



## Financial Results for Fiscal 2017

May 2018



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Note: Earnings announcement data can be found on our website.  
(<https://www.sevenbank.co.jp/english/ir/library/presentation/>)

# Financial Results Digest

## FY17 Financial Results (Consolidated)

Ordinary income:	¥127.6 billion	(up ¥6.0 billion year-on-year)
Ordinary profit:	¥38.3 billion	(up ¥1.6 billion year-on-year)
Net income:	¥25.3 billion	(up ¥0.2 billion year-on-year)

The first fiscal year of the Medium-Term Management Plan got off to a steady start as planned.

- Annual dividends per share were ¥10.00 (interim: ¥4.75, period-end: ¥5.25), an increase of ¥0.50 per share

## FY18 Outlook (Consolidated)

Planned increases in both ordinary income (¥146.7 billion) and ordinary profit (¥39.8 billion)

We will implement measures to achieve the Medium-Term Management Plan during this mid-plan fiscal year.

- Scheduled interim and period-end dividends of ¥5.00 per share each for total annual dividends of ¥10.00 per share

# Income Statement (Consolidated)

(Billion yen)

	FY16	Plan (Feb. 2018)	FY17	Changes from FY16 results	FY18 Plan			
					Full year	Changes from FY17 results	H1	Changes from FY17 H1 results
Ordinary income	121.6	126.7	127.6	6.0	146.7	19.1	72.6	10.4
Ordinary expenses	84.8	89.2	89.3	4.5	106.9	17.6	52.0	9.7
Ordinary profit	36.7	37.4	38.3	1.6	39.8	1.5	20.6	0.8
Net income attributable to owners of the parent	25.1	25.3	25.3	0.2	26.8	1.5	13.8	0.2

## 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 on the consolidated income statement:  
per USD 1  
FY16 = ¥108.78, FY17 = ¥112.16, FY18 Plan = ¥110.00  
per IRD 100  
FY16 = ¥0.817, FY17 = ¥0.838, FY18 Plan = ¥0.900

# Income Statement (Seven Bank)

(Billion yen)

	FY16				FY18 Plan			
		Plan	FY17	Changes from FY16 results	Full year	Changes from FY17 results	H1	Changes from FY17 H1 results
Ordinary income	<b>113.1</b>	<b>117.0</b>	<b>116.6</b>	<b>3.5</b>	<b>119.6</b>	<b>3.0</b>	<b>59.9</b>	<b>1.8</b>
ATM-related fee income	103.7	106.0	105.9	2.2	108.3	2.4	54.7	1.5
Ordinary expenses	<b>74.1</b>	<b>76.0</b>	<b>74.3</b>	<b>0.2</b>	<b>77.1</b>	<b>2.8</b>	<b>37.5</b>	<b>0.9</b>
Interest expenses	0.9	0.8	0.7	(0.2)	0.8	0.1	0.3	0.0
ATM placement fee expenses	13.8	14.6	14.3	0.5	14.8	0.5	7.3	0.2
Outsourcing expenses	17.8	18.5	18.3	0.5	18.8	0.5	9.3	0.2
Maintenance fees	4.0	4.2	4.1	0.1	3.9	(0.2)	2.0	(0.1)
Depreciation and amortization	17.5	16.1	15.7	(1.8)	16.1	0.4	7.9	0.1
Ordinary profit	<b>38.9</b>	<b>41.0</b>	<b>42.2</b>	<b>3.3</b>	<b>42.5</b>	<b>0.3</b>	<b>22.4</b>	<b>0.9</b>
Extraordinary gain (loss)	(0.1)	(0.1)	(0.1)	0.0	(0.1)	0.0	0.0	0.0
Income taxes	11.8	12.5	13.0	1.2	12.9	(0.1)	6.8	0.2
Net income	<b>26.8</b>	<b>28.3</b>	<b>29.1</b>	<b>2.3</b>	<b>29.4</b>	<b>0.3</b>	<b>15.5</b>	<b>0.7</b>
EBITDA	56.5	57.1	58.0	1.5	58.6	0.6	30.3	1.0

No. of ATMs installed at end of term (units)	23,368	24,300	24,392	1,024	25,350	958	24,813	940
ATM-related fee income per transaction (yen)	133.1	133.0	132.9	(0.2)	132.1	(0.8)	132.0	(1.0)
Daily average transactions per ATM (transactions/ATM/day)	95.5	94.3	94.1	(1.4)	93.1	(1.0)	94.8	(0.5)
Total no. of transactions (millions)	796	815	815	19	839	24	424	15

Note: EBITDA = Ordinary profit + Depreciation and amortization

# Income Statement (FCTI)

(Million US\$)

	FY16	Plan	FY17	Changes from FY16 results	FY18 Plan			
					Full year	Changes from FY17 results	H1	Changes from FY17 H1 results
Ordinary income	77.6	122.8	96.5	18.9	239.1	142.6	113.8	77.9
Ordinary expenses	84.2	130.6	120.4	36.2	250.0	129.6	122.7	79.2
Interest expenses	5.7	9.1	12.5	6.8	30.1	17.6	16.1	12.9
ATM placement fee expenses	44.1	69.3	58.0	13.9	138.9	80.9	66.7	44.8
Outsourcing expenses	5.9	10.1	7.8	1.9	19.1	11.3	9.4	6.4
Maintenance fees	6.7	8.0	8.4	1.7	17.1	8.7	8.3	5.2
Depreciation and amortization	6.8	11.5	9.5	2.7	25.5	16.0	12.3	9.3
Ordinary profit	(6.6)	(7.8)	(23.9)	(17.3)	(10.9)	13.0	(8.9)	(1.3)
Net income	(4.3)	(5.0)	(27.4)	(23.1)	(10.9)	16.5	(8.9)	(4.0)
EBITDA	0.2	3.5	(14.3)	(14.5)	13.9	28.2	3.0	(4.3)
No. of ATMs installed at end of term (units)	6,227	12,640	11,582	5,355	13,300	1,718	13,700	8,026
At SEI (units)	-	8,080	5,948	-	8,400	2,452	8,000	-
Daily average transactions per ATM (transactions/ATM/day)	16.2	30.6	20.3	4.1	36.7	16.4	33.8	17.8
At SEI (transactions/ATM/day)	-	60.4	39.2	-	50.0	10.8	46.7	-
Total no. of transactions (Thousands)	37,422	77,900	51,812	14,390	177,400	125,588	81,100	64,003

## Notes:

1. Number of ATMs installed as of March 31, 2018 : 13,413

Installed at 7-Eleven stores: 7,954

Installed at stores other than 7-Eleven stores: 4,597 directly owned, 862 owned by location where installed

2. FCTI interest expenses: Equivalent to interest charges paid to financial institutions supplying cash to ATMs, outsourcing expenses, etc.

# Income Statement (Consolidated Subsidiaries)

## ATMi (Indonesia)

(Million yen)

	FY16	FY17	FY18 Plan	
			Full year	H1
Ordinary income	49	81	311	93
Ordinary expenses	131	170	378	130
Ordinary profit (loss)	(82)	(88)	(66)	(36)
Net income (loss)	(47)	(90)	(50)	(27)

### Notes:

- Exchange rate per IDR 100:  
FY16 = ¥0.817, FY17 = ¥0.838, FY18 Plan = ¥0.900
- 120 ATMs installed as of March 31, 2018

## BBF (Japan)

(Million yen)

	FY16	FY17	FY18 Plan	
			Full year	H1
Ordinary income	815	972	1,016	525
Ordinary expenses	833	881	981	508
Ordinary profit (loss)	(18)	90	35	17
Net income (loss)	(18)	57	22	11

- Nine customer companies for back-office support on commission (as of March 31, 2018)
- Expand the scope of back-office support services  
Plans to begin offering back-office support services to prevent money laundering

# Income Statement (Consolidated Subsidiaries)

## 7PS (Japan)

(Million yen)

	FY18 Plan	
	Full year	H1
Ordinary income	492	29
Ordinary expenses	597	118
Ordinary profit (loss)	(104)	(89)
Net income (loss)	(104)	(89)

Name	Seven Payment Service, Ltd.
Location	Chiyoda-ku, Tokyo
Business description	Remittance and settlement services
Paid-in capital	¥150 million
Date of establishment	January 11, 2018
Fiscal year end	March 31

- A consolidated subsidiary that provides cash receipt service
- Meets needs for delivery of funds from companies to individuals and targets new market development (initiated service on May 7, 2018)



# Financial Position (Seven Bank) / Dividend Policy

## Balance Sheet as of March 31, 2018

(Billion yen)

Cash and due from banks: 706.8 (for ATMs, etc.)	Deposits: 622.7 (Individual deposits: 409.5)
	Bonds and borrowings: 105.0
Securities: 90.0	ATM-related temporary advances: 59.0
ATM-related temporary payments: 146.8	Other: 19.5
Other: 79.6	Net assets: 217.0

Assets: 1,023.2

Liabilities + net assets:  
1,023.2

Non-consolidated capital ratio  
(Domestic standard): 55.48% (Preliminary figure)

Credit rating (long-term) S&P: A+  
R&I: AA

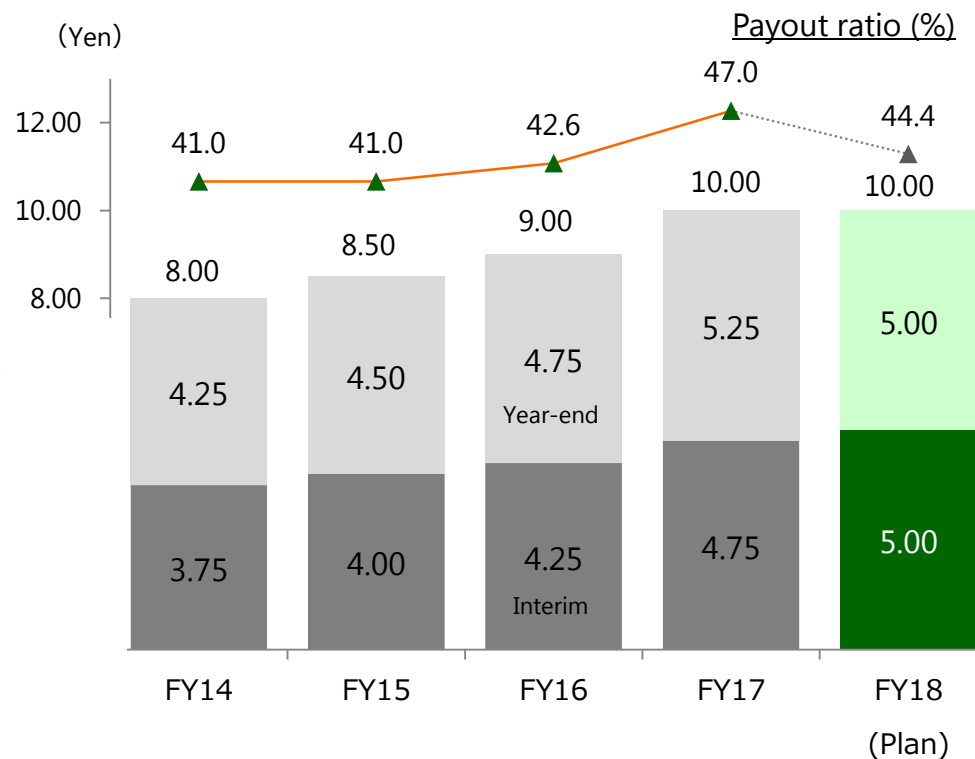
## Shareholder Returns Policy

- Changed dividend policy to strengthen shareholder returns in fiscal 2017
- Targeting a minimum consolidated payout ratio of 40% through twice-yearly payments

## Dividends

Fiscal 2017: ¥10.00 annual dividends

Fiscal 2018: ¥10.00 annual dividends planned (¥12.0 billion total dividends)



FY17-FY19

Medium-Term Management Plan: Status of Progress

## **Achieve Growth in Our Main Business as We Diversify Our Operations**

### **ATM Platform Business**

Create new styles of ATM usage

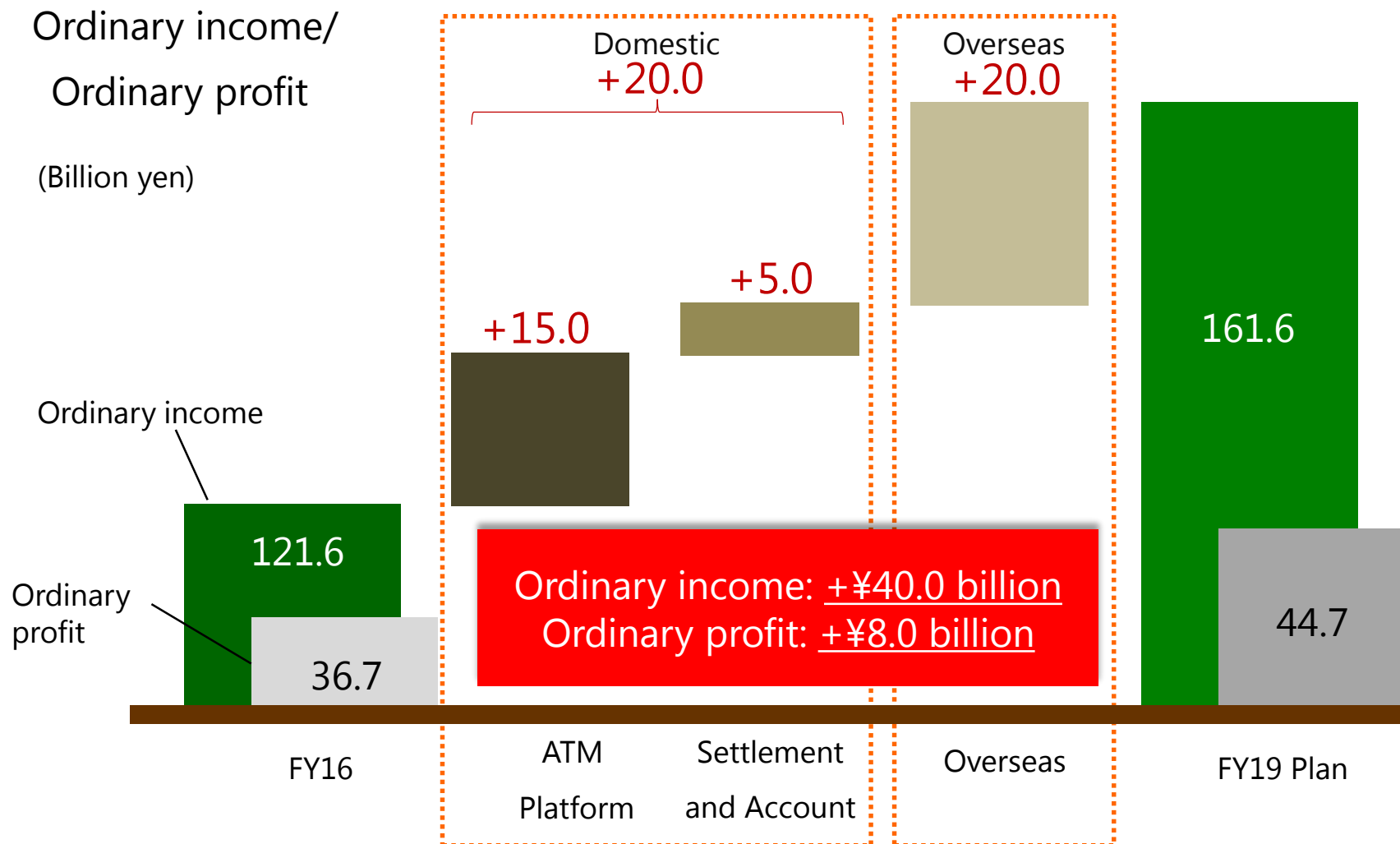
### **Settlement and Account Business**

Provide financial services that meet the needs of the 22 million customers who visit Seven & i Group stores each day

### **Overseas Business**

Get U.S. operations on their way, establish a solid platform in Asia

# Plan for Ordinary Income

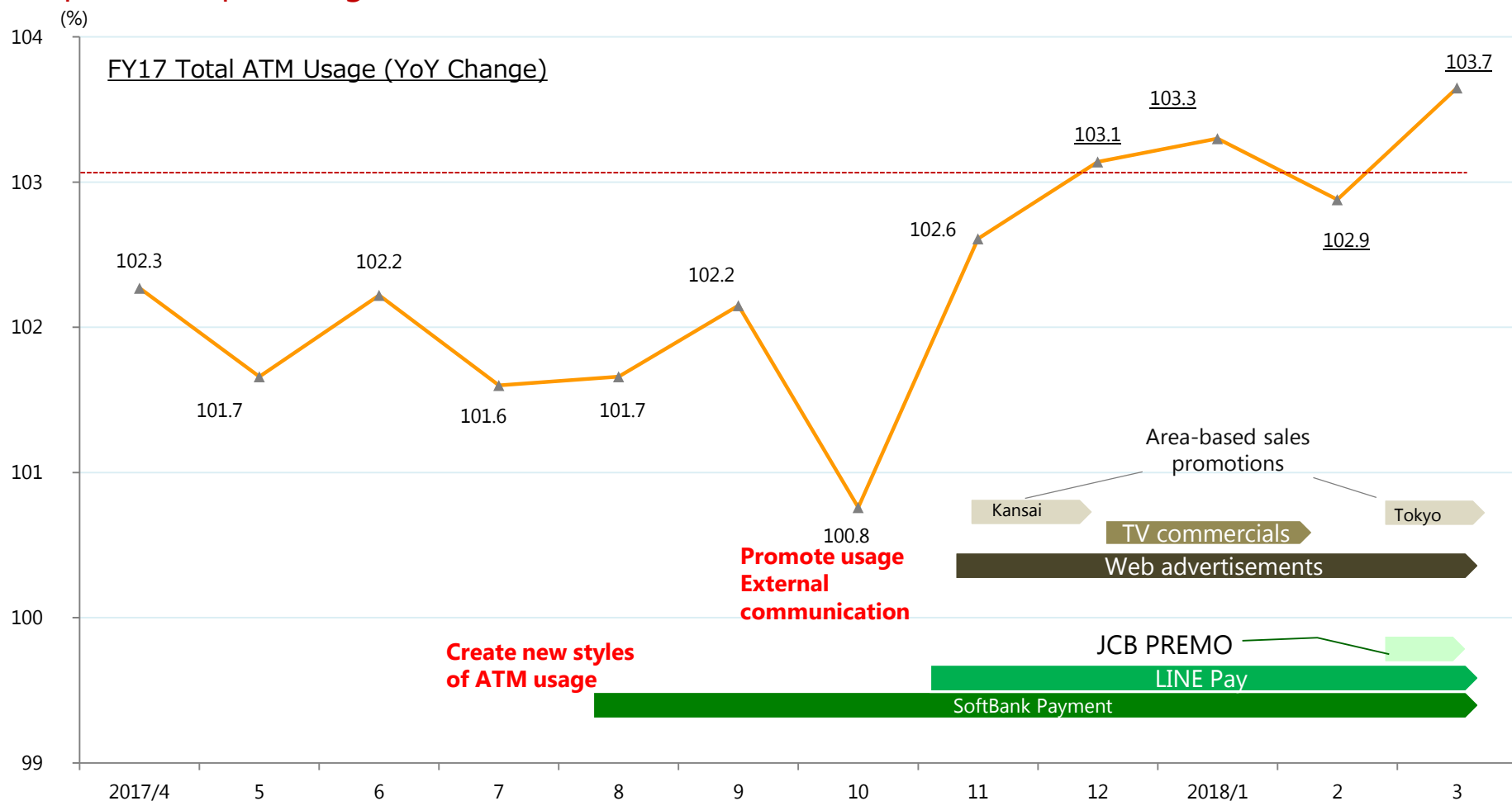


**Start during FY2017 was basically according to plan**  
Accelerate measures to achieve plan goals in FY2019

# ATM Platform Business (Domestic Business)

## ATM Usage

Improve the pace of growth



## **Absolute Differentiation**

Increase share and profitability

### Environmental Change

- ✓ Settlement diversifying  
(Cashless settlement expanding)
- ✓ Operating environment  
changing for affiliated  
financial companies
- ✓ Financial system changing  
(New entrants in the settlement market)

### Response

- **Further increase convenience**
  - Increase number of ATMs
  - **Diversify ATM services**

+

- **Increase cost competitiveness**
  - Further improve operation efficiency
  - Next-generation ATMs

### Specific Measures

**Create new styles of ATM usage**

Cardless transactions

**Smartphone ATM**  
Jibun Bank, etc.  
4 companies

Charge transactions

**New Categories**  
LINE Pay, etc.  
3 companies

Cash receipt

**Cash receipt service**

⋮

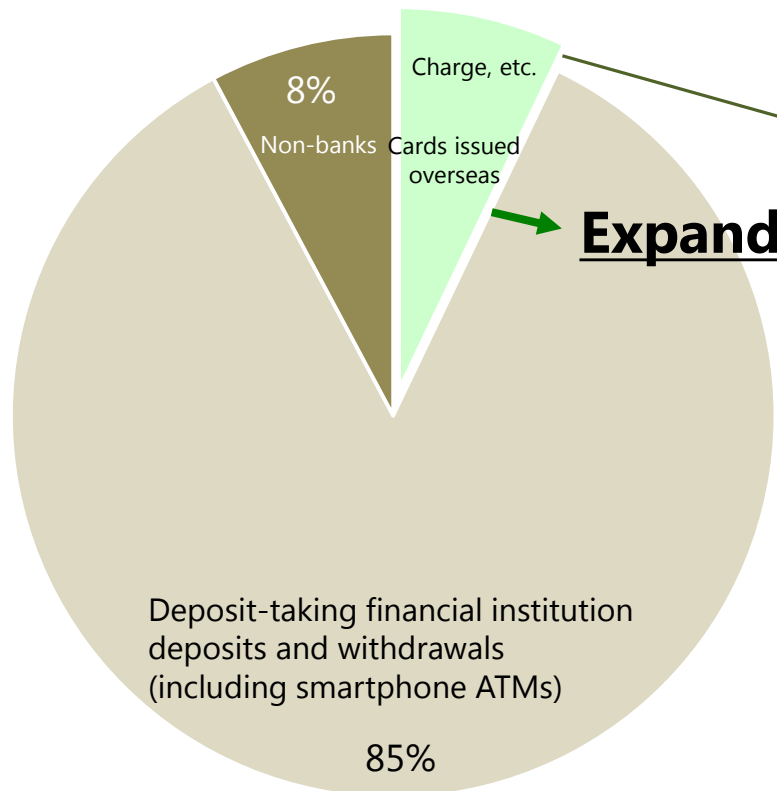
**Build a powerful market presence**

## Create New ATM Value

ATMs that can be used anytime, anywhere,  
by anyone, and with safety and security

+

ATMs that can be used  
in various ways



Transactions by Service

## Create New ATM Value

2007: Cards issued overseas

2007: *nanaco* card charges

2017: SoftBank Payment

LINE Pay, charge

2018: **Cash receipt service**

2018: .....

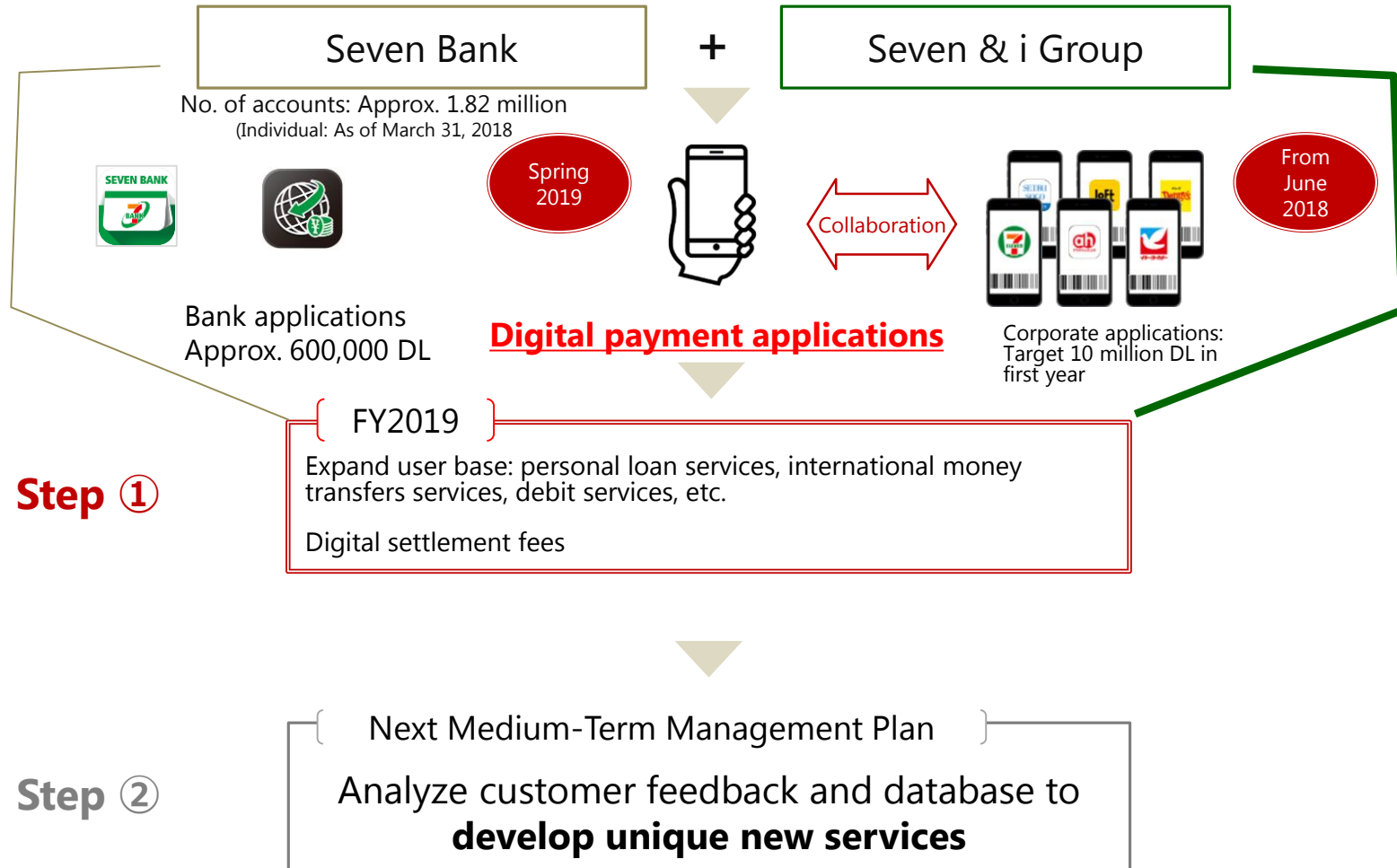
2019: Next-generation ATMs

Sequentially introduce unique services

Note: Transactions by Service excludes balance inquiries, PIN changes and daily withdrawal limit changes.

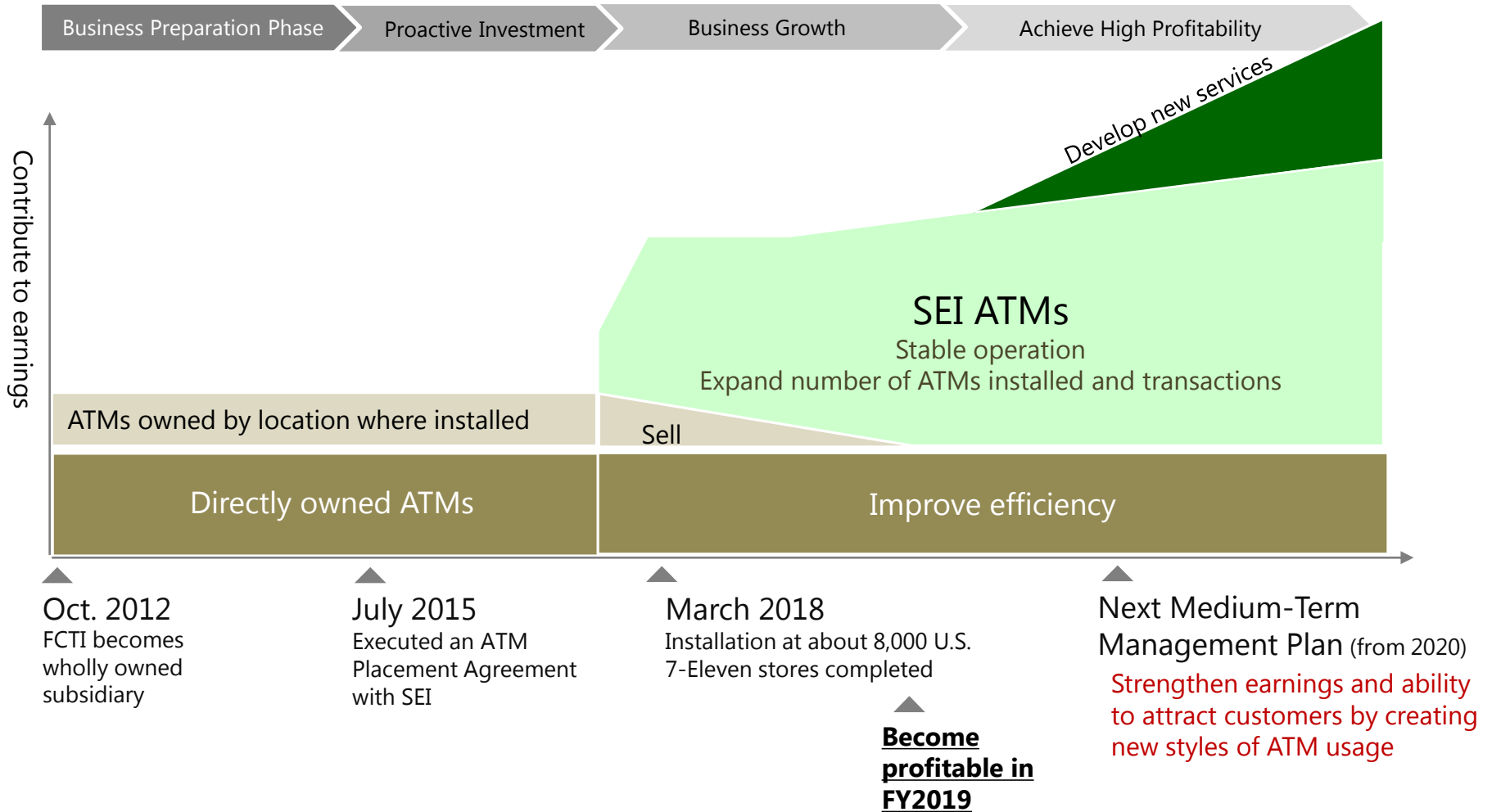
## Broaden Customer Base

22 million customers visit Seven & i Group stores each day





## Focus Resources on SEI ATM Business



## Current Issues and Countermeasures

### ◆ Promote the expansion of surcharge-free transactions to achieve our usage targets

- ✓ Change to service provider (surcharge-free network)
- ✓ Terminate alliances with directly affiliated banks (banks that use ATMs for branding) that already have surcharge-free transactions

} Temporary impact

#### Transaction Comparison for ATMs Installed at 7-Eleven Stores (Current)



\*U.S. ATM market average is 70-80% (Seven Bank estimate)

### ◆ With ATMs installed at all 7-Eleven stores, implement the following measures:

#### 1. Clearly announce that financial institutions in the network are surcharge-free

	Previous ATM operator	FCTI
Surcharge-free network	Company A	Money Pass
No. of member financial institutions	Over 1,000 companies	1,500 companies
Cardholders	60 million people	76 million people

Source: Website of each company

#### 2. Increase new alliances with banks that use ATMs for branding

	Previous ATM operator	FCTI
Banks that use ATMs for branding	1	Multiple companies (5 companies as of Dec. 2017)
		Nationwide banks
		Banks with high recognition in their operating region

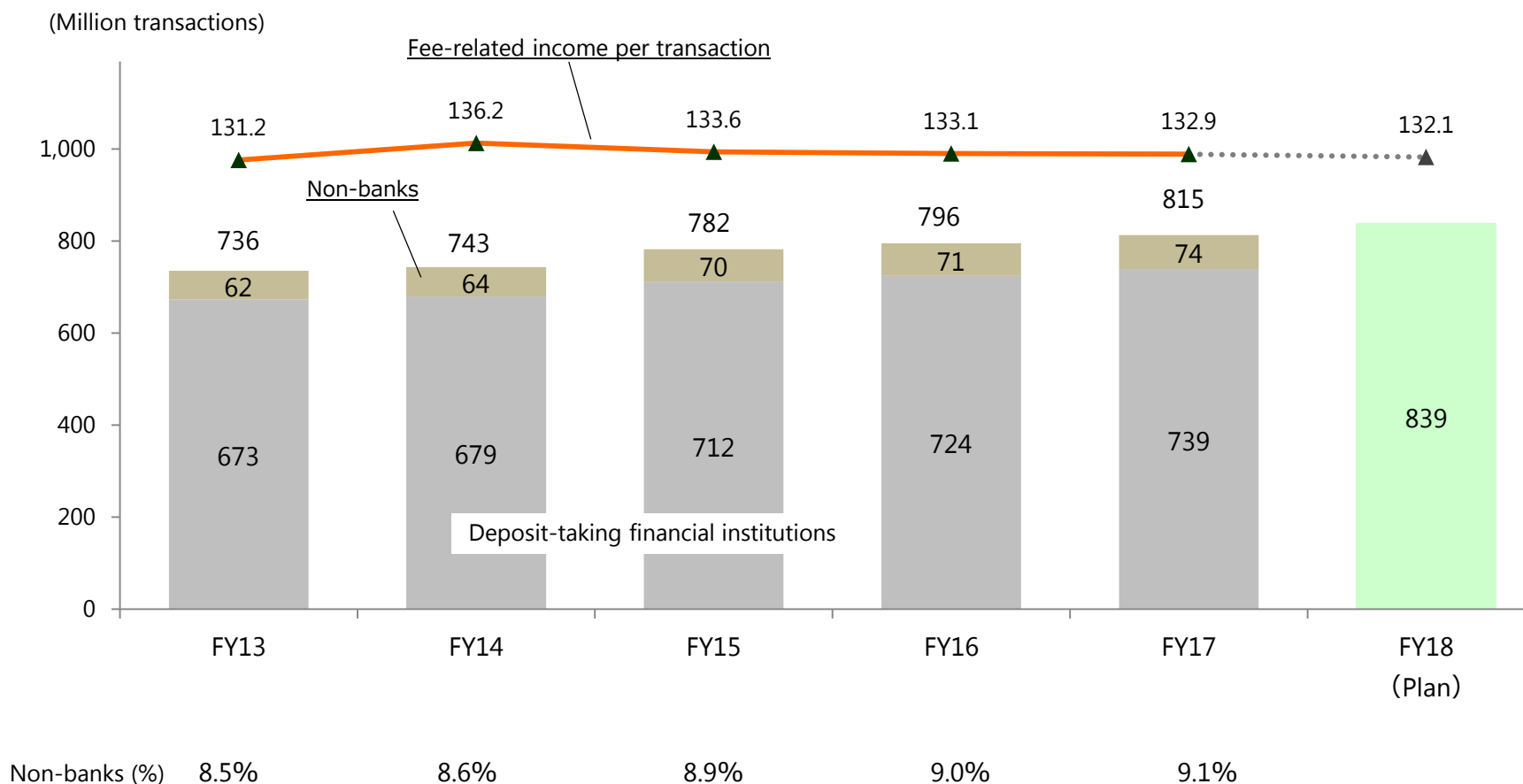
#### 3. Display surcharged or surcharge-free at start of transaction on ATM screen (FCTI patented technology)

- Respond to interest rate risk by significantly reducing supply of cash to ATMs (20% to 30% reduction compared with the start of installation)
  - Improve operation efficiency and AI use

# Reference Materials (Seven Bank)

Fiscal 2017

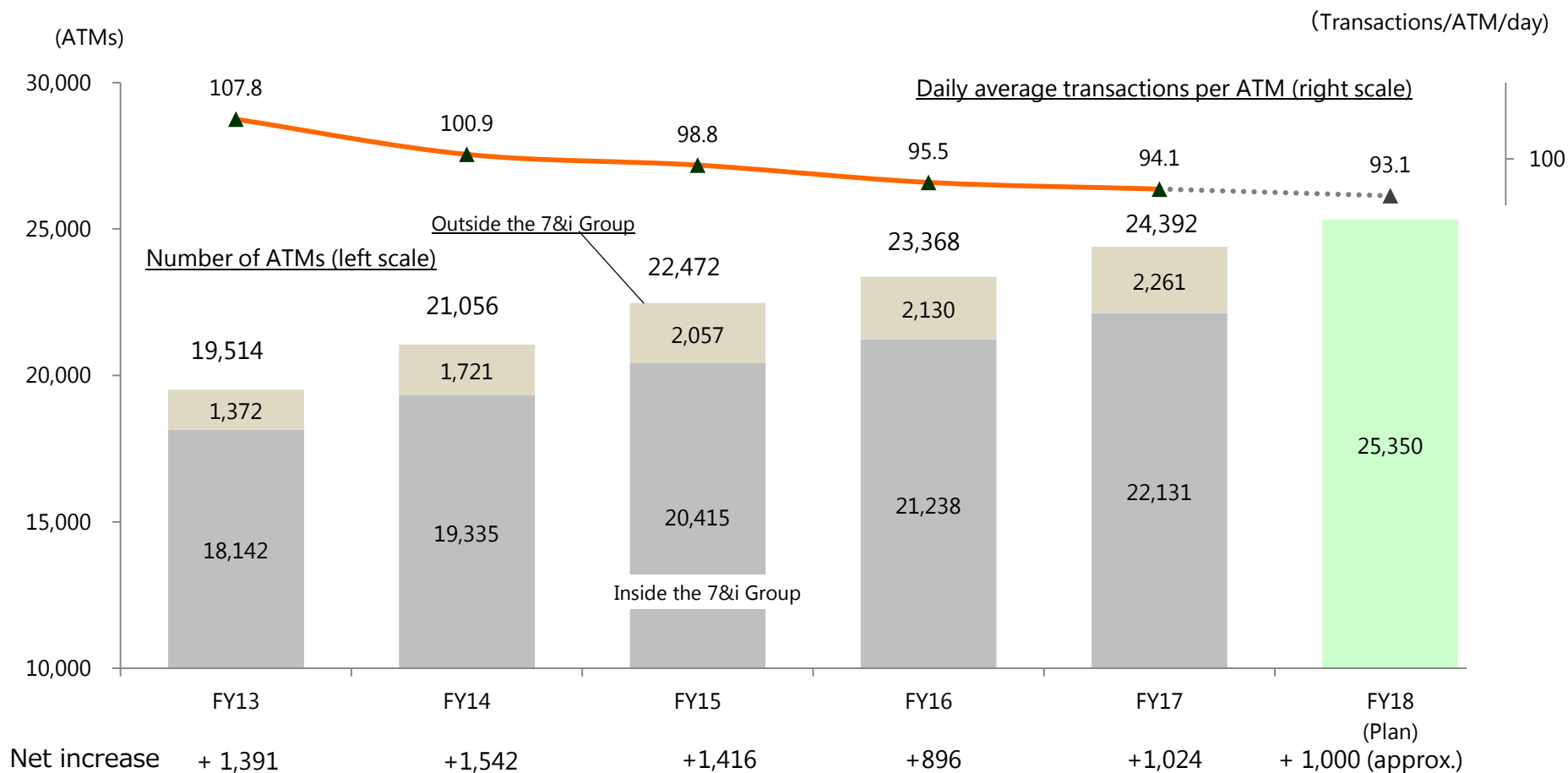
# ATM Usage and Fee-Related Income per Transaction



## Notes:

1. Total of transactions for the period excludes balance inquiries, e-money charges, PIN changes and daily withdrawal limit changes.
2.  $\text{ATM-related fee income per transaction} = \frac{\text{ATM-related fee income}}{(\text{Total of transactions} - \text{Total of transactions without ATM-related fee income (i.e. sales proceeds deposits)})}$
3. In this report, securities, life insurance, credit card, consumer credit and consumer financing companies are all referred to as "non-banks."

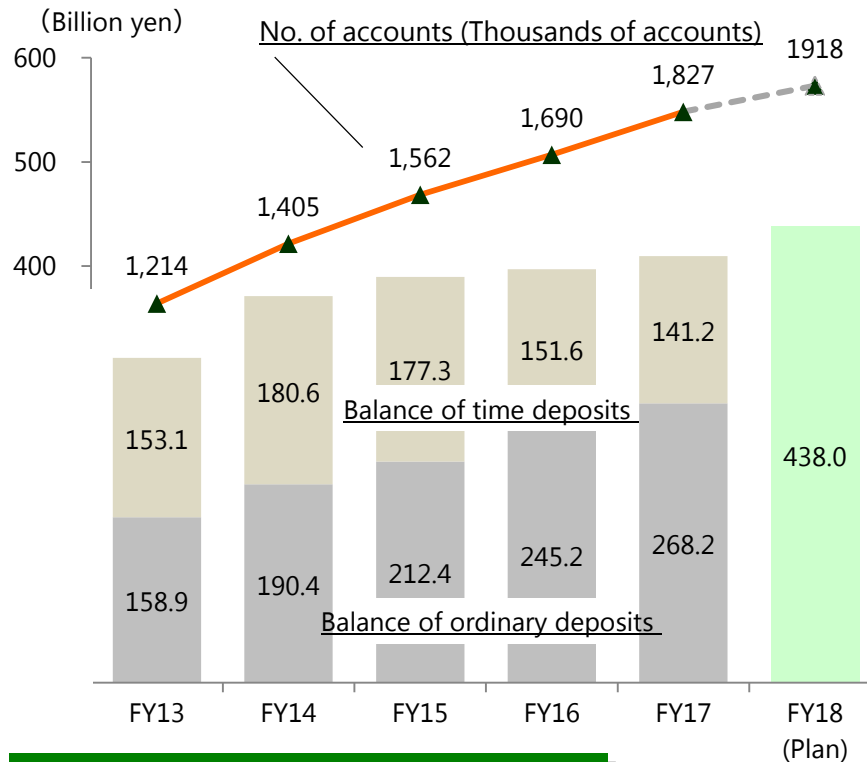
# Number of ATMs and Daily Average Transactions per ATM



Note: Daily average transactions per ATM for the period excludes balance inquiries, e-money charges, PIN changes and daily withdrawal limit changes.

# Settlement and Account Business

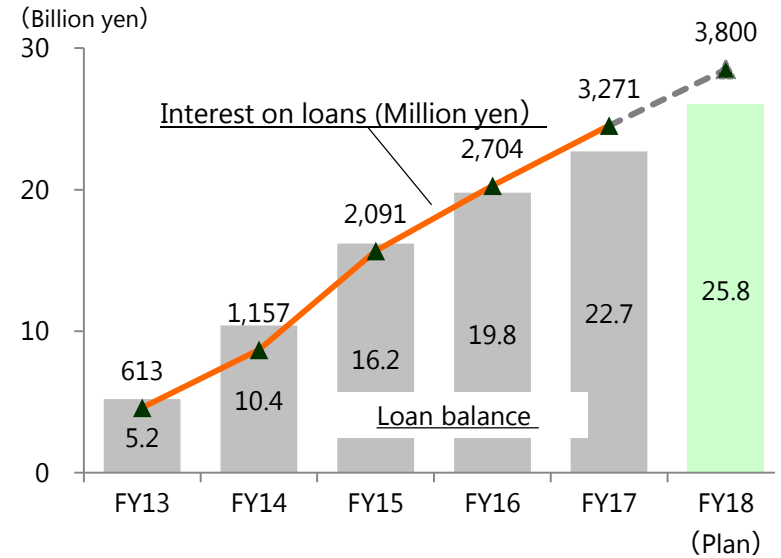
## Number of individual accounts and balance of deposits



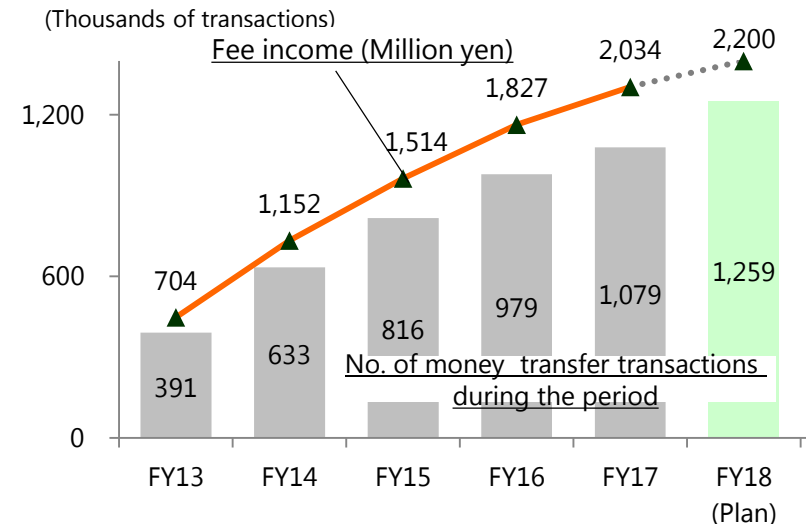
## Debit services

	FY17	FY18 (Plan)
Accounts (Thousands of accounts)	325	427
Number of transactions (Thousands of transactions)	6,506	10,558

## Personal loan services



## International money transfer services





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