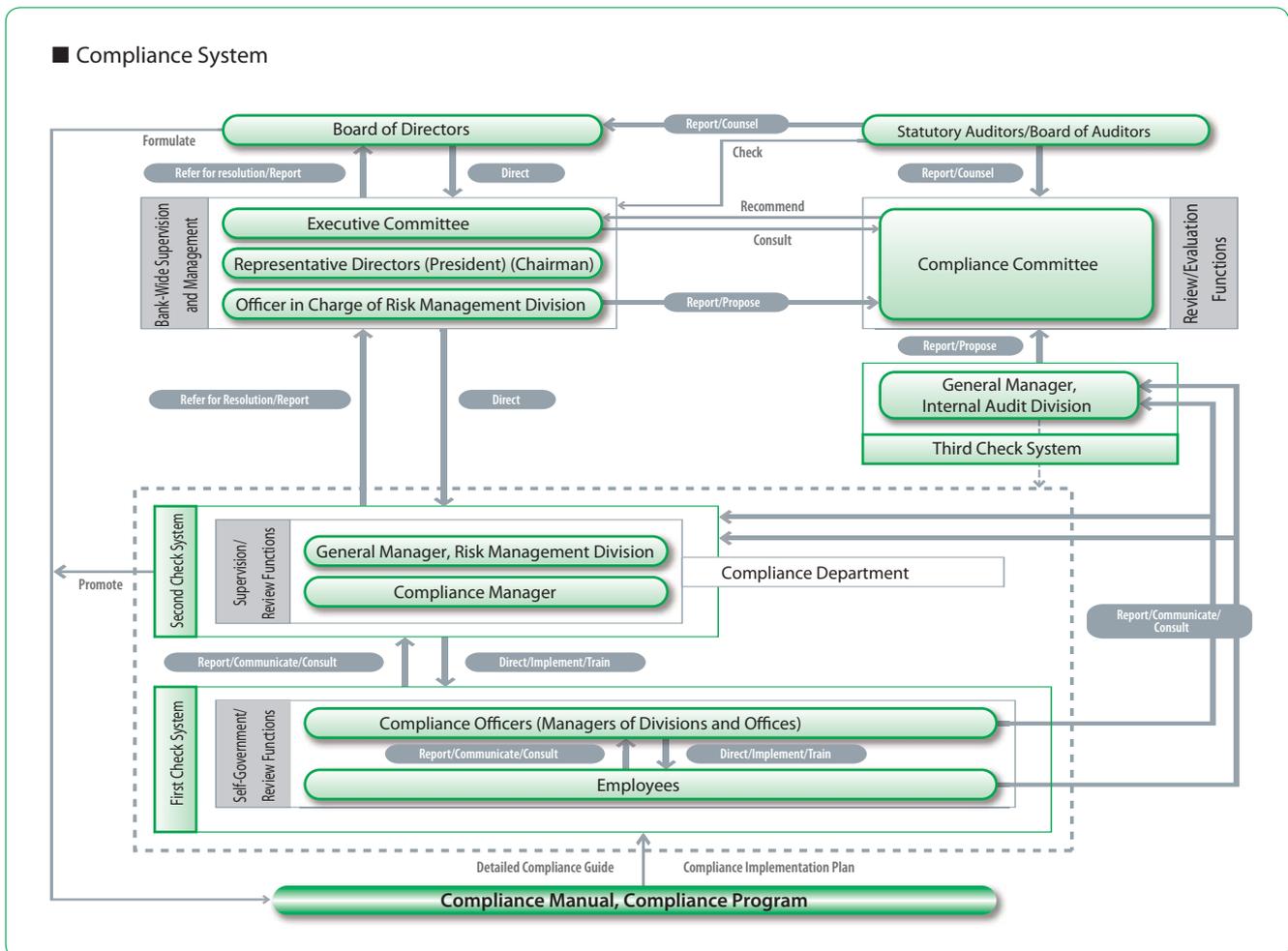
Division), reinforcing its system to eliminate fraudulent accounts and prevent fraudulent bank transfers and other activities by monitoring accounts on a daily basis and by cooperating appropriately with the police and other governmental authorities.

2. Response to antisocial groups

The Bank concentrates on eliminating connections with antisocial 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, beginning in January 2010, we now ask persons applying to open an account to make a statement and sign a pledge to the effect that they are not members of antisocial groups. Also, in our account rules governing transactions, we have introduced an abatement article that excludes persons linked to such groups and enables us to refuse applications from persons who have ties with such groups as well as to close existing accounts of such persons.

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.



Management Team As of June 18, 2010



Front row:	President and Representative Director Kensuke Futagoishi	Chairman and Representative Director Takashi Anzai	Vice Chairman and Director Masatoshi Wakasugi		
Back row:	Director Yasuaki Funatake	Director (Outside) Toshikazu Tamura	Director (Outside) Yoji Ohashi	Director (Outside) Tadahiko Ujiei	Director Kazuhiko Ishiguro

Directors

Chairman and Representative Director,
Executive Officer
Takashi Anzai

Vice Chairman and Director, Executive Officer
Masatoshi Wakasugi

President and Representative Director,
Executive Officer
Kensuke Futagoishi

Director, Managing Executive Officer,
and General Manager of Planning Division
Yasuaki Funatake

Director, Executive Officer, and General Manager
of System Division
Kazuhiko Ishiguro

Director (Outside)

Yoji Ohashi

(Important concurrent positions in other companies
or organizations)
Chairman and Representative Director of All Nippon
Airways Co., Ltd.

Director (Outside)

Toshikazu Tamura

Director (Outside)

Tadahiko Ujiei

(Important concurrent positions in other companies
or organizations)
Director of Seven & i Holdings. Co., Ltd.

Statutory Auditors

Statutory Auditor (Full-time)

Toshiaki Ikeda

Statutory Auditor (Outside)

Masaharu Hino

Statutory Auditor (Outside)

Tetsuya Katada

Executive Officers

Executive Officer and General Manager of Risk Management Division
Nobuo Shirai

Executive Officer and General Manager of General Affairs Division
Naoki Yamazaki

Executive Officer and General Manager of ATM Administration Division
Tsutomu Yamazaki

Executive Officer and General Manager of Customer Service Division
Yoshiaki Nakajima

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 co-exist 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.

Environmental Preservation Activities with Employee Participation

Bonolon Forest Environmental Activities Held for Employees and Their Families

The Bonolon Forest environmental activities began in fiscal 2008, and their objective is to provide opportunities for nurturing "hearts that love and take care of nature" through three related programs. These are entitled "sensing the attractiveness of nature," "learning about nature," and "preserving nature."

These activities were held for the second time in July 2009 with



the participation of about 50 employees and their family members and with the collaboration of the Fujisan Club. Activities included having participants walk in the forests around the base of Mount Fuji, accompanied by a guide knowledgeable about the area, and, at the end, participating in cleanup activities as they learned about environmental issues.

Social Initiatives

Audio-Guided ATM Service

An audio-guided service for visually impaired individuals via inter-com-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.

English



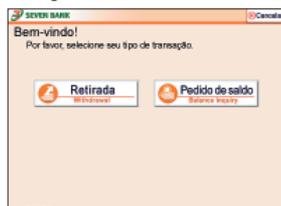
Korean



Chinese



Portuguese



Dispatching of Financial Crime Prevention

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 Division in June 2010. 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 system

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 2009, ended March 31, 2010

Analysis of Operating Results

Summary of Fiscal 2009

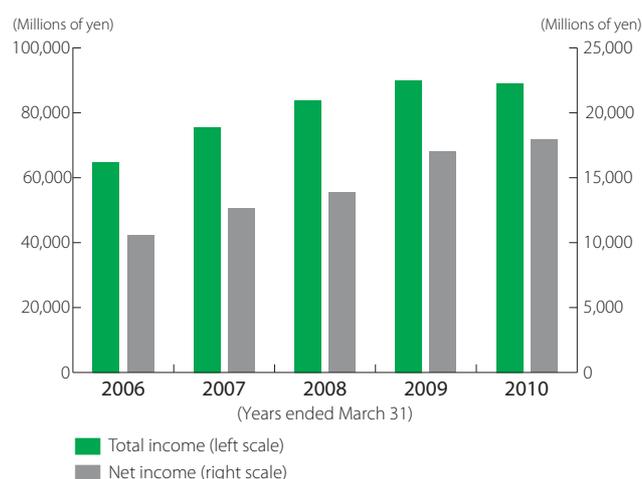
The Japanese economy is beginning to pick up on the back of various stimulus measures, including the government's Eco-points system, and increases in exports and production, although the self-sustaining recovery in private-sector demand remains weak amid the gloomy employment and income situation. In the banking sector, operational efficiency has continued to increase, despite a drop in corporate financing demand due to overcapacity and other factors.

Amid this environment, the Company recorded total income of 88,830 million yen (down 1.0% year on year), ordinary profit of 30,407 million yen (up 5.7%), and net income of 17,953 million yen (up 5.6%).

ATM transaction levels were firm, and the increase in transactions at deposit-taking financial institutions compensated for the decline in cash advance transactions at partnering money-lending companies coinciding with revisions to the Money Lending Business Act. Nonetheless, total income declined owing to the revision of terms of business with partnering institutions and other factors. Both ordinary profit and net income increased due to a decline in costs, mainly attributable to a drop in depreciation on ATMs.

The following is a summary of performance by business segment.

Total Income and Net Income



ATM Services

During fiscal 2009, Seven Bank worked to enhance customer convenience by expanding the scope of its business partnerships and the range of services provided, and by installing ATMs in Seven & i Holdings Group (the "Group") locations as well as non-Group locations.

During fiscal 2009, we established new partnerships with the San-in Godo Bank (July 2009), Hokuriku Bank (September 2009), First Bank of Toyama (October 2009), Daito Bank (December 2009), two credit cooperatives, and the Shoko Chukin Bank (October 2009). As a result, we now partner with 97 banks (Note 1), 258 shinkin banks (Note 2), 127 credit cooperatives (Note 3), 13 labor banks, the JA Bank, the JF Marine Bank, the Shoko Chukin Bank, eight securities companies, eight life insurance companies, and 41 other financial institutions. We have a total of 555 business partners (Note 4) as of March 31, 2010.

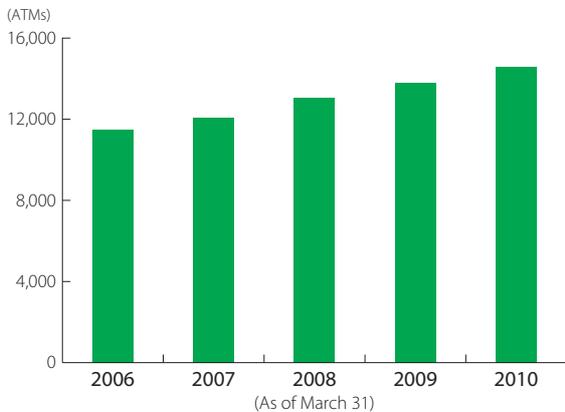
To improve customer service quality and to ensure that customers are able to use our facilities safely and securely, we have reinforced customer security by increasing the number of IC cards (smart cards) accepted by our ATMs and expanding the range of services offered, such as PIN changing services. As a result, by the end of March 2010, bank IC cards issued by 65 banks (including Seven Bank) and four financial sub-sectors were accepted by our ATMs.

We have installed new ATMs at Seven-Eleven and other Group stores, and we continued to add ATMs to Seven-Eleven stores with high ATM usage rates (849 stores had two ATMs at the end of March 2010). Outside the Group, we expanded ATM locations to new sites, including airports, train stations, hotels, hospitals, commercial facilities, and highway service areas. We also began installing ATMs at store chains, such as those of appliance mass marketers, and replaced other financial institutions' ATMs installed on corporate premises with Seven Bank ATMs for the sake of the financial institutions. As a result, our base of installed ATMs reached 14,601 machines as of March 31, 2010 (up 5.7% compared to the end of March 2009).

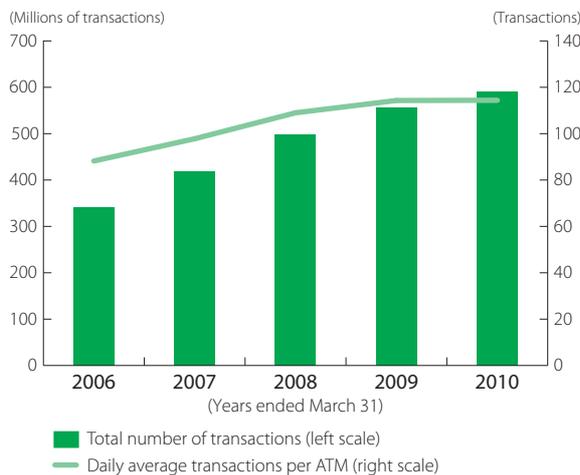
As a result of these initiatives, ATM usage was strong in fiscal 2009. Average daily transactions per ATM were 114.4 (up 0.1 transaction year on year), and a total of 590 million transactions were recorded (up 6.2% year on year).

- Notes:
1. We had 95 partner banks at the end of March 2009. The addition of 4 new partner banks and the loss of 2 partner banks due to mergers resulted in 97 partner banks at the end of March 2010.
 2. We had 264 partner shinkin banks at the end of March 2009. The loss of 6 partner shinkin banks due to mergers resulted in 258 partner shinkin banks at the end of March 2010.
 3. We had 127 partner credit cooperatives at the end of March 2009. The addition of 2 new partner credit cooperatives and the loss of 2 partner credit cooperatives due to mergers resulted in 127 partner credit cooperatives at the end of March 2010.
 4. JA Bank and JF Marine Bank are each counted as one institution.

Number of ATMs Installed



ATM Transactions



Financial Services Business

Seven Bank had 775,000 individual customer accounts at the end of March 2010 (up 12.6% compared to the end of March 2009).

In January 2010, we launched personal loan services as a new account feature.

In our agency and intermediary services business, we expanded our products and services lineup, including by launching insurance agency services in February 2010 at manned outlets (named Everyone's Bank Teller Window) within Ito-Yokado stores and through our Internet site (named Everyone's Money Site). In October 2009, we began offering an account aggregation service (Everyone's Account Aggregation), which allows customers to view information on accounts held at multiple financial institutions on a single screen.

Outlook for Fiscal 2010

In fiscal 2010, we will continue to install ATMs in locations where high usage rates can be expected, and we will work with our partnering institutions to boost use of our services by raising customer awareness of them.

By virtue of such efforts, we expect to increase our ATMs installed base to roughly 15,400 machines by the end of March 2011, and we expect total ATM usage to increase to around 635 million transactions (up 44 million transactions year on year) in the fiscal year ending March 2011 on average daily transactions per ATM of around 116.6 (up 2.2 transactions year on year). On the other hand, we expect to see a continued decline in ATM usage at partnering money-lending companies due to legal reforms, and we expect to experience the ongoing effects of revisions to terms of business with partnering institutions. As a result, we expect to see a decline in ATM-related fee incomes and a corresponding drop in ordinary income.

To establish a deep earnings structure, in fiscal 2009, we launched personal loan services, and, going forward, we strive to develop new businesses that fully utilize our existing know-how and infrastructure, for example, international money transfer services (slated to be launched in fiscal 2010). In fiscal 2010, we will begin phasing in our third-generation ATMs. These new ATMs are designed to enable further cost reductions by streamlining ATM cash management and logistics and boosting maintenance efficiency.

These new business development efforts and ATM upgrades will involve investment outflows and expenses incurred ahead of their expected contributions to earnings and cost-reducing effects. As a result, we expect both ordinary profit and net income to decline year on year.

For fiscal 2010, we forecast total income of 86,900 million yen (down 2.1% year on year), income before income taxes of 27,400 million yen (down 9.8%), and net income of 16,200 million yen (down 9.7%).

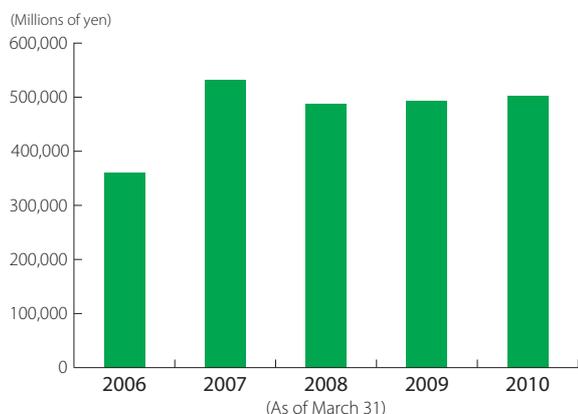
Analysis of Financial Position

Assets, Liabilities, and Net Assets

Assets

Total assets at the end of March 2010 were 502,782 million yen (up 9,422 million yen from the end of the previous financial year). The majority of this total comprised cash and due from banks required for the operation of ATMs of 294,192 million yen. The remainder mostly consisted of marketable securities held as collateral for foreign exchange settlements and Bank of Japan current account overdraft transactions of 89,410 million yen, and 126 million yen representing the balance of personal loans, a service that was launched in January 2010.

Total Assets



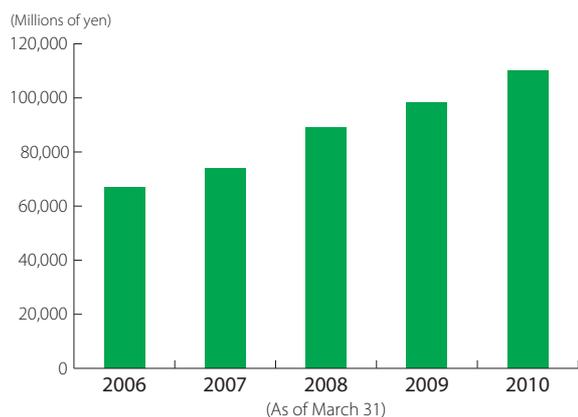
Liabilities

Liabilities were 392,843 million yen (down 2,123 million yen from the end of the previous financial year). These largely comprised deposits (excluding negotiable certificates of deposit) totaling 208,708 million yen. Of these, the outstanding balance of individuals' ordinary deposits was 87,748 million yen and the balance of time deposits was 41,759 million yen.

Net Assets

Net assets were 109,939 million yen (up 11,546 million yen from the end of the previous financial year). Of these, retained earnings were 47,606 million yen and the non-consolidated Tier 1 capital ratio (domestic standard) was 49.58% (preliminary data).

Net Assets



Cash Flows

Cash and cash equivalents increased by 13,603 million yen compared to the end of March 2009, to 294,192 million yen. Cash flows in each category and the factors behind changes were as follows:

Cash flow from operating activities

Net cash provided by operating activities amounted to 30,527 million yen. This was primarily because positive factors, including income before income taxes of 30,306 million yen, proceeds from the issuance and maturity of ordinary bonds of 30,000 million yen, and an increase of deposits of 20,596 million yen exceeded the negative factors, including the 38,000 million yen decline in borrowed money and the 30,900 million yen decline in negotiable certificates of deposit.

Cash flow from investing activities

Net cash used in investing activities was 10,518 million yen, due to expenditure of 6,768 million yen on software development and the acquisition of other intangible assets, and other factors.

Cash flow from financing activities

Net cash used in financing activities was 6,405 million yen, due to dividend payments of 6,405 million yen and other factors.

Cash Flow Highlights

(Years ended March 31)	Millions of yen		
	2010	2009	2008
Net cash provided by operating activities	30,527	32,662	54,523
Net cash used in investing activities	(10,518)	(11,664)	(43,307)
Net cash provided by (used in) financing activities	(6,405)	(7,686)	1,303
Cash and cash equivalents at the end of the year	294,192	280,589	267,277

Basic Policy on Profit Distribution and Dividends in Fiscal 2009 and Fiscal 2010

Seven Bank regards returning profits to shareholders as an important management issue, and with the aim of providing a fair return to shareholders, our basic policy is to strive to pay a sustained and stable cash dividend while maintaining an appropriate balance between dividend payments and internally retaining a suitable level of earnings. Seven Bank targets a minimum dividend payout ratio of 35% and maintains a basic policy of paying dividends twice a year (interim and year-end dividend payments).

For the fiscal year ended March 31, 2010 (fiscal 2009), we have paid a year-end dividend of 2,750 yen. Combined with the interim dividend of 2,450 yen already paid, this has resulted in an annual dividend of 5,200 yen per share. For fiscal 2010, we intend to pay an annual dividend of 5,200 yen (comprising an interim dividend of 2,600 yen and year-end dividend of 2,600 yen).

Retained earnings will be allocated to fund capital investment and to provide working capital for ATM operations. Retained earnings will also be set aside for growth investments.

Management Policies

(1) Basic Management Policies

Management Ethos

- a. Seven Bank strives to be a trustworthy bank that accurately meets its customers' needs.
- b. Every single staff member will swiftly adopt the benefits of technological innovation and aim for self-improvement.
- c. Seven Bank contributes to the stability and development of Japan's financial system by offering a safe and efficient transaction settlement infrastructure.

Basic Management Policy

Seven Bank is working to offer safe, accurate, and speedy banking services deeply embedded in customers' daily lives as an "instant wallet." We aim to achieve this by creating a network of ATMs accessible 24 hours a day, 365 days a year, utilizing the 13,000-plus retail locations of Seven & i Holdings' related companies led by Seven-Eleven convenience stores.

Seven Bank operates under an ethos of co-existence and co-prosperity by encouraging other financial institutions to make use of its easily accessible ATMs, thereby enhancing customer services and improving business efficiency.

Further, by proactively offering financial services sought by Seven & i Holdings' customers, we are working to attract a wider range of customers to more Seven & i Holdings' stores, and we will continue to pursue synergies to enhance Seven & i Holdings' profitability.

(2) Target Management Indicators

Seven Bank aims to maintain consistent, steady growth in net income in the aim of maximizing corporate value over the medium-to-long term. Other performance metrics that Seven Bank focuses on include average daily transactions per ATM, return on ATM cash (see Note below), and the overhead expense ratio.

Note: Return on ATM cash is calculated as follows: $\frac{\text{Net profit from ATM fee income (ATM-related fee income} - \text{Interest expenses} - \text{ATM placement fees} - \text{General and administrative expenses)}}{\text{Daily average balance of cash and due from banks}}$

(3) Medium- to Long-Term Management Strategies

To achieve sustained growth, Seven Bank will continue to enhance its ATM business, establish new businesses, and put in place effective cost-control initiatives.

In the ATM services business, we will continue to place ATMs in locations where high usage can be expected, while maintaining the level of credibility and trust that we have cultivated to this point. We will also work with our partnering institutions to boost the use of our services by raising customer awareness of them. We will go beyond simply expanding ATM locations to increase business from non-Group sources (which includes ATM operations outsourced by other financial institutions to Seven Bank). We intend to pursue growth through long-term strategies based on innovative perspectives.

With respect to new businesses, we hope to quickly turn personal loan services and international money transfer services (slated to be launched in fiscal 2010) into profit-makers, and fully utilize our existing know-how and infrastructure to cultivate new business opportunities, targeting both individuals and corporate clients, particularly in areas where services that meet social needs are currently not being delivered.

Cost-control initiatives will include establishing an IT governance system that will drive steady earnings growth while balancing maintenance and IT investment aimed at growth. At the same time, we intend to effectively control costs by revising current workflow processes and other means. In fiscal 2010, we will begin phasing in our third-generation ATMs. These new ATMs are designed to enable further cost reductions by streamlining ATM cash management and logistics and boosting maintenance efficiency.

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, 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, the increase in the 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 installing ATMs at convenience stores outside the Seven & i Holdings Group and 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 market for ATMs if Japan Post Bank changes in its strategy for ATM installation as a result of its privatization.

C) Changes in economic conditions

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

F) Risk of increasing in interest rate
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 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 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 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, increasing fees resulting from deterioration of their operating environments or difficulties in continuing to provide 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 the 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 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 issuer rating of AA- and a short-term issuer 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, 2010 and 2009

	Millions of yen	
	2010	2009
Assets:		
Cash and due from banks (Notes 2, 3, 4 and 5)	¥294,192	¥280,589
Call loans (Note 5)	20,000	29,000
Securities (Notes 2, 5, 6 and 7)	89,410	88,887
Loans (Notes 5 and 8)	126	—
Accrued income	7,106	7,331
ATM-related temporary payments (Note 5)	61,763	54,342
Tangible fixed assets (Notes 2 and 9)	11,257	15,998
Intangible fixed assets (Notes 2 and 10)	16,648	14,777
Deferred tax assets (Notes 2 and 24)	1,211	1,291
Other assets (Notes 2, 7, 11 and 16)	1,194	1,208
Allowance for credit losses (Note 2)	(129)	(65)
Total assets	¥502,782	¥493,360
Liabilities:		
Deposits (Notes 5, 12 and 26)	¥219,008	¥229,311
Call money (Notes 5 and 7)	13,300	—
Borrowed money (Notes 5, 13 and 18)	31,000	69,000
Bonds (Notes 5 and 14)	90,000	60,000
ATM-related temporary advances (Note 5)	25,775	22,677
Reserve for bonuses (Note 2)	294	273
Other liabilities (Notes 2 and 15)	13,464	13,704
Total liabilities	392,843	394,966
Net assets (Notes 2, 17 and 25):		
Common stock	30,503	30,500
Authorized—4,880,000 shares		
Issued—1,220,027 shares		
Capital surplus	31,742	31,739
Legal earnings reserve	0	—
Other retained earnings (Notes 2 and 31)	47,606	36,057
Total stockholders' equity	109,851	98,296
Net unrealized gains (losses) on available-for-sale securities, net of taxes	(0)	48
Total valuation and translation adjustments	(0)	48
Subscription rights to shares (Note 29)	88	48
Total net assets	109,939	98,393
Total liabilities and net assets	¥502,782	¥493,360

See accompanying notes.

Statements of Income

Seven Bank, Ltd.
For the years ended March 31, 2010 and 2009

	Millions of yen	
	2010	2009
Income:		
Interest income.....	¥ 394	¥ 878
Interest and dividends on securities.....	317	587
Other interest income	75	291
Fees and commissions income (Note 18).....	88,350	88,741
Other operating income (Note 20)	—	19
Other income (Note 22)	85	203
Total income	88,830	89,842
Expenses:		
Interest expenses.....	2,176	2,759
Interest on deposits (Note 26).....	500	979
Interest on call money.....	33	62
Interest on borrowed money.....	510	705
Interest on bonds	1,132	1,011
Fees and commissions expenses (Notes 19 and 26).....	9,691	9,183
Other operating expenses (Note 21)	230	80
General and administrative expenses	46,256	48,891
Other expenses (Note 23)	168	191
Total expenses	58,524	61,106
Income before income taxes	30,306	28,736
Income taxes (Notes 2 and 24)		
Current.....	12,239	11,712
Deferred.....	113	36
Total income taxes.....	12,352	11,748
Net income	¥17,953	¥16,988

Amounts per share of common stock (Notes 2 and 30):

	Yen	
	2010	2009
Net assets	¥90,039.83	¥80,610.55
Net income.....	14,716.01	13,924.60
Diluted net income	14,712.13	13,923.12
Cash dividends applicable to the year	5,200.00	4,900.00

See accompanying notes.

Statements of Changes in Net Assets

Seven Bank, Ltd.
For the years ended March 31, 2010 and 2009

	Millions of yen	
	2010	2009
Stockholders' equity		
Common stock		
Balance at the end of the previous fiscal year.....	¥ 30,500	¥30,500
Changes in items during the period		
Issuance of new shares.....	3	—
Net changes in items during the period	3	—
Balance at the end of the fiscal year	¥ 30,503	¥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		
Issuance of new shares	3	—
Net changes in items during the period	3	—
Balance at the end of the fiscal year.....	¥ 30,503	¥30,500
Other capital surplus		
Balance at the end of the previous fiscal year.....	¥ 1,239	¥ 1,239
Changes in items during the period		
Net changes in items during the period	—	—
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	¥31,739
Changes in items during the period		
Issuance of new shares	3	—
Net changes in items during the period	3	—
Balance at the end of the fiscal year.....	¥ 31,742	¥31,739
Earned surplus (Note 2)		
Legal earnings reserve		
Balance at the end of the previous fiscal year.....	¥ —	¥ —
Changes in items during the period		
Provision of legal earnings reserve.....	0	—
Net changes in items during the period	0	—
Balance at the end of the fiscal year.....	¥ 0	¥ —
Other retained earnings		
Retained earnings brought forward		
Balance at the end of the previous fiscal year.....	¥ 36,057	¥26,755
Changes in items during the period		
Cash dividends	(6,405)	(7,686)
Provision of legal earnings reserve	(0)	—
Net income.....	17,953	16,988
Net changes in items during the period.....	11,548	9,302
Balance at the end of the fiscal year.....	¥ 47,606	¥36,057
Total earned surplus		
Balance at the end of the previous fiscal year.....	¥ 36,057	¥26,755
Changes in items during the period		
Cash dividends.....	(6,405)	(7,686)
Provision of legal earnings reserve.....	—	—
Net income	17,953	16,988
Net changes in items during the period	11,548	9,302
Balance at the end of the fiscal year	¥ 47,606	¥36,057
Total stockholders' equity		
Balance at the end of the previous fiscal year.....	¥ 98,296	¥88,994
Changes in items during the period		
Issuance of new shares.....	6	—
Cash dividends.....	(6,405)	(7,686)
Net income	17,953	16,988
Net changes in items during the period	11,555	9,302
Balance at the end of the fiscal year	¥109,851	¥98,296

	Millions of yen	
	2010	2009
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.....	¥ 48	¥ (19)
Changes in items during the period		
Net changes in items other than shareholders' equity.....	(49)	67
Net changes in items during the period.....	(49)	67
Balance at the end of the fiscal year.....	¥ (0)	¥ 48
Total valuation and translation adjustments		
Balance at the end of the previous fiscal year.....	¥ 48	¥ (19)
Changes in items during the period		
Net changes in the items other than shareholders' equity.....	(49)	67
Net changes in items during the period.....	(49)	67
Balance at the end of the fiscal year.....	¥ (0)	¥ 48
Subscription rights to shares		
Balance at the end of the previous fiscal year.....	¥ 48	¥ —
Changes in items during the period		
Net changes in items other than shareholders' equity.....	39	48
Net changes in items during the period.....	39	48
Balance at the end of the fiscal year.....	¥ 88	¥ 48
Total net assets		
Balance at the end of the previous fiscal year.....	¥ 98,393	¥88,974
Changes in items during the period		
Issuance of new shares.....	6	—
Cash dividends.....	(6,405)	(7,686)
Net income.....	17,953	16,988
Net changes in items other than shareholders' equity.....	(9)	116
Net changes in items during the period.....	11,546	9,418
Balance at the end of the fiscal year.....	¥109,939	¥98,393

See accompanying notes.

Statements of Cash Flows

Seven Bank, Ltd.
For the years ended March 31, 2010 and 2009

	Millions of yen	
	2010	2009
Cash flows from operating activities:		
Income before income taxes	¥ 30,306	¥ 28,736
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation of fixed assets	12,846	15,402
Net change in allowance for credit losses	63	(1)
Net change in reserve for losses on cancellation of leases	—	(1,328)
Interest income	(394)	(878)
Interest expenses	2,176	2,759
Net losses on securities transactions	—	74
Net losses on disposal of fixed assets	101	41
Net change in loans	(126)	—
Net change in deposits	20,596	17,562
Net change in negotiable certificates of deposit	(30,900)	(7,390)
Net change in borrowed money	(38,000)	4,000
Net change in call loans	9,000	(1,000)
Net change in call money	13,300	(1,700)
Proceeds from issuance and maturity of ordinary bonds	30,000	(15,000)
Net change in ATM-related temporary accounts	(4,323)	376
Interest received	714	1,055
Interest paid	(2,066)	(2,695)
Other - net	31	1,299
Subtotal	43,326	41,315
Income taxes paid	(12,799)	(8,652)
Net cash provided by operating activities	30,527	32,662
Cash flows from investing activities:		
Purchases of securities	(229,544)	(268,122)
Proceeds from maturity of securities	228,640	271,400
Purchases of tangible fixed assets	(2,846)	(10,443)
Purchases of intangible fixed assets	(6,768)	(4,498)
Net cash used in investing activities	(10,518)	(11,664)
Cash flows from financing activities:		
Proceeds from exercise of stock option	0	—
Dividends paid	(6,405)	(7,686)
Net cash used in financing activities	(6,405)	(7,686)
Net increase in cash and cash equivalents	13,603	13,312
Cash and cash equivalents at the beginning of the year	280,589	267,277
Cash and cash equivalents at the end of the year (Note 3)	¥294,192	¥280,589

See accompanying notes.

Notes to Financial Statements

Seven Bank, Ltd.
As of and for the years ended March 31, 2010 and 2009

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 the 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 balance sheet date 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 whose fair value is extremely difficult to observe 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, 2010 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 for internal use is amortized over its estimated useful life (five years).

(e) Deferred expenses

Bond issuing costs are recognized at the time of payment.

(f) 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.

(g) 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 for self-assessment purposes, namely, "normal obligors," "obligors requiring caution," "bankruptcy risk obligors," "substantially bankrupt obligors," and "bankrupt obligors."

For credits to those classified as normal obligors or obligors requiring caution, 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 the amount deemed necessary, deducting the expected amount recoverable through the disposal of collateral or execution of guarantee.

For credits to obligors classified as substantially bankrupt obligors or bankrupt obligors, the allowance for credit losses is provided for the full amounts of such credits, deducting the expected amount recoverable through the disposal of collateral or execution of guarantee.

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. The allowance is provided based on the results of these assessments. Note that the self-assessment is audited by the Internal Audit Division, which is independent from the Bank's other divisions, including the Risk Management Office.

(h) Reserve for bonuses

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

(i) Employees' severance and retirement benefits

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

The 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.

(Change in accounting policies)

From the fiscal year ended March 31, 2010, the Bank has adopted "the Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 Partial Amendments issued on July 31, 2008). Since the same discount rate as the rate in accordance with the previous standard was deduced, there were no impacts of this change on the financial statements.

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

(Additional information)

From the fiscal year ended March 31, 2009, the Bank abolished its retirement benefits for directors and statutory auditors. This was 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, the entire amount of the reserve for retirement benefits for directors and statutory auditors was drawn down and the unpaid total of ¥282 million of payment for the discontinuation amounts was included in "Other liabilities."

(k) 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.

(l) 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.

(m) 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.

(n) Consumption taxes

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

(o) 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.

(p) 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.

(q) Application of new accounting standards

Financial Instruments

From the fiscal year ended March 31, 2010, the Bank has adopted "the Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on March 10, 2008) and "the Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 10, 2008).

3. Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows for the years ended March 31, 2010 and 2009 consisted of cash and due from banks of ¥294,192 million and ¥280,589 million on the balance sheets as of March 31, 2010 and 2009, respectively.

4. Cash and due from banks

Cash and due from banks as of March 31, 2010 and 2009 consisted of the following:

March 31, 2010	Millions of yen	
	2010	2009
Cash	¥288,965	¥274,388
Due from banks	5,227	6,200
Total	¥294,192	¥280,589

5. Financial instruments

1) Disclosure on Financial Instruments

(1) Policy on Financial Instruments

The Bank has its basic policy for both fund procurement and investments, which is designed to keep volatility low and risks minimized, and does not seek for profits by aggressive risk taking.

The Bank procures necessary cash for the working capital mainly for cash held in ATMs and capital expenditure for ATM and system related infrastructures. We raise our base capital taking into account the interest rate trend through deposit, long-term borrowing, and bond issuance and use the call market to raise additional capital to cover the daily fluctuation of our cash needs.

On the asset side, the Bank lends money to individuals with minimal lots. However, the main operation is in treasury and securities as a limited end user. Investments are limited to securities with high creditworthiness and liquidity, such as Japanese government bonds, deposits placed at highly rated partner financial institutions, and lending of funds in the call-money market. The Bank does not invest in high risk derivatives and other instruments.

(2) Types of and Risks Associated with Financial Instruments

Cash for the operation of ATM business accounts for most of the financial instruments the Bank holds. We provide unutilized capital to call loan lending and are subject to credit risk of the borrowers. Securities consist of Japanese government bonds, Japanese municipal bonds, and stocks, all of which are classified as being held as available-for-sale securities. These securities are subject to issuers' credit risks, interest rate risk, and market (price) risk. Loans are ones for individual customers (revolving card loans), which are subject to credit risk of the borrowers. However, the risk is limited, because guarantees are attached to the entire loan amounts.

The Bank conducts banking business and its deposits and negotiable certificates of deposit that account for most of its financial liabilities are subject to interest rate risk. It also uses the call market to raise short-term additional capital and is subject to liquidity risk that it cannot raise necessary capital when needed. Borrowed money and bonds also entail liquidity risk that the Bank cannot make necessary payments upon the due dates under certain circumstances where the Bank cannot access to the capital market. Additionally, the borrowed money bears floating rate interest payments and is subject to interest rate risk, which, however, is hedged by the use of interest rate swaps.

(3) Risk Management Relating to Financial Instruments

(A) Credit Risk Management

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

Credit risks related to issuers of securities and counterparty risks of derivative transactions are managed by the Risk Management Division through periodically collecting updated credit information and fair values of the instruments.

(B) Market Risk Management

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 decision at the monthly ALM Committee where the Bank's market risk position and expected trends in interest rates and other matters are reported.

(C) Management of 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 procured 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, including the Executive Committee. In the event of a cash shortage, according to the measures corresponding to each scenario which are designed prior to those events, Company-wide actions are taken to secure the liquidity in a fast and flexible manner. Hence, there shall be no concern on liquidity risk.

(4) Supplementary Explanation on Fair Value, etc. of Financial Instruments

The fair value of financial instruments includes, in addition to the value determined based on the market price, a valuation calculated on a reasonable basis in the cases where no market price is available. Certain assumptions are used for the calculation of such values. Accordingly, the result of such calculation may vary if different assumptions are employed.

2) Disclosure on the Fair Value, etc. of Financial Instruments

The following table summarizes the amount stated in the balance sheet and the fair value of financial instruments as of March 31, 2010 together with their differences. Note that the following table does not include non-listed company shares and certain available-for-sale securities for which fair value is extremely difficult to observe (see Note 2).

	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks*	¥294,190	¥294,190	¥ —
(2) Call loans*	19,981	19,981	—
(3) Securities			
Available-for-sale securities	87,116	87,116	—
(4) Loans	126		
Allowance for credit losses*	(0)		
	126	126	—
(5) ATM-related temporary payments*	61,761	61,761	—
Total assets	¥463,176	¥463,176	¥ —
(1) Deposits	¥208,708	¥209,117	¥ 409
(2) Negotiable certificates of deposit	10,300	10,300	—
(3) Call money	13,300	13,300	—
(4) Borrowed money	31,000	31,520	520
(5) Bonds	90,000	91,929	1,929
(6) ATM-related temporary advances	25,775	25,775	—
Total liabilities	¥379,084	¥381,944	¥2,859

* Allowance for credit losses corresponding to loans are deducted. However, with respect to items other than loans, the amounts stated in the balance sheet are ones that allowances are deducted directly since the amounts of allowance for credit losses corresponding to these items are not material.

(Note 1) Method used for determining the fair value of financial instruments

Assets

(1) Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value for the fair value approximates such carrying amount. There is no deposit with maturity.

(2) Call loans

The majority of transactions are short-term contracts (1 year or less). Thus, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount.

(3) Securities

The fair value of bonds is determined based on the price quoted by the exchange or the financial institutions from which they are purchased.

See "Securities" for notes on securities by categories based on purposes of holding the securities.

(4) Loans

For loans with variable interest rates, the carrying amount is presented as the fair value, for the loans reflect market rates in a timely manner and the fair value approximates such carrying amount, unless the creditworthiness of the borrower has changed significantly since the loan origination. There is no loan with a fixed interest rate.

For receivables from bankrupt, substantially bankrupt, and bankruptcy risk obligors, credit loss is estimated based on factors such as the present value of expected future cash flow or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying

amount net of the currently expected credit loss amount, such carrying amount is presented as the fair value.

(5) ATM-related temporary payments

The remaining terms of the payments are short-term (1 year or less). Thus, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount.

Liabilities

(1) Deposits and (2) negotiable certificates of deposit

For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. Fixed rate time deposits are grouped by certain maturity lengths. The fair value of such deposits is the present discount value of expected future cash flow. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits with maturity of less than a year, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount.

(3) Call money

The carrying amount is presented for the fair value, as the fair value approximates such carrying amount because the majority of them are short-term contracts (1 year or less).

(4) Borrowed money

For borrowed money with fixed interest rates, the fair value is calculated as the present value of expected future cash flows from these borrowings (for the borrowings qualifying for special hedge

accounting treatment of interest rate swaps under JGAAP, expected future cash flow based on the interest rate swap rate), grouped by certain maturity lengths, which is discounted at an interest rate generally applicable to similar borrowings reflecting the premium applicable to us. For the borrowed money with maturity of less than a year, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount. There is no floating rate borrowing.

(5) Bonds

The fair value of corporate bonds issued by the Bank is determined based on the market prices.

(6) ATM-related temporary advances

The remaining terms of the payments are short-term (1 year or less). Thus, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount.

Derivative transactions

See "Derivative financial instruments and hedging transactions" for notes on derivative transactions.

(Note 2) The following table summarizes financial instruments whose fair value is extremely difficult to estimate. These securities are not included in the amount presented under the line item "6. Securities" in the table summarizing fair value of financial instruments.

Millions of yen	
Category	Carrying amount
Non-listed company shares [*]	¥2,294
Total	¥2,294

^{*} Non-listed equity securities do not have market prices to quote. Since it is extremely difficult to estimate the fair value of these securities, their fair value is not included in the scope of fair value disclosure.

(Note 3) Redemption schedule of monetary claims and securities with maturities.

March 31, 2010	Millions of yen					
	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Due from banks ^{*1}	¥ 5,227	¥—	¥—	¥—	¥—	¥—
Call loan.....	20,000	—	—	—	—	—
Securities:		—	—	—	—	—
Available-for-sale securities with maturity.....	86,999	—	—	—	—	—
Japanese government bonds.....	77,000	—	—	—	—	—
Municipal bonds.....	9,999	—	—	—	—	—
Loans ^{*2}	126	—	—	—	—	—
ATM-related temporary payments	61,763	—	—	—	—	—
Total	¥174,117	¥—	¥—	¥—	¥—	¥—

Notes: ^{*1} Due from banks with no maturities is included in the "Within one year" category.

^{*2} There are no loans to bankrupt, substantially bankrupt, or bankruptcy risk obligor borrowers. Loans are disclosed as "Within one year."

(Note 4) Redemption schedule of bonds payable, borrowed money, and other interest-bearing debt

March 31, 2010	Millions of yen					
	Within one year	Over one year but within three years	Over three years but within five years	Over five years but within seven years	Over seven years but within ten years	Over ten years
Deposits [*]	¥175,468	¥15,818	¥17,422	¥—	¥—	¥—
Negotiable certificates of deposit.....	10,300	—	—	—	—	—
Call money.....	13,300	—	—	—	—	—
Borrowed money.....	12,000	—	18,000	1,000	—	—
Bonds.....	—	46,000	44,000	—	—	—
ATM-related temporary advances.....	25,775	—	—	—	—	—
Total	¥236,843	¥61,818	¥79,422	¥1,000	¥—	¥—

^{*} Demand deposits are included in the "Within one year" category.

6. Securities

(1) The following tables summarize acquisition cost, book value, and fair value of securities with available fair values as of March 31, 2010 and 2009:

Available-for-sale securities:

Securities with higher balances than acquisition costs

March 31, 2010	Millions of yen		
	Acquisition cost	Book value	Difference
Bonds:			
Japanese government bonds.....	¥26,121	¥26,124	¥3
Japanese municipal bonds.....	7,494	7,497	3
Total	¥33,615	¥33,622	¥6

Securities with the same or lower balances than acquisition costs

March 31, 2010	Millions of yen		
	Acquisition cost	Book value	Difference
Bonds:			
Japanese government bonds.....	¥50,978	¥50,973	¥(5)
Japanese municipal bonds.....	2,523	2,520	(2)
Total.....	¥53,502	¥53,494	¥ 8
Grand total.....	¥87,117	¥87,116	¥(1)

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

(2) The following table summarizes the book value of securities with no available fair values as of March 31, 2010 and 2009.

	Millions of yen	
	2010	2009
Available-for-sale securities:		
Unlisted stocks.....	See Note No. 5 Financial instruments	¥2,294

(3) Available-for-sale securities with maturities as of March 31, 2010 and 2009 are as follows:

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

(4) Net unrealized gains (losses) on available-for-sale securities on the balance sheet are as follows:

March 31, 2009 and 2010	Millions of yen	
	2010	2009
Unrealized gains (losses):		
On available-for-sale securities.....	¥(1)	¥81
Deferred tax asset (liability)	0	(32)
Net unrealized gains (losses) on available-for-sale securities, net of tax.....	(0)	¥48

7. Assets pledged

Available-for-sale securities of ¥1,199 million were pledged as collateral for ¥1,100 million of call money.

Additionally, securities were pledged as collateral for exchange settlements and overdraft transactions with the Bank of Japan. The securities amounted to ¥85,916 million and ¥86,593 million as of March 31, 2010 and 2009, respectively.

Other assets include guarantee deposits of ¥734 million and ¥716 million as of March 31, 2010 and 2009, respectively.

8. Loans

There were no loans to bankrupt borrowers or delinquent loans. Loans to bankrupt borrowers are non-accrual loans, after write-off, to borrowers who are legally bankrupt as defined in Article 96 (1) (iii) and (iv) of the Corporation Tax Act Enforcement Ordinance (Article 97 of 1965 Cabinet Order), for which interest is not recognized as there is substantial doubt on collectability because it is past due for a considerable period. Delinquent loans are non-accrual loans other than (i) loans to bankrupt borrowers and (ii)

loans of which payments of interest are deferred in order to assist or facilitate the restructuring of borrowers in financial difficulties.

There were no loans past due three months or more. Loans past due three months or more are loans on which the payment of principal and/or interest is past due for three months or more from the due date, and which are not included in loans to bankrupt borrowers or delinquent loans.

There were no renegotiated loans. Those loans are ones on which terms and conditions have been amended in favor of borrowers, in order to facilitate or assist the borrowers' restructuring by reducing the rate of interest, by providing a grace period for the payment of principal or interest or by debt forgiveness, and are not classified in any of the above categories.

Contracts of overdraft facilities are the contracts by which the Bank lends money to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts. The unused facility was ¥146 million relating to these contracts, including ¥146 million of which has the term of contracts of less than one year.

9. Tangible fixed assets

Tangible fixed assets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Buildings.....	¥ 725	¥ 772
ATMs.....	9,183	14,282
Other.....	1,347	944
Total.....	¥11,257	¥15,998

10. Intangible fixed assets

Intangible fixed assets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Software.....	¥12,540	¥13,157
Software-related temporary accounts.....	4,094	1,605
Other.....	12	14
Total.....	¥16,648	¥14,777

11. Other assets

Other assets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Prepaid expenses.....	¥ 326	¥ 286
Prepaid pension cost.....	77	115
Other.....	790	806
Total.....	¥1,194	¥1,208

12. Deposits

Deposits as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Ordinary deposits.....	¥144,997	¥136,073
Time deposits.....	63,381	51,795
Other deposits*1.....	329	242
Negotiable certificates of deposit.....	10,300	41,200
Total.....	¥219,008	¥229,311

Note: *1 Other deposits are specified deposits.

13. Borrowed money

Borrowed money as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Borrowed money from banks and insurance companies.....	¥31,000	¥69,000

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2010 and 2009 was 1.15% and 1.05%, respectively.

The repayment schedule on borrowed money as of March 31, 2010 and 2009 was as follows:

	Millions of yen	
	2010	2009
Within one year.....	¥12,000	¥44,000
Over one year but within two years.....	—	12,000
Over two years but within three years.....	—	—
Over three years but within four years.....	13,000	—
Over four years but within five years.....	5,000	13,000
Over five years.....	1,000	—

14. Bonds

Bonds as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Unsecured:		
1.45% unsecured bonds due December 20, 2011.....	¥36,000	¥36,000
1.67% unsecured bonds due December 20, 2013.....	24,000	24,000
0.74% unsecured bonds due June 20, 2012.....	10,000	—
1.03% unsecured bonds due June 20, 2014.....	20,000	—
Total.....	¥90,000	¥60,000

The repayment schedule on bonds as of March 31, 2010 and 2009 was as follows:

	Millions of yen	
	2010	2009
Within one year.....	¥ —	¥ —
Over one year but within two years.....	36,000	—
Over two years but within three years.....	10,000	36,000
Over three years but within four years.....	24,000	—
Over four years but within five years.....	20,000	24,000
Over five years.....	—	—

15. Other liabilities

Other liabilities as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Income taxes payable.....	¥ 6,711	¥ 7,204
Accrued expenses.....	4,218	3,982
Unearned income.....	8	1
Other.....	2,526	2,515
Total.....	¥13,464	¥13,704

16. Employees' severance and retirement benefits

The Bank has an employee pension plan which is a contributory funded defined benefit pension plan. The reserve for severance and retirement benefits as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
1. Projected benefit obligation.....	¥(1,184)	¥(994)
2. Fair value of plan assets.....	668	431
3. Unaccrued projected benefits obligation (1+2).....	(515)	(562)
4. Unrecognized net asset or obligation due to change in accounting standard.....	—	—
5. Unrecognized actuarial difference.....	568	648
6. Unrecognized prior service cost.....	25	30
7. Net amount recorded on the balance sheet (4+5+6).....	77	115
8. Prepaid pension cost.....	77	115
9. Reserve for severance and retirement benefits (7-8).....	¥ —	¥ —

The components of net periodic retirement benefit costs for the fiscal years ended March 31, 2010 and 2009 were as follows:

	Millions of yen	
	2010	2009
Service cost.....	¥143	¥120
Interest cost.....	19	18
Expected return on plan assets.....	(12)	(13)
Amortization of unrecognized prior service cost.....	5	5
Amortization of unrecognized actuarial difference.....	78	53
Other retirement cost (non-actuarial basis cost).....	—	—
Net periodic retirement benefit costs.....	¥234	¥183

Assumptions used for the fiscal years ended March 31, 2010 and 2009 were set forth as follows:

	2010	2009
Discount rate.....	2.0%	2.0%
Expected rate of return on plan assets.....	3.0%	3.0%
Allocation method of projected retirement benefit obligation.....	Point based	Point based
Amortization period for prior service cost.....	10 years (using the straight-line method within the employees' average remaining service period at incurrence)	10 years (using the straight-line method within the employees' average remaining service period at incurrence)
Amortization period for actuarial difference.....	10 years (using the straight-line method within the employees' average remaining service period, commencing from the next fiscal year of incurrence)	10 years (using the straight-line method within the employees' average remaining service period, commencing from the next fiscal year of incurrence)

17. 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. The 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.

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, 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 the legal earnings reserve. In the fiscal year ended March 31, 2010, the amount of the legal earnings reserve was ¥0 million.

18. Fees and commissions income

Fees and commissions income received for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Remittance-related fee income.....	¥ 499	¥ 527
ATM-related fee income.....	85,294	85,554
Other.....	2,557	2,659
Total.....	¥88,350	¥88,741

19. Fees and commissions expenses

Fees and commissions expenses paid for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Remittance-related fee expenses.....	¥ 223	¥ 232
ATM placement fee expenses.....	9,003	8,541
ATM-related fee expenses.....	444	351
Other.....	20	58
Total.....	¥9,691	¥9,183

20. Other operating income

Other operating income for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Gains on foreign exchange transactions	¥—	¥19
Total	¥—	¥19

21. Other operating expenses

Other operating expenses for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Losses on foreign exchange transactions	¥112	¥—
Losses on redemption of bonds	—	74
Amortization of bond issuing costs	118	—
Derivatives expenses	—	6
Total	¥230	¥80

22. Other income

Other income for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Reversal of allowance for credit losses	¥—	¥ 1
Reversal of reserve for losses on cancellation of leases	—	25
Other	85	175
Total	¥85	¥203

23. Other expenses

Other expenses for the fiscal years ended March 31, 2010 and 2009, consisted of the following:

	Millions of yen	
	2010	2009
Losses on disposal of fixed assets	¥101	¥ 41
Allowance for credit losses	63	—
Other	3	149
Total	¥168	¥191

24. 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, 2010 and 2009, respectively.

Significant components of the deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen	
	2010	2009
Deferred tax assets:		
Enterprise tax	¥ 524	¥ 558
Depreciation	373	509
Accounts payable (Reserve for retirement benefits for directors and statutory auditors)	89	115
Reserve for bonuses	119	111
Allowance for credit losses	52	26
Other	83	49
Total deferred tax assets	1,243	1,371
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	—	(32)
Prepaid expenses	(31)	(46)
Total deferred tax liabilities	(31)	(79)
Net deferred tax assets	¥1,211	¥1,291

25. 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, 2010 were as follows:

	Number of shares			
	March 31, 2009	Increase	Decrease	March 31, 2010
Shares issued ^{*1}				
Common stock ^{*2}	1,220,000	27	—	1,220,027
Total	1,220,000	27	—	1,220,027

Notes: *1 There are no shares of treasury stock.

*2 Increase in number of shares:

27 shares due to stock options exercised during the period

(b) 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.

(2) Information on subscription rights to shares:

(a) Year ended March 31, 2010:

Details of subscription rights to shares	Type of shares	Number of shares				Balance at March 31, 2010 (Millions of yen)
		March 31, 2009	Increase	Decrease	March 31, 2010	
Subscription rights to shares as stock options			—			¥88
Total			—			¥88

Note: There are no treasury subscription rights to shares.

(b) 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	March 31, 2009	
Subscription rights to shares as stock options			—			¥48
Total			—			¥48

Note: There are no treasury subscription rights to shares.

(3) Information on dividends:

(a) 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

(b) Dividends paid in the fiscal year ended 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 ^{*1}	¥3,416	Retained earnings	¥2,800	March 31, 2009	June 2, 2009
Common stock ^{*2}	¥2,989	Retained earnings	¥2,450	September 30, 2009	December 1, 2009

Notes: *1 Date of resolution: Board of Directors meeting held on May 29, 2009

*2 Date of resolution: Board of Directors meeting held on November 6, 2009

(c) Dividends to be paid in the fiscal year ending March 31, 2011

(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	¥3,355	Retained earnings	¥2,750	March 31, 2010	June 1, 2010

Note: Date of resolution: Board of Directors meeting held on May 29, 2010

26. 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 year 2008.

(1) Transactions with related parties

(a) Related party transactions for the fiscal year ended March 31, 2010 were as follows:

Parent company and major shareholders

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}	¥ 8,739	Accrued expenses	¥ 786
		Handling of negotiable deposits ^{*4}	4,328	Negotiable deposits	10,000
		Interest on negotiable deposits ^{*3}	5	Accrued expenses	0
Ito-Yokado Co., Ltd. ^{*2}	Main shareholder	Handling of negotiable deposits ^{*4}	23,235	—	—
		Interest on negotiable deposits ^{*3}	115	—	—

Notes: *1 28.98% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2010.

*2 12.04% of the outstanding common stock of the Bank is directly owned by Ito-Yokado Co., Ltd., as of March 31, 2010.

*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.

*5 The accrued expenses are accounted for including suspense consumption tax payable.

Company that has the same parent company with the Bank and subsidiaries of the Bank's affiliated companies:

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 Financial Center Co., Ltd. ^{*1}	Sister company	Handling of negotiable deposits ^{*2}	¥11,115	—	¥—
		Interest on negotiable deposits ^{*1}	24	—	—

Notes: *1 Conditions of transactions and method for determining conditions for transactions:

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

*2 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, 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 company	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.

*5 The accrued expenses are accounted for including suspense consumption tax payable.

(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

27. 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, 2010 and 2009 were as follows:

March 31, 2010	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Equipment.....	¥7,656	¥6,679	¥ 976
Other	502	448	54
Total.....	¥8,159	¥7,128	¥1,031

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

Future minimum lease payments excluding interest as of March 31, 2010 and 2009 were as follows:

	Millions of yen	
	2010	2009
Due within one year.....	¥1,041	¥1,577
Due after one year.....	34	1,079
Total.....	¥1,076	¥2,657

Total lease expenses for the fiscal years ended March 31, 2010 and 2009 were ¥1,618 million and ¥2,027 million, respectively.

Assumed depreciation expenses for the fiscal years ended March 31, 2010 and 2009 amounted to ¥1,538 million and ¥1,934 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, 2010 and 2009 amounted to ¥41 million and ¥80 million, respectively.

Operating Leases:

Future minimum lease payments under non-cancelable operating leases at March 31, 2010 and 2009 were as follows:

	Millions of yen	
	2010	2009
Due within one year.....	¥ 7	¥ 7
Due after one year.....	3	4
Total.....	¥10	¥12

28. Derivative financial instruments and hedging transactions

Derivative transactions to which the hedge accounting method is not applied: None

Derivative transactions to which the hedge accounting method is applied:

For derivative transactions to which the hedge accounting method is applied, the following table shows contract or notional

amounts, fair values, and methods of fair value calculation as of the balance sheet date for each type of hedging instrument and hedge accounting method. The contract or notional amounts, however, do not represent the magnitude of market risk associated with the derivative transactions.

Interest-related transactions:

March 31, 2010

Hedge accounting method	Hedging instruments	Hedged items	Millions of yen		
			Contract or notional amount	Over one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps				
	Receive variable, pay fixed.....	Borrowed money	¥5,000	¥5,000	¥(1)
	Total.....		—	—	—

Note: Derivatives accounted for by the special treatment for interest rate swaps are valued in conjunction with the hedged item, i.e., borrowed money. Hence, the fair value is included in the fair value of the borrowed money shown in the 5. Financial Instruments section.

29. Stock options

Fiscal year ended March 31, 2009

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

The valuation technique used for valuating fair value of First grant-1 of subscription rights to shares and First grant-2 of subscription rights to shares during the fiscal year ended March 31, 2009 was 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 Jasdaq 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 6 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 the 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 been forfeited is reflected.

Fiscal year ended March 31, 2010

A share-based compensation expense of ¥46 million is accounted for as general and administrative expenses in the fiscal year ended March 31, 2010.

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
	Second grant-1	Second grant-2
Title and number of grantees	4 directors	5 executive officers
Number of stock options (a)	171 common shares	38 common shares
Grant date	August 3, 2009	August 3, 2009
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 3, 2009 to August 3, 2039	From August 3, 2009 to August 3, 2039

- (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, 2010.

The number of stock options is converted into the number of shares.

Fiscal year ended March 31, 2010:

Number of stock options

	First grant-1	First grant-2
Before vested		
As of March 31, 2009	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2009	184	21
Vested	—	—
Exercised	27	—
Forfeited	—	—
Outstanding	157	21

	Second grant-1	Second grant-2
Before vested		
As of March 31, 2009.....	—	—
Granted.....	171	38
Forfeited.....	—	—
Vested.....	171	38
Outstanding.....	—	—
After vested		
As of March 31, 2009.....	—	—
Vested.....	171	38
Exercised.....	—	—
Forfeited.....	—	—
Outstanding.....	171	38

Price information	First grant-1	First grant-2
Exercise price.....	¥1 per share	¥1 per share
Average stock price at exercise.....	¥251,300 per subscription to share	—
Fair value at the grant date (a).....	—	¥236,480 per subscription to share

Price information	Second grant-1	Second grant-2
Exercise price.....	¥1 per share	¥1 per share
Average stock price at exercise.....	—	—
Fair value at the grant date (a).....	¥221,862 per subscription to share	¥221,862 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 Second grant-2 of subscription rights to shares during the fiscal year ended March 31, 2010 were as follows:

Valuation method used: Black-Scholes option-pricing model

Principal parameters and estimation method	Second grant-1	Second grant-2
Expected volatility of the underlying stock (a).....	34.55%	34.55%
Remaining expected life of the option (b).....	5 years	5 years
Expected dividends on the stock (c).....	¥4,900 per share	¥4,900 per share
Risk-free interest rate during the expected option term (d).....	0.745%	0.745%

(a) Although shares have been listed on the Nasdaq 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 from July 25, 2004 to August 3, 2009.

(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted average period from June 2009 to each director's expected retirement date, based upon the number of stock options allocated to each director, plus 10 days of the exercisable period.

(c) Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended March 31, 2009.

(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 been forfeited is reflected.

30. Per share data

March 31, 2010 and 2009	Yen	
	2010	2009
Net assets per share	¥90,039.83	¥80,610.55

Years ended March 31, 2010 and 2009	Yen	
	2010	2009
Net income per share	¥14,716.01	¥13,924.60
Net income per share (diluted)	14,712.13	13,923.12

Note: Net income per share is calculated based on the following:

Years ended March 31, 2010 and 2009	Millions of yen, except number of shares	
	2010	2009
Net income per share		
Net income	¥17,953	¥16,988
Amount not attributable to common shareholders	—	—
Net income attributable to common stock	17,953	16,988
Average number of common stock during the year (in thousands)	1,220	1,220
Net income per share (diluted)		
Adjustment for net income	—	—
Increase in number of common stock (in thousands)	321	129
Stock acquisition rights (inclusive)	321	129
Description of dilutive shares not included in the calculation of diluted net income per share because the shares have no dilutive effects	—	—

31. Subsequent events

(1) Dividends

On May 28, 2010, the Board of Directors approved the following appropriations of retained earnings:

Appropriation of retained earnings as of March 31, 2010

	Millions of yen
Year-end cash dividends — Common stock (¥2,750 per share)	¥3,355

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, 2010 and 2009, 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, 2010 and 2009, 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, 2010

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 Cooperative ("KPMG International"), a Swiss entity.

Investor Information As of March 31, 2010

Company Information

Head Office	1-6-1, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
Established	April 10, 2001
Common Stock	30,503 million yen
Number of Employees	329
Fiscal Year-End	March 31

Contact Address	Seven Bank, Ltd. Investor Relations Tel: +81-3-3211-3041 E-mail: ir-7bk@sevenbank.co.jp URL: http://www.sevenbank.co.jp/about/ir/english_ir/
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Shareholder Information

Number of Shareholders	27,705
Common Stock	
Number of Shares Authorized	4,880,000
Number of Shares Issued	1,220,027
Stock Code	8410 (JASDAQ)

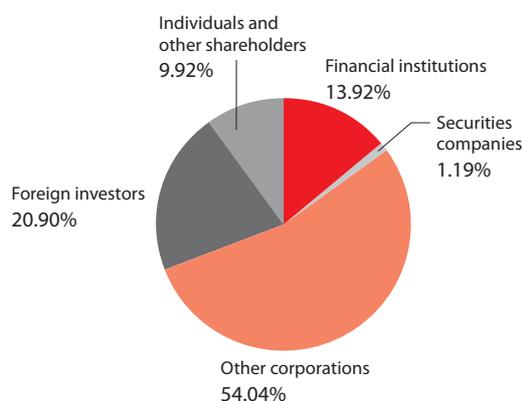
Transfer Agent Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
7-10-11, Higashi Suna,
Koto-ku, Tokyo 137-8081

Independent Auditor KPMG AZSA & Co.

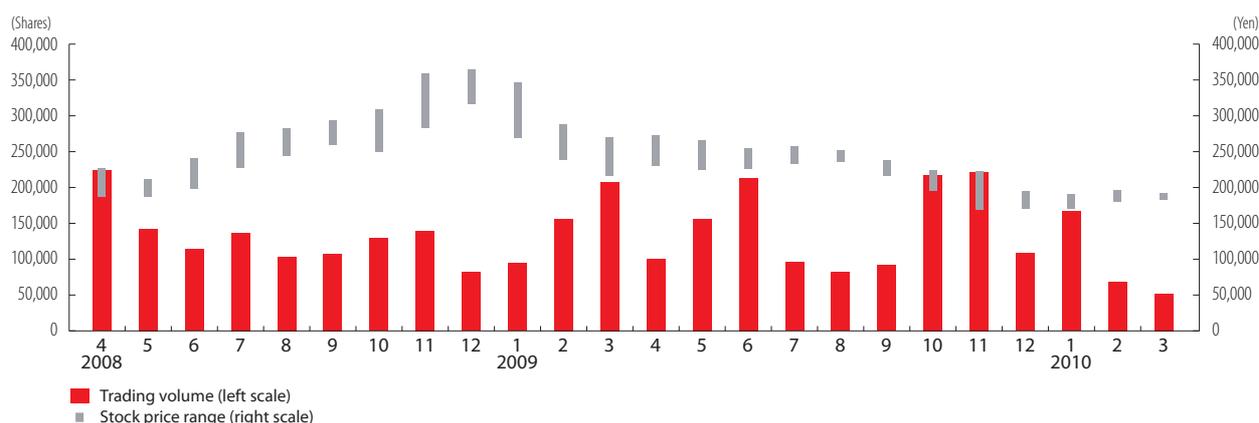
Major Shareholders

Shareholder name / title	Shareholdings in the Company	
	Number of shares	% holding
Seven-Eleven Japan Co., Ltd.	353,639	28.98%
Ito-Yokado Co., Ltd.	146,961	12.04%
York-Benimaru Co., Ltd.	52,400	4.29%
State Street Bank and Trust Company (standing proxy : The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	46,246	3.79%
Life Foods Co., Ltd.	30,000	2.45%
Morgan Stanley and Company Inc. (standing proxy : Morgan Stanley Securities Co., Ltd.)	25,617	2.09%
State Street Bank and Trust Company (standing proxy : Mizuho Corporate Bank, Ltd., Settlement & Sales Division)	23,684	1.94%
SAJAP (standing proxy : The Bank of Tokyo- Mitsubishi UFJ, Ltd.)	17,897	1.46%
Japan Trustee Services Bank Ltd. (trust account)	16,102	1.31%
Sumitomo Mitsui Banking Corporation	15,000	1.22%
The Dai-ichi Mutual Life Insurance Company (standing proxy : Trust & Custody Service Bank, Ltd.)	15,000	1.22%

Composition of Shareholders



Stock Price Range and Trading Volume





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