

2016

Annual Report

For the year ended March 31, 2016



Having a good grasp of social issues and needs, we will create common value.

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Forward-looking Statements

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

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

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

We sincerely appreciate your using the services provided by Seven Bank.

Since its establishment in 2001, Seven Bank has made continuous efforts to provide ATM services that can be accessed "anytime, anywhere, by anyone, and with safety and security." In the year ended March 31, 2016, the number of ATMs installed in Japan, which are used by more than 2.1 million customers a day, exceeded 22,000.

The growing number of tourists visiting Japan increasingly requires ATMs that can handle cards issued overseas. By promoting the installation of such ATMs at key transport facilities, such as airports and train stations, and sightseeing spots and commercial facilities, we address the needs of inbound tourists as well as those within Japan.

In December 2015, we completed the expansion of a service that processes transactions using

the data embedded in IC cards issued overseas at all ATMs, in addition to those issued within Japan, to enhance the security of the ATM services.

In the United States, FCTI, Inc. ("FCTI"), a U.S. subsidiary, entered into an agreement with 7-Eleven, Inc. to install ATMs at 7-Eleven stores in the United States. Currently, we are steadily preparing systems and human resources for the installation of ATMs that will start in July 2017.

In these ways, we are making ongoing efforts to create convenient and comfortable services for all customers, thereby providing safety and security.

Under the Management Policy of achieving corporate growth while solving social issues, we will continue to create common value that will benefit both the Bank and society.

We would appreciate the continued support and encouragement of our stakeholders.

July 2016



Takashi Anzai
Chairman and
Representative Director



Kensuke Futagoishi
President and
Representative Director

History of Challenges and Growth

"If there was an ATM at 7-Eleven, it would be more convenient..."

In response to such comments from customers, Seven Bank has been established as one-of-a-kind bank and steadily and consistently building a network of ATM services that can be accessed "anytime, anywhere, by anyone, and with safety and security."

Currently, the number of our ATMs installed in Japan has exceeded 22,000 and ATM services

are now provided overseas as well. We will further enhance the convenience of bank accounts for financial services and promote the development of unique financial products. Seven Bank will continue to take on new challenges to achieve sustainable growth and development.

If there was an ATM at 7-Eleven, it would be more convenient...

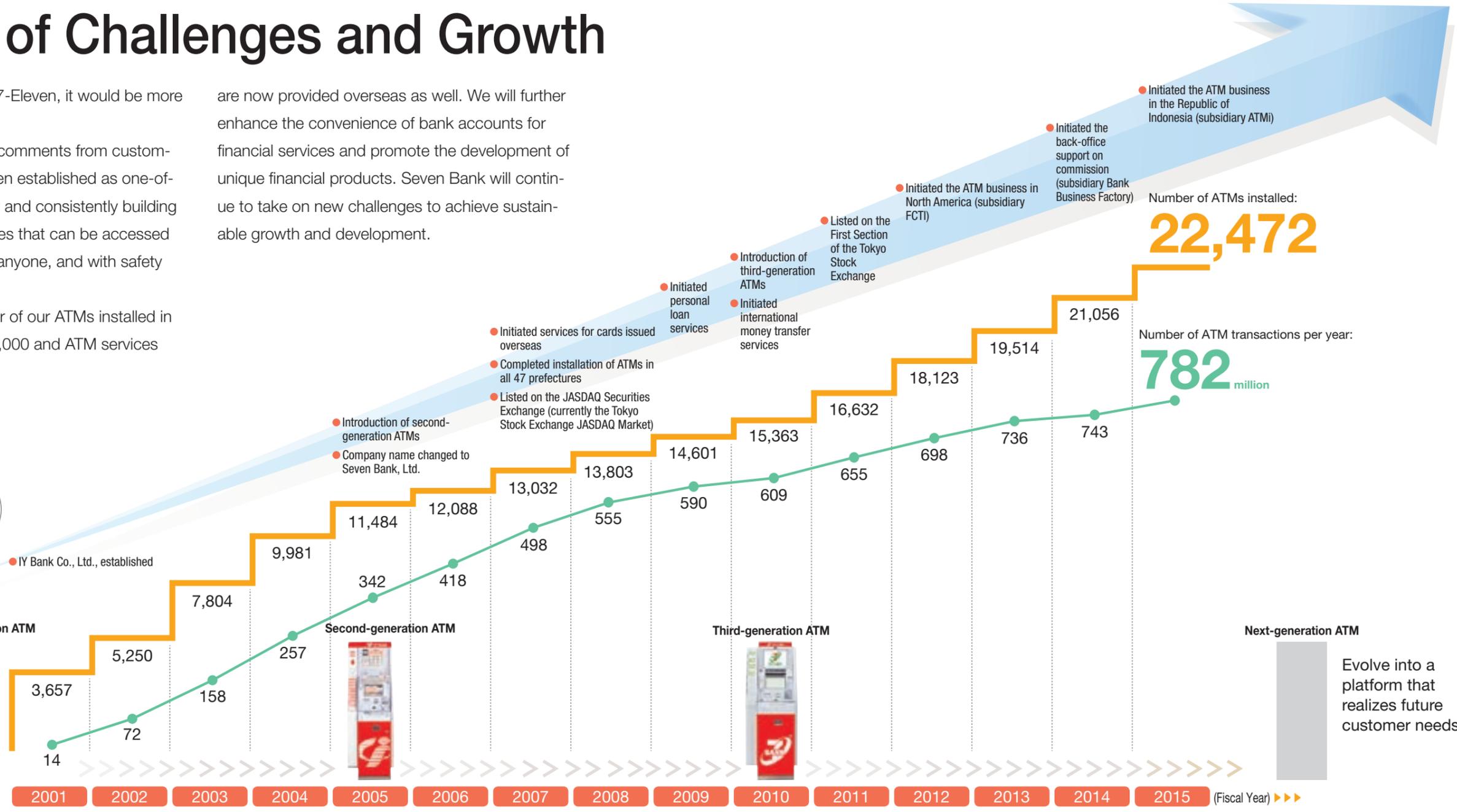


First-generation ATM

Second-generation ATM

Third-generation ATM

Next-generation ATM



● IY Bank Co., Ltd., established

● Introduction of second-generation ATMs
● Company name changed to Seven Bank, Ltd.

● Initiated services for cards issued overseas
● Completed installation of ATMs in all 47 prefectures
● Listed on the JASDAQ Securities Exchange (currently the Tokyo Stock Exchange JASDAQ Market)

● Initiated personal loan services
● Initiated international money transfer services

● Introduction of third-generation ATMs
● Initiated international money transfer services

● Listed on the First Section of the Tokyo Stock Exchange

● Initiated the ATM business in North America (subsidiary FCTI)

● Initiated the back-office support on commission (subsidiary Bank Business Factory)

● Initiated the ATM business in the Republic of Indonesia (subsidiary ATMi)

Number of ATMs installed: **22,472**

Number of ATM transactions per year: **782 million**

Evolve into a platform that realizes future customer needs

Corporate Creed

1. We aim to be a sincere company that our customers trust.
2. We aim to be a sincere company that our business partners, shareholders, and local communities trust.
3. We aim to be a sincere company that our employees trust.

Management Policy

1. We aspire to be a trusted financial service provider that fully meets customer needs.
2. We act to promptly introduce the benefits of technical innovation and pursue self-development.
3. We strive to contribute to the stability and advancement of the financial system by providing a secure and efficient payment infrastructure.

Charter of Ethics (abridged)

1. Be fully aware of the public nature and social responsibilities of a bank.
2. Provide highly convenient, customer-focused services, matched to current needs.
3. Act with integrity and fairness.
4. Communicate with society.
5. Have respect for humanity.

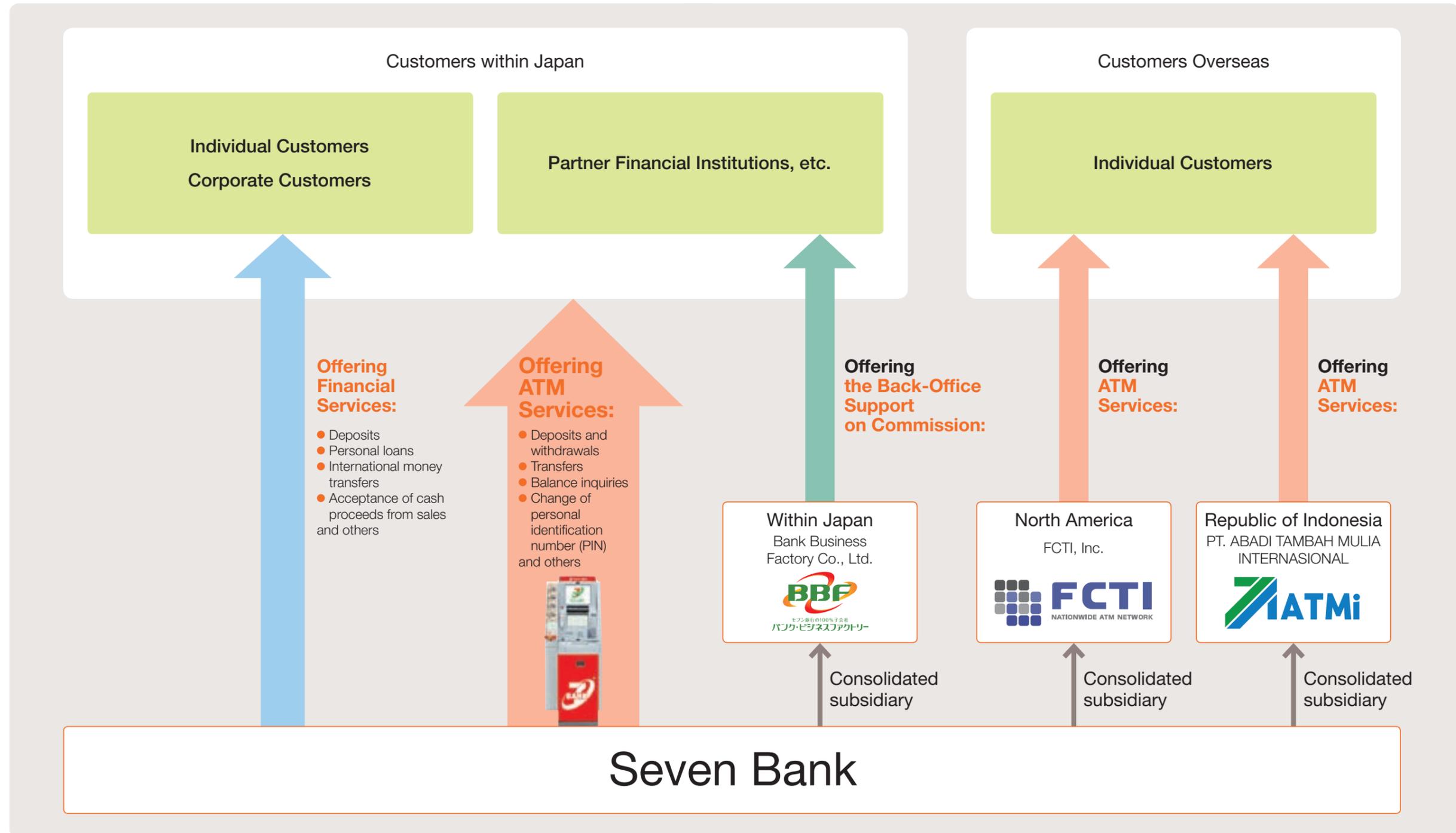
Seven Bank's Businesses

Seven Bank creates “new kinds of convenience” based on its network of ATMs accessible 24 hours a day, 365 days a year in partnership with financial institutions. The “ATM Services,” a pillar business

of Seven Bank, provides deposits, withdrawals and bank transfers at more than 22,000 Seven Bank ATMs nationwide using the cards of more than 590 partner institutions. The “Financial Ser-

vices” provides convenient account-related services, such as ordinary deposits, time deposits, personal loans and international money transfers, which are accessible from not only Seven Bank

ATMs but also personal computers and smart-phones. In addition, we provide ATM services overseas and back-office support on commission through our subsidiaries.



Corporate Value in Numbers

To meet the expectations of all stakeholders, thereby bringing them greater satisfaction, Seven Bank continuously engages in initiatives to offer a higher level of services. The result is reflected in

the Bank's outstanding figures that indicate its financial soundness, high rate of ATM availability and other achievements.

Financial Soundness

Tier 1 Capital Ratio

53.9%

[Non-consolidated and domestic standard basis]

Tier 1 capital includes capital stock, retained earnings, preferred shares and preferred equity securities. The capital ratio of 53.9% is an extremely high level for a Japanese bank.

Credit Ratings

A⁺ AA

(S&P)

(R&I)

The Bank's high capital ratio shows its sound financial base. Combined with its excellent business results, this is highly evaluated by rating organizations, resulting in the acquisition of top-class credit ratings among Japanese banks.

Profitability

ROE 13.9%

[Consolidated]

Regarding the return on equity (consolidated), or net income divided by average total shareholders' equity, Seven Bank has maintained a level around 14% in recent years.

EBITDA Margin 46.6%

[Consolidated]

The EBITDA margin represents the EBITDA, or ordinary profit plus depreciation and amortization, divided by ordinary income and shows the level of profitability. The Bank's high profitability and strong ability to generate cash are reflected in this indicator.

Shareholder Returns

Payout Ratio 40.9%

[Consolidated]

Regarding returns to our shareholders, Seven Bank targets an annual minimum payout ratio of 35% and has maintained a payout ratio of more than 40% for the past several years.

Scale of Business



Number of ATM installations

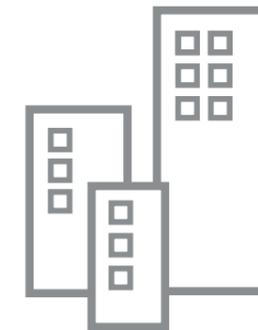
22,472 units

During the year ended March 31, 2016, we promoted the installation of ATMs at various locations, including 7-Eleven stores. This resulted in an increase of 1,416 units in the number of ATMs installed.

Number of Partner Financial Institutions, etc.

595

We aim to partner with all financial institutions so that any cards held by customers will be available at our ATMs.



Number of ATM Transactions per Year

782 million

In line with the expanding ATM installations, the total number of ATM transactions per year increased by 39 million from the previous year. The daily average of ATM transactions exceeded 2.1 million.

Service

Number of Languages Supported by Our ATMs

12

When using a card issued overseas, the language of the ATM screens and receipts can be selected from among Japanese, English, Chinese (simplified and traditional), Korean, Thai, Malaysian, Indonesian, Vietnamese, French, German and Portuguese.



Reduction in Environmental Burden



Power Consumption of the Third-Generation ATMs

48% reduction

By introducing an energy-saving mode and an LED, we considerably reduced the power consumption of the third-generation ATMs compared to the second-generation ATMs.

Safety/Security

Rate of ATM Availability

99.9%

To ensure that ATMs are available at all times, efforts are made to minimize the downtime due to cash being out of inventory and machine failure.

Financial Highlights

(Fiscal Year)

Non-consolidated			2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Items on the Statement of Income:	Ordinary income (Millions of yen)		64,612	75,427	83,663	89,815	88,830	83,964	88,318	94,105	99,832	105,648	110,465
	Fees and commissions income (Millions of yen)		63,973	74,875	82,471	88,741	88,350	83,644	87,711	93,242	98,892	104,015	107,894
	Fees and commissions expenses (Millions of yen)		4,845	6,491	8,328	9,183	9,691	10,011	10,705	11,765	12,911	14,131	15,698
	Income before income taxes (Millions of yen)		16,601	21,009	23,343	28,736	30,306	26,999	29,300	31,512	36,135	38,086	38,825
	Net income (Millions of yen)		10,590	12,667	13,830	16,988	17,953	16,008	17,267	19,515	22,325	24,457	26,107
	EBITDA ^{*1} (Millions of yen)		23,720	30,433	36,141	44,153	43,253	39,052	41,912	45,865	48,841	53,300	56,489
	Depreciation and amortization (Millions of yen)		4,311	5,412	11,491	15,402	12,846	11,603	12,355	13,852	11,699	15,096	17,487
Items on the Balance Sheet:	Total assets (Millions of yen)		361,338	532,757	488,137	493,360	502,782	600,061	652,956	809,465	785,380	850,369	910,801
	Deposits ^{*2} (Millions of yen)		196,880	275,136	219,138	229,311	219,008	333,382	372,271	394,615	438,348	502,285	547,865
	Total liabilities (Millions of yen)		294,257	458,907	399,162	394,966	392,843	485,522	527,326	672,374	634,237	683,554	727,627
	Total net assets (Millions of yen)		67,080	73,849	88,974	98,393	109,939	114,539	125,629	137,091	151,142	166,814	183,174
Per share data:	Net income (Yen)		8.68	10.73	11.80	13.92	14.71	13.19	14.49	16.38	18.74	20.53	21.92
	Net assets (Yen)		54.98	63.31	72.93	80.61	90.03	96.05	105.30	114.86	126.59	139.68	153.34
	Dividends ^{*3} (Yen)		—	5.00	4.20	4.90	5.20	5.20	6.20	6.75	7.50	8.00	8.50
Management indicators:	EBITDA margin ^{*4} (%)		36.7	40.3	43.1	49.1	48.6	46.5	47.4	48.7	48.9	50.5	51.0
	ROE ^{*5} (%)		15.8	17.0	16.8	16.9	16.1	13.2	13.5	14.0	14.7	14.7	14.3
	Tier 1 capital ratio (%)		233.35	37.91	43.86	45.99	49.58	51.19	53.25	50.13	52.47	54.01	53.90
	Return on ATM cash ^{*6} (%)		6.26	8.73	7.83	8.30	9.05	7.58	7.04	6.61	6.58	7.08	7.10
ATM indicators:	Number of ATMs installed (Units)		11,484	12,088	13,032	13,803	14,601	15,363	16,632	18,123	19,514	21,056	22,472
	Daily average transactions per ATM (Transactions/ATM/day)		88.2	97.8	109.0	114.3	114.4	112.3	112.6	111.1	107.8	100.9	98.8
	Total number of transactions (Millions of transactions)		342	418	498	555	590	609	655	698	736	743	782

*1. EBITDA = ordinary profit + depreciation and amortization

*2. Including negotiable certificates of deposits

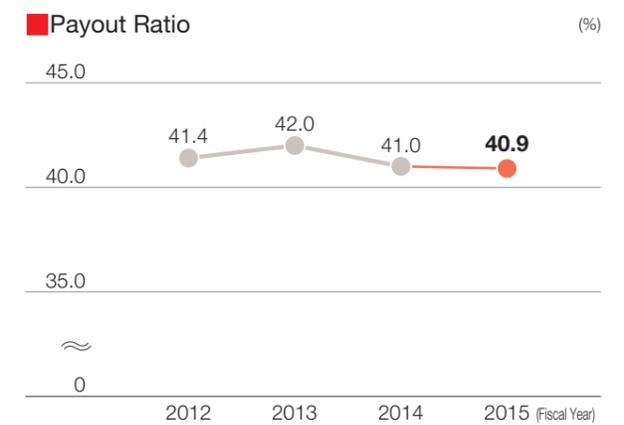
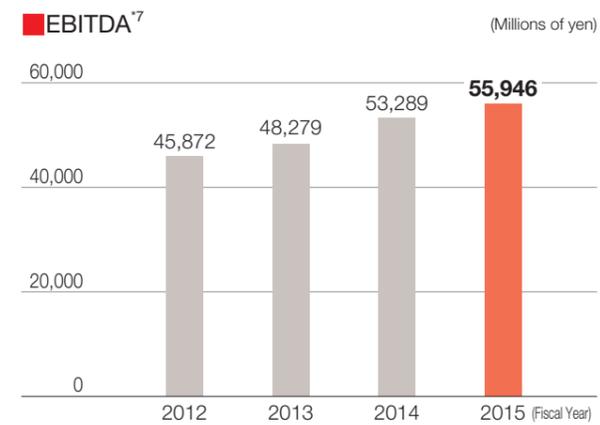
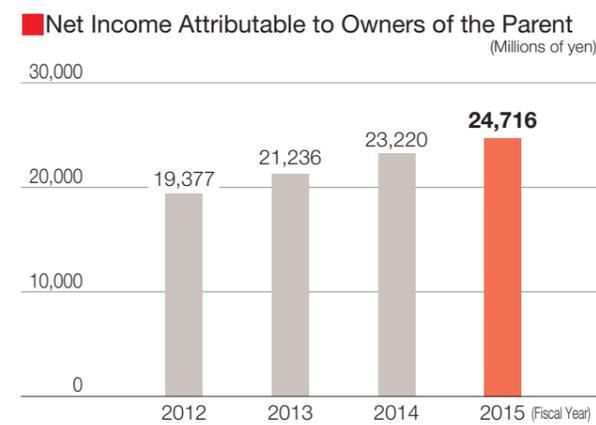
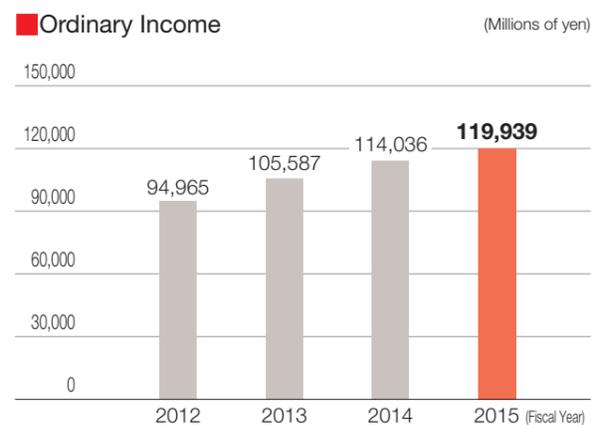
*3. On December 1, 2011, Seven Bank conducted a 1,000-for-1 stock split. Dividends before fiscal 2010 reflect the stock split.

*4. EBITDA margin = EBITDA/ordinary income

*5. ROE = 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

Consolidated



*7. EBITDA = ordinary profit + depreciation and amortization



Kensuke Futagoishi
President and
Representative Director

We will continue to create new value of financial services in line with changing social needs.

Q Looking back at fiscal 2015, let us hear your comments on the Bank's business performance and its background.

A We continued to increase the number of ATM installations and achieved increases in revenues and profits for the fifth consecutive year. The financial services business enjoyed revenue growth due to an increasing volume of account-related services such as personal loans and international money transfers.

During fiscal 2015, the ATM business, which is the mainstay of our operations, grew steadily with increases in revenues and profits for the fifth consecutive year. The number of ATMs installed in Japan increased by 1,416 units to reach 22,472 units at the end of the fiscal year. The accelerating pace of increase in ATM installations for the past five years constitutes a major

reason for the continuing increases in revenues and profits.

Although the increase in ATM installations resulted from the active opening of 7-Eleven stores, we intend to increase the installation of ATMs at locations outside the Seven Bank Group, such as airports and railway stations where customers visit on a daily basis, thereby coming closer to customers. The acceptance of cards issued overseas spurred the use of ATMs among customers who visit Japan, which contributes to the expansion of ATM installations outside the Seven Bank Group facilities. The total number of ATM transactions increased by 39 million transactions from the previous fiscal year to 782 million transactions.

In the financial services business, the number of deposit accounts and the balance of deposits increased steadily. Revenue also increased steadily from such services as personal loans, international money

transfers and accepting cash proceeds from sales using ATMs. We will promote the expansion of these services that we offer, thereby increasing the proportion of revenue from the financial services business to overall revenue and growing it into the second pillar of revenue next to the ATM business.

Q Tell us about your outlook for results in fiscal 2016.

A We expect to achieve continued increases in revenues and profits in fiscal 2016. By ensuring appropriate cost control, we will further expand our earnings.

We expect to continue to increase the number of ATM installations in Japan on a pace for a net increase of more than 1,200 units during fiscal 2016. The total number of ATM transactions is expected to increase to 800 million from 782 million in fiscal 2015. Accordingly, we expect increases in consolidated revenues and profits in fiscal 2016 with a forecast of 123.1 billion yen in ordinary income (up 2.6% from the previous year), 37.6 billion yen in ordinary profit (up 1.1%) and 25.6 billion yen in net income attributable to owners of the parent (up 3.5%).

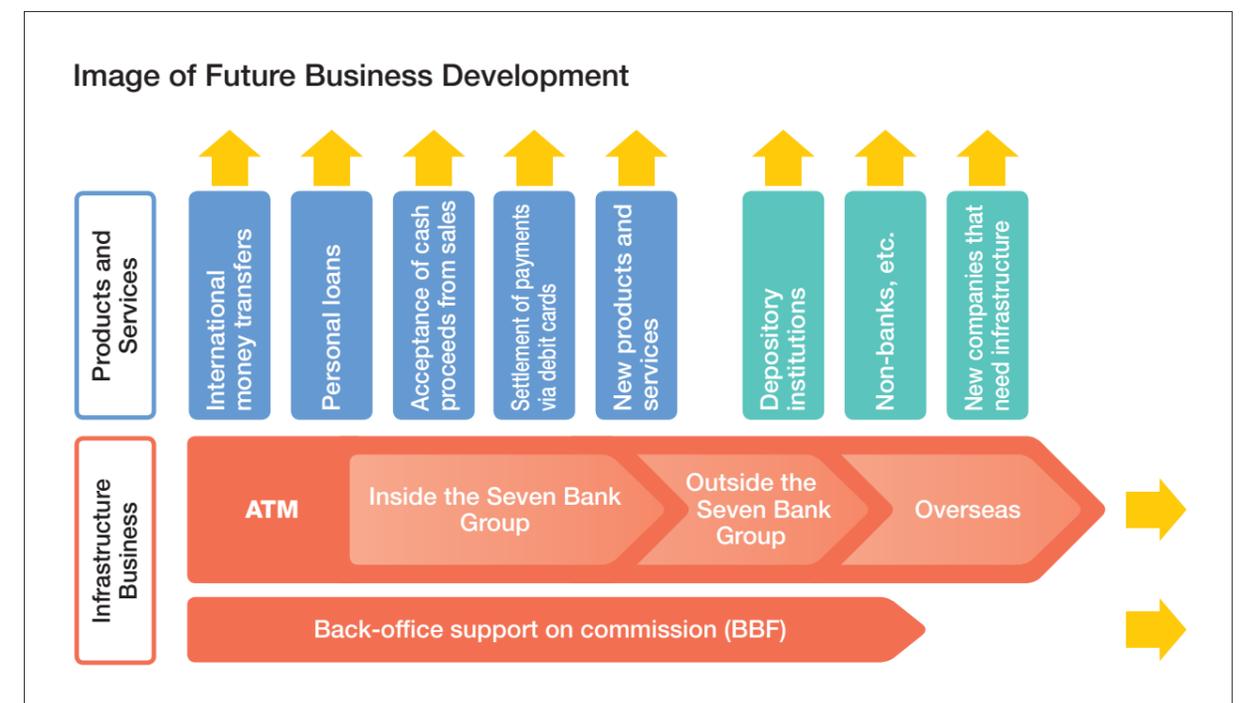
ATM services are a mainstay business of Seven Bank, and there is a tendency for specific efforts in such business not to be immediately reflected in the business results. Rather, consistent efforts to gradually increase the number of ATMs installed while keeping appropriate maintenance of the ATM infrastructure and efforts to enhance security and convenience will generate good results. Namely, we will strive to achieve the planned targets for the year by enhancing the quality of the infrastructure, seeking to raise efficiency and ensuring the cost control of investments and expenses on a continuing basis.

In fiscal 2016, we will make continued efforts to achieve results that exceed the planned targets to fulfill the expectations of our shareholders and investors.

Q Please explain about the current status of overseas businesses and their future development.

A In the United States, we will initiate the installation of ATMs at 7-Eleven stores in 2017. This will drastically increase the number of ATMs operated by FCTI, for which it will be a major turning point.

In the Seven Bank Group, FCTI, which we acquired in 2012 to make it a subsidiary in North America, and PT.



ABADI TAMBAH MULIA INTERNASIONAL (“ATMi”), which we established in Indonesia in 2014, are mainly engaged in ATM operations in their local markets.

At the end of fiscal 2015, FCTI operated 6,625 ATMs across the United States, securing ordinary income of 78 million U.S. dollars (down 1.3% from the previous year). Regarding ordinary profit, net loss was recorded due to advance investment in systems and human resources to prepare for the installation of ATMs at 7-Eleven stores that will begin in 2017.

The installation of ATMs at U.S. 7-Eleven stores will start in July 2017 by replacing the existing ATMs owned by other companies with FCTI ATMs at around 8,000 7-Eleven stores across the United States. Accordingly, the number of ATMs operated by FCTI will



jump to a scale of 15,000 units, which will be a big turning point for FCTI. The replacement will take half a year, and the installation of ATMs at all stores is planned to be completed in 2018.

After the installation is complete, FCTI will take measures to enhance the systems and expand the range of services so that a similar relation as that between 7-Eleven and Seven Bank in Japan can be established. However, as the services in demand are somewhat different between the United States and Japan, the efforts will be promoted gradually by addressing the needs of local customers. For example,

in the United States, there are workers from overseas who send money to families in their home countries and people who do not have bank accounts but use prepaid cards instead to receive salaries. Offering services that address these needs will be greatly appreciated.

The ATM business in Indonesia by ATMi has just started. Therefore, we are currently working to build a track record of stable ATM operations to acquire partnerships with local financial institutions and have them entrust the operation of ATMs to us. A big advantage for us to operate in overseas markets lies in the brand power and the network of 7-Eleven stores. Unfortunately, there are not many 7-Eleven stores in Indonesia at present.

However, considering the rapid growth of that country in recent years, the infrastructure for retail finance can grow quickly. In anticipation of the growth possibilities, we have launched the Indonesian business from scratch, through which we are trying to figure out a new style of ATM operations that might be in demand in the future. Based on what we learn from the Indonesian business, we will develop our businesses in the other emerging markets.

Q What initiatives are you promoting under the growth strategy that addresses changing social needs?

A As part of the infrastructure for providing various services, we will pursue new value for ATMs. For the financial services business, we will commence the offering of debit cards this autumn.

Currently, company-wide efforts are being made to enhance the quality of the ATM business. To achieve sustainable growth without being involved in the market’s price competition, it is necessary to improve the quality of services on a constant basis and use it for differentiation. All elements of ATM services evaluated by customers, such as the reliability of security features, understandability of the screen display, ease of operation, cleanliness and call center responses, constitute the “quality” of the ATM services. I ask employees what extra effort we can do to enhance the ATM brand of Seven Bank.

Building on such a “quality” foundation, we must create new value for ATMs to address changing social needs. Considering the recent changes in the form of settlement and other financial services for individual customers, it is expected that the trend toward cashless transactions via the Internet will continue. Meanwhile, cash will continue to be an important means of settlement. Accordingly, real and virtual—the infrastructure for both is required. We believe it is our important role to meet these needs of customers and changes of society.

In fiscal 2017, the number of the Seven Bank Group’s ATMs installed will approach 40,000 units, including 24,000 units in Japan and 15,000 units in the United States. Especially, the domestic ATM network should be seen as attractive infrastructure from the perspective of financial institutions as it provides the same quality of services at more than 22,000 ATM locations nationwide, and their forming partnerships with us should be advantageous to them. The same applies to the virtual field. ATMs can serve as a means of depositing cash at the beginning of using the service and withdrawing cash when it becomes necessary afterward, and as a terminal for carrying out various procedures. In the spring of 2017, we will introduce the ATM deposit/withdrawal transaction service through a smartphone. This will enable financial institutions that do not issue cash cards and fund transfer service providers to use Seven Bank ATMs, thereby expanding the range of ATM applications.

In that way, an ATM will no longer be a machine for handling only the deposit and withdrawal of cash. Our ATM business will therefore develop in a way to pursue new roles for ATMs beyond the scope of conventional ideas.

In the financial services business, we will commence a service using cash cards with a debit function in the fall of 2016. A debit card coupled with a bank account will serve as a means of offering convenient and user-friendly settlement services to our customers, such as a cash advance in overseas locations and the added feature of acquiring *nanaco* points when the card is used.

In addition, since fiscal 2015, we have sought ideas for new products and services from within the



Bank and through open innovation programs involving startups and made moves to realize those ideas. Meanwhile, we established the Seven Labo to reinforce our approach to advanced fields, including the introduction of new IT technologies. During fiscal 2016, I would like to present new services as a specific outcome of these efforts.

Q What do you think about the Bank’s involvement with society through its business operations?

A The Bank will respond to social issues and needs through the ceaseless provision of a safe and efficient settlement infrastructure. In addition, by the proper function of corporate governance, we will continue to generate common interests with stakeholders.

I already talked about the enhancement of the “quality” of ATM services for customers and the creation of new value for ATMs in response to changing social needs. My views on a corporate entity’s involvement with society from the perspective of corporate social responsibility and corporate governance are as follows.

Because a company benefits from the society in which it operates, it has the responsibility to meet the various needs of society. Seven Bank must continue to offer a safe and efficient means of settlement to customers as part of the social infrastructure, thereby

addressing social issues and needs as well. In addition, we must tackle social expectations head on to provide employment, utilize a diverse range of human resources and contribute to environmental preservation and local communities.

There is an argument about “for whom a company should exist.” The purposes of corporate management include achieving customer and employee satisfaction and sustainable growth, which, however, may conflict with the pursuit of short-term gains often desired in the stock markets. Yet, there is a growing idea that a company can generate the common interests shared by shareholders, investors, customers and employees when its corporate governance works properly to ensure that the company acts in a socially appropriate manner and in a way to raise its corporate value steadily. Seven Bank will continue to generate common interests through efforts such as invigorating its Board of Directors and promoting communications with shareholders.

enjoy continuous support from a long-term perspective. So that we do not betray the trust of these shareholders, we will continue to strive for better business performance and increase returns to shareholders.

We are making advance investments to ensure the next leap forward and believe we have the capability and potential to enable a further significant increase in corporate value over the medium to long term. We will continue to move forward as a company that grows and develops in tandem with all people concerned with us and shares interests with them.



Q Finally, could you give a message to your stakeholders, including shareholders?

A We will continue to strive for better business results and move forward as a company that grows and develops in tandem with all people concerned with us and shares interests with them.

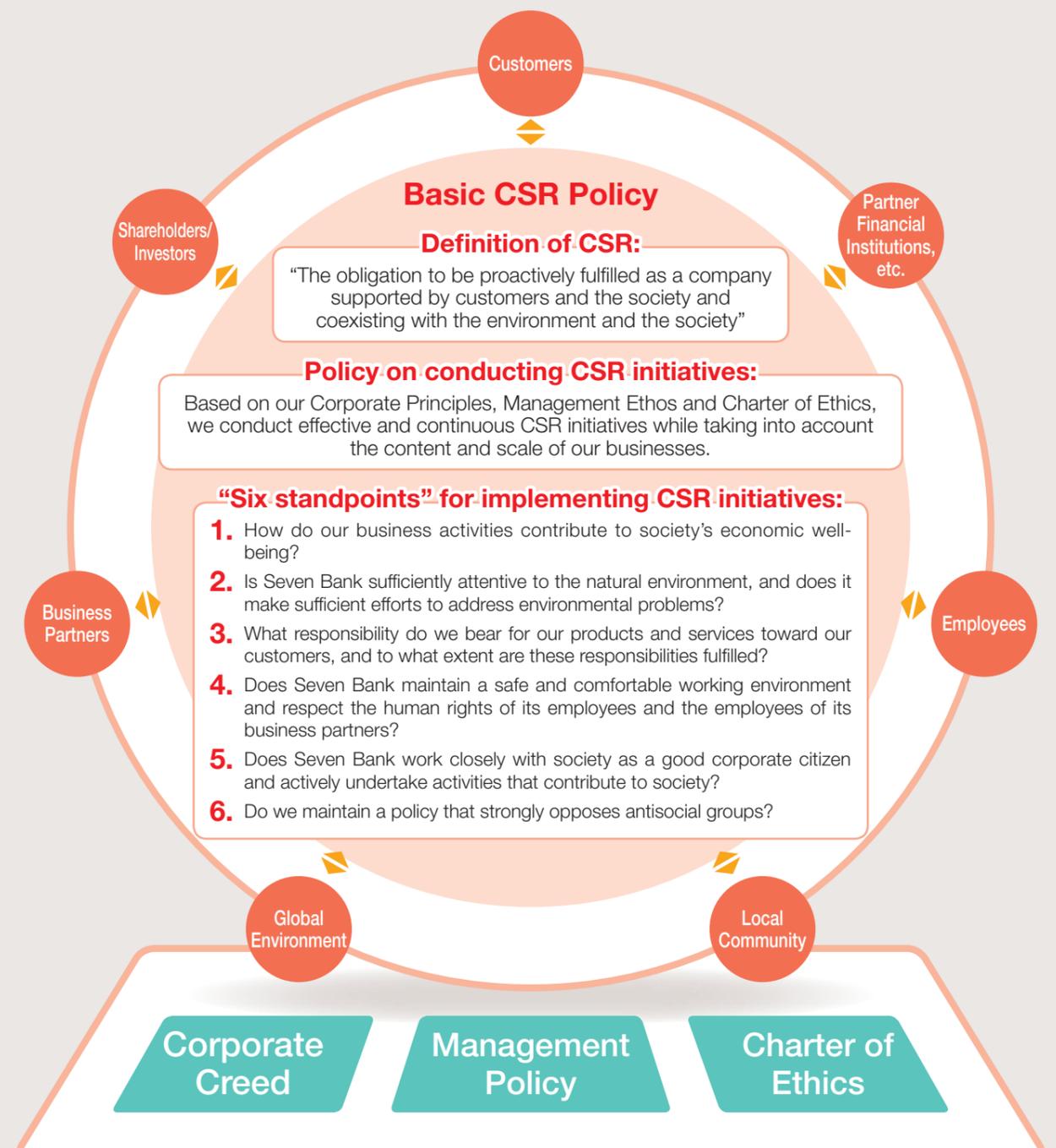
First, let me mention returns to shareholders. Regarding the dividends for fiscal 2015, we have decided to increase 0.50 yen per share from the planned amount at the beginning of the year, reflecting the profit increase. Accordingly, the annual dividend for fiscal 2015 will be 8.50 yen per share, up 0.50 yen from the previous fiscal year, for a consolidated payout ratio of 40.9%.

Our dividend policy is to maintain a consolidated payout ratio of 35% or more. However, this is the minimum target, and we have continuously increased the amount of dividend payments in recent years at a payout ratio around 40%. Because our business is less susceptible to the external environment, including economic and financial conditions, we have continued to grow on stable financial ground. Such achievement is highly evaluated by shareholders, from whom we

Since its establishment, Seven Bank has operated with adherence to its Corporate Principles, Management Ethos and Charter of Ethics, which serve as the standards of every judgment and the behavior of the people working with Seven Bank.

To ensure sustainable growth together with various stakeholders, Seven Bank defines its corporate social responsibility and engages in various initiatives, which are subject to inspection and evaluation from six standpoints under the Basic CSR Policy.

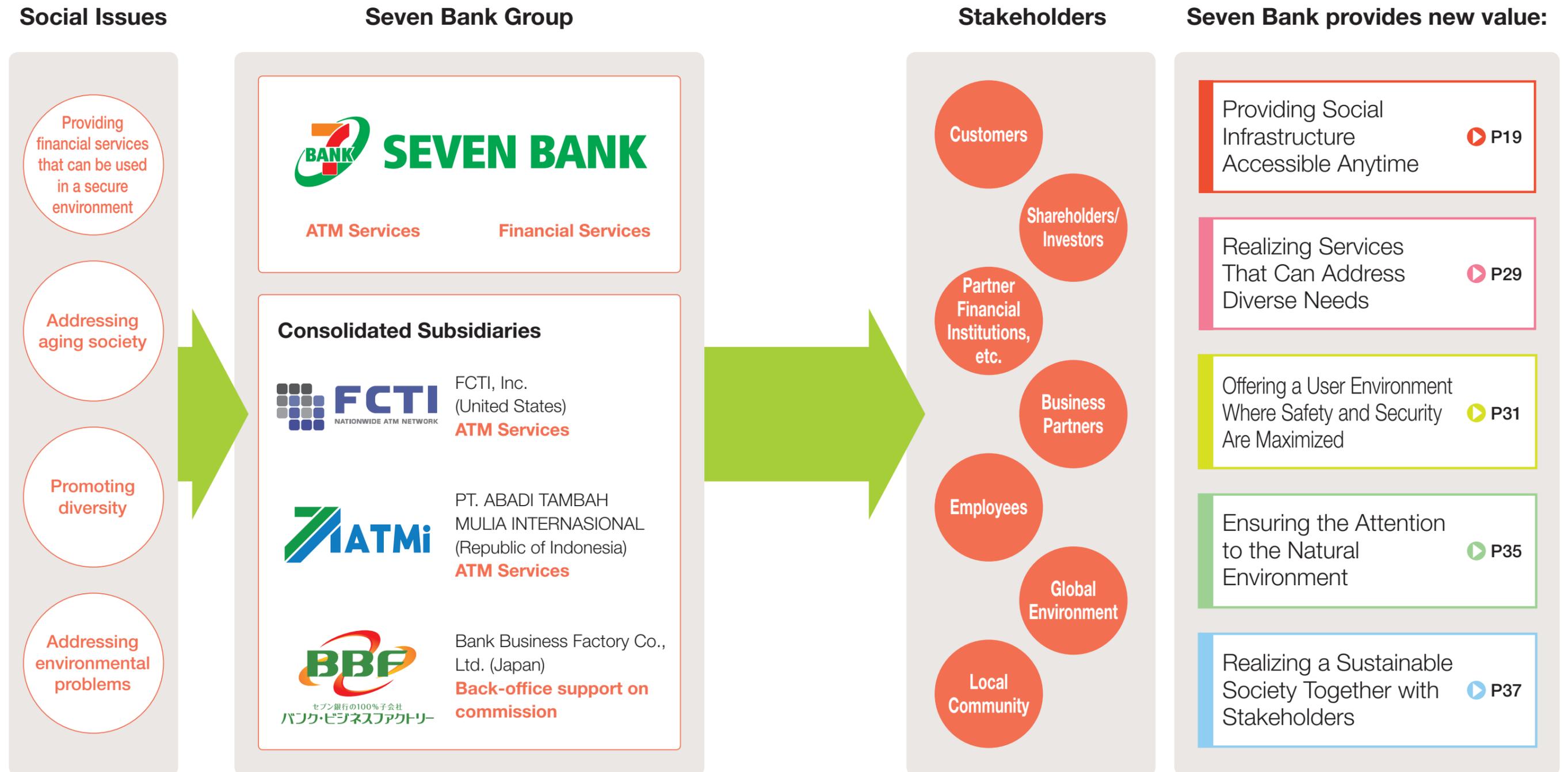
Business = Social Responsibility (Creation of Common Value)



Through its business operations, Seven Bank fulfills the expectations and trust of society.

Because we offer services to customers at a location close to them, we have continued to face social needs and issues from the standpoint of cus-

tomers. Seven Bank Group will continue to offer new value toward the achievement of a sustainable society.



Providing Social Infrastructure Accessible Anytime

ATMs Nationwide

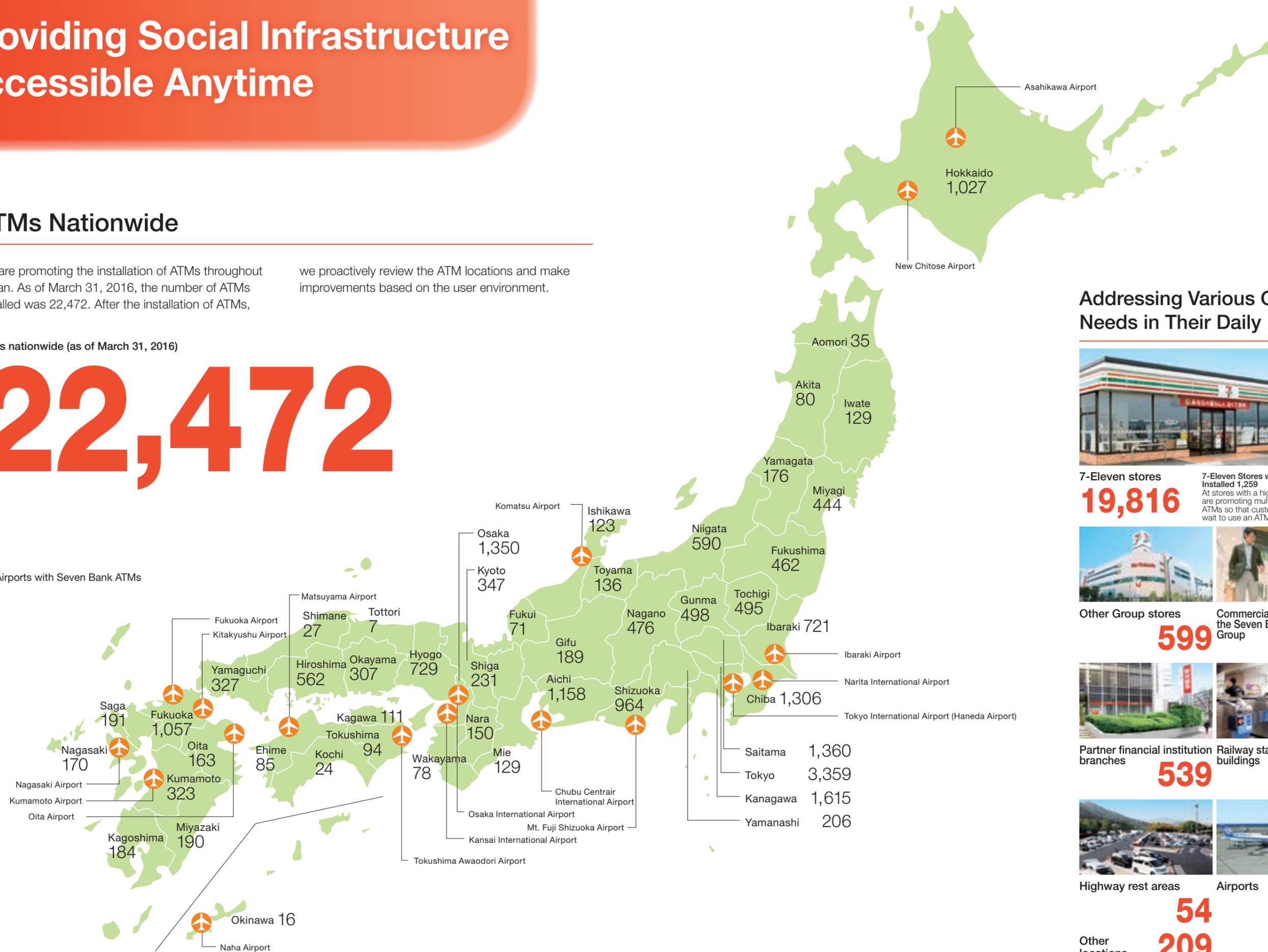
We are promoting the installation of ATMs throughout Japan. As of March 31, 2016, the number of ATMs installed was 22,472. After the installation of ATMs,

we proactively review the ATM locations and make improvements based on the user environment.

ATMs nationwide (as of March 31, 2016)

22,472

Airports with Seven Bank ATMs



Addressing Various Customer Needs in Their Daily Lives



7-Eleven stores
19,816

7-Eleven Stores with Multiple ATMs Installed 1,259
At stores with a high usage volume, we are promoting multiple installations of ATMs so that customers do not have to wait to use an ATM.



Other Group stores
599



Commercial facilities outside the Seven Bank Group
958



Partner financial institution branches
539



Railway stations and station buildings
253



Highway rest areas
54



Airports
44

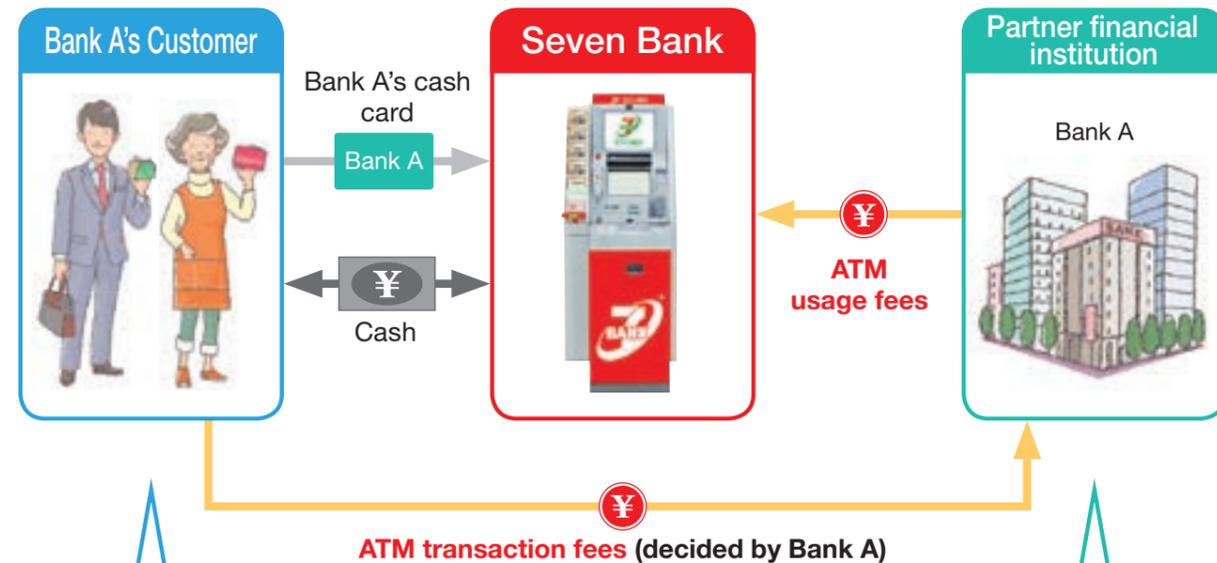
Other locations
209

A Unique Business Model Founded on Coexistence and Co-Prosperity

Seven Bank provides ATM services that can be accessed “anytime, anywhere, by anyone, and with safety and security” throughout Japan. Our services also benefit our partner financial institutions in various

ways in terms of cost and enhancing services for their customers. Seven Bank and its partner financial institutions have built a unique business model founded on coexistence and co-prosperity.

Business Model for Our ATM Services (in case of a partnership with a bank)



Benefits for Customers

Convenient ATM service hours and locations

- Available 24/365
- No need to carry large sums of cash for business or leisure trips within Japan
- Access to identical services at any Seven Bank ATM throughout Japan

Safety and security

- Security due to installation in convenience stores

Benefits for Partner Financial Institutions (Bank A)

Access to a nationwide network of ATMs operating 24/365 without the costs for owning ATMs

Utilization of Seven Bank ATMs as own ATMs

- Each partner financial institution decides its own transaction fees.
- Screens can be set identical to those of the financial institution's own ATMs.

Plus

Marketing strategy that uses Seven Bank ATMs

Convenient ATM Functions

With Seven Bank's ATMs, which can be used easily anytime, we pursue easy and safe ATM uses by any ATM user. By the end of fiscal 2015, we had installed 21,442 third-generation ATMs, which are a

fusion of our ingenuity and pursuit of improvement, and the replacement of all older ATMs with third-generation ones will be completed within fiscal 2016.



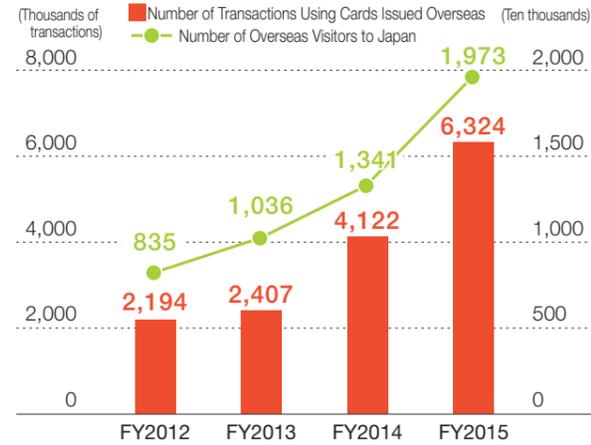
ATMs That Handle Cards Issued Overseas

Although the number of tourists visiting Japan is on the increase, the number of ATMs in Japan that can handle cash cards, credit cards and other cards issued overseas is still limited.

Seven Bank ATMs, which accept cards issued overseas, are highly evaluated by overseas visitors to Japan and inbound tourism business operators.



Number of Transactions Using Cards Issued Overseas/ Number of Overseas Visitors to Japan



Enhancing the ATM System Environment So That Customers Can Use ATMs with Peace of Mind

For visitors to Japan to be able to use ATMs smoothly, Seven Bank is working to increase the support functions of its ATMs. The ATM screens and receipts are available in 12 languages. After a set period has elapsed without input in case the customer needs assistance operating the ATM, voice guidance will direct the customer to the call center where English-speaking operators respond on a 24-hour basis.

In addition, by the end of 2015 we had completed making all our ATMs compatible with International Standard IC cards. We also have adopted a system to monitor transaction status and detect fraudulent ATM use.



12 languages available

International ATM Business

Subsidiary in the United States (FCTI)

FCTI, Inc., a subsidiary in the United States, operated 6,451 ATMs as of March 31, 2016. FCTI executed an ATM Placement Agreement with 7-Eleven, Inc., to install ATMs inside approximately 8,000 7-Eleven stores in the United States. Preparation is under way toward the start of ATM installation in July 2017.



7-Eleven stores in the United States

Subsidiary in Indonesia (ATMi)

PT. ABADI TAMBAH MULIA INTERNASIONAL in Indonesia started ATM installations at hotels and office buildings in August 2015. As of March 31, 2016, the number of ATMs installed was 88.



ATMs installed in Indonesia

Toward the Creation of New Services

In February 2016, we started an initiative to create innovative services that capitalize on the Bank's resources by recruiting ideas from startup companies. More than 40 companies responded, and we are currently in the process of discussions and preparations to transfer the ideas into new businesses.

In April 2016, we launched the "Seven Labo" inside the Bank as a team for experiments and promotion toward the creation of new businesses.

In the spring of 2017, we plan to start the ATM service for partner financial institutions through a smartphone—the first service of the kind in Japan. This will enable financial institutions that do not issue cash cards, such as online securities brokers and fund transfer service providers, to use Seven Bank ATMs.



Presentation by a startup company

Bank Account That Can Replace a Wallet

According to customers' lifestyle, Seven Bank provides account services that are convenient, easy to use and serve as a "wallet." Seven Bank accounts can

be accessed using Seven Bank ATMs nationwide, a personal computer or a smartphone.

Seven Bank Accounts

Ordinary Deposits

Customers can make deposits, withdrawals and other transactions 24/365, in principle. Transactions at Seven Bank ATMs are free of charge between 7 a.m. and 7 p.m. not only on weekdays but also on Saturdays, Sundays and holidays.

I use this convenient and easy-to-use bank account to replace my wallet according to my lifestyle.



Time Deposits

Customers with a Seven Bank account can make quick and easy time deposits starting from 10,000 yen. In addition to being able to select terms ranging from one month to five years, customers can make a partial cancellation of the necessary amount for an early withdrawal.

I use this account when I have money that I do not need right away or when I want to save some money.



Seven Bank ATM transaction fees (including consumption tax)

	0:00 - 7:00	7:00 - 19:00	19:00 - 24:00
Withdrawal (including withdrawal for transfer)	¥108	Free	¥108
Deposit	Free		
Balance inquiry	Free		

Transfer fees (including consumption tax)

To a Seven Bank account	¥54
To other financial institution's account	¥216

* A transfer transaction can be made 24 hours a day, in principle.

(as of July 1, 2016)

Personal Loan Services

Customers can apply for a personal loan at the same time as they open an account and can choose a credit limit of 100,000 yen, 300,000 yen or 500,000 yen.

* Screening is required when applying for personal loan services.

International Money Transfers

Customers who want to send money from Japan to family or friends living overseas can make transfers to more than 500,000 locations in more than 200 countries and regions (as of December 31, 2015).

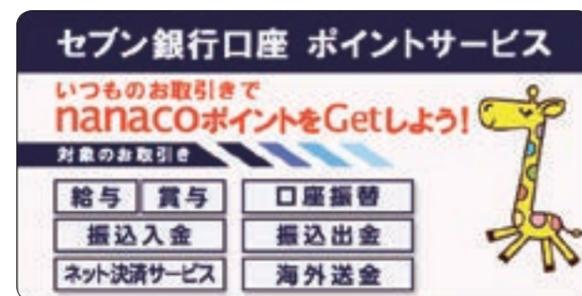
(Details are described on page 30.)

Good-Deal "Point Service"

For customers who are already subscribers of the nanaco electronic money service and have registered with the "Point Service" via our Direct Banking Services¹, nanaco points are allocated according to the transactions made.

*1. The Direct Banking Services refer to transactions conducted and procedures taken via the Seven Bank's Web site using a personal computer or a smartphone.

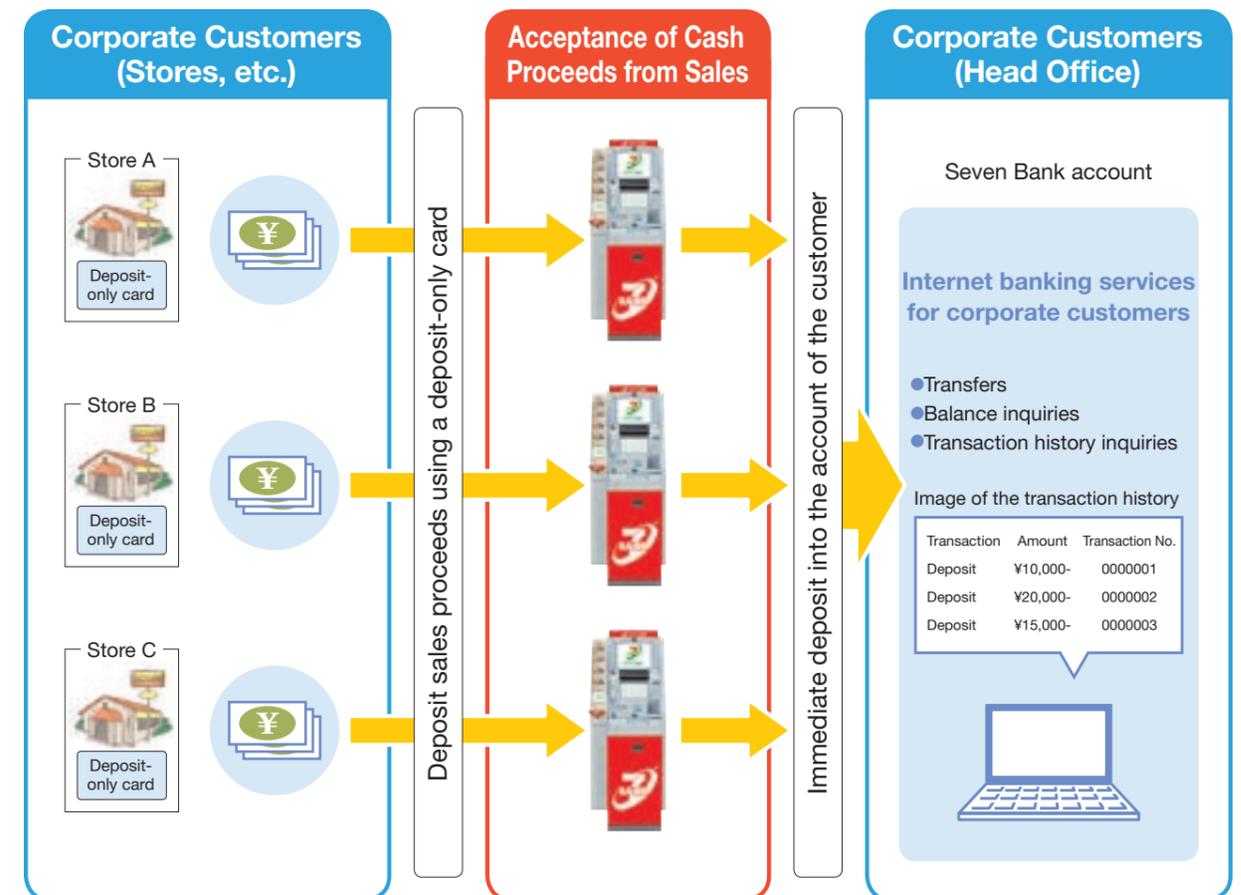
*2. For details on the Point Service, please refer to our Web site.



Accepting Cash Proceeds from Sales for Corporate Customers

To address corporations' need for "collecting sales proceeds from multiple stores quickly and safely," we provide the service of accepting cash proceeds from sales for corporate customers, which is used by corporate customers, such as those with multiple branches and sales offices and restaurants that operate until late at night. When a person from each branch, sales office or restaurant deposits sales proceeds, using a card

dedicated to depositing sales proceeds, with any Seven Bank ATM nationwide at the convenience of the customer, the proceeds are immediately reflected in the customer's account anytime 24/365, in principle. The features of this service—the card being for deposit only, the ability to deposit at any Seven Bank ATM and a safe in-store deposit environment—are highly appreciated by our customers.



Planning to Issue a Cash Card with a Debit Function

In the fall of 2016, we will issue a new Seven Bank cash card with the "JCB Debit Card" and the nanaco electronic money functions. Customers can pay using the debit function at domestic and overseas JCB member stores such as 7-Eleven and Ito-Yokado stores or via Internet shopping. Every time customers use these cards, nanaco points are allocated. In addition, customers can withdraw money overseas in the local currency directly from their Seven Bank account using an ATM with the JCB or Cirrus marks.

Realizing Services That Can Address Diverse Needs

Services That Can Be Used by Anyone with Comfort

For all customers to be able to use our ATMs comfortably, we are researching how to enhance the ease of ATM operation and the ease of viewing the transaction screen and make daily improvements to our various ATM functions and services.

For Customers with Visual Impairment

The ATM voice guidance service is available at all our ATMs. This service was developed based on feedback from persons with visual impairments. Listening to the voice guidance from the interphone attached to each ATM, customers can operate the buttons to withdraw or deposit money and check their balance. This service is also available to customers of our approximately 540 partner financial institutions.



Installing a Cane/Drink Holder for Persons Using a Cane

Since December 2015, we have been installing a cane/drink holder on ATMs inside 7-Eleven stores. During ATM transactions, customers can put a cane, an umbrella and/or a coffee cup in the holder, enhancing the convenience of customers.



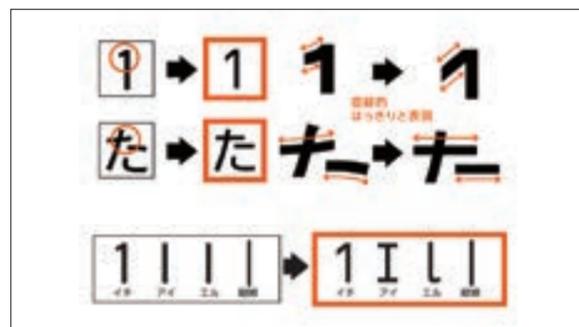
Cane/drink holder

Making the Letters Easy to Read

A font designed for the readability of everyone regardless of age, gender or disability is called the "Universal Design Font (UD font)." The UD font has been adopted for Seven Bank ATMs since 2010.



Example of letters in the UD font used for our ATMs



Easy-to-View Colors on the Transaction Screen

The concept of providing products and services that are easy to view regardless the color vision type is called "Color Universal Design (CUD)." This concept has been adopted for Seven Bank ATMs since 2013, and our ATMs are now Color Universal Design certified (CUD certified).

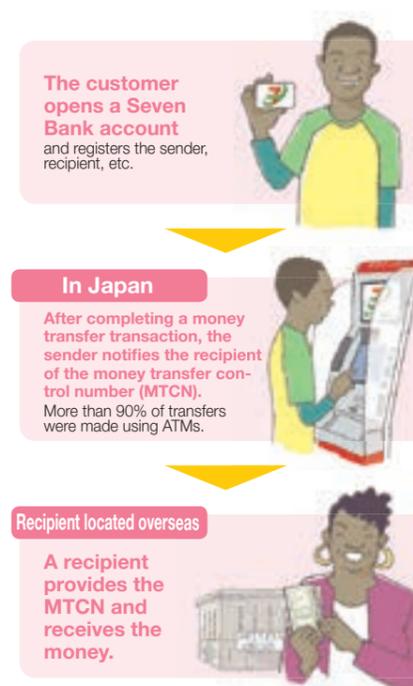


* We have adopted the CUD concept for transactions with deposit-taking financial institutions and securities companies since 2013, and for all transactions with third-generation ATMs since 2015. Our ATM transaction screen is CUD certified, excluding the screen that shows instructions regarding operational hours and fees.

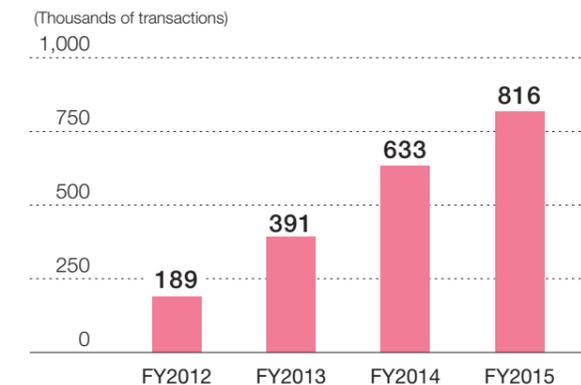
International Money Transfer Services for Customers Who Have Family Members and/or Friends Living Overseas

Seven Bank offers international money transfer services to meet the needs of customers who have family members and/or friends living overseas. The ATM transaction screen and the help desk for international money transfers, which are our points of contact with customers, are available in nine languages—Japanese, English, Tagalog, Chinese, Portuguese, Spanish, Vietnamese, Indonesian and Thai—so that customers can use them easily. Money can be received at more than 500,000 locations in more than 200 countries and regions (as of December 31, 2015). It is also possible to make direct transfers to bank accounts in China and the Philippines.

* For details on International Money Transfer Services, please refer to our Web site.



Number of International Money Transfers



Help desk for international money transfers



ATM transaction screens in nine languages

Opened a Staffed Outlet at Kawasaki Azalea.

In March 2016, we opened a staffed outlet, Seven Bank Kawasaki Azalea Outlet, in the Kawasaki Azalea underground shopping mall at JR Kawasaki Station in Kanagawa Prefecture. This outlet can address many languages, including English, Spanish and Tagalog, with multilingual staff deployed to explain about and assist in opening an account at Seven Bank, using the international money transfer and other services.



Offering a User Environment Where Safety and Security Are Maximized

Normal Situations

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

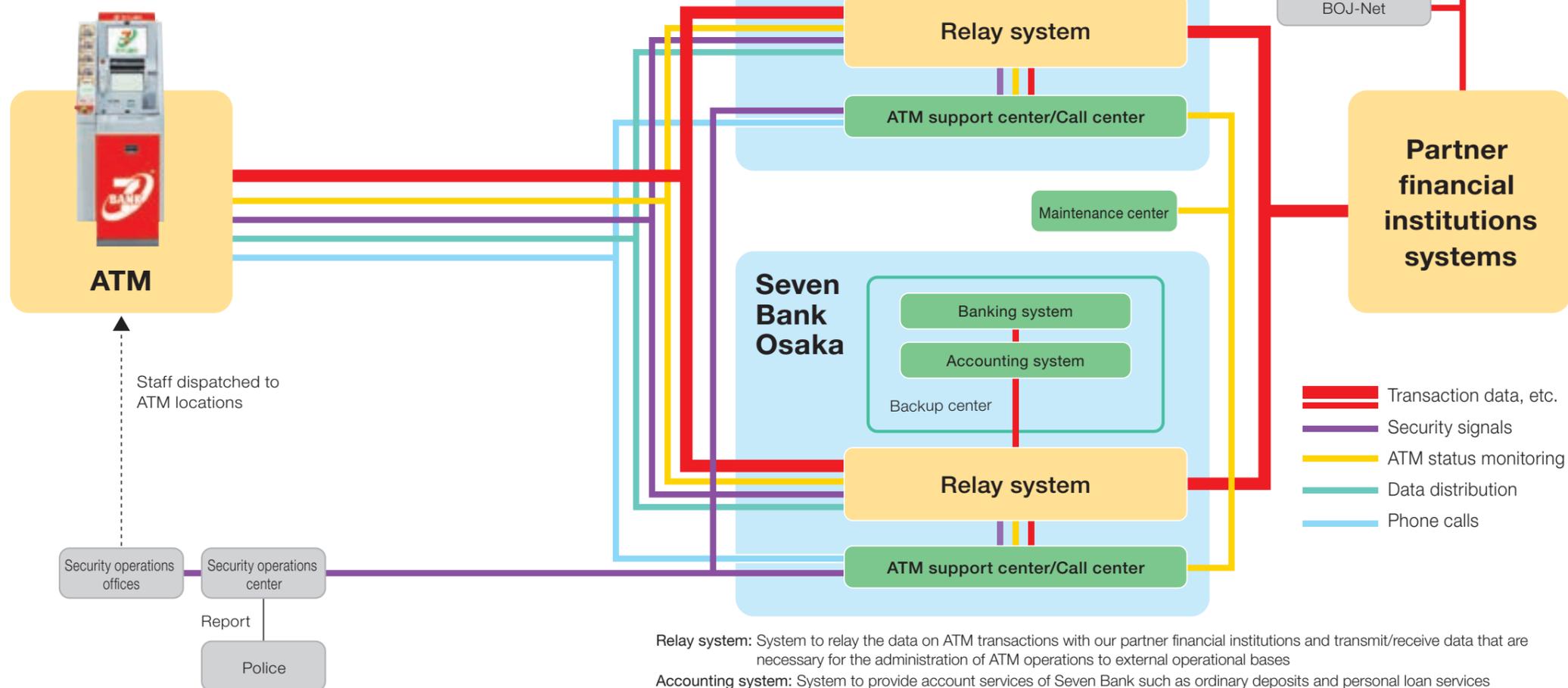
Seven Bank and its partner financial institutions are connected by a network of dedicated lines. In addition, data is encrypted according to the type of transaction, with automatic detection of unauthorized access.

Emergencies

Response to Breakdowns and Malfunctions

We manage all ATMs and network systems in real time in cooperation with partner companies. With a system that automatically sends out a signal upon the occurrence of a breakdown or malfunction, we work to minimize service downtime with a speedy and accurate response.

■ Seven Bank's System Network



Relay system: System to relay the data on ATM transactions with our partner financial institutions and transmit/receive data that are necessary for the administration of ATM operations to external operational bases

Accounting system: System to provide account services of Seven Bank such as ordinary deposits and personal loan services

Integrated ATM network: System network to connect ATMs of financial institutions with different business models such as city and regional banks

Zengin system: Abbreviation of "Zenkoku Ginko (nationwide banks) data transmission system" to exchange data regarding transactions such as money transfers between domestic banks and conduct fund settlements. Almost all private financial institutions in Japan such as banks and Shinkin banks participate in this system.

Response to Occurrence of a Disaster

After the Great East Japan Earthquake, which occurred in March 2011, we sent mobile ATMs to the areas where it would take considerable time to resume normal ATM operation. From October 2015 to March 2016, we sent our mobile ATMs on a regular basis to Katsurao village, an area under evacuation orders for the accident at the Fukushima Daiichi Nuclear Power Station of Tokyo Electric Power Company to support the restoration.

Business Continuity in a Disaster

To continue operations even in the event of a large-scale disaster or an accident, Seven Bank has prepared a business continuity plan (BCP). In our BCP, we have defined three priority businesses that must continue to operate even in the event of a large-scale disaster or an accident: the ATM business, the fund settlement business serving banks and ATM partners, and deposit, withdrawal and money transfer operations. Various functions of Seven Bank have been

duplicated to sustain operation even in the event that one of our operational bases—one in the Tokyo metropolitan area and the other one in Osaka—has shut down due to a disaster, etc., by operating the intact system in the other area. However, to transport enough assisting personnel in a situation where public transportation might be out of service, Seven Bank has concluded a contract with an airline company to dispatch a helicopter in an emergency.

Response to Financial Crime

To protect customers' important assets and for customers to be able to conduct transactions with peace of mind, Seven Bank has been conducting various measures to prevent crime. To cope with increasingly

Cyber Security Measures at ATMs

Our ATMs have a camera for recording emergency situations, special screens for the protection of customers' privacy and a keypad placed in a recessed area to keep others from viewing the input. When customers make money transfers using our ATMs, an alert is shown on the screen or by voice to remind the ATM user of a potential crime to prevent fraudulent money transfers. Our ATMs have an embedded device to detect a suspicious object and prevent the fraudulent

Measures at Seven Bank Accounts

To prevent Seven Bank accounts from being abused for financial crimes, the Bank undertakes strict customer due diligence procedures and identifies persons who have been involved in crimes in the past when customers apply to open new accounts. After opening a new account, the transaction status is monitored in real time by the Account Monitoring System². To cope with increasingly sophisticated crimes targeting Internet banking, the measures have been conducted as described on the right.

*2. Account Monitoring System: System to analyze the activities of an account that was used for a fraudulent money transfer and check other accounts that show similar activity. In the event of detecting a suspicious transaction or account activity, the transfer is temporarily suspended and the transfer is implemented after verifying the authenticity of the money transfer with the destination financial institution.

Quick Cooperation with the Police

The Bank quickly responds to requests for cooperation from the police. During fiscal 2015, we answered about 63,000 requests for the disclosure of the ATM journals that record the data communications concerning our ATM transactions, about 1,000 requests for the disclosure of videos recorded by security cameras and about 12,000 requests for the disclosure of the content of transactions made using Seven Bank accounts.

sophisticated and intricate cyberattacks against financial institutions, we set up Seven Bank CSIRT¹ to respond to cyber security incidents in October 2015.

*1. CSIRT (Computer Security Incident Response Team): an organization that takes quick and appropriate measures in the event of computer security-related incidents

capturing of card information (skimming).

In fiscal 2015, to prevent fraudulent ATM use for a crime, we expanded the range of transactions using the data embedded in IC cards, which we had accepted mainly for transactions among domestic financial institutions, to transactions using IC cards issued overseas. Also, we are conducting systematic monitoring of transactions using our ATMs.

For individual customers

- The Smartphone Authentication³ has been adopted for Internet banking since November 2015.
- A system is in place to detect if a customer's personal computer is infected by malware⁴.

For corporate customers

- One-Time Password⁵ has been adopted.

*3. Smartphone Authentication: Method to verify the right user for Internet transactions such as a "Money Transfer to a New Recipient" using a dedicated app for a smartphone. The use of this authentication app requires a registration procedure.

*4. Malware: A general term referring to harmful software made for the purpose of accessing others' computers in a fraudulent way to attack or cause an information leak.

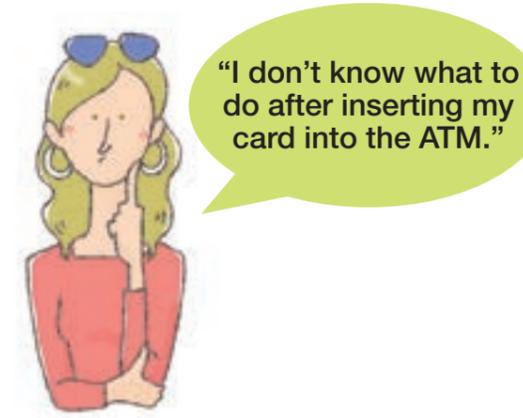
*5. One-Time Password: Password that is effective only one time (a certain duration only) to reduce the risk of fraudulent use by a third party.

Improvements Based on Feedback from Customers

Seven Bank values customers' opinions and requests especially because we were born to address customer needs. Customers' opinions collected by the call

centers and ATM support centers are shared within the Bank, then verified and analyzed to improve the convenience of our products and services.

Example of an improvement we have made (1)

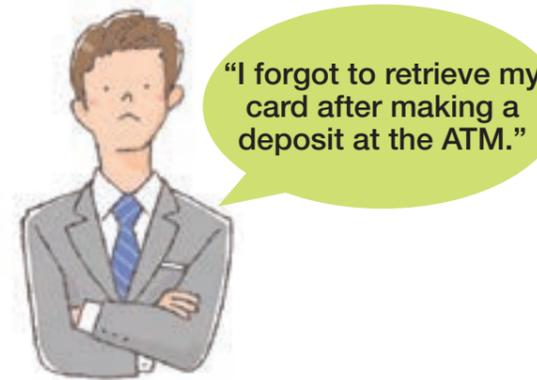


Responding to feedback from customers from overseas and senior customers, when a set period has elapsed without input after a card has been inserted, our ATMs display video guidance by an operator.



Video guidance by an operator

Example of an improvement we have made (2)



Because many customers forget to take their money and/or cards after making transactions at ATMs, we upgraded the "alarm" function. For example, when a customer is leaving an ATM without taking his/her card after making a deposit, the sensor detects that and issues an alarm, saying, "Customer, have you left anything?" The voice message differs, depending on the transaction made. After this alarm function was introduced, the number of customers who forget to take their money and/or cards has been decreased.

Seven Bank Call Centers Acquired 3 Star!

Under the 2015 support center ranking program sponsored by the Help Desk Institute (HDI)-Japan, Seven Bank Call Centers acquired 3 Star, which is the highest evaluation in this field in Japan.



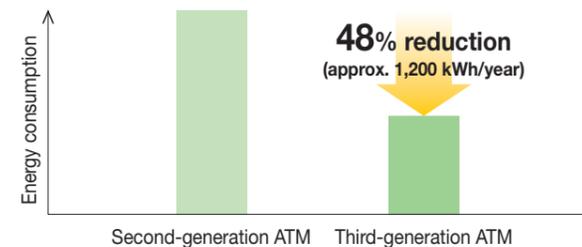
At the award ceremony

Ensuring the Attention to the Natural Environment

Energy-Saving Measures for ATM Operations

Energy consumption of our third-generation ATMs is 48% less than that of our second-generation ATMs. As a result of replacing all 22,000 units nationwide with third-generation ATMs, CO₂ emissions will be reduced by approximately 15,000 tons* a year. A significant reduction in energy consumption was achieved by aggressively adopting cutting-edge technologies to set our ATMs on an energy-saving mode when a transaction is not ongoing and by switching the back light of the display to an LED light. We are also promoting the effective use of natural resources by using durable parts and recyclable materials.

*CO₂ emissions were calculated assuming 1 Wh = 0.579 g.



Recycling of ATMs

We strive to recycle aged ATM units and Uninterruptible Power Supply (UPS) batteries using recycling business operators. (Recycling of UPS batteries began in fiscal 2015.)

Performance of disposal of ATMs

(Fiscal Year)	2011	2012	2013	2014	2015	Total
Number of disposed ATM units	724	3,538	3,559	3,812	2,597	14,230
Volume disposed (t)	203	997	1,002	1,071	727	4,001

Performance of disposal of UPS batteries

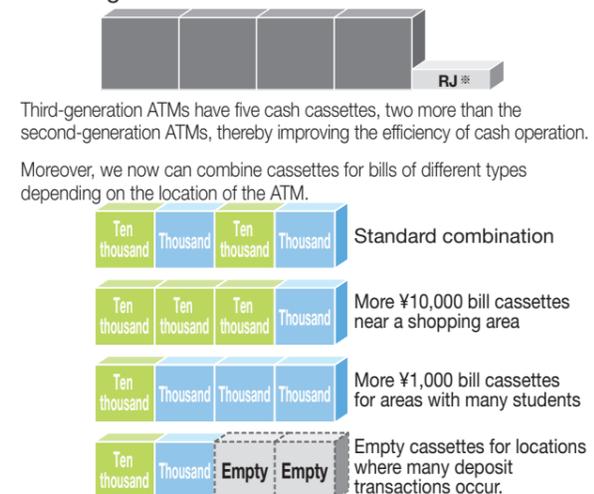
(Fiscal Year)	2015
Number of batteries disposed	2,597

*Disposed ATM units and UPS batteries have been almost 100% recycled. (The disposal of UPS batteries began in fiscal 2015.)

Reduction of the Frequency of Cash Transports

Our third-generation ATMs have five cassettes to store cash compared to the second-generation ATMs with three cassettes. This allows more room for combining cassettes of different bills depending on each location's ATM usage status. For instance, we put more cassettes to store ¥1,000 bills for a location with many students and more cassettes to store ¥10,000 bills for a location near a shopping area. By making such adjustments, we can reduce the frequency of ATM maintenance to replenish and collect cash, contributing to reducing CO₂ emissions from the aspect of logistics.

Third-generation ATMs 5 cassettes



* An "RJ" cassette stores damaged bills that were deposited but are not to be dispensed.

Our Environment-Friendly Receipts

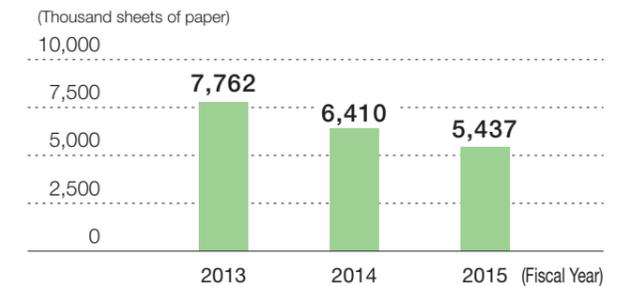
The rolled paper used for receipts dispensed from Seven Bank ATMs is made of Elemental Chlorine Free (ECF) pulp, which does not emit the environmentally harmful Organic Chlorinated Compound because chlorine gas is not used in the pulp bleaching process. Furthermore, issuance of a receipt is up to the customer depending on the transaction and financial institution, thereby reducing unnecessary paper use.

Environmental Considerations at Our Offices

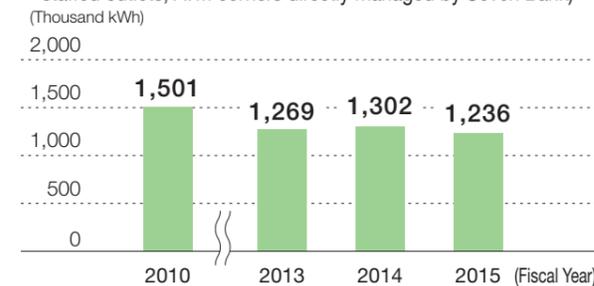
CO₂ emissions from the production, logistics and disposal of "SEVEN BANK, LTD. Business Report 2016" are 10,763 kg, which is offset by the domestic credit from supporting the restoration from the East Japan Great Earthquake.



Environmental Performance Index/Volume of OA paper purchased



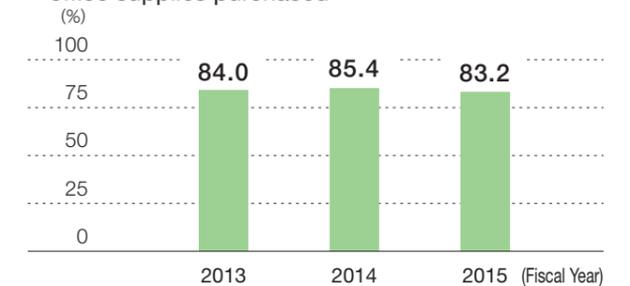
Environmental Performance Index/Electricity use* (Offices, staffed outlets, ATM corners directly managed by Seven Bank)



* Mainly based on requests from the government, with fiscal 2010 used as the standard.

* Although we are promoting the replacement of more than 22,000 units nationwide with third-generation ATMs that can help reduce energy consumption by approximately 48%, this aspect is not included in the chart above because the electricity to run the ATMs is from the facilities that house our ATMs.

Environmental Performance Index/Ratio of green office supplies purchased*



* To calculate and compare green purchasing accurately, the ratios of green purchasing of office supplies were calculated retrospectively from fiscal 2015.

Environmental Preservation Activities by Employees

Bonolon-no-Mori ("Bonolon Woods") Environmental Activity

In September 2015, we conducted the 8th Bonolon-no-mori environmental activity at the base of Mt. Fuji. This activity has been implemented annually since fiscal 2008 as part of education for employees to nurture love and respect for nature. The participants collected bottles, cans and illegally discarded materials mainly in the nearby forest owned by the government after a nature walk with a guide in the woods at the base of Mt. Fuji.



Tokyo Bay UMI Project Sponsored by the Seven-Eleven Foundation

In May 2015, we participated in the Tokyo Bay UMI Project (Sponsored by the Seven-Eleven Foundation), which took place in *Umi no koen* (Marine Park) in Yokohama, Kanagawa Prefecture. This project aims to increase eel grass (*Zostera marina*), which contributes to water purification and CO₂ reduction to restore Tokyo Bay back to a rich sea. A total of 117 participants consisting of employees of the Seven & i Holdings Group went into water up to their chest and collected eel grass branches to pick the seeds.



Realizing a Sustainable Society Together with Stakeholders

Efforts to Create a Rewarding Workplace

Efforts to Create a Workplace that Fosters Employees' Self-Growth

To create a workplace where employees can work energetically and fulfill self-growth and self-realization, Seven Bank encourages each employee to conduct self-motivated and independent activities and learn of his/her own accord. Under such concepts, Seven Bank employees regard work as an opportunity for growth and we support their growth, aiming for a corporate culture wherein employees help each other learn and grow.

● Providing Active Support for Self-Motivated Employees Who Learn Actively

Seven Bank has developed a capability development program suited to each employee's growth stage, providing various training sessions to acquire the knowledge and skills required for each tier. In addition, we send some employees who are selected from within the Bank to a business school. Moreover, we are focused on nurturing human resources who can communicate in multiple languages. To this end, we are providing aids for e-learning and support for language learning using external training.

Participated in the "Innovator Development Project"

In fiscal 2015, three employees of the Bank participated in "Start Next Innovator 2015"—an innovator development project sponsored by the Ministry of Economy, Trade and Industry (METI). One of them was selected to visit Silicon Valley in the United States, the most advanced area in terms of innovation creation.



Mr. Tomoki Yamada, who was selected to visit Silicon Valley

● Respect for the Attitude to Tackle Challenges

Seven Bank values employees' self-motivated attitude to tackle challenging issues. To utilize such an attitude for the management of the Bank, we solicited ideas about new services and products from throughout the Bank and set up a venue for the presentation of such ideas since fiscal 2014. At the meeting to discuss the creation of new businesses held in February 2016, a total of 33 proposals were made, from which nine proposals were selected at the final stage of selection and were presented to executive managers. Each idea has been assumed by a related division, and discussion is under way to put these ideas into new businesses and improvement of service quality.

Training System

	General tier			Management tier
	New employees	Junior employees	Senior employees	
Training common to the entire Bank	Compliance, CSR, BCM training, etc.			
Training by tier	For new employees	On communication		
	Follow-up for new employees			
		On financial knowledge		
		OJT training	Leadership training I Leadership training II	For new assistant manager
			Japanese Bankers Association seminar Japanese Bankers Association training	For management staff
Training by division	Training for development of capabilities			
Other training	Business skill		Nurture group leaders	
	Send employees to MBA program			
	Global skill		Overseas training, Send employees to a subsidiary	
	Language skill			
	Basic knowledge (financial/business)			
	Seven-Eleven training			
	For employees who joined the Bank midcareer			
	Support for self-development			

Creation of a Workplace Environment Where Employees Can Work with a Feeling of Security

A good workplace environment where employees can work worry-free is the key to supporting workers who regard work as rewarding and the workplace as a place of self-growth. Seven Bank is focused on promoting a work-life balance so that every employee can maximize his/her abilities and motivation. Accommodating for various lifestyles, we strive to make a workplace supportive for employees, providing a leave system for childbirth, child care and nursing care, as well as a contract employment system after retirement due to a mandatory retirement age system. We will continue to enrich a workplace environment that can utilize the diversity of human resources.

In June 2015, Seven Bank received the "Kurumin" certification mark* from the Ministry of Health, Labour and Welfare as a childrearing support company, which was our second time receiving this recognition.



*The "Kurumin" certification mark is awarded to corporations that are highly recognized for activities supporting employees' childrearing based on the Law for Measures to Support the Development of the Next Generation.

● Keep Working Plan

Seven Bank has a support plan in place to allow employees to keep working during the busy time for the childbirth, child care or nursing care for their family, or rejoin the workplace after a temporary leave.

● Work-at-Home System

Since fiscal 2015, a work-at-home system has been in place to allow employees experiencing difficulty in commuting for such reasons as pregnancy, child care, nursing care for their family or injury to continue working.

● Contract Employment System

A system is in place to allow employees who retired due to a mandatory retirement age system (age 60) to continue to work as a contract employee until the age of 65 if they wish.

● Employment of Persons with a Disability

Since fiscal 2007, from the perspective of normalization we have a work environment where persons with a disability can also work utilizing their abilities and aptitude.

● Implementation of Training for Nursing Care

We are providing nursing care seminars to help employees learn about social services and in-house systems available for them to continue working even when they face the need to take care of a family member.

Data on Employees and Employment (As of March 31, 2016)

Number of employees (male/female)	456 (297/159)
Number of part-time employees (male/female) ¹	11 (1/10)
Number of temporary staff (male/female)	21 (7/14)
Average service years of full-time employees	6.4 years
Ratio of female managers	10.7%
Ratio of employment of persons with a disability	2.2%
Ratio of paid leave taken by employees	Full-time employees: 78.7%, Contract employees: 92.7%
Gender difference in service years	Male: 7.6 years, female: 6.2 years

*1. Number of part-time employees: average number of workers per month assuming 8 work hours a day

(During fiscal 2015)

Ratio of female hires	39.3%
Number of employees who took a leave for childbirth	3
Number of employees who took a leave for child care (male/female)	10 (1/9)
Number of employees who took a leave for nursing care (male/female)	0
Number of employees who used the Keep Working Plan	26
Number of uses of a leave for volunteer activities	9
Occupational accident frequency rate ²	0%
Occupational accident severity rate ³	0%
Number of contacts received at the Help Line for employees	0
Average overtime per month	30.4 hours

*2. Occupational accident frequency rate = $\frac{\text{Number of occupational accidents occurred}}{\text{Cumulative work hours}} \times 1,000,000$

*3. Occupational accident severity rate = $\frac{\text{Lost work days due to an accident}}{\text{Cumulative work hours}} \times 1,000$

Fostering Employees' Good Health

In December 2015, 220 employees of Seven Bank and partner institutions participated in the *ekiden taikai* (marathon event) held in Tokyo and Osaka. Participation in a marathon event motivates to start engaging in regular sports activity and helps to vitalize communication among employees.



Many employees participated in the *ekiden taikai*.

Toward the Formation of Close IR Communication

Seven Bank aims to deepen an understanding of shareholders and investors in its business activities by providing accurate information on financial position and management strategies of the Bank. Through

such efforts, we utilize the evaluation of the Bank on the stock market for our management and further enhance our IR communication, thereby increasing corporate value.

IR Calendar (Major activities in fiscal 2015)

	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	
Financial Statements		<ul style="list-style-type: none"> Financial results for the fiscal year Presentation about financial results* Ordinary General Meeting of Shareholders 		<ul style="list-style-type: none"> Financial results for the first quarter Conference call* 				<ul style="list-style-type: none"> Financial results for the second quarter Presentation about financial results* 			<ul style="list-style-type: none"> Financial results for the third quarter Conference call* 		
Communication Using Useful Tools				<ul style="list-style-type: none"> Issuance of the Business Report in Japanese Issuance of Annual Report in English 						<ul style="list-style-type: none"> Issuance of the Interim Business Report in Japanese 			
Overseas IR activities			<ul style="list-style-type: none"> Singapore 	<ul style="list-style-type: none"> North America 									

* For analysts and institutional investors

Active Disclosure of Information

In the release of management information of the Bank, we pay attention to consistency in accurate and timely disclosure as well as easy-to-understand and fair communication. We strive to disclose important information, not limited to statutorily mandated content. Utilizing the Bank's Web site and other means, we are conducting active information release to overseas markets as well.

Communication with Shareholders

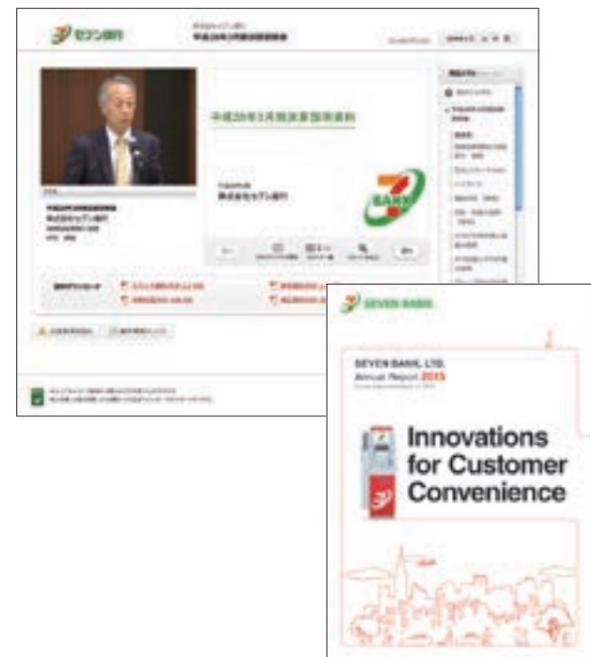
To make the best use of General Meetings of Shareholders as a place for a dialogue with shareholders, we hold shareholders' meetings avoiding the dates when many other companies hold theirs and strive to send out the convocation notice early and post the related information on our Web site. We are also focused on communication using useful tools such as Annual Reports in English.



Guide for the Exercise of Voting Rights

Communication with Investors

The Bank continually conducts presentations about financial results for institutional investors and shows the video of the presentations on its Web site, striving for fair and detailed information disclosure. For overseas investors, our English-language Web site has been in place and Annual Reports in English are issued.



Supporting Children's Sound Development

Cosponsored "Mori no Senshi Bonolon"

Since June 2005, Seven Bank has cosponsored a picture book, "Mori no Senshi (Guardian of the Forest) Bonolon," for children, distributing approximately 1 million copies per issue during even months at 7-Eleven stores, Denny's and Famil restaurants, and York-Benimaru supermarkets, all of which are group companies of the Seven & i Holdings Group, as well as at the staffed outlets of Seven Bank. This picture book was issued to foster communication between children and their parents through reading to children the meaningful content to help nurture their inquisitive minds.



©NSP2005 © Together with Bonolon 2007

Issuance of Social Contribution-Type Cash Cards

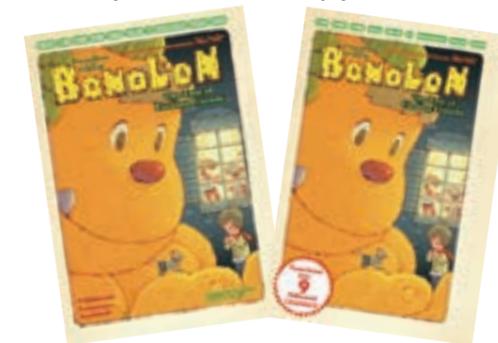
To contribute to society through our business activities, Seven Bank issues social contribution-type cash cards with a picture of Bonolon since July 2011. Seven Bank issues this Bonolon cash card to customers if they choose it at the time of opening a Seven Bank account. Every time this Bonolon cash card is issued, Seven Bank contributes 100 yen to donate picture books to children's centers nationwide. In fiscal 2015, 30,770 Bonolon cash cards were issued, resulting in the donation to 2,931 children's centers in April 2016.



Produced English Version Commemorating the 10th Anniversary

Commemorating the 10th anniversary of the "Mori no Senshi Bonolon" in June 2015, an English version was issued and English copies have been distributed at Seven Bank's staffed outlets and at promotional events related to international money transfer service.

The "Mori no Senshi Bonolon" copies in English also include translations in nine languages—Japanese, Chinese (both in simplified and traditional letters), Tagalog, Vietnamese, Thai, Indonesian, Portuguese and Spanish—so that many customers can enjoy the book too.



Story-reading Event

At the staffed outlets of Seven Bank, the "Bonolon Story-reading Event" is held, at which Seven Bank employees read a large picture book to children. In fiscal 2015, a total of 10 story-reading events were held, enjoyed by 430 children and their parents.



Bonolon Story-reading Event

Support Activities for Disaster Victims and Disaster-Afflicted Areas

Donation Activities

Seven Bank is conducting a donation activity to support victims of disasters such as earthquake and typhoon. The Seven Bank Web site has a dedicated Web page linked to Internet banking that accepts donations from customers and employees who have a Seven Bank account without charging a money transfer fee.

In fiscal 2015, we accepted donations to victims of the torrential rains caused by Typhoon No. 18 and the Nepal earthquake, and in April and May of 2016, we accepted donations for victims of the Kumamoto earthquakes. These donations were delivered to the afflicted areas through an administrative organization or a municipality.

Name of disaster	Period of accepting donations	Total amount donated (Destination to which money was delivered)
Nepal earthquake	April 29, 2015–May 11, 2015	¥284,609 (Embassy of Nepal, Tokyo, Japan)
Torrential rains due to Typhoon No. 18	September 14, 2015–September 30, 2015	¥287,842 (Ibaraki, Tochigi and Miyagi prefectures)
Kumamoto earthquakes in 2016	April 15, 2016–May 31, 2016	¥2,735,751 (Kumamoto and Oita prefectures)

Restoration Support Activities

As a Group-wide initiative, Seven Bank is continuing activities to support victims' lives and the restoration of disaster-afflicted areas.

In February 2016, to support Wakame (sea mustard, *Undaria pinnatifida*) manufacturers, at Shichigahama, Miyagi, who are victims of the Great East Japan Earthquake, we helped them with the packaging of products. We are also conducting activities to collect Bellmark points and unused post-cards and donate them to relevant organizations.



Communication with Local Communities

Participating in Local Volunteer Activities

Seven Bank participates in the Chiyoda Corporate Volunteer Liaison Group, which engages in local community contribution activities conducted by companies that have an office in Chiyoda-ku, Tokyo, and their employees. As a good corporate citizen, we strive to strengthen communication with local communities.

In fiscal 2015, we participated in a volunteer activity at a "Tokubetsu Yogo Rojin Home" (elderly care facility for those who need special care) and a welfare festival held at a municipal office.



Dementia Supporter Training

To deepen employees' understanding about dementia and help make a more supportive environment for dementia patients and their family so that they can live peacefully, Seven Bank engages in nurturing Dementia Supporters*. At present, 56 employees have qualified as a Dementia Supporter to contribute to the safety and security of local communities, and this initiative will be continued.

* Persons who have a correct understanding of dementia and provide support for dementia patients and their family with a compassionate attitude

Seven Bank Click Donation

Using the Seven Bank Web site, we are conducting "Click Donation," donating one yen for every click made by customers (1 click = ¥1), during June, December and March of each year. Collected money is donated to the organizations with which Seven Bank collaborates via its CSR activities.

June Conducted a Click Donation to Support Environmental NPOs

During June, a designated environment-focused month, with a theme of "Click Donation to Support Environmental NPOs," we introduced our Bonolon-no-mori environmental activity and encouraged clicks on the Web site for a click donation. The total number of clicks made during June 2015 was 234,196 and the money was donated to the Whole Earth Nature School and the FUJISAN CLUB, both of which are NPOs cooperating with the Bank in the Bonolon-no-mori environmental activity.



Web site screen for a Click Donation to Support Environmental NPOs

December Conducted a Voice Guidance Service Campaign

The features of Seven Bank ATMs include a voice guidance service so that customers with visual impairment can also use our ATMs. To raise the public recognition of this service, we conducted the "Learn! Spread! ATM Voice Guidance Service Campaign" again in fiscal 2015. In addition to the click campaign on the web site with introduction of our ATM voice guidance service, we contribute a donation according to the number of uses of the service. Together with

donations from Seven Bank account holders and employees via the Internet banking, we donated a total of ¥700,671 to the "Radio Charity Musicson" charity campaign to help people with a visual impairment (sponsored by 11 radio stations such as Nippon Broadcasting System, Inc.)



March Conducted a Click Donation to Support Children's Center

In fiscal 2015, we conducted a Click Donation campaign to support the Shimo-Masuda Children's Center in Miyagi Prefecture. With the 222,784 clicks made during this period and the donations from Seven Bank account holders and employees, we donated a total of ¥393,041, the whole amount of which was used to purchase children's indoor play tools at the Shimo-Masuda Children's Center via the Foundation for Promoting Sound Growth of Children.



Play tools purchased using the donation



Donation delivery ceremony at the Shimo-Masuda Children's Center in Miyagi Prefecture

Seven Bank Management Team (as of July 1, 2016)

Directors



Takashi Anzai
Chairman and Representative Director



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



Yasuaki Funatake
Director, Executive Vice President
In charge of Planning Division, General
Affairs Division and Human Resources
Division



Shuji Ohashi
Outside Director



Yuri Okina
Outside Director



Kazuhiko Ishiguro
Director, Senior Managing Executive
Officer
In charge of System Development
Division, ATM Solution Division and
Operations Division



Taku Oizumi
Director, Managing Executive Officer
In charge of International Business
Division



Hisanao Kawada
Director, Managing Executive Officer,
General Manager of Business
Promotion Division
In charge of Business Promotion
Division, Treasury Division and Sales
Promotion Division



Toshiaki Ikeda
Standing Audit & Supervisory Board
Member



Isamu Hirai
Standing Audit & Supervisory Board
Member



Akihiko Shimizu
Director



Yoji Ohashi
Outside Director



Yuko Miyazaki
Outside Director



Naomi Ushio
Outside Audit & Supervisory Board
Member



Kunihiro Matsuo
Outside Audit & Supervisory Board
Member

Executive Officers

Masaaki Matsuhashi
Managing Executive Officer
In charge of ATM Administration
Division and Seven Labo

Tomofumi Oguchi
Managing Executive Officer, General
Manager of Product Development and
Promotion Division
In charge of Product Development and
Promotion Division and Corporate
Business Division

Nobuyoshi Motegi
Executive Officer, General Manager of
Risk Management Division
In charge of Risk Management Division
and Financial Crime Risk Strategy
Planning and Prevention Division

Kouji Maekawa
Executive Officer, General Manager of
ATM Administration Division

Hiroshi Ishimura
Executive Officer, General Manager of
Customer Service Division
In charge of Customer Service Division

Kenichi Yamamoto
Executive Officer, Seven Labo Leader

Ken Shimizu
Executive Officer, General Manager of
Human Resources Division

Hiroshi Takeuchi
Executive Officer, General Manager of
Planning Division

Takashi Koyama
Executive Officer, General Manager of
System Development Division

Audit & Supervisory Board Members

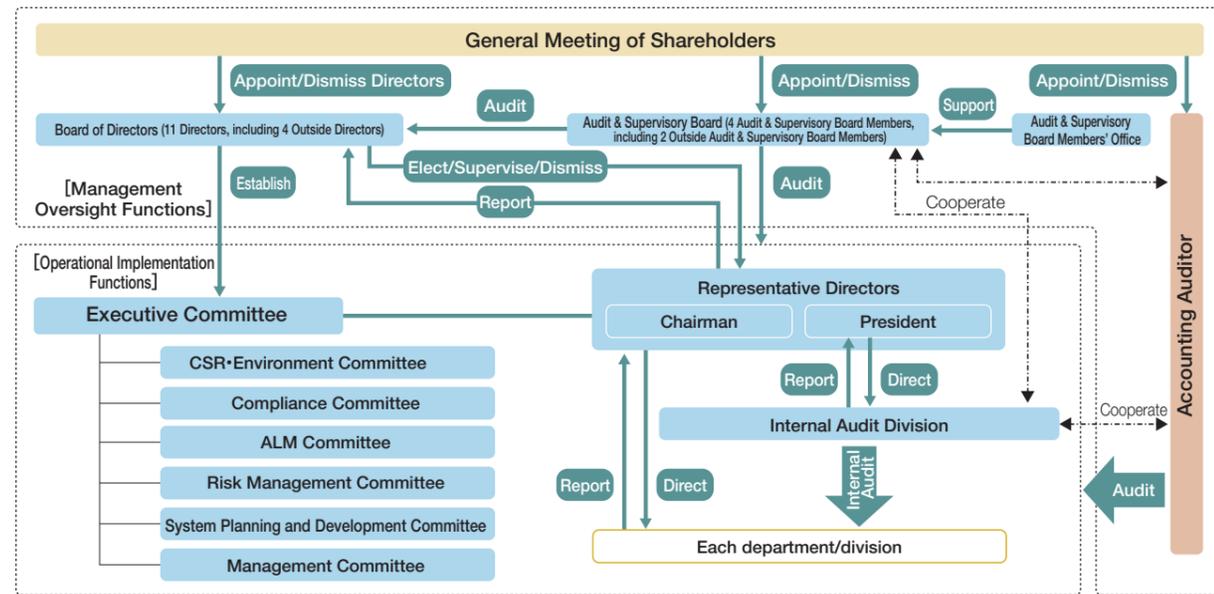
Status of Corporate Governance

1. Basic Views on Corporate Governance

Seven Bank (the "Bank") recognizes that good corporate governance plays a vital role in raising its corporate value. The Bank works to improve its systems to ensure swift managerial decision making, clarify the roles and responsibilities of executives and employees in business executions, improve the management monitoring function and ensure appropriate operations and strengthen its compliance systems.

The Bank's corporate governance systems are as follows.

(As of June 22, 2016)



2. Implementation Status of the Corporate Governance Initiatives

(1) Details of the organization of the Bank

As of June 22, 2016, the Board of Directors consisted of 11 Directors, including four Outside Directors. The Board of Directors meets at least once a month to decide on the Bank's basic managerial policies and important operational issues, and to supervise execution of duties of Directors with executive authority over operations and Executive Officers.

The Board of Directors has established an Executive Committee as a decision-making body concerned with business execution within the scope delegated by the Board of Directors. The Executive Committee meets on a weekly basis, in principle, to discuss the issues on the agenda of a meeting of the Board of Directors prior to the meeting and resolve many issues including important business plans; acquisition and disposal of important assets; important issues related to credit provision; payment of large amounts of debts and expenses; important issues related to credit management; rewards and disciplinary actions to employees; issues related to employees' important working conditions and benefits; the establishment, change and removal of an important division, department or office; the formulation, revision to and abolition of important rules and important policies; and other important issues related to the execution of business. 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 22, 2016, the Audit & Supervisory Board consisted of four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members. The Audit & Supervisory Board meets at least once a month, in principle, to receive reports on important auditing-related issues, deliberate on such issues and make decisions. The Audit & Supervisory Board convenes with Representative Directors, the Internal Audit Division

and the Accounting Auditor on a regular basis to exchange opinions and make requests as deemed necessary on issues to be addressed by the Bank, issues related to the status of improvements to 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 from the following viewpoints:

- 1) There are no important and careless errors in recognition of facts.
- 2) The decision-making process is reasonable.
- 3) The content of decisions made by the board is compliant with laws and the Articles of Incorporation.
- 4) The content of decisions made by the board is clearly in a reasonable range as the decisions made by the corporate managers in general.
- 5) The decisions are made prioritizing the interests of the Bank, not for the sake of the Directors' own interests or a particular third party's interests.

To support the role of the Audit & Supervisory Board Members and operate the Audit & Supervisory Board smoothly, the Bank has installed the Audit & Supervisory Board Members' Office with four employees (including one employee concurrently working for the office).

(2) Status of Improvement of the Internal Control Systems

Concerning the system upgrades stipulated in Article 362, Paragraph 4, Item 6, of the Companies Act, the Board of Directors made a resolution on May 8, 2006, on matters to be implemented by the Bank. Progress of the details of this resolution is reviewed each fiscal year, an outline of which is as follows.

1) System for ensuring that the execution of duties by Directors is carried out in accordance with the law and the Articles of Incorporation

The Board of Directors has established a "Basic Policy on Compliance" and "Compliance Standards" for the implementation of compliance as regards management. The Directors regularly report to the Board of Directors on the current status of progress made on compliance initiatives.

2) System for the storage and control of information related to the execution of duties by Directors

The information related to the execution of duties by Directors is to be appropriately stored and controlled without fail, and such information is to be disclosed promptly upon requests from Directors and/or the Audit & Supervisory Board Members.

3) Regulations and other structures for controlling the risk of loss

To control the Bank's operational risk of loss appropriately and ensure a sound and effective management, the Board of Directors has established a "Basic Policy on Risk Control" comprising systematic provisions on risk control. The Directors regularly report to the Board of Directors about issues related to risk control.

4) System for ensuring the efficient execution of duties by Directors

The Board of Directors has formulated the "Rules for the Board of Directors" and strives to operate the Board of Directors meeting efficiently by organizing important issues to be placed on its agenda and to be reported. The Board of Directors has established the Executive Committee for efficient decision making on business execution and introduced an executive officer system for the smooth and efficient execution of duties.

5) System for ensuring that the execution of duties by employees is carried out in accordance with the law and the Articles of Incorporation

Directors shall improve on an appropriate compliance system based on the "Basic Policy on Compliance" and "Compliance Standards." Directors shall bear ultimate responsibility for the creation of structures to ensure compliance in the execution of employees' duties, the determination of compliance policies, the implementation of such policies, checking the progress status of such implementation and the evaluation of the policies.

6) Structure for ensuring the appropriateness of the Group's operations

Directors and employees of the Bank, as members of the Seven & i Holdings Group sharing the Group's management ethos, shall collectively strive to promote a law-abiding attitude. Prioritizing the soundness of the Bank's management, the Bank has established a structure for independent management decision making while continuing to adhere to the arm's-length rule and other measures. To ensure the appropriateness of operations conducted by the Group consisting of the Bank and its subsidiaries, the Board of Directors shall formulate the "Basic Policy to Manage Subsidiaries," and based on such policy, Directors shall put a structure in place to manage subsidiaries appropriately.

7) Items concerning relevant employees in the case of requests from the Audit & Supervisory Board Members for the deployment of the Bank's employees to support the role of the Audit & Supervisory Board Members

The Bank shall install the Audit & Supervisory Board Members' Office and deploy employees dedicated for the Audit & Supervisory Board Members' Office to support the role of the Audit & Supervisory Board Members. In addition, Directors shall, when requested by the Audit & Supervisory Board Members, have employees assist with the audit function.

8) Items concerning the independence of the Bank's employees dedicated to the Audit & Supervisory Board Members' Office from the Directors

Concerning the employees dedicated to the Audit & Supervisory Board Members' Office, the Officers in charge of the Human Resources Division should preliminarily report to, and gain prior approval of, the Full-time Audit & Supervisory Board Members concerning personnel transfers, performance evaluations of the personnel and disciplinary actions.

9) Items concerning ensuring the effectiveness of instructions given to the employees who assist the Audit & Supervisory Board Members with their audit duties

The Bank shall ensure the appropriate number of employees with necessary knowledge and capabilities as personnel dedicated to the Audit & Supervisory Board Members' Office and the authority to give instructions and orders to such employees shall belong to the Audit & Supervisory Board Members. Concerning the employees dedicated to the Audit & Supervisory Board Members' Office, the Officers in charge of the Human Resources Division should preliminarily report to, and gain prior approval of, the Full-time Audit & Supervisory Board Members concerning personnel transfers, performance evaluations of the personnel and disciplinary actions. Moreover, the employees dedicated to the Audit & Supervisory Board Members' Office shall have the authority to investigate the appropriateness of duties and collect necessary information.

10) System for reports to the Bank's Audit & Supervisory Board Members made by Directors and employees

Directors shall receive explanation as necessary from the Audit & Supervisory Board regarding the audit policy, the audit plan, the implementation status of audits and the audit results. Directors shall determine the issues that should be reported to the Audit & Supervisory Board, and shall duly make their report to the Audit & Supervisory Board. Directors and employees shall promptly report to the Audit & Supervisory Board matters that have a significant impact on the overall company, the status of implementation of internal audits and important matters related to compliance in addition to legal issues. With regard to subsidiaries, a department in charge of subsidiaries shall be installed inside the Bank and such a department shall receive reports from Directors and employees of the subsidiaries regarding each subsidiary's business operation and internal management related to compliance and risk management and other situations. The content reported from subsidiaries to the department shall be reported by the department to the Audit & Supervisory Board Members as necessary.

11) System for ensuring that persons who report to the Audit & Supervisory Board Members do not receive unreasonable treatment because of the reporting

As a system to ensure that persons who report to the Audit & Supervisory Board Members do not receive unreasonable treatment because of the reporting, the Bank shall improve the related internal rules and implement such rules appropriately.

12) Matters related to the procedures for prepayment or reimbursement of expenses incurred by the execution of duties by the Audit & Supervisory Board Members or policies related to other processing of expenses or obligations incurred by execution of duties by the Audit & Supervisory Board Members

Concerning expenses for regular audit duties, a relevant budget shall be made according to the audit plan formulated by the Audit & Supervisory Board Members. With regard to expenses for emergency audits or extraordinary expenses, the reimbursement of such expenses can be requested afterward.

13) Other systems for ensuring the effectiveness of audits by the Audit & Supervisory Board Member

Directors and the Internal Audit Division shall regularly hold meetings with the Audit & Supervisory Board, exchange opinions concerning important audit issues, etc., and deepen mutual understanding.

14) Status of operation of the structure for the maintenance of the appropriateness of the Group's operations

a. Compliance system
The Bank has a Compliance Committee installed for the purpose of inspecting and evaluating the Bank-wide compliance from the perspective of comprehensive management and operation. During fiscal 2015, the Compliance Committee met four times, understanding compliance-related issues and discussing the measures to address such issues. Furthermore, during the fiscal year under review, various kinds of training was conducted concerning "thorough implementation of information management rules" as a priority issue under a compliance program of the Bank.

b. Risk management system
The Bank has a Risk Management Committee installed for the purpose of deliberating on important matters regarding the

status of risk management reported from the Risk Management Division controlling each risk and reporting the content to the Executive Committee. During fiscal 2015, the Risk Management Committee met five times, receiving reports from the Risk Management Division controlling each risk concerning the risk management status and evaluation, etc., and discussing measures to address such risks.

Furthermore, during fiscal 2015, the Bank installed a team dedicated to responding to cyber security incidents (CSIRT).

c. Execution of duties by Directors

During fiscal 2015, the Board of Directors held 13 meetings to determine matters stipulated by laws and regulations, as well as the Bank's Articles of Incorporation. In addition, the board determined management policy, formulated a budget and determined other important managerial matters; analyzed and evaluated monthly business performance; and deliberated from the perspectives of compliance with laws, regulations and the Bank's Articles of Incorporation, as well as the appropriateness of business duties.

In addition, during fiscal 2015, the Board of Directors implemented measures to enrich the content of deliberation and enhance the efficiency of deliberation, such as reviewing the decision-making authority, prioritizing matters to be put on the agenda of or reported to meetings of the Board of Directors and the Executive Committee, explaining to Outside Directors beforehand on certain issues that might have a significant effect on management and making efforts to further deepen an understanding of the Bank's business operation.

d. Group management structure

Regarding the subsidiaries' business plans that the Bank approved, the Bank gives the subsidiaries some room for their discretion in the execution of business within the approved range. Then, the Board of Directors, at its meetings, shall receive reports from Directors, etc., of subsidiaries regarding the status of management, etc., of such subsidiaries to understand the current situation. In addition, the Bank's Internal Audit Division regularly audits business operation of subsidiaries.

e. Execution of duties by the Audit & Supervisory Board Members

The Bank's Audit & Supervisory Board consists of four Audit & Supervisory Board Members including two Outside Audit & Supervisory Board Members. During fiscal 2015, the Audit & Supervisory Board held 14 meetings, receiving reports from Full-time Audit & Supervisory Board Members with regard to the current status of the Bank and exchanging opinions among the Audit & Supervisory Board Members.

In addition, the Audit & Supervisory Board Members attend important meetings such as Board of Directors meetings and the Executive Committee meetings, regularly exchanging information with Representative Directors, the Accounting Auditor and the Internal Audit Division, thereby monitoring Directors' execution of duties.

f. Ensuring the effectiveness of audits by the Audit & Supervisory Board Members

To support the role of the Audit & Supervisory Board Members, the Bank has the Audit & Supervisory Board Members' Office with three employees dedicated to the office, assisting the Audit & Supervisory Board Members with their duties. Directors receive explanation as necessary from the Audit & Supervisory Board regarding the audit policy, the audit plan, the status of implementation of audits and the audit results. Directors determine the issues that should be reported to the Audit & Supervisory Board by consulting with the Audit & Supervisory Board, and they are duly reporting to the Audit & Supervisory Board.

Directors and employees of the Bank and Directors and employees of the subsidiaries report to the Audit & Supervisory Board Members as necessary regarding matters that have a significant impact on the overall company, the status of implementation of the internal audits and important matters related to compliance in addition to legal issues.

Credit Risk

The Bank observes its basic policies relating to credit risk, which are governed by the Basic Policy on Risk Control and the Credit Risk Rules established under the policy. Currently, our 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 to minimize credit risk. 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 and reserve guidelines and rules.

Market Risk

The Bank observes its basic policies relating to market risk, which are governed by the Basic Policy on Risk Control and the Market Risk Rules established under the policy. The Market Risk Rules include the limits on the maximum level of funds at risk, the market position limits and the 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. At the ALM Committee meeting held once a month, the Bank's market risk position, expected trends in interest rates and other matters are reported and the policy for the risk management operation is determined.

Liquidity Risk

The Bank observes its basic policies relating to liquidity risk, which are governed by the Basic Policy on Risk Control and the Liquidity Risk Rules established under the policy. The Liquidity Risk Rules include the limits regarding the cash gaps arising from differences between the period of the management of invested funds and the timing of the liquidation. 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. To prepare for emergency events requiring immediate funding, the Bank has devised preemptive comprehensive countermeasures to be able to take a quick and flexible company-wide action by scenario, and therefore does not expect to experience a major liquidity problem.

Overall Management of Operational Risk

The Bank observes its basic policies relating to operational risk, which are governed by the Basic Policy on Risk Control and the Operational Risk Rules established under the policy. The operational risks include, the Bank recognizes administrative risk, systems risk, reputation risk, legal risk and other operational risks, and these risks have been managed comprehensively 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, without involving face-to-face interaction. The Bank observes its Administrative Risk Rules, which were established in accordance with the Basic Policy on Risk Control, which includes a basic policy regarding administrative risks particularly due to this special characteristic of our business. To manage administrative risks, we have improved the administrative rules that are based on transactions without face-to-face interaction. In addition, the Bank works to prevent administrative errors and employee misconduct through self-monitoring and appropriate audits of all department/divisions, offices and centers and rigorous internal audits by the Internal Audit Division.

To address any problem found through scandals, operation-related accidents, complaints and inquiries, the Bank has a system in place to quickly analyze the cause of such problems and determine measures to prevent their recurrence. Furthermore, by verifying administrative error reports and self-monitoring, the Bank strives to recognize the occurrence of administrative errors in all department/divisions and centers and manage administrative risk, including potential administrative risk.

Systems Risk

The Bank observes its basic policies relating to systems risk, which are governed by the Basic Policy on Risk Control and the Systems Risk Rules established under the policy. The Bank seeks to thoroughly improve systems development efficiency, service quality and safe operation of systems. The system configuration includes the full utilization of the cutting-edge IT (information technology), a dual or multilayered network and hardware equipment, and a backup center designed to engage in the event of a natural disaster or systems failure. Libraries such as files and programs are backed up as appropriate based on the relative importance to operations, and such backup data is stored offsite as a precaution against unforeseeable events. In addition, the Bank takes the utmost care in information management, including the use of firewalls to block unauthorized access to the Bank's system, monitoring access 24 hours/day and 365 days/year, encrypting all electronic transactions with customers, and employing anti-virus software. Furthermore, so that the customers can use the Bank's services with peace of mind, the Bank has prepared a business succession plan in advance to prepare for unforeseen events such as service interruptions or disasters, and has set up a framework for conducting regular drills and other measures.

Reputation Risk

The Bank observes its basic policies relating to reputation risk, which are governed by the Basic Policy on Risk Control and the Reputation Risk Rules established under the policy. The Bank works to gather information concerning its reputation on a daily basis and maintains a response system, including a companywide communication structure and timely and appropriate disclosure to deal with events that affect its reputation.

Corporate Governance Report

The Bank's Corporate Governance Report (PDF) can be viewed via the Web site of Seven Bank.

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



Risk Management Initiatives

Seven Bank has established a risk management system to ensure the soundness and efficiency of management by understanding and appropriately managing specific types of risk faced in conducting business. The Basic Policy on Risk Control established by the Board of Directors as an overall risk management policy, risk management policies regarding specific risks and internal risk management structures and systems have been formulated. Based on the Basic Policy on Risk Control, the Executive Committee has established detailed rules and regulations related to 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 for the Executive Committee with respect to risk management.

Overall Management of Risk

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

Legal Risk

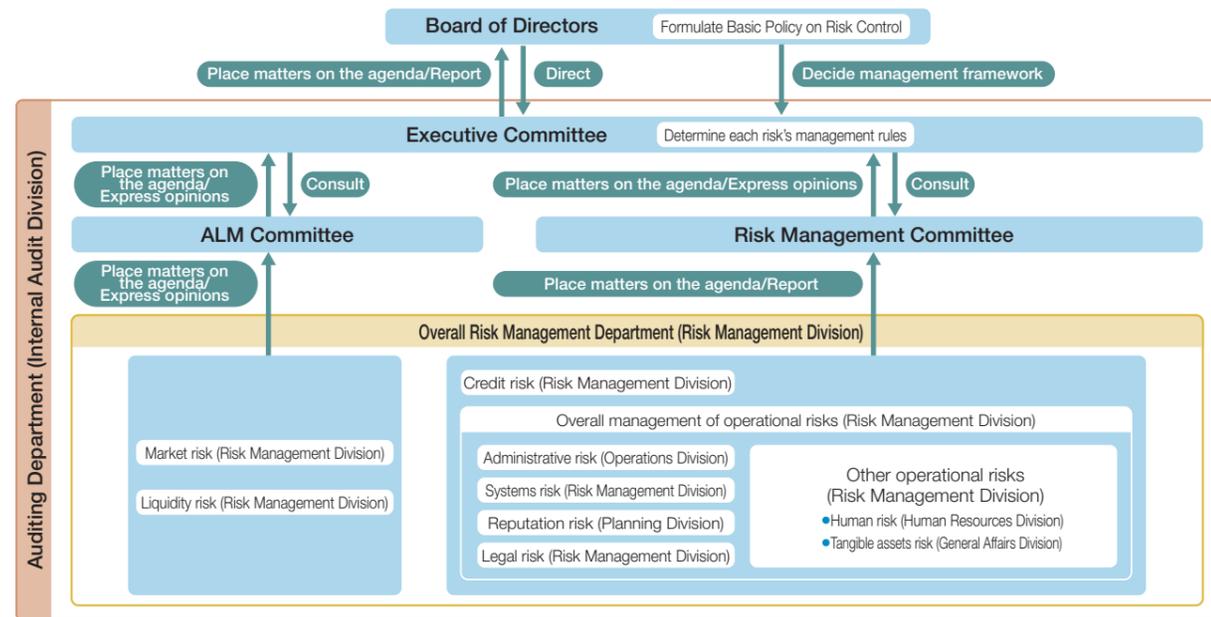
The Bank observes its basic policies relating to legal risk, which are governed by the Basic Policy on Risk Control and the Legal Risk Rules established under the policy. The Bank strives to minimize or prevent the manifestation of legal risks and address such risks accurately and efficiently to avert or minimize losses in the event that such risks materialize.

Other Operational Risks

The Bank observes its basic policies relating to other operational risks, which are governed by the Basic Policy on Risk Control. The major other operational risks recognized are human risk and tangible assets risk and have been managed.

Risk Management Structure

(As of June 22, 2016)



Compliance Initiatives

The Bank regards compliance with applicable laws and societal norms as a fundamental prerequisite to earning the trust of society. Being 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, which is one of the priority issues of management.

Compliance Systems

The Bank designates a responsible person in each internal department/division as a compliance officer to implement thorough compliance and serve as a point person to consult on compliance-related problems. The Risk Management Division, led by the officer in charge, works as the Bank-wide compliance department to improve accountability and responsibility, self-supportive capabilities and mutual checks to create an organization with an inherent self-monitoring function. In addition, the Compliance Committee, which acts as an advisory body for the Executive Committee, reviews and evaluates all significant compliance-related issues.

Compliance Program

The Bank establishes a compliance program each fiscal year that sets out the compliance implementation plan for that year. The Board of Directors reviews and evaluates the progress and implementation status of the compliance program for the relevant year and, based on such reviews and evaluations, formulates a compliance program for the following fiscal year.

Compliance Manual

To implement thorough compliance, the Bank has formulated a compliance manual, which has been distributed internally to all employees so they can keep it handy. The content of the manual has been updated when necessary in line with revisions and abolition of laws and regulations. To disseminate the content of the compliance manual thoroughly, the Bank is implementing various kinds of compliance training sessions.

Main Compliance Issues

1. Prevention of Fraudulent Accounts and Money Laundering

The Bank focuses on preventing the opening of fraudulent accounts by conducting strict customer verification and other 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 dedicated unit to combat financial crimes. By monitoring and filtering accounts on a daily basis, this division works to eliminate fraudulent accounts, prevent fraudulent bank transfers and other activities, and cooperate with the police and other governmental authorities appropriately.

2. Response to Antisocial Groups

The Bank has ordinarily been making focused efforts to eliminate any form of relation with antisocial groups and keep such forces away by collecting and accumulating information related to antisocial groups and conducting preliminary reviews based on such information before starting new business transactions.

Also, among other steps, since January 2010, the Bank has asked applicants for opening accounts to sign an affidavit stating they are not associated with antisocial forces. By including the provisions that explicitly indicate the exclusion of organized crime groups in the transaction rules and other clauses, the Bank can reject the account application and close the account upon finding that the customer falls under or is associated with antisocial forces. In addition, the Bank conducts regular training for officers and employees to ensure they can take appropriate actions in an organized manner against wrongful demands and other similar events in accordance with internal rules and regulations.

Dissemination of Compliance

With the belief that compliance with laws and regulations is a prerequisite for gaining trust from stakeholders, the Bank positions compliance as a priority managerial issue.



Compliance Standards Card

Portable cards stating the Bank's Management Ethos and Compliance Standards have been distributed to all employees so they can always keep it handy as a reminder of the importance of compliance.



Compliance Guide File

All employees of the Bank carry a file containing the compliance-related rules. We are striving to disseminate compliance by reading the content aloud altogether at the Bank-wide morning assembly meetings.



Compliance Consultation System

A small book containing where to and how to consult on compliance-related concerns when they arise has been distributed to all employees.

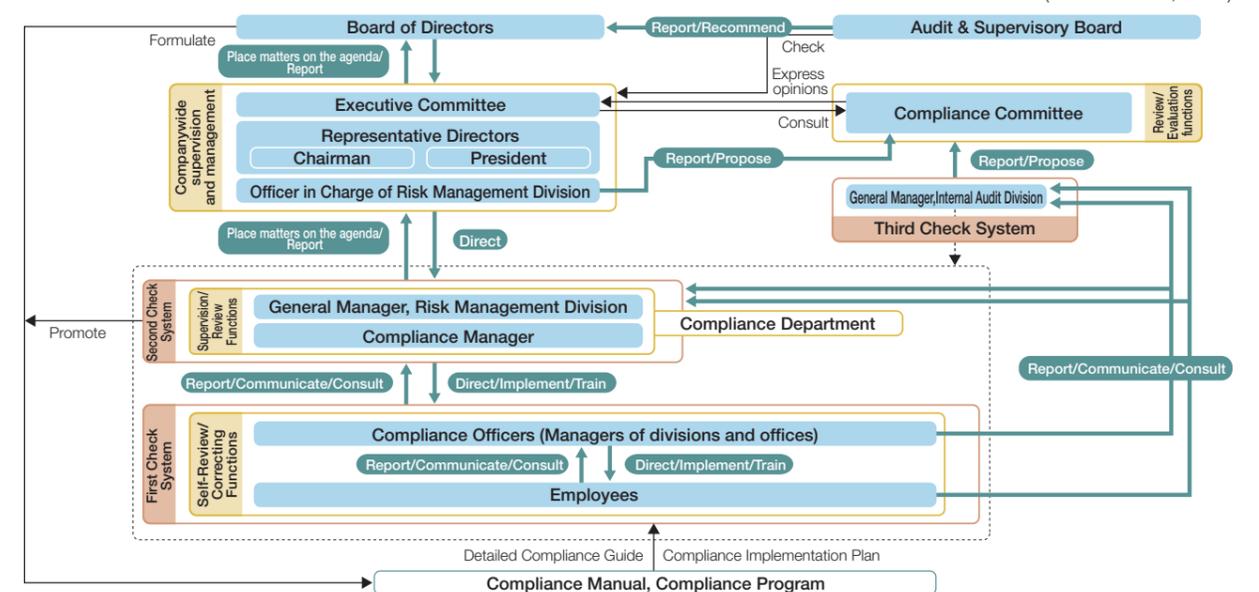


Suppliers' Help Line

To promote fair transactions and provide safe and secure products and services for customers, a consultation and report contact has been in place for the Seven & i Holdings Group's common use.

Compliance System (Detail)

(As of June 22, 2016)



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Management's Discussion and Analysis

Seven Bank, Ltd. and consolidated subsidiaries for the years ended March 31, 2016, 2015, 2014 and 2013/Seven Bank, Ltd. for the years ended March 31, 2012.

Operating Results

Amounts less than one unit have been truncated.

Summary of Fiscal 2015

The Japanese economy has been progressing on a gradual recovery path due largely to the government's stimulus measures. As regards fiscal easing, with the introduction of "qualitative and quantitative monetary easing with negative interest rates" by the Bank of Japan, the yield of long-term and short-term Japanese government bonds have greatly decreased and conditions for fund procurement is greatly favorable.

In this operating environment, consolidated results for Seven Bank (the "Bank") for fiscal 2015 were ordinary income of 119,939 million yen, ordinary profit of 37,167 million yen, and net income attributable to owners of the parent of 24,716 million yen.

Non-consolidated results for the Bank were ordinary income of 110,465 million yen, ordinary profit of 39,002 million yen, and net income of 26,107 million yen. Both revenues and profits increased compared with the previous fiscal year due to factors such as the growth in total ATM transactions as a result of an increase in the number of ATMs installed.

Total Income and Net Income



ATM Business

During fiscal 2015, Seven Bank proactively 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 2015 with Bank of the Ryukyus (March 2016), as well as one Shinkin bank and two other financial institutions. As a result, we now partner with 123 banks,¹ 261 Shinkin banks,² 129 credit cooperatives,³ 13 labor banks, the JA Bank, the JF Marine Bank, the Shoko Chukin Bank, 11 securities companies, eight life insurance companies, and 47 other financial institutions.⁴ Thus we had a total of 595 business partners⁵ as of March 31, 2016.

Within the Group, we smoothly increased the number of ATMs in

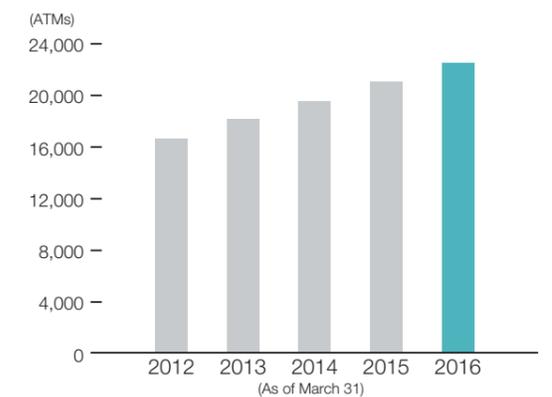
tandem with new 7-Eleven store openings. As for operations outside the Group, to address customer needs, we aggressively promoted the installation of ATMs inside each facility for transportation, logistics and tourism, resulting in 44 ATMs in airports (as of March 31, 2016) and 241 at railroad stations (as of March 31, 2016). In addition, to address the need of ATMs with which international cards issued overseas can be used at locations visited by customers from overseas, we have been promoting ATM installation in collaboration with The Eighteenth Bank, Ltd., and JOYO Bank, Ltd. Furthermore, in July 2015 we installed our third directly managed ATM corner in Osaka-shi, Osaka, following Kabuki-cho, Shinjuku, Tokyo, and Shinbashi, Minato-ku, Tokyo.

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 over 90% of all our ATMs. (The number of third-generation ATMs in place as of March 31, 2016 was 21,442).

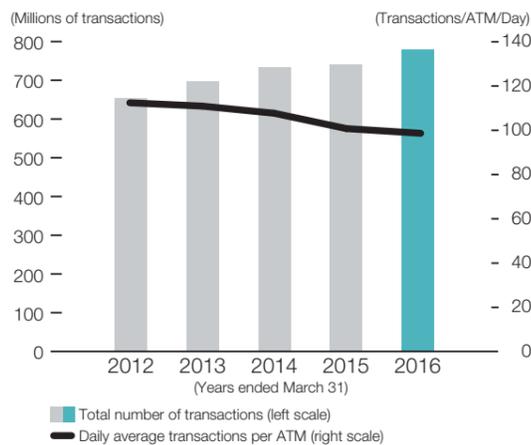
As a result of such initiatives, the number of our ATMs installed reached 22,472 (up 6.7% compared with the end of March 2015). The average daily transactions per ATM were 98.8 (down 2.0% year on year), and a total of 782 million transactions were recorded (up 5.2% year on year).

- Notes:
1. Compared with the 122 banks with which we had partnerships at the end of March 2015, one bank was newly added as partner, resulting in 123 bank partnerships at the end of March 2016.
 2. Compared with 262 Shinkin banks with which we had partnerships at the end of March 2015, one Shinkin bank was newly added as a partner, and two Shinkin banks ceased to be partners due to mergers, resulting in 261 partnerships at the end of March 2016.
 3. Compared with 130 credit cooperatives with which we had partnerships at the end of March 2015, one credit cooperative ceased to be a partner due to a merger, resulting in 129 partnerships at the end of March 2016.
 4. Compared with 45 other financial institutions with which we had partnerships at the end of March 2015, two financial institutions were newly added as partners, resulting in 47 partnerships at the end of March 2016.
 5. JA Bank and JF Marine Bank are each counted as one institution.

Number of ATM Installations



ATM Transactions



Financial Services Business

Seven Bank had 1,562,000 individual customer accounts at the end of March 2016 (up 11.1% compared with the end of March 2015), a balance of deposits of 389,800 million yen (up 5.0% year on year), and a balance of personal loan services of 16,200 million yen (up 55.7% year on year).

With regard to the international money transfer service, the number of contract accounts and money transfers both increased. The number of money transfers during fiscal 2015 was 816,000 (up 29.0% year on year). Moreover, as a new operational base for our international money transfer services, in March 2016 we set up the Kawasaki Azalea Outlet in Kawasaki, Kanagawa Prefecture, following NAGOYA · SAKAE Outlet and Fukuoka Outlet.

Furthermore, Bank Business Factory Co., Ltd., a consolidated subsidiary of the Bank, conducts a back-office support on commission for other financial institutions in addition to back-office support on commission for the Bank. As of March 31, 2016, the number of client financial institutions was four.

Overseas Subsidiaries

FCTI, Inc. ("FCTI"), a subsidiary of the Bank in the United States, had 6,625 ATMs as of December 31, 2015. With regard to FCTI's business results for its consolidated fiscal year (from January 2015 to December 2015), ordinary income was 78.5 million U.S. dollars, ordinary loss was 2.0 million U.S. dollars and net loss was 1.5 million U.S. dollars.

In addition, a consolidated subsidiary of the Bank PT. ABADI TAMBAH MULIA INTERNASIONAL established in June 2014 through a joint venture with a local company in Indonesia, began installation of ATMs. As of December 31, 2015, the number of ATMs installed was 49.

Outlook for Fiscal 2016

For our consolidated results for fiscal 2016, we forecast ordinary income of 123,100 million yen (up 2.6% year on year), ordinary profit of 37,600 million yen (up 1.1% year on year), and net income attributable to owners of the parent of 25,600 million yen (up 3.5% year on year).

For non-consolidated results of Seven Bank, we forecast ordinary income of 113,800 million yen (up 3.0% year on year), ordinary profit of 39,500 million yen (up 1.2% year on year), and net income of 27,200 million yen (up 4.1% year on year).

In fiscal 2016, we will continue to increase the number of ATMs installed and work to develop new users. We forecast that the number of ATMs installed to be approximately 23,700 (up 5.4% compared with the end of March 2016), the total number of ATM transactions will be approximately 800 million (up 2.3% year on year), and the average daily transactions per ATM will be 95.4 (down 3.4% year on year). Due to growth in the number of ATMs installed and the total number of transactions as a result of these measures and other factors, we forecast increases in ordinary income, ordinary profit and net income.

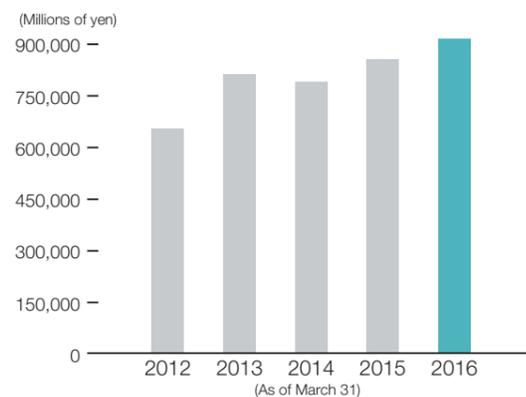
*Exchange rate used: U.S.\$1 = 115.00 Yen

Analysis of Financial Position

Assets

Total assets were 915,385 million yen. The majority of this total comprised of cash and due from banks required for the operation of ATMs of 645,838 million yen. The remainder mostly consisted of securities held as collateral for domestic exchange settlements and Bank of Japan current account overdraft transactions of 66,797 million yen and ATM-related temporary payments to partner financial institutions of 83,407 million yen.

Total Assets



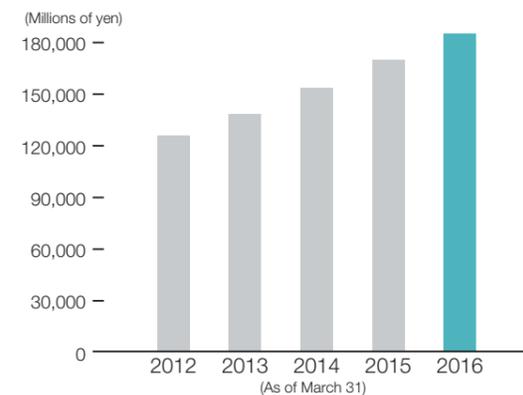
Liabilities

Liabilities were 730,590 million yen. These largely comprised deposits (excluding negotiable certificates of deposit) totalling 546,981 million yen. Of these, the outstanding balance of individuals' ordinary deposits was 212,463 million yen and the balance of time deposits was 177,395 million yen.

Net Assets

Net assets were 184,794 million yen. Of these, retained earnings were 117,402 million yen. The consolidated capital ratio was 49.77%.

Net Assets



Cash Flows

Cash and cash equivalents increased by 44,978 million yen during the current fiscal year to 645,838 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 66,482 million yen. Factors contributing cash included income before income taxes and non-controlling interests of 36,956 million yen and net increase in deposits of 45,568 million yen. These factors exceeded factors using cash such as net increase in call loans of 12,000 million yen and net increase in loans of 5,801 million yen.

Cash Flow from Investing Activities

Net cash used by investing activities was 11,634 million yen. Factors that used cash included purchase of securities of 43,013 million yen and purchase of tangible fixed assets of 10,511 million yen. These exceeded factors that provided cash such as proceeds from maturity of securities of 49,000 million yen.

Cash Flow from Financing Activities

Net cash used in financing activities was 9,826 million yen, due to factors including 9,823 million yen in dividends paid.

Cash Flow Highlights

(Years ended March 31)	Millions of yen		
	2016	2015	2014
Net cash provided by operating activities	66,482	99,931	91,940
Net cash provided by (used in) investing activities	(11,634)	4,994	(50,668)
Net cash used in financing activities	(9,826)	(9,204)	(8,333)
Cash and cash equivalents at the end of the year	645,838	600,859	504,987

Basic Policy on Profit Distribution and Dividends in Fiscal 2015 and Fiscal 2016

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 2015, we are planning to pay an interim dividend of 4.00 yen and a year-end dividend of 4.50 yen, resulting in an annual dividend of 8.50 yen per share. For fiscal 2016, we intend to pay an annual dividend of 8.50 yen (comprising an interim dividend of 4.25 yen and year-end dividend of 4.25 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 Policy

- We aspire to be a trusted financial service provider that fully meets customer needs.
- We act to promptly introduce the benefits of technical innovation and pursue self-development.
- We strive to contribute to the stability and advancement of the financial system by providing a secure and efficient payment 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 "wallets." We aim to achieve this by creating a network of ATMs accessible 24 hours a day, 365 days a year, utilizing the 20,000-plus retail locations of Seven & i Holdings'-related companies led by 7-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.

Notes: 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) deepening 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 work to maximize ATM network use by approaching financial institutions that are not yet partners and conducting initiatives such as providing new services for existing partner financial institutions. 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. We also intend to raise the overall ATM usage rate by thoroughly strengthening notifications and recognition to meet inbound needs through alliances for the government's strategies to attract visitors to Japan and pursuing synergies with Group stores and other locations where ATMs are installed. In addition, we will finish the switchover to third-generation ATMs, over 90% of which has already been completed, and work to establish spaces where customers can use ATMs with safety and security.
- (2) In the financial services business, the Bank will improve the convenience of its accounts and work to provide products and services that meet needs for financial services and fund settlement in line with the Group's omni-channel strategy. For our international money transfer services, we will promote further expansion of use by working to enhance convenience and provide services that take advantage of the Bank's unique characteristics. For personal loan services, we intend to raise awareness of our services in order to increase the number of contract accounts. In addition, we will work to enhance our service of accepting cash proceeds from sales using ATMs.
- Furthermore, Bank Business Factory Co., Ltd., a consolidated subsidiary of the Bank established in fiscal 2014, strives to expand the back-office support on commission for other financial institutions in addition to back-office support on commission for the Bank.
- (3) In international businesses, our U.S. subsidiary is preparing systems and personnel frameworks in anticipation of the installation of in-store ATMs in U.S. 7-Eleven stores starting fiscal 2017. Moreover, we intend to expand our business by using Indonesia, which we entered in fiscal 2014 through a joint venture with a local company, 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 knowhow 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 time deposits, Seven Bank

offers card loans and international money transfer services for individuals, as well as a back-office support on commission for other financial institutions through a subsidiary. 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 and Canada, and established a subsidiary through a joint venture with a local company in Indonesia in June 2014. The future occurrence of major changes in the political or economic environment surrounding the 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. 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 and an Asset-Liability Management (ALM) Committee as advisory bodies 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, 2016, 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 Relationship

Seven Bank's Directors Takashi Anzai and 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 2016, Seven Bank had installed 20,415 ATMs at Seven & i Holdings Group stores (including 19,816 ATMs at 7-Eleven stores, 320 ATMs at Ito-Yokado stores, and 279 ATMs at other locations in the Seven & i Holdings Group). In addition, the Bank has installed 2,057 ATMs at locations other than Seven & i Holdings Group stores. Thus, 90.8% 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 A+ with a stable 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, train, 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.

- Gossip and rumors among customers, in the markets, on the Internet, in e-mail, etc. (hereafter "rumors")
- Rumors caused by inaccurate or inadequate reporting by mass media
- 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
- 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 Subsidiaries
As of March 31, 2016 and 2015

	Millions of yen	
	2016	2015
Assets:		
Cash and due from banks (Notes 2, 3, 4 and 5)	¥645,838	¥600,859
Call loans (Note 5)	25,000	13,000
Securities (Notes 2, 5, 6 and 7)	66,797	71,853
Loans (Notes 5 and 8)	16,208	10,406
ATM-related temporary payments (Note 5)	83,407	81,617
Tangible fixed assets (Notes 2, 9, 32 and 34)	30,890	31,673
Intangible fixed assets (Notes 2 and 10)	34,356	35,625
Asset for retirement benefits (Notes 2 and 16)	68	60
Deferred tax assets (Notes 2 and 26)	921	951
Other assets (Notes 2, 7, 11 and 16)	11,961	10,411
Allowance for credit losses (Notes 2 and 5)	(65)	(46)
Total assets	¥915,385	¥856,415
Liabilities:		
Deposits (Notes 5, 12 and 28)	¥547,781	¥502,173
Borrowed money (Notes 5, 13 and 30)	15,022	16,000
Bonds (Notes 5 and 14)	110,000	110,000
Income taxes payable	6,808	7,217
ATM-related temporary advances (Note 5)	37,830	37,857
Reserve for bonuses (Note 2)	458	449
Liability for retirement benefits (Notes 2 and 16)	0	0
Deferred tax liabilities (Notes 2 and 26)	1,690	2,154
Other liabilities (Notes 2, 13, 15, 28 and 32)	10,999	10,672
Total liabilities	730,590	686,525
Net assets (Notes 2, 17 and 27):		
Shareholders' equity:		
Common stock, authorized 4,763,632 thousand shares, issued 1,191,001 thousand shares as of March 31, 2016 and 2015 ...	30,514	30,514
Capital surplus	30,496	30,514
Retained earnings	117,402	102,511
Treasury stock, at cost, 0 thousand shares as of March 31, 2016 and 2015	(0)	(0)
Total shareholders' equity	178,412	163,539
Accumulated other comprehensive income:		
Net unrealized gains (losses) on available-for-sale securities, net of taxes (Note 6)	343	360
Foreign currency translation adjustments	5,462	5,500
Accumulated adjustments for retirement benefit (Note 16)	6	13
Total accumulated other comprehensive income	5,812	5,874
Subscription rights to shares (Note 31)	545	449
Non-controlling interests	24	26
Total net assets	184,794	169,890
Total liabilities and net assets	¥915,385	¥856,415

See accompanying notes.

Consolidated Statements of Income

Seven Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen	
	2016	2015
Income:		
Interest income	¥ 2,274	¥ 1,372
Interest on loans	2,078	1,157
Interest and dividends on securities	58	150
Other interest income	137	65
Fees and commissions income (Note 18)	117,265	112,274
Other operating income (Note 20)	193	161
Other income (Note 23)	206	227
Total income	119,939	114,036
Expenses:		
Interest expenses	1,253	1,254
Interest on deposits (Note 28)	567	559
Interest on call money	18	14
Interest on borrowed money	113	141
Interest on bonds	553	539
Fees and commissions expenses (Notes 19 and 28)	21,661	19,174
Other operating expenses (Notes 6 and 21)	—	53
General and administrative expenses (Notes 22 and 31)	59,757	56,419
Other expenses (Note 24)	310	291
Total expenses	82,983	77,193
Income before income taxes and non-controlling interests	36,956	36,842
Income taxes (Notes 2 and 26)		
Current	12,666	13,544
Deferred	(413)	79
Total income taxes	12,252	13,624
Net income	24,703	23,218
Net income (loss) attributable to non-controlling interests	(13)	(2)
Net income attributable to owners of the parent	¥ 24,716	¥ 23,220

Amounts per share of common stock (Note 33):

	Yen	
	2016	2015
Net assets	¥154.68	¥142.24
Net income	20.75	19.49
Diluted net income	20.71	19.46
Cash dividends applicable to the year	8.50	8.00

See accompanying notes.

Consolidated Statements of Comprehensive Income

Seven Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen	
	2016	2015
Net income	¥24,703	¥23,218
Other comprehensive income (Note 25)		
Net unrealized gains (losses) on available-for-sale securities, net of taxes ...	(17)	357
Foreign currency translation adjustments	(44)	1,889
Adjustments for retirement benefit (Note 16)	(6)	132
Total other comprehensive income	(68)	2,378
Comprehensive income	¥24,635	¥25,597
Comprehensive income attributable to:		
Owners of the parent	¥24,655	¥25,597
Non-controlling interests	(19)	(0)

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Seven Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2014	¥30,509	¥30,509	¥ 88,520	¥(0)	¥149,539
Changes in items during the period					
Issuance of new shares	4	4			9
Cash dividends			(9,230)		(9,230)
Net income attributable to owners of the parent ..			23,220		23,220
Increase (decrease) in capital surplus arising from changes in interests in consolidated subsidiaries					—
Net changes in items other than shareholders' equity					—
Net changes in items during the period ..	4	4	13,990	—	14,000
Balance at April 1, 2015	¥30,514	¥30,514	¥102,511	¥(0)	¥163,539
Changes in items during the period					
Issuance of new shares					—
Cash dividends			(9,825)		(9,825)
Net income attributable to owners of the parent ..			24,716		24,716
Increase (decrease) in capital surplus arising from changes in interests in consolidated subsidiaries		(17)			(17)
Net changes in items other than shareholders' equity					—
Net changes in items during the period ..	—	(17)	14,891	—	14,873
Balance at March 31, 2016	¥30,514	¥30,496	¥117,402	¥(0)	¥178,412

	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	Non-controlling interests	Total net assets
Balance at April 1, 2014	¥ 3	¥3,613	¥(119)	¥3,497	¥371	¥—	¥153,408
Changes in items during the period							
Issuance of new shares							9
Cash dividends							(9,230)
Net income attributable to owners of the parent ..							23,220
Increase (decrease) in capital surplus arising from changes in interests in consolidated subsidiaries							—
Net changes in items other than shareholders' equity	357	1,887	132	2,376	78	26	2,481
Net changes in items during the period ..	357	1,887	132	2,376	78	26	16,481
Balance at April 1, 2015	¥360	¥5,500	¥ 13	¥5,874	¥449	¥26	¥169,890
Changes in items during the period							
Issuance of new shares							—
Cash dividends							(9,825)
Net income attributable to owners of the parent ..							24,716
Increase (decrease) in capital surplus arising from changes in interests in consolidated subsidiaries							(17)
Net changes in items other than shareholders' equity	(17)	(37)	(6)	(61)	95	(1)	31
Net changes in items during the period ..	(17)	(37)	(6)	(61)	95	(1)	14,904
Balance at March 31, 2016	¥343	¥5,462	¥ 6	¥5,812	¥545	¥24	¥184,794

See accompanying notes.

Consolidated Statements of Cash Flows

Seven Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen	
	2016	2015
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	¥ 36,956	¥ 36,842
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation of fixed assets	18,779	16,251
Amortization of goodwill	1,069	933
Net change in allowance for credit losses	18	(9)
Net change in asset or liability for retirement benefits	(18)	23
Interest income	(2,274)	(1,372)
Interest expenses	1,253	1,254
Net losses (gains) related to securities	(2)	(19)
Net foreign exchange gains	(8)	(14)
Net losses on disposal of fixed assets	210	195
Net change in loans	(5,801)	(5,149)
Net change in deposits	45,608	63,824
Net change in borrowed money	(976)	(5,000)
Net change in call loans	(12,000)	2,000
Net change resulting from issuance and maturity of ordinary bonds	—	(5,000)
Net change in ATM-related temporary accounts	(1,817)	8,060
Interest received	2,295	1,407
Interest paid	(1,395)	(1,302)
Other – net	(2,161)	1,811
Subtotal	79,735	114,737
Income taxes paid	(13,268)	(14,805)
Income taxes refund	15	—
Net cash provided by operating activities	66,482	99,931
Cash flows from investing activities:		
Purchase of securities	(43,013)	(25,411)
Proceeds from sales of securities	334	1,687
Proceeds from maturity of securities	49,000	50,500
Purchase of tangible fixed assets	(10,511)	(13,489)
Purchase of intangible fixed assets	(7,444)	(8,352)
Other – net	—	60
Net cash provided by (used in) investing activities	(11,634)	4,994
Cash flows from financing activities:		
Proceeds from share issuance to non-controlling shareholders	—	26
Proceeds from exercise of stock options	—	0
Dividends paid	(9,823)	(9,231)
Other – net	(2)	—
Net cash used in financing activities	(9,826)	(9,204)
Effect of exchange rate changes on cash and cash equivalents	(42)	149
Net change in cash and cash equivalents	44,978	95,872
Cash and cash equivalents at the beginning of the year	600,859	504,987
Cash and cash equivalents at the end of the year (Notes 2, 3 and 4)	¥645,838	¥600,859

See accompanying notes.

Notes to Consolidated Financial Statements

Seven Bank, Ltd. and its consolidated subsidiaries
As of and for the years ended March 31, 2016 and 2015

1. Basis of Presenting Consolidated Financial Statements

- (a) The accompanying consolidated financial statements of Seven Bank, Ltd. (the “Bank”) and its consolidated subsidiaries (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 four consolidated subsidiaries.

Names of consolidated subsidiaries are as follows: FCTI, Inc., FCTI Canada, Inc., PT. ABADI TAMBAH MULIA INTERNASIONAL, and Bank Business Factory Co., Ltd. (Change in scope of consolidation)

FCTI Canada, Inc. has been consolidated due to establishment of the company from the fiscal year ended March 31, 2016.

The balance sheet dates of the consolidated subsidiaries are December 31 for three companies and March 31 for one company. The subsidiaries are consolidated using the financial statements on their own balance sheet dates. 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

Tangible fixed assets are generally stated at cost less accumulated depreciation.

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

Estimated useful lives of major items as of March 31, 2016 and 2015 are as follows:

Buildings: 6-18 years

ATMs: 5 years

Others: 2-20 years

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

(d) Intangible fixed assets

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, after 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, after 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

Reserve for bonuses for employees is recorded 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 benefit formula basis. Also, net actuarial difference is amortized as follows.

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 subsidiaries denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet dates of the consolidated subsidiaries.

(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 and its domestic consolidated subsidiary 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 common shareholders of the parent 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 fiscal year ended March 31, 2016, the Group has adopted the "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter "Business Combinations Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013, hereinafter "Consolidated Financial Statements Standard"), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, hereinafter "Business Divestitures Standard"). Accordingly, differences arising from changes in the Bank's ownership interests in subsidiaries over which the Bank retains control are recognized as capital surplus, and acquisition-related costs are recognized as expenses in the fiscal year of incurrence. Regarding business combinations that take place on or after the beginning of the fiscal year ended March 31, 2016, changes have been made whereby adjustments to the provisional amount arising from the finalization of the tentative accounting treatment relating to the allocation of acquisition cost are recognized in the consolidated financial statements for the fiscal year during which the business combination occurred. In addition, the Bank has changed the presentation of net income and other related items, and the presentation of "minority interests" to "non-controlling interests." To reflect these changes in presentation, the consolidated financial statements for the fiscal year ended March 31, 2015 have been reclassified.

In the consolidated statements of cash flows for the fiscal year ended March 31, 2016, cash flows related to purchase or sale of stocks of subsidiaries not resulting in change in scope of consolidation is recognized under cash flows from financing activities, and cash flows related to acquisition-related costs arising from purchase of stocks of subsidiaries resulting in change in scope of consolidation, or expenses arising from purchase or sale of stocks of subsidiaries not resulting in change in scope of consolidation is recognized under cash flows from operating activities.

The Group has adopted these accounting standards prospectively from the beginning of the fiscal year ended March 31, 2016, in accordance with the transitional accounting treatments set forth in Paragraph 58-2, Item 4 of Business Combinations Standard, Paragraph 44-5, Item 4 of Consolidated Financial Statements Standard, and

Paragraph 57-4, Item 4 of Business Divestitures Standard.

As a result, income before income taxes and non-controlling interests for the fiscal year ended March 31, 2016 increased by ¥17 million, and capital surplus at the end of March 31, 2016 decreased by ¥17 million.

Capital surplus recorded in the consolidated statements of changes in net assets decreased by ¥17 million.

The effects on per share data are described in "33. Per Share Data."

(q) Unapplied new accounting standard

Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016, hereinafter "Implementation Guidance")

(1) Overview

The Implementation Guidance basically follows the framework of the current guidance and has made partial amendment to certain aspects of the guidance for the recoverability of deferred tax assets, which is provided in the Audit Committee Report No. 66 "Auditing Treatment Regarding Judgment on Recoverability of Deferred Tax Assets."

(2) Date of adoption

The Implementation Guidance is scheduled to be applied from the beginning of the fiscal year beginning on April 1, 2016.

(3) The effect of adopting the accounting standard

The effect of adopting the Implementation Guidance is currently under evaluation.

3. Supplemental Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2016 and 2015 consisted of cash and due from banks of ¥645,838 million and ¥600,859 million on the consolidated balance sheets as of March 31, 2016 and 2015, respectively.

4. Cash and Due from Banks

Cash and due from banks as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Cash	¥559,912	¥521,353
Due from banks	85,925	79,505
Total	¥645,838	¥600,859

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 makes investments such as lending money to individuals with small 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 mainly consist of bonds and stocks with high creditworthiness and liquidity, 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, foreign exchange 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, 2016, the Bank's market risk quantity (maximum potential loss) is ¥4,802 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 market 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, 2016 and 2015 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, 2016	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks ¹	¥645,835	¥645,835	¥ —
(2) Call loans ¹	24,949	24,949	—
(3) Securities			
Available-for-sale securities	65,140	65,140	—
(4) Loans	16,208		
Allowance for credit losses ¹	(0)		
	16,207	16,207	—
(5) ATM-related temporary payments ¹	83,406	83,406	—
Total assets	¥835,539	¥835,539	¥ —
(1) Deposits	¥547,781	¥548,473	¥ 692
(2) Borrowed money	15,022	15,234	211
(3) Bonds	110,000	111,837	1,837
(4) ATM-related temporary advances	37,830	37,830	—
Total liabilities	¥710,634	¥713,375	¥2,741

March 31, 2015	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks ¹	¥600,858	¥600,858	¥ —
(2) Call loans ¹	12,960	12,960	—
(3) Securities			
Available-for-sale securities	70,730	70,730	—
(4) Loans	10,406		
Allowance for credit losses ¹	(0)		
	10,406	10,406	—
(5) ATM-related temporary payments ¹	81,616	81,616	—
Total assets	¥776,572	¥776,572	¥ —
(1) Deposits	¥502,173	¥502,604	¥ 431
(2) Borrowed money	16,000	16,262	262
(3) Bonds	110,000	111,248	1,248
(4) ATM-related temporary advances	37,857	37,857	—
Total liabilities	¥666,030	¥667,972	¥1,941

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. For deposits with maturity, the carrying amount is presented as the fair value, for the fair value approximates such carrying amount due to its short deposit term (less than one year).

(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) 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.

(3) Bonds

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

(4) 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	
	2016	2015
Unlisted equity securities ¹	¥ 144	¥ 144
Investments in partnership ²	1,513	979
Total	¥1,657	¥1,123

Notes: 1. Unlisted equity securities are not included in the scope of fair value disclosure, since they do not have market price and are extremely difficult to estimate the fair value.

2. Investments in partnership are not included in the scope of fair value disclosure, because the partnership assets consist of unlisted equity securities and other items whose fair value is extremely difficult to estimate.

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

March 31, 2016	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	¥ 85,925	¥ —	¥ —	¥—	¥—	¥—
Call loans	25,000	—	—	—	—	—
Securities:						
Available-for-sale securities with maturity	21,000	38,800	4,200	—	—	—
Japanese government bonds	—	—	—	—	—	—
Japanese municipal bonds	—	9,000	4,200	—	—	—
Corporate bonds	21,000	29,800	—	—	—	—
Loans ²	16,166	—	—	—	—	—
ATM-related temporary payments	83,407	—	—	—	—	—
Total	¥231,500	¥38,800	¥4,200	¥—	¥—	¥—

March 31, 2015	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	¥ 79,505	¥ —	¥—	¥—	¥—	¥—
Call loans	13,000	—	—	—	—	—
Securities:						
Available-for-sale securities with maturity	49,000	21,000	—	—	—	—
Japanese government bonds	30,500	—	—	—	—	—
Japanese municipal bonds	—	—	—	—	—	—
Corporate bonds	18,500	21,000	—	—	—	—
Loans ²	10,371	—	—	—	—	—
ATM-related temporary payments	81,617	—	—	—	—	—
Total	¥233,495	¥21,000	¥—	¥—	¥—	¥—

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

2. For loans, ¥41 million and ¥35 million as of March 31, 2016 and 2015 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, 2016	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	¥441,324	¥ 60,409	¥46,047	¥ —	¥ —	¥—
Borrowed money	5,022	—	10,000	—	—	—
Bonds	—	45,000	30,000	20,000	15,000	—
ATM-related temporary advances	37,830	—	—	—	—	—
Total	¥484,178	¥105,409	¥86,047	¥20,000	¥15,000	¥—

March 31, 2015	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	¥402,391	¥ 54,809	¥44,972	¥—	¥ —	¥—
Borrowed money	1,000	5,000	10,000	—	—	—
Bonds	—	45,000	30,000	—	35,000	—
ATM-related temporary advances	37,857	—	—	—	—	—
Total	¥441,249	¥104,809	¥84,972	¥—	¥35,000	¥—

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, 2016 and 2015:

Available-for-sale securities:

March 31, 2016	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with higher balances than acquisition costs			
Equity securities	¥ 151	¥ 793	¥641
Bonds:			
Japanese government bonds	—	—	—
Corporate bonds	36,900	36,918	18
Total	¥37,051	¥37,711	¥659

Securities with the same or lower balances than acquisition costs	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Bonds:			
Japanese municipal bonds	¥13,457	¥13,446	¥ (10)
Corporate bonds	13,986	13,981	(4)
Total	¥27,443	¥27,428	¥ (14)
Grand total	¥64,495	¥65,140	¥645

March 31, 2015	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with higher balances than acquisition costs			
Equity securities	¥ 338	¥ 720	¥382
Bonds:			
Japanese government bonds	30,500	30,508	7
Corporate bonds	28,499	28,502	2
Total	¥59,338	¥59,731	¥393

Securities with the same or lower balances than acquisition costs	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Bonds:			
Japanese municipal bonds	¥ —	¥ —	¥ —
Corporate bonds	11,000	10,998	(2)
Total	¥11,000	¥10,998	¥ (2)
Grand total	¥70,339	¥70,730	¥391

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

March 31, 2016	Millions of yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥189	¥2	¥—
Total	¥189	¥2	¥—

March 31, 2015	Millions of yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥1,833	¥19	¥—
Total	¥1,833	¥19	¥—

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

March 31	Millions of yen	
	2016	2015
Unrealized gains (losses):		
On available-for-sale securities	¥ 494	¥ 532
Deferred tax liability	(151)	(172)
Net unrealized gains (losses) on available-for-sale securities, net of taxes	¥ 343	¥ 360

Note: Unrealized gains (losses) on investments in partnership whose fair value is extremely difficult to estimate of ¥(150) million and ¥141 million as of March 31, 2016 and 2015 of are included in "On available-for-sale securities."

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 ¥61,776 million and ¥67,510 million as of March 31, 2016 and 2015, respectively.

Other assets include guarantee deposits of ¥896 million and ¥873 million as of March 31, 2016 and 2015, respectively.

8. Loans

Loans to bankrupt borrowers and delinquent loans were ¥2 million and ¥39 million as of March 31, 2016, and ¥1 million and ¥34 million as of March 31, 2015, 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, 2016 and 2015. 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, 2016 and 2015. 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 ¥41 million and ¥35 million as of March 31, 2016 and 2015, 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 ¥6,455 million and ¥5,024 million as of March 31, 2016 and 2015, respectively. Unused overdraft facilities for contracts with a term of less than one year also amounted to ¥6,455 million and ¥5,024 million as of March 31, 2016 and 2015, respectively.

9. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2016 and 2015 consisted of the following:

March 31	Millions of yen	
	2016	2015
Buildings	¥ 1,741	¥ 1,671
ATMs	25,493	26,090
Other	3,656	3,911
Total	¥30,890	¥31,673

The accumulated depreciation of tangible fixed assets as of March 31, 2016 and 2015 amounted to ¥40,247 million and ¥36,983 million, respectively.

10. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Software	¥18,626	¥18,579
Goodwill	7,116	8,177
Other	8,613	8,869
Total	¥34,356	¥35,625

11. Other Assets

Other assets as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Accrued income	¥ 8,698	¥ 8,662
Prepaid expenses	2,137	518
Other	1,124	1,230
Total	¥11,961	¥10,411

12. Deposits

Deposits as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Deposits	¥546,981	¥501,413
Negotiable certificates of deposit	800	760
Total	¥547,781	¥502,173

13. Borrowed Money and Lease Obligations

Borrowed money and lease obligations as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Borrowed money from banks and insurance companies	¥15,022	¥16,000
Lease obligations	50	—

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2016 and 2015 was 0.73% and 0.72%, respectively.

The weighted average interest rate applicable to the balance of lease obligation (excluding amounts due within one year) as of March 31, 2016 was 11.05%, while the weighted average interest rate applicable to amounts due within one year of lease obligations as of March 31, 2016 was 11.04%.

The repayment schedule on borrowed money and lease obligations as of March 31, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Borrowed money		
Within one year	¥ 5,022	¥ 1,000
Over one year but within two years	—	5,000
Over two years but within three years	—	—
Over three years but within four years	10,000	—
Over four years but within five years	—	10,000
Over five years	—	—
Lease obligations		
Within one year	¥ 16	¥ —
Over one year but within two years	17	—
Over two years but within three years	16	—
Over three years but within four years	—	—
Over four years but within five years	—	—
Over five years	—	—

14. Bonds

Bonds as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Unsecured:		
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
0.53% unsecured bonds due December 20, 2024, date of issue December 17, 2014	15,000	15,000
Total	¥110,000	¥110,000

The repayment schedule on bonds as of March 31, 2016 and 2015 was as follows:

	Millions of yen	
	2016	2015
Within one year	¥ —	¥ —
Over one year but within two years	45,000	—
Over two years but within three years	—	45,000
Over three years but within four years	30,000	—
Over four years but within five years	—	30,000
Over five years	35,000	35,000

15. Other liabilities

Other liabilities as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Accrued expenses	¥ 6,013	¥ 6,029
Asset retirement obligations	350	346
Other	4,635	4,296
Total	¥10,999	¥10,672

16. Employees' Severance and Retirement Benefits

The Bank has an employee pension plan that is a contributory funded defined benefit pension plan. An overseas consolidated subsidiary has lump-sum retirement payment plan as defined benefit plan.

Fiscal years ended March 31, 2016 and 2015

(1) Movement in projected benefit obligation

	Millions of yen	
	2016	2015
Balance at the beginning of the year	¥2,163	¥1,894
Cumulative effects of changes in accounting policies	—	—
Beginning balance (as adjusted)	2,163	1,894
Service cost	207	187
Interest cost	21	28
Actuarial difference	40	133
Benefits paid	(106)	(81)
Other	(0)	0
Balance at the end of the year	¥2,327	¥2,163

(2) Movement in plan assets

	Millions of yen	
	2016	2015
Balance at the beginning of the year	¥2,224	¥1,774
Expected return on plan assets	55	44
Actuarial difference	(7)	263
Contributions paid by the employer	230	223
Benefits paid	(106)	(81)
Balance at the end of the year	¥2,395	¥2,224

(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	
	2016	2015
Funded projected benefit obligation	¥ 2,326	¥ 2,163
Plan assets	(2,395)	(2,224)
	(68)	(60)
Unfunded projected benefit obligation	0	0
Total net liability (asset) for retirement benefits at the end of the year	(68)	(60)
Liability for retirement benefits	0	0
Asset for retirement benefits	(68)	(60)
Total net liability (asset) for retirement benefits at the end of the year	¥ (68)	¥ (60)

(4) Retirement benefit costs

	Millions of yen	
	2016	2015
Service cost	¥207	¥187
Interest cost	21	28
Expected return on plan assets	(55)	(44)
Amortization of actuarial difference	37	70
Amortization of prior service cost	—	5
Other	2	12
Retirement benefit costs	¥214	¥260

(5) Adjustments for retirement benefit

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

	Millions of yen	
	2016	2015
Prior service cost	¥ —	¥ 5
Actuarial difference	(10)	199
Total amount recognized for the year	¥(10)	¥204

(6) Accumulated adjustments for retirement benefit

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

	Millions of yen	
	2016	2015
Unrecognized actuarial difference	¥(9)	¥(19)
Total balance at the end of the year	¥(9)	¥(19)

(7) Plan assets

(a) Plan assets comprise:

	Millions of yen	
	2016	2015
Bonds	49%	48%
Equity securities	37%	39%
Other	14%	13%
Total	100%	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.

(8) Actuarial assumptions

The principal actuarial assumptions, presented in weighted average rates, as of March 31, 2016 and 2015 were as follows:

	2016	2015
Discount rate	1.0%	1.0%
Long-term expected rate of return on plan assets	2.5%	2.5%
Expected rate of salary increase	2.9%	2.9%

Note: Disclosure of information on overseas consolidated subsidiaries was omitted since it is immaterial.

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, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Remittance-related fee income	¥ 2,039	¥ 1,664
ATM-related fee income	111,619	107,213
Other	3,606	3,396
Total	¥117,265	¥112,274

19. Fees and Commissions Expenses

Fees and commissions expenses for the fiscal years ended March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Remittance-related fee expenses	¥ 1,164	¥ 942
ATM placement fee expenses	17,858	16,311
ATM-related fee expenses	1,448	1,178
Other	1,190	742
Total	¥21,661	¥19,174

20. Other Operating Income

Other operating income for the fiscal years ended March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Gains on foreign exchange transactions	¥193	¥161
Total	¥193	¥161

21. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Amortization of bond issuance cost	¥—	¥53
Total	¥—	¥53

22. General and Administrative Expenses

Main items and amounts of general and administrative expenses for the fiscal years ended March 31, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Salary and allowance	¥ 5,798	¥ 5,514
Retirement benefit costs	214	260
Depreciation of fixed assets	18,779	16,251
Business outsourcing expenses	17,697	17,069

(Changes in presentation)

“Salary and allowance” is presented as a main item in the fiscal year ended March 31, 2016 due to significance of its amount.

“Provision for bonuses,” which was presented as a main item in the fiscal year ended March 31, 2015, is presented under “Salary and allowance” in the fiscal year ended March 31, 2016.

To reflect these changes in presentation, notes for the fiscal year ended March 31, 2015 have been reclassified.

Accordingly, “provision for bonuses” of ¥449 million for the fiscal year ended March 31, 2015 has been reclassified and presented under “Salary and allowance.”

23. Other Income

Other income for the fiscal years ended March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Reversal of allowance for credit losses	¥ —	¥ 9
Other	206	217
Total	¥206	¥227

24. Other Expenses

Other expenses for the fiscal years ended March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Losses on disposal of fixed assets	¥210	¥195
Provision of allowance for credit losses	18	—
Other	81	95
Total	¥310	¥291

25. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	2016	2015
Net unrealized gains (losses) on available-for-sale securities, net of taxes		
Amount arising during the year	¥(35)	¥ 547
Reclassification adjustment	(2)	(19)
Amount before income tax effect	(37)	527
Income tax effect	20	(170)
Total	¥(17)	¥ 357
Foreign currency translation adjustments		
Amount arising during the year	¥(44)	¥1,889
Reclassification adjustment	—	—
Amount before income tax effect	(44)	1,889
Income tax effect	—	—
Total	¥(44)	¥1,889
Adjustments for retirement benefit		
Amount arising during the year	¥(48)	¥ 129
Reclassification adjustment	37	75
Amount before income tax effect	(10)	204
Income tax effect	3	(72)
Total	¥ (6)	¥ 132
Total other comprehensive income	¥(68)	¥2,378

26. Income Taxes

Income taxes of the Bank and its domestic consolidated subsidiary in the consolidated statements of income consist of corporation tax, inhabitants tax and enterprise tax. For the fiscal years ended March 31, 2016 and 2015, reconciliation of the material 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, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Deferred tax assets:		
Enterprise tax	¥ 450	¥ 521
Net operating loss carry forwards	237	139
Depreciation of fixed assets	167	168
Stock option expenses	167	146
Reserve for bonuses	127	133
Asset retirement obligations	107	112
Accounts payable		
(Reserve for retirement benefits for directors and statutory auditors)	61	65
Allowance for credit losses	20	15
Other	73	80
Subtotal deferred tax assets	1,412	1,383
Valuation allowance	(10)	(14)
Total deferred tax assets	¥ 1,402	¥ 1,368
Deferred tax liabilities:		
Intangible fixed assets recognized with business combination	¥(1,789)	¥(2,158)
Net unrealized gains (losses) on available-for-sale securities	(151)	(172)
Adjustment for tangible fixed assets related to asset retirement obligations	(39)	(44)
Other	(190)	(195)
Total deferred tax liabilities	(2,171)	(2,571)
Net deferred tax liabilities	¥ (768)	¥(1,202)

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

	Millions of yen	
	2016	2015
Deferred tax assets	¥ 921	¥ 951
Deferred tax liabilities	1,690	2,154

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

On March 29, 2016, "Act on Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and "Act on Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted in the Diet, and the income tax rate will be lowered from the fiscal years beginning on or after April 1, 2016. Accordingly, the statutory tax rate applied to the calculation of deferred tax assets and liabilities for this fiscal year was lowered from 32.26% in the previous fiscal year to 30.86% for temporary differences expected to be reversed in the fiscal years beginning on April 1, 2016 and April 1, 2017, and to 30.62% for temporary differences, etc. expected to be reversed in the fiscal years beginning on or after April 1, 2018. As a result, the amount of deferred tax assets decreased by ¥42 million, net unrealized gains (losses) on available-for-sale securities increased by ¥8 million, accumulated adjustments for retirement benefit increased by ¥0 million, and income taxes-deferred increased by ¥50 million.

27. 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, 2016 and 2015 were as follows:

Year ended March 31, 2016	Thousands of shares			
	April 1, 2015	Increase	Decrease	March 31, 2016
Shares issued				
Common stock	1,191,001	—	—	1,191,001
Total	1,191,001	—	—	1,191,001
Treasury stock				
Common stock	0	—	—	0
Total	0	—	—	0

Year ended March 31, 2015	Thousands of shares			
	April 1, 2014	Increase	Decrease	March 31, 2015
Shares issued				
Common stock ¹	1,190,949	52	—	1,191,001
Total	1,190,949	52	—	1,191,001
Treasury stock				
Common stock	0	—	—	0
Total	0	—	—	0

Note: 1. Increase in number of shares of common stock: 52 thousand shares due to exercise of subscription rights to shares.

(2) Information on subscription rights to shares:

Year ended March 31, 2016	Thousands of shares					Balance at March 31, 2016 (Millions of yen)
	Type of shares	April 1, 2015	Increase	Decrease	March 31, 2016	
Details of subscription rights to shares						
Subscription rights to shares as stock options			—			¥545
Total			—			¥545

Note: There are no treasury subscription rights to shares.

Year ended March 31, 2015	Thousands of shares					Balance at March 31, 2015 (Millions of yen)
	Type of shares	April 1, 2014	Increase	Decrease	March 31, 2015	
Details of subscription rights to shares						
Subscription rights to shares as stock options			—			¥449
Total			—			¥449

Note: There are no treasury subscription rights to shares.

(3) Information on dividends:

(a) Dividends paid in the fiscal years ended March 31, 2016 and 2015

Year ended March 31, 2016	(Millions of yen, except per share amounts)				
	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date
Common stock ¹	¥5,061	Retained earnings	¥4.25	March 31, 2015	June 1, 2015
Common stock ²	¥4,764	Retained earnings	¥4.00	September 30, 2015	December 1, 2015

Notes: 1. Date of resolution: Board of Directors meeting held on May 22, 2015

2. Date of resolution: Board of Directors meeting held on November 6, 2015

Year ended 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 ¹	¥4,763	Retained earnings	¥4.00	March 31, 2014	June 2, 2014
Common stock ²	¥4,466	Retained earnings	¥3.75	September 30, 2014	December 1, 2014

Notes: 1. Date of resolution: Board of Directors meeting held on May 23, 2014
2. Date of resolution: Board of Directors meeting held on November 7, 2014

(b) Dividends to be paid in the fiscal year ending March 31, 2017

Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock	¥5,359	Retained earnings	¥4.50	March 31, 2016	June 1, 2016

Note: Date of resolution: Board of Directors meeting held on May 25, 2016

Cash dividends per share based on business results for the fiscal year ended March 31, 2016 were ¥8.50 annually with the year-end dividend of ¥4.50 added to the interim dividend of ¥4.00.

28. Related Party Transactions

(1) Transactions with related parties

Related party transactions for the fiscal years ended March 31, 2016 and 2015 were as follows:

(a) Parent company and major shareholders

Year ended March 31, 2016

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	¥11,667	Other liabilities (Accrued expenses) ³	¥1,062

Notes: 1. 38.08% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2016.
2. Terms and conditions as well as decision policies of terms and conditions:
The terms and conditions as well as decision policies of terms and conditions associated with ATM placement fees are determined by comprehensively taking into account of compensation for delegated administrative work and Seven-Eleven Japan's infrastructure costs.
3. The accrued expenses include consumption tax.

Year ended March 31, 2015

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	¥11,114	Other liabilities (Accrued expenses) ³	¥1,029

Notes: 1. 38.08% of the outstanding common stock of the Bank is directly owned by Seven-Eleven Japan Co., Ltd. as of March 31, 2015.
2. Terms and conditions as well as decision policies of terms and conditions:
The terms and conditions as well as decision policies of terms and conditions associated with ATM placement fees are determined by comprehensively taking into account of compensation for delegated administrative work and Seven-Eleven Japan's 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, 2016

There is no material transaction to be noted.

Year ended March 31, 2015

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 deposit ²	¥13,232	Deposits (Negotiable certificates of deposit)	—
		Interest on negotiable certificates of deposit ¹	12	Other liabilities (Accrued expenses)	—

Notes: 1. Terms and conditions as well as decision policies of terms and conditions:
The interest rates for negotiable certificates of deposit are set at reasonable levels in accordance with the transaction period and currently prevailing market rates.
2. The transaction amounts for negotiable certificates of deposit represent the average balances recorded during the fiscal year ended March 31, 2015.

(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

29. Lease Transactions

Finance Leases:

Disclosure is omitted as it is immaterial.

Operating Leases:

Future minimum lease payments under non-cancelable operating leases as of March 31, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Due within one year	¥ 573	¥ 561
Due after one year	805	1,305
Total	¥1,379	¥1,867

30. 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, 2016

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, 2015				Millions of yen	
Hedge accounting method	Hedging instruments	Hedged items	Contract or notional amount	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."

31. Stock Options

Share-based compensation expenses of ¥ 95 million and ¥87 million are recorded as general and administrative expenses in the fiscal years ended March 31, 2016 and 2015, 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

	Seventh grant-1	Seventh grant-2
Title and number of grantees	6 directors	8 executive officers
Number of stock options ¹	193,000 common shares	44,000 common shares
Grant date	August 4, 2014	August 4, 2014
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 5, 2014 to August 4, 2044	From August 5, 2014 to August 4, 2044

	Eighth grant-1	Eighth grant-2
Title and number of grantees	6 directors	9 executive officers
Number of stock options ¹	138,000 common shares	39,000 common shares
Grant date	August 10, 2015	August 10, 2015
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 11, 2015 to August 10, 2045	From August 11, 2015 to August 10, 2045

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, 2016.

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

Fiscal year ended March 31, 2016:

Number of stock options

	First grant-1	First grant-2
Before vested		
As of March 31, 2015	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2015	157,000	7,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	157,000	7,000

	Second grant-1	Second grant-2
Before vested		
As of March 31, 2015	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2015	171,000	16,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	171,000	16,000

	Third grant-1	Third grant-2
Before vested		
As of March 31, 2015	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2015	423,000	13,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	423,000	13,000

	Fourth grant-1	Fourth grant-2
Before vested		
As of March 31, 2015	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2015	440,000	90,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	440,000	90,000

	Fifth grant-1	Fifth grant-2
Before vested		
As of March 31, 2015	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2015	363,000	67,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	363,000	67,000

	Sixth grant-1	Sixth grant-2
Before vested		
As of March 31, 2015	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2015	216,000	34,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	216,000	34,000

	Seventh grant-1	Seventh grant-2
Before vested		
As of March 31, 2015	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—
After vested		
As of March 31, 2015	193,000	44,000
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	193,000	44,000

	Eighth grant-1	Eighth grant-2
Before vested		
As of March 31, 2015	—	—
Granted	138,000	39,000
Forfeited	—	—
Vested	138,000	39,000
Outstanding	—	—
After vested		
As of March 31, 2015	—	—
Vested	138,000	39,000
Exercised	—	—
Forfeited	—	—
Outstanding	138,000	39,000

Price information	First grant-1	First grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥236,480 per Subscription right to shares	¥236,480 per Subscription right to shares

Price information	Second grant-1	Second grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥221,862 per Subscription right to shares	¥221,862 per Subscription right to shares

Price information	Third grant-1	Third grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥139,824 per Subscription right to shares	¥139,824 per Subscription right to shares

Price information	Fourth grant-1	Fourth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥127,950 per Subscription right to shares	¥127,950 per Subscription right to shares

Price information	Fifth grant-1	Fifth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥175,000 per Subscription right to shares	¥175,000 per Subscription right to shares

Price information	Sixth grant-1	Sixth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥312,000 per Subscription right to shares	¥312,000 per Subscription right to shares

Price information	Seventh grant-1	Seventh grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥370,000 per Subscription right to shares	¥370,000 per Subscription right to shares

Price information	Eighth grant-1	Eighth grant-2
Exercise price	¥1 per share	¥1 per share
Average stock price at exercise	—	—
Fair value at the grant date ¹	¥537,000 per Subscription right to shares	¥537,000 per Subscription right to shares

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 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 Eighth grant-1 of subscription rights to shares and Eighth grant-2 of subscription right to shares during the fiscal year ended March 31, 2016 was as follows:

Valuation method used: Black-Scholes option-pricing model

Principal parameters and estimation method	Eighth grant-1	Eighth grant-2
Expected volatility of the underlying stock ¹	28.903%	28.903 %
Remaining expected life of the option ²	6.76 years	6.76 years
Expected dividends on the stock ³	¥8.0 per share	¥8.0 per share
Risk-free interest rate during the expected option term ⁴	0.174 %	0.174 %

Notes: 1. The expected volatility was calculated based upon share price data during the six years and nine months from November 6, 2008 to August 10, 2015.
 2. The average expected life of the option was estimated assuming that the options would remain for the simple average period from June, 2015 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, 2015.
 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.

32. 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, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Balance at the beginning of the year	¥346	¥334
Increase due to acquisition of tangible fixed assets	5	7
Accretion expense	5	5
Obligations settled in current period	7	—
Balance at the end of the year	¥350	¥346

33. Per Share Data

Amounts per share as of March 31, 2016 and 2015 and for the years then ended were as follows:

March 31	Yen	
	2016	2015
Net assets per share	¥154.68	¥142.24

Years ended March 31	Yen	
	2016	2015
Net income per share	¥20.75	¥19.49
Net income per share (diluted)	¥20.71	¥19.46

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

March 31	Millions of yen, except thousands of shares	
	2016	2015
Net assets	¥ 184,794	¥ 169,890
Amount excluded from net assets	569	476
Subscription rights to shares (inclusive)	545	449
Non-controlling interests	24	26
Net assets attributable to common stock at the fiscal year end	¥ 184,225	¥ 169,413
Number of shares of common stock at the fiscal year end used for the calculation of net assets per share	1,191,000	1,191,000

2. Net income per share and net income per share (diluted) are calculated based on the following:

Years ended March 31	Millions of yen, except thousands of shares	
	2016	2015
Net income per share	¥ 24,716	¥ 23,220
Net income attributable to owners of the parent	—	—
Amount not attributable to common shareholders	—	—
Net income attributable to common shareholders of the parent	¥ 24,716	¥ 23,220
Average number of shares of common stock during the year	1,191,000	1,190,987
Net income per share (diluted)	—	—
Adjustment for net income attributable to owners of the parent	—	—
Increase in number of shares of common stock	2,343	2,161
Subscription rights to shares (inclusive)	2,343	2,161
Description of dilutive shares not included in the calculation of net income per share (diluted) because the shares have no dilutive effects	—	—

(Adoption of Accounting Standard for Business Combinations, etc.)

As described in changes in accounting policies, the Group has adopted Business Combinations Standard, etc. in accordance with the transitional accounting treatments set forth in Paragraph 58-2, Item 4 of Business Combinations Standard, Paragraph 44-5, Item 4 of Consolidated Financial Statements Standard, and Paragraph 57-4, Item 4 of Business Divestitures Standard. The effects of these changes on per share data are immaterial.

34. 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, 2016 and 2015; 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, 2016 and 2015; 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, 2016 and 2015; therefore, geographical information is omitted.

(3) Information by major customer

Year ended March 31, 2016

Disclosure is omitted because there were no specific customers whose ordinary income accounts for 10% or more of ordinary income in the consolidated statements of income.

Year ended March 31, 2015

(Millions of yen)

Name of customer	Ordinary income	Related segment
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥12,431	Banking service

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

35. Subsequent Events

None



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 subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, 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 misstatement, 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 subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

July 27, 2016
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.

Company Information

(As of March 31, 2016)

The Company

Company Name	Seven Bank, Ltd.	
Head Office	1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan	
Chairman and Representative Director	Takashi Anzai	
President and Representative Director	Kensuke Futagoishi	
Established	April 10, 2001	
Initiated Operations	May 7, 2001	
Common Stock	30,514 million yen	
Number of Shares Issued	1,191,001,000	
Number of Employees	445 (Non-consolidated, excluding officers, executive officers, part-time employees and temporary staff)	
Credit Ratings	[Standard & Poor's]	Long-term counterparty issuer rating "A +" Outlook "stable" Short-term counterparty issuer rating "A-1"
	[Rating & Investment Information, Inc.]	Issuer rating "AA" Outlook "stable"



Name and Address of Branches and Outlets

Head-quarters	Location: 1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan			
Branches	Location: 1-6-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan			
	Each branch has been assigned a name of a flower suitable for each month. (As our bank engages in non-face-to-face transactions mainly through ATMs, we do not conduct over-the-counter services at these branches. We receive and handle all inquiries from customers at our Call Center).			
Month when Account was Opened	Branch Name	Month when Account was Opened	Branch Name	
January	Margaret	July	Rose	
February	Freesia	August	Hibiscus	
March	Pansy	September	Salvia	
April	Tulip	October	Cosmos	
May	Carnation	November	Cattleya	
June	Iris	December	Poinsettia	

For corporate customers, we open corporate accounts providing services necessary for business operations, such as ATM tie-ups and acceptance of cash proceeds from sales. Branches offering services to corporate customers are as follows.

Name of Branches
Corporate Business Division I
Corporate Business Division II
Corporate Business Division III
Corporate Business Division IV
Corporate Business Division V

Outlets (Staffed outlets)

- **Ito-Yokado Soga Store**
Outlet of the Headquarters
Location: Ito-Yokado Soga store 1F, 52-7, Kawasakicho, Chuo-ku, Chiba-shi, Chiba Prefecture
- **Ito-Yokado Kawaguchi Store**
Outlet of the Headquarters
Location: Ito-Yokado Kawaguchi store 1F, 1-79, Namikimotomachi, Kawaguchi-shi, Saitama Prefecture
- **Ito-Yokado Kasai Store**
Outlet of the Headquarters
Location: Ito-Yokado Kasai store 1F, 9-3-3, Higashikasai, Edogawa-ku, Tokyo
- **Ito-Yokado Ario Nishiarai Store**
Outlet of the Headquarters
Location: Ito-Yokado Ario Nishiarai store 1F, 1-20-1, Nishiaraisakaecho, Adachi-ku, Tokyo
- **NAGOYA · SAKAE**
Outlet of the Headquarters
Location: Nagoya Hirokoji Place Building 1F, 4-2-29, Sakae Naka-ku, Nagoya-shi, Aichi Prefecture
- **Fukuoka**
Outlet of the Headquarters
Location: 7-Eleven Hakata Ekimae (Inside Asahi Building), 2-1-1, Hakata Ekimae, Hakata-Ku, Fukuoka-shi, Fukuoka Prefecture
- **Kawasaki Azalea**
Outlet of the Headquarters
Location: Inside Kawasaki Azalea, 26-2 2036, Ekimae Honcho, Kawasaki-ku, Kawasaki-shi, Kanagawa Prefecture

Joint Outlets

	Number of locations	Number of ATMs
7-Eleven	18,546	19,816
Others	2,182	2,656
Total	20,728	22,472

*Please refer to the Seven Bank website (<http://www.sevenbank.co.jp/english/>) for the latest information on ATMs.

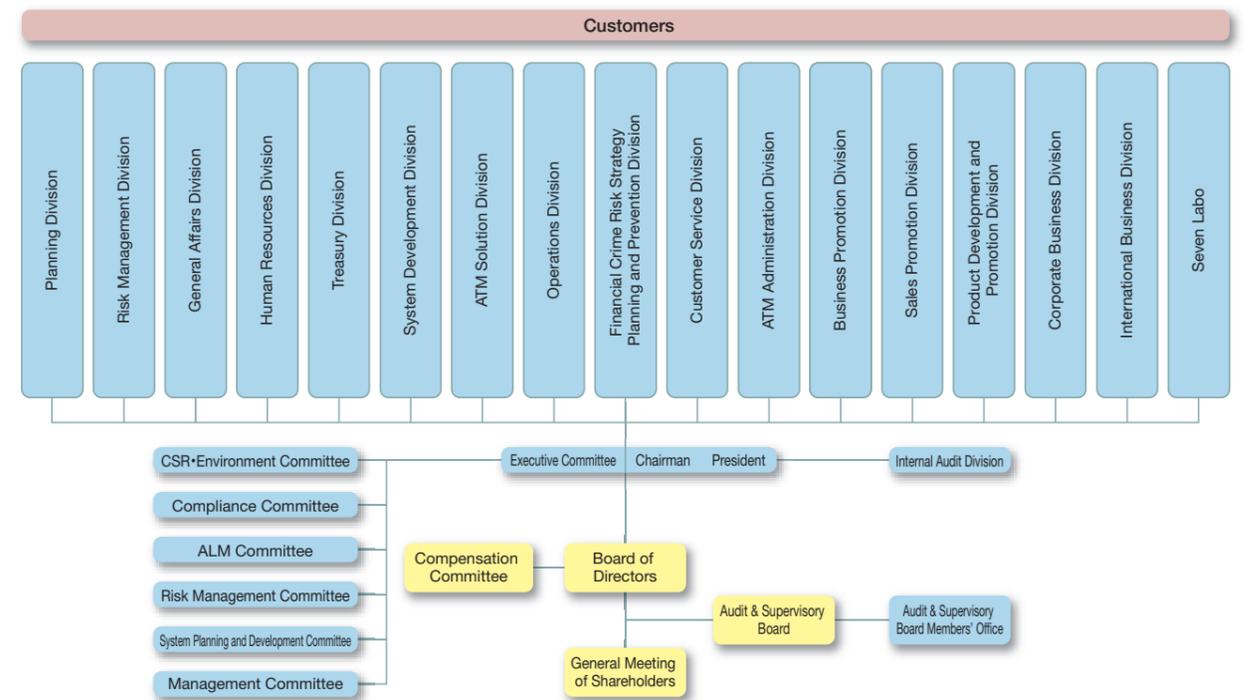
Bank Agency

- **Relia, Inc.**
Location: 2-6-5, Yoyogi, Shibuya-ku, Tokyo

Subsidiaries

Company Name	FCTI, Inc.	FCTI Canada, Inc.
Head Office	Los Angeles, California, USA	Toronto, Ontario, Canada
Representative (title/name)	Co-CEO Jeffrey Wernecke Co-CEO Robel Gugsu	Co-CEO Jeffrey Wernecke Co-CEO Robel Gugsu
Established	August 25, 1993	July 8, 2015
Common Stock	19 million U.S. dollars	200 thousand Canadian dollars
Business Description	ATM operation business	ATM operation business
Percentage of Voting Rights Held by the Bank	100%	—
Percentage of Voting Rights Held by Subsidiaries, etc.	—	100%
Company Name	PT. ABADI TAMBAH MULIA INTERNASIONAL	Bank Business Factory Co., Ltd.
Head Office	Jakarta Special Capital Region, Indonesia	Hodogaya-ku, Yokohama-shi, Kanagawa Prefecture, Japan
Representative (title/name)	President Director / Akira Teshigawara	President and Representative Director / Yoshiaki Nakajima
Established	June 10, 2014	July 1, 2014
Common Stock	90,000 million Indonesian Rupiah	50 million yen
Business Description	ATM operation business	Back-office support on commission
Percentage of Voting Rights Held by the Bank	96.66%	100%
Percentage of Voting Rights Held by Subsidiaries, etc.	—	—

Organization Chart (As of July 1, 2016)



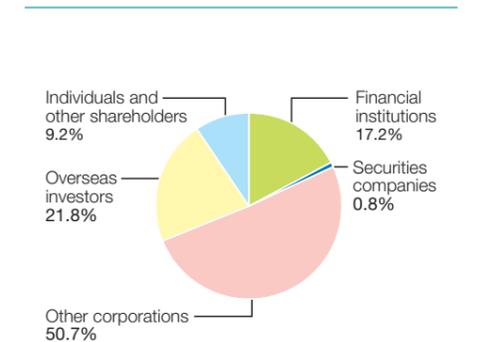
Status of Major Shareholders

(As of March 31, 2016)

Shareholder name/title	Number of shares	% holding
Seven-Eleven Japan Co., Ltd.	453,639,000	38.08
State Street Bank and Trust Company	57,294,078	4.81
Ito-Yokado Co., Ltd.	46,961,000	3.94
York-Benimaru Co., Ltd.	45,000,000	3.77
Japan Trustee Services Bank, Ltd.	30,826,100	2.58
The Master Trust Bank of Japan, Ltd.	30,158,200	2.53
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	20,785,256	1.74
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	15,522,400	1.30
Sumitomo Mitsui Banking Corporation	15,000,000	1.25
The Dai-ichi Life Insurance Company, Limited	15,000,000	1.25

Composition of Shareholders

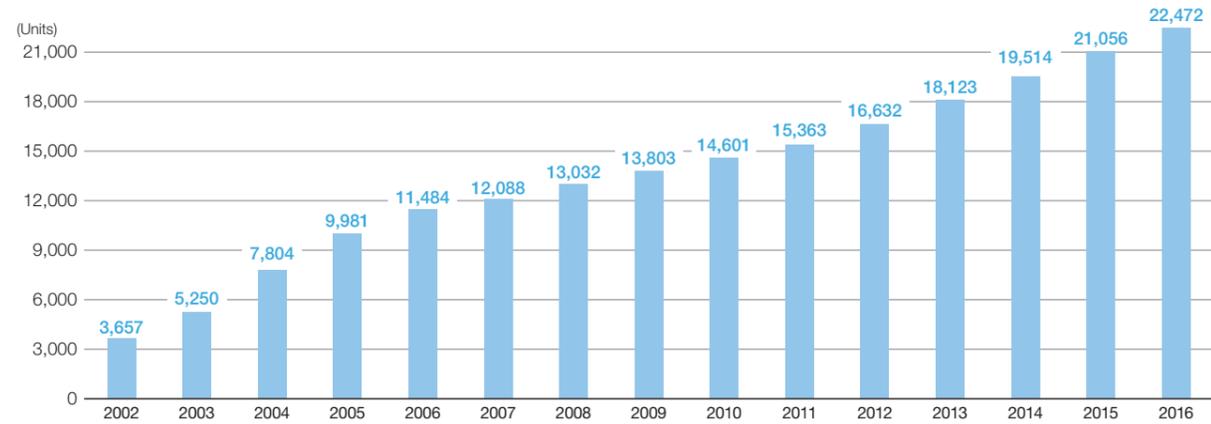
(As of March 31, 2016)



Principal Data

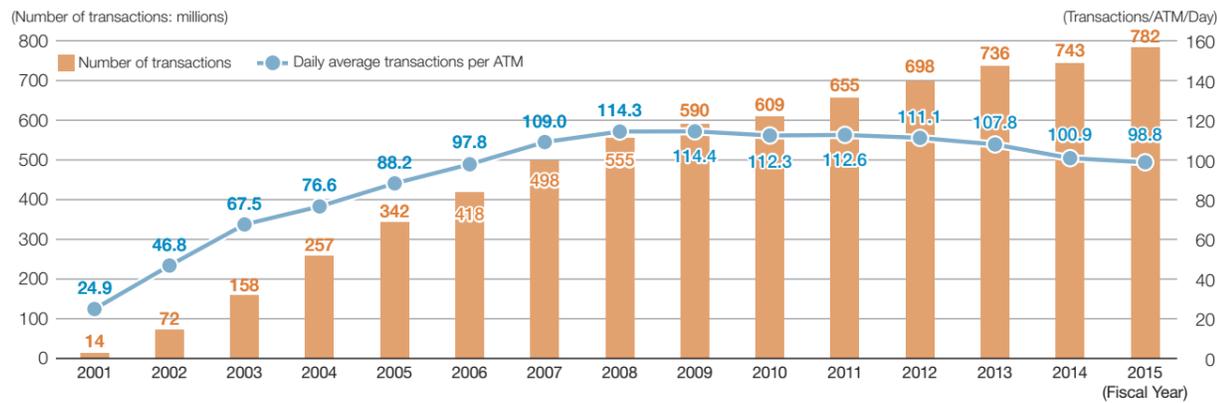
Growth Trajectory of Seven Bank's ATM

Number of ATMs installed as of March 31



Number of ATM Transactions per Fiscal Year*1 and Daily Average Transactions per ATM*1

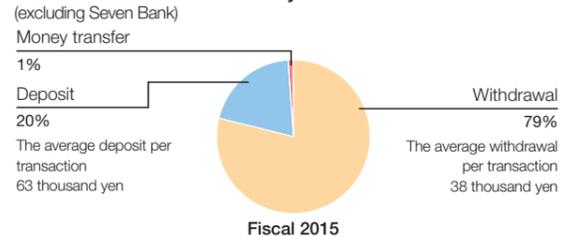
Amounts less than one unit have been truncated.



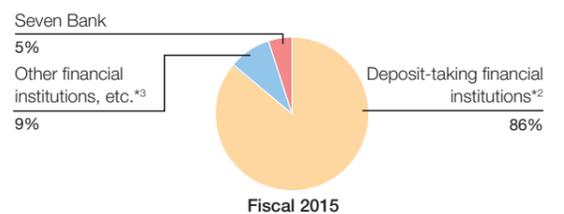
Number of ATMs Installed by Location (as of March 31, 2016: 22,472 units)

Location	Within Seven & i Holdings Group	Total	Location	Outside the Group	Total
7-Eleven (Stores with multiple units installed: 1,259)	19,816	20,415	Commercial facilities	958	2,057
Ito-Yokado	320		Financial institutions	539	
York-Benimaru	118		Railway stations and station buildings	253	
York Mart	70		Highway rest areas	54	
SEIBU	20		Airports	44	
SOGO	12		Others	209	
LOFT	6				
AKACHAN HONPO	4				
Denny's	7				
Directly managed ATM corner	14				
Headquarters, etc.	28				

Number of ATM Transactions by Service*1 Breakdown (excluding Seven Bank)



Number of ATM Transactions by Business Category*1 Breakdown



*1 Number of transactions: Total number of deposits, withdrawals and money transfers. Balance inquiry, electronic money charge/balance confirmation, PIN number change, and usage limit change are not included.

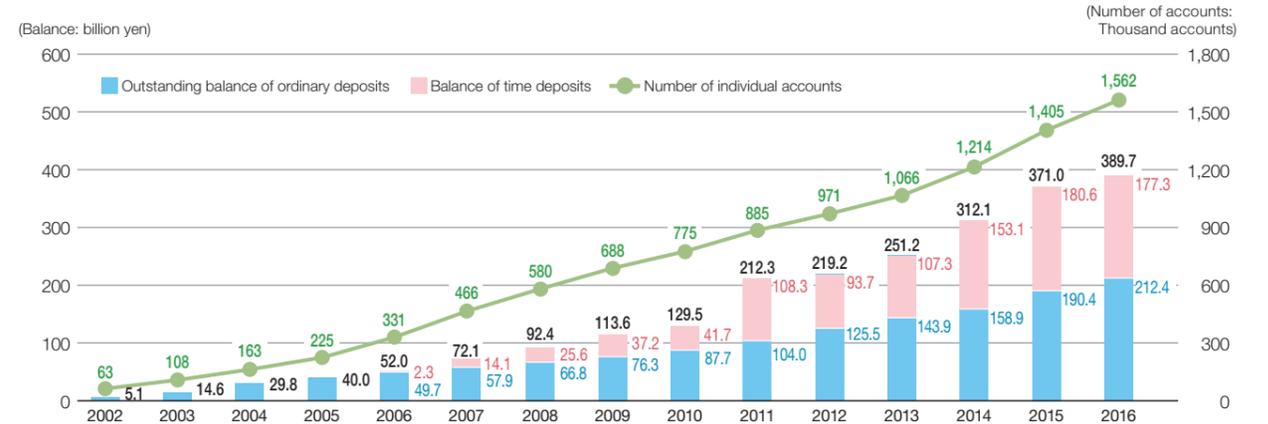
*2 Deposit-taking financial institutions: Banks (excluding Seven Bank), Shinkin banks, credit cooperatives, labor banks, the JA Bank, the JF Marine Bank, the Shoko Chukin Bank.

*3 Other financial institutions, etc.: securities companies, life insurance companies, credit card companies, credit companies, consumer finance companies, business loan providers, operating companies, cards issued overseas.

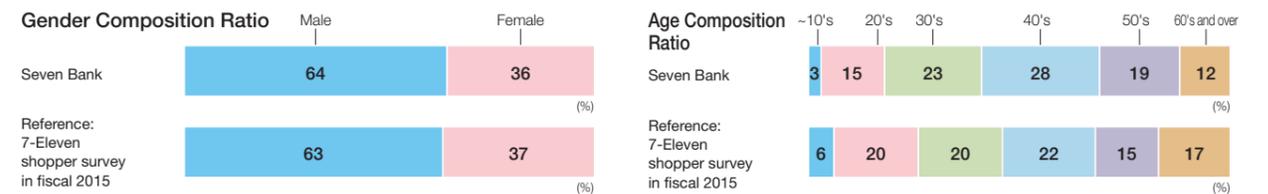
Growth Trajectory of Seven Bank's Accounts (individuals)

Growth in Total Balance and Number of Accounts (individuals) as of March 31

Amounts less than one unit have been truncated.



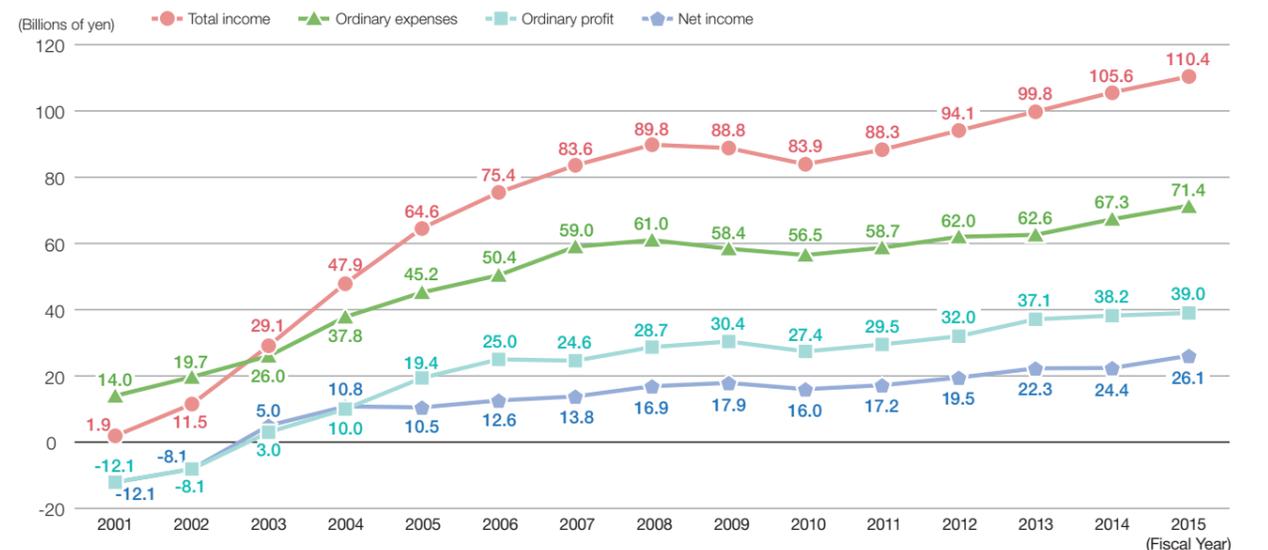
Breakdown of Accounts (individuals) (as of March 31, 2016)



Financial Highlights

Changes in Profit/Loss (non-consolidated)

Amounts less than one unit have been truncated.



History

(As of July 1, 2016)

2001

- April 6 Preliminary license received

Preliminary license received
- April 10 IY Bank Co., Ltd. established (common stock: 20,205 million yen)

アイワイバンク銀行
- 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
- May 23 Joined Japanese Bankers Association (full member)
- June 11 Connected to Zengin system
- June 13 Connected to BANCS (Initiated withdrawal services using major commercial bank cards from our ATMs)
- 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
- 2004 July 7 Established Customer Service Division
- 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 staffed outlet in Ito-Yokado Soga store

Ito-Yokado Soga store outlet
- July 26 Introduction of second-generation ATMs

Second-generation ATM
- October 11 Company name changed to Seven Bank, Ltd.


Seven Bank IC cash card
- 2006 January 3 Began operation of new accounting system
- March 2 Initiated bank agency services at Ito-Yokado Kawaguchi store outlet
- March 20 Began providing time deposit service
- 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)

2007

- June 25 First dividend paid since establishment
Began receiving outsourcing of 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 *nanaco* electronic money cards at ATMs
- September 27 Completed installation of ATMs in 7-Eleven and Ito-Yokado operating areas (36 prefectures at the time)
- 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 Stock 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)
- 2010 January 25 Initiated personal loan services
- July 7 Established directly managed ATM corner

Shinjuku Kabukicho corner (internal view)
- 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 (initiated internet and mobile banking service)
- July 19 Initiated international money transfer services by ATM
- December 1 1,000-for-1 stock split
- December 26 Adopted share unit number system with 100 shares per unit
- December 26 Listed on the First Section of the Tokyo Stock Exchange

Listing ceremony
- 2012 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
- September 27 U.S.-based subsidiary Financial Consulting & Trading International, Inc. acquired the ATM business of Global Access 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 on commission
- July 31 Number of ATMs installed exceeded 20,000
- 2015 July 8 U.S.-based subsidiary Financial Consulting & Trading International, Inc. established FCTI Canada, Inc., a subsidiary operating ATMs in Canada
- October 1 Financial Consulting & Trading International, Inc., a subsidiary in the United States, changed its name to "FCTI, Inc."
- December 16 Expansion of language options on ATM screens and slips to 12 languages, etc. when cards issued overseas are used

Major Activities Based on “Basic CSR Policy”

Operations with high fairness and transparency

ISO 26000 6.2
Organizational governance

ISO 26000 6.6 Fair
operating practices

Corporate governance
Risk management
Compliance

Please refer to pages 45-50.

Core Policies (6 Standpoints)	Seven Bank Initiatives	Aims for Fiscal 2015 (Planned)	Results and Achievements in Fiscal 2015	Rating	Aims for Fiscal 2016 (Planned)
<p>How do our business activities contribute to society's economic well-being?</p> <p>ISO 26000 6.7 Consumer issues</p>	<p>CSR through our main businesses ATM services that can be accessed “anytime, anywhere, by anyone, with safety and security” Account services that are easy to use, convenient, reasonably priced, and serve as an “wallet”</p>	<ul style="list-style-type: none"> ● Increasing the number of ATMs ● Further enhancing the convenience and safety of ATMs ● Monetizing the international money transfer service and the personal loan service ● Promoting and developing new businesses such as the international ATM business 	<p>Please refer to pages 19-34.</p>	○	<ul style="list-style-type: none"> ● Increasing the number of ATMs ● Further enhancing the convenience and safety of ATMs ● Expanding the international money transfer service, the personal loan service, and the service of accepting cash proceeds from sales ● Promoting the international ATM business ■ Combining the advantage of having over 20,000 ATMs throughout the country with the latest technology ■ Creating new businesses and developing new markets
<p>Is Seven Bank sufficiently attentive to the natural environment, and does it make sufficient efforts to address environmental problems?</p> <p>ISO 26000 6.5 The environment</p>	Firm grasp of environmental burden	Continually monitoring and disclosing information on indirect greenhouse gas emissions (Scope 3) by the Bank through supply chains	6 companies in the Seven & i Holdings Group (including Seven Bank) computed their status under “Scope 3” CSR reports and other documents of the Group were disclosed	○	Continually monitoring and disclosing information on indirect greenhouse gas emissions (Scope 3)
	Efficient energy usage	Promoting paperless operations	A paperless work environment was promoted through utilizing tablets when conducting face-to-face sales activity for the international money transfer service	○	Promoting paperless operations
		Switching over to third-generation ATMs, which consume approximately half the energy of previous generations	21,442 third-generation ATMs were installed as of the end of fiscal 2015	○	Completing in fiscal 2016 the switchover to third-generation ATMs
		Implementing energy-saving measures in offices	The switching off of lights before leaving the office was strictly enforced A “cool biz” campaign was launched from May 11 to October 31, 2015 during which air conditioners were set at 27°C	○	Continually implementing energy-saving measures in offices
	Structuring of a recycle-oriented society	Promoting the recycling of old ATM models	Disposed of and recycled old ATM models (2,597 machines and 727t in fiscal 2015) Disposed of and recycled UPS batteries (2,597 units in fiscal 2015)	○	Promoting the recycling of old ATM models
	Raising of awareness among employees	Raising awareness on the direction of the Bank's CSR and environmental issues through CSR training	Organized training sessions related to CSR and environmental issues for all employees 2 times per year	○	Raising awareness on the direction of the Bank's CSR and environmental issues through CSR training
		Providing ongoing support for the Certification Test for Environmental Specialists (Eco Test), in order to further raise employees' environmental awareness Implementing efforts to raise awareness during the Bank's environmental awareness month in June	Had 12 employees pass the test in July in fiscal 2015 As of the end of March 2016, the Bank has 84 employees who have passed the test Implemented measures during the Bank's environmental awareness month such as holding “Environmental Talks” at children's centers	○	Further raising employees' environmental awareness, and implementing efforts to raise awareness, especially during June, the Bank's environmental awareness month
		Continuing to proactively participate in Seven & i Holdings Group's volunteering activities related to the environment	Had 22 employees participate in Seven & i Holdings Group's Support Plan for the Restoration of the Great East Japan Earthquake, etc.	○	Continuing to proactively participate in Seven & i Holdings Group's volunteering activities related to the environment
	Increasing participants in volunteering activities related to the environment organized by Seven Bank	Organized the Bonolon-no-mori environmental activity, and had 42 employees participate	○	Enriching the content of volunteering activities related to the environment organized by Seven Bank	
<p>What are our responsibilities to our customers on our products and services, and how are they fulfilled?</p> <p>ISO 26000 6.6 Fair operating practices 6.7 Consumer issues</p>	Ensuring the quality and safety of products and services	Regularly organizing unscripted drills that are application-oriented Continuing to organize BCP Committee Meetings and enhancing conditions through the improvement of existing issues	Enhanced skillfulness and responsiveness through organizing application-oriented drills <ul style="list-style-type: none"> ● Enhanced post-disaster responsiveness through initial response drills organized by the crisis task force ● Conducted unscripted drills that are application-oriented, in the hypothetical situation that disaster had hit the metropolitan area 	○	Enhancing responsiveness through drills focused on “unexpected circumstances” Organizing drills with the aim of further enhancing coordination among departments and capability to act

Core Policies (6 Standpoints)	Seven Bank Initiatives	Aims for Fiscal 2015 (Planned)	Results and Achievements in Fiscal 2015	Rating	Aims for Fiscal 2016 (Planned)
<p>What are our responsibilities to our customers on our products and services, and how are they fulfilled?</p> <p>ISO 26000 6.6 Fair operating practices 6.7 Consumer issues</p>	Products and services that are safe and reliable to use	Promoting ATM functions that respond to diverse needs Providing IC transaction compatibility with overseas card transactions, as well as services in 12 languages	Installed ATMs at airports and tourist facilities to meet inbound demands ATM screens and slips etc. support 12 language options when cards issued overseas are used Expansion of IC transaction compatibility to cards issued overseas Installed holders for canes and drinks at 7-Eleven's in-store ATMs Introduced the Smartphone Authentication Service for enhanced security which can be enhanced by two-factor authentication for transactions through internet banking	○	Continually promoting ATM functions that respond to diverse needs
	Straightforward response system towards customer feedback	Continually evaluating matters regarding the improvement of CS	Strengthened the improvement efforts for products and services reflecting customer feedback Number of internal communications sent to relevant divisions is 360. Number of improvements made is 124.	○	Continually making efforts to improve CS
<p>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?</p> <p>ISO 26000 6.3 Human rights 6.4 Labour practices</p>	Enhancement of work performance	Strengthening support for self-development (languages, business, IT skills) Cultivating next-generation leaders	Conducted next-generation leader training Management staff training (13 persons) Innovation training conducted by Ministry of Economy, Trade and Industry (3 persons) Overseas training (2 persons) Send employees to MBA program in Japan (3 persons)	○	Strengthening support for self-development (languages, business, IT skills) Continuing to cultivate next-generation leaders
	Sense of fulfillment of employees	From results gained from employee awareness surveys, summarizing issues of the Bank and sharing them with all employees	Conducted and analyzed employee awareness surveys in order to evaluate changes over time, having a firm grasp on the results of improvement measures	○	Building a foundation for promoting diversity Creating an active working environment that does not discriminate against race and gender Establishing new systems supporting both work and child-rearing & nursing Continuing to employ nursing care training
	Work-life balance	Supporting the promotion of work-life balance Implementing a work-at-home system Implementing a childcare leave system Enriching the follow-up system for employees returning from childcare leave	Implemented the work-at-home system (4 users) Implemented a new childcare leave system (46 users) Childcare leave users (10 persons) Number of persons returning to work from childcare leave (3 persons, returning rate is 100%)	○	
	Employment of diverse talents	Continuing to employ nursing care training Continuing efforts to maintain the legal employment quota of disabled employees Building a foundation for promoting diversity	Organized seminars on nursing care Began mediation for nursing care support services Ratio of employment of persons with a disability is 2.28% (as of March 31, 2016)	○	Transitioning from fixed-term employment to indefinite-term employment
	Labor safety	Ensuring employees obtain paid leave Putting effort in and ensuring a period during which employees leave work on time	Rate of paid leave taken Full-time employees 78.7% Contract employees 92.7% Held "leave work on time period" twice	○	Continually ensuring employees obtain paid leave Implementing stress checks
<p>Does Seven Bank work closely with society as a good corporate citizen and actively undertake activities that contribute to society?</p> <p>ISO 26000 6.8 Community involvement and development</p>	Support towards childcare and the elderly	Promoting story-reading activities supported by the sponsorship for the picture book "Bonolon"	Continue to hold story-reading events at locations such as children's centers and Seven Bank staffed outlets	○	Promoting story-reading activities supported by the sponsorship for the picture book "Bonolon"
		Donating picture books Enhancing the cooperation with children's centers	Donation of picture books to children's centers supported by the issuance of Bonolon cash cards (2,931 locations) Raised 393,041 yen through a Click Donation campaign to support the Shimo-Masuda Children's Center at Miyagi Prefecture	○	Donating picture books Enhancing the cooperation with children's centers
	Support towards regional revitalization	Encouraging employee participation in volunteering activities	Sent mobile ATM cars to Katsurao village in Fukushima Prefecture in order to support the reconstruction of the area 7 cases of volunteer leave taken	△	Encouraging employee participation in volunteering activities
<p>Do we maintain a policy that strongly opposes antisocial groups?</p> <p>ISO 26000 6.6 Fair operating practices</p>	Countermeasures against antisocial groups Countermeasures against financial crimes	Accelerating the research analysis and response towards financial crimes Enhancing the cooperation system with investigating authorities and partner companies	Promoted the research analysis of financial crimes, and implemented effective countermeasures Cooperated on over 60,000 cases annually with investigating authorities Implemented countermeasures on illegal bank accounts in cooperation with partner companies	○	Enhancing the detection of financial crimes, Completely shutting down financial crimes through enhancing the cooperation system with investigating authorities and partner companies



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

