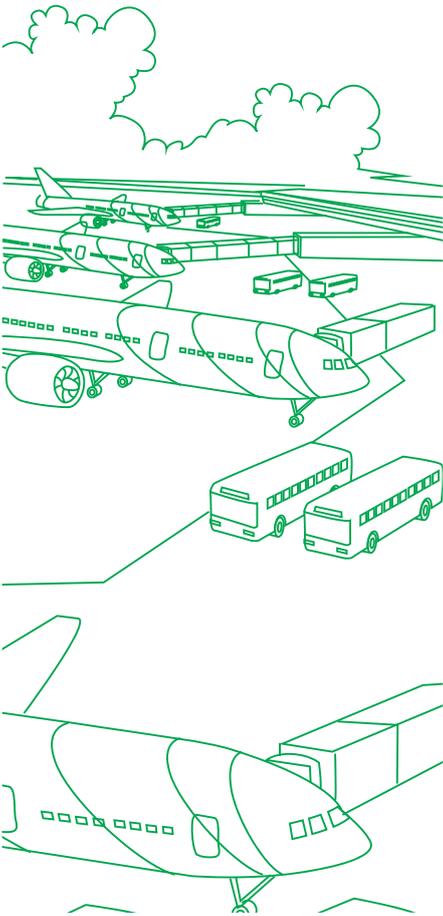


Further Expanding Opportunities



SEVEN BANK, LTD.
Annual Report 2014
For the year ended March 31, 2014



Profile

Seven Bank, Ltd. is a one-of-a-kind bank specializing in ATM services that was created in 2001 in response to requests from Seven-Eleven customers for in-store ATMs. Since it began operations in 2001, Seven Bank has kept a consistent focus on its customers' viewpoint in offering ATM services that can be accessed "anytime, anywhere, by anyone, and with safety and security" and in creating new services that build on those ATM services. Seven Bank will continue to evolve while maintaining its total customer orientation.



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,



Corporate Principles

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

Management Ethos

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



Contents

To Our Shareholders and Investors	2	Corporate Social Responsibility	30
Business Overview	4	Financial Section	31
ATM Business	6	Management's Discussion and Analysis	32
Financial Highlights	14	Consolidated Financial Statements	38
Interview with President Kensuke Futagoishi	16	Notes to Consolidated Financial Statements	43
Business Topics	21	Non-consolidated Eleven-Year Summary of Selected Financial Data	70
Corporate Governance	23	History	72
Management Team	29	Investor Information	73

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.

We aim to increase shareholder value by achieving further growth capitalizing on our ATM infrastructure.



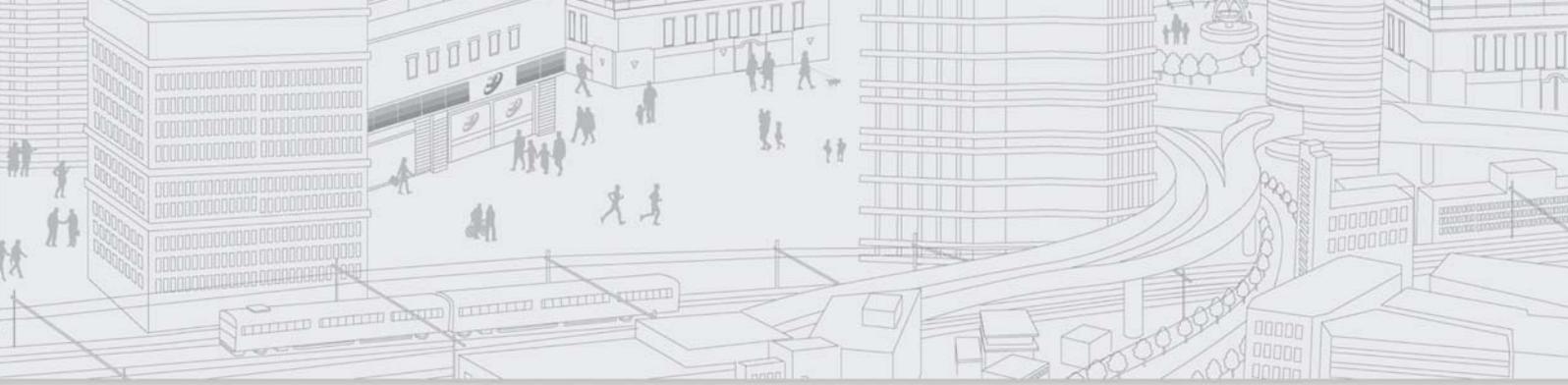
安高隆

Takashi Anzai
Chairman and Representative Director



二子石謙輔

Kensuke Futagoishi
President and Representative Director

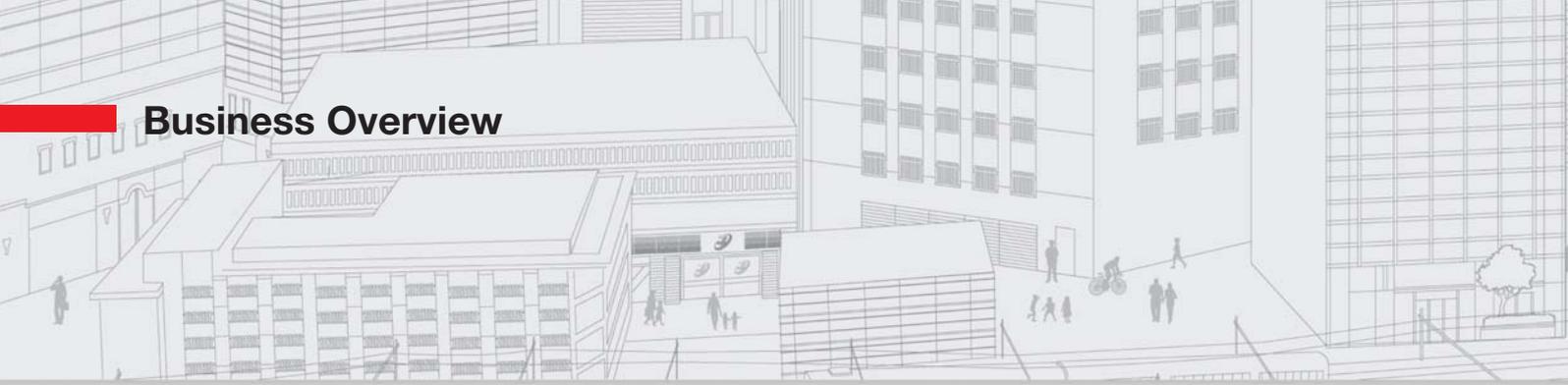


Seven Bank has achieved stable growth by developing an innovative business model of collecting ATM usage fee income from partner financial institutions. With our unique approach, we have built Japan's preeminent ATM network, which is highly valued by customers and partner financial institutions, and is indispensable to people's daily lives as part of Japan's social infrastructure.

Targeting further growth, we are carrying out strategies to take us to the next level of growth from short-term, medium-term and long-term perspectives.

In fiscal 2013, we worked to strengthen our domestic ATM network with measures including stronger promotion of ATM installations outside the Seven & i Group. As a result, we achieved our third consecutive year of increases in revenues and profits, reaching record-high income. We will continue to carry out these strategies in fiscal 2014 for further increases in revenues and profits.

Seven Bank's business has unlimited potential. We aim to increase shareholder value through expansion and growth while taking on challenges that leverage our solid ATM infrastructure.



Customers

ATM services that can be accessed “anytime, anywhere, by anyone, and with safety and security” all over Japan

Account services that are easy to use, convenient, reasonably priced, and serve as an “instant wallet”

Seven Bank’s Business Areas

ATM Services

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

ATM Locations

Seven & i Holdings Group

- Seven-Eleven
- Ito-Yokado
- Other companies

ATMs outside Group company premises

- Airports
- Railway stations and station buildings
- Commercial facilities
- Office buildings and other locations

Bank Account Services

Services for individuals

- International money transfer services
- Ordinary deposit accounts and time deposit accounts
- Domestic money transfer, payment, and online settlement services
- Personal loan services
- Other services

Services for corporations

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

Seven Bank operates an ATM business and a financial services business based on its network of ATMs to create “new kinds of convenience” in partnership with financial institutions. ATM usage fees collected from partner financial institutions in the ATM business account for 94% of Seven Bank’s total income.



ATM Services
94%*

Bank Account
Services/Other
6%*

*Percent of total income

Contribution to improving the efficiency of the financial system

Creation of a symbiotic business model with partner financial institutions

- Tie-ups for ATM use
- Full turnkey services for ATM operation and management
- Bank agency service

Partner Financial Institutions

Deposit-taking financial institutions

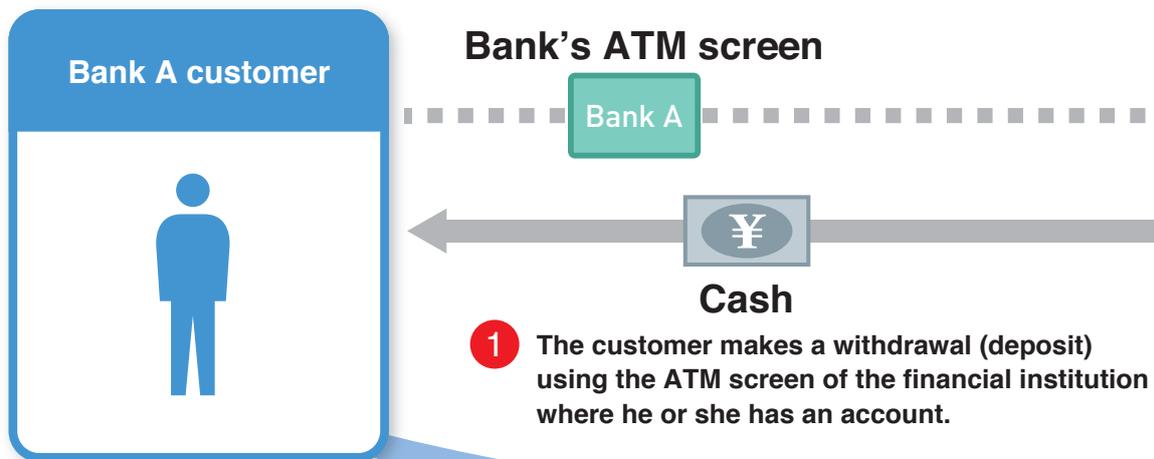
- Banks
- *Shinkin* banks
- Credit cooperatives
- Labor banks
- JA Bank
- JF Marine Bank
- Shoko Chukin Bank

Non-banks

- Securities companies
- Life insurance companies
- Credit card companies
- Credit companies
- Consumer finance companies
- Business loan providers
- Business companies

A Unique Business Model Founded on Coexistence and Co-Prosperity

A One-of-a-Kind Bank with a Business Centered on



Benefits for Customers

Convenient ATM service hours and locations

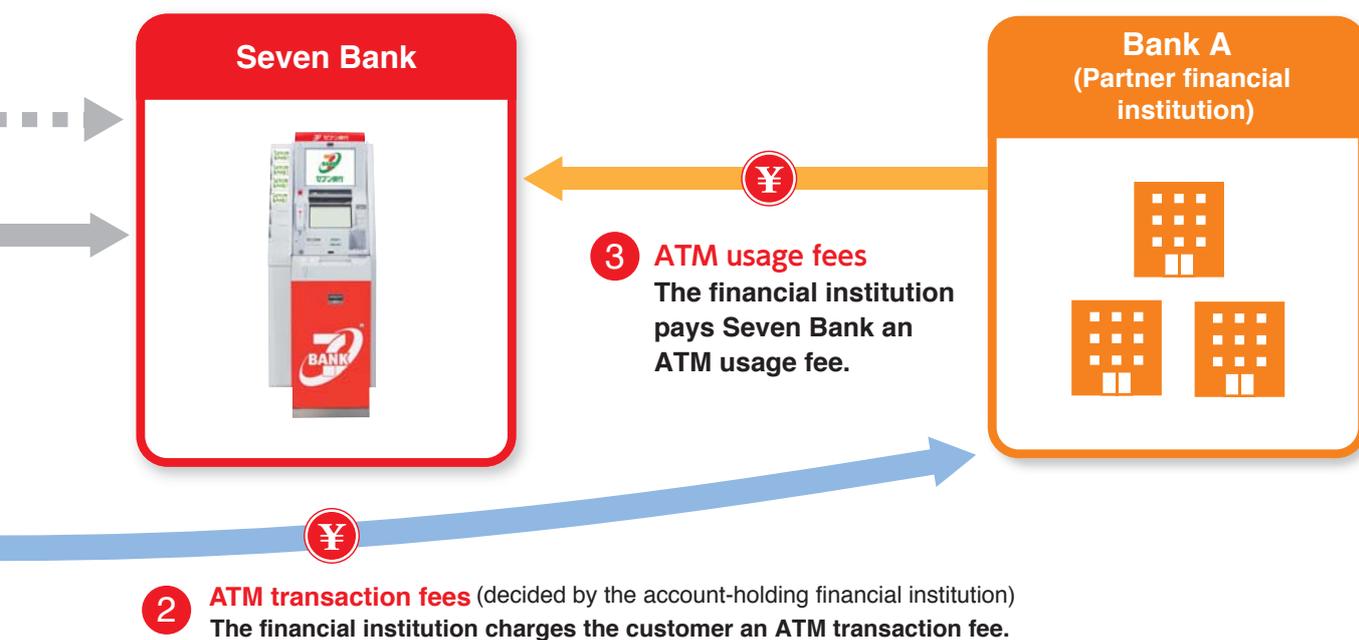
- 24/365 availability
- Customers can use their usual bank card to access a network of more than 580 financial institutions
- No need to carry large sums of cash for business or leisure trips within Japan
- Access to identical services from any Seven Bank ATM throughout Japan

Safety and security

- Security due to installation in convenience stores

Seven Bank's ATM business originates from an ATM network that enables withdrawals and deposits "anytime, anywhere, by anyone, and with safety and security." We have built a unique business model founded on coexistence and co-prosperity that benefits not only the customers who use our ATMs but also our partner financial institutions.

ATM Usage Fees from Financial Institutions



Benefits for Financial Institutions

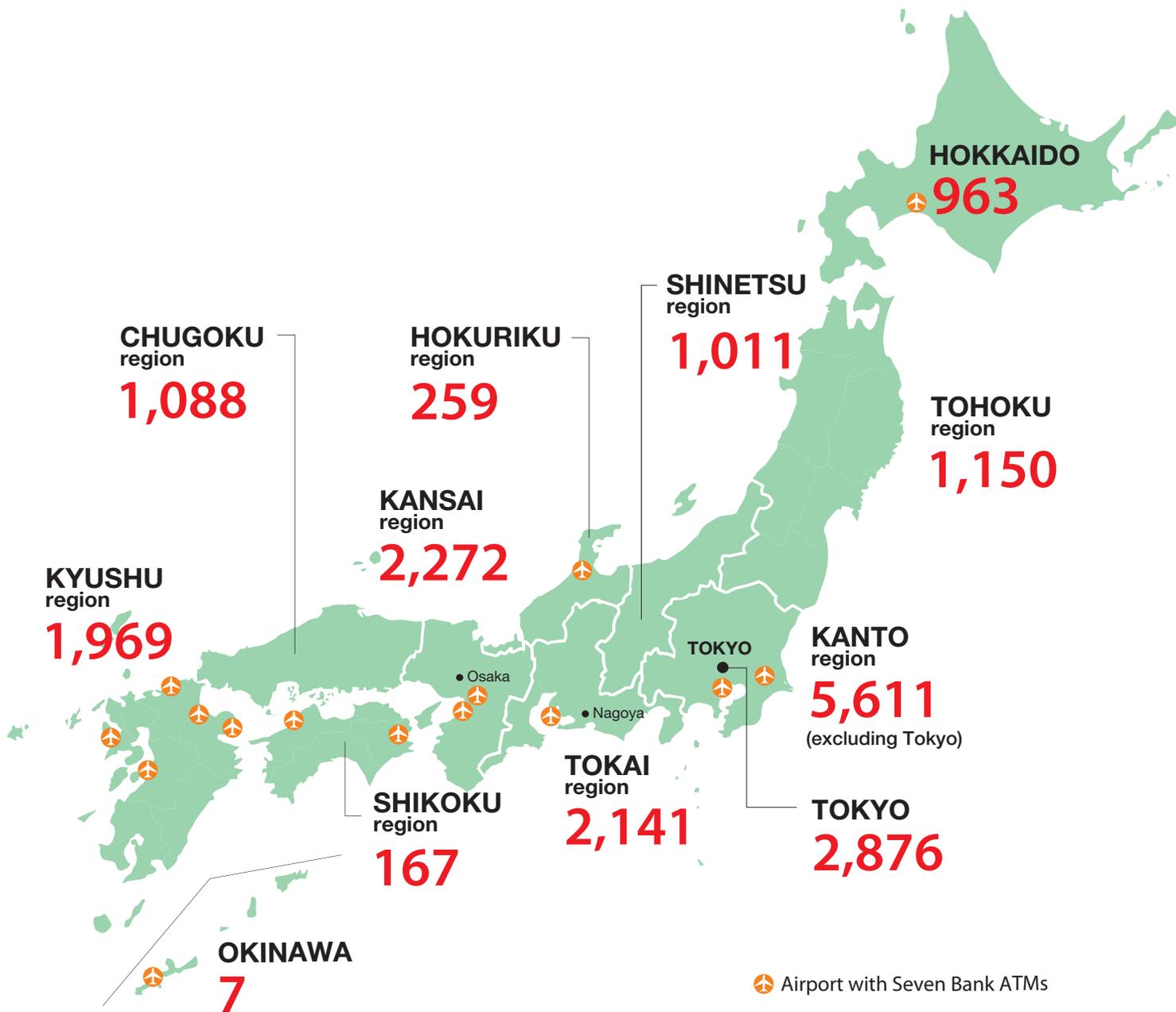
Access to nationwide network of ATMs operating 24/365 without the cost of owning ATMs

Utilization as own ATMs

- Each financial institution decides its own transaction fees
- Screens are identical to the financial institution's own ATMs

Scaling back of own ATMs (cost reduction); marketing strategy that uses Seven Bank ATMs

Close-by, Convenient ATM Services



(As of March 31, 2014)

ATMs nationwide

19,514

We have installed ATMs throughout Japan to provide close-by, convenient ATM services. In addition to installation at stores of the Seven & i Holdings Group – primarily Seven-Eleven, which holds the overwhelming top share of Japan’s convenience store market – we are expanding installations at commercial facilities, railway stations and elsewhere outside the Group.

ATMs in Seven & i Holdings Group Locations



Seven-Eleven stores

17,616



Ito-Yokado stores

312



Other stores

214

ATMs in Other Locations

Commercial facilities

551

Partner financial institution branches

488

Railway stations and station buildings

89

Highway rest areas

49

Airports

36

Office buildings and other locations

159

Partner Financial Institutions throughout Japan

▶ Partner deposit-taking financial institutions

Banks by location of head office

Hokkaido/Tohoku region



Kanto region



Chubu region



Kinki region



Chugoku/Shikoku region



We proactively partner with various financial institutions so their customers can use whatever cards they hold at our ATMs. As of March 31, 2014, we had 589 partner financial institutions throughout Japan.

Kyushu region



Overseas banks



Non-banks

Securities companies



Life insurance companies



Credit card companies, credit companies, consumer finance companies, business loan providers, business companies



Alliance network

Cards issued overseas (international brands)



Notes: 1. Some cards with the same marks are not accepted.
2. Some Maestro cards with IC chips are not accepted at this time.

Providing Safe and Secure Services

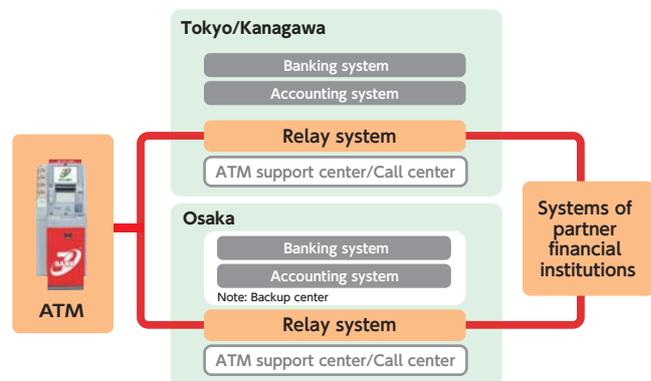
A Network System That Achieves Stable Operation

Seven Bank has set up a secure network system that customers can use whenever they need it.

Normal Conditions

System Base Redundancy

The relay system that forms the backbone of the network and ATM support centers and call centers that are our points of contact with customers have been set up in two locations in eastern and western Japan to prevent interruption of transactions due to a disaster or other reason. The relay system has been structured to maintain normal operations, without a moment of downtime.



Monitoring Cash in ATMs

In cooperation with a partner security firm, we monitor usage at each ATM and work to maintain the proper amount of cash in each ATM at all times. To prevent suspension of service due to running out of cash, the security firm sets the timing of cash refills and collections according to the usage pattern of each ATM, thus keeping the frequency of such work to a minimum.



Security Measures Using Dedicated Lines

Seven Bank and its partner financial institutions are connected by a network of dedicated lines. In addition, data is encrypted according to the type of transaction, with automatic detection of unauthorized access.

Emergencies

Response to Breakdowns and Malfunctions

We operate all ATMs and network systems in real time in cooperation with partner companies. Upon the occurrence of a breakdown or malfunction, a signal is automatically sent out, and we work to keep service downtime to a minimum with a speedy and accurate response.

Business Continuity in a Disaster

To continue operations even during a large-scale disaster or accident, we have prepared a business continuity plan (BCP). Seven Bank has defined three priority businesses that must continue to operate even in the event of a large-scale disaster or accident – the ATM business, the fund settlement business serving banks and ATM partners, and deposit, withdrawal and money transfer operations – and regularly conducts BCP drills. We work to augment response capabilities by assuming hypothetical disasters that could occur during various time periods.



Operation of three ATMs on a Seven-Eleven mobile sales truck used following the Great East Japan Earthquake

Seven Bank conducts thorough system maintenance and enhances the functions of its network of approximately 19,500 ATMs operating 24/365 throughout Japan so that customers can use the ATMs safely and securely.

ATMs for Safe Transactions

Many Seven Bank ATMs are installed in convenience stores, railway stations and other locations open to the general public. Consequently, we use various measures in the areas of design and function that prioritize secure use by customers.



Security Button

The security button quickly alerts the security operations center.



Interphone

Customers experiencing problems can contact a call center using the interphone.



ATM Screen

ATM displays have a special film so that the screen cannot be seen at an angle from the periphery.



IC Cash Card

Our ATMs accept highly secure IC cash cards.



Mirror

A mirror lets users check behind themselves while using the ATM.



Partitions

Users can adjust the partitions so that ATM operation cannot be viewed from the left or right.



Keypad

The keypad is recessed to keep others from viewing input.



Flashing Light and Warning Buzzer

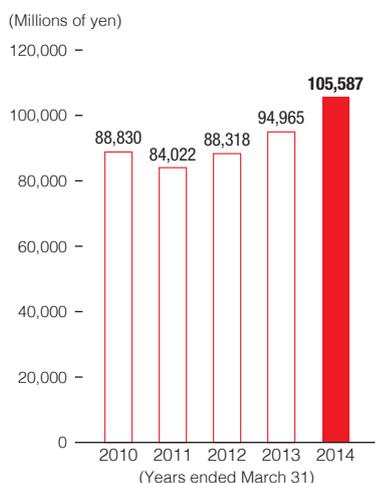
A flashing light and stress-free warning buzzer make sure users do not forget to take their items.

Financial Highlights

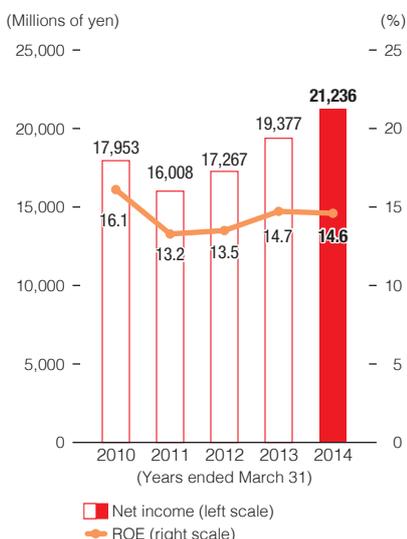
Seven Bank, Ltd. and consolidated subsidiary for the years ended March 31, 2014 and 2013/Seven Bank, Ltd. for the years ended March 31, 2012, 2011, and 2010

- Total income increased 11.1% year on year and net income was up 9.5%, for the third consecutive year of increases in revenues and profits.
- Although growth in the number of transactions slowed because some partner financial institutions began charging customer transaction fees, the number of total transactions increased steadily as the number of ATMs installed exceeded 19,500 on a non-consolidated basis.
- Annual dividends per share increased 0.75 yen to 7.50 yen.

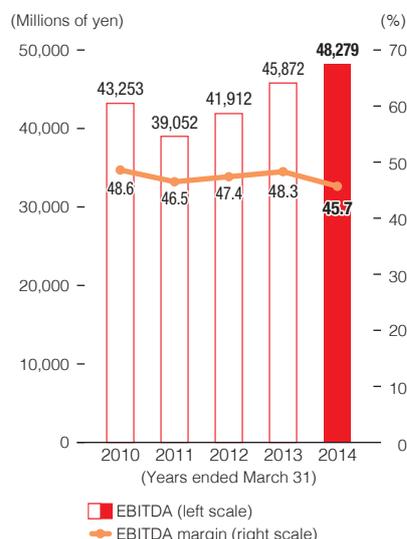
Total Income



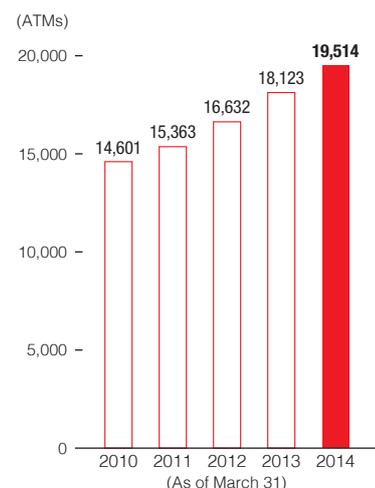
Net Income/ROE



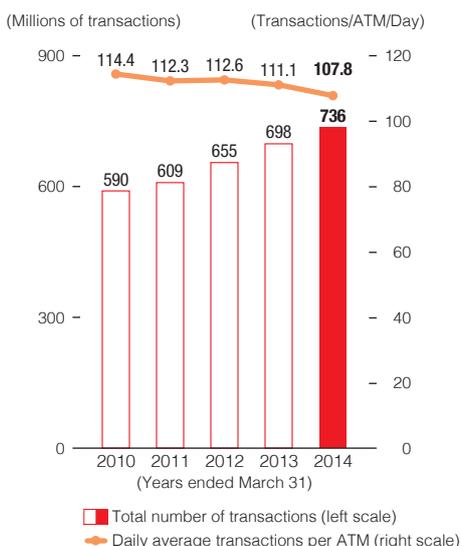
EBITDA/EBITDA Margin



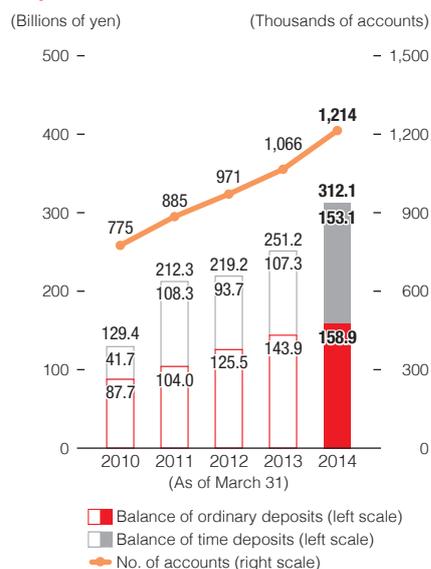
Number of ATM Installations



ATM Transactions



Total Number of Accounts Held by Individuals/Deposit Balance



Notes: 1. EBITDA = ordinary profit (Japanese GAAP) + depreciation and amortization

2. On December 1, 2011, Seven Bank conducted a 1,000-for-1 stock split. Per share data for previous fiscal years have been restated to reflect the change.

3. The year-end dividend for the fiscal year ended March 31, 2012 included an extra 1 yen to commemorate the Bank's listing on the First Section of the Tokyo Stock Exchange.

	Millions of yen				
	2014	2013	2012	2011	2010
	(Consolidated)				(Non-consolidated)
For the year:					
Total income	¥105,587	¥ 94,965	¥ 88,318	¥ 84,022	¥ 88,830
Fees and commissions income	104,533	94,046	87,711	83,644	88,350
Fees and commissions expenses	16,291	12,217	10,705	10,011	9,691
Income before income taxes	34,758	31,370	29,300	26,999	30,306
Net income	21,236	19,377	17,267	16,008	17,953
EBITDA (Note 1)	48,279	45,872	41,912	39,052	43,253
At year-end:					
Total assets	¥790,377	¥812,531	¥652,956	¥600,061	¥502,782
Deposits	438,348	394,615	372,271	333,382	219,008
Total liabilities	636,968	674,486	527,326	485,522	392,843
Total net assets	153,408	138,045	125,629	114,539	109,939
Yen					
Per share data (Note 2):					
Net income	¥ 17.83	¥ 16.27	¥ 14.49	¥ 13.19	¥ 14.71
Net assets	128.49	115.66	105.30	96.05	90.03
Dividends (Note 3)	7.50	6.75	6.20	5.20	5.20
Management indicators:					
EBITDA margin (%) (Note 4)	45.7	48.3	47.4	46.5	48.6
Return on equity (ROE) (%) (Note 5)	14.6	14.7	13.5	13.2	16.1
Return on assets (ROA) (%) (Note 6)	2.6	2.6	2.6	2.7	3.2
Tier 1 capital ratio (Domestic standard) (%)	45.27	43.13	53.25	51.19	49.58
Payout ratio (%)	42.0	41.4	42.7	39.3	35.3
ATM indicators (Non-consolidated):					
Number of ATM installations	19,514	18,123	16,632	15,363	14,601
Daily average transactions per ATM (Transactions)	107.8	111.1	112.6	112.3	114.4
Total number of transactions (Millions of transactions)	736	698	655	609	590
Balance of ordinary deposits (Billions of yen)	158.9	143.9	125.5	104.0	87.7
Balance of time deposits (Billions of yen)	153.1	107.3	93.7	108.3	41.7
Number of accounts (Thousands of accounts)	1,214	1,066	971	885	775

4. EBITDA margin = EBITDA/ordinary income (Japanese GAAP)

5. Return on equity = net income/average total shareholders' equity

6. Return on assets = net income/average of total assets



Seven Bank has entered a full-scale growth phase. We will achieve further growth by offering value on a broader scale both to individual customers in Japan and internationally.

Kensuke Futagoishi

President and Representative Director

Q1 | Looking back at fiscal 2013, how do you personally evaluate the year?

I rate the year highly, both quantitatively and qualitatively, with achievements including our third consecutive year of increases in revenues and profits, and the advance of our overseas business.

I am very satisfied with fiscal 2013, in which we were able to achieve results both quantitatively and qualitatively. In quantitative terms, we achieved our third consecutive year of increases in revenues and profits, with record-high income. The primary factors were an increase in usage fees in our core ATM business as planned and steady, substantial year-on-year growth in international money transfer services and personal loan services, which are fields of focus for us.

In qualitative terms, we acquired the ATM business of Global Access Corp. (“GAC”) through our U.S. subsidiary Financial Consulting & Trading International, Inc. (“FCTI”) in September 2013. In addition to expanding our business infrastructure and customer base, this acquisition enabled us to secure personnel familiar with the ATM business in the United States. Furthermore, in June 2014 we established a joint venture in Indonesia with a focus on the future cultivation of the growing markets of Asia. I feel confident that fiscal 2013 was a year of great strides in making our international business a pillar of medium-to-long-term growth.

Q2 | The ATM business continues to grow smoothly. What are your specific plans for further business expansion?

We will increase ATM installations steadily inside the Seven & i Holdings Group and proactively outside the Group.

Our basic policy for the ATM business is to continue to increase the number of installations. During fiscal 2014, we are aiming for a net increase of approximately 1,500 for a total of approximately 21,000 ATMs installed.

In specific terms, we will steadily increase installations inside the Seven & i Holdings Group. We will also continue replacing existing ATMs with third-generation ATMs to improve customer convenience. In addition, we are focusing on business expansion through installations outside the Group. Since March 2014, we have installed 56 ATMs at 39 stations on Tokyo Metro subway lines, which are a core route for city life, and have been expanding installations as the occasion calls for it in the Kansai region, where there is substantial room for development compared with the Kanto region. In carrying out these installations outside the Group, our top priority is location. Placing ATMs in spots where we can expect customers to use them, or in other words, becoming a part of our customers’ daily lives, is directly linked to giving them a feeling of convenience. If we can provide that feeling of convenience, we will be able to increase the number of ATMs installed and raise capacity utilization at the same time. Moreover, this convenience is what gives Seven Bank its competitive edge and its steadfast presence in the social infrastructure. Our target is to install 1,200 ATMs outside the Group by the end of fiscal 2014. However, from the perspective of their role in the social infrastructure, I believe the significance of these installations outside the Group goes beyond just the number of ATMs.

From another perspective, I am aware that the ability to use cards issued overseas is a major point differentiating Seven Bank from other companies, and I have great expectations in this area. Aside from the Tokyo Olympics and Paralympics that will be held in 2020, the number of foreign visitors to Japan is rising notably, and the number of transactions using overseas cards has already doubled over the past three years. Through measures such as enhancing foreign-language services and beefing up the system for following up on inquiries, we will work to further improve ease of use in order to accurately capture rising needs in areas including retail, sightseeing and transportation.

Q3

Seven Bank has achieved steady growth to date. How would you describe your future prospects for growth over the medium term?

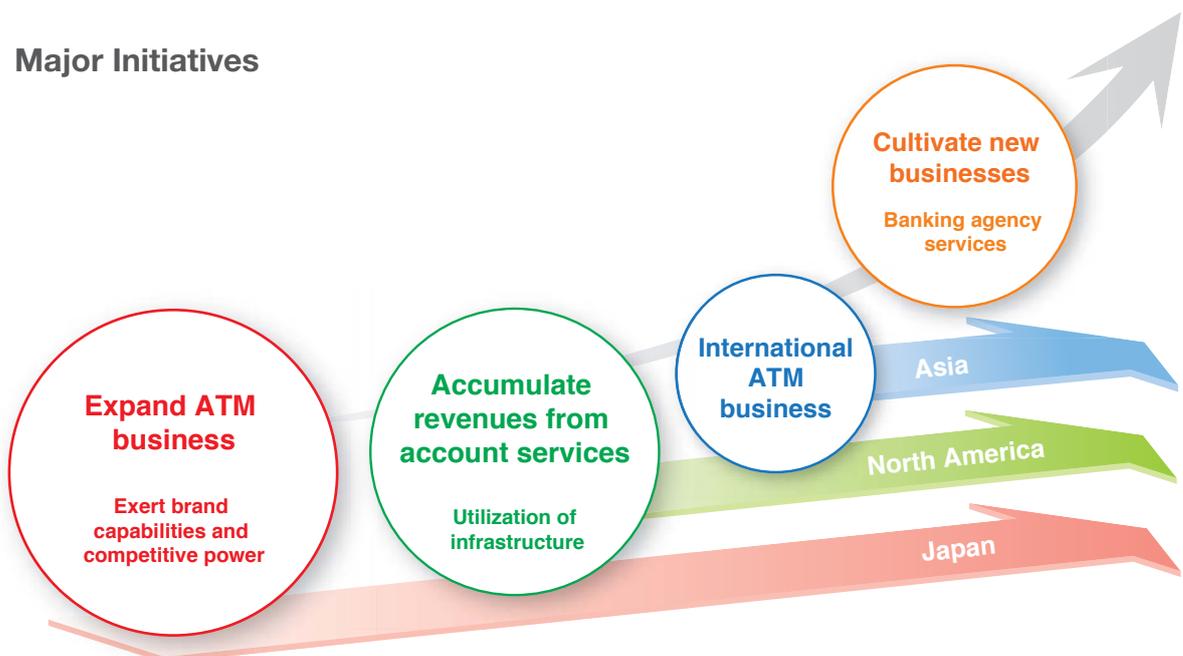
We will nurture our next growth engines in areas such as retail services to enter a full-scale growth phase.

As for our prospects for medium-to-long-term growth, we have at last reached a stage where we can pursue full-scale growth going forward. It is no exaggeration to say that we have shifted to a phase in which we will take bold steps toward a new growth stage.

The ATM business in Japan will continue to be the foundation for our growth. That will not change in the future. We will fulfill our mission as an infrastructure provider by making full use of Seven-Eleven's presence, which is rooted in people's daily lives, while steadily growing the ATM business together with ongoing openings of new Seven-Eleven stores.

As the fuel for growth from a medium-term perspective, our priority focus will be the rollout of retail services using this infrastructure. One example is the international money transfer services we began offering in 2011, which have shown smooth growth so far. Although competition is increasing, we take pride in being able to differentiate Seven Bank with secure, easy-to-use services by supporting a wide range of languages and offering the convenience of sending money directly from an ATM. By extending these advantages to increase the number of customers, we will establish a position that will keep us from being drawn into price competition and achieve our target of one million money transfer transactions per year, with a scale of about two billion yen in income, at an early stage. For personal loan services, which are another pillar of growth, we are steadily increasing the balance of loans with a low-cost, highly effective approach to customers. While maintaining efficient operations, we will create and add new services to cultivate the next pillars of growth to follow the ATM business.

Major Initiatives



Q4 | How does the international ATM business fit into your plans?

We will actively expand business in the United States and Asia as a growth driver from a long-term perspective.

The international ATM business is poised to be a growth driver from a long-term perspective.

Currently, our top objective for the international ATM business is to establish a position as a leading ATM operator in the United States. Toward that objective, in fiscal 2012 we acquired FCTI, a company specializing in the operation of ATMs in the United States, to build a business infrastructure and accumulate experience there. In fiscal 2013, FCTI performed well, achieving profitability on a non-consolidated basis as we planned. Moreover, it acquired the ATM business of GAC in September 2013. FCTI is based on the West Coast, and this acquisition added operating bases on the East Coast, which will help the company achieve more efficient operations. The GAC employees who have joined our Group are highly capable, and they all share Seven Bank's approach of putting the customer first and ensuring integrity at all times. We have been through a year of remarkable progress in the number of ATMs, locations and personnel, and I am confident that we will achieve our objective.

For further business expansion, we also established a joint venture in Indonesia in June 2014. Indonesia, which has the largest population in Southeast Asia, has a relatively low number of ATM installations per person, about one-sixth that of Japan, and we expect high growth potential in light of the country's recent economic development. By establishing a business in Indonesia, we are charging ahead toward expanding our operations throughout Asia.



Q5 | Please explain your outlook for results in fiscal 2014 and Seven Bank's dividend policy.

We forecast our fourth consecutive year of increases in revenues and profits. We will work for stable and sustained dividends, keeping in mind a balance with investments for growth.

Through the steady progress of our short-term, medium-term and long-term growth strategies, we forecast 113.2 billion yen in total income and 23.1 billion yen in net income on a consolidated basis in fiscal 2014, for increases in revenues and profits compared with the previous fiscal year.

In the ATM business, we forecast a decrease in the average number of transactions per ATM because we anticipate a stronger impact from the customer transaction fees charged by some of our partner banks. However, we expect to secure higher revenues and profits because we forecast increases in the number of ATMs installed and the total number of transactions.

Our basic policy on returns to shareholders is to provide stable and sustained cash dividends, emphasizing an appropriate return of profits while considering an appropriate balance with retained earnings. We target a minimum consolidated payout ratio of 35% through twice-yearly payments. In fiscal 2013, we increased annual dividends per share by 0.75 yen from the previous fiscal year to 7.50 yen in light of our business results, for a consolidated payout ratio of 42.0%. For fiscal 2014, we plan to pay annual dividends of 7.50 yen per share, consisting of annual and year-end dividends of 3.75 yen per share each, but there will be no change in our policy of actively returning profits in line with business results. In addition, the Seven Bank Group views return on equity (ROE) as a key performance indicator. Single-digit ROE is typical among financial companies, but the Seven Bank Group's ROE is currently around 15%, and our policy is to maintain that level.

Q6 | In terms of achieving continuing improvement in shareholder value, what can you tell us about your enthusiasm for the future and the points you will be emphasizing in corporate management?

We will tirelessly create new value in line with customer needs as times change and focus on personnel development.

With the ATM business as its foundation, Seven Bank is continuously expanding its business domains, both for individual customers and internationally. I am certain Seven Bank has the potential to expand its business substantially and will achieve further growth while taking steady steps forward. This expansion will require employee growth. Personal growth leads to corporate growth. Taking this stance, we will focus on developing personnel who continue to take on new challenges.

Our mission is to continue to create services that meet the needs of customers as times change, without being constricted by the frameworks of existing services. I ask our shareholders and investors to look for Seven Bank to continue to take on challenges to create value.

North America

Further Enhancing Capabilities in the United States with the Acquisition of an ATM Business

On September 27, 2013, Financial Consulting & Trading International, Inc. ("FCTI"), a subsidiary headquartered in California, U.S.A., acquired the ATM business owned by Global Access Corp. ("GAC") to strengthen the international ATM business.

With this acquisition, the number of ATMs FCTI operates in the United States has increased from approximately 3,000 to 7,000. Moreover, FCTI has been able to secure personnel familiar with the ATM business in the United States, as well as a position for efficiently rolling out its business nationwide by adding bases on

the East Coast to its existing operations on the West Coast. In addition to improving cost competitiveness, FCTI has been able to expand its customer base with an eye toward the future, thus further strengthening its infrastructure in order to establish a stronger ATM business foundation in the United States.

FCTI, which aims for further growth through the acquisition, achieved profitability on a non-consolidated basis in fiscal 2013 and forecasts increases in revenues and profits in fiscal 2014.

Overview of the Acquired Business

Description of business	ATM business owned by Global Access Corp. and its U.S. ATM subsidiaries
Turnover	27,113 thousand U.S. dollars (for the fiscal year ended on December 31, 2012)
Number of units of ATMs that are operated/managed	Approximately 4,600 units (approximately 2,100 units of which have been placed by Global Access Corp. or its U.S. ATM subsidiaries)
Number of employees	42 employees (as of December 31, 2012)

Distribution of FCTI Bases



FCTI Results and Forecast (Non-consolidated)

(Millions of U.S. dollars)

	FY2013 Actual results	FY2014 Forecast	
		Full year	Interim
Ordinary income	58.9	81.0	38.8
Ordinary expenses	58.6	78.8	38.1
Ordinary profit	0.3	2.1	0.6
Net income	1.0	1.3	0.4
EBITDA	6.4	9.1	3.9

Notes: 1. Amounts less than one unit have been truncated.
 2. EBITDA = ordinary profit + depreciation and amortization cost + interest expenses

Overview of U.S. Business Plan

	FY2012 Actual results (consolidation period)	FY2013 Actual results	FY2014 Forecast
Number of ATMs installed at end of term (units)	2,542	7,176	7,493
Number of directly owned ATMs (units)	2,542	5,126	5,403
Total number of transactions (millions)	3.7	24.6	38.9

Notes: 1. ATMs that are not directly owned belong to the owner of the facility where they are located.
 2. The total number of transactions for fiscal 2012 represents only the figure applicable to the consolidated reporting period (October 6, 2012–December 31, 2012).

Asia

At Long Last, Entry into Asia Begins with the Establishment of a Joint Venture in Indonesia

In June 2014, Seven Bank and PT. ALTO NETWORK, a local enterprise with an ATM network in Indonesia, established a joint venture company to conduct an ATM operating business in Indonesia.

Seven Bank, which has so far been aggressively promoting its ATM business in the United States, has been considering entry into Asia as a promising market where growth is forecast. Indonesia, which Seven Bank has decided to enter with the establishment of the joint

venture company, is the most populous country in Southeast Asia. Although there are already approximately 60,000 ATMs in the country, the number of ATM installations per person is about one-sixth that of Japan, making it a market where growth can be expected.

By steadily building up results in Indonesia, Seven Bank will make its entry into Asia as a market to follow the United States.

Overview of the Joint Venture

Name	PT. ABADI TAMBAH MULIA INTERNASIONAL
Abbreviated name	ATMi
Location	THE H TOWER BUILDING Lantai 17 Jl. HR. Rasuna Said Kav C 20 Jakarta Indonesia
Amount of capital	10 billion Indonesian rupiah (equivalent to approximately 87 million yen,* as of May 31, 2014)
Shareholding ratio	Seven Bank: 70% PT. ALTO NETWORK: 30%
Business commencement date	January 2015 (expected)

*Calculated at a conversion rate of 100 Indonesian rupiah = 0.87 yen



Signing ceremony in Indonesia

Japan

Expanding Installations Outside the Group with 56 New ATMs on the Tokyo Metro

Seven Bank's ATM business in Japan is proactively promoting installations outside the Seven & i Holdings Group in addition to its installations at Seven-Elevens and other Group locations. As one such initiative, since March 8, 2014, we have installed 56 new ATMs at 39 stations of Tokyo Metro subway lines, a core route for city life. Together with previous installations, we have installed a total of 74 ATMs at 57 stations on Tokyo Metro lines, or approximately one-third of all Tokyo Metro stations.

By installing ATMs at railway stations, which are hubs of daily life, our customers can freely use Seven Bank ATMs on the way to or from work.



Tokyo Metro Kasai Station



Tokyo Metro Shinjuku-sanchome Station

Japan

Establishment of a Back-Office Support Outsourcing Company

On July 1, 2014, Seven Bank established Bank Business Factory Co., Ltd., a subsidiary mainly engaged in back-office support outsourcing. Seven Bank has outsourced work from the Operations Center in its Operations Management Division to the subsidiary. Bank Business

Factory will also conduct back-office support outsourcing for other financial institutions as a company that provides secure, high-quality operation services using Seven Bank's experience to date in the administration of banking office work.

Corporate Governance

Corporate Governance Policy

Seven Bank (the "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, maintain effective management oversight, and ensure equitable operations.

Corporate Governance Initiatives

1. Details

As of June 19, 2014, the Board of Directors consisted of 11 directors, including five outside directors. The Board of Directors meets at least once a month to decide on the Bank's basic operational policies and important operational issues, and to supervise the execution of directors' duties.

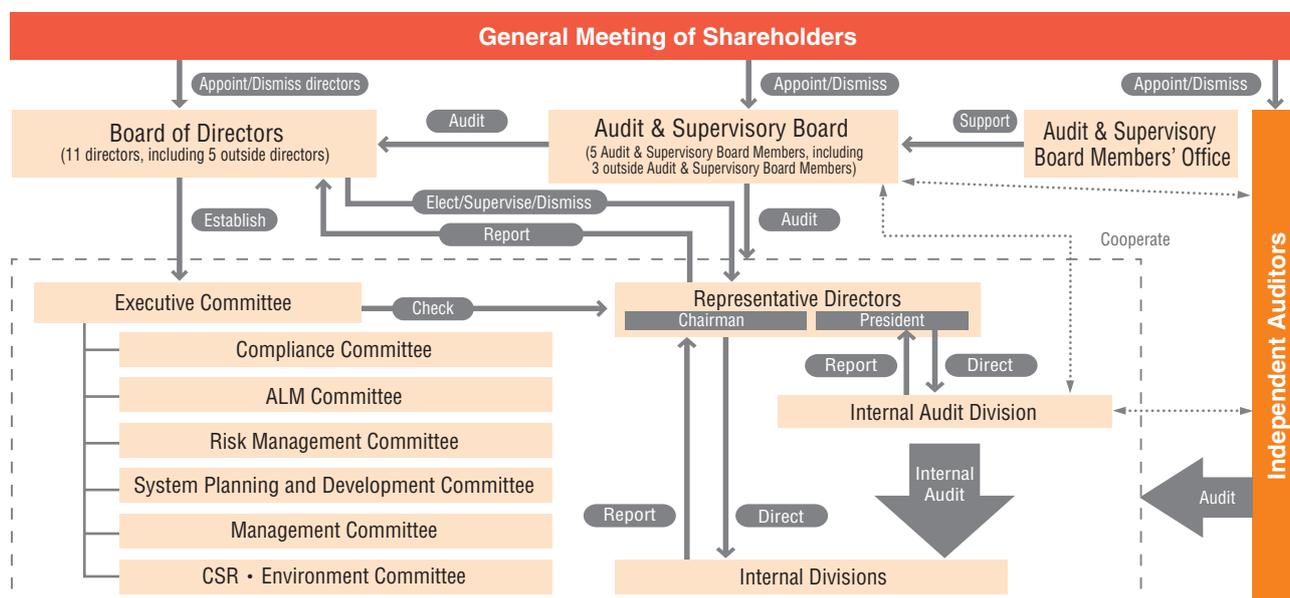
The Board of Directors has established an Executive Committee as a deliberative body concerned with operational implementation within the scope delegated by the Board of Directors. In principle, the Executive Committee meets on a weekly basis to supervise the formulation or amendment of business plans; the acquisition and disposal of assets; credit provision-related issues; the payment of debts and expenses; credit management issues; rewards and sanctions for employees; issues related to working

conditions and benefits; the establishment, change, and abolition 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.

As of June 19, 2014, the Audit & Supervisory Board consisted of five Audit & Supervisory Board Members, including three outside Audit & Supervisory Board Members. The Audit & Supervisory Board meets, in principle, at least once a month to deliberate and make decisions regarding important auditing-related issues reported to it. The Audit & Supervisory Board convenes with a 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 Audit & Supervisory Board Members' auditing environment, and important auditing-related issues. In addition, the Audit & Supervisory Board Members oversee and verify the status of fulfillment of legal obligations, including the duty of care of a good manager and the duty of loyalty, with regard to resolutions of the Board of Directors and other decision making by directors.

Corporate Governance Organization

(As of June 19, 2014)



2. Preparation of Internal Control Systems

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

Oversight or Audits by Outside Directors or Outside Audit & Supervisory Board Members; Cooperation with Accounting Audits; and Relationship with the Internal Control Department

The outside Audit & Supervisory Board Members are responsible for asking frank questions and submitting their opinions to the Representative Directors and Board of Directors from an independent standpoint, in keeping with their independence and reasons for appointment. To fulfill these responsibilities, the outside Audit & Supervisory Board Members receive information gathered by the full-time Audit & Supervisory Board Members, who are responsible for ensuring the effectiveness of audits in cooperation with the Internal Audit Division and the department in charge of internal control functions. In addition, the Audit & Supervisory Board, which is composed of all Audit & Supervisory Board Members including outside Audit & Supervisory Board Members, regularly exchanges opinions with the accounting auditors for mutual collaboration.

The outside directors do not collaborate with the Internal Audit Department, accounting auditors and Internal Control Department directly. However, they fulfill their management oversight function from a position of independence from business execution based on their reasons for appointment and on the questions and opinions submitted at Board of Directors meetings by outside Audit & Supervisory Board Members, who share information with the full-time Audit & Supervisory Board Members who collaborate with those departments.

Approach to Roles and Appointment of Outside Directors and Outside Audit & Supervisory Board Members

A. OUTSIDE DIRECTORS

Mr. Yoji Ohashi was appointed in order to utilize his experience and insight as Representative Director of ANA Holdings Inc. and as Vice Chairman of the Japan Business Federation (Nippon Keidanren) in the Bank's management. In addition, the Bank has notified the Tokyo Stock Exchange that Mr. Ohashi is an independent officer as stipulated by said exchange.

Ms. Yuko Miyazaki was appointed in order to utilize her legal knowledge and extensive experience as an attorney at law specializing in tax law and corporate legal affairs in the Bank's management.

Mr. Shuji Ohashi was appointed in order to utilize his specialized knowledge as a certified public accountant, broad insight as a management consultant and extensive experience as a company manager in the Bank's management. In addition, the Bank has notified the Tokyo Stock Exchange that Mr. Ohashi is an independent officer as stipulated by said exchange.

Ms. Yuri Okina was appointed in order to utilize her many years of research into financial systems and financial administration and her experience on the Financial System Council of the Financial Services Agency in the Bank's management. In addition, the Bank has notified the Tokyo Stock Exchange that Ms. Okina is an independent officer as stipulated by said exchange.

Mr. Akihiko Shimizu was appointed in order to utilize his experience as a director of Seven & i Holdings Co., Ltd. in the Bank's management.

B. OUTSIDE AUDIT & SUPERVISORY BOARD MEMBERS

Mr. Tetsuya Katada was appointed in order to oversee the Bank's management in general, utilizing his extensive experience as a corporate manager, his broad insight in

■ Compensation of Directors and Audit & Supervisory Board Members in the Fiscal Year Ended March 31, 2014

(Millions of yen)

	Number of Recipients	Amount of Compensation				
			Basic Remuneration	Stock Options	Bonuses	Retirement Benefits
Directors (excluding outside directors)	6	314	247	67	—	—
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	1	22	22	—	—	—
Outside Directors and Outside Audit & Supervisory Board Members	11	68	68	—	—	—

various economic organizations and his many years of experience in monetary policy deliberations. In addition, the Bank has notified the Tokyo Stock Exchange that Mr. Katada is an independent officer as stipulated by said exchange.

Ms. Naomi Ushio was appointed in order to oversee the Bank's management in general, utilizing her expert knowledge and insight as a university professor. In addition, the Bank has notified the Tokyo Stock Exchange that Ms. Ushio is an independent officer as stipulated by said exchange.

Mr. Kunihiro Matsuo was appointed in order to oversee the Bank's management in general, utilizing his insight accumulated over many years as a public prosecutor and his experience as an outside director and outside auditor at other companies in the Bank's auditing. In addition, the Bank has notified the Tokyo Stock Exchange that Mr. Matsuo is an independent officer as stipulated by said exchange.

Policy for Determining the Amount and Method of Calculation of Compensation for Directors and Audit & Supervisory Board Members

Compensation for directors and Audit & Supervisory Board Members of the Bank is determined by taking into consideration factors including contribution to the Bank, content and importance of duties, performance of duties, and years in office.

The Bank has established the Compensation Committee, which is chaired by an outside director and composed of two representative directors and two outside directors, as an organization that makes proposals for the system of compensation for directors and Audit & Supervisory Board Members and specific amounts of compensation (including stock option compensation). The Compensation Committee proposes to the Board of Directors specific amounts of compensation for directors, within the annual limits for directors' compensation and stock option compensation approved by the General Meeting of Shareholders, and the final decision is made by resolution of the Board of Directors.

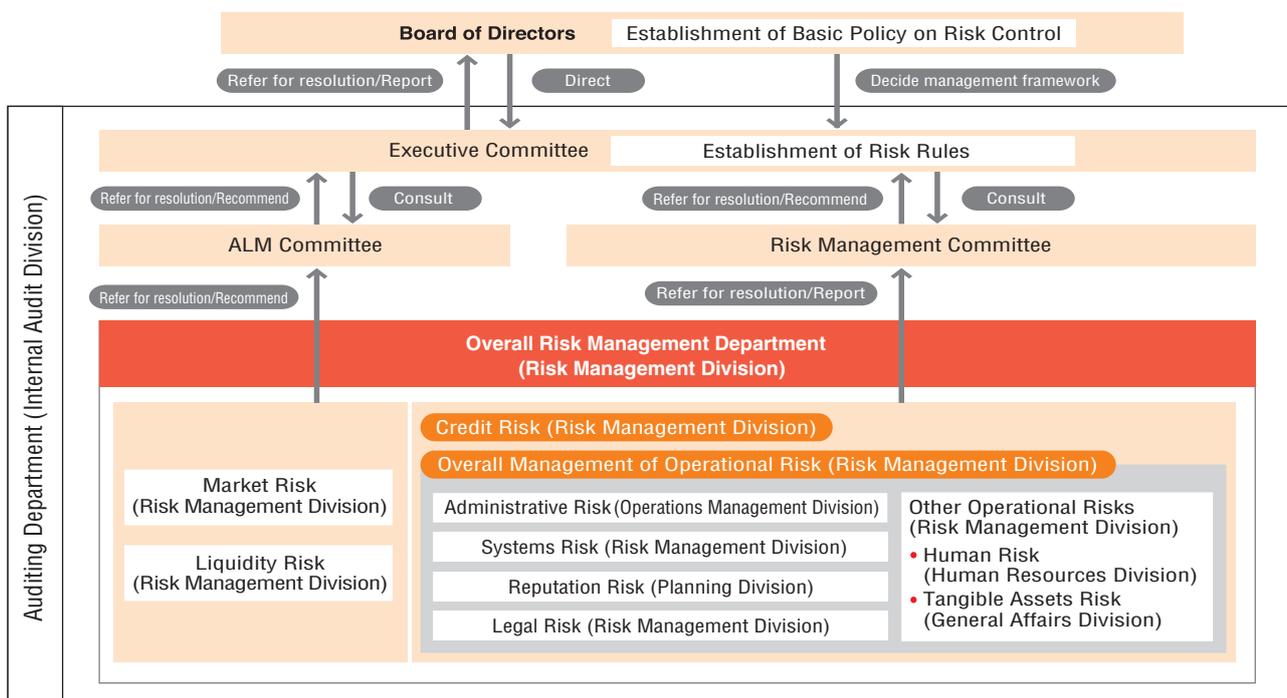
Risk Management

Risk Management Initiatives

Seven Bank has designed a risk management system to ensure the soundness and efficiency of management by recognizing and appropriately managing specific types of

risk faced in conducting business. The Board of Directors has established the Basic Policy on Risk Control as an overall risk management policy, a risk management policy regarding specific risks, and internal structures and

Risk Management System



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.

Formulation of Business Continuity Plan (BCP)

Seven Bank has defined three priority business operations to maintain in the event of a major disaster or accident to fulfill its social obligation as a bank. These operations are the ATM business, fund settlement with other banks and partner financial institutions, and deposit, withdrawal and money transfer operations. In addition, to ensure that these important business operations can continue even if a disaster or accident occurs, each department has created a business continuity plan (BCP). The departments conduct BCP drills on a regular basis that assume cases in which data centers and other facilities are damaged for varying periods of time.

In the Great East Japan Earthquake of March 2011, an emergency headquarters headed by the president was set up in accordance with the business continuity management policy. The headquarters held a response meeting to decide policies and measures for the quick restoration and stable operation of ATMs and other matters, and immediately moved to implement them.

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, the ALM of interbank deposits placed with top-rated partner financial institutions, the lending of

funds in the call-money market, temporary ATM payment amounts due, and small 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. The Bank has devised comprehensive countermeasures for a number of constrained funding scenarios to enable a quick and flexible Bank-wide response, and therefore does not expect to experience liquidity problems.

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, reputation 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 all divisions, offices, and centers by the Internal Audit Division. The Bank is organized to quickly analyze the cause of problems it has identified, such as scandals, work-related accidents and complaints, and determine measures to prevent their recurrence. The Bank also manages administrative risk, including potential administrative risk, by verifying administrative error reports and self-monitoring in order to understand the occurrence of administrative errors in all divisions and centers.

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 antivirus software. Furthermore, in order for its customers to use the Bank's services with peace of mind, the Bank prepares for unforeseen events such as service interruptions or disasters and has prepared a business succession plan in advance, and has set up a framework for conducting regular drills and other measures.

Reputation Risk

Basic policies relating to reputation risk are governed by the Basic Policy on Risk Control and by the Reputation 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 Risks

Basic policies relating to other operational risks are governed by the Basic Policy on Risk Control. The 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 continually keep employees informed about compliance.

Main Compliance Issues

1. Prevention of Fraudulent Accounts and Money Laundering

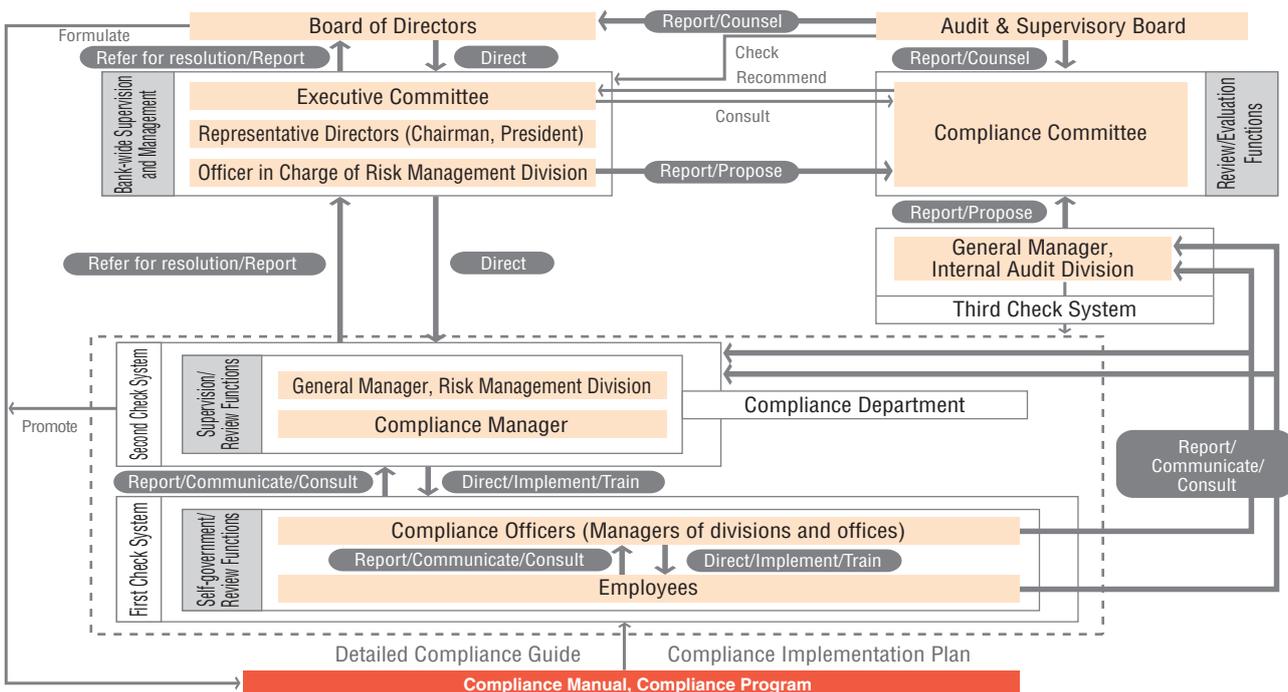
The Bank focuses on preventing the opening of fraudulent accounts by strictly enforcing customer due diligence procedures when customers apply to open new accounts.

Moreover, the Bank has established the Financial Crime Risk Strategy Planning and Prevention Division as a specialized unit to combat financial crime. This division works to eliminate fraudulent accounts, prevent fraudulent bank transfers and other activities, and cooperate appropriately with the police and other governmental authorities by monitoring and filtering accounts on a daily basis.

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. Also, among other steps since January 2010, the Bank has asked customers applying to open accounts to sign an affidavit stating they are not associated with antisocial forces, has included rules and other clauses that provide explicitly for the exclusion of organized crime groups, and has enabled account application rejection and account closure for customers associated with antisocial forces. In addition, the Bank conducts regular training for officers and employees to ensure they respond appropriately, and as an organization, to wrongful demands and other events in accordance with internal rules and regulations.

Compliance System



Management Team

As of July 1, 2014

Directors



Chairman and Representative Director
Takashi Anzai



Director, Vice Chairman, Executive Officer
Masatoshi Wakasugi



President and Representative Director
Kensuke Futagoishi
In charge of Internal Audit Division



Director, Senior Managing Executive Officer
Yasuaki Funatake
In charge of Planning Division, Business Support Division



Director, Managing Executive Officer
Kazuhiko Ishiguro
In charge of System Development Division, ATM Solution Division, Business Development Division, Product Promotion Division



Director, Managing Executive Officer
Taku Oizumi
In charge of Research Division, Treasury Division, ATM Administration Division, International Business Division



Outside Director
Yoji Ohashi



Outside Director
Yuko Miyazaki



Outside Director
Shuji Ohashi



Outside Director
Yuri Okina



Outside Director
Akihiko Shimizu

Audit & Supervisory Board Members

Audit & Supervisory Board Member
Toshiaki Ikeda

Audit & Supervisory Board Member
Isamu Hirai

Outside Audit & Supervisory Board Member
Tetsuya Katada

Outside Audit & Supervisory Board Member
Naomi Ushio

Outside Audit & Supervisory Board Member
Kunihiro Matsuo

Executive Officers

Managing Executive Officer
Tsutomu Yamazaki

In charge of General Affairs Division, Customer Service Division, Business Promotion Division, Sales Management Division

Managing Executive Officer, General Manager of Human Resources Division
Shinichi Hayashi
In charge of Human Resources Division

Executive Officer, General Manager of ATM Solution Division
Masaaki Matsuhashi

Executive Officer, General Manager of Risk Management Division
Nobuyoshi Motegi

In charge of Risk Management Division, Operations Management Division, Financial Crime Risk Strategy Planning and Prevention Division

Executive Officer, General Manager of Product Promotion Division
Tomofumi Oguchi

Executive Officer, General Manager of Business Promotion Division
Hisanao Kawada

Executive Officer, General Manager of Sales Management Division
Kouji Maekawa

Executive Officer, General Manager of Customer Service Division
Hiroshi Ishimura

Notes: 1. Mr. Takashi Anzai and Mr. Kensuke Futagoishi concurrently act as executive officers.
2. Mr. Yoji Ohashi, Mr. Shuji Ohashi, Ms. Yuri Okina, Mr. Tetsuya Katada, Ms. Naomi Ushio, and Mr. Kunihiro Matsuo have been reported as independent officers to the Tokyo Stock Exchange.

Basic CSR Policy

Seven Bank defines corporate social responsibility (CSR) as “the primary obligation to be fulfilled to coexist with the environment and society from which Seven Bank derives its customer and social support.” To continue to pursue and further develop business operations, we are fully aware that our CSR activities are indispensable. To fulfill our responsibilities, we have established a basic policy of conducting effective and continuous CSR initiatives based on our Corporate Principles, Management Policy, and Charter of Ethics.

In addition, in promoting CSR, Seven Bank aims to enhance its CSR activities to meet the demands of the international community, with reference to the ISO 26000 international guidelines for social responsibility.

Conducting CSR Activities from Six Standpoints

To conduct ongoing and effective CSR activities, we have established the following six standpoints for the implementation of CSR activities, under our Basic CSR Policy.

1. How do our business activities contribute to society's economic well-being?
2. Is Seven Bank sufficiently attentive to the natural environment, and does it make sufficient efforts to address environmental problems?
3. What responsibility do we bear for our products and services toward our customers, and to what extent are these responsibilities fulfilled?
4. Does Seven 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 Seven Bank work closely with society as a good corporate citizen and actively undertake activities that contribute to society?
6. Do we maintain a policy that strongly opposes antisocial groups?

Overview of Seven Bank's CSR Activities

Core Subjects of ISO 26000	Seven Bank Initiatives
Organizational governance	<ul style="list-style-type: none"> Corporate governance Risk management
Human rights	<ul style="list-style-type: none"> Ensuring equal opportunity and diversity in employment Compliance
Labor practices	<ul style="list-style-type: none"> Helping employees to achieve good work-life balance Ensuring diversity Establishing education and training programs
The environment	<ul style="list-style-type: none"> Reducing environmental impact of ATM services Environmental protection through employee participation
Fair operating practices	<ul style="list-style-type: none"> Cooperating with partner companies Compliance
Consumer issues	<ul style="list-style-type: none"> Stable operation of the ATM system network Providing safe and secure services Considering the diversity of customers Dialogue with customers
Community involvement and development	<ul style="list-style-type: none"> Communication with society

Visit the Seven Bank website for more information on its CSR activities.

<http://www.sevenbank.co.jp/english/ir/csr/>



Financial Section

Management's Discussion and Analysis.....	32
Consolidated Financial Statements.....	38
Notes to Consolidated Financial Statements.....	43
Non-consolidated Eleven-Year Summary of Selected Financial Data.....	70



Management's Discussion and Analysis

Seven Bank, Ltd. and consolidated subsidiary for the years ended March 31, 2014 and 2013/Seven Bank, Ltd. for the years ended March 31, 2012, 2011 and 2010. In the year ended March 31, 2013 (fiscal 2012), Seven Bank acquired the shares of Financial Consulting & Trading International, Inc. and added it to the scope of consolidation (period of consolidation: October 6, 2012 to December 31, 2012). All figures for years prior to fiscal 2012 are non-consolidated.

Operating Results

Summary of Fiscal 2013

The Japanese economy was on a moderate recovery path. Despite the concern over the influence of the consumption tax rate increase, the recovery trend is expected to continue.

Fiscal easing continued. Corporations' fund procurement costs remained relatively low and financial institutions' lending stance improved, resulting in generally favorable conditions for fund procurement.

In this operating environment, consolidated results for Seven Bank (the "Bank") for fiscal 2013 were total income of 105,587 million yen (up 11.1% year on year), and net income of 21,236 million yen (up 9.5% year on year).

Both revenues and profits increased due to factors including growth in total ATM transactions due to an increase in the number of ATMs installed and improvement in the number of non-bank transactions.

Total Income and Net Income



ATM Business

During fiscal 2013, Seven Bank worked to enhance convenience for customers when they use its ATMs through methods such as continuing to add ATMs within and outside the Seven & i Holdings Group (the "Group").

The Bank established new partnerships during fiscal 2013 with Shikoku Bank, Ltd. (April 2013), THE MIE BANK, LTD. (April 2013), THE IYO BANK, Ltd. (April 2013), The Ehime Bank, Ltd. (April 2013), THE BANK OF KOCHI, LTD. (April 2013) and Shimane Bank, Ltd. (November 2013) as well as one credit cooperative, two securities companies and one other financial institution. As a result, we now partner with 119 banks,¹ 261 *shinkin* banks,² 131 credit cooperatives,³ 13 labor banks, the JA Bank, the JF Marine Bank, the Shoko Chukin Bank, 11 securities companies,⁴ eight life insurance companies, and 43 other financial institutions.⁵ Thus, we had a total of 589 partner financial institutions⁶ as of March 31, 2014.

Within the Group, we have installed ATMs in areas with new Seven-Eleven store openings, for example, in the Shikoku region,

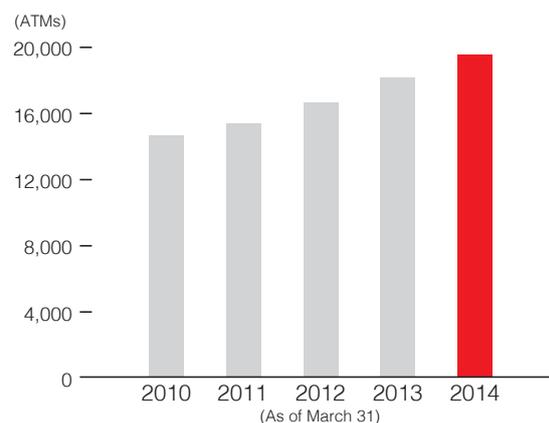
where Seven-Eleven Japan, Co., Ltd., had newly entered with store openings in March 2013. We also added more ATMs at Seven-Eleven stores with high usage rates (1,253 stores had more than one ATM at the end of fiscal 2013). As for operations outside the Group, to address the need for ATMs that can handle cards issued overseas at locations visited by foreign tourists, we installed ATMs inside the Takayama Station Branch of The Juroku Bank, Ltd., in Takayama, Gifu Prefecture, in June 2013. We also promoted the installation of ATMs at commercial facilities and train stations with high usage rates. Since March 2014, we have added ATMs at stations on Tokyo Metro lines, where we have been promoting installation, and the number of ATMs reached 74 at a total of 57 stations by May 2014.

Furthermore, to enrich our ATM services, we are promoting replacement with third-generation ATMs with higher processing speed, improved operability, enhanced security and energy efficiency. The replacement with the new ATMs has been completed for approximately 70% of all our ATMs. (The number of third-generation ATMs in place as of March 31, 2014, was 13,080).

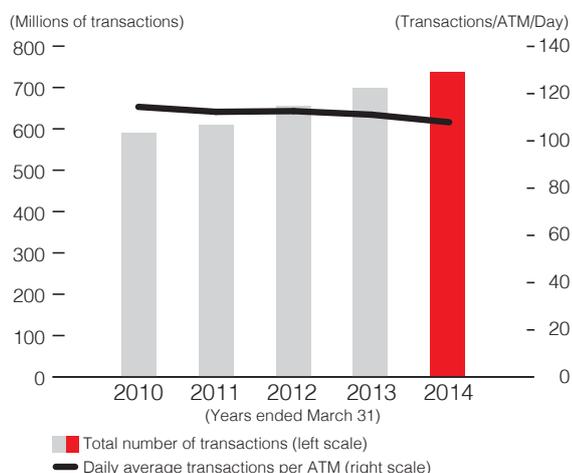
As a result of such initiatives, the number of our ATMs installed reached 19,514 (up 7.6% compared with the end of March 2013). The average daily transactions per ATM were 107.8 (down 3.0% year on year), and a total of 736 million transactions were recorded (up 5.3% year on year).

- Notes:
1. Compared with the 113 banks with which we had partnerships at the end of March 2013, six banks were newly added as partners, resulting in 119 bank partnerships at the end of March 2014.
 2. Compared with 264 *shinkin* banks with which we had partnerships at the end of March 2013, three *shinkin* banks ceased to be partners due to a merger, resulting in 261 partnerships at the end of March 2014.
 3. Compared with 132 credit cooperatives with which we had partnerships at the end of March 2013, one credit cooperative was newly added as a partner and two ceased to be partners due to a merger, resulting in 131 partnerships at the end of March 2014.
 4. Compared with nine securities companies with which we had partnerships at the end of March 2013, two securities companies were newly added as partners, resulting in 11 partnerships at the end of March 2014.
 5. Compared with 42 other financial institutions with which we had partnerships at the end of March 2013, one financial institution was newly added as a partner, resulting in 43 partnerships at the end of March 2014.
 6. JA Bank and JF Marine Bank are each counted as one institution.

Number of ATM Installations



ATM Transactions



Financial Services Business

Seven Bank had 1,214,000 individual customer accounts at the end of March 2014 (up 13.8% compared with the end of March 2013), a balance of deposits of 312,100 million yen (up 24.2% year on year) and a balance of personal loan services of 5,200 million yen (up 55.1% year on year).

With regard to the international money transfer services, the number of contract accounts and money transfers both increased steadily. The number of money transfers during fiscal 2013 was 391,000, more than twice the number for the previous year. Moreover, in October 2013 we set up the Nagoya Sakae Outlet in Aichi Prefecture as a new operational base for our international money transfer services. In January 2014, we raised the maximum transferable amount, thereby enhancing convenience for customers.

Overseas Subsidiaries

In September 2013, Financial Consulting & Trading International, Inc. ("FCTI"), a consolidated subsidiary of the Bank, acquired the U.S.-based Global Axxess Corp. and the ATM business that was owned by its ATM handling subsidiary. As a result, the number of ATMs owned by FCTI became 7,176 as of December 31, 2013. With regard to FCTI's business results for its consolidated fiscal year (from January 2013 to December 2013), ordinary income was 58.9 million U.S. dollars, ordinary profit was 0.3 million U.S. dollars and net income was 1.0 million U.S. dollars.

In November 2013, we concluded a joint venture contract with a local company in Indonesia to establish a subsidiary of the Bank there during fiscal 2014.

Outlook for Fiscal 2014

For fiscal 2014 results, we forecast total income of 113,200 million yen (up 7.3% year on year) and net income of 23,100 million yen (up 8.7% year on year) due to growth in the number of ATMs installed and the total number of transactions.

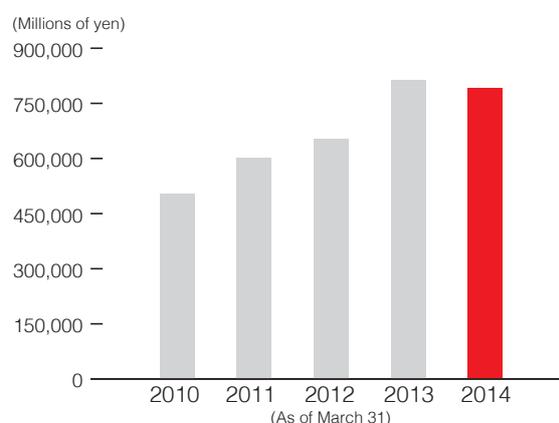
In fiscal 2014, we will continue to increase the number of ATMs installed and work to develop new users. We forecast that the number of ATMs installed will increase 7.6% year on year to approximately 21,000, the total number of ATM transactions will increase 0.6% to approximately 741 million, and average daily transactions per ATM will decrease 6.7% to approximately 100.5.

Analysis of Financial Position

Assets

Total assets were 790,377 million yen. The majority of this total comprised cash and due from banks required for the operation of ATMs of 504,987 million yen. The remainder mostly consisted of securities held as collateral for domestic exchange settlements and Bank of Japan current account overdraft transactions of 98,322 million yen and ATM-related temporary payments to partner financial institutions of 92,786 million yen.

Total Assets



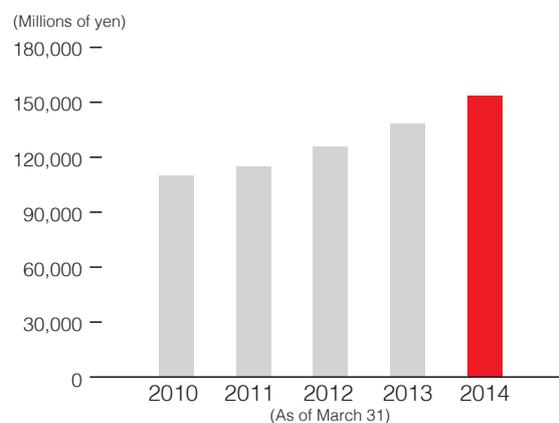
Liabilities

Liabilities were 636,968 million yen. These largely comprised deposits (excluding negotiable certificates of deposit) totaling 437,588 million yen. Of these, the outstanding balance of individuals' ordinary deposits was 158,989 million yen and the balance of term deposits was 153,165 million yen.

Net Assets

Net assets were 153,408 million yen. Of these, retained earnings were 88,520 million yen. The consolidated capital ratio was 45.27%.

Net Assets



Cash Flows

Cash and cash equivalents increased by 32,975 million yen during fiscal 2013 to 504,987 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 was 91,940 million yen. Factors contributing cash included income before income taxes of 34,758 million yen, net change in ATM-related temporary accounts of 61,313 million yen and net increase in deposits of 43,273 million yen. These factors exceeded factors using cash such as net decrease in call money of 28,300 million yen and net decrease in straight bonds – issuance and redemption of 24,000 million yen.

Cash Flow from Investing Activities

Net cash used in investing activities was 50,668 million yen. Factors that used cash included purchases of securities of 97,046 million yen and purchase of tangible fixed assets of 15,853 million yen. These exceeded factors that provided cash such as proceeds from maturity of securities of 70,500 million yen.

Cash Flow from Financing Activities

Net cash used in financing activities was 8,333 million yen, due to factors including 8,333 million yen in dividends paid.

Cash Flow Highlights

(Years ended March 31)	Millions of yen		
	2014	2013	2012
Net cash provided by operating activities	91,940	118,550	1,401
Net cash used in investing activities	(50,668)	(6,927)	(11,703)
Net cash used in financing activities	(8,333)	(8,157)	(6,192)
Cash and cash equivalents at the end of the year	504,987	472,012	368,518

Basic Policy on Profit Distribution and Dividends in Fiscal 2013 and Fiscal 2014

Seven Bank regards returning profits to shareholders as an important management issue. With the aim of providing a fair return to shareholders, the Bank's basic policy is to 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 fiscal 2013, we paid an interim dividend of 3.50 yen and a year-end dividend of 4.00 yen, resulting in an annual dividend of 7.50 yen per share.

For fiscal 2014, we intend to pay an annual dividend of 7.50 yen (comprising an interim dividend of 3.75 yen and year-end dividend of 3.75 yen).

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

Management Policies

1. Basic Management Policies

(1) 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.

(2) Basic Management Policy

Seven Bank is working to offer safe, accurate, and speedy banking services deeply embedded in customers' daily lives as their "instant wallets." We aim to achieve this by creating a network of ATMs accessible 24 hours a day, 365 days a year, utilizing the 16,000-plus retail locations of Seven & i Holdings'-related companies led by Seven-Eleven convenience stores.

The Bank operates under an ethos of coexistence 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 customers of Seven & i Holdings and its affiliates, we are working to attract a wider range of customers to Seven & i Holdings' stores more often, 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 with the aim of maximizing corporate value over the medium-to-long term. Other performance metrics that the Bank focuses on include daily average transactions per ATM, return on ATM cash (see note below), and the overhead ratio.

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

3. Medium-to-Long-Term Management Strategies

Initiatives to achieve sustained growth include 1) further strengthening the ATM business; 2) quickly generating earnings in the financial services business; and 3) working to build international and new businesses. We will work to enhance our earnings structure through these initiatives.

- (1) In the ATM business, we will increase the number of partner financial institutions and ATMs installed and work to raise usage rates with emphasis on ATMs installed at non-Group locations. Regarding increasing the number of partner financial institutions, we aim to further raise convenience for customers who use our ATMs by strengthening our approach to financial institutions that are not yet partners. Regarding increasing the number of ATMs installed, we will continue to steadily install ATMs at Group locations while further increasing our proactive efforts to install more ATMs at non-Group locations. To raise ATM usage rates, we will carefully select non-Group installation locations that we expect a large number of customers to use,

and we will carry out ATM usage promotion activities after installation at Group and non-Group locations. In addition, we will steadily phase in third-generation ATMs, which we began introducing on a full-scale basis in fiscal 2011, and work to increase customer convenience and safety.

- (2) In the financial services business, the Bank will improve the convenience of its accounts and aims to quickly generate earnings. For our international money transfer services, we will work to further cultivate and expand our user base. For personal loan services, we intend to raise awareness of our services in order to increase the number of contract accounts.
- (3) In international businesses, we will generate synergies with the U.S. subsidiary we acquired in fiscal 2012 by sharing know-how and expertise and supplementing each other, and we will nurture human resources who can achieve this objective. Moreover, we intend to expand our business with plans to enter Indonesia in fiscal 2014 through a joint venture with a local company, which we will use as a bridgehead to incorporate the growth potential of Asia. Regarding other new businesses, we intend to cultivate new business opportunities for which we can fully utilize our know-how and infrastructure.

Risk Factors

1. Risk Relating to Our Business Strategy

(1) ATM business

Seven Bank substantially depends on the ATM business for its revenues. The Bank is increasing the number and concentration 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, could 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, could reduce the number of ATM transactions, which could affect the Bank's results.

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, competition with partner financial institutions that have ATM networks could increase if these institutions actively expand their ATM networks.

Currently, total ATM transactions continue to increase. In the future, however, increased competition with the Bank's partner financial institutions could cause such challenges as a decrease in the number of users of the Bank's ATMs or a decrease in ATM-related fee income, which could affect the Bank's results.

C) Changes in economic conditions

The level of ATM-related fee income 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-related fee income may decline, or failure to agree on ATM-related fee income levels may dissolve partnerships, which could affect the Bank's results and financial position.

D) Difficulty in securing ATM locations

Seven Bank has in a stable manner secured and expanded locations for ATMs, centered on Seven & i Holdings Group stores, and is expanding the installation of ATMs at commercial facilities and other non-Group sites. In the future, however, obstacles to maintaining or expanding ATM locations could affect the Bank's results.

E) Effect of amendment of laws, etc., on partner companies' business

An amendment of a law or regulation, etc., related to the business of a partner company that results in a substantial decrease in the use of Seven Bank's ATMs by the customers of such partner company could cause a decline in ATM-related fee income and other outcomes that could affect the Bank's results.

F) Risk of higher interest rates

Seven Bank procures necessary cash for its ATM business through deposits, loans, bonds, and other means. The cost of this fund procurement is influenced by market interest rate trends.

The Bank takes appropriate steps to minimize the impact of interest rate fluctuations, such as procuring long-term funds at fixed rates. However, substantial interest rate fluctuations could cause an unanticipated rise in fund procurement costs, which could affect the Bank's results and financial position.

(2) Financial services business

In addition to ordinary deposits and term deposits, Seven Bank has begun offering card loans and international money transfer services for individuals. However, there is no guarantee that these services will successfully expand.

In addition, Seven Bank may offer new services or establish other new businesses that it is not currently handling to expand the financial services business, but cannot guarantee that they will succeed. When expanding new businesses, the Bank may also establish new subsidiaries, engage in M&A or form capital alliances with other corporations. However, the inability of the Bank to realize the initially expected effect of these strategic investments and to achieve its strategic objectives could affect the Bank's results and financial position.

(3) Risks of overseas subsidiaries

Seven Bank has a subsidiary that operates ATMs in the United States. In addition, Seven Bank established a subsidiary through a joint venture with a local company in Indonesia in fiscal 2014. The future occurrence of major changes in the political or economic environment surrounding these subsidiaries or an unforeseen event such as a natural disaster could affect the Bank's results. In addition, exchange rate fluctuations could increase or decrease the Bank's profits.

(4) Impairment of fixed assets

Seven Bank holds tangible fixed assets and intangible fixed assets including goodwill. Although the Bank applies impairment accounting, factors such as worsening profitability of assets held or subsidiaries or a decline in the value of other assets could make it necessary to record further impairment of these assets, which could affect the Bank's results and financial position.

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 risk management activities; and risk management divisions for managing specific types of risk.

3. System Failure

Seven Bank has established Systems Risk Rules to articulate its fundamental policies related to system risk management and, by developing and operating its systems based on the rules, it is striving to realize efficient system development, improved system quality, and stable system operations. In addition, the Bank has adopted a system configuration that employs two system centers that are always in operation, redundant server network equipment, and 24x7x365 monitoring operations, as well as the implementation of other system failure countermeasures. In addition, in accordance with the importance of files, programs, etc., the Bank performs data backups and has taken measures for remote-location data storage in preparation for unexpected situations.

However, it is impossible to completely eliminate the danger of system function interruptions due to failure resulting from factors including such natural disasters as large earthquakes and typhoons, 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 could affect the Bank's results.

5. Relationship with Seven & i Holdings Group

Overall, Seven Bank determines issues including business strategy, personnel policy, and capital policy autonomously after independent consideration. However, the Bank operates its ATM business by installing ATMs primarily in the stores of companies that are part of the Seven & i Holdings Group, which is Seven Bank's parent company.

As of March 31, 2014, the relationship between Seven Bank and the Seven & i Holdings Group was as follows.

(1) Equity relationship

Seven Bank is a subsidiary of Seven & i Holdings Co., Ltd., which is listed on the First Section of the Tokyo Stock

Exchange. Seven & i Holdings controls 45.81% of the voting rights of Seven Bank. The Seven & i Holdings Group is expected to remain a major Seven Bank shareholder, and the Bank cannot guarantee that the Seven & i Holdings Group will not influence its policies and decisions.

(2) Personnel relationships

Seven Bank's Chairman and Representative Director, Mr. Takashi Anzai, and Outside Director, Mr. Akihiko Shimizu, concurrently serve as directors of Seven & i Holdings Co., Ltd.

In addition, Seven Bank has a cooperative business relationship with the Seven & i Holdings Group that involves personnel exchanges.

(3) Transactional relationships

At the end of March 2014, Seven Bank had installed 18,142 ATMs at Seven & i Holdings Group stores (including 17,616 ATMs at Seven-Eleven stores, 312 ATMs at Ito-Yokado stores, and 214 ATMs at other Seven & i Holdings Group stores). In addition, the Bank has installed 1,372 ATMs at locations other than Seven & i Holdings Group stores.

Thus, 92.9% of the Bank's ATMs are installed at Seven & i Holdings Group stores. Difficulties in keeping ATMs installed at Group stores or a marked decrease in customers at Seven & i Holdings Group stores could affect the Bank's results.

In addition, Seven Bank pays ATM installation fees to Seven & i Holdings Group companies, but cannot guarantee that fee terms will not change in the future. Major changes in fee terms could affect the Bank's results.

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 the status of usage of ATMs and accounts to prevent them from being abused for financial crimes and focuses on protecting ATMs and customers. However, reputation 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 could 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

Based on the regulations in Article 4, Paragraph 1 of the Banking Law, Seven Bank has received a license to operate in the banking business (Financial Supervisory Agency License Number 1812) that enables it to take deposits, handle currency exchange, make loans, and conduct other relevant business. However, based on the regulations in Article 4, Paragraph 4 of the Banking Law (see note), Seven Bank's banking license is subject to certain conditions. Future new businesses such as foreign currency-denominated accounts will require the approval of the commissioner of the Financial Services Agency as the head of the supervisory authority.

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, regarding the banking business, Articles 26 and 27 of the Banking Law specify prerequisites for issues including suspension of operations and license revocation, respectively. If these prerequisites are applicable, the Bank may be legally required to suspend its operations or its license may be revoked.

The Bank is currently aware of no reason for these measures to be taken. However, future suspension of operations or license revocation for any reason could obstruct the Bank's business activities and could materially affect the Bank's results.

Note: Article 4, Paragraph 4 of the Banking Law: When the prime minister deems it necessary for the public interest based on consideration of the regulations of the preceding two paragraphs, the prime minister may attach conditions to the license of the first paragraph and modify the license to the extent necessary.

10. Capital Adequacy Ratio

Seven Bank does not have sales bases overseas. Therefore, Seven Bank must maintain a ratio of non-consolidated net assets to total assets above 4% according to the domestic standard specified by "Criteria for Judging Whether A Financial Institution's Own Capital Is Sufficient in Light of the Assets Held, etc. under the Provision of Article 14-2 of the Banking Law" (Notification Number 19 of 2006, the Financial Services Agency).

Currently, Seven Bank's non-consolidated capital adequacy ratio substantially exceeds the relevant standard. However, the Bank may be unable to meet its required capital adequacy standard if various business or other risks specified by the relevant provisions materialize or the regulations or other relevant items change in the future.

11. Personal Information Leakage

Through its banking business, Seven Bank possesses a large amount of customer information, including personal information. As a business handling personal information as specified by the Personal Information Protection Act, the Bank announces or otherwise publicizes the purpose for using personal information, safely administers personal information, duly considers requests for disclosure of personal information on file from the subject, and ensures thorough awareness within the Bank to that effect as stipulated by in-house personal information management regulations. Furthermore, the Bank concludes memoranda with, and conducts strict, thorough management of the handling of personal information by, subcontractors. However, serious damage to customers

from large-scale information leakage may result in orders or punitive measures from regulatory authorities, claims for damages, and reputation damage. These and other factors may affect the Bank's results and financial position.

12. Reduced Liquidity due to Ratings Downgrade

Seven Bank currently has a long-term issuer rating of AA- with a negative outlook and a short-term issuer rating of A-1+ from Standard & Poor's Ratings Services. 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.

13. 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 results and future development.

14. Reputation

Seven Bank has established Reputation Risk Rules that set the range of reputation 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 reputation risks accurately and urgently, based on the facts. The Bank will take care to prevent the generation 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.

Consolidated Balance Sheets

Seven Bank, Ltd. and Consolidated Subsidiary
As of March 31, 2014 and 2013

	Millions of yen	
	2014	2013
Assets:		
Cash and due from banks (Notes 2, 3, 4 and 5).....	¥504,987	¥472,012
Call loans (Note 5)	15,000	30,000
Securities (Notes 2, 5, 6 and 7).....	98,322	72,944
Loans (Notes 5 and 8)	5,257	3,387
ATM-related temporary payments (Note 5)	92,786	174,900
Tangible fixed assets (Notes 2, 9, 31 and 33)	28,588	17,636
Intangible fixed assets (Notes 2, 10 and 34).....	34,568	31,166
Deferred tax assets (Notes 2 and 25).....	1,290	1,133
Other assets (Notes 2, 7, 11 and 16)	9,633	9,415
Allowance for credit losses (Notes 2 and 5).....	(56)	(65)
Total assets	¥790,377	¥812,531
Liabilities:		
Deposits (Notes 5, 12 and 27)	¥438,348	¥394,615
Call money (Note 5)	—	28,300
Borrowed money (Notes 5, 13 and 29)	21,000	34,000
Bonds (Notes 5 and 14).....	115,000	139,000
Income taxes payable.....	8,481	6,203
ATM-related temporary advances (Note 5).....	40,966	61,766
Reserve for bonuses (Note 2)	396	366
Liability for retirement benefits (Notes 2 and 16)	120	—
Deferred tax liabilities (Notes 2, 25 and 34)	1,899	1,811
Other liabilities (Notes 2, 15, 27 and 31)	10,756	8,422
Total liabilities.....	636,968	674,486
Net assets (Notes 2, 17 and 26):		
Shareholders' equity:		
Common stock, authorized 4,763,632 thousand shares, issued 1,190,949 thousand shares in 2014 and 2013.....	30,509	30,509
Capital surplus	30,509	30,509
Retained earnings (Notes 2 and 35).....	88,520	75,621
Treasury stock, at cost, 0 thousand shares in 2014 and 2013.....	(0)	(0)
Total shareholders' equity.....	149,539	136,639
Accumulated other comprehensive income:		
Net unrealized gains (losses) on available-for-sale securities, net of taxes (Note 6)	3	21
Foreign currency translation adjustments	3,613	1,092
Accumulated adjustments for retirement benefit (Note 16)	(119)	—
Total accumulated other comprehensive income	3,497	1,114
Subscription rights to shares (Note 30)	371	291
Total net assets	153,408	138,045
Total liabilities and net assets.....	¥790,377	¥812,531

See accompanying notes.

Consolidated Statements of Income

Seven Bank, Ltd. and Consolidated Subsidiary
For the years ended March 31, 2014 and 2013

	Millions of yen	
	2014	2013
Income:		
Interest income.....	¥ 809	¥ 572
Interest on loans	613	411
Interest and dividends on securities	118	96
Other interest income	76	63
Fees and commissions income (Note 18)	104,533	94,046
Other operating income (Note 20)	81	49
Other income (Note 22)	163	296
Total income.....	105,587	94,965
Expenses:		
Interest expenses	1,806	1,627
Interest on deposits (Note 27)	515	480
Interest on call money	14	19
Interest on borrowed money	308	337
Interest on bonds.....	967	790
Fees and commissions expenses (Notes 19 and 27)	16,291	12,217
Other operating expenses (Note 6 and 21)	0	405
General and administrative expenses (Note 30)	51,693	48,809
Other expenses (Note 23)	1,038	535
Total expenses	70,829	63,594
Income before income taxes and minority interests	34,758	31,370
Income taxes (Notes 2 and 25)		
Current	13,885	11,999
Deferred	(363)	(6)
Total income taxes	13,522	11,992
Income before minority interests.....	21,236	19,377
Net income	¥ 21,236	¥19,377

Amounts per share of common stock (Notes 2, 26 and 32):

	Yen	
	2014	2013
Net assets	¥128.49	¥115.66
Net income.....	17.83	16.27
Diluted net income.....	17.80	16.24
Cash dividends applicable to the year.....	7.50	6.75

See accompanying notes.

Consolidated Statements of Comprehensive Income

Seven Bank, Ltd. and Consolidated Subsidiary
For the years ended March 31, 2014 and 2013

	Millions of yen	
	2014	2013
Income before minority interests	¥21,236	¥19,377
Other comprehensive income (Note 24)		
Net unrealized gains (losses) on available-for-sale securities, net of taxes...	(18)	26
Foreign currency translation adjustments	2,520	1,092
Total other comprehensive income	2,502	1,118
Comprehensive income	¥23,738	¥20,496
Comprehensive income attributable to:		
Owners of the parent	¥23,738	¥20,496
Minority interests	—	—

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Seven Bank, Ltd. and Consolidated Subsidiary
For the years ended March 31, 2014 and 2013

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2012	¥30,505	¥30,505	¥64,401	¥(0)	¥125,413
Changes in items during the period					
Issuance of new shares	3	3			6
Cash dividends			(8,157)		(8,157)
Net income			19,377		19,377
Purchase of treasury stock					—
Net changes in items other than shareholders' equity					
Net changes in items during the period	3	3	11,219	—	11,226
Balance at April 1, 2013	¥30,509	¥30,509	¥75,621	¥(0)	¥136,639
Changes in items during the period					
Issuance of new shares					—
Cash dividends			(8,336)		(8,336)
Net income			21,236		21,236
Purchase of treasury stock				(0)	(0)
Net changes in items other than shareholders' equity					
Net changes in items during the period	—	—	12,899	(0)	12,899
Balance at March 31, 2014	¥30,509	¥30,509	¥88,520	¥(0)	¥149,539

	Millions of yen					
	Accumulated other comprehensive income					
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Subscription rights to shares	Total net assets
Balance at April 1, 2012	¥ (4)	¥ —	¥ —	¥ (4)	¥220	¥125,629
Changes in items during the period						
Issuance of new shares						6
Cash dividends						(8,157)
Net income						19,377
Purchase of treasury stock						—
Net changes in items other than shareholders' equity	26	1,092	—	1,118	70	1,189
Net changes in items during the period	26	1,092	—	1,118	70	12,415
Balance at April 1, 2013	¥ 21	¥1,092	¥ —	¥1,114	¥291	¥138,045
Changes in items during the period						
Issuance of new shares						—
Cash dividends						(8,336)
Net income						21,236
Purchase of treasury stock						(0)
Net changes in items other than shareholders' equity	(18)	2,520	(119)	2,383	80	2,463
Net changes in items during the period	(18)	2,520	(119)	2,383	80	15,363
Balance at March 31, 2014	¥ 3	¥3,613	¥(119)	¥3,497	¥371	¥153,408

See accompanying notes.

Consolidated Statements of Cash Flows

Seven Bank, Ltd. and Consolidated Subsidiary
For the years ended March 31, 2014 and 2013

	Millions of yen	
	2014	2013
Cash flows from operating activities:		
Income before income taxes and minority interests.....	¥ 34,758	¥ 31,370
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation of fixed assets.....	12,493	14,001
Losses on impairment of fixed assets.....	—	389
Amortization of goodwill.....	1,121	179
Net change in allowance for credit losses.....	(9)	(11)
Net change in prepaid pension cost.....	—	(102)
Net change in liability for retirement benefits.....	38	—
Interest income.....	(809)	(572)
Interest expenses.....	1,806	1,627
Net foreign exchange gains.....	—	(11)
Net losses related to securities.....	0	—
Net losses on disposal of fixed assets.....	1,028	111
Net change in loans.....	(1,869)	(1,471)
Net change in deposits.....	43,733	22,344
Net change in borrowed money.....	(13,000)	10,000
Net change in call loans.....	15,000	(7,000)
Net change in call money.....	(28,300)	9,300
Net change resulting from issuance and maturity of ordinary bonds.....	(24,000)	85,000
Net change in ATM-related temporary accounts.....	61,313	(32,158)
Interest received.....	988	1,061
Interest paid.....	(2,064)	(1,593)
Other – net.....	1,376	(1,346)
Subtotal.....	103,605	131,116
Income taxes paid.....	(11,664)	(12,566)
Net cash provided by operating activities.....	91,940	118,550
Cash flows from investing activities:		
Purchase of securities.....	(97,046)	(71,038)
Proceeds from sales of securities.....	1,000	—
Proceeds from maturity of securities.....	70,500	96,500
Purchase of tangible fixed assets.....	(15,853)	(15,007)
Purchase of intangible fixed assets.....	(8,193)	(6,853)
Payments for transfer of business (Note 3).....	(1,074)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 3).....	—	(10,527)
Net cash used in investing activities.....	(50,668)	(6,927)
Cash flows from financing activities:		
Proceeds from exercise of stock options.....	—	0
Dividends paid.....	(8,333)	(8,157)
Purchase of treasury stock.....	(0)	—
Net cash used in financing activities.....	(8,333)	(8,157)
Effect of exchange rate changes on cash and cash equivalents.....	36	28
Net change in cash and cash equivalents.....	32,975	103,493
Cash and cash equivalents at the beginning of the year.....	472,012	368,518
Cash and cash equivalents at the end of the year (Notes 2, 3 and 4).....	¥504,987	¥472,012

See accompanying notes.

Notes to Consolidated Financial Statements

Seven Bank, Ltd. and its consolidated subsidiary
As of and for the years ended March 31, 2014 and 2013

1. Basis of Presenting Consolidated Financial Statements

- (a) The accompanying consolidated financial statements of Seven Bank, Ltd. (the “Bank”) and its consolidated subsidiary (collectively the “Group”) 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 consolidated financial statements have been reclassified and translated into English (with some expanded descriptions) from the consolidated financial statements of the Group prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.
- (b) In preparing the accompanying consolidated financial statements and notes, 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 consolidated financial statements and notes thereto are not necessarily equal to sums of individual amounts. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the Group’s consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.
- (c) The preparation of consolidated 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) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its consolidated subsidiary.

The balance sheet date of the consolidated subsidiary is December 31. The subsidiary is consolidated using the financial statements on its balance sheet date. Appropriate adjustments have been made for significant intervening transactions occurring during the period from December 31 to March 31.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group are also eliminated.

(b) Securities

In principle, available-for-sale securities 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 determine are stated at cost using the moving-average method.

(c) Tangible fixed assets (excluding leases)

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

Estimated useful lives of major items as of March 31, 2014 and 2013 are as follows:

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

Depreciation of tangible fixed assets of the consolidated subsidiary is mainly calculated by the straight-line method over the estimated useful lives of the assets.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

The Bank has changed its depreciation method for tangible fixed assets from the declining-balance method to the straight-line method, effective from the fiscal year ended March 31, 2014.

The bank has reviewed its depreciation method for tangible fixed assets, triggered by the changes in business structure and business environment surrounding the Bank, such as the acquisition of the U.S. subsidiary and the capital investments mainly in the replacement by the new ATM.

As a result of the review, the Bank judged that the costs would be more appropriately matched with the related revenues and the actual business conditions would

be reflected more correctly by changing its depreciation method for tangible fixed assets to the straight-line method, because the Bank's tangible fixed assets would be evenly operated within the useful life, stable revenues have been earned and maintenance and operation costs such as repair expenses have been leveled off.

As a result of this change, income before income taxes and minority interests increased by ¥3,926 million from the corresponding amounts that would have been recorded under the previous method.

(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) 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 at 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 at 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, and its evaluations are audited by the Internal Audit Division, which is independent from the Bank's other divisions and the Risk Management Office. The allowance is provided for based on the results of these assessments.

(f) Reserve for bonuses

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

(g) Method of accounting for retirement benefits

In calculating the projected benefit obligation, projected retirement benefit attributable up to the end of the fiscal year is determined on a point basis. Also, prior service cost

and net actuarial difference are amortized as follows.

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

(h) Foreign currency translation

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

(i) 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 consolidated statement 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.

(j) Amortization of goodwill

Goodwill is amortized using the straight-line method over 10 years or fully expensed when incurred if the amount is immaterial.

(k) Cash and cash equivalents

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

(l) Income taxes

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

(m) Consumption taxes

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

(n) Amounts per share

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

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

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

(o) Appropriation of retained earnings

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

(p) Changes in accounting policies

Effective from the end of the fiscal year ended March 31, 2014, the Bank has adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance No. 25")) except for article 35 of the Statement No. 26 and article 67 of the Guidance No. 25 and the difference between retirement benefit obligations and plan assets has been recognized as a liability for retirement benefits.

In accordance with article 37 of Statement No. 26, unrecognized actuarial difference and unrecognized prior service cost, net of tax, have been recognized as accumulated adjustments for retirement benefit under accumulated other comprehensive income at the end of the year ended March 31, 2014.

As a result of the application, a liability for retirement benefits in the amount of ¥120 million has been recognized and accumulated other comprehensive income has decreased by ¥119 million at the end of the fiscal year ended March 31, 2014.

The effects of this change on per share data are described in Note 32.

(q) Unapplied new accounting standards**1) Accounting Standard for Retirement Benefits (May 17, 2012)****(1) Overview**

Accounting standard for retirement benefits has been amended from the viewpoint of improvement to financial reporting and international convergence, and the following items have been mainly amended; accounting treatment

for unrecognized actuarial difference and service cost, calculation method for retirement benefit obligation and service cost, as well as expansion of related disclosures.

(2) Date of adoption

The Bank will adopt the amendments to the calculation method for retirement benefit obligation and service cost from the beginning of the fiscal year starting April 1, 2014.

(3) The effect of adopting the revised accounting standard

The effect of adopting the accounting standard is expected to be immaterial.

2) Accounting standard for business combination (September 13, 2013)**(1) Overview**

Accounting standard for business combination has been amended mainly on the following items; (i) accounting treatment for changes in the parent's ownership interests in a subsidiary when the parent continues to retain control of that subsidiary such as the additional acquisition of the subsidiary's shares, (ii) accounting treatment for acquisition-related costs, (iii) provisional accounting treatment, and (iv) presentation of net income as well as the change of minority interests to non-controlling interests.

(2) Date of adoption

The bank will adopt the revised accounting standard from the beginning of the fiscal year starting April 1, 2015.

(3) The effect of adopting the accounting standard

The effect of adopting the revised accounting standard is currently under evaluation.

(r) Changes in presentation

"Income taxes payable," which was included in "Other liabilities" in the previous fiscal year, is presented separately from the fiscal year ended March 31, 2014 since its monetary significance has increased. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, the amount of ¥14,626 million presented in "Other liabilities" in the consolidated balance sheets for the previous fiscal year has been reclassified to ¥6,203 million of "Income taxes payable" and ¥8,422 million of "Other liabilities."

3. Supplemental Cash Flow Information**(1) Cash and cash equivalents**

Cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2014 and 2013 consisted of cash and due from banks of ¥504,987 million and ¥472,012 million on the consolidated balance sheets as of March 31, 2014 and 2013, respectively.

(2) Assets and liabilities of newly consolidated subsidiary by acquisition of stock

Financial Consulting & Trading International, Inc. has been newly consolidated by acquisition of stock by the Bank in the fiscal year ended March 31, 2013. Assets and liabilities as of the beginning of consolidation and a summary of stock acquisition cost and net cash used for the acquisition were as follows:

	Millions of yen
	2013
Assets	¥ 5,745
Liabilities.....	(1,997)
Goodwill	6,928
Stock acquisition cost	10,675
Cash and cash equivalents of the acquired company	(148)
Difference: Net cash used for the acquisition	¥10,527

(3) Assets acquired and liabilities assumed by transfer of business

Financial Consulting & Trading International, Inc., which is the Bank's subsidiary, carried out transfer of business in the fiscal year ended March 31, 2014.

A summary of assets acquired and liabilities assumed by the transfer of business, the acquisition cost of transfer of business and net cash used for the transfer of business were as follows:

	Millions of yen
	2014
Assets	¥1,114
Liabilities.....	(225)
Goodwill	186
Acquisition cost of transfer of business.....	1,074
Cash and cash equivalents acquired from the transfer of business	—
Difference: Net cash used for the transfer of business.....	¥1,074

4. Cash and Due from Banks

Cash and due from banks as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Cash	¥479,533	¥440,726
Due from banks.....	25,453	31,285
Total	¥504,987	¥472,012

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 profits by aggressive risk taking.

The Bank procures necessary cash for working capital mainly for cash held in ATMs and capital expenditure for ATM- and system-related infrastructure. The Bank raises its base capital taking into account interest rate trends through deposits, long-term borrowing, and bond issuance and uses the call market to raise additional capital to cover the daily fluctuation of its 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 the ATM business accounts for most of the financial instruments the Bank holds. The Bank provides unutilized capital to call loan lending and is 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 borrower and issuers' credit risks, interest rate risk, and market (price) risk. Loans are those for

individual customers (revolving card loans), which are subject to credit risks 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 in that the Bank cannot make necessary payments upon the due dates under certain circumstances where the Bank cannot access 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 by periodically collecting updated credit information and fair values of the instruments.

(B) Market Risk Management

Basic policies related 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 decisions at the monthly ALM Committee meeting where the Bank's market risk position and expected trends in interest rates and other matters are reported.

Quantitative Information related to Market Risk

Major market risk for the Bank is interest rate risk. The Bank measures the market risk using Value at Risk (VaR) for the overall assets and liabilities of the Bank. The Bank has adopted the variance-covariance method and calculates VaR with reference to data from the past one year to a 99.9% confidence level assuming a 125 days holding period. As of March 31, 2014, the Bank's market risk quantity (maximum potential loss) is ¥1,085 million in the aggregate. In addition, given the characteristics of the Bank's business, in measuring the market risk, the Bank has recognized the interest period for cash assets and regarded cash assets as five-year zero-coupon bonds (average duration of about 2.5 years). The Bank regularly performs back-testing to compare the VaR calculated by its internal model against actual profit and loss. However, as VaR measures the amount of market risk under certain probabilities statically calculated based on past movement volatility, it may underestimate the probability of extreme market movements and, may in some instances, not properly capture those risks.

(C) Management of Liquidity Risk

Basic policies related 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, companywide 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 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 event where no market price is available. Certain assumptions are used for the calculation of such values. Accordingly, the results of such calculation may vary if different assumptions are employed.

2) Fair Value of Financial Instruments

The following table summarizes the amounts stated in the consolidated balance sheets and the fair value of financial instruments as of March 31, 2014 and 2013 together with their differences. Note that the following table does not include unlisted equity securities for which fair value is extremely difficult to determine (see (Note 2)).

March 31, 2014

	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks ¹	¥504,986	¥504,986	¥ —
(2) Call loans ¹	14,956	14,956	—
(3) Securities			
Available-for-sale securities	98,178	98,178	—
(4) Loans	5,257		
Allowance for credit losses ¹	—		
	5,257	5,257	—
(5) ATM-related temporary payments ¹	92,784	92,784	—
Total assets	¥716,162	¥716,162	¥ —
(1) Deposits	¥438,348	¥438,920	¥ 571
(2) Call money	—	—	—
(3) Borrowed money	21,000	21,277	277
(4) Bonds	115,000	115,686	686
(5) ATM-related temporary advances	40,966	40,966	—
Total liabilities	¥615,314	¥616,849	¥1,535

March 31, 2013

	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks ¹	¥472,011	¥472,011	¥ —
(2) Call loans ¹	29,955	29,955	—
(3) Securities			
Available-for-sale securities	70,800	70,800	—
(4) Loans	3,387		
Allowance for credit losses ¹	(0)		
	3,387	3,387	—
(5) ATM-related temporary payments ¹	174,897	174,897	—
Total assets	¥751,053	¥751,053	¥ —
(1) Deposits	¥394,615	¥395,202	¥ 586
(2) Call money	28,300	28,300	—
(3) Borrowed money	34,000	34,304	304
(4) Bonds	139,000	140,176	1,176
(5) ATM-related temporary advances	61,766	61,766	—
Total liabilities	¥657,682	¥659,750	¥2,068

Note: 1. Allowance for credit losses corresponding to loans is deducted. However, with respect to items other than loans, the amounts stated in the consolidated balance sheets are ones for which 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

These transactions have short contractual terms (less than one year). Thus, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount.

(3) Securities

The fair value of equity securities is determined based on the price quoted by the exchange. 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 “6. Securities” for notes on securities by category 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 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 collaterals and guarantees. Therefore, fair values of these loans are stated at amounts that are the consolidated balance sheet amounts at the balance sheet date after deducting the current estimated credit losses because this amount closely approximates fair value.

(5) ATM-related temporary payments

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

Liabilities**(1) Deposits**

For demand deposits, the amount payable on demand as of the consolidated 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 value of discounted expected 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.

(2) Call money

These transactions have short contractual terms (less than one year). Thus, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount.

(3) 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 Japanese GAAP, 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 premiums 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.

(4) Bonds

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

(5) ATM-related temporary advances

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

(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 "(3) Securities" in the table summarizing fair value of financial instruments.

	Millions of yen	
	2014	2013
Unlisted equity securities ¹	¥144	¥2,144
Total	¥144	¥2,144

Note: 1. Unlisted 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, 2014

	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	¥ 25,453	¥ —	¥—	¥—	¥—	¥—
Call loans.....	15,000	—	—	—	—	—
Securities:						
Available-for-sale securities with maturity.....	50,500	45,500	—	—	—	—
Japanese government bonds.....	50,500	30,500	—	—	—	—
Corporate bonds	—	15,000	—	—	—	—
Loans ²	5,250	—	—	—	—	—
ATM-related temporary payments	92,786	—	—	—	—	—
Total.....	¥188,990	¥45,500	¥—	¥—	¥—	¥—

March 31, 2013

	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	¥ 31,285	¥—	¥—	¥—	¥—	¥—
Call loans.....	30,000	—	—	—	—	—
Securities:						
Available-for-sale securities with maturity.....	70,500	—	—	—	—	—
Japanese government bonds.....	70,500	—	—	—	—	—
Loans ²	3,381	—	—	—	—	—
ATM-related temporary payments	174,900	—	—	—	—	—
Total.....	¥310,067	¥—	¥—	¥—	¥—	¥—

Notes: 1. Due from banks with no maturities are included in the "Within one year" category.

2. For loans, ¥6 million and ¥6 million as of March 31, 2014 and 2013 is excluded for loans that are not expected to be collected, which are for the debtors who are bankrupt, substantially bankrupt, and bankruptcy risk obligors. In addition, loans are disclosed as "Within one year."

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

March 31, 2014

	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 ¹	¥353,893	¥47,294	¥37,160	¥ —	¥ —	¥—
Borrowed money.....	5,000	6,000	—	10,000	—	—
Bonds	20,000	—	45,000	30,000	20,000	—
ATM-related temporary advances.....	40,966	—	—	—	—	—
Total.....	¥419,859	¥53,294	¥82,160	¥40,000	¥20,000	¥—

March 31, 2013

	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 ¹	¥326,570	¥41,556	¥26,488	¥ —	¥ —	¥—
Call money	28,300	—	—	—	—	—
Borrowed money.....	13,000	6,000	5,000	10,000	—	—
Bonds	24,000	20,000	45,000	30,000	20,000	—
ATM-related temporary advances.....	61,766	—	—	—	—	—
Total.....	¥453,637	¥67,556	¥76,488	¥40,000	¥20,000	¥—

Note: 1. Demand deposits are included in the "Within one year" category.

6. Securities

(1) The following tables summarize acquisition cost and carrying amount of securities with available fair values as of March 31, 2014 and 2013:

Available-for-sale securities:

March 31, 2014		Millions of yen		
	Acquisition cost	Carrying amount	Difference	
Securities with higher balances than acquisition costs				
Equity securities	¥ 151	¥ 281	¥129	
Bonds:				
Japanese government bonds.....	81,023	81,059	36	
Corporate bonds	12,997	13,001	3	
Total	¥94,173	¥94,342	¥169	
March 31, 2013		Millions of yen		
	Acquisition cost	Carrying amount	Difference	
Securities with the same or lower balances than acquisition costs				
Equity securities	¥ 2,000	¥ 1,836	¥(164)	
Bonds:				
Corporate bonds	2,000	1,999	(0)	
Total	¥ 4,000	¥ 3,835	¥(164)	
Grand total	¥98,173	¥98,178	¥ 4	

March 31, 2013		Millions of yen		
	Acquisition cost	Carrying amount	Difference	
Securities with higher balances than acquisition costs				
Equity securities	¥ 151	¥ 178	¥26	
Bonds:				
Japanese government bonds.....	60,614	60,621	7	
Total	¥60,766	¥60,800	¥33	

March 31, 2013		Millions of yen		
	Acquisition cost	Carrying amount	Difference	
Securities with the same or lower balances than acquisition costs				
Bonds:				
Japanese government bonds.....	¥10,000	¥10,000	¥ (0)	
Total	¥10,000	¥10,000	¥ (0)	
Grand total	¥70,766	¥70,800	¥ 33	

Note: Unlisted equity securities do not have market prices to quote. Since it is extremely difficult to estimate the fair value of these securities, they are not included in the above tables.

(2) Proceeds from sales of available-for-sale securities consisted of the following:

March 31, 2014		Millions of yen		
	Proceeds	Realized Gains	Realized Losses	
Bonds:				
Japanese government bonds.....	¥1,000	¥—	¥0	
Total	¥1,000	¥—	¥0	

There were no proceeds from sales of available-for-sale securities for the fiscal year ended March 31, 2013.

(3) Net unrealized gains on available-for-sale securities on the consolidated balance sheets were as follows:

March 31		Millions of yen	
	2014	2013	
Unrealized gains (losses):			
On available-for-sale securities.....	¥ 4	¥ 33	
Deferred tax liability.....	(1)	(11)	
Net unrealized gains on available-for-sale securities, net of taxes.....	¥ 3	¥ 21	

7. Assets Pledged

Available-for-sale securities were pledged as collateral for exchange settlements and overdraft transactions with the Bank of Japan. The securities amounted to ¥96,060 million and ¥70,621 million as of March 31, 2014 and 2013, respectively.

Other assets include guarantee deposits of ¥823 million and ¥824 million as of March 31, 2014 and 2013, respectively.

8. Loans

Loans to bankrupt borrowers and delinquent loans were ¥0 million and ¥6 million as of March 31, 2014, and ¥1 million and ¥5 million as of March 31, 2013, respectively.

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 they are 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 as of March 31, 2014. Loans past due three months or more were ¥0 million as of March 31, 2013. 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 as of March 31, 2014. The renegotiated loans were ¥0 million as of March 31, 2013. 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.

The totals of loans to bankrupt borrowers, delinquent loans, loans past due three months or more, and renegotiated loans were ¥7 million and ¥6 million as of March 31, 2014 and 2013, respectively. The amounts above are before deduction of allowance for credit losses.

Overdraft facilities are contracts under which the Bank lends money to customers in good standing upon request up to the contracted limit. Unused overdraft facilities amounted to ¥3,017 million and ¥1,757 million as of March 31, 2014 and 2013, respectively. Unused overdraft facilities for contracts with a term of less than one year also amounted to ¥3,017 million and ¥1,757 million as of March 31, 2014 and 2013, respectively.

9. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Buildings	¥ 1,518	¥ 795
ATMs.....	23,481	14,407
Other	3,588	2,433
Total	¥28,588	¥17,636

The accumulated depreciation of tangible fixed assets as of March 31, 2014 and 2013 amounted to ¥37,346 million and ¥40,339 million, respectively.

10. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Software.....	¥16,250	¥14,831
Goodwill	8,141	7,452
Other	10,176	8,882
Total	¥34,568	¥31,166

11. Other Assets

Other assets as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Accrued income	¥8,168	¥7,764
Prepaid expenses	471	425
Prepaid pension cost	—	103
Other	993	1,121
Total	¥9,633	¥9,415

12. Deposits

Deposits as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Deposits	¥437,588	¥394,315
Negotiable certificates of deposit	760	300
Total	¥438,348	¥394,615

13. Borrowed Money

Borrowed money as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Borrowed money from banks and insurance companies	¥21,000	¥34,000

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2014 and 2013 was 0.77% and 1.01%, respectively.

The repayment schedule on borrowed money as of March 31, 2014 and 2013 was as follows:

	Millions of yen	
	2014	2013
Within one year	¥5,000	¥13,000
Over one year but within two years	1,000	5,000
Over two years but within three years	5,000	1,000
Over three years but within four years	—	5,000
Over four years but within five years	—	—
Over five years	10,000	10,000

14. Bonds

Bonds as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Unsecured:		
1.67% unsecured bonds due December 20, 2013, date of issue December 4, 2006..	¥ —	¥ 24,000
1.03% unsecured bonds due June 20, 2014, date of issue July 2, 2009.....	20,000	20,000
0.39% unsecured bonds due June 20, 2017, date of issue May 31, 2012	30,000	30,000
0.61% unsecured bonds due June 20, 2019, date of issue May 31, 2012	10,000	10,000
0.24% unsecured bonds due March 20, 2018, date of issue March 7, 2013.....	15,000	15,000
0.46% unsecured bonds due March 19, 2020, date of issue March 7, 2013.....	20,000	20,000
0.80% unsecured bonds due March 20, 2023, date of issue March 7, 2013.....	20,000	20,000
Total	¥115,000	¥139,000

The repayment schedule on bonds as of March 31, 2014 and 2013 was as follows:

	Millions of yen	
	2014	2013
Within one year.....	¥20,000	¥24,000
Over one year but within two years.....	—	20,000
Over two years but within three years.....	—	—
Over three years but within four years.....	45,000	—
Over four years but within five years.....	—	45,000
Over five years.....	50,000	50,000

15. Other Liabilities

Other liabilities as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Accrued expenses.....	¥ 5,991	¥4,851
Asset retirement obligations.....	334	270
Other.....	4,429	3,300
Total.....	¥10,756	¥8,422

16. Employees' Severance and Retirement Benefits

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

Fiscal year ended March 31, 2014

(1) Movement in projected benefit obligation

	Millions of yen
Balance at April 1, 2013.....	¥1,689
Service cost.....	177
Interest cost.....	25
Actuarial difference.....	68
Benefits paid.....	(66)
Prior service cost.....	—
Other.....	—
Balance at March 31, 2014.....	¥1,894

(2) Movement in plan assets

	Millions of yen
Balance at April 1, 2013.....	¥1,434
Expected return on plan assets.....	35
Actuarial difference.....	155
Contributions paid by the employer.....	214
Benefits paid.....	(66)
Other.....	—
Balance at March 31, 2014.....	¥1,774

(3) Reconciliation from projected benefit obligation and plan assets to liability and assets for retirement benefits recorded on the consolidated balance sheet

	Millions of yen
Funded projected benefit obligation.....	¥ 1,894
Plan assets.....	(1,774)
	120
Unfunded projected benefit obligation.....	—
Total net liability (asset) for retirement benefits at March 31, 2014.....	120
Liability for retirement benefits.....	120
Asset for retirement benefits.....	—
Total net liability (asset) for retirement benefits at March 31, 2014.....	¥ 120

(4) Retirement benefit costs

	Millions of yen
Service cost.....	¥177
Interest cost	25
Expected return on plan assets	(35)
Amortization of actuarial difference	81
Amortization of prior service cost.....	5
Other	—
Retirement benefit costs.....	¥253

(5) Accumulated adjustments for retirement benefit

The components of items recognized in accumulated adjustments for retirement benefit (pre-tax) were as follows:

	Millions of yen
Unrecognized prior service cost.....	¥ 5
Unrecognized actuarial difference	180
Other	—
Total balance at March 31, 2014	¥185

(6) Plan assets

(a) Plan assets comprise:

Bonds	50%
Equity securities	38%
Other	12%
Total.....	100%

(b) Long-term expected rate of return on plan assets

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(7) Actuarial assumptions

The principal actuarial assumptions as of March 31, 2014 were as follows:

Discount rate.....	1.5%
Long-term expected rate of return on plan assets.....	2.5%

Fiscal year ended March 31, 2013

The reserve for severance and retirement benefits as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
1. Projected benefit obligation	¥(1,689)
2. Fair value of plan assets	1,434
3. Unaccrued projected benefits obligation (1+2).....	(255)
4. Unrecognized actuarial difference	349
5. Unrecognized prior service cost.....	10
6. Net amount recorded on the consolidated balance sheet (3+4+5).....	103
7. Prepaid pension cost.....	103
8. Reserve for severance and retirement benefits (6-7).....	¥ —

The components of net periodic retirement benefit costs for the fiscal year ended March 31, 2013 were as follows:

	Millions of yen
	2013
Service cost.....	¥167
Interest cost	29
Expected return on plan assets	(24)
Amortization of unrecognized prior service cost.....	5
Amortization of unrecognized actuarial difference	86
Other retirement cost (non-actuarial basis cost).....	6
Net periodic retirement benefit costs	¥271

Assumptions used for the fiscal year ended March 31, 2013 were as follows:

	2013
Discount rate.....	1.5%
Expected rate of return on plan assets.....	2.5%
Allocation method of projected retirement benefit obligation	Point based
Amortization period for prior service cost.....	10 years (using the straight-line method within the employees' average remaining service period at incurrence)
Amortization period for actuarial difference	10 years (using the straight-line method within the employees' average remaining service period, commencing from the fiscal year after the 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.

18. Fees and Commissions Income

Fees and commissions income for the fiscal years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Remittance-related fee income	¥ 1,208	¥ 856
ATM-related fee income	100,021	89,690
Other	3,303	3,499
Total	¥104,533	¥94,046

19. Fees and Commissions Expenses

Fees and commissions expenses for the fiscal years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Remittance-related fee expenses.....	¥ 660	¥ 432
ATM placement fee expenses.....	14,249	11,045
ATM-related fee expenses.....	954	516
Other.....	427	222
Total.....	¥16,291	¥12,217

20. Other Operating Income

Other operating income for the fiscal years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Gains on foreign exchange transactions.....	¥81	¥49
Total.....	¥81	¥49

21. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Loss on sales of bonds.....	¥ 0	¥ —
Amortization of bond issuance cost.....	—	405
Total.....	¥ 0	¥405

22. Other Income

Other income for the fiscal years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	2014	2013
Reversal of allowance for credit losses.....	¥ 9	¥ 11
Other.....	154	284
Total.....	¥163	¥296

23. Other Expenses

Other expenses for the fiscal years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen	
	2014	2013
Losses on disposal of fixed assets.....	¥1,028	¥111
Losses on impairment of fixed assets ¹	—	389
Other.....	10	34
Total.....	¥1,038	¥535

Note: 1. The Bank has recorded losses on impairment of fixed assets for the following assets.

Main area: West Tokyo

Main use: Idle assets

Class: ATMs

Grouping of the assets is based on each company that is the smallest cash flow generation group. Idle assets are treated as an individual unit.

Along with replacement by third-generation ATMs, the carrying amount of assets that are not expected to be used in the future is reduced to recoverable amount, and the amount of such decrease are recorded as impairment loss.

Recoverable amount is calculated using net selling price, and net selling price is zero since diversion to other purposes or sale is difficult.

24. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen	
	2014	2013
Net unrealized gains (losses) on available-for-sale securities, net of taxes		
Amount arising during the year	¥ (28)	¥ 40
Reclassification adjustment	0	—
Amount before income tax effect	(28)	40
Income tax effect	10	(14)
Total	¥ (18)	¥26
Foreign currency translation adjustments.....		
Amount arising during the year	¥2,520	¥1,092
Reclassification adjustment.....	—	—
Amount before income tax effect	2,520	1,092
Income tax effect	—	—
Total	¥2,520	¥1,092
Total other comprehensive income	¥2,502	¥1,118

25. Income Taxes

Income taxes of the Bank in the consolidated statements of income consist of corporation tax, inhabitants tax and enterprise tax. For the fiscal years ended March 31, 2014 and 2013, reconciliation of the difference between the statutory tax rate and the effective income tax rate is not disclosed because the difference is less than 5% of the statutory tax rate.

Significant components of the deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen	
	2014	2013
Deferred tax assets:		
Enterprise tax	¥ 582	¥ 512
Depreciation	187	186
Net operating loss carry forwards	172	77
Reserve for bonuses.....	134	137
Stock option expenses	132	106
Asset retirement obligations.....	119	96
Accounts payable		
(Reserve for retirement benefits for directors and statutory auditors)	70	77
Liability for retirement benefits.....	42	—
Allowance for credit losses	20	24
Losses on impairment of fixed assets	4	23
Other	83	53
Total deferred tax assets	¥ 1,549	¥ 1,296
Deferred tax liabilities:		
Intangible fixed assets recognized with business combination	¥(1,964)	¥(1,762)
Adjustment for tangible fixed assets related to asset retirement obligations	(51)	(29)
Net unrealized gains on available-for-sale securities.....	(1)	(11)
Prepaid pension cost.....	—	(36)
Other	(141)	(133)
Total deferred tax liabilities.....	(2,158)	(1,973)
Net deferred tax liabilities.....	¥ (609)	¥ (677)

Notes: Net deferred tax liabilities are included in the following items in the consolidated balance sheets.

Deferred tax assets.....	¥ 1,290	¥ 1,133
Deferred tax liabilities	1,899	1,811

(Revisions to amounts of deferred tax assets and deferred tax liabilities due to change in income tax rate)

On March 31, 2014, "Act on Partial Revision, etc. of the Income Tax Act, etc." (Act No.10 of 2014) was promulgated, and the Special Reconstruction Corporation Tax will no longer be imposed from the fiscal year beginning on or after April 1, 2014.

Accordingly, for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2014, the statutory tax rate

applied to the calculation of deferred tax assets and liabilities for this fiscal year, was lowered from 38.01% in the previous fiscal year to 35.64%.

As a result, the amount of deferred tax assets decreased by ¥60 million and income taxes-deferred increased by ¥60 million.

26. Changes in Net Assets

(1) Information on shares issued and treasury stock:

Type and number of shares issued and treasury stock for the fiscal years ended March 31, 2014 and 2013 were as follows:

Year ended March 31, 2014	Thousands of shares			
	March 31, 2013	Increase	Decrease	March 31, 2014
Shares issued				
Common stock	1,190,949	—	—	1,190,949
Total	1,190,949	—	—	1,190,949
Treasury stock				
Common stock ¹	0	0	—	0
Total	0	0	—	0

Note: 1. Increase in number of shares of treasury stock: 0 thousand shares due to purchase of shares constituting less than one unit.

Year ended March 31, 2013	Thousands of shares			
	March 31, 2012	Increase	Decrease	March 31, 2013
Shares issued				
Common stock ¹	1,190,908	41	—	1,190,949
Total	1,190,908	41	—	1,190,949
Treasury stock				
Common stock	0	—	—	0
Total	0	—	—	0

Note: 1. Increase in number of shares: 41 thousand shares due to exercise of stock options.

(2) Information on subscription rights to shares:

Year ended March 31, 2014	Thousands of shares					Balance at March 31, 2014 (Millions of yen)
	Type of shares	April 1, 2013	Increase	Decrease	March 31, 2014	
Details of subscription rights to shares						
Subscription rights to shares as stock options.			—			¥371
Total			—			¥371

Note: There are no treasury subscription rights to shares.

Year ended March 31, 2013	Thousands of shares					Balance at March 31, 2013 (Millions of yen)
	Type of shares	April 1, 2012	Increase	Decrease	March 31, 2013	
Details of subscription rights to shares						
Subscription rights to shares as stock options.			—			¥291
Total			—			¥291

Note: There are no treasury subscription rights to shares.

(3) Information on dividends:

(a) Dividends paid in the fiscal years ended March 31, 2014 and 2013

Year ended March 31, 2014						(Millions of yen, except per share amounts)
Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date	
Common stock ¹	¥4,168	Retained earnings	¥3.50	March 31, 2013	June 3, 2013	
Common stock ²	¥4,168	Retained earnings	¥3.50	September 30, 2013	December 2, 2013	

Notes: 1. Date of resolution: Board of Directors meeting held on May 24, 2013

2. Date of resolution: Board of Directors meeting held on November 8, 2013

Year ended March 31, 2013						(Millions of yen, except per share amounts)
Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date	
Common stock ¹	¥4,287	Retained earnings	¥3.60	March 31, 2012	June 4, 2012	
Common stock ²	¥3,870	Retained earnings	¥3.25	September 30, 2012	December 3, 2012	

Notes: 1. Date of resolution: Board of Directors meeting held on May 25, 2012
2. Date of resolution: Board of Directors meeting held on November 9, 2012

(b) Dividends to be paid in the fiscal year ending March 31, 2015

(Millions of yen, except per share amounts)						
Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date	
Common stock	¥4,763	Retained earnings	¥4.00	March 31, 2014	June 2, 2014	

Note: Date of resolution: Board of Directors meeting held on May 23, 2014

Cash dividends per share based on business results for the fiscal year ended March 31, 2014 were ¥7.50 annually with the year-end dividend of ¥4.00 added to the interim dividend of ¥3.50.

27. Related Party Transactions

(1) Transactions with related parties

Related party transactions for the fiscal years ended March 31, 2014 and 2013 were as follows:

(a) Parent company and major shareholders

Year ended March 31, 2014

Related party	Category	Amounts of transactions		Balance at the end of fiscal year	
		Description of transactions	Millions of yen	Account title	Millions of yen
Seven-Eleven Japan Co., Ltd. ¹	Other related companies	Payment of ATM placement fee expenses ²	¥10,807	Other liabilities (Accrued expenses) ³	¥960

Notes: 1. 38.09% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2014.
2. 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.
3. The accrued expenses include consumption tax.

Year ended March 31, 2013

Related party	Category	Amounts of transactions		Balance at the end of fiscal year	
		Description of transactions	Millions of yen	Account title	Millions of yen
Seven-Eleven Japan Co., Ltd. ¹	Other related companies	Payment of ATM placement fee expenses ²	¥10,164	Other liabilities (Accrued expenses) ³	¥928

Notes: 1. 38.09% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2013.
2. 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.
3. The accrued expenses include consumption tax.

(b) Company that has the same parent company as the Bank, and subsidiaries of the Bank's other related companies

Year ended March 31, 2014

Related party	Category	Amounts of transactions		Balance at the end of fiscal year	
		Description of transactions	Millions of yen	Account title	Millions of yen
Seven & i Financial Center Co., Ltd.	Sister companies	Handling of negotiable certificates of deposits ²	¥18,602	Deposits (Negotiable certificates of deposits)	—
		Interest on negotiable certificates of deposits ¹	17	Other liabilities (Accrued expenses)	—

Notes: 1. Conditions of transactions and method for determining conditions for transactions:
The interest rates for negotiable certificates of deposits are set at reasonable levels in accordance with the transaction period and currently prevailing market rates.
2. The transaction amounts for negotiable certificates of deposits represent the average balances recorded during the fiscal year ended March 31, 2014.

Year ended March 31, 2013

Related party	Category	Amounts of transactions		Balance at the end of fiscal year	
		Description of transactions	Millions of yen	Account title	Millions of yen
Seven & i Financial Center Co., Ltd.	Sister companies	Handling of negotiable certificates of deposits ²	¥41,342	Deposits (Negotiable certificates of deposits)	—
		Interest on negotiable certificates of deposits ¹	47	Other liabilities (Accrued expenses)	—

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

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

2. The transaction amounts for negotiable certificates of deposits represent the average balances recorded during the fiscal year ended March 31, 2013.

(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

28. Lease Transactions

Finance Leases:

None

Operating Leases:

Future minimum lease payments under non-cancelable operating leases as of March 31, 2014 and 2013 were as follows:

	Millions of yen	
	2014	2013
Due within one year	¥ 542	¥66
Due after one year	1,734	2
Total	¥2,277	¥68

29. 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 consolidated 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, 2014

Hedge accounting method	Hedging instruments	Hedged items	Contract or notional amount	Millions of yen	
				Over one year	Fair value
Special treatment for interest rate swap	Interest rate swaps Receive variable, pay fixed	Borrowed money	¥10,000	¥10,000	Note

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 "5. Financial Instruments."

March 31, 2013

Hedge accounting method	Hedging instruments	Hedged items	Contract or notional amount	Millions of yen	
				Over one year	Fair value
Special treatment for interest rate swap	Interest rate swaps Receive variable, pay fixed	Borrowed money	¥15,000	¥10,000	Note

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 "5. Financial Instruments."

30. Stock Options

Share-based compensation expenses of ¥80 million and ¥77 million are recorded as general and administrative expenses in the fiscal years ended March 31, 2014 and 2013, respectively.

Outline of stock options and changes were 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 ¹	184,000 common shares	21,000 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 his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
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 ¹	171,000 common shares	38,000 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 his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period.....	No provisions	No provisions
Exercise period.....	From August 4, 2009 to August 3, 2039	From August 4, 2009 to August 3, 2039
	Third grant-1	Third grant-2
Title and number of grantees	5 directors	4 executive officers
Number of stock options ¹	423,000 common shares	51,000 common shares
Grant date	August 9, 2010	August 9, 2010
Condition for vesting.....	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period.....	No provisions	No provisions
Exercise period.....	From August 10, 2010 to August 9, 2040	From August 10, 2010 to August 9, 2040
	Fourth grant-1	Fourth grant-2
Title and number of grantees	5 directors	8 executive officers
Number of stock options ¹	440,000 common shares	118,000 common shares
Grant date	August 8, 2011	August 8, 2011
Condition for vesting.....	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period.....	No provisions	No provisions
Exercise period.....	From August 9, 2011 to August 8, 2041	From August 9, 2011 to August 8, 2041

	Fifth grant-1	Fifth grant-2
Title and number of grantees	6 directors	7 executive officers
Number of stock options ¹	363,000 common shares	77,000 common shares
Grant date	August 6, 2012	August 6, 2012
Condition for vesting.....	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period.....	No provisions	No provisions
Exercise period.....	From August 7, 2012 to August 6, 2042	From August 7, 2012 to August 6, 2042

	Sixth grant-1	Sixth grant-2
Title and number of grantees	6 directors	7 executive officers
Number of stock options ¹	216,000 common shares	43,000 common shares
Grant date	August 5, 2013	August 5, 2013
Condition for vesting.....	Within 10 days from the day following the day that a subscription holder loses his/her position as a director	Within 10 days from the day following the day that a subscription holder loses his/her position as an executive officer (or if a subscription holder assumed as a director, within 10 days from the day following the day that the subscription holder loses his/her position as a director)
Requisite service period.....	No provisions	No provisions
Exercise period.....	From August 6, 2013 to August 5, 2043	From August 6, 2013 to August 5, 2043

Note: 1. Number of stock options means total shares to be issued upon exercise of subscription rights to shares. As of December 1, 2011, the Bank implemented a stock split with 1,000 common shares for one common share; therefore, the number of shares from First grant-1 to Fourth grant-2 was adjusted to reflect the stock split.

(2) Scale and changes in stock options

The following describes scale and changes in stock options during the fiscal year ended March 31, 2014.

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

Fiscal year ended March 31, 2014:

Number of stock options

	First grant-1	First grant-2
Before vested		
As of March 31, 2013	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2013	157,000	7,000
Vested	—	—
Exercised.....	—	—
Forfeited	—	—
Outstanding.....	157,000	7,000

	Second grant-1	Second grant-2
Before vested		
As of March 31, 2013	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2013	171,000	23,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	171,000	23,000
	Third grant-1	Third grant-2
Before vested		
As of March 31, 2013	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2013	423,000	25,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	423,000	25,000
	Fourth grant-1	Fourth grant-2
Before vested		
As of March 31, 2013	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2013	440,000	104,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	440,000	104,000
	Fifth grant-1	Fifth grant-2
Before vested		
As of March 31, 2013	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2013	363,000	77,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	363,000	77,000

	Sixth grant-1	Sixth grant-2
Before vested		
As of March 31, 2013	—	—
Granted	216,000	43,000
Forfeited	—	—
Vested	216,000	43,000
Outstanding	—	—
After vested		
As of March 31, 2013	—	—
Vested	216,000	43,000
Exercised	—	—
Forfeited	—	—
Outstanding	216,000	43,000
Price information		
First grant-1		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥236,480 per subscription to share	¥236,480 per subscription to share
Price information		
Second grant-1		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥221,862 per subscription to share	¥221,862 per subscription to share
Price information		
Third grant-1		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥139,824 per subscription to share	¥139,824 per subscription to share
Price information		
Fourth grant-1		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥127,950 per subscription to share	¥127,950 per subscription to share
Price information		
Fifth grant-1		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥175,000 per subscription to share	¥175,000 per subscription to share
Price information		
Sixth grant-1		
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥312,000 per subscription to share	¥312,000 per subscription to share

Note: 1. The number of shares to be issued upon exercise of one subscription right to shares shall be 1,000 common shares. As of December 1, 2011, the Bank implemented a stock split with 1,000 common shares for one common share; therefore, exercise prices from First grant-1 to Fourth grant-2 were adjusted to reflect the stock split. In addition, average stock price per subscription to share at exercise represents the average stock price of the Bank at the time when stock options were exercised.

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

Valuation technique used for valuing fair value of Sixth grant-1 of subscription rights to shares and Sixth grant-2 of subscription to shares during the fiscal year ended March 31, 2014 was as follows:

Valuation method used: Black-Scholes option-pricing model

Principal parameters and estimation method	Sixth grant-1	Sixth grant-2
Expected volatility of the underlying stock ¹	32.233%	32.233%
Remaining expected life of the option ²	6.03 years	6.03 years
Expected dividends on the stock ³	¥6.75 per share	¥6.75 per share
Risk-free interest rate during the expected option term ⁴	0.405%	0.405%

Notes: 1. The expected volatility was calculated based upon share price data during the five years and five months from February 29, 2008 to August 5, 2013.
2. The average expected life of the option was estimated assuming that the options would remain for the simple average period from June 2013 to each director's expected retirement date, plus 10 days of exercisable period.
3. Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended March 31, 2013.
4. 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.

31. Asset Retirement Obligations

(1) Overview of asset retirement obligations

Asset retirement obligations are based upon estimated future restoration obligations pursuant to real estate lease agreements of head office and others.

(2) Method of calculating the amount of the asset retirement obligations

Estimated useful life: 4-18 years

Discount rate: 0.4-1.9%

(3) The changes in asset retirement obligations for the fiscal years ended March 31, 2014 and 2013 were as follows:

	Millions of yen	
	2014	2013
Balance at the beginning of the year	¥270	¥265
Increase in purchases of tangible fixed assets	87	—
Accretion expense	5	4
Obligations settled in current period.....	28	—
Balance at the end of the year	¥334	¥270

32. Per Share Data

Basis for the calculation of net assets per share and net income per share for the fiscal years ended March 31, 2014 and 2013 were as follows:

March 31	Yen	
	2014	2013
Net assets per share	¥128.49	¥115.66

Years ended March 31	Yen	
	2014	2013
Net income per share	¥17.83	¥16.27
Net income per share (diluted)	¥17.80	¥16.24

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

March 31	Millions of yen, except thousands of shares	
	2014	2013
Net assets	¥153,408	¥138,045
Amount excluded from net assets	371	291
Subscription rights to shares (inclusive)	371	291
Minority interests	—	—
Net assets attributable to common stock at the fiscal year end.....	¥153,036	¥137,754
Number of common stock at the fiscal year end used for the calculation of net assets per share.....	1,190,948	1,190,948

2. Net income per share is calculated based on the following:

Years ended March 31	Millions of yen, except thousands of shares	
	2014	2013
Net income per share		
Net income.....	¥ 21,236	¥ 19,377
Amount not attributable to common shareholders	—	—
Net income attributable to common stock	21,236	19,377
Average number of common stock during the year.....	1,190,948	1,190,939
Net income per share (diluted)		
Adjustment for net income.....	—	—
Increase in number of common stock.....	1,954	1,638
Subscription rights to shares (inclusive)	1,954	1,638
Description of dilutive shares not included in the calculation of diluted net income per share because the shares have no dilutive effects.....	—	—

(Changes in accounting policies)

Effective from the end of the fiscal year ended March 31, 2014, the Bank has adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the “Statement No. 26”)) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the “Guidance No. 25”)) except for the article 35 of Statement No. 26 and article 67 of Guidance No. 25, and applied the transitional provisions set forth in article 37 of Statement No. 26.

As a result, net assets per share for the fiscal year ended March 31, 2014 has decreased by ¥0.10.

33. Segment Information

The Group has only one segment; banking services. Therefore, this information is omitted.

Related Information

(1) Information by service

The amount of ordinary income attributable to outside customers with ATM-related business exceeds 90% of that on the consolidated statements of income for the fiscal years ended March 31, 2014 and 2013; therefore, information by service is omitted.

(2) Information by geographical area

a. Ordinary income

The amount of ordinary income attributable to outside customers in Japan exceeds 90% of that on the consolidated statements of income for the fiscal years ended March 31, 2014 and 2013; therefore, geographical information is omitted.

b. Tangible fixed assets

The amount of tangible fixed assets located in Japan exceeds 90% of that on the consolidated balance sheet as of March 31, 2014 and 2013; therefore, geographical information is omitted.

(3) Information by major customer

Year ended March 31, 2014			(Millions of yen)
Name of customer	Ordinary income	Related segment	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥12,004	Banking service	

Note: Ordinary income is stated as sales of general enterprises.

Year ended March 31, 2013			(Millions of yen)
Name of customer	Ordinary income	Related segment	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥10,871	Banking service	

Note: Ordinary income is stated as sales of general enterprises.

34. Business Combination

Transfer of Business

Financial Consulting & Trading International, Inc. (hereinafter referred to as "FCTI"), which is the Bank's subsidiary, entered into an agreement with Global Axxess Corp. and its subsidiaries (collectively, hereinafter referred to as "Global Axxess") to acquire the ATM business owned by Global Axxess and it was carried out on September 27, 2013.

(1) Summary of the transfer of business

(a) Counterparty and acquired business

Counterparty: Global Axxess Corp. and its 2 subsidiaries

Acquired business: ATM business

(b) Major reason for the business combination

The business combination is expected to contribute to the business expansion and enhanced cost competitiveness of FCTI's U.S. ATM business, as well as to the securement of additional business sites necessary for the efficient operation, the expansion of the customer base for future growth, and the procurement of personnel who are familiar with the U.S. ATM business.

(c) Date of the business combination

September 27, 2013

(d) Legal form of the business combination

Transfer of business for consideration of cash

(e) Major reasons for the determination of the acquiring company

As the consideration for the transfer was cash, FCTI, which is the Bank's subsidiary, acquired the business

(2) Period for the operating results of the acquired business included in the consolidated financial statements

From September 27, 2013, to December 31, 2013

(3) Acquisition cost of the acquired business and the breakdown thereof

Consideration for transfer of business..... \$10 million

(4) Amount of goodwill incurred, reason, amortization method and period

(a) Amount of goodwill

\$1 million

(b) Reason for goodwill

The extra earning potential expected to be realized through the future operation of the acquired business.

(c) Amortization method and period

Goodwill is fully expensed when incurred since the amount is immaterial.

(5) Assets acquired and liabilities assumed on the business combination date and their major breakdown

(a) Assets

Total assets \$13 million

Tangible fixed assets \$ 6 million

Intangible fixed assets other than goodwill..... \$ 3 million

(b) Liabilities

Total liabilities \$ 2 million

(6) Amounts allocated to intangible fixed assets other than goodwill, their breakdown and weighted-average amortization period by major category

Major category	Amount	Weighted-average amortization period
Customer-related assets	\$3 million	6 years
Total	\$3 million	6 years

(7) Approximate impact on the consolidated statement of income for the year ended March 31, 2014 and the computing method thereof, assuming that the business combination is completed at the beginning of the fiscal year ended March 31, 2014.

This disclosure is omitted since the impact is not significant.

35. Subsequent Events

Not applicable.



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Seven Bank, Ltd. and its consolidated subsidiary, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Seven Bank, Ltd. and its consolidated subsidiary as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 (c) to the consolidated financial statements, Seven Bank, Ltd. has changed its depreciation method for tangible fixed assets from the declining-balance method to the straight-line method, effective from the fiscal year ended March 31, 2014.

KPMG AZSA LLC

August 6, 2014
Tokyo, Japan

KPMG AZSA LLC, a limited liability 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.

Non-consolidated Eleven-Year Summary of Selected Financial Data

Seven Bank, Ltd. Years ended March 31

	2014	2013	2012	2011
For the year:				
Total income	¥ 99,832	¥ 94,105	¥ 88,318	¥ 83,964
Fees and commissions income	98,892	93,242	87,711	83,644
Fees and commissions expenses	12,911	11,765	10,705	10,011
Income before income taxes	36,135	31,512	29,300	26,999
Net income	22,325	19,515	17,267	16,008
EBITDA (Note 1)	48,841	45,865	41,912	39,052
Depreciation of fixed assets	11,699	13,852	12,355	11,603
At year-end:				
Total assets	¥785,380	¥809,465	¥652,956	¥600,061
Deposits	438,348	394,615	372,271	333,382
Total liabilities	634,237	672,374	527,326	485,522
Total net assets	151,142	137,091	125,629	114,539
Per share data (Note 2):				
Net income	¥ 18.74	¥ 16.38	¥ 14.49	¥ 13.19
Net assets	126.59	114.86	105.30	96.05
Dividends (Note 3)	7.50	6.75	6.20	5.20
Management indicators:				
EBITDA margin (%) (Note 4)	48.9	48.7	47.4	46.5
Return on equity (ROE) (%) (Note 5)	14.72	14.0	13.5	13.2
Tier 1 capital ratio (Domestic standard) (%)	52.47	50.13	53.25	51.19
Return on ATM cash (%) (Note 6)	6.58	6.61	7.04	7.58
Payout ratio (%)	40.0	41.1	42.7	39.3
ATM indicators:				
Number of ATM installations	19,514	18,123	16,632	15,363
Daily average transactions per ATM (Transactions)	107.8	111.1	112.6	112.3
Total number of transactions (Millions of transactions)	736	698	655	609

Notes: 1. EBITDA = ordinary profit (Japanese GAAP) + depreciation and amortization

2. On December 1, 2011, Seven Bank conducted a 1,000-for-1 stock split. Per share data for previous fiscal years have been restated to reflect the change.

3. The year-end dividend for the fiscal year ended March 31, 2012 included an extra 1 yen to commemorate the Bank's listing on the First Section of the Tokyo Stock Exchange.

4. EBITDA margin = EBITDA/ordinary income (Japanese GAAP)

5. Return on equity = net income/average total shareholders' equity

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

Millions of yen

2010	2009	2008	2007	2006	2005	2004
¥ 88,830	¥ 89,842	¥ 83,667	¥ 75,427	¥ 64,628	¥ 47,967	¥ 29,138
88,350	88,741	82,471	74,875	63,973	47,917	29,045
9,691	9,183	8,328	6,491	4,845	3,753	2,404
30,306	28,736	23,343	21,009	16,601	9,944	2,892
17,953	16,988	13,830	12,667	10,590	10,843	5,027
43,253	44,153	36,141	30,433	23,720	13,649	6,156
12,846	15,402	11,491	5,412	4,311	3,574	3,121
¥502,782	¥493,360	¥488,137	¥532,757	¥361,338	¥313,305	¥259,676
219,008	229,311	219,138	275,136	196,880	189,776	187,442
392,843	394,966	399,162	458,907	294,257	256,797	214,013
109,939	98,393	88,974	73,849	—	—	—

Yen

¥ 14.71	¥ 13.92	¥ 11.80	¥ 10.73	¥ 8.68	¥ 8.88	¥ 4.12
90.03	80.61	72.93	63.31	54.98	46.31	37.42
5.20	4.90	4.20	5.00	—	—	—
48.6	49.1	43.1	40.3	36.7	28.4	21.1
16.1	16.9	16.8	17.0	15.8	21.1	12.0
49.58	45.99	43.86	37.91	233.35	182.20	200.98
9.05	8.30	7.83	8.73	6.26	3.71	2.02
35.3	35.1	35.5	46.5	—	—	—
14,601	13,803	13,032	12,088	11,484	9,981	7,804
114.4	114.3	109.0	97.8	88.2	76.6	67.5
590	555	498	418	342	257	158

History

2001	April 6	Preliminary license received
	April 10	IY Bank Co., Ltd. established (common stock: 20,205 million yen)
		
	April 25	Banking business license received
	May 7	Initiated operations (began accepting applications for new accounts)
 IY Bank cash card		
	May 15	Initiated ATM services
 Ceremony for the start of ATM services		
 First-generation ATM		
	June 18	Initiated money transfer services
	July 13	Number of ATMs installed exceeded 1,000
	August 30	First third-party allocation of shares (common stock: 30,805 million yen)
	December 17	Initiated Internet, mobile, and telephone banking services (Terminated telephone banking services on January 10, 2014)
2002	March 27	Second third-party allocation of shares (common stock: 61,000 million yen)
2003	March 24	Number of ATMs installed exceeded 5,000
	December 10	First issue of unsecured bonds (limited to qualified institutional investors; 15,000 million yen in five-year bonds)
2005	April 1	Initiated operation of ATM Call Center (Osaka)
	April 4	Number of ATMs installed exceeded 10,000 Began handling time deposits for defined contribution pension plans
	April 27	Established first manned outlet in Ito-Yokado Soga store
	July 26	Introduction of second-generation ATMs
 Second-generation ATM		
	October 11	Company name changed to Seven Bank, Ltd.
		
2006	March 2	Initiated bank agency services at Ito-Yokado Kawaguchi Branch
	April 3	Began accepting IC cash cards
	September 1	Common stock reduced (common stock of 61,000 million yen reduced by transfer of 30,500 million yen to capital surplus)
	December 4	Second and third issues of unsecured bonds (36,000 million yen in five-year bonds; 24,000 million yen in seven-year bonds)

2007	June 25	First dividend paid since establishment Began outsourcing ATM operation and administration
	July 11	Initiated services for cards issued overseas
 Ceremony for the start of services for cards issued overseas		
	September 3	Began loading money onto <i>nanaco</i> electronic money cards at ATMs
	November 26	Initiated ATM services for visually impaired customers (voice-guided transactions)
	December 17	Completed installation of ATMs in all 47 prefectures
2008	February 29	Listed on the JASDAQ Securities Exchange (currently the Tokyo Securities Exchange JASDAQ Market) (delisted on April 14, 2012)
2009	April 1	Established the Financial Crime Prevention Office (now the Financial Crime Risk Strategy Planning and Prevention Division)
	July 2	Fourth and fifth issues of unsecured bonds (10,000 million yen in three-year bonds; 20,000 million yen in five-year bonds)
2010	January 25	Initiated personal loan services
	November 5	Number of ATMs installed exceeded 15,000
	November 29	Introduction of third-generation ATMs
 Third-generation ATM		
2011	March 22	Initiated international money transfer services
	December 1	1,000-for-1 stock split Adopted share unit number system with 100 shares per unit
	December 26	Listed on the First Section of the Tokyo Stock Exchange
2012	May 31	Sixth and seventh issues of unsecured bonds (30,000 million yen in five-year bonds; 10,000 million yen in seven-year bonds)
	June 27	Number of Seven Bank accounts exceeded 1 million
	October 6	Acquired all issued shares of Financial Consulting & Trading International, Inc. of the United States (made a wholly owned subsidiary)
2013	February 1	Customer Service Center for International Money Transfers began operation
	March 7	Eighth, ninth, and tenth issues of unsecured bonds (15,000 million yen in five-year bonds; 20,000 million yen in seven-year bonds; 20,000 million yen in ten-year bonds)
	September 27	U.S.-based wholly owned subsidiary Financial Consulting & Trading International, Inc. acquired the ATM business of Global Axxess Corp.
2014	January 8	Initiated Seven Bank account transaction screens in nine languages at all ATMs
	June 10	Established PT. ABADI TAMBAH MULIA INTERNASIONAL ("ATMi"), a joint venture operating ATMs in Indonesia
	July 1	Established Bank Business Factory Co., Ltd., a wholly owned subsidiary engaged in back-office support outsourcing

Investor Information

As of March 31, 2014

Company Information

Head Office	1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan
Established	April 10, 2001
Common Stock	30,509 million yen
Number of Employees	458
Fiscal Year-End	March 31

Contact Address	Seven Bank, Ltd.
	Investor Relations E-mail: ir-7bk@sevenbank.co.jp URL: http://www.sevenbank.co.jp/english/ir/

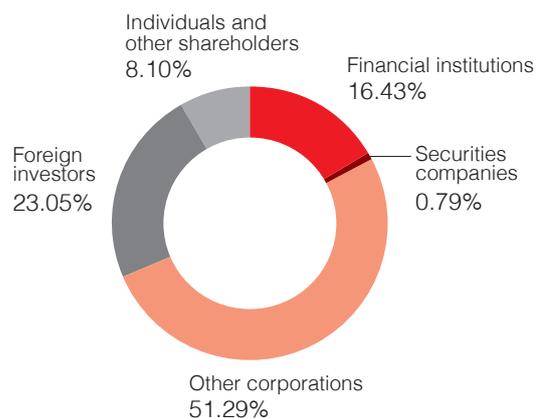
Shareholder Information

Number of Shareholders	44,516
Common Stock Number of Shares Issued	1,190,949,000
Stock Code	8410 (Tokyo Stock Exchange, First Section)
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division 7-10-11, Higashi Suna, Koto-ku, Tokyo 137-8081
Independent Auditors	KPMG AZSA LLC

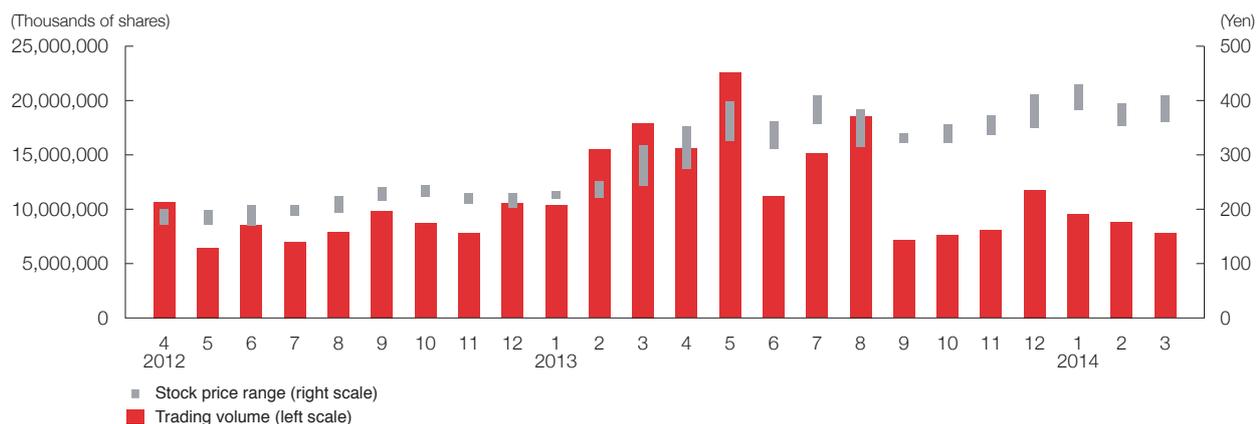
Major Shareholders

Shareholder name / title	Shareholding in Seven Bank	
	Number of shares	% holding
Seven-Eleven Japan Co., Ltd.	453,639,000	38.09
State Street Bank and Trust Company (standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	71,469,220	6.00
Ito-Yokado Co., Ltd.	46,961,000	3.94
York-Benimaru Co., Ltd.	45,000,000	3.77
The Master Trust Bank of Japan, Ltd. (trust account)	31,559,000	2.64
Japan Trustee Services Bank, Ltd. (trust account)	27,150,100	2.27
NORTHERN TRUST CO. AVFC RE FIDELITY FUNDS (standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	20,043,300	1.68
Sumitomo Mitsui Banking Corporation	15,000,000	1.25
The Dai-ichi Life Insurance Company, Limited (standing proxy: Trust & Custody Services Bank, Ltd.)	15,000,000	1.25
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,000,000	0.83
Nomura Research Institute, Ltd.	10,000,000	0.83
NEC Corporation	10,000,000	0.83

Composition of Shareholders



Stock Price Range and Trading Volume





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

