

Please note that the following is an English translation of the original Japanese version, prepared only for the convenience of shareholders residing outside Japan. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

Securities Identification Code: 8410  
May 31, 2018

## CONVOCAATION NOTICE OF THE 17TH ORDINARY GENERAL MEETING OF SHAREHOLDERS OF SEVEN BANK, LTD.

Dear Shareholder,

Notice is hereby given that the 17th Ordinary General Meeting of Shareholders (the "Meeting") of Seven Bank, Ltd. (the "Company") will be held as described below. We look forward to your attendance at the Meeting.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or by electronic means (e.g., the Internet). Please review the "Reference Materials for General Meeting of Shareholders" listed below and exercise your voting rights by 5:30 pm on Monday, June 18, 2018.

Yours Sincerely,

Kensuke Futagoishi, President and Representative Director  
Seven Bank, Ltd.  
6-1 Marunouchi 1-chome,  
Chiyoda-ku, Tokyo

**Date and time** Tuesday, June 19, 2018, at 10 am (Doors open at 9 am)

**Place** Ho-O-No-Ma (Main Hall)  
2F, Tokyo Prince Hotel  
3-1, Shibakoen 3-chome, Minato-ku, Tokyo  
(Please refer to the "Map of the Place for General Meeting of Shareholders" at the end of this notice.)

### Agenda of the Meeting

Matters to be Reported	1. Business Report and Report on the Non-consolidated Financial Statements for the 17th Fiscal Period (from April 1, 2017, to March 31, 2018). 2. Report on the Consolidated Financial Statements for the 17th Fiscal Period (from April 1, 2017, to March 31, 2018) and the Results of Audit by the Accounting Auditor and the Board of Audit & Supervisory Board Members on Said Consolidated Financial Statements.
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Matters to be Resolved	Proposal 1 Election of Eleven (11) Directors Proposal 2 Election of One (1) Audit & Supervisory Board Member Proposal 3 Election of One (1) Substitute Audit & Supervisory Board Member
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### Matters decided in convening the Meeting

1. Should you indicate neither approval nor disapproval on each proposal in the Exercise of Voting Rights Form, it shall be treated as an approval vote.
2. Should you wish to exercise non-uniform voting rights, please provide written notification to this effect, together with the reasons for your decision, no less than three days prior to the Meeting.

End

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**Notes:**

- From among the documents to be provided together with this convocation notice, “Matters concerning the Company’s subscription rights to shares, etc.” in the Business Report, “Statement of Changes in Net Assets” and the notes to the Non-consolidated Financial Statements and “Consolidated Statement of Changes in Net Assets” as well as the notes to the Consolidated Financial Statements are disclosed on the Company’s Web site (<https://www.sevenbank.co.jp/ir/stock/>) and not provided herewith pursuant to the law and Article 14 of the Articles of Incorporation.  
The attached documents accompanying this convocation notice and the aforementioned documents posted on the above Web site are included in the documents audited by the Audit & Supervisory Board Members and the Accounting Auditor to prepare the Audit Report and the Independent Auditor’s Report, respectively.
- If any amendments are made to the Reference Materials for General Meeting of Shareholders, the Business Report and the Consolidated and Non-consolidated Financial Statements, they will be disclosed on the Company’s Web site (<https://www.sevenbank.co.jp/ir/stock/>).

## **Guidance to the Exercise of Voting Rights**

Voting rights are important rights of shareholders. Please exercise your voting rights after carefully reviewing the “Reference Materials for General Meeting of Shareholders.” There are three methods for the exercise of voting rights as follows.

### **Attending the General Meeting**

Please present the enclosed Exercise of Voting Rights Form at the reception desk.

#### **Date and time of the General Meeting**

June 19, 2018, at 10 am

### **By mail**

Please indicate your approval or disapproval of the proposals on the enclosed Exercise of Voting Rights Form, and return it so that it arrives by the following deadline.

#### **Exercise deadline**

Must arrive by 5:30 pm, June 18, 2018

### **Via the Internet**

Please access the voting service Web site (<https://www.evotetr.mufg.jp/>) designated by the Company and enter your approval or disapproval of the proposals by the following deadline.

#### **Exercise deadline**

No later than 5:30 pm, June 18, 2018

### **Notes on the exercise of voting rights via the Internet**

- If you have exercised your voting rights via the Internet, the vote exercised via the Internet shall prevail even if you exercise your voting rights by returning the Exercise of Voting Rights Form by mail.
- If you have exercised your voting rights more than once via the Internet, only the last vote shall prevail.
- Any charges that might be required to access the voting service Web site, such as connection fees charged by Internet service providers and telecommunications charges, shall be borne by the shareholder.
- Please note that the exercise of voting rights using a personal computer or a smartphone, etc. might not be available depending on the Internet environment of each shareholder, and that the exercise of voting rights using mobile Web services might not be available depending on the model of the mobile phone used.

For inquiries about the system environment, etc., contact:

Transfer Agent, Mitsubishi UFJ Trust and Banking Corporation (“Help Desk”)

Toll-Free Call: 0120-173-027 Business Hours: 9 a.m.–9 p.m.

### **To Institutional Investors**

As an alternative method for the exercise of voting rights for the Company’s General Meetings, the Electronic Voting Platform operated by Investor Communications Japan, Inc. is available.

## Reference Materials for General Meeting of Shareholders

### Proposal 1: Election of Eleven (11) Directors

The term of office of all nine (9) incumbent Directors will expire at the end of this General Meeting of Shareholders. We therefore propose that you elect eleven (11) Directors.

Candidates for the position of Director are as follows.

Candidate number		Name	Position	Attendance at meetings of the Board of Directors during fiscal 2017
1	Reappointed	Kensuke Futagoishi	President and Representative Director	Attended all 13 meetings (100%)
2	Reappointed	Yasuaki Funatake	Director, Executive Vice President	Attended all 13 meetings (100%)
3	Reappointed	Kazuhiko Ishiguro	Director, Senior Managing Executive Officer	Attended all 13 meetings (100%)
4	Reappointed	Taku Oizumi	Director, Managing Executive Officer	Attended all 13 meetings (100%)
5	Reappointed	Hisanao Kawada	Director, Managing Executive Officer	Attended all 13 meetings (100%)
6	Newly appointed	Kazutaka Inagaki	Executive Officer	—
7	Reappointed	Katsuhiro Goto	Director	Attended 9 of 10 meetings (90.0%)
8	Newly appointed	Makoto Kigawa	<div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent Officer</div>	—
9	Newly appointed	Toshihiko Itami	<div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside Director</div>	—
10	Newly appointed	Koichi Fukuo	<div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent Officer</div>	—
11	Newly appointed	Yukiko Kuroda	<div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent Officer</div>	—

Note: Katsuhiro Goto's attendance is only with regard to the Board of Directors meetings that were held after he assumed office as Director on June 19, 2017.

Candidate number	Name (Date of birth)	Biography, position, and business in charge, and important concurrent positions	Number of Company shares owned
1	Kensuke Futagoishi (October 6, 1952) Reappointed	<p>Apr. 1977      Joined The Sanwa Bank, Limited (now MUFG Bank, Ltd.)</p> <p>Apr. 2001      General Manager of Retail Business Planning Division, UFJ Holdings, Inc. (now Mitsubishi UFJ Financial Group, Inc.)</p> <p>Jan. 2002      General Manager of Gotanda Corporate Sales Department, UFJ Bank Limited (now MUFG Bank, Ltd.)</p> <p>Oct. 2003      Joined the Company</p> <p>Nov. 2003      General Manager of Business Promotion Division, aforementioned company</p> <p>Jun. 2004      Director, aforementioned company</p> <p>Jun. 2006      Director, Executive Officer, aforementioned company</p> <p>Nov. 2007      Director, Managing Executive Officer, aforementioned company</p> <p>Jun. 2009      Director, Senior Managing Executive Officer, aforementioned company</p> <p>Jun. 2010      President and Representative Director, aforementioned company (present post)</p> <p>[Business in Charge] Internal Audit Division, Risk Management Division and Financial Crime Risk Strategy Planning and Prevention Division</p> <p>[Reasons for appointing the candidate for Director] Mr. Kensuke Futagoishi, as President and Representative Director of the Company, has controlled the Company's overall management, striving to achieve the medium- to long-term growth strategies of the Company. Mr. Futagoishi possesses broad knowledge not only in management of a company but also in strengthening corporate governance. Therefore, the Company judges him to be a suitable candidate for Director.</p>	231,400

Candidate number	Name (Date of birth)	Biography, position and business in charge, and important concurrent positions	Number of Company shares owned
2	Yasuaki Funatake (November 29, 1956) Reappointed	<p>Apr. 1980     Joined the Long-Term Credit Bank of Japan, Limited (now Shinsei Bank, Limited.)</p> <p>Jul. 2001     Manager of Retail Business Development Division, Shinsei Bank Limited</p> <p>Dec. 2001     Joined the Company</p> <p>Oct. 2002     General Manager of Business Development Division, aforementioned company</p> <p>May 2006     General Manager of Project Development Division, aforementioned company</p> <p>Jun. 2006     Executive Officer, General Manager of Project Development Division, aforementioned company</p> <p>Jun. 2008     Director, Executive Officer, General Manager of Business Promotion Division, aforementioned company</p> <p>Jun. 2010     Director, Managing Executive Officer, General Manager of Planning Division, aforementioned company</p> <p>Jun. 2013     Director, Senior Managing Executive Officer, General Manager of Planning Division, aforementioned company</p> <p>Apr. 2014     Director, Senior Managing Executive Officer, aforementioned company</p> <p>Jun. 2016     Director, Executive Vice President, aforementioned company (present post)</p> <p>[Business in Charge] Planning Division, General Affairs Division, Human Resources Division</p> <p>[Reasons for appointing the candidate for Director] Mr. Yasuaki Funatake, as Director and Executive Vice President of the Company, has controlled the Company's management strategies, financial and capital policies, public relations, IR activities and human resources, and possesses abundant experience, demonstrated performance and insight in promoting the Company's management strategies. Therefore, the Company judges Mr. Funatake to be a suitable candidate for Director.</p>	190,600
3	Kazuhiko Ishiguro (December 2, 1957) Reappointed	<p>Apr. 1980     Joined The Sanwa Bank, Limited (now MUFG Bank, Ltd.)</p> <p>Apr. 2001     Director, Ufit Co., Ltd. (now TIS Inc.) (on loan)</p> <p>Apr. 2004     Director, UFJIS Co., Ltd. (now Mitsubishi UFJ Information Technology, Ltd.) (on loan)</p> <p>Mar. 2006     Executive Managing Director, aforementioned company (on loan)</p> <p>May 2009     Joined the Company</p> <p>May 2009     Executive Officer, General Manager of System Division, aforementioned company</p> <p>Jun. 2010     Director, Executive Officer, General Manager of System Division, aforementioned company</p> <p>Jun. 2013     Director, Managing Executive Officer, General Manager of System Division, aforementioned company</p> <p>Apr. 2014     Director, Managing Executive Officer, aforementioned company</p> <p>Jun. 2016     Director, Senior Managing Executive Officer, aforementioned company (present post)</p> <p>[Business in Charge] System Division, ATM Solution Division, and Administration Division</p> <p>[Reasons for appointing the candidate for Director] Mr. Kazuhiko Ishiguro, as Director and Senior Managing Executive Officer of the Company, has controlled the Company's System Division, which supports the ATMs, products and services of the Company, and possesses abundant experience, demonstrated performance and insight related to systems and overall bank operation. Therefore, the Company judges Mr. Ishiguro to be a suitable candidate for Director.</p>	26,700

Candidate number	Name (Date of birth)	Biography, position and business in charge, and important concurrent positions	Number of Company shares owned
4	Taku Oizumi (October 24, 1956) Reappointed	<p>Apr. 1980      Joined the Bank of Japan</p> <p>Nov. 2002      Branch Manager of Yokohama Branch, aforementioned bank</p> <p>Jul. 2006      General Manager of Payment and Settlement Systems Department, aforementioned bank</p> <p>Apr. 2008      General Manager of Currency Issue Department, aforementioned bank</p> <p>Jul. 2010      Joined the Company</p> <p>Jan. 2011      Executive Officer, aforementioned company</p> <p>Jun. 2012      Director, Executive Officer, aforementioned company</p> <p>Oct. 2013      Director, Managing Executive Officer, General Manager of Overseas Business Division, aforementioned company</p> <p>Apr. 2014      Director, Managing Executive Officer, aforementioned company</p> <p>May 2014      Director, Seven Financial Service Co., Ltd.</p> <p>Oct. 2016      Director, Managing Executive Officer, General Manager of International Business Division, Company (present post)</p> <p>[Business in Charge] International Business Division</p> <p>[Reasons for appointing the candidate for Director] Mr. Taku Oizumi, as Director and Managing Executive Officer of the Company, has controlled the International Business Division, which promotes the Company's overseas business development, and possesses abundant experience, demonstrated performance and insight related to the Company's global business strategies. Therefore, the Company judges Mr. Oizumi to be a suitable candidate for Director.</p>	19,600
5	Hisanao Kawada (July 29, 1960) Reappointed	<p>Apr. 1984      Joined The Sanwa Bank, Limited (now MUFG Bank, Ltd.)</p> <p>Dec. 2005      Joined the Company</p> <p>Oct. 2006      General Manager of Project Development Division, aforementioned company</p> <p>Sep. 2011      Executive Officer, General Manager of Product Development and Promotion Division, aforementioned company</p> <p>Jul. 2013      Executive Officer, General Manager of Business Promotion Division, aforementioned company</p> <p>Jul. 2015      Managing Executive Officer, General Manager of Business Promotion Division, aforementioned company</p> <p>May 2016      Director, Seven Financial Service Co., Ltd. (present post)</p> <p>Jun. 2016      Director, Managing Executive Officer, General Manager of Business Promotion Division, Company (present post)</p> <p>[Business in Charge] Business Promotion Division and Treasury Division</p> <p>[Major Concurrent Positions] Director, Seven Financial Service Co., Ltd.</p> <p>[Reasons for appointing the candidate for Director] Mr. Hisanao Kawada, as Director and Managing Executive Officer of the Company, controlled the planning and promotion of new products and services and the expansion of business partners in the ATM business. Mr. Kawada possesses abundant experience and demonstrated performance related to the overall ATM business of the Company. Therefore, the Company judges him to be a suitable candidate for Director.</p>	80,400
6	Kazutaka Inagaki (September 27, 1967) Newly appointed	<p>Apr. 1990      Joined Haseko Corporation</p> <p>Mar. 1996      Joined Seven-Eleven Japan Co., Ltd.</p> <p>Feb. 2003      Joined the Company</p> <p>Jul. 2015      General Manager of ATM Administration Division, aforementioned company</p> <p>Jul. 2016      General Manager of Sales Management Division, aforementioned company</p> <p>Jul. 2017      Executive Officer, General Manager of Sales Management Division, aforementioned company (present post)</p> <p>[Reasons for appointing the candidate for Director] Mr. Kazutaka Inagaki is currently an Executive Officer of the Company, leading the expansion of the Company's ATM network and ensuring stable ATM operation. Mr. Inagaki possesses abundant experience and demonstrated performance regarding the Company's operation. Therefore, the Company judges him to be a suitable candidate for Director.</p>	3,000

Candidate number	Name (Date of Birth)	Biography, position and business in charge, and important concurrent positions	Number of Company shares owned
7	Katsuhiro Goto (December 20, 1953) Reappointed	<p>Jul. 1989      Joined Seven-Eleven Japan Co., Ltd.</p> <p>May 2002      Director, Ito-Yokado Co., Ltd.</p> <p>May 2004      Managing Director, aforementioned company</p> <p>Sep. 2005      Director, Seven &amp; i Holdings Co., Ltd.</p> <p>May 2006      Director, Millennium Retailing, Inc.</p> <p>Aug. 2009      Director, Sogo &amp; Seibu Co., Ltd.</p> <p>May 2016      Vice President &amp; Representative Director, Seven &amp; i Holdings Co., Ltd. (present post)</p> <p>Jun 2017      Director, the Company (present post)</p> <p>[Major Concurrent Position] Vice President &amp; Representative Director, Seven &amp; i Holdings Co., Ltd.</p> <p>[Reasons for appointing the candidate for Director] Mr. Katsuhiro Goto's experience and insight as a Representative Director of Seven &amp; i Holdings Co., Ltd., has genuinely contributed to the Company's management. Therefore, the Company judges him to be a suitable candidate for Director.</p>	30,000
8	Makoto Kigawa (December 31, 1949) Newly appointed Independent Officer Outside Director	<p>Apr. 1973      Joined The Fuji Bank, Limited (now Mizuho Bank, Ltd.)</p> <p>Apr. 2004      Managing Director, Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)</p> <p>Apr. 2005      Joined YAMATO TRANSPORT CO., LTD. (now YAMATO HOLDINGS CO., LTD.)</p> <p>Jun. 2005      Managing Director, aforementioned company</p> <p>Jun. 2006      Representative Director and Senior Executive Officer, aforementioned company</p> <p>Mar. 2007      Representative Director, President and Executive Officer, YAMATO TRANSPORT CO., LTD.</p> <p>Apr. 2011      Representative Director, President and Executive Officer, YAMATO HOLDINGS CO., LTD.</p> <p>Apr. 2015      Representative Director and Chairman, aforementioned company</p> <p>Jun. 2016      Director, Komatsu Ltd. (present post)</p> <p>Apr. 2018      Director and Chairman, YAMATO HOLDINGS CO., LTD. (present post)</p> <p>[Major Concurrent Position] Director and Chairman, YAMATO HOLDINGS CO., LTD. Outside Director, Komatsu Ltd.</p> <p>[Reasons for appointing the candidate for Outside Director] Expecting Mr. Makoto Kigawa's experience and insight as Representative Director of YAMATO HOLDINGS CO., LTD., etc. to contribute to the management of the Company, the Company judges him to be a suitable candidate for Outside Director.</p>	0
9	Toshihiko Itami (September 2, 1953) Newly appointed Outside Director	<p>Apr. 1980      Prosecutor, Tokyo District Public Prosecutors Office</p> <p>Jun. 2010      Director-General of the General Affairs Division, Supreme Public Prosecutors Office</p> <p>Jul. 2012      Chief Public Prosecutor, Tokyo District Public Prosecutors Office</p> <p>Jul. 2014      Deputy Prosecutor-General, Supreme Public Prosecutors Office</p> <p>Dec. 2015      Superintending Prosecutor, Osaka High Public Prosecutors Office</p> <p>Nov. 2016      Registered as an Attorney-at-law, joined Daiichi Tokyo Bar Association (present post)</p> <p>Nov. 2016      Advisor, Nagashima Ohno &amp; Tsunematsu (present post)</p> <p>[Major Concurrent Position] Attorney-at-law (Nagashima Ohno &amp; Tsunematsu)</p> <p>[Reasons for appointing the candidate for Outside Director] Mr. Toshihiko Itami possesses insight on corporate legal affairs nurtured for many years through his career as a prosecutor. We can expect his expertise to contribute to the management of the Company. Although Mr. Itami has not been involved in corporate management other than as an Outside Director or Outside Auditor, for the above reasons, the Company judges him to be a suitable candidate for Outside Director.</p>	0



Candidate number	Name (Date of Birth)	Biography, position and business in charge, and important concurrent positions	Number of Company shares owned
10	Koichi Fukuo (April 17, 1955) Newly appointed Independent Officer Outside Director	Apr. 1978      Joined Honda Motor Co., Ltd. Jun. 2005      Operating Officer, aforementioned company Jun. 2010      Managing Officer, aforementioned company Apr. 2014      Senior Managing Officer, aforementioned company Nov. 2014      Executive Vice President, Honda R&D Co., Ltd. Apr. 2015      President and Representative Director, aforementioned company Jun. 2015      Senior Managing Officer and Director, Honda Motor Co., Ltd. [Reasons for appointing the candidate for Outside Director] Expecting Mr. Koichi Fukuo's experience and insight as a manager at Honda Motor Co., Ltd., etc. to contribute to the management of the Company, the Company judges him to be a suitable candidate for Outside Director.	0
11	Yukiko Kuroda (September 24, 1963) Newly appointed Independent Officer Outside Director	Apr. 1986      Joined Sony Corporation Jan. 1991      Representative Director, People Focus Consulting Jun. 2010      Audit & Supervisory Board Member, Astellas Pharma Inc. Mar. 2011      Director, CAC Co., Ltd. (now CAC Holdings Corporation) (present post) Apr. 2012      Director/Founder, People Focus Consulting (present post) Jun. 2013      Director, Marubeni Corporation Jun. 2015      Member of the Board, Mitsui Chemicals, Inc. (present post) [Major Concurrent Positions] Director/Founder, People Focus Consulting Outside Director, CAC Holdings Corporation Outside Member of the Board, Mitsui Chemicals, Inc. [Reasons for appointing the candidate for Outside Director] Expecting Ms. Yukiko Kuroda's experience as a corporate manager and insight related to the development of human resources who can handle global business to contribute to the management of the Company, the Company judges her to be a suitable candidate for Outside Director.	0

Notes: 1. Candidate Mr. Katsuhiro Goto concurrently serves as Vice President & Representative Director of Seven & i Holdings Co., Ltd., which is a specific related company of the Company.

There are no particular interests between the Company and any of the other candidates for Director.

If the election of Candidate Mr. Katsuhiro Goto is approved as originally proposed, Mr. Goto will become a non-executive Director.

2. Candidates Mr. Makoto Kigawa, Mr. Toshihiko Itami, Mr. Koichi Fukuo and Ms. Yukiko Kuroda are candidates for Outside Director of the Company.

3. Facts of violation of laws or Articles of Incorporation or other unfair business execution that occurred at other company in the past five years while a candidate for Outside Director was serving as a director, an executive officer or an audit & supervisory board member of the company are as follows:

●At the corporate group of YAMATO HOLDINGS CO., LTD. ("YAMATO HOLDINGS"), at which Candidate Makoto Kigawa has been serving as a Director since June 2005, a problematic situation occurred where the update of the operating structure could not catch up with the recent rapid expansion of e-commerce, causing many employees not to be able to have sufficient break. A survey on employees' actual work hours conducted in February 2017 and thereafter revealed the company's lack of recognition about issues such as employees being unable to get sufficient break. YAMATO HOLDINGS regarded this finding as a serious issue, positioned the "workstyle reform"—via "Improvement in and thorough labor management," "promotion of a healthy work-life balance" and other initiatives—as a priority issue and has been working on various structural reforms in its Delivery business, etc.

4. With candidate Mr. Katsuhiro Goto, the Company currently has a contract for limitation of indemnity liability as provided in Article 423, Paragraph 1, of the Companies Act on the basis of the provisions of Article 427, Paragraph 1, of the Companies Act. (Provided, however, that the amount of the liability limitation under the contract is as provided by law.) If the election of Mr. Goto is approved as originally proposed, this contract shall continue to be effective.

If the election of candidates Mr. Makoto Kigawa, Mr. Toshihiko Itami, Mr. Koichi Fukuo and Ms. Yukiko Kuroda is approved as originally proposed, the Company intends to conclude a similar contract for limitation of indemnity liability with each of them.

5. If the election of candidates Mr. Makoto Kigawa, Mr. Koichi Fukuo and Ms. Yukiko Kuroda is approved as originally proposed, the Company intends to register them as Independent Officers with the Tokyo Stock Exchange, based on the provisions stipulated by Tokyo Stock Exchange, Inc.

Candidate Mr. Makoto Kigawa concurrently holds office as Director and Chairman of YAMATO HOLDINGS CO., LTD. The Company pays delivery fees, etc. to its subsidiary. However, the amount of such payments is less than 0.1% of Ordinary expenses for the Company's most recent consolidated business year.

6. Ms. Yukiko Kuroda's name on the Family Register is Yukiko Matsumoto.

## Proposal 2: Election of One (1) Audit & Supervisory Board Member

The term of office of Mr. Isamu Hirai will expire at the end of this General Meeting of Shareholders. We therefore propose that you elect one (1) Audit & Supervisory Board Member.

This proposal has already been approved by the Audit & Supervisory Board. The candidate for the position of Audit & Supervisory Board Member is as follows.

Name (Date of Birth)	Biography, position and business in charge, and important concurrent positions	Number of Company shares owned
<p style="text-align: center;">Isamu Hirai (February 26, 1951) Reappointed</p>	Jul. 1978    Joined Seven-Eleven Japan Co., Ltd.	100,000
	Feb. 1992    General Manager, Treasury Department, aforementioned company	
	Feb. 2000    General Manager, Corporate Planning Department, aforementioned company (retired from Seven-Eleven Japan Co., Ltd., in April 2001)	
	Apr. 2001    Director and General Manager, Planning Division of the Company (retired from the Company in May 2006)	
	May 2006    Executive Officer, General Manager, Planning Department of Planning Office, Seven-Eleven Japan Co., Ltd.	
	May 2007    Managing Executive Officer, General Manager, Planning Office, aforementioned company	
	Jan. 2009    Managing Executive Officer, Deputy General Manager, Accounting Management Headquarters, aforementioned company	
	Jan. 2010    Executive Officer, Deputy General Manager, Accounting Management Headquarters, and General Manager, Corporate Behavior Promotion Office, aforementioned company	
	Jan. 2012    Executive Officer, Manager, Franchisee Consulting Department, aforementioned company	
	Mar. 2012    General Manager, Franchisee Consulting Department, aforementioned company	
Jun. 2014    Audit & Supervisory Board Member, the Company (present post)		
<p>[Reasons for appointing the candidate for Outside Audit &amp; Supervisory Board Member] Because Mr. Isamu Hirai possesses experience in management planning of Seven-Eleven Japan Co., Ltd., and the Company, and has been conducting actual audits regarding the overall management of the Company from the standpoint of ensuring sound management, the Company judges him to be a suitable candidate for Audit &amp; Supervisory Board Member.</p>		

Notes: 1. For the past five years, Mr. Isamu Hirai executed business as General Manager, Franchisee Consulting Department, of Seven-Eleven Japan Co., Ltd., which is a specific related company of the Company.

2. With candidate Mr. Isamu Hirai, the Company currently has a contract for limitation of indemnity liability as provided in Article 423, Paragraph 1, of the Companies Act on the basis of the provisions of Article 427, Paragraph 1, of the Companies Act. (Provided, however, that the amount of the liability limitation under the contract is as provided by law.) If the election of Mr. Hirai is approved as originally proposed, this contract shall continue to be effective.

### Proposal 3: Election of One (1) Substitute Audit & Supervisory Board Member

To prepare for the event that the number of Audit & Supervisory Board Members falls below the required number stipulated by laws and regulations, based on Article 329, Paragraph 3 of the Companies Act, we propose that you elect one (1) Substitute Audit & Supervisory Board Member.

Provided, however, the election based on this proposal shall be able to be revoked with approval by the Audit & Supervisory Board and by resolution of the Board of Directors only before the elected Audit & Supervisory Board Member assumes office.

This proposal has already been approved by the Audit & Supervisory Board.

The candidate for the position of Substitute Audit & Supervisory Board Member is as follows.

Name (Date of Birth)	Biography, position and business in charge, and important concurrent positions	Number of Company shares owned
Hideaki Terashima (November 16, 1951)	<p>Apr. 1978 Registered as an Attorney-at-law, joined Daiichi Tokyo Bar Association (present post)</p> <p>Apr. 1983 Established Terashima Law Office (now Harumi-kyowa Law Offices) (present post)</p> <p>Apr. 1995 Professor, Legal Training and Research Institute of Japan, Supreme court of Japan</p> <p>Jan. 2001 Examiner for the Second Stage of Testing of the Bar Examination at National Bar Examination Commission</p> <p>Apr. 2005 Examiner for New Bar Examination</p> <p>Apr. 2007 Visiting Professor, Law School, Senshu University</p> <p>Apr. 2009 Professor, Law School, Senshu University (present post)</p> <p>Apr. 2017 Visiting Professor, Chuo University, Faculty of Law (present post)</p> <p>[Major Concurrent Positions] Attorney-at-law (Harumi-kyowa Law Offices) Professor, Law School, Senshu University</p> <p>[Reasons for appointing the candidate for Outside Audit &amp; Supervisory Board Member] We can expect Mr. Hideaki Terashima's broad insight in corporate legal affairs, nurtured in his career as an Attorney-at-law, to contribute to the audits of management of the Company. Although Mr. Terashima has not been involved in corporate management other than as an Outside Director or Outside Auditor, for the above reasons, the Company judges him to be a suitable candidate for Substitute Outside Audit &amp; Supervisory Board Member.</p>	0

Notes: 1. Candidate Mr. Hideaki Terashima is a candidate for Substitute Outside Audit & Supervisory Board Member of the Company.

2. There are no particular interests between the Company and candidate Mr. Hideaki Terashima.

3. If candidate Mr. Hideaki Terashima assumes office as an Outside Audit & Supervisory Board Member of the Company, the Company intends to conclude with him a contract for limitation of indemnity liability as provided in Article 423, Paragraph 1, of the Companies Act on the basis of the provisions of Article 427, Paragraph 1, of the Companies Act. (Provided, however, that the amount of the liability limitation under the contract is as provided by law.)

4. If candidate Mr. Hideaki Terashima assumes office as an Outside Audit & Supervisory Board Member of the Company, the Company intends to register him as Independent Officer with the Tokyo Stock Exchange, based on the provisions stipulated by Tokyo Stock Exchange, Inc.

(Reference) Independence Standards for Outside Officers

1. Is not a person with executive authority over operations of the Company's parent company or fellow subsidiary (or has been in such position in the past, hereinafter, the same applies to each item);
2. Is not a person for which the Company is a major business partner or a person with executive authority over such entity's operations, or a major business partner of the Company or a person with executive authority over operations of such entity's operations;
3. Is not a consultant, an accounting professional or a legal professional or a person belonging to an organization that receives a significant amount of compensation from the Company, other than officers' compensation;
4. Is not a major shareholder of the Company or a person with executive authority over operations of such shareholder; or
5. Is not a close relative to a person that falls under any of the above or a relative by blood or marriage within the second degree to a person with executive authority over operations of the Company.

## Business Report for the 17th Fiscal Period (from April 1, 2017, to March 31, 2018)

### 1 Matters concerning the current status of the Company

#### 1. Business developments and outcomes

##### Description of main businesses

Seven Bank (the “Company”) provides a range of cash deposit and withdrawal services via a highly convenient Automated Teller Machine (ATM) network operating 24 hours a day, 365 days a year. The ATM network consists of ATMs at airports, train stations and outlets of banking and financial institutions, as well as retail outlets including 7-Eleven and Ito-Yokado, which belong to the Seven & i Group (the “Group”), backed by partnerships with a wide variety of financial institutions including regular banks, *shinkin* banks, credit cooperatives, labor banks, JA Bank, JF Marine Bank, Shoko Chukin Bank, securities companies, life insurance companies, credit card companies and consumer finance companies.

The Company also provides close and convenient bank account services including ordinary deposits, time deposits, loan services, international money transfer services and debit services accessible from more than 24,000 ATMs nationwide, PCs and smartphones.

##### Economic and Financial environment

During the fiscal year under review, given positive trends of circular flows of income and expenditure, the Japanese economy expanded moderately with the effect of the economic measures by the Japanese government. The financial environment remained substantially saturated with real long-term interest rates, which is a result of subtracting the anticipated medium- to long-term inflation rate from long-term interest rates, staying negative.

#### Business developments and outcomes for the fiscal year under review

##### (1) ATM services

During fiscal 2017, Seven Bank aggressively promoted the installation of ATMs within and outside the Group to enhance the convenience for customers.

Also during fiscal 2017, to further expand the number of our ATM users, we aggressively promoted new partnerships with fund transfer businesses other than just financial institutions as a new business category and launched new ATM uses: the SoftBank card in August 2017, LINE Pay in October 2017 and JCB PREMO in March 2018. As a result of such efforts, as of March 31, 2018, we had partnered with 124 banks, 258 *shinkin* banks, 127 credit cooperatives, 13 labor banks, JA Bank, JF Marine Bank, Shoko Chukin Bank, 11 securities companies, 8 life insurance companies and 56 other financial institutions, totaling 600 businesses.\*

Within the Group, we have installed ATMs along with new 7-Eleven store openings and steadily increased the number of ATMs installed. As for operations outside the Group, to address customer needs, we continued to promote the installation of ATMs inside each facility for transportation, logistics and tourism.

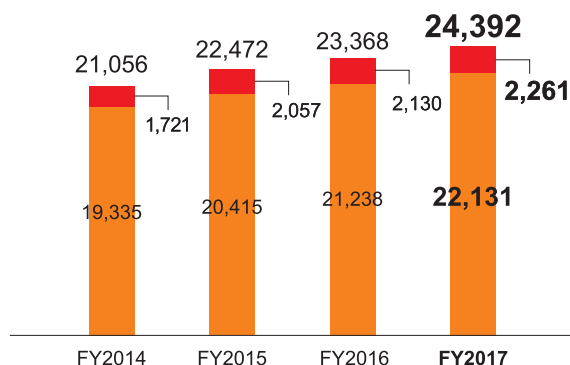
As a result of such initiatives, the number of our ATMs installed reached 24,392 (up 4.3% compared with the end of March 2017). The average daily transactions per ATM were 94.1 (down 1.4% year over year), and a total of 815 million transactions were recorded (up 2.3% year over year).

Note: JA Bank and JF Marine Bank are each counted as one institution.

### Change in Number of ATMs

(Unit: number of ATMs)

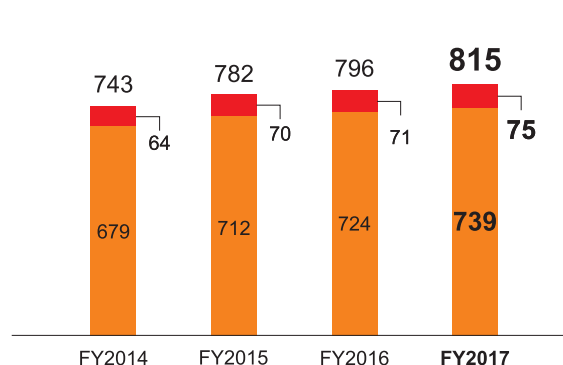
■ Within the Seven & i Group  
■ Outside the Seven & i Group



### Change in Number of ATM Transactions

(Unit: millions of transactions)

■ Financial institution for deposits and savings  
■ Nonbank



#### (2) Financial services business

The Company had 1,827 thousand individual customer accounts at the end of March 2018 (up 8.1% compared with the end of March 2017), a balance of deposits of 409,500 million yen (up 3.1% year over year) and a balance of personal loan services of 22,700 million yen (up 14.5% year over year).

The number of accounts for cash cards with a debit function, which we started issuing in October 2016, increased steadily, reaching 325 thousand.

#### (3) Consolidated subsidiaries

FCTI, Inc., the Company's consolidated subsidiary in the United States, started replacing ATMs in 7-Eleven stores in the United States in August 2017. As of December 31, 2017, the number of ATMs installed by FCTI, Inc. was 5,948 and the total number of ATMs installed in the United States, including the number of those installed outside the U.S. 7-Eleven stores was 11,582 (up 85.9% compared with a year earlier). The total number of ATM transactions made during the fiscal year under review was 51 million (up 38.4% year over year). With regard to business results of FCTI, Inc. for the consolidated fiscal year (from January 2017 to December 2017), ordinary income was 96.5 million U.S. dollars, the ordinary loss was 23.9 million U.S. dollars and the net loss was 27.4 million U.S. dollars. Although the total number of ATM transactions grew steadily mainly due to the increase in the number of our ATMs installed, revenues increased but profits declined because of increased ordinary expenses such as ATM replacement costs.

PT. ABADI TAMBAH MULIA INTERNASIONAL, the Company's consolidated subsidiary in Indonesia, promoted installation of ATMs within Indonesia. As of December 31, 2017, the number of ATMs installed by PT. ABADI TAMBAH MULIA INTERNASIONAL was 120.

Bank Business Factory Co., Ltd, the Company's domestic consolidated subsidiary, is developing businesses of back-office support on commission not only for the Company but also for other financial institutions.

#### (4) Operating results

Results of our operation in fiscal 2017 achieved ordinary income of 116,650 million yen (up 3.1% year over year), ordinary profit of 42,262 million yen (up 8.6% year over year) and net income of 29,106 million yen (up 8.3% year over year).

The total number of ATM transactions steadily grew mainly due to the increase in the number of our ATMs installed, combined with the solid start of services for new ATM utilization styles, resulting in increases in both revenues and profits.

The Company's consolidated ordinary income for the year under review was 127,656 million yen (up 4.9% year over year), consolidated ordinary profit was 38,305 million yen (up 4.3% year over year), and net income attributable to owners of the parent was 25,301 million yen (up 0.7% year over year).

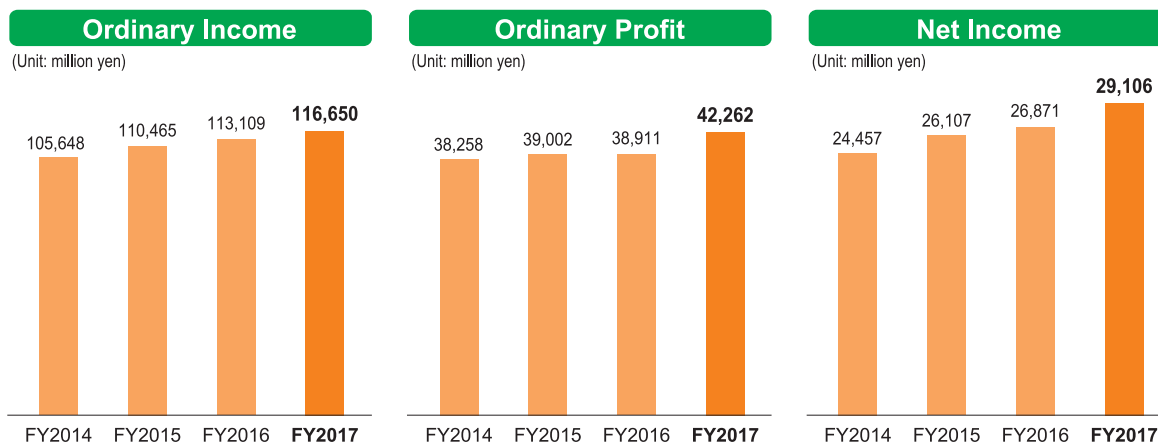
(5) Assets, liabilities and net assets

Total assets at the end of March 2018 were 1,023,201 million yen. The majority of this total comprised cash and due from banks required for the operation of ATMs of 706,876 million yen.

The remainder mostly consisted of marketable securities of 90,028 million yen held as collateral for foreign exchange settlements and Bank of Japan current account overdraft transactions, and 146,888 million yen representing ATM-related temporary payments, which are temporary advances from partner financial institutions.

Liabilities were 806,165 million yen. These largely comprised deposits (excluding negotiable certificates of deposit) totaling 622,781 million yen. Of these, the outstanding balance of individuals' ordinary deposits was 268,233 million yen and the balance of individuals' time deposits was 141,287 million yen.

Net assets were 217,036 million yen. Of these, retained earnings were 155,493 million yen.



## **Issues the Company needs to cope with**

In fiscal 2018, our earnings environment is predicted to continue to be strong mainly because the number of our ATMs to be installed is expected to grow along with the opening of more 7-Eleven stores and further development outside the Group. On the other hand, changes in domestic and overseas macro economies and the increasingly diverse settlement methods as technologies evolve could affect our earnings.

To achieve our sustainable growth under these circumstances, we recognize as a crucial issue the need to create a broad-based earnings structure. To solve the issue, in May 2017 we formulated the Medium-Term Management Plan with fiscal 2019 as its final year.

We regard fiscal 2018, the midyear of our Medium-Term Management Plan, as an important year for achieving the targets of the Medium-Term Management Plan, under which we address changes in our business environment and implement key initiatives.

The basic policy of the Medium-Term Management Plan is to realize “Business diversification while at the same time growing the main business of the Company.” With this policy, we are striving for business expansion by strengthening the following three businesses.

- 1) ATM platform business;
- 2) Settlement and account business; and
- 3) Overseas business

Specific initiatives and the status of progress for the above are as follows:

### **(1) ATM platform business**

Positioning our nationwide ATM infrastructure with more than 24,000 units as our platform, we will develop initiatives to increase the number of business partners and customers. To attract more customers to our ATM services, we began providing services that cater to businesses that have newly entered the settlement market in addition to enriching our services for existing business partners such as financial institutions. Also, we will continue to strive to explore new markets through such measures as preparing to provide new “cash receiving services,” aiming to create ATM utilization styles that transcend convention.

In addition, while continuing the steady installation of ATMs within the Group, we will aggressively promote the installation of high-operability ATMs outside the Group as well, primarily at each center of transportation, logistics and tourism. Through these initiatives, we will strive to enrich both the quality and quantity of our ATM platform as we expand our ATM services.

### **(2) Settlement and account business**

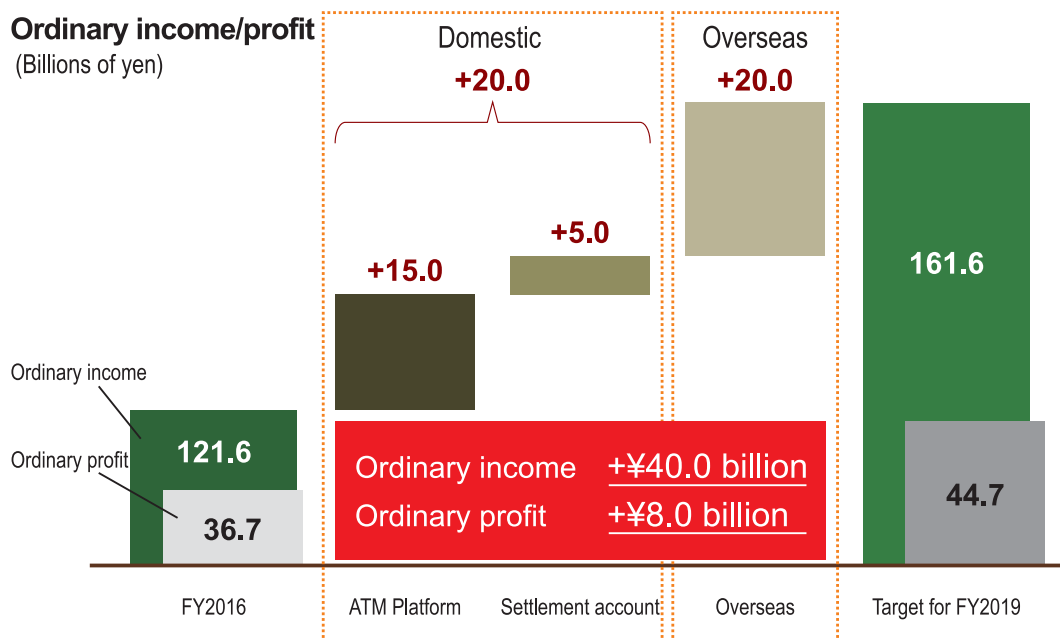
In addition to improving convenience and enhancing profitability of our existing services such as personal loan services and international money transfer services, we will strive to further increase earnings by developing our proprietary services utilizing new technologies. Also, in coordination with the Group’s digital-based CRM strategy, we will promote initiatives to provide new financial services such as a settlement service for as many as 22 million customers a day who visit stores of the Group.

### **(3) Overseas business**

The installation of ATMs inside 7-Eleven stores all over the United States, which was started by FCTI, Inc., the Company’s consolidated subsidiary in North America, in fiscal 2017, has progressed as planned. Also, as an initiative to improve the ATM usage rate, we will make thorough preparations to provide new services to enhance the recognition of our ATMs and pursue synergies with 7-Eleven, Inc. (U.S.), and strive to ensure early stabilization of ATM operation. In our efforts to expand in Indonesia and other regions, we will optimize the Company’s know-how and infrastructure to develop our overseas business.

Through these initiatives, compared with fiscal 2016, we will strive to create another ¥40.0 billion of ordinary income and ¥8.0 billion of ordinary profit in fiscal 2019, the final year of the Medium-Term Management Plan.





The Company will steadily enhance shareholder returns, while also conducting aggressive investments in new fields toward further growth and make the necessary preparations against risks that may affect our business continuity as an infrastructure business operator. Regarding dividends as a basic method of shareholder returns, and with a policy of our minimum payout ratio being 40% or more, we will strive for a stable and continuing increase in the amount of dividend.

Through these initiatives, the Company intends to promote the Medium-Term Management Plan to address social issues and changes in the business environment, and aggressively work on “Creating Shared Value (CSV)” for both society and corporations, through our major business, thereby pursuing a sustainable society and growth. We look forward to your continued support and guidance.

## 2. Assets and profit/loss

(Unit: 100 millions of yen)

	FY2014	FY2015	FY2016	FY2017
Deposits	5,015	5,470	5,715	6,227
Time deposits	2,483	2,547	2,354	2,288
Others	2,531	2,923	3,361	3,939
Bonds	1,100	1,100	1,100	950
Loans receivable	104	162	198	237
To individuals	104	162	198	227
To medium and small enterprises	—	—	—	—
Others	—	—	—	10
Commodity-related securities	—	—	—	—
Securities	840	833	1,025	900
Government bonds	305	—	—	—
Others	534	833	1,025	900
Total assets	8,503	9,108	9,556	10,232
Amount of domestic exchange handled	311,432	327,104	344,226	356,076
Amount of foreign exchange handled	Millions of U.S. dollars 240	Millions of U.S. dollars 315	Millions of U.S. dollars 430	Millions of U.S. dollars 479
Ordinary profit	Millions of yen 38,258	Millions of yen 39,002	Millions of yen 38,911	Millions of yen 42,262
Net income for the term	Millions of yen 24,457	Millions of yen 26,107	Millions of yen 26,871	Millions of yen 29,106
Net income per share for the term	Yen 20.53	Yen 21.92	Yen 22.55	Yen 24.43

Note: Figures in the table are rounded off to the nearest whole unit.

## (Reference) Assets and profit/loss of the Company (Consolidated)

(Unit: 100 millions of yen)

	FY2014	FY2015	FY2016	FY2017
Ordinary income	1,140	1,199	1,216	1,276
Ordinary profit	370	371	367	383
Net income attributable to owners of the parent	232	247	251	253
Comprehensive income	255	246	246	246
Net assets	1,698	1,847	1,990	2,120
Total assets	8,564	9,153	9,577	10,224

Note: Figures in the table are rounded off to the nearest whole unit.

## 3. Employees

	Current FY end	Previous FY end
Number of employees	343	353
Average age	42 years, 1 month	41 years, 8 months
Average years of service	7 years, 7 months	7 years, 1 month
Average monthly salary	427 thousand yen	429 thousand yen

- Notes: 1. Figures for average age, average years of service and average monthly salary are rounded off to the nearest whole unit.  
2. Number of employees does not include officers, executive officers, employees on loan to other companies, temporary or part-time employees, contract employees and dispatched employees, whereas it includes employees on loan from other companies.  
3. Average monthly salary is the average figure for March, excluding bonuses.

#### 4. Outlets and branch stores

##### A. Growth in numbers of outlets and branch stores

	Current FY end		Previous FY end	
	Total	(Outlets)	Total	(Outlets)
Tokyo metropolitan region	19	(1)	20	(2)
Saitama Prefecture	1	(1)	1	(1)
Chiba Prefecture	—	(—)	1	(1)
Kanagawa Prefecture	1	(1)	1	(1)
Aichi Prefecture	1	(1)	1	(1)
Fukuoka Prefecture	—	(—)	1	(1)
Total	22	(4)	25	(7)

Notes: 1. Outlets and branch stores include the headquarters, 17 virtual branch stores (12 for individuals, 5 for corporations), all of which are located at the headquarters and 4 manned outlets.

2. In addition to the above, non-store ATMs were installed in 22,668 locations as of the end of FY 2017 (up from 21,694 as of the end of FY 2016).

##### B. New outlets and branch stores for FY 2017

There were no new outlets or branch stores established during FY2017.

Notes: 1. There were 1,755 new non-store ATMs installed, while 781 non-store ATMs were closed in FY2017.

2. Also, our operations at Ito-Yokado Kasai Outlet, Ito-Yokado Soga Outlet and Fukuoka Outlet were terminated in FY2017.

##### C. List of bank agencies

Name	Location of the major office or operating office	Major operation other than bank agency business
Relia, Inc.	6-5, Yoyogi 2-chome, Shibuya-ku, Tokyo	Call center operation (answering phone calls)

##### D. Bank agency services, etc. operated by Seven Bank

Not applicable

Note: During FY2017, bank agency services related to Sony Bank Inc. ended.

#### 5. Plant and equipment investment

##### A. Total amount of investment

(Unit: millions of yen)

Total amount of plant and equipment investment	11,900
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Notes: 1. The above figure is rounded off to the nearest whole unit.

2. The above figure represents total investment amount in tangible and intangible fixed assets (excluding transfers from temporary accounts).

##### B. Important plant and equipment newly established

(Unit: millions of yen)

Details	Amount
ATMs	1,673
Software	9,863

Note: Figures in the table are rounded off to the nearest whole unit.

## 6. Principal parent company and subsidiary, etc.

### A. Parent company

Name	Location	Main businesses	Date of Incorporation	Stated Capital	Percentage of voting rights in the Company owned by the parent company	Others
Seven & i Holdings Co., Ltd.	Chiyoda-ku, Tokyo	Pure holding company	September 1, 2005	Millions of yen 50,000	% 45.78 (45.78)	—

Note: Parentheses in the column of the percentage of voting rights indicate a ratio of indirect ownership.

The parent company has relationships with the Company including a deposit transaction relationship.

### B. Subsidiary, etc.

(As of the end of fiscal year)

Name	Location	Main businesses	Date of Incorporation	Stated Capital	Percentage of voting rights in subsidiaries, etc. owned by the Company	Others
FCTI, Inc.	California, USA	ATM operation business	August 25, 1993	Millions of U.S. dollars 19	% 100.00	—
FCTI Canada, Inc.	Ontario, Canada	ATM operation business	July 8, 2015	Thousands of Canadian dollars 200	100.00 (100.00)	—
PT. ABADI TAMBAH MULIA INTERNASIONAL	Jakarta Special Capital Region, Indonesia	ATM operation	June 10, 2014	100 millions of Indonesian rupiah 900	96.66	—
Bank Business Factory Co., Ltd.	Yokohama, Kanagawa Prefecture, Japan	Commissioned clerical work	July 1, 2014	Millions of yen 50	100.00	—
Seven Payment Service, Ltd.	Chiyoda-ku, Tokyo, Japan	Fund transfer	January 11, 2018	Millions of yen 150	100.00	—

Note: Parentheses in the column of the percentage of voting rights indicate a ratio of indirect ownership.

## 7. Assignment of business, etc.

Not applicable

## 8. Other important items concerning the current situation of the bank

Major loan sources

(Unit: millions of yen)

Loan sources	Amount of loans
Mitsubishi UFJ Trust and Banking Corporation	10,000

## 2 Matters concerning Company officers (Directors and Audit & Supervisory Board Members)

### 1. Status of Company officers

(As of the end of fiscal year)

Name	Position and business in charge	Important Concurrent Posts	Other
Takashi Anzai	Chairman and Representative Director	Director, Seven & i Holdings Co., Ltd.	—
Kensuke Futagoishi	President and Representative Director [Business in Charge] Internal Audit Division, Risk Management Division, Financial Crime Risk Strategy Planning and Prevention Division		—
Yasuaki Funatake	Director, Executive Vice President [Business in Charge] Planning Division, General Affairs Division, Human Resources Division		—
Kazuhiko Ishiguro	Director, Senior Managing Executive Officer [Business in Charge] System Division, ATM Solution Division and Operation Division		—
Taku Oizumi	Director, Managing Executive Officer, General Manager of International Business Division [Business in Charge] International Business Division		—
Hisanao Kawada	Director, Managing Executive Officer, General Manager of Business Promotion Division [Business in Charge] Business Promotion Division and Treasury Division	Director, Seven Financial Service Co., Ltd.	—
Katsuhiro Goto	Director	Vice President & Representative Director, Seven & i Holdings Co., Ltd.	—
Yoji Ohashi	Director (Outside Director)	Outside Director, TV TOKYO Holdings Corporation	—
Shuji Ohashi	Director (Outside Director)	Certified Public Accountant and Management Consultant (Head of Shuji Ohashi Office); Outside Director, YOKOWO CO., LTD.	—
Isamu Hirai	Audit & Supervisory Board Member (full-time)		—
Akihiko Shimizu	Audit & Supervisory Board Member (full-time)		*
Naomi Ushio	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Vice President (in charge of public relations), Meiji University; Outside Corporate Auditor, JXTG Holdings, Inc.; Outside Director, POLA ORBIS HOLDINGS INC.	—
Kunihiro Matsuo	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Attorney-at-law (Head of Kunihiro Matsuo Law Firm); Outside Corporate Auditor, TV TOKYO Holdings Corporation	—

Notes: 1. Mr. Akihiko Shimizu has long experience in accounting duties at Seven & i Holdings Co., Ltd., the Company's parent company, and possesses considerable knowledge of finance and accounting.

2. The officer who resigned from her office during the fiscal year under review is as follows.

(Name)	(Position at Resignation)	(Important Concurrent Posts at Resignation)	(Date of Resignation)
Yuko Miyazaki	Director (Outside Director)	Outside Audit & Supervisory Board Member, Oji Holdings Corporation	December 11, 2017

3. Mr. Yoji Ohashi, Mr. Shuji Ohashi, Ms. Naomi Ushio and Mr. Kunihiro Matsuo have been registered as Independent Officers with the Tokyo Stock Exchange, based on the provisions stipulated by Tokyo Stock Exchange, Inc.

### 2. Remuneration, etc., for Company officers

(Unit: millions of yen)

Category	Number of persons	Remuneration, etc.
Director	12	374 (inclusive of 76 million yen in non-remuneration payments)
Audit & Supervisory Board Member	5	65
Total	17	440 (inclusive of 76 million yen in non-remuneration payments)

- Notes: 1. Figures in the table are rounded off to the nearest whole unit.
2. The "Remuneration, etc." in the above table includes 76 million yen of expenses related to stock compensation as "non-remuneration payments" which were granted to six Directors.
3. There are no officers' bonuses or retirement benefits for Directors and Audit & Supervisory Board Members.
4. In accordance with a resolution of the 11th Ordinary General Meeting of Shareholders held on June 19, 2012, the annual limit of remuneration for Directors was determined to be 350 million yen (including 60 million yen for Outside Directors). Furthermore, separately from the Directors' remuneration, by resolution of the 16th Ordinary General Meeting of Shareholders held on June 19, 2017, a limit of 400 million yen as the total amount for three fiscal years was set for remuneration, etc., based on the Performance-Based Stock Compensation Plan.  
Stock compensation-type stock options have not been issued.
5. The annual limit of remuneration for Audit & Supervisory Board Members was determined to be 100 million yen by resolution of the 7th Ordinary General Meeting of Shareholders held on June 18, 2008.

### 3. Liability limitation agreements

Name	Outline of Liability Limitation Agreement
Katsuhiro Goto Yoji Ohashi Yuko Miyazaki Shuji Ohashi Isamu Hirai Akihiko Shimizu Naomi Ushio Kunihiro Matsuo	On the basis of the provisions of Article 427, Paragraph 1, of the Companies Act, the Company has concluded agreements for limitation of indemnity liability as provided in Article 423, Paragraph 1, of the Companies Act. The amount of the liability limitation under the agreement is as provided by law.

Note: Ms. Yuko Miyazaki resigned as Director as of December 11, 2017.

### 3 Matters concerning Outside Company officers

#### 1. Concurrent posts held by Outside Company officers, etc.

Name	Concurrent posts, etc.
Yoji Ohashi	Outside Director, TV TOKYO Holdings Corporation There are no major business interests and other relationships between the Company and TV TOKYO Holdings Corporation.
Yuko Miyazaki	Attorney-at-law (Nagashima Ohno & Tsunematsu); Outside Audit & Supervisory Board Member, Oji Holdings Corporation There are no major business interests and other relationships between the Company and Nagashima Ohno & Tsunematsu or Oji Holdings Corporation
Shuji Ohashi	Certified Public Accountant and Management Consultant (Head of Shuji Ohashi Office); Outside Director, YOKOWO CO., LTD. There are no major business interests and other relationships between the Company and Shuji Ohashi Office or YOKOWO CO., LTD.
Naomi Ushio	Vice President (in charge of public relations), Meiji University; Outside Corporate Auditor, JXTG Holdings, Inc.; Outside Director, POLA ORBIS HOLDINGS INC. There are no major business interests and other relationships between the Company and Meiji University, JXTG Holdings, Inc., or POLA ORBIS HOLDINGS INC.
Kunihiro Matsuo	Attorney-at-law (Head of Kunihiro Matsuo Law Firm); Outside Corporate Auditor, TV TOKYO Holdings Corporation There are no major business interests and other relationships between the Company and Kunihiro Matsuo Law Firm, Komatsu Ltd. or TV TOKYO Holdings Corporation.

Note: Yuko Miyazaki resigned as Director as of December 11, 2017. Her "Concurrent posts, etc." above are those at her resignation.

#### 2. Contribution of Outside Company officers

Name	Appointment period	Attendance at meetings of the Board of Directors, etc., during fiscal 2017	Verbal input and other contributions at meetings of the Board of Directors, etc.
Yoji Ohashi	June 2008 to present	Attended 11 of 13 meetings of the Board of Directors	Contributed advice and opinions regarding management policy and company operations, drawing on his experience as a management executive
Yuko Miyazaki	June 2012 to December 2017	Attended 9 of 10 meetings of the Board of Directors held during the period she was in office	Contributed advice and opinions on legal compliance and internal controls in areas such as management policy and company operations, drawing on her experience as an Attorney-at-law
Shuji Ohashi	June 2013 to present	Attended all 13 meetings of the Board of Directors	Contributed advice and opinions regarding management policy and company operations, drawing on his experience as a Certified Public Accountant and management consultant
Naomi Ushio	June 2011 to present	Attended all 13 meetings of the Board of Directors Attended all 14 meetings of the Audit & Supervisory Board.	Contributed advice and opinions regarding management policy and company operations, drawing on her experience as a university professor
Kunihiro Matsuo	June 2013 to present	Attended all 13 meetings of the Board of Directors Attended all 14 meetings of the Audit & Supervisory Board.	Contributed advice and opinions regarding management policy and company operations, drawing on his experience as an Attorney-at-law

#### 3. Remuneration for Outside Company officers

(Unit: millions of yen)

	Number of persons	Remuneration from the bank	Remuneration from the bank's parent company and others
Total remuneration, etc.	6	45	—

Notes: 1. Figures in the table are rounded off to the nearest whole unit.  
2. Outside Company officers did not receive executive bonuses, stock compensation or retirement benefits.

#### 4. Input from Outside Company officers

Not applicable

#### 4 Matters concerning Company shares

<b>1. Number of shares</b>	Total number of shares available for issuance	Common stock	4,763,632 thousand shares
	Total number of shares issued	Common stock	1,191,528 thousand shares

**2. Number of Shareholders as at the end of fiscal 2017** 99,476

#### 3. Major shareholders

Shareholder name	Shareholding in the Company	
	Number of shares	% holding
Seven-Eleven Japan Co., Ltd.	(thousand shares) 453,639	38.07
Ito-Yokado Co., Ltd.	46,961	3.94
York-Benimaru Co., Ltd.	45,000	3.77
Japan Trustee Services Bank, Ltd. (trust account)	35,896	3.01
The Master Trust Bank of Japan, Ltd. (trust account)	34,510	2.89
Sumitomo Mitsui Banking Corporation	15,000	1.25
The Dai-ichi Life Insurance Company, Limited	15,000	1.25
Japan Trustee Services Bank, Ltd. (trust account 5)	14,136	1.18
Japan Trustee Services Bank, Ltd. (trust account 9)	13,439	1.12
STATE STREET BANK WEST CLIENT—TREATY 505234	11,152	0.93

Notes: 1. In regard to the "Number of shares" above, less than 1,000 shares were rounded down.

2. The percentage of holdings above was calculated by excluding treasury stock (128 shares), and with the third decimal place rounded down. The number of shares of treasury stock does not include the Company's shares (896 thousand shares) held by the BIP Trust for officer remuneration and the ESOP Trust, which grants the Company's shares.

#### 4. Other important items concerning the Company shares

Not applicable



**5 Matters concerning the Company's subscription rights to shares, etc.**

**1. The Company's subscription rights to shares, etc., owned by Company officers as of the end of the fiscal year**

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., First Round-(1) Subscription rights to shares Issuance decided : June 18, 2008 Number of subscription rights to shares : 120 Number and type of shares to be acquired for subscription rights to shares : 120,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 13, 2008, to August 12, 2038	3
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Second Round-(1) Subscription rights to shares Issuance decided : July 10, 2009 Number of subscription rights to shares : 133 Number and type of shares to be acquired for : 133,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 4, 2009, to August 3, 2039	3
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Second Round (2) Subscription rights to shares Issuance decided : July 10, 2009 Number of subscription rights to shares : 9 Number and type of shares to be acquired for : 9,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 4, 2009, to August 3, 2039	1
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Third Round-(1) Subscription rights to shares Issuance decided : July 9, 2010 Number of subscription rights to shares : 342 Number and type of shares to be acquired for : 342,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 10, 2010, to August 9, 2040)	4
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Fourth Round-(1) Subscription rights to shares Issuance decided : July 1, 2011 Number of subscription rights to shares : 356 Number and type of shares to be acquired for : 356,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 9, 2011, to August 8, 2041	4
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Fourth Round-(2) Subscription rights to shares Issuance decided : July 1, 2011 Number of subscription rights to shares : 16 Number and type of shares to be acquired for : 16,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 9, 2011, to August 8, 2041 shares	1
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Fifth Round-(1) Subscription rights to shares Issuance decided : July 6, 2012 Number of subscription rights to shares : 299 Number and type of shares to be acquired for : 299,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 7, 2012, to August 6, 2042 shares	5
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Fifth Round-(2) Subscription rights to shares Issuance decided : July 6, 2012 Number of subscription rights to shares : 10 Number and type of shares to be acquired for : 10,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 7, 2012, to August 6, 2042	1
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Sixth Round-(1) Subscription rights to shares Issuance decided : July 5, 2013 Number of subscription rights to shares : 179 Number and type of shares to be acquired for : 179,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 6, 2013, to August 5, 2043	5
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Sixth Round-(2) Subscription rights to shares Issuance decided : July 5, 2013 Number of subscription rights to shares : 5 Number and type of shares to be acquired for : 5,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 6, 2013, to August 5, 2014	1
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Seventh Round-(1) Subscription rights to shares Issuance decided : July 4, 2014 Number of subscription rights to shares : 161 Number and type of shares to be acquired for : 161,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 5, 2014, to August 4, 2015	5
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Seventh Round-(2) Subscription rights to shares Issuance decided : July 4, 2014 Number of subscription rights to shares : 5 Number and type of shares to be acquired for : 5,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 5, 2014, to August 4, 2044	1
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Eighth Round-(1) Subscription rights to shares Issuance decided : July 3, 2015 Number of subscription rights to shares : 115 Number and type of shares to be acquired for : 115,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 11, 2015, to August 10, 2045	5
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Eighth Round-(2) Subscription rights to shares Issuance decided : July 3, 2015 Number of subscription rights to shares : 5 Number and type of shares to be acquired for : 5,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 11, 2015, to August 10, 2045	1
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

	Outline of the subscription rights to shares, etc.	Number of persons who hold subscription rights to shares, etc.
Directors (Excluding outside company officers)	Name : Seven Bank, Ltd., Ninth Round-(1) Subscription rights to shares Issuance decided : July 1, 2016 Number of subscription rights to shares : 278 Number and type of shares to be acquired for : 278,000 shares of common stock of the Company (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to share : 1 yen Exercise period for subscription rights to shares : From August 9, 2016, to August 8, 2046	6
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

Notes: 1. The details of Seven Bank, Ltd. First Round – (1) Subscription rights to shares were partially amended by the resolution adopted by the Board of Directors' meeting held on July 18, 2008, and the table above shows the revised version  
2. With regard to the Seven Bank, Ltd. First Round – (1) Subscription rights to shares to Fourth Round – (2) Subscription rights to shares, the number of shares to be acquired per subscription rights to share states the number of shares after adjustment for the 1,000-for-1 stock split for common stock that was conducted on December 1, 2011.



**2. The Company's subscription rights to shares, etc., granted to employees, etc., during the fiscal year**

Not applicable.

## 6 Matters concerning Accounting Auditors

### 1. Accounting Auditors

(Unit: millions of yen)

Company and individual names	Remuneration, etc., for the fiscal year	Others
KPMG AZSA LLC Designated Limited Liability Partners: CPA Hiroyuki Yamada CPA Hiroshi Umetsu	53	(Reason for the Company's Audit & Supervisory Board giving consent as to remuneration, etc., paid to the Accounting Auditors) Receiving the report on the Accounting Auditors' accounting audit plan for the current fiscal year and other documents, inspecting the previous year's audit performance by the accounting auditors and, based on its evaluation, the Company's Audit & Supervisory Board verified the adequacy of estimated hours and the amount paid for the audit duties. As a result, the board judged that the remuneration, etc., for the accounting auditors is appropriate, therefore it gave consent under Article 399, Paragraph 1, of the Companies Act.

Notes: 1. Figures in the table are rounded off to the nearest whole unit.

2. In audit contracts between the Company and its Accounting Auditors, as no distinction is made, or can substantially be made, between the amounts paid for audit as accounting auditors' remuneration pursuant to the Companies Act and those pursuant to the Financial Instruments and Exchange Act, the amount noted as being paid as "Remuneration, etc., for the fiscal year" states the total of such amounts.
3. The Company pays the accounting auditors consideration for preparation of comfort letters relating to the issuance of corporate bonds, which is outside the scope of work stipulated under Article 2, Paragraph 1, of the CPA Law.
4. Total amount of money and other property benefits payable to the Accounting Auditors by the Company and its subsidiary corporations or entities: 55 million yen

### 2. Limitation of liability contracts

Not applicable.

### 3. Other matters concerning Accounting Auditors

#### A. Policies on the dismissal or refusal of reappointment of Accounting Auditors

In cases where circumstances concerning the Accounting Auditors correspond to grounds as specified by the items under Article 340, Paragraph 1, of the Companies Act, the Company's Audit & Supervisory Board may consider the dismissal of the Accounting Auditors, and, in cases where dismissal of the Accounting Auditors is deemed to be appropriate, shall dismiss the Accounting Auditors on the basis of the agreement of all of the Audit & Supervisory Board Members. Furthermore, the Company's Audit & Supervisory Board may, in consideration of the work conducted by the Accounting Auditors and the Company's auditing structure, etc., make a proposal to the General Meeting of Shareholders that the Accounting Auditors not be reappointed in cases where they deem that a change of Accounting Auditors is necessary.

B. In the case of a large company as defined by Article 444, Paragraph 3, of the Companies Act, and where an audit (in accordance with the Companies Act or the Financial Instruments and Exchange Act, or equivalent laws in foreign jurisdictions) of financial documents (and their equivalents) of important subsidiary corporations or entities of the bank is conducted by the audit corporation (including a body with an equivalent qualification in a foreign jurisdiction), or an audit is conducted by a Certified Public Accountant (including a foreign CPA subject to CPA Law 16-2, Paragraph 5) other than the Accounting Auditors of the bank, details thereof:

PT. ABADI TAMBAH MULIA INTERNASIONAL was audited by an audit corporation other than the Accounting Auditors of the Company (including a body with an equivalent qualification in a foreign jurisdiction).

## 7 Basic policy concerning the current status of persons supervising the determination of financial and operational policy

The Company's policy is to ensure that suitable measures are taken to ensure the continued growth of the Company's business, the strengthening of its corporate governance and the maximization of its corporate value.

## **8 System for ensuring the suitable maintenance of operations**

### **(1) Contents of resolutions made at the Board of Directors**

It was resolved at a Board of Directors' meeting held on May 8, 2006, that the relevant steps would be taken to ensure the suitable maintenance of operations of the Company in accordance with Article 362, Paragraph 4, Item 6, of the Companies Act. In regard to this resolution, each fiscal year the Company undertakes a review of the progress made toward this end. An outline of the review follows:

#### **1) System for ensuring that the execution of their 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 state of progress made on compliance initiatives.

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

The information related to the execution by Directors of their duties is to be appropriately stored and controlled without fail, and prompt disclosure of the information is to be made in cases where there is a request made either by Directors or Audit & Supervisory Board Members.

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

The Board of Directors has established a "Basic Policy on Risk Control" comprising systematic provisions for risk control with the aim of securing a sound and effective management for the appropriate control of the Company's operational risk. The Directors regularly report to the Board of Directors about issues related to risk control.

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

The Board of Directors aims to ensure its efficient operation by establishing "Rules for the Board of Directors" and by making provisions for important issues to be placed on its agenda and suitably reported. The Board of Directors has established the Executive Committee for the efficient determination of operational policy initiatives and introduced an executive officer system with the aim of achieving the smooth and efficient implementation of such initiatives.

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

The Directors have established an appropriate compliance system based on the "Basic Policy on Compliance" and "Compliance Standards." The Directors bear ultimate responsibility for the creation of structures to ensure compliance in the execution of employees' duties, determination of policy, execution of such policies, verification of their implementation status and assessment of the policies.

#### **6) Structure for the maintenance of the appropriateness of the Group's operations**

The Directors and employees of the Company, as members of the Seven & i Group sharing the Group's management philosophy, are united in striving to promote a law-abiding attitude. With the aim of prioritizing the soundness of the Company's management, the Company 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 Company and its subsidiaries, the Board of Directors formulates the "Basic Policy to Manage Subsidiaries," and, based on such "Basic Policy to Manage Subsidiaries," Directors put a structure in place to manage subsidiaries appropriately.

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

#### Audit & Supervisory Board Members

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

8) Items concerning the independence of the Company'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 Audit & Supervisory Board Members with their audit duties

The Company shall ensure the appropriate number of employees 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 an authority to investigate the appropriateness of duties and collect necessary information.

10) System for reports to the Company'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 status of implementation of audits and the audit results. Directors shall determine the issues that should be reported to the Audit & Supervisory Board by consulting with 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 Members 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 division in charge of subsidiaries shall be installed inside the Company and such a division 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 division shall be reported by the division 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 Company shall streamline the related internal rules and appropriately implement such rules.

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 Members

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.

(2) Status of operation of the structure for the maintenance of the appropriateness of the Company's operations

Outline of the status of operation of the structure for the maintenance of the appropriateness of the Company's operations for the fiscal year under review is as follows.

1) Compliance system

The Company has a Compliance Committee installed for the purpose of inspecting and evaluating the company-wide compliance from the perspective of comprehensive management and operation. During the fiscal year under review, the Compliance Committee met four times, understanding compliance-related issues and discussing the measures to address such issues.

Furthermore, various kinds of training were conducted concerning "thorough information management" as a priority issue under a compliance program of the Company.

2) Risk management system

The Company 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 the fiscal year under review, 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.

3) Execution of duties by Directors

During the fiscal year under review, the Board of Directors held 13 meetings to determine matters stipulated by laws and regulations, as well as the Company'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 Company's Articles of Incorporation, as well as the appropriateness of business duties.

In addition, during the fiscal year under review, the Board of Directors implemented measures to enrich the content of deliberation and enhance the efficiency of deliberation, such as 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 Company's business operation.

4) Group management structure

Regarding the subsidiaries' business plans that the Company approved, the Company 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 Company's Internal Audit Division regularly audits business operation of subsidiaries.

5) Execution of duties by the Audit & Supervisory Board Members

The Company's Audit & Supervisory Board consists of four Audit & Supervisory Board Members including two Outside Audit & Supervisory Board Members. During the fiscal year under review, the Audit & Supervisory Board held 14 meetings, receiving reports from full-time Audit & Supervisory Board Members with regard to the current status of the Company 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.

6) Ensuring the effectiveness of audits by the Audit & Supervisory Board Members

To support the role of the Audit & Supervisory Board Members, the Company has the

Audit & Supervisory Board Members' Office with two 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 Company 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.

**9 Matters concerning specific wholly owned subsidiaries**

Not applicable

**10 Matters concerning transactions with the bank's parent company and others**

Not applicable

**11 Matters concerning accounting advisors**

Not applicable

**12 Other**

Policy concerning the exercise of authority granted to the Board of Directors by the provisions of the Articles of Incorporation under the terms of Article 459, Paragraph 1, of the Companies Act

One of the most important aspects of the Company's management policy is the return of profits to shareholders; therefore, it is a key policy of the Company to strive to ensure that a stable dividend is continuously paid from reserves while taking into consideration the need to achieve a balance between ensuring an appropriate level of return of profits to shareholders and retained earnings. The Company's basic policy is the targeting of an annual minimum payout ratio of 40% and the payment of dividends twice (i.e., an interim dividend and a year-end dividend) during the fiscal year.

**Balance Sheet**  
at the End of the 17th Term (as of March 31, 2018)

(Unit: million yen)

Category	Amount	Category	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Cash and due from banks</b>	<b>706,876</b>	<b>Deposits</b>	<b>622,781</b>
Cash	629,876	Ordinary deposits	393,753
Due from banks	76,999	Time deposits	228,811
<b>Securities</b>	<b>90,028</b>	Other deposits	215
Municipal bonds	22,983	<b>Negotiable certificates of deposits</b>	<b>800</b>
Bonds	36,148	<b>Borrowed money</b>	<b>10,000</b>
Stocks	1,287	Borrowings	10,000
Other securities	29,608	<b>Bonds</b>	<b>95,000</b>
<b>Loans receivable</b>	<b>23,799</b>	<b>Other liabilities</b>	<b>77,100</b>
Loan on deeds	1,083	Income taxes payable	8,015
Current overdrafts	22,715	Accrued expenses	5,282
<b>Foreign exchanges</b>	<b>0</b>	ATM-related temporary advances	59,032
Due from foreign banks	0	Asset retirement obligations	355
<b>Other assets</b>	<b>158,189</b>	Other	4,414
Prepaid expenses	772	<b>Reserve for bonuses</b>	<b>381</b>
Accrued income	9,144	<b>Reserve for stocks payment</b>	<b>102</b>
ATM-related temporary payments	146,888	<b>Total liabilities</b>	<b>806,165</b>
Other	1,383	<b>(Net assets)</b>	
<b>Tangible fixed assets</b>	<b>17,476</b>	<b>Capital stock</b>	<b>30,572</b>
Buildings	1,677	<b>Capital surplus</b>	<b>30,572</b>
ATMs	12,727	Legal capital surplus	30,572
Other (tangible fixed assets)	3,070	<b>Retained earnings</b>	<b>155,493</b>
<b>Intangible fixed assets</b>	<b>25,899</b>	Legal retained earnings	0
Software	16,218	Other retained earnings	155,493
Software-related temporary accounts	9,677	Retained earnings brought forward	155,493
Other (intangible fixed assets)	4	<b>Treasury stock</b>	<b>(380)</b>
<b>Prepaid pension cost</b>	<b>116</b>	<b>Total shareholders' equity</b>	<b>216,258</b>
<b>Deferred tax assets</b>	<b>1,009</b>	<b>Valuation difference on available-for-sale securities</b>	<b>244</b>
<b>Allowance for losses</b>	<b>(192)</b>	<b>Total valuation and translation adjustments</b>	<b>244</b>
		<b>Subscription rights to shares</b>	<b>533</b>
		<b>Total net assets</b>	<b>217,036</b>
<b>Total assets</b>	<b>1,023,201</b>	<b>Total liabilities and net assets</b>	<b>1,023,201</b>

**Statement of Income**  
for the 17th Term (from April 1, 2017, to March 31, 2018)

(Unit: million yen)

Category	Amount	
<b>Ordinary income</b>		<b>116,650</b>
<b>Interest income</b>	<b>3,383</b>	
Interest on loans receivable	3,272	
Interest and dividends on securities	18	
Interest on call loans	1	
Interest on deposits with banks	90	
<b>Fees and commissions income</b>	<b>112,484</b>	
Remittance-related fee income	2,582	
ATM-related fee income	105,986	
Other fees and commissions income	3,915	
<b>Other ordinary income</b>	<b>283</b>	
Gains on foreign exchange transactions	283	
<b>Other income</b>	<b>498</b>	
Other	498	
<b>Ordinary expenses</b>		<b>74,387</b>
<b>Interest expenses</b>	<b>711</b>	
Interest on deposits with banks	163	
Interest on negotiable certificates of deposits	0	
Interest on call money	(28)	
Interest on borrowings and rediscounts	70	
Interest on bonds	506	
<b>Fees and commissions expenses</b>	<b>18,426</b>	
Remittance-related fee expense	1,466	
ATM placement fee expenses	14,346	
ATM-related fee expenses	949	
Other fees and commissions expenses	1,663	
<b>Other ordinary expenses</b>	<b>90</b>	
Amortization of bond issuance cost	90	
<b>General and administrative expenses</b>	<b>54,981</b>	
<b>Other expenses</b>	<b>177</b>	
Provision of allowance for credit losses	161	
Written-off of loans	0	
Other expenses	15	
<b>Ordinary profit</b>		<b>42,262</b>
<b>Extraordinary losses</b>		<b>124</b>
Losses on disposal of noncurrent assets	124	
<b>Income before income taxes</b>		<b>42,138</b>
<b>Income taxes - current</b>	<b>13,277</b>	
<b>Income taxes - deferred</b>	<b>(245)</b>	
<b>Total income taxes</b>		<b>13,032</b>
<b>Net income</b>		<b>29,106</b>



**Statement of Changes in Net Assets**  
for the 17th Term (from April 1, 2017, to March 31, 2018)

(Unit: million yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings			Treasury stock	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance as of April 1, 2017	30,572	30,572	30,572	0	137,706	137,706	(0)	198,851
Changes in items during the period								
Issuance of new shares	—	—	—	—	—	—	—	—
Dividends from surplus	—	—	—	—	(11,319)	(11,319)	—	(11,319)
Net income	—	—	—	—	29,106	29,106	—	29,106
Acquisition of treasury stock	—	—	—	—	—	—	(380)	(380)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	17,786	17,786	(380)	17,406
Balance as of March 31, 2018	30,572	30,572	30,572	0	155,493	155,493	(380)	216,258

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance as of April 1, 2017	217	217	533	199,602
Changes in items during the period				
Issuance of new shares	—	—	—	—
Dividends from surplus	—	—	—	(11,319)
Net income	—	—	—	29,106
Acquisition of treasury stock	—	—	—	(380)
Net changes of items other than shareholders' equity	27	27	—	27
Total changes of items during the period	27	27	—	17,433
Balance as of March 31, 2018	244	244	533	217,036

## Explanatory Notes

Amounts of less than one million yen have been discarded.

### Significant accounting policies

#### 1. Basis and methodology for the valuation of securities

As for valuation of securities, stocks of subsidiary firms and subsidiary corporations are stated at cost using the moving-average method and available-for-sale securities are stated, in principle, at their market values at the balance sheet date (realized gains or losses on sales of such securities are computed using primarily the moving-average method). Provided, however, that available-for-sale securities whose fair market value is deemed to be extremely difficult to identify are stated at cost using the moving-average method. Unrealized gains and losses on available-for-sale securities are reported as a separate component of net assets.

#### 2. Method for calculating depreciation of fixed assets

##### (1) Tangible fixed assets

Depreciation of tangible fixed assets is calculated by the straight-line method.

Estimated useful lives of major items are as follows:

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

##### (2) Intangible fixed assets

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

#### 3. Method for accounting for deferred assets

Bond issuance cost is recorded in its total amount as an expense at the time of occurrence.

#### 4. Translation of assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen mainly at the exchange rate prevailing at the balance sheet date excluding stocks of subsidiary firms and subsidiary corporations, which are translated into Japanese yen at the exchange rate prevailing at the time of their acquisition.

#### 5. Provisioning standards

##### (1) Allowance for losses

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

For credits to obligors classified as normal obligors or watch obligors, on the basis of expected loss ratios and other factors, and defined according to fixed categories, the allowance for losses is provided based on the Company's estimated rate of credit losses in accordance with the "Administrative guidelines concerning the self-assessment of assets, bad debt amortization and bad debt reserves for banks and other financial institutions" (Bank Audit Special Committee Report No. 4 issued on July 4, 2012, by The Japanese Institute of Certified Public Accountants (JICPA)). For credits to obligors classified as bankruptcy risk obligors, the allowance for losses is provided for estimated unrecoverable amounts determined after excluding the portion that is estimated to be recoverable due to available security interests and guarantees. For credits to obligors classified as substantially bankrupt obligors or bankrupt obligors, the allowance for losses is provided in the full amounts of such credits, excluding the portion that is estimated to be recoverable due to available security interests and guarantees.

The Company's Risk Management Division, which is independent from the Company'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 Company's other divisions and the Risk Management Division. The allowance is provided based on the results of these assessments.

##### (2) Reserve for bonuses

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

(3) Employees' severance and retirement benefits

Reserve for employees' severance and retirement benefits is provided for possible payment of employees' retirement benefits at the amount to be accrued at the balance sheet date, and is calculated based on projected benefit obligations and the related plan assets as of the fiscal year-end. In calculating the projected benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year under review.

Net actuarial difference is amortized as follows:

Net actuarial difference:	Amortized using the straight-line method over 10 years within the employees' average remaining service period at the time of occurrence, commencing from the next fiscal year of occurrence.
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For the fiscal year under review, as the projected plan assets exceeded the amount at which the projected benefit obligations were adjusted for the unrecognized prior service cost and the unrecognized actuarial differences, the excess was recorded as prepaid pension cost in the balance sheet.

(4) Reserve for stocks payment

Reserve for directors' benefit trust is provided for possible payment for allocation of the Company's shares based on the "Rules for Stock Allocation to Directors" and the "Rules for Stock Allocation to Executive Officers" to Directors (excluding non-executive Directors and Directors residing overseas) and Executive Officers (excluding those residing overseas), respectively, in the amount calculated based on projected stock allocation obligations as of the fiscal year-end.

## 6. Method of accounting for hedge transactions

(1) Interest rate risk hedges

For some liabilities, we have employed a special accounting treatment for interest rate swaps. For hedges designed to reduce the impact of volatility in the market for variable interest rates, we have individually identified the hedge target and designated interest rate swap trades as hedge transactions.

(2) Foreign exchange fluctuation risk

The accounting method translating foreign currency receivables at forward rate is applied as a hedge accounting method for the risk related to changes in foreign exchange rates of monetary claims denominated in foreign currencies.

## 7. Consumption taxes

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

## Additional information

(Performance-based stock compensation plan for Directors and Executive Officers)

From the fiscal year under review, a performance-based stock compensation plan has been adopted for the Company's Directors (excluding non-executive Directors and Directors residing overseas) and Executive Officers (excluding those residing overseas).

The outline of the plan is as described in "Additional information" in the "Explanatory Notes (Consolidated)."

## Important notes

### (Balance sheet)

1. Total amount of stocks (and capital stock) of subsidiaries and affiliates: 28,089 million yen
2. Among the loans receivable, credits to bankrupt obligors were 2 million yen, and loans in arrears were 41 million yen.

"Credits to bankrupt obligors" refers to loans receivable for which accrued interest was not declared on the grounds that there are no prospects for the collection or repayment of the principal or interest because the payment of the principal or interest has been continually in arrears for a considerable period of time or for other such reasons (excluding the written-off portion; hereinafter referred to as "loans with undeclared accrued interest") that correspond to any of the situations referred to in (a) through (e) of Paragraph 1, Item 3 of Article 96 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97, 1965) or the situation referred to in Paragraph 1, Item 4 of said Article.

"Loans in arrears" refers to loans with undeclared accrued interest other than credits to bankrupt obligors and loans for which an interest payment grace period has been granted for the purpose of reestablishing or assisting the business of the obligor.

3. Loans receivable do not include loans in arrears for three months or more.  
"Loans in arrears for three months or more" refers to loans for which the payment of the principal or interest has been in arrears for three months or more counting from the day after the due date agreed upon, excluding credits to bankrupt obligors and loans in arrears.
4. Loans receivable do not include restructured loans.  
"Restructured loans" refers to loans for which reduction of interest, interest payment grace period, principal repayment grace period, debt forgiveness or other such arrangements that are advantageous to the obligor have been made for the purpose of reestablishing or assisting the business of the obligor, excluding credits to bankrupt obligors, loans in arrears and loans in arrears for three months or more.
5. Total amount of credits to bankrupt obligors, loans in arrears, loans in arrears for three months or more and restructured loans is 43 million yen. The amounts of credits stated in Nos. 2 to 5 above are amounts prior to the deduction of the allowance for losses.
6. For the purposes of settlement and Bank of Japan current overdraft transactions, securities of 59,132 million yen in available-for-sale securities have been provided. Also, 1,217 million yen in guarantees are included in Other Assets.
7. An overdraft agreement is an agreement to lend funds up to a certain limit if a financing request is received from a customer, unless there is any violation of the terms and conditions of the agreement. The unused balance of funds under such agreements is 9,198 million yen. This includes the unused balance of funds in the amount of 9,198 million yen under agreements in which the original term is one year or less.
8. Accumulated depreciation for tangible fixed assets 53,293 million yen
9. Total monetary claims on subsidiaries and affiliates 1,208 million yen
10. Total monetary liabilities payable to subsidiaries and affiliates 64,778 million yen
11. Restriction on dividends from retained earnings in accordance with Article 18 of the Banking Law

When paying a dividend from retained earnings, despite the provisions of the Companies Act Article 445, Paragraph 4 (amount of capital and amount of reserves), on payment of a dividend from retained earnings, one fifth of the amount by which retained earnings has been reduced is to be accounted as legal capital surplus or retained earnings.

No amount is accounted for in legal capital surplus and in retained earnings associated with the dividends to be paid from retained earnings during this fiscal year.

### (Statement of income)

Profit from trading with subsidiaries and affiliates	
Total income from fund raising transactions	4 million yen
Total income from fee transactions, etc.	979 million yen
Total income from other transactions and other ordinary transactions	57 million yen
Costs deriving from transactions with subsidiaries and affiliates	
Total costs deriving from fund raising transactions	0 million yen
Total costs deriving from fee transactions, etc.	13,024 million yen
Total costs deriving from other transactions	876 million yen

(Statement of changes in net assets)

The types and number of shares of treasury stock of the Company are as follows:

(Unit: thousand shares)

	Number of shares at the beginning of this fiscal year	Increase during this fiscal year	Decrease during this fiscal year	Number of shares at the end of this fiscal year	Remarks
Treasury stock					
Common stock	0	896	—	896	(Notes 1, 2)
Total	0	896	—	896	

Notes:

1. The number of treasury shares increased by 896 thousand due to the purchase of the Company's shares for the BIP Trust for officer remuneration and the ESOP Trust for stock allocation.
2. The number of treasury shares as of March 31, 2018, includes 896 thousand shares of the Company held by the BIP Trust for officer remuneration and the ESOP Trust for stock allocation.

(Securities)

1. Securities held for trading purposes (as of March 31, 2018)  
Not applicable
2. Bonds held to maturity (as of March 31, 2018)  
Not applicable
3. Shares in subsidiary firms, subsidiary corporations, affiliates and others (as of March 31, 2018)  
There are no shares in subsidiary firms, subsidiary corporations, affiliates and others that have market value.

Note: Stocks of subsidiary firms, subsidiary corporations, affiliates and others whose market value is deemed extremely difficult to identify

	Balance sheet amount (million yen)
Stocks of subsidiary firms and subsidiary corporations	28,089
Total	28,089

These stocks do not have any market price, and their market value is deemed extremely difficult to identify; therefore, they are not included in the "Shares in subsidiary firms, subsidiary corporations, affiliates and others" above.

4. Other securities (as of March 31, 2018)

	Class	Balance sheet amount (million yen)	Acquisition cost (million yen)	Gains/losses (million yen)
Securities whose balance sheet amounts exceed acquisition costs	Stocks	683	151	531
	Bonds	6,540	6,540	0
	Municipal bonds	2,520	2,520	0
	Corporate bonds	4,020	4,019	0
	Subtotal	7,224	6,692	532
Securities whose balance sheet amounts do not exceed acquisition costs	Bonds	52,591	52,611	(19)
	Municipal bonds	20,462	20,467	(4)
	Corporate bonds	32,128	32,144	(15)
	Subtotal	52,591	52,611	(19)
Total		59,816	59,303	513

Note: Other securities whose market value is deemed extremely difficult to identify

Classification	Balance sheet amount (million yen)
Unlisted stocks	203
Investment in capital of partnership	1,919
Total	2,122

The above securities are not included in "Other Securities" above, since they do not have any market price, and their market value is deemed extremely difficult to identify.

5. Bonds held to maturity sold during the fiscal year (from April 1, 2017, to March 31, 2018)  
Not applicable

6. Other securities sold during the fiscal year (from April 1, 2017, to March 31, 2018)  
Not applicable

7. Changes in purpose of holding securities  
Not applicable

8. Securities to which impairment is applied  
Not applicable

(Money held in trust)

Not applicable

(Tax effect accounting)

Breakdown of the main reasons for the creation of deferred tax assets and deferred tax liabilities

Deferred tax assets:	(million yen)
Unpaid corporate tax	426
Excess depreciation charge	202
Stock options-related expenses	163
Reserve for bonuses	116
Asset retirement obligations	108
Excess bad debt reserve	58
Accrued expenses (previously Provision for directors' retirement benefits)	45
Reserve for directors' benefit trust	31
Other	33
Total deferred tax assets	1,186
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	(107)
Prepaid pension cost	(35)
Adjustment to tangible fixed assets related to asset retirement obligations	(33)
Other	(1)
Total deferred tax liabilities	(177)
Net deferred tax assets	1,009

(Related party information)

1. Dealings with related parties

(1) Parent company and important corporate shareholders, etc.

Type	Name	Address	Capital (million yen)	Content of business or operations	% of voting rights	Relationship	Transactions	Transaction amount (million yen)	Item	Amounts outstanding at term end (million yen)
Other related company	Seven-Eleven Japan Co., Ltd.	Chiyoda-ku, Tokyo	17,200	Convenience store operation	Directly held 38.07%	Contracts related to installation & operation of ATM business capital transactions	Payment of fees for ATM installation (Note 1)	13,024	Accrued expenses (Note 2)	1,203

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

The business terms and conditions and decision-making process related to ATM placement fee expenses comprehensively take into account the consideration for outsourcing of office work and Seven-Eleven Japan's total infrastructure costs.

2. Consumption tax and other taxes are not included in the transaction amount, but the end-of-term outstanding balance includes consumption tax and other taxes.

(2) Subsidiaries and related companies, etc.

None

(3) Companies with the same parent and subsidiaries of other affiliated companies, etc.

None

(4) Directors and individual shareholders, etc.

None

2. Notes about parent company or important related companies

(1) Parent company information

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

(2) Summary financial information about important related companies

None

(Per share information)

Net assets per share 181.83 yen

Basic earnings per share 24.43 yen

Diluted earnings per share 24.39 yen

Notes: From the fiscal year under review, the Company has adopted the BIP Trust for officer remuneration and the ESOP Trust for stock allocation. The Company's shares held by these trusts are included in the number of treasury shares, which are deducted from the total number of shares issued as of the end of the fiscal year, to calculate Net assets per share. The number of treasury shares that were deducted at the end of the fiscal year was 896 thousand. They are also included in the treasury shares deducted in the calculation of the average number of shares for the period as part of the calculation of Basic earnings per share and Diluted earnings per share. The average number of treasury shares deducted for the fiscal year under review was 564 thousand.

(Significant subsequent events)

None

**Consolidated Balance Sheet**  
at the End of the 17th Term (as of March 31, 2018)

(Unit: million yen)

Category	Amount	Category	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
Cash and due from banks	710,369	Deposits	622,406
Securities	61,939	Negotiable certificates of deposits	800
Loans receivable	22,715	Borrowed money	10,000
Foreign exchanges	0	Bonds	95,000
ATM-related temporary payments	146,977	ATM-related temporary advances	59,032
Other assets	18,537	Other liabilities	21,769
<b>Tangible fixed assets</b>	<b>24,798</b>	Reserve for bonuses	457
Buildings	1,691	Net defined benefit liability	2
ATMs	19,804	Reserve for directors' retirement benefits	2
Other (tangible fixed assets)	3,301	Reserve for stocks payment	102
<b>Intangible fixed assets</b>	<b>35,958</b>	Deferred tax liabilities	885
Software	16,873	<b>Total liabilities</b>	<b>810,458</b>
Other (intangible fixed assets)	19,084	<b>(Net assets)</b>	
<b>Net defined benefit asset</b>	<b>264</b>	Capital stock	30,572
<b>Deferred tax assets</b>	<b>962</b>	Capital surplus	30,554
<b>Allowance for losses</b>	<b>(36)</b>	Retained earnings	146,075
		Treasury stock	(380)
		<b>Total shareholders' equity</b>	<b>206,823</b>
		Valuation difference on available-for-sale securities	244
		Foreign currency translation adjustment	4,308
		Remeasurements of defined benefit plans	98
		<b>Total accumulated other comprehensive income</b>	<b>4,651</b>
		Subscription rights to shares	533
		Non-controlling interests	18
		<b>Total net assets</b>	<b>212,027</b>
<b>Total assets</b>	<b>1,022,485</b>	<b>Total liabilities and net assets</b>	<b>1,022,485</b>



**Consolidated Statement of Income**  
for the 17th Term (from April 1, 2017, to March 31, 2018)

(Unit: million yen)

Category	Amount	
<b>Ordinary income</b>		<b>127,656</b>
<b>Interest income</b>	<b>3,391</b>	
Interest on loans receivable	3,271	
Interest and dividends on securities	18	
Interest on call loans	1	
Interest on deposits with banks	100	
<b>Fees and commissions income</b>	<b>123,507</b>	
Remittance-related fee income	2,582	
ATM-related fee income	116,854	
Other fees and commissions income	4,070	
<b>Other ordinary income</b>	<b>279</b>	
<b>Other income</b>	<b>477</b>	
Other	477	
<b>Ordinary expenses</b>		<b>89,350</b>
<b>Interest expenses</b>	<b>718</b>	
Interest on deposits with banks	163	
Interest on negotiable certificates of deposits	0	
Interest on call money	(28)	
Interest on borrowings and rediscounts	76	
Interest on bonds	506	
<b>Fees and commissions expenses</b>	<b>26,583</b>	
Remittance-related fee expense	1,466	
ATM placement fee expenses	20,853	
ATM-related fee expenses	2,375	
Other fees and commissions expenses	1,888	
<b>Other ordinary expenses</b>	<b>90</b>	
<b>General and administrative expenses</b>	<b>61,645</b>	
<b>Other expenses</b>	<b>312</b>	
Provision of allowance for credit losses	6	
Other expenses	306	
<b>Ordinary profit</b>		<b>38,305</b>
<b>Extraordinary losses</b>		<b>141</b>
Losses on disposal of noncurrent assets	141	
<b>Income before income taxes</b>		<b>38,163</b>
<b>Income taxes - current</b>	<b>13,302</b>	
<b>Income taxes - deferred</b>	<b>(437)</b>	
<b>Total income taxes</b>		<b>12,864</b>
<b>Net income</b>		<b>25,298</b>
<b>Loss attributable to non-controlling shareholders</b>		<b>(3)</b>
<b>Profit attributable to owners of parent</b>		<b>25,301</b>

**Consolidated Statement of Changes in Net Assets**  
for the 17th Term (from April 1, 2017, to March 31, 2018)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2017	30,572	30,554	132,093	(0)	193,221
Changes in items during the period					
Issuance of new shares	—	—	—	—	—
Dividends from surplus	—	—	(11,319)	—	(11,319)
Profit attributable to owners of parent	—	—	25,301	—	25,301
Acquisition of treasury stock	—	—	—	(380)	(380)
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	13,982	(380)	13,602
Balance as of March 31, 2018	30,572	30,554	146,075	(380)	206,823

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2017	217	5,012	73	5,303	533	22	199,081
Changes in items during the period							
Issuance of new shares	—	—	—	—	—	—	—
Dividends from surplus	—	—	—	—	—	—	(11,319)
Profit attributable to owners of parent	—	—	—	—	—	—	25,301
Acquisition of treasury stock	—	—	—	—	—	—	(380)
Net changes in items other than shareholders' equity	27	(703)	24	(652)	—	(4)	(656)
Total changes in items during the period	27	(703)	24	(652)	—	(4)	12,946
Balance as of March 31, 2018	244	4,308	98	4,651	533	18	212,027

## Explanatory Notes (Consolidated)

Amounts of less than one million yen have been discarded.

### Basis of Presenting Consolidated Financial Statements

The definition of "subsidiary firms," "subsidiary corporations" and "affiliates and others" is as set forth in Article 2, Paragraph 8 of the Banking Law and Article 4-2 of the Order for Enforcement of the Banking Law.

#### 1. Scope of consolidation

- (1) Number of consolidated subsidiary firms and subsidiary corporations: 5  
Name of the subsidiary firm (corporation): FCTI, Inc., FCTI Canada, Inc., PT. ABADI TAMBAH MULIA INTERNASIONAL, Bank Business Factory Co., Ltd., and Seven Payment Service, Ltd.  
(Change in the scope of consolidation)  
Seven Payment Service, Ltd., was newly established in the consolidated fiscal year under review and has been consolidated.
- (2) Unconsolidated subsidiary firms and subsidiary corporations:  
Not applicable

#### 2. Application of the equity method

Not applicable

#### 3. Business years, etc., of the consolidated subsidiary firms and subsidiary corporations

- (1) Closing date for the settlement of accounts of the consolidated subsidiary firms and subsidiary corporations is as follows:  
December 31: 3 companies  
March 31: 2 companies
- (2) In preparing the consolidated financial statements, the financial statements as of their respective balance sheet dates are used with regard to the consolidated subsidiary firms and subsidiary corporations. The financial statements of said companies are provided with necessary adjustments for consolidation purposes with regard to material transactions between the closing date (December 31) above and the consolidated closing date (March 31).

#### 4. Amortization of goodwill

Goodwill is equally amortized using the straight-line method over a period of 10 years. However, if the amount is insignificant, the corresponding goodwill is recorded as an expense at the time of occurrence.

#### 5. Accounting policies

- (1) Basis and methodology for the valuation of securities  
As for valuation of securities, available-for-sale securities are stated, in principle, at their market values at the consolidated balance sheet date (realized gains or losses on sales of such securities are computed using primarily the moving-average method). Provided, however, that available-for-sale securities whose fair market value is deemed to be extremely difficult to identify are stated at cost using the moving-average method.  
Valuation difference on available-for-sale securities are reported as a separate component of net assets.
- (2) Basis and methodology for the valuation of derivative transactions  
Derivative transactions are stated at their market values.
- (3) Method for calculating depreciation of fixed assets
  - 1) Tangible fixed assets  
Depreciation of tangible fixed assets of the Company is calculated by the straight-line method.  
Estimated useful lives of major items are as follows:  
Buildings: 6–18 years  
ATMs: 5 years  
Others: 2–20 years  
Depreciation of the tangible fixed assets of the consolidated subsidiary firms and subsidiary corporations is calculated by the straight-line method over the estimated useful lives of the assets.
  - 2) Intangible fixed assets  
Intangible fixed assets are amortized using the straight-line method. Software utilized by the Company and its consolidated subsidiary firms and subsidiary corporations is amortized over the period in which it is expected to be utilized (mainly five years).

(4) Provisioning standards

1) Allowance for losses

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

For credits to obligors classified as normal obligors or watch obligors, on the basis of expected loss ratios and other factors, and defined according to fixed categories, the allowance for losses is provided based on the Company's estimated rate of credit losses in accordance with the "Administrative guidelines concerning the self-assessment of assets, bad debt amortization and bad debt reserves for banks and other financial institutions" (Bank Audit Special Committee Report No. 4 issued on July 4, 2012, by The Japanese Institute of Certified Public Accountants (JICPA)). For credits to obligors classified as bankruptcy risk obligors, the allowance for losses is provided for estimated unrecoverable amounts determined after excluding the portion that is estimated to be recoverable due to available security interests and guarantees. For credits to obligors classified as substantially bankrupt obligors or bankrupt obligors, the allowance for losses is provided in the full amounts of such credits, excluding the portion that is estimated to be recoverable due to available security interests and guarantees.

The Company's Risk Management Division, which is independent from the Company'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 Company's other divisions and the Risk Management Division. The allowance is provided based on the results of these assessments.

2) Reserve for bonuses

The reserve for bonuses is provided for employees in the amount of estimated bonuses attributed to the relevant consolidated fiscal year.

3) Reserve for directors' retirement benefits

Reserve for directors' retirement benefits is provided at part of the Company's consolidated subsidiaries to prepare for possible payments of retirement benefits to their directors in the amount of the projected retirement benefits for their service years up to the end of the consolidated fiscal year under review.

4) Reserve for stocks payment

Reserve for directors' benefit trust is provided for possible payment for allocation of the Company's shares based on the "Rules for Stock Allocation to Directors" and the "Rules for Stock Allocation to Executive Officers" to Directors (excluding non-executive Directors and Directors residing overseas) and Executive Officers (excluding those residing overseas), respectively, in the amount calculated based on the projected stock allocation obligations as of the end of the consolidated fiscal year under review.

(5) Accounting procedure regarding employees' retirement benefits

In calculating the retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the consolidated fiscal year under review. Net actuarial difference is amortized as follows:

Net actuarial difference:	Amortized using the straight-line method over 10 years within the employees' average remaining service period at the time of occurrence commencing from the next consolidated fiscal year of occurrence.
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(6) Translation of assets and liabilities denominated in foreign currencies

The Company's assets and liabilities denominated in foreign currencies are translated into Japanese yen mainly at the exchange rate prevailing at the consolidated balance sheet date.

Assets and liabilities denominated in foreign currencies of subsidiary firms and subsidiary corporations are translated into Japanese yen mainly at the exchange rate prevailing at their respective balance sheet dates.

(7) Important method of accounting for hedge transactions

Interest rate risk hedges

For some liabilities we have employed a special accounting treatment for interest rate swaps. For hedges designed to reduce the impact of volatility in the market for variable interest rates, we have individually identified the hedge target and designated interest rate swap trades as hedge transactions.

(8) Consumption taxes

At the Company, as well as at the domestic consolidated subsidiary firms and subsidiary corporations, national and local consumption taxes are accounted for using the tax-excluded method.

(Additional information)

(Performance-based stock compensation plan for Directors)

From the consolidated fiscal year under review, the Company adopted a performance-based stock compensation plan for the Company's Directors (excluding non-executive directors and those who are residing overseas, the same applies below),

using the BIP Trust for officer remuneration (this "Plan" below) to further raise their motivation to contribute to medium- to long-term continual improvement in business performance.

Related to this trust contract, the Company applies an accounting treatment method in line with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (ASBJ PITF No. 30, March 26, 2015).

(1) Outline of the transaction

This Plan is a performance-based stock compensation plan in which the Company's shares are purchased via the Trust using the money contributed by the Company as a source fund and the Company's shares, etc., are delivered to Directors via the Trust in accordance with the Rules for Stock Allocation to Directors. The timing for Directors to receive the Company's shares, etc., shall be at the time of retirement of each Director, in principle.

(2) The Company's shares remaining in the Trust

The Company's shares remaining in the Trust are recorded as Treasury stock under Net assets at the book value in the Trust (excluding the amount of expenses for acquiring shares). The book value of such shares as of the end of the consolidated fiscal year was 278 million yen and the number of such shares was 656 thousand.

(Performance-based stock compensation plan for Executive Officers)

From the consolidated fiscal year under review, the Company adopted a performance-based stock compensation plan for the Company's Executive Officers (excluding those who are residing overseas, the same applies below), using the ESOP Trust for stock allocation (this "Plan" below) to further raise their motivation to contribute to medium- to long-term continual improvement in business performance.

Related to this trust contract, the Company applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (ASBJ PITF No. 30, March 26, 2015).

(1) Outline of the transaction

This Plan is a performance-based stock compensation plan in which the Company's shares are purchased via the Trust using the money contributed by the Company as a source fund and the Company's shares, etc., are delivered to Executive Officers via the Trust in accordance with the Rules for Stock Allocation to Executive Officers. The timing for Executive Officers to receive the Company's shares, etc., shall be at the time of retirement of each Executive Officer, in principle.

(2) The Company's shares remaining in the Trust

The Company's shares remaining in the Trust are recorded as Treasury stock under Net assets at the book value at the Trust (excluding the amount of expenses for acquiring shares). The book value of such shares as of the end of the consolidated fiscal year was 101 million yen and the number of such shares was 239 thousand.

## Important notes

(Consolidated balance sheet)

- Among the loans receivable, credits to bankrupt obligors were 2 million yen, and loans in arrears were 41 million yen.  
 “Credits to bankrupt obligors” refers to loans receivable for which accrued interest was not declared on the grounds that there are no prospects for the collection or repayment of the principal or interest because the payment of the principal or interest has been continually in arrears for a considerable period of time or for other such reasons (excluding the written-off portion; hereinafter referred to as “loans with undeclared accrued interest”) that correspond to any of the situations referred to in (a) through (e) of Article 96 Paragraph 1, Item 3 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97, 1965) or the situation referred to in Paragraph 1, Item 4 of the said Article.  
 “Loans in arrears” refers to loans with undeclared accrued interest other than credits to bankrupt obligors and loans for which an interest payment grace period has been granted for the purpose of reestablishing or assisting the business of the obligor.
- Loans receivable do not include loans in arrears for three months or more.  
 “Loans in arrears for three months or more” refers to loans for which the payment of the principal or interest has been in arrears for three months or more counting from the day after the due date agreed upon, excluding credits to bankrupt obligors and loans in arrears.
- Loans receivable do not include restructured loans.  
 “Restructured loans” refers to loans for which reduction of interest, interest payment grace period, principal repayment grace period, debt forgiveness or other such arrangements that are advantageous to the obligor have been made for the purpose of reestablishing or assisting the business of the obligor, excluding credits to bankrupt obligors, loans in arrears and loans in arrears for three months or more.
- Total amount of credits to bankrupt obligors, loans in arrears, loans in arrears for three months or more and restructured loans is 43 million yen. The amounts of credits stated in Nos. 1 to 4 above are amounts prior to the deduction of the allowance for losses.
- For the purposes of settlement and Bank of Japan current overdraft transactions, securities of 59,132 million yen in available-for-sale securities have been provided. Also, 1,296 million yen in guarantees are included in Other Assets.
- An overdraft agreement is an agreement to lend funds up to a certain limit if a financing request is received from a customer, unless there is any violation of the terms and conditions of the agreement. The unused balance of funds under such agreements is 9,198 million yen. This includes the unused balance of funds in the amount of 9,198 million yen under agreements in which the original term is one year or less.
- Accumulated depreciation for tangible fixed assets 55,825 million yen

(Consolidated statement of changes in net assets)

- The types and number of shares issued and of treasury stock are as follows:

(Unit: thousand shares)

	Number of shares at the beginning of this consolidated fiscal year	Increase during this consolidated fiscal year	Decrease during this consolidated fiscal year	Number of shares at the end of this consolidated fiscal year	Remarks
Shares issued					
Common stock	1,191,528	—	—	1,191,528	
Total	1,191,528	—	—	1,191,528	
Treasury stock					
Common stock	0	896	—	896	(Notes 1, 2)
Total	0	896	—	896	

Notes: 1. 896 thousand shares increase of treasury stock resulted from the acquisition of the Company's shares for the BIP Trust for officer remuneration and the ESOP Trust for stock allocation.

2. The number of treasury shares at the end of the consolidated fiscal year under review includes 896 thousand shares of the Company held by the BIP Trust for officer remuneration and the ESOP Trust for stock allocation.

- Subscription rights to shares and treasury subscription rights to shares:

Category	Details of subscription rights to shares	Type of shares acquired upon exercise of subscription rights to shares	Number of shares acquired upon exercise of subscription rights to shares (thousand shares)				Balance at the end of this consolidated fiscal year (million yen)	Remarks
			At the beginning of this consolidated fiscal year	Increase during this consolidated fiscal year	Decrease during this consolidated fiscal year	Number of shares at the end of this consolidated fiscal year		
	Subscription rights to shares as stock options			—			533	
	Total			—			533	

Note: There are no treasury subscription rights to shares.

3. The Company's dividend is as stated below:

(1) Dividends paid during this consolidated fiscal year

Resolution	Type of shares	Total amount of dividends	Dividend per share	Record date	Effective date
At the Board of Directors' meeting held on May 26, 2017	Common stock	5,659 million yen	4.75 yen	March 31, 2017	June 1, 2017
At the Board of Directors' meeting held on November 10, 2017	Common stock	5,659 million yen	4.75 yen	September 30, 2017	December 1, 2017

Note: The total amount of dividends determined by resolution of the Board of Directors at its meeting held on November 10, 2017, includes dividends of 4 million yen for the Company's shares held by the BIP Trust for officer remuneration and the ESOP Trust for stock allocation.

(2) Dividends with record dates within this consolidated fiscal year, and effective dates after March 31, 2017, are listed as follows.

Resolution	Type of shares	Total amount of dividends	Fiscal resource	Dividend per share	Record date	Effective date
At the Board of Directors' meeting held on May 25, 2018	Common stock	6,255 million yen	Retained earnings	5.25 yen	March 31, 2018	June 1, 2018

Note: The total amount of dividends includes dividends of 4 million yen for the Company's shares held by the BIP Trust for officer remuneration and the ESOP Trust for stock allocation.

(Financial instruments)

1. Matters concerning status of financial instruments

(1) Policy regarding the approach to financial instruments

The Company's basic policy is to ensure security and minimize risks in both raising and investing funds, and the Company does not pursue profit-making by aggressive risk-taking.

Funds raised by the Company can be broadly divided into working capital such as cash to be placed in ATMs and funds for capital investment such as ATM/system-related investment. In consideration of interest rate trends and other such factors, the Company secures the source funds by such means as deposits, long-term borrowings and bond issuance, and raises funds from the call market to cover daily fluctuations in the amount of funds that need to be raised.

On the other hand, the Company's funds are invested mainly in the form of funds and securities operations as a limited end user, although it does operate a small loan business, etc. targeted at individuals. Investment targets are limited to bonds and other securities with high creditworthiness and liquidity, as well as deposits at financial institutions with high creditworthiness, call loans, etc. The Company does not invest in risky financial derivatives, etc.

(2) Description and risk of financial instruments

The financial assets held by the Company are largely comprised of cash, primarily for facilitating its ATM business. Surplus funds are released in the form of call loans, which are exposed to the credit risk of the borrowers. Securities mainly consist of bonds and stocks with high creditworthiness and liquidity, and are held for "other purposes." These are exposed to the credit risks of each borrower or issuer, interest rate fluctuation risks and foreign exchange fluctuation risks. Loans receivable are in the form of loan services targeted at individuals (revolving card loans) and are exposed to credit risks arising from the nonperformance of contract by customers; however, the risks are limited, as the receivables are secured in full.

The Company also operates a banking business. Deposits and negotiable certificates of deposits, which account for the majority of its financial liabilities, are exposed to interest rate fluctuation risks. The Company raises short-term funds by using call money as necessary; it is exposed to liquidity risks in that it might not be able to raise the necessary funds. Borrowings and bonds are exposed to liquidity risks in that the payment might not be executable on the due date such as in cases where the Company cannot use the market under certain situations. The Company also borrows funds at variable interest rates, which are exposed to interest rate fluctuation risks. Such risks are averted by executing interest rate swaps.

(3) Risk management framework for financial instruments

1) Credit risk management

The Company observes its basic policy for credit risks established in the Policy on Risk Control, as well as the rules established thereunder called Credit Risk Rules. Credit risks are currently limited to the ATM settlement business, interbank deposits placed with top-rated partner financial institutions, etc., subject to asset-liability management (ALM), release of funds and temporary ATM payment amounts due, thereby curbing credit risks in operations. In addition, the Company performs self-assessment and establishes an allowance for write-offs in an appropriate manner, in accordance with its policies and rules for self-assessment, write-off and provision of allowance.

Credit risks of issuers of securities and counterparty risks in derivative transactions are managed by the Risk Management Division by means of periodically identifying credit information and market value.

2) Market risk management

The Company observes its basic policy for market risks established in the Policy on Risk Control, as well as the rules established thereunder called Market Risk Rules. The Market Risk Rules establish limits on the amount of funds at risk, market position limits and loss allowance limits. The Officer in Charge of Risk Management at the Risk Management Division measures and monitors market risks on a daily basis in light of these limits and reports the results to the management including the Executive Committee. At the ALM Committee convened once a month, the Company's market risk position, expected trends in interest rates and other matters are reported and operation policies are determined.

Quantitative information concerning market risks

Because interest rate risks are key market risks to the Company, the Company measures the Value at Risk (VaR) of entire assets and liabilities of the Company. In measuring the VaR, the Company uses the Variance-Covariance Method (holding period: 125 days, confidence interval: 99.9%, data observation period: 1 year), and the Company's VaR (estimated loss amount) as of March 31, 2018, was a total of 1,071 million yen. Additionally, in light of our business attributes, an interest period has been recognized in terms of cash recorded under assets, which has been calculated as a 5-year zero coupon (average maturity: 2.5 years). In order to verify the validity of the model, the Company regularly performs back-testing by comparing the VaR calculated by the model and the actual gains (losses). However, since VaR calculates market risk at a certain probability that has been statistically calculated on the basis of past market fluctuations, it may not be able to capture risks that occur under market environments changing beyond our normal expectations.



### 3) Liquidity risk management

The Company observes its basic policy for liquidity risks established in the Policy on Risk Control, as well as the rules established thereunder called Liquidity Risk Rules. The Liquidity Risk Rules establish limits regarding the cash gaps arising from differences between the duration of invested funds and those available to meet current cash needs. The Officer in Charge of Risk Management at the Risk Management Division measures and monitors liquidity risk on a daily basis in light of these limits and reports the results to the management including the Executive Committee. The Company is well prepared in that it has formulated measures in advance on a scenario-by-scenario basis so that it can take company-wide action in a speedy and flexible manner when the cash flow situation becomes tight; therefore, concerns over ensuring liquidity of funds are deemed nonexistent.

### (4) Supplementary explanation of matters concerning market value, etc., of financial instruments

The market value of financial instruments includes the value based on market price, in addition to reasonably calculated value in cases where the financial instrument has no market price. As certain assumptions, etc., are adopted when calculating the value of such financial instruments, the value may vary if different assumptions, etc., are adopted.

## 2. Matters concerning market value, etc., of financial instruments

The amount declared on the consolidated balance sheet, the market value and the difference between the two as at March 31, 2018, are as follows. In cases where it is deemed extremely difficult to identify the market value of unlisted stocks and other such financial instruments, the value is not included in the table below (refer to Note 2).

(Unit: million yen)

	Consolidated balance sheet amount	Market value	Difference
(1) Cash and due from banks*	710,367	710,367	—
(2) Securities			
Other securities	57,693	57,693	—
(3) Loans receivable	22,715		
Allowance for losses*	(0)		
	22,715	22,715	—
(4) ATM-related temporary payments*	146,975	146,975	—
Total assets	937,750	937,750	—
(1) Deposits	622,406	622,750	343
(2) Negotiable certificates of deposits	800	800	—
(3) Borrowed money	10,000	10,092	92
(4) Bonds	95,000	96,436	1,436
(5) ATM-related temporary advances	59,032	59,032	—
Total liabilities	787,239	789,111	1,872
Derivative transactions			
Transactions for which hedge accounting is not applied	20	20	—
Transactions for which hedge accounting is applied	—	—	—
Total derivative transactions	20	20	—

\* Allowance for losses for general accounts and allowance for losses for individual accounts corresponding to loans receivable have been deducted. Allowance for losses with respect to cash and due from banks and ATM temporary payments was insignificant and therefore directly deducted from the amount on the consolidated balance sheet.

### Note 1: Calculation method of market value of financial instruments

#### Assets

#### (1) Cash and due from banks

The market value of due from banks with no maturity is approximately the same as the book value; therefore, the book value is stated as market value. The deposit term of due from banks with maturity is short (no more than one year) and the market value is approximately the same as the book value; therefore the book value is stated as market value.

#### (2) Securities

Bonds are stated at the price quoted on the exchange or the price presented by the corresponding financial institution. Notes on the securities by holding purpose are stated in the "(Securities)" section below.

#### (3) Loans receivable

The market value of variable interest-rate loans receivable is approximately the same as the book value, since they are short-term and reflect the market interest rate, unless the credit status of the borrower is substantially different after the execution of the loans; therefore, the book value is stated as market value. Fixed interest-rate loans receivable amounted to zero.

With respect to credits, etc., to bankrupt obligors, substantially bankrupt obligors and bankruptcy risk obligors, the

market value is approximately the same as the amount on the consolidated balance sheet as at the consolidated fiscal year-end minus the current estimated amount of credit losses, since the estimated amount of credit losses is calculated based on the present value of estimated future cash flow or the expected collectable amount with the collateral and guarantee, etc.; therefore, the book value is stated as market value.

(4) ATM-related temporary payments

The pre-settlement period is short (no more than one year) and the market value is approximately the same as the book value; therefore, the book value is stated as market value.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposits

The market value of demand deposits is deemed as the amount payable presuming that the demand is made at the end of consolidated fiscal year (book value). The market value of time deposits is calculated by discounting the present value by future cash flow divided into categories of set periods. The discount rate applied is the rate used when accepting new deposits. The market value of deposits with a short residual period (no more than one year) is approximately the same as the book value; therefore, the book value is stated as market value.

(3) Borrowed money

As for borrowed money based on a fixed interest rate, the present value is calculated by discounting the sum of the principal and interest of such borrowed money (in the case of borrowed money subject to special accounting treatment for interest rate swaps, the sum of the principal and interest based on the rate of such interest rate swaps) divided into categories of set periods at the expected rate for similar borrowings. The market value of borrowed money with a short residual period (no more than one year) is approximately the same as the book value; therefore, the book value is stated as market value. Borrowed money based on variable interest rates amounted to zero.

(4) Bonds

The market value of bonds issued by the Company is stated at market price.

(5) ATM-related temporary advances

As the pre-settlement period is short (no more than one year), the market value is approximately the same as the book value; therefore, the book value is stated as the market value.

Derivative transactions

Derivative transactions are currency-related transactions and the market value is calculated using the discounted present value, etc.

Note 2: The following are financial instruments whose market value is deemed extremely difficult to identify, and are not included in "Assets (2) Other securities" of "2. Matters concerning market value, etc., of financial instruments."

(Unit: million yen)

Classification	Amount on consolidated balance sheet
Unlisted stocks*1	203
Investment in capital of partnership*2	1,919
Total	2,122

Notes:

\*1 Unlisted stocks do not have any market price, and their market value is deemed extremely difficult to identify; therefore such unlisted stocks are excluded from the scope of disclosure.

\*2 Investment in capital of partnership, of which the partnership's assets consist of elements such as unlisted stocks whose market value is deemed extremely difficult to identify, are excluded from the scope of disclosure.

Note 3: Amount of redemption scheduled for monetary claims and securities with maturity after end of consolidated fiscal year

(Unit: million yen)

	Within 1 year	Over 1 year but within 3 years	Over 3 years but within 5 years	Over 5 years but within 7 years	Over 7 years but within 10 years	Over 10 years
Due from banks*1	77,542	—	—	—	—	—
Securities						
Other securities with maturity	20,630	36,820	1,200	—	—	—
Municipal bonds	5,900	16,120	700	—	—	—
Bonds	14,730	20,700	500	—	—	—
Loans receivable*2	22,672	—	—	—	—	—
ATM-related temporary payments	146,977	—	—	—	—	—
Total	267,821	36,820	1,200	—	—	—

Notes:

\*1 Due from banks: Due from banks with no maturity is included and disclosed in "Within 1 year."

\*2 Loans receivable: The amount (43 million yen) of credits, etc., to bankrupt obligors, substantially bankrupt obligors or bankrupt risk obligors, for which redemption cannot be expected, is not included in loans receivable. Loans receivable are disclosed as "Within 1 year."

Note 4: Amount of repayment scheduled for bonds payable, borrowed money and other interest-bearing liabilities after the consolidated balance sheet date

(Unit: million yen)

	Within 1 year	Over 1 year but within 3 years	Over 3 years but within 5 years	Over 5 years but within 7 years	Over 7 years but within 10 years	Over 10 years
Deposits*	518,465	73,256	30,685	—	—	—
Negotiable certificates of deposit	800	—	—	—	—	—
Borrowed money	—	10,000	—	—	—	—
Bonds	—	30,000	20,000	15,000	30,000	—
ATM-related temporary advances	59,032	—	—	—	—	—
Total	578,298	113,256	50,685	15,000	30,000	—

\*Deposits: Demand deposits are included and disclosed in "Within 1 year."

(Securities)

1. Securities held for trading purposes (as of March 31, 2018)

Not applicable

2. Bonds held to maturity (as of March 31, 2018)

Not applicable

3. Other securities (as of March 31, 2018)

	Class	Consolidated balance sheet amount (million yen)	Acquisition cost (million yen)	Gains/losses (million yen)
Securities whose consolidated balance sheet amounts exceed acquisition costs	Stocks	683	151	531
	Bonds	6,540	6,540	0
	Municipal bonds	2,520	2,520	0
	Corporate bonds	4,020	4,019	0
	Subtotal	7,224	6,692	532
Securities whose consolidated balance sheet amounts do not exceed acquisition costs	Bonds	52,591	52,611	(19)
	Municipal bonds	20,462	20,467	(4)
	Corporate bonds	32,128	32,144	(15)
	Subtotal	52,591	52,611	(19)
Total		59,816	59,303	513

4. Bonds held to maturity sold during the consolidated fiscal year (from April 1, 2017, to March 31, 2018)

Not applicable

5. Other securities sold during the consolidated fiscal year (from April 1, 2017, to March 31, 2018)

Not applicable

6. Changes in purpose of holding securities

Not applicable

7. Securities to which impairment is applied

Not applicable

(Money held in trust)

Not applicable

(Stock options, etc.)

Detail and scale of and changes in stock options and subsequent adjustments

(1) Detail of stock options

	First Round – (1) Subscription rights to shares (Stock compensation-type stock options)	Second Round – (1) Subscription rights to shares (Stock compensation-type stock options)	Second Round – (2) Subscription rights to shares (Stock compensation-type stock options)	Third Round – (1) Subscription rights to shares (Stock compensation-type stock options)
Title and number of grantees	5 Directors of the Company	4 Directors of the Company	5 Executive Officers of the Company	5 Directors of the Company
Number of stock options by type of stock (Note 1)	Common stock: 184,000 shares	Common stock: 171,000 shares	Common stock: 38,000 shares	Common stock: 423,000 shares
Grant date	August 12, 2008	August 3, 2009	Same as at left.	August 9, 2010
Condition for vesting	(Note 2)	(Note 2)	(Note 3)	(Note 2)
Requisite service period	Not specified.	Same as at left.	Same as at left.	Same as at left.
Exercise period	August 13, 2008– August 12, 2038	August 4, 2009– August 3, 2039	Same as at left.	August 10, 2010– August 9, 2040

	Fourth Round – (1) Subscription rights to shares (Stock compensation-type stock options)	Fourth Round – (2) Subscription rights to shares (Stock compensation-type stock options)	Fifth Round – (1) Subscription rights to shares (Stock compensation-type stock options)	Fifth Round – (2) Subscription rights to shares (Stock compensation-type stock options)
Title and number of grantees	5 Directors of the Company	8 Executive Officers of the Company	6 Directors of the Company	7 Executive Officers of the Company
Number of stock options by type of stock (Note 1)	Common stock: 440,000 shares	Common stock: 118,000 shares	Common stock: 363,000 shares	Common stock: 77,000 shares
Grant date	August 8, 2011	Same as at left.	August 6, 2012	Same as at left.
Condition for vesting	(Note 2)	(Note 3)	(Note 2)	(Note 3)
Requisite service period	Not specified.	Same as at left.	Same as at left.	Same as at left.
Exercise period	August 9, 2011– August 8, 2041	Same as at left.	August 7, 2012– August 6, 2042	Same as at left.

	Sixth Round – (1) Subscription rights to shares (Stock compensation-type stock options)	Sixth Round – (2) Subscription rights to shares (Stock compensation-type stock options)	Seventh Round – (1) Subscription rights to shares (Stock compensation-type stock options)	Seventh Round – (2) Subscription rights to shares (Stock compensation-type stock options)
Title and number of grantees	6 Directors of the Company	7 Executive Officers of the Company	6 Directors of the Company	8 Executive Officers of the Company
Number of stock options by type of stock (Note 1)	Common stock: 216,000 shares	Common stock: 43,000 shares	Common stock: 193,000 shares	Common stock: 44,000 shares
Grant date	August 5, 2013	Same as at left.	August 4, 2014	Same as at left.
Condition for vesting	(Note 2)	(Note 3)	(Note 2)	(Note 3)
Requisite service period	Not specified.	Same as at left.	Same as at left.	Same as at left.
Exercise period	August 6, 2013– August 5, 2043	Same as at left.	August 5, 2014– August 4, 2044	Same as at left.

	Eighth Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Eighth Round – (2) Subscription rights to shares (Stock compensation- type stock options)	Ninth Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Ninth Round – (2) Subscription rights to shares (Stock compensation- type stock options)
Title and number of grantees	6 Directors of the Company	9 Executive Officers of the Company	6 Directors of the Company	9 Executive Officers of the Company
Number of stock options by type of stock (Note 1)	Common stock: 138,000 shares	Common stock: 39,000 shares	Common stock: 278,000 shares	Common stock: 72,000 shares
Grant date	August 10, 2015	Same as at left.	August 8, 2016	Same as at left.
Condition for vesting	(Note 2)	(Note 3)	(Note 2)	(Note 3)
Requisite service period	Not specified.	Same as at left.	Same as at left.	Same as at left.
Exercise period	August 11, 2015– August 10, 2045	Same as at left.	August 9, 2016– August 8, 2046	Same as at left.

Notes:

1. The number of stock options is stated as converted into number of shares. As of December 1, 2011, the Company conducted a 1,000-for-one stock split for its common stock; therefore, the number of converted shares was adjusted for the “Number of shares acquired upon exercise of subscription rights to shares” with regard to the above First Round – (1) Subscription rights to shares through the Fourth Round – (2) Subscription rights to shares to reflect the stock split.
2. Holders of subscription rights to shares may only exercise their subscription rights to shares within 10 days of the date following the day on which the holder’s position as Director is forfeited.
3. Holders of subscription rights to shares may only exercise their subscription rights to shares within 10 days of the date following the day on which the holder’s position as Executive Officer is forfeited (in cases where the holder has taken the position of Director, then the date on which the position of Director is forfeited).

(2) Scale of and changes in stock options and subsequent adjustments

The following includes stock options existing during the consolidated fiscal year ended March 31, 2018 (fiscal year 2017), and the number of stock options is stated as converted into number of shares.

(Number of stock options)

	First Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Second Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Second Round – (2) Subscription rights to shares (Stock compensation- type stock options)	Third Round – (1) Subscription rights to shares (Stock compensation- type stock options)
Prior to vesting (shares)				
At end of previous consolidated fiscal year		–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
Post vesting (shares)			–	–
At end of previous consolidated fiscal year	120,000	133,000	9,000	342,000
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	120,000	133,000	9,000	342,000

	Fourth Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Fourth Round – (2) Subscription rights to shares (Stock compensation- type stock options)	Fifth Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Fifth Round – (2) Subscription rights to shares (Stock compensation- type stock options)
Prior to vesting (shares)				
At end of previous consolidated fiscal year	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
Post vesting (shares)				–
At end of previous consolidated fiscal year	356,000	55,000	299,000	40,000
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	356,000	55,000	299,000	40,000

	Sixth Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Sixth Round – (2) Subscription rights to shares (Stock compensation- type stock options)	Seventh Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Seventh Round – (2) Subscription rights to shares (Stock compensation- type stock options)
Prior to vesting (shares)				
At end of previous consolidated fiscal year	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
Post vesting (shares)				
At end of previous consolidated fiscal year	179,000	20,000	161,000	28,000
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	179,000	20,000	161,000	28,000

	Eighth Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Eighth Round – (2) Subscription rights to shares (Stock compensation- type stock options)	Ninth Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Ninth Round – (2) Subscription rights to shares (Stock compensation- type stock options)
Prior to vesting (shares)				
At end of previous consolidated fiscal year	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
Post vesting (shares)				
At end of previous consolidated fiscal year	115,000	27,000	278,000	72,000
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	115,000	27,000	278,000	72,000



(Unit price information)

	First Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Second Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Second Round – (2) Subscription rights to shares (Stock compensation- type stock options)	Third Round – (1) Subscription rights to shares (Stock compensation- type stock options)
Exercise price	One yen per share	One yen per share	One yen per share	One yen per share
Average price when exercised	—	—	—	—
Fair value valuation price when granted	236,480 yen per subscription rights to share	221,862 yen per subscription rights to share	221,862 yen per subscription rights to share	139,824 yen per subscription rights to share

	Fourth Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Fourth Round – (2) Subscription rights to shares (Stock compensation- type stock options)	Fifth Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Fifth Round – (2) Subscription rights to shares (Stock compensation- type stock options)
Exercise price	One yen per share	One yen per share	One yen per share	One yen per share
Average price when exercised	—	—	—	—
Fair value valuation price when granted	127,950 yen per subscription rights to share	127,950 yen per subscription rights to share	175,000 yen per subscription rights to share	175,000 yen per subscription rights to share

	Sixth Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Sixth Round – (2) Subscription rights to shares (Stock compensation- type stock options)	Seventh Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Seventh Round – (2) Subscription rights to shares (Stock compensation- type stock options)
Exercise price	One yen per share	One yen per share	One yen per share	One yen per share
Average price when exercised	—	—	—	—
Fair value valuation price when granted	312,000 yen per subscription rights to share	312,000 yen per subscription rights to share	370,000 yen per subscription rights to share	370,000 yen per subscription rights to share

	Eighth Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Eighth Round – (2) Subscription rights to shares (Stock compensation- type stock options)	Ninth Round – (1) Subscription rights to shares (Stock compensation- type stock options)	Ninth Round – (2) Subscription rights to shares (Stock compensation- type stock options)
Exercise price	One yen per share	One yen per share	One yen per share	One yen per share
Average price when exercised	—	—	—	—
Fair value valuation price when granted	537,000 yen per subscription rights to share	537,000 yen per subscription rights to share	302,000 yen per subscription rights to share	302,000 yen per subscription rights to share

Note: The number of shares to be acquired upon exercise of one (1) subscription rights to share shall be one thousand (1,000) shares of common stock of the Company. As of December 1, 2011, the Company conducted a 1,000-for-one stock split for its common stock; therefore, exercise prices were adjusted for the "Number of shares acquired upon exercise of subscription rights to shares" with regard to the above First Round – (1) Subscription rights to shares through the Fourth Round – (2) Subscription rights to shares to reflect the stock split. In addition, average stock price at exercise represents the average price of the Company's stocks at the time when stock options were exercised.

3. Calculation method employed to establish the fair value valuation price for stock options granted during the term  
None applicable.

4. Method for calculating the number of stock options vested

Only the actual number of forfeited stock options is reflected because of the difficulty of accurately estimating the actual number of stock options that will be forfeited in the future.

(Per share information)

Net assets per share	177.61 yen
Profit attributable to owners of parent per share	21.24 yen
Diluted profit attributable to owners of parent per share	21.20 yen

Note: From the consolidated fiscal year under review, the Company has adopted the BIP Trust for officer remuneration and the ESOP Trust for stock allocation. The Company's shares held in these trusts are included in the number of treasury shares, which are deducted from the total number of shares issued as of the end of the consolidated fiscal year to calculate Net assets per share. The number of treasury shares deducted at the end of the consolidated fiscal year under review was 896 thousand. They are also included in the treasury shares deducted in the calculation of the average number of shares for the period as part of the calculation of Profit attributable to owners of parent per share and Diluted profit attributable to owners of parent per share. The average number of treasury shares deducted for the consolidated fiscal year under review was 564 thousand.

(Significant subsequent events)

None

# Independent Auditor's Report

May 18, 2018

The Board of Directors  
Seven Bank, Ltd.

KPMG AZSA LLC

Hiroyuki Yamada (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Hiroshi Umetsu (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the explanatory notes, and the supplementary schedules of Seven Bank, Ltd. as at March 31, 2018 and for the 17th fiscal year from April 1, 2017 to March 31, 2018 in accordance with Article 436-2-1 of the Companies Act.

## **Management's Responsibility for the Financial Statements and Others**

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

## **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, 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 financial statements and the supplementary schedules 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 financial statements and the supplementary schedules.

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 financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Seven Bank, Ltd. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

## **Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

## **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

# Independent Auditor's Report

May 18, 2018

The Board of Directors  
Seven Bank, Ltd.

KPMG AZSA LLC

Hiroyuki Yamada (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Hiroshi Umetsu (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the explanatory notes (consolidated) of Seven Bank, Ltd. as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 in accordance with Article 444-4 of the Companies Act.

## **Management's Responsibility for the Consolidated Financial Statements**

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

## **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 judgment, 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 referred to above present fairly, in all material respects, the financial position and the results of operations of Seven Bank, Ltd. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Audit Report  
(English Translation)

Regarding the performance of duties by the Directors for the 17th fiscal year from April 1, 2017, to March 31, 2018, the Audit & Supervisory Board hereby submits its Audit Report, which has been prepared upon careful consideration based on the audit report prepared by each Audit & Supervisory Board Member.

1. Summary of Auditing Methods by the Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board established auditing policies, allocation of duties, and other relevant matters and received reports from each Audit & Supervisory Board Member regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel and the Accounting Auditors regarding performance of their duties, and requested explanations, as necessary.
- (2) Each Audit & Supervisory Board Member complied with the auditing standards stipulated by the Audit & Supervisory Board, followed the auditing policies, allocation of duties and other relevant matters for the fiscal year ended March 31, 2018, communicated with Directors, the internal audit division, other employees and any other relevant personnel, made efforts to prepare the environment for information collection and audit, and conducted audits by the following methods.
  - 1) Participated in meetings of the Board of Directors and other important meetings, received reports from the Directors, employees and other relevant personnel regarding performance of their duties, requested explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions at the head office and principal business offices. With respect to the subsidiaries, we communicated and exchanged information with Directors, Audit & Supervisory Board Members and other relevant personnel of the subsidiaries and received the business reports therefrom as necessary.
  - 2) With respect to the system for ensuring that the performance of duties by the Directors as stated in the Business Report conforms to the related laws, regulations and the Articles of Incorporation, and the system prepared based on the contents of the resolutions of the Board of Directors and such resolutions regarding preparation of the system stipulated in Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act (internal control system) as a necessary system for ensuring the appropriateness of business operation by a corporate group consisting of the stock company and its subsidiaries, we received regular reports from Directors, employees and other relevant personnel regarding the development and the operation of the system, requested explanations as necessary and expressed opinions.  
With regard to the internal control over financial reporting based on the Financial Instruments and Exchange Act, we received reports on the assessment and audit status of said internal control from the Directors and the Accounting Auditors (KPMG AZSA LLC), and requested explanations as necessary.
  - 3) We monitored and verified whether the Accounting Auditors maintained their independence and implemented appropriate audits, as well as received reports from the Accounting Auditors regarding the performance of their duties and requested explanations as necessary. In addition, we received notice from the Accounting Auditors that the “system for ensuring that duties are performed properly” (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been prepared in accordance with the “Product Quality Management Standards Regarding Audits” (issued by the Business Accounting Council on October 28, 2005) and other relevant standards, and requested explanations as necessary.

Based on the above methods, we examined the business report and its accompanying supplementary schedules, financial statements (Balance Sheet, Statement of Income, Statement of Changes in Net Assets and Notes to Explanatory Notes) and the accompanying supplementary schedules, as well as the consolidated financial statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets and Explanatory Notes (Consolidated)) pertaining to the relevant fiscal year.

## 2. Results of Audit

- (1) Results of Audit of Business Report and Other Relevant Documents
  1. In our opinion, the Business Report and the accompanying supplementary schedules are in accordance with the related laws, regulations and the Articles of Incorporation, and fairly present the Company's condition.
  2. We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.
  3. In our opinion, the contents of the resolutions of the Board of Directors related to the internal control system are fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Directors related to such internal control system, including the internal control over financial reporting.
- (2) Results of Audit of Financial Statements and the Accompanying Supplementary Schedules  
In our opinion, the methods and results employed and rendered by KPMG AZSA LLC are fair and reasonable.
- (3) Results of Audit of Consolidated Financial Statements  
In our opinion, the methods and results employed and rendered by KPMG AZSA LLC are fair and reasonable.

May 25, 2018

Audit & Supervisory Board, Seven Bank, Ltd.

Full-time Audit & Supervisory Board Member	Isamu Hirai (seal)
Full-time Audit & Supervisory Board Member	Akihiko Shimizu (seal)
Outside Audit & Supervisory Board Member	Naomi Ushio (seal)
Outside Audit & Supervisory Board Member	Kunihiro Matsuo (seal)

(Reference) Concerning Corporate Governance

1. Basic Views

As a bank that owns and operates an ATM network that manages deposits from a large number of customers and has a nature similar to that of public infrastructure, the Company recognizes that ensuring disciplined corporate management is vital in responding to the social trust and seeks to ensure effective corporate governance. This is achieved by maintaining and improving its corporate governance and compliance system to ensure transparent, fair and swift managerial decision making; clarify the roles and responsibilities of executives and employees; strengthen management oversight functions; and ensure equitable operations.

The Company adopts the organizational form of a Company with Audit & Supervisory Board Members. At the Board of Directors, the Company ensures effective corporate governance through decision making by Directors who have considerable experience and insight in their areas of expertise as well as the audits by the Audit & Supervisory Board Members.

To clarify the specific issues to be addressed by the Company to realize the above policy and fulfill the accountability of the Company's corporate governance to its shareholders, the Company has established the "Corporate Governance Guidelines," which are disclosed on its website.

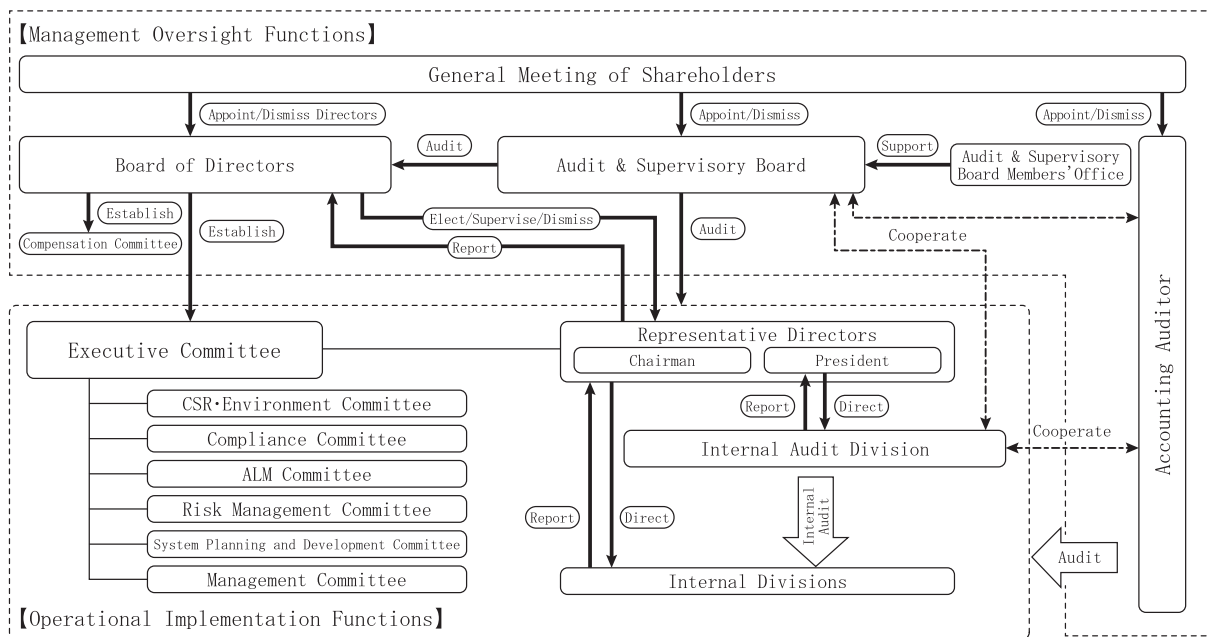
<<URL of the page regarding corporate governance>>

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

<<Corporate Governance Guidelines>>

[https://www.sevenbank.co.jp/english/ir/pdf/2017/20170620\\_E1\\_CGG.pdf](https://www.sevenbank.co.jp/english/ir/pdf/2017/20170620_E1_CGG.pdf)

2. Corporate Governance Structure





### 3. Policies and procedures for the Board of Directors to nominate candidates for Director and Audit & Supervisory Board Member

«Criteria for selecting candidates for Director»

1. A candidate for Director must have a significant track record, high capabilities and insights in his or her area of expertise, as well as a full understanding of the social mission and responsibilities of the banking business, and must be capable of pursuing corporate management and business operations in a highly disciplined manner, thereby contributing to the further development of the Company's group.
2. Any of the following shall disqualify a candidacy for Director.
  - Having any form of relations with antisocial forces, or
  - Violations of law and/or internal regulations in the course of conducting duties and/or legal violations in association with personal matters.

«Criteria for selecting candidates for Audit & Supervisory Board Member»

1. A candidate for Audit & Supervisory Board Member must have a significant track record, high capabilities and insights in his or her area of expertise, as well as a full understanding of the social mission and responsibilities of the banking business, and must be capable of auditing the status of Directors' execution of duties from a fair and objective standpoint, thereby contributing to the enhancement of the soundness and transparency of corporate management.
2. Any of the following shall disqualify a candidacy for Audit & Supervisory Board Member.
  - Having any form of relations with antisocial forces, or
  - Violations of law and/or internal regulations in the course of conducting duties and/or legal violations in association with personal matters.

### 4. Analysis and Evaluation of Effectiveness of the Board of Directors

- The Company has been conducting an evaluation of the effectiveness of the Board of Directors annually since fiscal 2015.
- Concerning the effectiveness of the Board of Directors for fiscal 2017, the Company conducted a questionnaire for Directors and Audit & Supervisory Board Members and based on a summary of the results, discussion and evaluation were held at the Board of Directors meetings. The results of the evaluation are described below.
  - (1) The Board of Directors meetings include two Outside Directors and two Outside Audit & Supervisory Board Members, thereby collectively possessing diverse knowledge, experience and capabilities. Through active discussions among Directors and Audit & Supervisory Board Members, the Board of Directors has been fully functioning both in decision making and supervision, thereby ensuring the effectiveness of the Board of Directors as a whole.
  - (2) At the same time, in order to address the following issues and make improvements, the Board of Directors shall be required to further devise new ideas regarding information provision from the executives.
    - a. Continue to consider the Company's form of business with a long-term perspective.
    - b. Enrich the deliberation based on the content, status and position of the item on the meeting agenda.

## 5. Policies and procedures for the Board of Directors to determine compensation for the top management and Directors

«Establishment of Compensation Committee»

1. As an auxiliary organization to the Board of Directors, the Company has established the Compensation Committee chaired by an independent outside director. The committee is delegated by the Board of Directors to recommend candidates for Director to be put on the agenda at a General Meeting of Shareholders, to recommend candidates for Executive Officer to be put on the agenda at a Board of Directors meeting and to supervise a plan on successors to the position of Director, etc.
2. The Compensation Committee shall deliberate the following matters regarding the Company's Directors and Executive Officers.
  - (1) Compensation and bonuses
  - (2) Other important matters concerning compensation
  - (3) Selection of candidates for Director or Executive Officer
  - (4) Other important personnel matters regarding Directors

(Excerpt from Article 21 of our Corporate Governance Guidelines)

**【Policies and procedures for determining compensation, etc., for Directors and Audit & Supervisory Board Members】**

1. Compensation for Directors is determined by comprehensively taking into account factors including contribution to the Company, content and importance of duties, performance of duties and years in office, within the annual limits for the compensation approved by the General Meeting of Shareholders. The Compensation Committee proposes to the Board of Directors content of such compensation, and the final decision is made by resolution of the Board of Directors.
2. The system of determining compensation for Audit & Supervisory Board Members shall be separate from that for Directors. Compensation for Audit & Supervisory Board Members is determined through discussion at the Audit & Supervisory Board within the annual limits for the compensation approved by the General Meeting of Shareholders.