

## Minutes of the Financial Results for the First Quarter of Fiscal 2019

**Mr. Hisanao Kawada** Nice to meet you. My name is Kawada, General Manager of the Planning Department appointed on July 2019. As the person responsible for IR, we will strive to enhance our corporate value over the medium to long term and achieve sustainable growth through constructive dialogue with our shareholders and investors.

I believe Mr. Takeuchi, the former General Manager of the Planning Department, has been grateful for all of your warm support within his term, and I would like to ask for the same kind of support.

Prior to our financial results briefing, we would like to take this opportunity to express our deepest apologies for the serious inconveniences and concerns that we have caused to customers and related parties regarding the unauthorized access to the 7pay barcode settlement service launched on July 1, 2019 by 7 Pay Co., Ltd., an equity-method affiliate.

As stated in the timely disclosure, "Discontinuation of the '7pay' Service" on August 1, 2019 by Seven & i Holdings, "7pay" service will be discontinued at 24 p.m. on September 30, 2019. We also made a timely disclosure on this yesterday as well.

Now, I would like to explain the status of the first quarter of the fiscal year ending March 31, 2020, based on the financial results briefing materials,.

We will be more than happy take questions after the explanation.

First, please let me explain the financial results digest, consolidated profit and loss, Seven Bank's non-consolidated profit and loss, and the ATM platform business and settlement account business, which are the main businesses of Seven Bank. Later on, I will explain about 2 topics, including the U.S. FCTI's profit and loss status and the related U.S. ATMs.

## Financial Digest

### Financial Results Digest



FY19 1Q

#### Consolidated

Ordinary income: ¥36.8 billion (up ¥1.0 billion year-on-year)  
Ordinary profit: ¥11.1 billion (up ¥1.1 billion year-on-year)

Net income attributable to owners of the parent

Net income: ¥7.6 billion (up ¥1.1 billion year-on-year)

#### Non-consolidated

Ordinary income: ¥29.8 billion (up ¥0.1 billion year-on-year)  
Ordinary profit: ¥11.3 billion (down ¥0.0 billion year-on-year)

Net income: ¥7.8 billion (down ¥0.0 billion year-on-year)

#### Consolidated: both income and profit increased

-FCTI posted profit in 1Q. Contributed to income

#### Non-consolidated: ordinary income slightly increased, while ordinary profit slightly declined

-Income increased, No. of ATM transactions is gradually decreasing

### Agenda

- ✓ Both consolidated and non-consolidated performances have been in line with the plan
- ✓ To stabilize income of FCTI, strive to improve business structure and expand business operations
- ✓ Steadily implement measures for sustainable growth stated in the Medium-Term Management Plan



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### On Financial Results Digest.

In the consolidated financial statements, ordinary revenue, ordinary income, and net income increased year on year to JPY36.8 thousand million, JPY11.1 thousand million, and JPY7.6 thousand million, respectively.

This was mainly attributable to the very large profitability of FCTI in the U.S. in the first quarter, which contributed to consolidated incomes.

On the other hand, regarding Seven Bank's financial results, on a non-consolidated basis, ordinary revenues increased, with ordinary income of JPY29.8 thousand million, ordinary income of JPY11.3 thousand million, and net income of JPY7.8 thousand million, ordinary income has slightly decreased.

Although we have secured an increase in revenues, our core business, the numbers of ATM transaction, is on a declining trend.

As for the agenda, I would like to talk about 3 points.

Firstly, Consolidated and non-consolidated results were largely in line with our plans. Secondly, we will explain in detail FCTI Corporation in the United States, but we are striving to restructure our business and expand the scope of our business in order to stabilize our earnings going forward. Thirdly, we are steadily accumulating the measures for sustainable growth set out in our Medium-Term Management Plan.

Following is the key point.

## Income Statement

### Income Statement (Consolidated)



- In the first quarter, **income and profit increased** year on year.

(Billion yen)

	FY18 1Q	FY19 1Q	Changes from FY18 1Q	FY19 Plan
Ordinary income	358	368	10	1,489
Ordinary expenses	257	257	0	1,092
Ordinary profit	100	111	11	397
Net income	65	76	11	267

Notes: 1. Amounts less than one hundred million yen have been truncated.  
 2. Previous-year comparisons are based on the units used in these materials.  
 3. Exchange rates per USD 1 on the consolidated income statement  
 FY18 1Q = ¥108.22, FY19 1Q = ¥110.22, FY19 Plan = ¥110.00  
 4. Net income is net income attributable to owners of the parent.



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As I mentioned earlier, both sales and profits increased on a consolidated basis, and FCTI in the U.S. contributed significantly to earnings. Looking at the figures for the first quarter of FY2019 in the slide, ordinary revenue was JPY36.8 thousand million and bottom-line net income was JPY7.6 thousand million, representing year-on-year increases of JPY1 thousand million and JPY1.1 thousand million in both revenue and profit, respectively.

## Income Statement (Consolidated)

### Income Statement (Seven Bank)



- In the first quarter, **operating income increased slightly, while ordinary profit declined slightly** year on year

(Billion yen)

	FY18 1Q	FY19 1Q	Changes from FY18 1Q	FY19 Plan
Ordinary income	297	298	1	1,202
ATM-related fee income	270	270	(0)	1,075
Ordinary expenses	183	184	1	784
Ordinary profit	113	113	(0)	417
Net income	78	78	(0)	289
EBITDA	152	148	(4)	560

No. of ATMs installed at end of term (units)	24,500	25,252	752	25,502
ATM-related fee income per transaction (yen)	133.2	135.0	1.8	134.0
Daily average transactions per ATM (transactions/ATM/day)	93.9	89.6	(4.3)	89.2
Total no. of transactions (million)	208	205	(3)	822

Note: EBITDA = Ordinary profit + Depreciation and amortization



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Explanation on Seven Bank's non-consolidated results.

In the first quarter, ordinary income slightly increased and ordinary income slightly decreased compared with the same period of the previous fiscal year.

Looking at the slide chart, ordinary revenue for the first quarter of FY2019 was JPY29.8 thousand million, which was JPY29.7 thousand million in the first quarter of FY2018, resulting in an increase of JPY100 million. Net income remained almost unchanged at JPY7.8 thousand million, but this was slightly negative, so we have stated net income at JPY0 billion.

Attention should be paid to ATM figures more than the P/L figures in the financial statements. The second row of the table shows "ATM-related fee income," which remained virtually unchanged from JPY27 billion in the same period of the previous fiscal year.

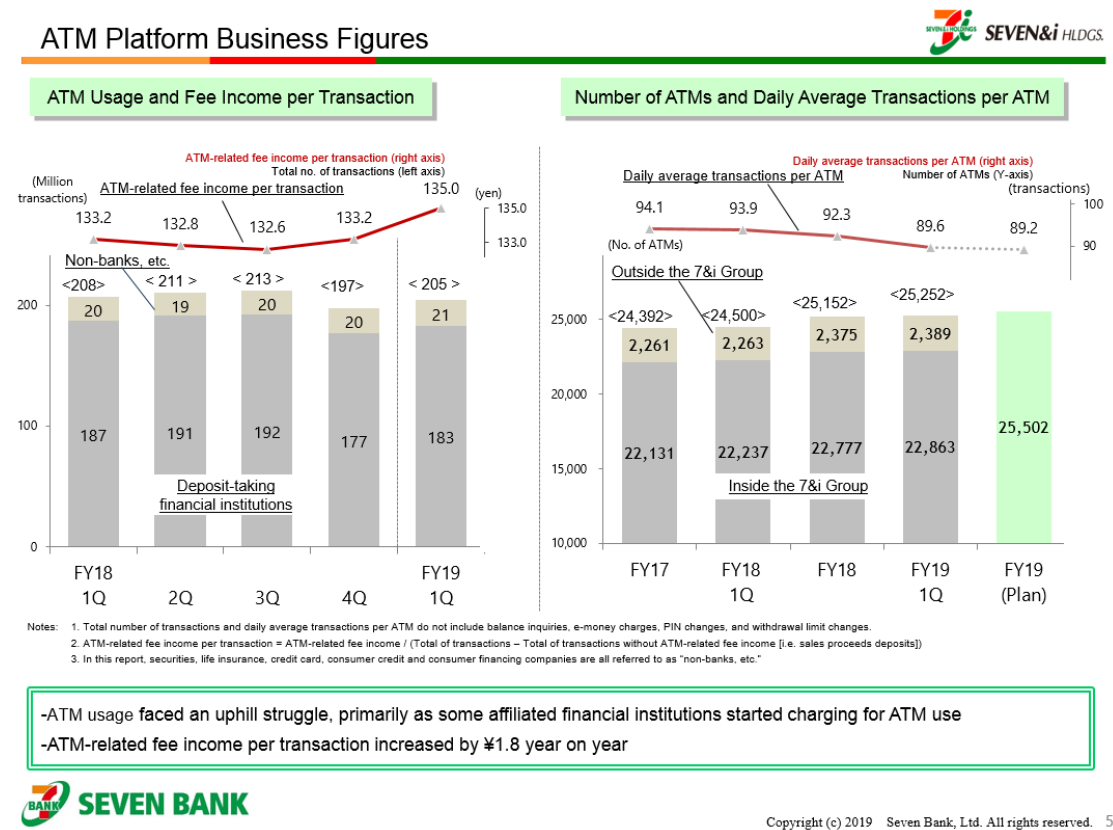
This is a slight negative figure, but ATM-related fee income is determined by the number of transaction of ATMs multiplied by the fee per transaction. If fee per transaction

decline, sales will naturally fall, and we have experienced this in the past.

At the bottom of this table, the total number of transactions decreased from 208 million to 205 million, representing a year-on-year difference of 3 million.

This is the first time since our founding that the number of transactions has decreased by 3 million in a quarter term. Since our founding, the number of transactions has been rising steadily. However, recently, the number of transactions has been declining slightly due to various factors such as cashless transactions.

## ATM Platform Business Figures



Here is the explanation of the ATM platform business, which is one of the core businesses of Seven Bank on a non-consolidated basis.

2 points are listed at the bottom of the slide. The number of ATM transactions struggled, mainly due to the conversion of some affiliated financial institutions charging customers fees for use of ATM which were formerly free. On the other hand, the ATM-related fee income per transaction increased significantly from the same period of the previous fiscal

year to JPY1.8.

The graphs on the slide show the same thing, with the number of transactions stagnating but ATM-related income fee per transaction rising. We have 800 million ATM transactions a year, so if the ATM-related fee income per transaction differs by JPY1, annual sales will change by JPY800 million. This increase in ATM-related fee income per transaction is an extremely important factor for sales.

The graph on the right-hand side of the slide shows the number of ATMs and the average number of transactions per ATM per day. The bar graph is the cumulative number of ATMs. The bottom part of the cumulative graph is for the ATMs placed within the Seven & i Holdings Group, while the top chart is for the ATMs placed outside of the Seven & i Holdings Group. As of the end of June 2019, the cumulative figure was 25,252, or the first quarter of 2019, and the cumulative figure is still steadily increasing.

As some of you may already know, if the number of 7-Eleven stores increases, the number of ATMs will increase. However, as we cannot expect the numbers of 7-Eleven stores to increase significantly in the future, the trend in the number of ATMs will change slightly.

On the other hand, the average number of users is declining. As can be seen from the Integrated Report, the average number of users peaked in FY2009 and has continued to decline for 10 years since then.

Why this happens? It is undoubtedly true that there has been a large cashless movement in the world as a whole, and this has had a slight negative impact on the number of ATM total transaction, and I believe that this will continue in the future. In addition, there are affiliated financial institutions which are starting to charge ATM usage fee to their card holders although they formerly didn't. The customers who are card holders of those affiliated financial institutions may not use our ATMs as much as they did before.

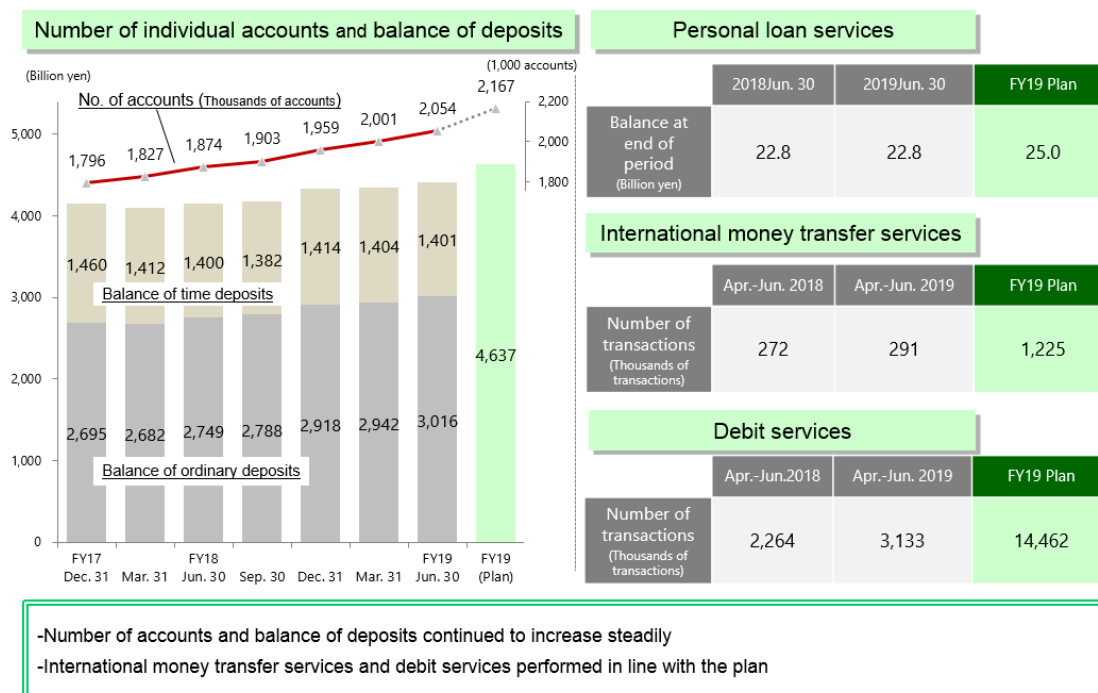
As this is a business strategy for affiliated financial institutions, we have no say in that matter, but it is undeniable that if ATM usage fees are paid by customers, the number of transactions will decline.

Some affiliated financial institutions are still offering the usage fee free, but since almost

all banks in Japan are charging the customers, we would like for you to understand that this negative factor in the number of transactions will not continue in the future.

## Settlement and Account Business Figures

### Settlement and Account Business Figures



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This figure covers the settlement account business, another core business.

2 points are shown at the bottom of the slide, and as shown in the graph on the left, the number of accounts and the balance of deposits have continued to expand constantly. On the right-hand side of the slide, we have listed 3 products we are aggressively developing, and International Money Transfer Service and Debit services are in line with our plans.

Loans to individuals were slightly below plan. The banking industry as a whole is required to be fairly cautious about expanding personal loans, and our loans are limited to a maximum of JPY0.5 million, which is not as large as that of other banks of several million yen. As a result, the outstanding balance of personal loans has not grown as much as we would expect.

## Income Statement(FCTI)

### Income Statement (FCTI)



-In the first quarter, **income and profit increased** year on year and FCTI **achieved profit**.

(Million USD)

	FY18 1Q (Jan.-Mar. 2018)	FY19 1Q (Jan.-Mar. 2019)	Changes from FY18 1Q	FY19 full-year plan
Ordinary income	55.8	63.4	7.6	255.4
Ordinary expenses	64.0	62.0	(2.0)	253.8
Ordinary profit	(8.2)	1.3	9.5	1.6
Net income	(8.2)	1.2	9.4	0.8
EBITDA	(1.8)	3.0	4.8	9.0

No. of ATMs installed at end of term (units)	13,412	12,374	(1,038)	11,770
At SEI (units)	7,953	8,352	399	8,311
Daily average transactions per ATM (transactions/ATM/day)	31.2	41.7	10.5	45.0
At SEI (transactions/ATM/day)	43.0	55.0	12.0	57.2
Total no. of transactions during the period (thousand)	36,152	47,712	11,560	194,000

Notes: 1. Total number of ATM transactions within U.S. includes balance inquiries.  
 2. Number of ATMs as of June 30, 2019: 12,165 (preliminary figure)  
 At SEI: 8,383 units  
 Other than SEI: 3,782 units directly owned



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FCTI's operating results are as shown. In the first quarter, in addition to higher sales and profits, turning black is an extremely important factor.

Although we had planned a deficit in the first quarter, we were in the black. Looking at the figures for the first quarter of FY2019, ordinary revenues totaled \$63.4 million and net income was \$1.2 million, making a significant contribution to consolidated results.

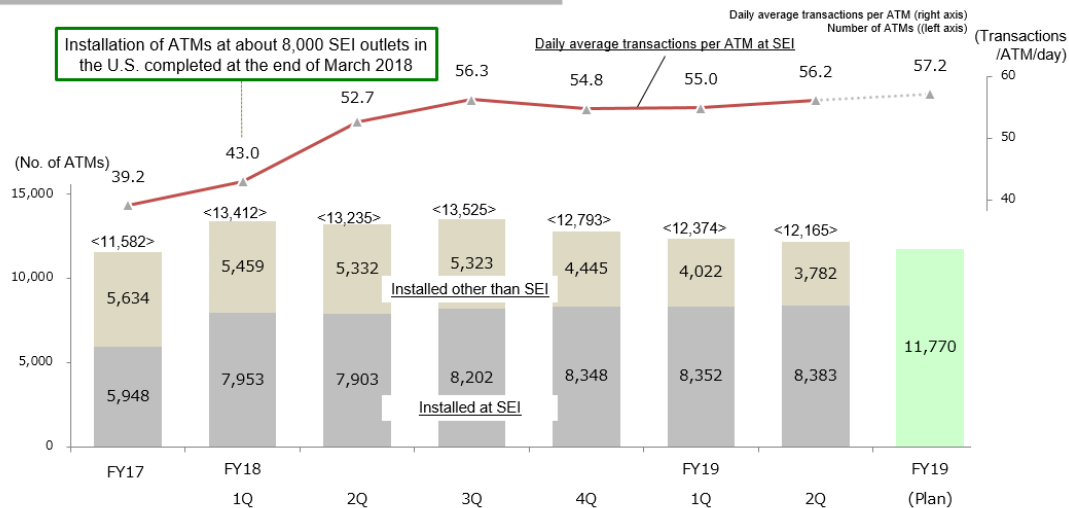
At the end of the fiscal year, the number of ATMs increased to 12,374 units, and the total number of ATM transactions increased significantly from 36,152 thousand in the same period of the previous fiscal year to 47,712 thousand. This was the background of strong sales and profits.

## ATM Figures within U.S.

### ATM Figures within U.S.



#### Number of ATMs and daily average transactions per ATM at SEI



- Number of ATM transactions installed at SEI steadily increased
- Scrap ATMs with low profitability and focus resources on ATMs at SEI to strengthen profitability



Notes: 1. Includes ATMs installed at Sunoco from 2Q FY18.  
2. The figures for 2Q FY19 are preliminary.

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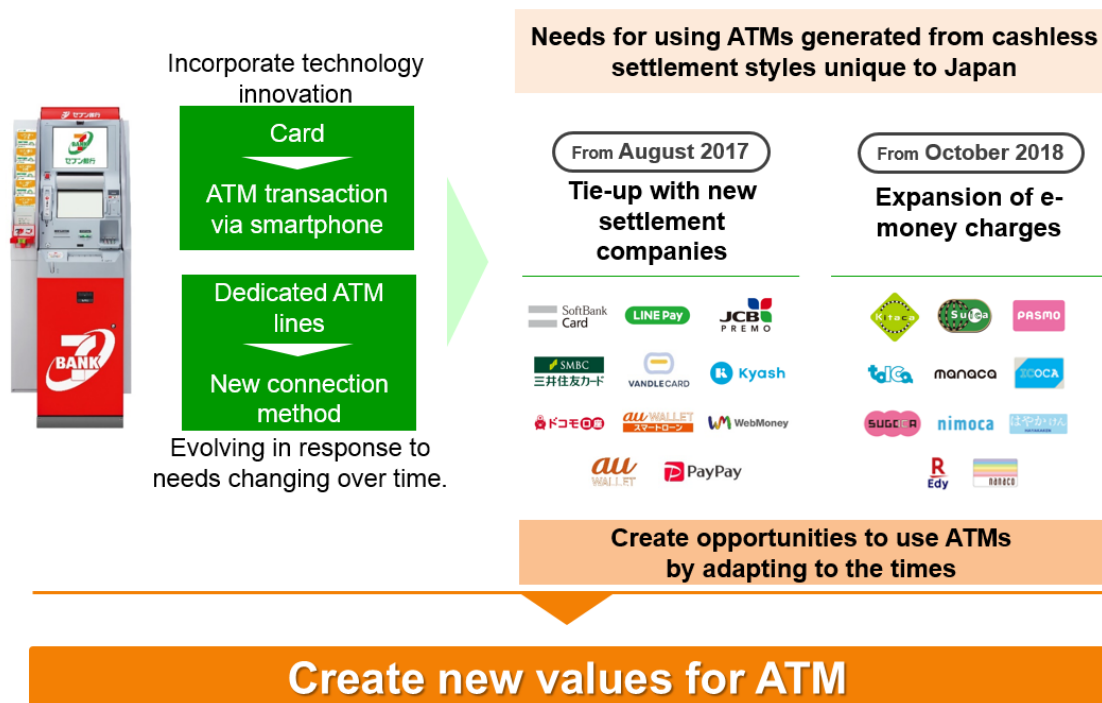
Let us look at the figures in more detail. On the next page, the number of ATMs in U.S. are shown in stacked bar graph. The lower part in gray are the ATMs installed in 7-Eleven, Inc., the 7-Eleven stores in U.S.A. The upper part are ATMs installed outside of 7-Eleven stores. The top line graph shows the number of daily average transaction per ATM installed at 7-Eleven stores in the United States.

2 points are listed in the lower part of the slide. First, the number of ATMs installed in 7-Eleven, Inc., the 7-Eleven stores in U.S. is steadily increasing. Second, we are streamlining unprofitable ATMs and concentrating resources on SEI-installed ATMs to enhance profitability.

I think the figures are decreasing in the upper part of the bar graph of the accumulation, but this is a result of organizing ATMs other than SEI, which are not profitable.

## Topics<New Styles of Using ATMs>

### Topics <New Styles of Using ATMs>



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We will explain about 2 topics.

The first is the creation of a new ATM usage style.

ATMs are usually used to withdraw money from or to deposit money with a bank cash card, but that can be done not only with cash cards but also with smartphones.

There is also a leased line for ATMs, which is often referred to as "CAFIS."

Rather than a leased line, which is common in the ATM world, we have expanded the scope of our ATM alliance by using a new connection method.

On the right-hand side of the slide is "Needs for using ATMs generated from cashless settlement styles unique to Japan."

In the case of Japan, the shift to cashless operations is certainly progressing.

I believe cashless settlement is very advanced when it replaces the payment by cash, but many of them are prepaid, so we have to charge money before using them.

Of course, you can charge money from a credit card or from a bank account.

However, there are many people who wouldn't prefer such ways, and there is a great need to charge with cash via ATMs.

Considering this background, I would like to explain 2 points.

First, is about our partnering with new settlement service providers.

With the new law, the movement of new companies entering the settlement service area, such as LINE Pay, PayPay, and mobile carriers are increasingly rapidly and expanding their business area. However, these services must be charged (refill) in advance.

On the right-hand side, "Expansion of electronic money charges" is shown.

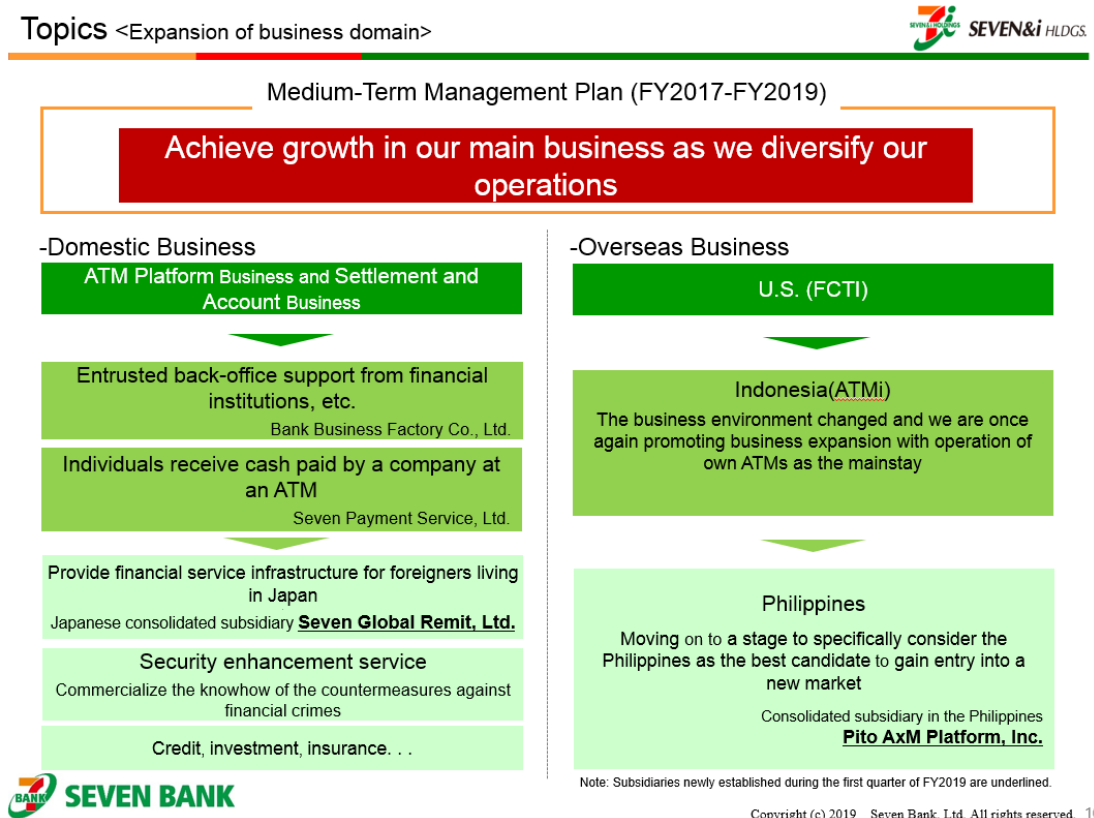
Nanaco has been in operation since 2007, and Suica, Rakuten Edy, and other products other than nanaco has been able to refill by our ATMs since October 2018.

These new Pay services and Suica are Seven Bank's unique services that cannot be applied to other ATMs.

In this way, we are working to create new value for ATMs by creating opportunities for the use of ATMs that meet the needs of the times.

This is the first topic.

## Topics <Expand of business areas>



The second topic is the expansion of business domains.

As Seven Bank has explained many times so far, we are promoting the Medium-Term Management Plan, which is a 3-year plan from FY2017 to FY2019. Under the basic

policy of "achieving business diversification while expanding our core businesses," we are making companywide efforts.

I would like to talk about the domestic and overseas businesses separately.

In the domestic business, we will not only steadily advance our core ATM platform business and settlement account business, but also introduce 2 other initiatives already undertaken.

First, we are promoting the outsourcing of administrative work from financial institutions through our subsidiary, Bank Business Factory. In addition, we are developing a service called 7 Payment Service, which was launched in spring of 2018 to receive payments from corporations to individuals through ATMs.

Contents of the Company's efforts to further expand its business domain are shown below the slide. We established a new company called 7 Global Remit during the first quarter of the current fiscal year with the aim of providing financial service infrastructure to foreigners in Japan.

We are also preparing to develop a security enhancement service and to expand the scope of our business to include credit, investment, and insurance.

On the other hand, regarding the international business, in addition to the U.S.-based FCTI, which I have described earlier many times, there is ATMi in Indonesia. We explained about 6 months ago that "We will consider withdrawing from this business". In the process, however, the business environment changed significantly, and we have changed our policy to promote business expansion again, making the core business the operation of their own ATMs. So we are now working to expand our business again.

In this change of business environment, ALTO, the company's local business partner, was acquired by BCA, the country's largest bank, and is now a subsidiary of BCA. ATMi's stance toward business has changed dramatically, and we have become more forward-looking, so we are now in the process of promoting this partnership once again.

Regarding the Philippines, we are moving to a concrete examination stage as a leading candidate for entering new areas. During the first quarter, we established a local

company called Pito AxM Platform, Inc. and are proceeding with concrete investigations.

We are clearly aware in our medium-term management plan that the ATM business alone is unlikely to achieve the significant growth that we have experienced to date.

Under these circumstances, the entire company is working hard to expand its business domains by leveraging our strengths and resources in both domestic and overseas businesses.

That is all for my explanation. Thankyou.

### Question and Answer: Impact of elimination of 7pay

**Questioner 1** I would like to ask 3 questions.

The first question concerns the impact of the discontinuation of the 7pay service.

We believe that the equity in net income of affiliates for the current fiscal year included a negative impact of approximately JPY1.5 thousand million due to the impact of sales promotion expenses of 7pay. As a result of the discontinuation of this service, should we understand that, even if it may not be full JPY1.5 thousand million impact, this will be a positive impact against the plan to a certain extent?

The second question concerns the impact of the U.S. interest rate cut. In the United States, you do not have a bank license, so we understand that you are borrowing dollars from the U.S. bank. The decline in U.S. interest rates has lowered FCTI's funding costs and led to higher-than-expected earnings in the quarter. Is FCTI's earnings likely to outperform our plans in the future?

Third, I would like to talk about overseas businesses. Please let us know the profitability and risks of business in Indonesia and the Philippines to the extent that you can at this point.

**Mr.Kawada** The first point is the impact of the discontinuation of the 7pay service. As you know, there will be no sales promotion expenses.

The way of competition in this market has changed considerably since the end of 2018. For instance, spending a great deal of money on sales promotions and increasing the number of users by making a large return like the "20% Cash Back Campaign." However,

we were not considering that level of large-scale sales promotions or campaigns in the "7pay" campaign.

Still, we had planned sales promotions for customers who use 7-Eleven, but we will not for "7Pay" because the service has been discontinued. Therefore, as you mentioned earlier, there is a possibility that the expense may decrease.

On the other hand, if a service is discontinued, there will be a variety of other factors, such as "what will happen to the invested system?", and in that sense, we need to confirm the financial impact. Currently, no matter how the situation turns out, it will be at the level where there will be no major problems in our finances. Nevertheless, to be honest, we do not have a forecast of how much impact it will have.

In particular, whether or not to use the system they have currently will have a major impact. On August 1, 2019, 7 Pay Co., Ltd., announced the discontinuation of its "7pay" settlement service. On the other hand, need for such settlement methods (smartphones, QR settlements, etc.) is expected to continue to grow. At the Seven & i Holdings press conference yesterday, it was mentioned that although they have no plans at the moment, it may be necessary to take on new challenges in this market.

In addition, 7 Pay is not just a company that provides a unique settlement service called "7pay." 7-Eleven Japan's cash registers are now able to use a variety of payment and settlement services, such as "Alipay", "WeChatPay", and "PayPay". 7 Pay Co., Ltd. will continue to play a role as an acquirer linking the cash registers and payment companies. 7 Pay Co., Ltd. will continue these businesses. It is not yet clear what will happen in the future, so to be honest, we don't know whether the impact you mentioned will turn out positive or negative.

As mentioned at the Seven & i Holdings press conference yesterday, the importance of digital and financial strategies remains unchanged, so the importance of digital and financial strategies has remains unchanged for all financial sector companies of the Seven & i Holdings Group, including Seven Bank.

It is not that there was a side we had expectations for "7-pay" settlement service, but what is essential is how to communicate with our customers. In terms of settlement, there are many ways to communicate with our customers, including the bank accounts and credit cards, as well as nanaco, which has issued 60 million cards and operating

companies' applications.

With the discontinuation of "7pay," I believe it is necessary to review some strategies, but the way we take this situation is "we have lost a piece", and that the importance of (strategy) itself has not changed at all.

### Question and Answer: Impact of the U.S. Interest Rate Reduction

**Mr.Kawada** The second issue is the interest rate cut in the United States.

Interest rate was lowered by 0.25%, but we had been struggling with the rate hike till then. We have to put a lot of cash into ATMs. In Japan, there is a method of raising funds through deposits, but as I mentioned earlier, in the U.S., FCTI it is not a bank, so we have to raise cash from the market for filling them with cash.

In terms of funding costs in such a case, an increase in interest rates would have a significant negative effect on incomes. Therefore, it is certain that this rate cut is a significant positive factor.

The extent to which this will be beneficial in the current fiscal year will depend on a variety of factors, including the number of ATMs used in FCTI's main business.

Under these circumstances, we can only say that we can maximize profits and further improve the efficiency of our operations, so that the effects of the reduction in interest rates can be added to the plan for the current fiscal year.

### Questions and Answers: Profitability and Risks in Overseas Business

**Mr.Kawada** The third question asked, I believe, was about overseas business, particularly in Indonesia and the Philippines. Regarding the risks to be faced, both Indonesia and the Philippines are regarded as promising markets for ATMs, as they are still short of ATMs as a stage of economic development, and are considered to be a stage for the development of new ATM businesses in the future.

Especially, it is extremely important that 7-Eleven Japan's local stores have established a certain scale of operations, and it is very important that ATMs be placed in 7-Eleven Japan's stores.

In Asian countries, there are many 7-Elevens, such as Taiwan and Thailand, but with ATMs of local banks already installed, and it takes a lot of time and effort to replace them (with Seven Bank ATMs). This situation occurs when economic stage progresses to a certain level (ATMs of other companies are installed), and it will become difficult to enter the market.

We are trying to enter the market of Indonesia and the Philippines because there is still room to enter.

However, there are some areas we recognized as risks. First is the shift to cashless, which is progressing in Japan as well. I think there is an extremely large demand for ATMs today, but there are concerns that the shift to cashless ATMs may be accelerated at a faster pace than we anticipated, and that ATMs will not be very popular.

Another thing is, if our business grows very smoothly, there will probably be a number of second and third players trying to develop similar business, so we need to consider whether or not we will be able to win in a competitive situation as a risk.

In any event, I believe that it is absolutely necessary to look for areas where economic growth can be expected not only in Japan but also in overseas markets and where ATM businesses can be expected. Therefore, we are working hard to decide how to expand our businesses while controlling risks.

## Questions and answers: Number of ATMs used and unit prices in Japan

**Questioner 2** I also have 3 questions.

First point, on the number of ATM total transactions and ATM related fee per transaction in Japan. ATM related fee per transaction exceeded the forecasts for the first half of the fiscal year while the number of ATM transactions slightly fell below the forecasts. How do you think this is progressing compared to the plan?

Second point concerns the contributions of new payment instruments, such as “LINE Pay” “PayPay”. For example, how many new payment instruments, such as “LINE Pay”, contribute to the number of payments in the first quarter?

Also, in July 2019, the use of “PayPay” has been started. What are the effects of this in numbers of transactions?

The third point concerns the impact of "7pay." We just have been explained the impact on business performance, but please explain anything that is to be believed to have impact on the main ATM business.

**Mr. Kawada** First, on the number of ATM total transactions and ATM related fee per transaction in Japan in comparison with the plan. In our case, the partner bank will decide how to set the usage fee when customers use ATMs. Instead, we decide how much we will receive from the bank as an alliance fee (acceptance fee per transaction).

Of course, when usage fee are paid by customers, the number of users will decline, but this does not directly lead to a decline in sales.

Given that, the fees (acceptance fee per transaction) has been increased, so we can say that it is neutral or that it is a situation "easy to maintain a balance".

In terms of the number of ATM total transaction and ATM related fee per transaction, as you understand, the number total transaction is falling short of the plan and the ATM related fee per transaction is exceeding the plan.

Although it was in line with expectations, the number of total transaction fell sharply because some financial institutions started to charge customers usage fee.

Needless to say, the acceptance fee per transaction was raised as a mechanism, so the fee per transaction was higher than expected.

Compared to the plan, the number of cases fell short of the plan and the unit price exceeded the plan. This means that the multiplication of these results yields revenue, so revenue was basically in line with the plan.

#### Questions and Answers: Contributes from New Settlement Services

**Mr. Kawada** The second point is to which extent new payment services such as "LINE Pay" "PayPay" are contributing. However, it is difficult to communicate the number of individual partners. Although this is a big figure, the total number of transactions is about 2% currently.

However, there are many customers who use "LINE Pay" and "PayPay", and there is a

way of refilling the balance using credit cards or linking them to accounts. However, it is more common to say that they do not prefer to do so. There are many people who say they will use it because they can be refill the balance by ATM, so in that sense, I am glad we partnered with them.

In addition, the number of members is extremely large, so there is high expectations that the number of transactions will increase in the future.

I don't know about everyone here, but there are many customers who tries to refill their payment account balance by JPY10 thousand, but when they look into their wallet, they don't have JPY10 thousand. So they withdraw JPY30 thousand from the ATM, and put JPY20 thousand into the wallet, and refill JPY10 thousand.

Offering new ways of using ATMs, led to further use of the former ways of using ATMs and we are getting a good feeling on this. In addition, you can deposit and withdraw cash cards from ordinary banks at any ATM, but the only ATM that can charge new Pays is at our ATM. We believe that the uniqueness of our ATM is a major strength.

### Question and Answer: Impact on ATMs of discontinuation of "7pay" service

**Mr.Kawada** The third point, the impact of the discontinuation of the "7pay" service.

In fact, in terms of the impact on the main business of ATMs, rather than the impact on business performance, we formed an alliance in which customers could charge the "7pay" service through ATMs in the same way as the "LINE Pay" "PayPay" service.

However, since "7pay" started on July 1 and new account registration and refill of balance was suspended in 3 days, refill from ATMs to "7pay" was suspended at the same time.

As a result, we have lost a part of transactions we were expecting in refill transactions, but the number of user was still limited compared to the "LINE Pay" and "PayPay".

This is a negative factor in the sense that this was a growth factor for us in the future, but it is extremely minor in the sense of impact on our ATM business.

With regard to "7pay" service, we planned to develop and provide a variety of financial services through "7pay" as part of our Group financial strategy, while maintaining communication with our customers. However, we need to review our strategy.

However, it is vital to communicate with customers, and we must consider other ways of communicating, such as "7-Eleven Apps" and "nanaco," instead of "7pay."

We may be taking a longer journey than we anticipated because the strategy did not work out as planned, but what we are trying to do remains unchanged.

### Questions and Answers: FCTI's Future Downside Risks

**Questioner 3** Please let me ask 1 question.

Please tell us about FCTI's outlook for the second quarter and beyond. Currently, from the first quarter onward, the Company has returned to profitability and exceeded the plan. In addition, the reduction in U.S. interest rates is expected to lower funding costs, and I believe that the Company is benefiting from this favorable environment in terms of business performance.

When considering FCTI from Q2 onwards, do you think there are no particular downside risks? Please tell us about the current outlook.

**Mr.Kawada** I am not aware of the downside risks that have been pointed out in questions about FCTI's situation since the second quarter.

I believe that the results achieved in the first quarter should continue.

We are also making efforts to reduce expenses, such as by reducing the number of branches. In this sense, we believe that various effects will steadily materialize.

In addition, we believe there are basically no downside risks due to changes in the environment caused by interest rate cuts.

### Closing remarks from Mr. Kawada

**Mr.Kawada** Thank you for your time today.

As you feel, the trend toward cashless financing is gradually becoming full-fledged, and I believe that such signs are beginning to appear in the results for the first quarter, which I explained today.

Our core business is the ATM platform business, which handles cash, and has accounted for more than 90% of sales since our founding. Therefore, as a cash business, the shift to cashless operations is undoubtedly a challenging business environment for us.

Nevertheless, in order to achieve sustainable growth in such an environment, we recognize that it is extremely important to respond flexibly and promptly to changes in the society surrounding us and changes in customer needs.

Seven Bank will maintain and strengthen the security and secure payment infrastructure that it has cultivated since its founding in 2001, and will continue to firmly engage in the ATM platform business, which is its core business.

At the same time, we view these changes in the business environment as business opportunities, and are actively taking on new initiatives that take full advantage of our strengths and opportunities. In addition, we are pursuing growth opportunities in businesses other than ATM platforms.

We look forward to the continued support of our stakeholders.  
Thank you.