

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 30, 2020

CONVOCATION NOTICE OF THE 19TH ORDINARY GENERAL MEETING OF SHAREHOLDERS OF SEVEN BANK, LTD.

Dear Shareholder,

Notice is hereby given that the 19th Ordinary General Meeting of Shareholders (the “Meeting”) of Seven Bank, Ltd. (the “Bank”) will be held as described below.

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 Sunday, June 21, 2020.

Yours Sincerely,

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

Date and time Monday, June 22, 2020, 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

Agenda of the Meeting

Matters to be Reported	1. Business Report and Report on the Consolidated Financial Statements for the 19th Fiscal Period (from April 1, 2019, to March 31, 2020) and the Results of Audit by the Accounting Auditor and the Audit & Supervisory Board on Said Consolidated Financial Statements. 2. Report on the Non-consolidated Financial Statements for the 19th Fiscal Period (from April 1, 2019, to March 31, 2020).
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Matters to be Resolved	Proposal 1	Partial Amendments to the Articles of Incorporation
	Proposal 2	Election of Seven (7) Directors
	Proposal 3	Election of One (1) Audit & Supervisory Board Member
	Proposal 4	Election of One (1) Substitute Audit & Supervisory Board Member
	Proposal 5	Continuation of Performance-Based Stock Compensation Plan for Directors and Partial Revision in the Amounts and Framework of Compensation for Directors Associated with the Transfer of Stock Options as Share-Based Compensation to Performance-Based Stock Compensation Plan

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 later than three days prior to the Meeting.

End

Please note that gifts will not be distributed at the Meeting. We appreciate your understanding.

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Notes:

- Of the documents to be provided together with this convocation notice, “Matters concerning the Bank’s subscription rights to shares, etc.,” “System for ensuring the suitable maintenance of operations,” “Basic policy concerning the current status of persons supervising the determination of financial and operational policy,” “Matters concerning specific wholly owned subsidiaries,” “Matters concerning transactions with the Bank’s parent company and others,” “Matters concerning accounting advisors,” and “Other” in the Business Report, “Consolidated Statement of Changes in Net Assets” and the notes to the Consolidated Financial Statements, and “Statement of Changes in Net Assets” and the notes to the Non-consolidated Financial Statements are disclosed on the Bank’s Web site (<https://www.sevenbank.co.jp/english/ir/>) pursuant to the provisions of laws and regulations and Article 14 of the Articles of Incorporation, and not provided in the documents attached hereto.
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 Bank’s Web site (<https://www.sevenbank.co.jp/english/ir/>).

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 22, 2020, 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 21, 2020

Via the Internet

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

Exercise deadline : No later than 5:30 pm, June 21, 2020

Notes on the exercise of voting rights via the Internet

- Handling of exercise of voting rights via the Internet is suspended from 2 a.m. to 5 a.m. daily.
- 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. may not be available depending on the Internet environment of each shareholder, and that the exercise of voting rights using mobile Web services may not be available depending on the model of the mobile phone used.

To Institutional Investors

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

Measures against the Novel Coronavirus Disease (COVID-19)

- In order to prevent the spread of COVID-19, we would strongly recommend that shareholders exercise their voting rights by mail or via the internet and avoid attending the General Meeting of Shareholders with careful consideration of requests from the national government and other local municipalities as well as the status of the spread of the disease as of the day of the General Meeting of Shareholders. For details regarding the exercise of voting rights via the internet, please refer to page 5-6 of the original Japanese version.
 - If a shareholder attending the Meeting shows signs of ill health, the shareholder may be approached by staff and denied admission to the venue. Additionally, according to the circumstances on the day of the Meeting, infection prevention measures will be taken, including the Bank's personnel wearing masks as well as taking body temperature measurements and providing hand disinfectant for shareholders. We appreciate your understanding and cooperation. We also ask for your cooperation in bringing and wearing face masks at the Meeting.
 - To ensure enough distance between shareholders, there will be limited seating available for shareholders at the Meeting. It is possible that you may not be able to enter the venue.
 - We plan to proceed with the General Meeting of Shareholders for a shorter duration than usual.
- If significant changes are made to the operation of this General Meeting of Shareholders due to future circumstances, notifications will be provided via the website below.

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

Reference Materials for General Meeting of Shareholders

Proposal 1: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

- (i) The maximum number of directors in Article 19 of the Articles of Incorporation shall be reduced to nine (9) from the current eleven (11), in order to enable the Board of Directors to increase the speed of decision-making to accommodate to the rapidly changing business environment, and to strengthen its management supervision function as well.
- (ii) The convener and chairperson of a meeting of the Board of Directors provided in Article 23 Paragraph 1 and Article 24 of the Articles of Incorporation shall be any director designated in advance by the Board of Directors, not limited to the President, to secure more flexible operation.

2. Details of the proposed amendments

The details of the proposed amendments are as follows:

(Amendments are underlined)

Existing Articles of Incorporation	Proposed amendments
(Number of directors) Article 19 The number of directors shall not exceed <u>eleven (11)</u> .	(Number of directors) Article 19 The number of directors shall not exceed <u>nine (9)</u> .
(Convening of board of directors meetings) Article 23 Unless otherwise stipulated by laws and regulations, a meeting of Board of Directors shall be convened by <u>the President and Director</u> . If <u>the President and Director</u> is unable to act, another director shall act in his/her place in accordance with the order decided by the board in advance. 2. - 3. (Omission of the provisions)	(Convening of board of directors meetings) Article 23 Unless otherwise stipulated by laws and regulations, a meeting of Board of Directors shall be convened by <u>a director designated in advance by the Board of Directors</u> . If <u>such director</u> is unable to act, another director shall act in his/her place in accordance with the order decided by the board in advance. 2. - 3. (unchanged)
(Chairperson of board of directors meetings) Article 24 A meeting of Board of Directors shall be chaired by <u>the President and Director</u> . If <u>the President and Director</u> is unable to act, another director shall act in his/her place in accordance with the order decided by the board in advance.	(Chairperson of board of directors meetings) Article 24 A meeting of Board of Directors shall be chaired by <u>the director designated as convener of the meeting in accordance with Paragraph 1 of the preceding article</u> . If <u>such director</u> is unable to act, another director shall act in his/her place in accordance with the order decided by the board in advance.

Proposal 2: Election of Seven (7) Directors

The term of office of all ten (10) incumbent Directors will expire at the end of this General Meeting of Shareholders. In order to carry out prompt decision making, we hereby reduce the number of Directors by three (3) and propose that you elect seven (7) Directors.

Candidates for the position of Director are as follows.

Candidate number		Name	Position	Attendance at meetings of the Board of Directors during fiscal 2019
1	Reappointed	Kensuke Futagoishi	Chairman and Representative Director	Attended all 13 meetings(100%)
2	Reappointed	Yasuaki Funatake	President and Representative Director	Attended all 13 meetings(100%)
3	Reappointed	Katsuhiro Goto	Director	Attended 11 of 13 meetings(84.6%)
4	Reappointed	Makoto Kigawa	<div>Outside Director</div> <div>Independent Officer</div> Director	Attended 12 of 13 meetings (92.3%)
5	Reappointed	Toshihiko Itami	<div>Outside Director</div> <div>Independent Officer</div> Director	Attended 12 of 13 meetings (92.3%)
6	Reappointed	Koichi Fukuo	<div>Outside Director</div> <div>Independent Officer</div> Director	Attended all 13 meetings(100%)
7	Reappointed	Yukiko Kuroda	<div>Outside Director</div> <div>Independent Officer</div> Director	Attended 12 of 13 meetings (92.3%)

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 Bank</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</p> <p>Jun. 2018 Chairman and Representative Director, aforementioned company (present post)</p> <p>[Reasons for appointing the candidate for Director] Mr. Kensuke Futagoishi, as Chairman and Representative Director of the Bank, possesses abundant experience and demonstrated outstanding performance and insights in the Bank's overall management. Therefore, the Bank judges him to be suitable to control and supervise the Bank's overall management and appoints him as a candidate for Director.</p>		235,100
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 Bank</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</p> <p>Jun. 2018 President and Representative Director, aforementioned company (present post)</p> <p>Jun. 2018 Director, Seven Pay Co., Ltd.</p> <p>[Business in Charge] Internal Audit Division</p> <p>[Reasons for appointing the candidate for Director] Mr. Yasuaki Funatake, as President and Representative Director of the Bank, has controlled the Bank's overall management and possesses abundant experience, and demonstrated performance and insight in promoting the Bank's management strategies. Therefore, the Bank judges him to be a suitable candidate for Director.</p>		200,500

Candidate number	Name (Date of birth)	Biography, position and business in charge, and important concurrent positions		Number of Company shares owned
3	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 & i Holdings Co., Ltd.</p> <p>May 2006 Director, Millennium Retailing, Inc.</p> <p>Aug. 2009 Director, Sogo & Seibu Co., Ltd.</p> <p>May 2016 Vice President & Representative Director, Seven & i Holdings Co., Ltd. (present post)</p> <p>Jun 2017 Director, the Bank (present post)</p> <p>[Major Concurrent Position] Vice President & Representative Director, Seven & 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 & i Holdings Co., Ltd., has genuinely contributed to the Bank's management. Therefore, the Bank judges him to be a suitable candidate for Director.</p>		30,000
4	Makoto Kigawa (December 31, 1949) Reappointed 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.</p> <p>Jun. 2018 Director, the Bank (present post)</p> <p>Apr. 2019 Director, YAMATO HOLDINGS CO., LTD.</p> <p>Jun. 2019 Director, Oki Electric Industry Co., Ltd. (present post)</p> <p>Jun. 2019 Special Adviser, YAMATO HOLDINGS CO., LTD. (present post)</p> <p>Apr. 2020 Corporate Auditor, The Higo Bank, Ltd. (present post)</p> <p>[Major Concurrent Position] Special Adviser, YAMATO HOLDINGS CO., LTD. Outside Director, Komatsu Ltd. Outside Director, Oki Electric Industry Co., Ltd. Outside Corporate Auditor, The Higo Bank, Ltd.</p> <p>[Reasons for appointing the candidate for Outside Director] Mr. Makoto Kigawa's experience and insight as a manager at YAMATO HOLDINGS CO., LTD., etc., has genuinely contributed to the Bank's management. Therefore, the Bank 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
5	Toshihiko Itami (September 2, 1953) Reappointed Independent Officer Outside Director	Apr. 1980 Jun. 2010 Jul. 2012 Jul. 2014 Dec. 2015 Nov. 2016 Nov. 2016 Jun. 2018 Jun. 2018	Prosecutor, Tokyo District Public Prosecutors Office Director-General of the General Affairs Division, Supreme Public Prosecutors Office Chief Public Prosecutor, Tokyo District Public Prosecutors Office Deputy Prosecutor-General, Supreme Public Prosecutors Office Superintending Prosecutor, Osaka High Public Prosecutors Office Registered as an Attorney-at-law, joined Daiichi Tokyo Bar Association (present post) Advisor, Nagashima Ohno & Tsunematsu (present post) Director, the Bank (present post) Director, TODA CORPORATION (present post)	0
		[Major Concurrent Position] Attorney-at-law (Nagashima Ohno & Tsunematsu) Outside Director, TODA CORPORATION [Reasons for appointing the candidate for Outside Director] Mr. Toshihiko Itami's insight on corporate legal affairs nurtured for many years through his career as a prosecutor has genuinely contributed to the Bank's management. Although Mr. Itami has not been involved in corporate management other than as an Outside Director or Outside Auditor, for the above reasons, the Bank judges him to be a suitable candidate for Outside Director.		
6	Koichi Fukuo (April 17, 1955) Reappointed Independent Officer Outside Director	Apr. 1978 Jun. 2005 Jun. 2010 Apr. 2014 Nov. 2014 Apr. 2015 Jun. 2015 Jun. 2018 Jun. 2019	Joined Honda Motor Co., Ltd. Operating Officer, aforementioned company Managing Officer, aforementioned company Senior Managing Officer, aforementioned company Executive Vice President, Honda R&D Co., Ltd. President and Representative Director, aforementioned company Senior Managing Officer and Director, Honda Motor Co., Ltd. Director, the Bank (present post) Director, Hitachi Metals, Ltd. (present post)	0
		[Major Concurrent Position] Outside Director, Hitachi Metals, Ltd. [Reasons for appointing the candidate for Outside Director] Mr. Koichi Fukuo's experience and insight as a manager at Honda Motor Co., Ltd., etc., has genuinely contributed to the Bank's management. Therefore, the Bank judges him to be a suitable candidate for Outside Director.		
7	Yukiko Kuroda (September 24, 1963) Reappointed Independent Officer Outside Director	Apr. 1986 Jan. 1991 Jun. 2010 Mar. 2011 Apr. 2012 Jun. 2013 Jun. 2015 Jun. 2018 Jun. 2018	Joined Sony Corporation Representative Director, People Focus Consulting Audit & Supervisory Board Member, Astellas Pharma Inc. Director, CAC Co., Ltd. (now CAC Holdings Corporation) (present post) Director/Founder, People Focus Consulting (present post) Director, Marubeni Corporation Member of the Board, Mitsui Chemicals, Inc. (present post) Director, the Bank (present post) Director, Terumo Corporation (present post)	0
		[Major Concurrent Positions] Director/Founder, People Focus Consulting Outside Director, CAC Holdings Corporation Outside Member of the Board, Mitsui Chemicals, Inc. Independent Director, Terumo Corporation [Reasons for appointing the candidate for Outside Director] Ms. Yukiko Kuroda's experience as a corporate manager and insight related to the development of human resources who can handle global business has genuinely contributed to the Bank's management. Therefore, the Bank judges her to be a suitable candidate for Outside Director.		

- 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 Bank.
There are no particular interests between the Bank 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 Bank.
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:
- Candidate Makoto Kigawa served as a Director of YAMATO HOLDINGS CO., LTD. ("YAMATO HOLDINGS") from June 2005 to June 2019. During his tenure of office, at the company's corporate group, there were situations where efforts to build operational structures could not catch up with the rapid expansion of e-commerce in recent years. In the wake of this issue, after conducting surveys on the employees' actual working hours since February 2017, it was revealed that there was a lack of recognition as a company 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.
Also, at Yamato Home Convenience Co. Ltd. ("Yamato Home Convenience"), a consolidated subsidiary of YAMATO HOLDINGS, an inappropriate billing for moving services to employees of their corporate clients occurred in violation of contract. As a result, Yamato Home Convenience received an administrative disposition and a business improvement order from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in January 2019. YAMATO HOLDINGS has been working on structural enhancement to prevent the recurrence of similar incident at Yamato Home Convenience and strengthening corporate governance to improve the soundness of management of the Yamato Group.
 - Candidate Koichi Fukuo has been serving as an Outside Director of Hitachi Metals, Ltd. since June 2019. During his tenure of office, it was revealed in April 2020 that there had been misinterpretations of test results in inspection reports submitted to customers for some of the products of the company and its subsidiaries. Although Mr. Koichi Fukuo was not aware of the said fact until it was revealed, he had been expressing opinions from the standpoint of compliance at the Board of Directors and the Audit Committee before the incident, and after the discovery of such facts, he has been making suggestions concerning factual investigations, determination of causes, and measures for the prevention of recurrence. Based on these suggestions, Hitachi Metals, Ltd. established a special investigation committee comprised of outside experts in order to investigate the facts and causes from an objective viewpoint. At the same time, Hitachi Metals, Ltd. has announced that it will urgently build and implement an adequate quality assurance system in order to regain the trust of its customers, with its internal countermeasure headquarters playing a central role, and that it will implement measures to prevent recurrence of the incident by further enhancing compliance and quality assurance systems based on the results of the investigation by the said committee.
4. Regarding the candidates Mr. Makoto Kigawa, Mr. Toshihiko Itami, Mr. Koichi Fukuo and Ms. Yukiko Kuroda, who are currently servicing as Outside Directors of the Bank, each candidate's length of service period as an Outside Director is two years at the end of this General Meeting of Shareholders.
5. With candidates Mr. Katsuhiro Goto, Mr. Makoto Kigawa, Mr. Toshihiko Itami, Mr. Koichi Fukuo and Ms. Yukiko Kuroda, the Bank 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 elections of these candidates are approved as originally proposed, this contract with each of them shall continue to be effective.
6. Candidates Mr. Makoto Kigawa, Mr. Toshihiko Itami, Mr. Koichi Fukuo and Ms. Yukiko Kuroda have been registered as Independent Officers with the Tokyo Stock Exchange, based on the provisions stipulated by Tokyo Stock Exchange, Inc. If the election of these candidates is approved as originally proposed, the Bank intends to continue to register them as Independent Officer with the Tokyo Stock Exchange.
Candidate Mr. Makoto Kigawa concurrently holds offices as Special Adviser of YAMATO HOLDINGS and Outside Corporate Auditor of The Higo Bank, Ltd. The Bank and its subsidiaries have the following transactions with YAMATO HOLDINGS's subsidiaries and The Higo Bank, Ltd., respectively. However, the amount of such transactions with each comprises an insignificant portion of ordinary expenses or of the ordinary income of the Bank's most recent consolidated business year and they are not deemed major business partners.
- The Bank and its subsidiaries pay delivery fees, etc., to YAMATO HOLDINGS' subsidiaries.
 - The Bank's subsidiaries receive payments for system usage fees, etc., from the YAMATO HOLDINGS' subsidiaries.
 - The Bank has ATM collaboration partnership with The Higo Bank and receives payments for fees, etc., from The Higo Bank.
7. Ms. Yukiko Kuroda's name on the Family Register is Yukiko Matsumoto.

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

Mr. Isamu Hirai will resign as Audit & Supervisory Board Member at the close 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
Kazuhiko Ishiguro (December 2, 1957) Newly appointed	<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 Bank</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>May 2019 Audit & Supervisory Board Member, Signpost Corporation (present post)</p> <p>[Major Concurrent Positions]</p> <p>Outside Audit & Supervisory Board Member, Signpost Corporation</p> <p>[Reasons for appointing the candidate for Audit & Supervisory Board Member]</p> <p>Mr. Kazuhiko Ishiguro's was in charge of the Bank's System Division as Director and Senior Managing Executive Officer of the Bank and has insight related to systems and overall bank operation. We can also expect him to utilize his experience as Director of the Bank for the audit of the Bank's management. Therefore, the Bank judges him to be a suitable candidate for Audit & Supervisory Board Member.</p>	28,900

Notes: 1. There are no particular interests between the Bank and candidate Mr. Kazuhiko Ishiguro.

2. Candidate Mr. Kazuhiko Ishiguro is Director and Senior Managing Executive Officer of the Bank. He plans to retire as Director at the end of this General Meeting of Shareholders upon the expiration of his term of office.

3. If candidate Mr. Kazuhiko Ishiguro assumes office as Audit & Supervisory Board Member, the Bank intends to conclude a contract for limitation of indemnity liability with him 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.)

Proposal 4: Election of One (1) Substitute Audit & Supervisory Board Member

As the effectiveness of the election of Substitute Audit & Supervisory Board Member Ms. Chieko Eda, who was elected at the 18th Ordinary General Meeting of Shareholders held on June 17, 2019, will expire as of this General Meeting of Shareholders, to prepare for the event that the number of Audit & Supervisory Board Members falls below the required number stipulated by laws and regulations, we propose that you once again 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
Chieko Eda (November 21, 1950)	<p>Sep. 1985 Joined Milbank, Tweed, Hadley & McCloy LLP (now Milbank LLP)</p> <p>Jan. 1986 Registered as an Attorney-at-law in New York State, United States</p> <p>May 1990 Registered as an Attorney-at-law in the State of California, United States</p> <p>Oct. 1995 Joined Morrison & Foerster LLP</p> <p>Sep. 1998 Joined Shearman & Sterling LLP (Tokyo Office)</p> <p>Jul. 2003 Japan's representative at Johnson & Johnson, Law Department (Corporate Headquarters of Law)</p> <p>Mar. 2009 Representative Director, Johnson & Johnson K.K.</p> <p>Mar. 2009 Director, Janssen Pharmaceutical K.K.</p> <p>Jan. 2018 Director, GSTV Corporation LTD. (present post)</p> <p>[Reasons for appointing the candidate for Substitute Outside Audit & Supervisory Board Member]</p> <p>We can expect Ms. Chieko Eda to utilize her insights on international corporate legal affairs and experience as a corporate manager for the audit of the Bank's management. Therefore, the Bank judges her to be a suitable candidate for Substitute Outside Audit & Supervisory Board Member.</p>	0

Notes: 1. Candidate Ms. Chieko Eda is a candidate for Substitute Outside Audit & Supervisory Board Member of the Bank.

2. There are no particular interests between the Bank and candidate Ms. Chieko Eda.

3. If candidate Ms. Chieko Eda assumes office as an Outside Audit & Supervisory Board Member of the Bank, the Bank intends to conclude with her 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 Ms. Chieko Eda assumes office as an Outside Audit & Supervisory Board Member of the Bank, the Bank intends to register her as Independent Officer with the Tokyo Stock Exchange, based on the provisions stipulated by Tokyo Stock Exchange, Inc.

(Reference) Regarding Independence of Outside Officers

1. Independence Standards of Outside Officers

- (1) Is not a person with executive authority over operations of the Bank'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 Bank is a major business partner or a person with executive authority over such entity's operations, or a major business partner of the Bank 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 Bank, other than officers' compensation;
- (4) Is not a major shareholder of the Bank 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 Bank.

2. Other matters relating to Independent Officers

The Bank registers all applicable persons who fulfill the qualifications of independent officer as such.

Proposal 5: Continuation of Performance-Based Stock Compensation Plan for Directors and Partial Revision in the Amounts and Framework of Compensation for Directors Associated with the Transfer of Stock Options as Share-Based Compensation to Performance-Based Stock Compensation Plan

1. Reason for the proposal and reason why the compensation is appropriate

The Bank obtained approval from shareholders at the 16th Ordinary General Meeting of Shareholders held on June 19, 2017 regarding the introduction of a Performance-Based Stock Compensation Plan (hereinafter the “Plan”), which delivers the Bank’s shares to the Bank’s Directors (excluding non-executive Directors and Directors residing overseas; hereinafter the same applies within this Proposal) as their compensation in accordance with the level of achievement of performance targets.

Before the introduction of the Plan, the Bank granted stock options as share-based compensation. At this time, we would like to partially revise the Plan and newly set a maximum amount for the Plan with the aim of transferring to the Plan the stock options as share-based compensation that have been already granted to Directors while managing and operating the stock compensation plan in an integrated manner.¹

To transition from share-based compensation in the form of stock options to the Plan, current Directors will waive their unexercised and outstanding share subscription rights previously granted to them as share-based compensation in the form of stock options, subject to the amendment of the Plan and other conditions, and they will be granted points under the Plan that are equivalent to the number of shares that would have been acquired upon the exercise of the waived share subscription rights. However, of the current Directors, those who have lost position as a Director of the Bank at the end of this General Meeting of Shareholders may exercise subscription rights to the shares previously granted to them, only within 10 days of the date following the day on which their position is lost and they will not be granted said points under the Plan.

The Proposal has been submitted to this Meeting based on the result of the deliberation of the continuation and partial revision of the Plan at the Nomination & Compensation Committee. The purpose of the continuation of the Plan is to further raise motivation and morale in contributing to the medium- to long-term enhancement of performance and improvement of corporate value by linking a part of the Directors’ compensation system to the business performance and the stock value of the Bank. A partial revision to the Plan will allow the share-based compensation system to be managed and operated in an integrated manner. Therefore, the Bank believes the continuation and partial revision of the Plan is appropriate

This Proposal proposes that stock compensation be granted to Directors in a separate framework from the limit of compensation for Directors (including non-executive Directors and Directors residing overseas) that was approved by resolution of the 11th Ordinary General Meeting of Shareholders held on June 19, 2012 (within 350,000,000 yen a year, of which within 60,000,000 yen a year for Outside Directors).

The number of Directors who will be subject to the Plan will be two (2) if Proposal 2: Election of Seven (7) Directors is approved as originally proposed.

Note:

1. This is to receive approval for the revisions to the maximum amount to be contributed to the Trust (set forth in 2. (2)) and to the maximum number of shares to be delivered to the Directors (including the Bank’s shares subject to sale for money as described in 2.(3) below) associated with the transfer to the Plan from stock options as share-based compensation only for the current fiscal year, and therefore there will be no substantive change to the incentive plan.

2. Amounts of Compensation and Details of the Plan

(1) Outline of the Plan

Using the amount of compensation for Directors that is contributed by the Bank, the Bank's shares are acquired via the Trust. The Plan is a stock compensation plan that delivers or pays (hereinafter "deliver(y), etc.") the Bank's shares acquired by the Trust and money equivalent to the converted value of such shares (hereinafter "the Bank's shares, etc.") to the Directors (detailed in (2) and thereafter).

1) Persons who are eligible for delivery, etc. of the Bank's shares, etc., under this Proposal	<ul style="list-style-type: none"> The Bank's Directors (excluding non-executive Directors and Directors residing overseas)
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2) Impact of the Bank's shares subject to this Proposal to the total number of the Bank's shares issued

Maximum total trust money contributed by the Bank (as indicated in (2) below)	<ul style="list-style-type: none"> A total of 400 million yen during three business years However, for the current fiscal year, as a transitional measure from share-based compensation in the form of stock options to the Plan, up to 400 million yen in cash will be additionally contributed to the Plan.
Maximum number of the Bank's shares, etc., delivered, etc., to Directors and method to acquire the Bank's shares (as indicated in (2) and (3) below)	<ul style="list-style-type: none"> Maximum number of points (number of shares) granted to Directors during the Trust period: 0.4 million points (shares) per year, which is approximately 0.03% of the total number of shares issued as of March 31, 2020 (after deduction of treasury shares) However, for the current fiscal year, up to 0.9 million points (shares) will be additionally granted as a transitional measure from share-based compensation in the form of stock options to the Plan. The Bank's shares will not be diluted as they are expected to be acquired in the stock market.

3) Performance-linked factors and indicators (as described in (3) below)	<ul style="list-style-type: none"> Varies according to the degree of achievement of the Bank's performance targets for each business year (consolidated ordinary income and consolidated ordinary profit, etc.) Determination of number of shares within a range from 0 to 200%
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4) Timing of delivery, etc., of the Bank's shares, etc. (as indicated in (4) below)	<ul style="list-style-type: none"> At the time of retirement as a Director
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(2) Maximum total trust money contributed by the Bank

The Plan applies to three consecutive business years.

During the trust period, the Bank contributes money at a maximum total of 400 million yen as compensation to Directors and continues a trust (hereinafter the “Trust”) for a three-year trust period, with the beneficiaries being Directors who satisfy the beneficiary requirements. (The trust period after the revision of the Plan shall be approximately three years, from September 2020 to August 31, 2023. If the trust period is extended as explained below, the subsequent three years.)

However, only for the fiscal year under review, as part of the transition from share-based compensation in the form of stock options to the Plan, an additional amount of up to 400 million yen in cash will be contributed to the Plan as share acquisition funds for shares to be delivered.

Following the instructions of the trust administrator, the Trust acquires the Bank’s shares from the stock market using the money entrusted. During the Trust period, points are awarded to Directors (as indicated in (3)) and the Bank’s shares, etc., are delivered, etc., through the Trust.

At the expiration of the trust period of the Trust, the Bank may continue the Trust by making amendments to the trust agreement and additional contributions to the Trust. In such instance, the trust period of the Trust shall be extended approximately three years. For the extension of the trust period, the Bank shall make an additional contribution up to a total of 400 million yen and continue to award points to Directors during such extension of the trust period. However, when making such additional contributions, if there are residual Bank shares (excluding those shares corresponding to the number of points awarded to each Director that are not yet delivered, etc., to such Directors) and residual money (hereinafter “Residual Shares, etc.”) in the trust assets at the expiration date of the trust period prior to such extension, the sum of the Residual Shares, etc., and the money to be additionally contributed to the Trust shall not exceed the upper limit of a total of 400 million yen.

Further, if there are Directors in office at the expiration of the trust period who have the possibility of satisfying the requirements for entitlement as a beneficiary, no points shall be awarded to such Directors after the expiration; provided, however, that the trust period of the Trust may be extended for up to the designated time until the completion of the delivery, etc. of the Bank’s shares, etc. to these Directors.

(3) Calculation method and the maximum total number of the Bank’s shares, etc., that are delivered, etc., to Directors

The number of the Bank’s shares, etc., that are delivered, etc., to Directors is determined based on the share delivery points which is calculated using the following formula.

The Bank’s shares shall be delivered, etc., at the rate of one share per point. In the event of an increase or decrease in the number of the Bank’s shares held in the Trust due to a share split, gratis allotment of shares or a share consolidation, etc., the Bank will make an adjustment to the number of the Bank’s shares to be delivered, etc. for each point in accordance with the ratio of such increase or decrease.

The upper limit of the total number of Fixed Points and Performance-Based Points to be granted to the Directors during the Trust period (to be determined using the calculation formula for the number of the share delivery points below) will be 400,000 points for each fiscal year. The upper limit of the total number of points to be granted is determined based on the maximum amount of trust money indicated in (2) above, with reference to the Bank’s most recent stock price, among other factors.

However, for the current fiscal year, in addition to the above, up to 900,000 points of Transitional Points (to be determined using the calculation formula for the number of the share delivery points below) will be additionally granted as a transitional measure from share-based compensation in the form of stock options to the Plan.

(Fixed Points)

At a certain period of each year during the trust period, the Fixed Points calculated by the point calculation formula below shall be granted to each Director.

Monthly compensation amount by rank² × Fixed Points composition ratio² ÷ Average closing price³ of the Bank's shares on the Tokyo Stock Exchange in April of a business year that includes the start date (or extension date, as applicable) of the trust period

(Performance-Based Points)

At a certain period of each year during the trust period, the Performance-Based Points calculated by the point calculation formula below shall be granted to each Director.

Monthly compensation amount by rank² × Performance-Based Points composition ratio² × Performance-linked factors⁴ ÷ Average closing price of the Bank's shares on the Tokyo Stock Exchange in April of a business year that includes the start date (or extension date, as applicable) of the trust period³

(Calculation formula for the number of the share delivery points)

Sum of the accumulated Fixed Points, the accumulated Performance-Based Points and the Transitional Points⁵, each as of the date when the requirements for entitlement as a beneficiary (such as retirement) are met.

Notes:

2. The "Monthly compensation amount by rank," the "Fixed Points composition ratio" and the "Performance-Based Points composition ratio" shall be determined by taking into account various factors such as the job rank of the Director, executive remuneration, the ratio of cash remuneration to the total remuneration and the ratio of stock compensation to the total remuneration, and the ratio of Performance-Based compensation.
3. Any number after the decimal point arising in Fixed Points and Performance-Based Points shall be rounded down.
4. Performance-linked factors range from 0 to 200% according to the degree of attainment of the Bank's performance targets for each business year, which shall be evaluated using such indicators as consolidated ordinary income and consolidated ordinary profit.
5. Additional Transitional Points shall be granted, only in the current fiscal year, to Directors who have waived the unexercised and outstanding share subscription rights previously granted to them as share-based compensations in the form of stock options. The number of Transitional Points to be granted shall correspond to the number of shares which would have been acquired upon exercise of the waived share subscription rights.

(4) Method and timing of the delivery, etc. of the Bank's shares, etc. to Directors

In the event a Director retires from his/her office, the Director shall receive from the Trust the number of the Bank's shares corresponding to the number of his/her Share Delivery Points, which shall be determined after retirement. (Provided, however, that a certain percentage of the Bank's shares to which the Director is entitled to delivery is instead paid in cash equivalent to the value of such shares after such shares are converted to cash within the Trust.)

In the event that a Director passes away during the trust period, a number of the Bank's shares corresponding to the Share Delivery Points held by such Director at the time of such passing shall be converted into money equivalent to the value thereof within the Trust, and then such money shall be paid by the Trust to the heir of the Director. In the event that a Director is to assume a position overseas and reside outside Japan during the trust period, all of the Bank's shares corresponding to the Share Delivery Points held by such Director at the time of such a decision shall be converted into money equivalent to the value thereof within the Trust, and then such money shall be paid to the Director.

(5) Exercise of voting rights pertaining to the Bank's shares in the Trust

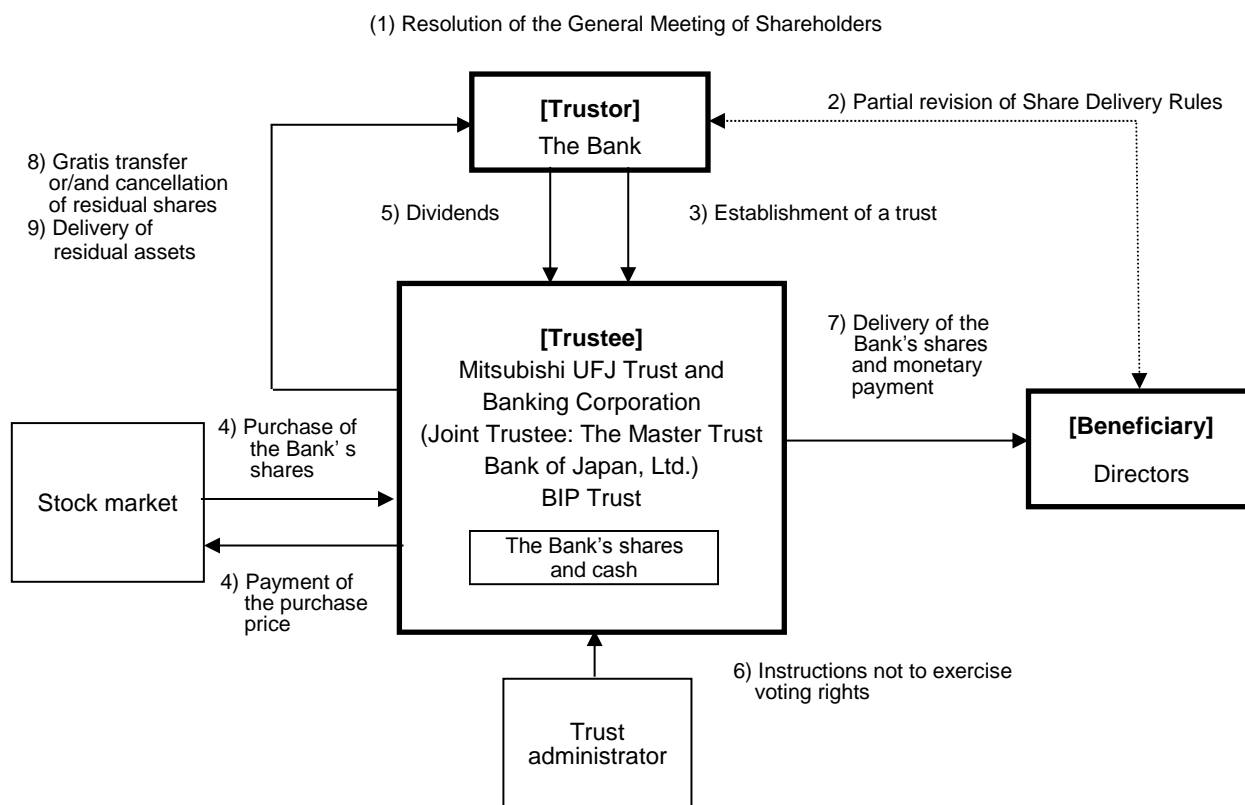
Voting rights of shares of the Bank held in the Trust (the Bank's shares that remain in the Trust before they are delivered to the Directors of the Bank in accordance with (4) above) will not be exercised during the trust period to ensure neutrality to company management.

(6) Other details of the Plan

Other matters regarding the Plan shall be determined by resolution of the Board of Directors, as necessary, when extending the Plan, making amendments to the trust agreement, and making additional contribution to the Trust.

For the details of the Plan, please refer to the "Notice Concerning the Continuation of Performance-Based Stock Compensation Plan for Directors of the Bank and the Transfer of Stock Options as Share-Based Compensation to Performance-Based Stock Compensation Plan" (Reference below: Excerpt from the press release as of May 8, 2020).

Framework of the Plan



- 1) The Bank shall obtain a resolution for approval relating to the executive remuneration at the Meeting, in order to transition from share-based compensation in the form of stock options to the Plan.
- 2) At the meeting of the Board of Directors, the Bank shall partially revise the Share Delivery Rules related to executive remuneration.
- 3) The Bank shall contribute money to the trust and extend the trust period of a trust (the "Trust") with Directors who meet certain requirements for entitlement (such as retirement) as a beneficiary thereunder, in each case, within the scope as approved by the resolution of the Meeting in item 1).
- 4) The Trustee shall follow the instructions of the trust administrator and acquire the Bank's shares from the stock market using the money contributed pursuant to item 3).
- 5) Dividends on the Bank's shares held in the Trust shall be paid in the same manner as dividends on the other shares of the Bank.
- 6) No voting rights shall be exercised on the Bank's shares held in the Trust during the trust period.
- 7) During the trust period, the Bank's shares, etc. shall be delivered, etc. from the Trust to the Directors who meet the requirements for entitlement as a beneficiary thereunder (such as retirement, etc.) in accordance with the Share Delivery Rules.
- 8) If there are residual shares at the expiry of the trust period, due to reasons such as underachievement of performance targets during the trust period, the Bank will either (i) continue to use the Trust for either the Plan or any other incentive plan similar to the Plan, by making amendments to the trust agreement and in addition contributing such residual shares to the Trust, or (ii) transfer the residual shares from the Trust to the Bank without payment, which such residual shares the Bank will then cancel by resolution of the Board of Directors.
- 9) Upon termination of the Trust, residual assets remaining after the distribution to the beneficiaries will revert to the Bank in an amount not to exceed the trust expenses reserve amount, which shall be calculated by deducting the amount of the share acquisition fund from the amount of the trust money. Any portion in excess of the trust expenses reserve amount will be donated to organizations that are not affiliated with the Bank and/or the Directors.

Note: The Bank may contribute additional money to the Trust (up to the upper limit of trust money) in the event that, during the trust period, there is a possibility that the number of the Bank's shares in the Trust shall become less than the number of shares corresponding to the number of points determined for each Director for the delivery, etc. of the Bank's shares, or in the event that the money in the Trust becomes insufficient to pay the trust fees and trust expenses.

1 Matters concerning the current status of the Corporate Group

1. Business developments of the Bank's group and outcomes

Description of main businesses

Seven Bank Group (the "Bank's group") comprises consists of 13 companies, i.e., Seven Bank Ltd. (the "Bank") and its 8 consolidated subsidiaries (FCTI, Inc., PT. ABADI TAMBAH MULIA INTERNASIONAL, Bank Business Factory Co., Ltd., Seven Payment Service, Ltd., Pito AxM Platform, Inc., Seven Global Remit, Ltd., ACSiON, Ltd., and Cred Finance, Ltd.) and 4 affiliates (Seven Pay Co., Ltd., TORANOTEC Ltd., TORANOTEC Asset Management Ltd., and Metaps Payment Inc.), promoting each business in Japan and overseas.

In Japan, in addition to ATM platform business, which is its core business, the Bank's group conducts settlement and account business. Overseas, it develops ATM services in the United States and Indonesia.

In the ATM platform business, the Bank's group installed ATMs in Seven-Eleven and Ito-Yokado belonging to companies of the Seven & i Group, as well as at airports, stations, and branches of financial institutions. By cooperating with numerous 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, consumer finance companies, and fund transfer businesses, the Bank's group provides ATM services to numerous customers using its convenient ATM network which operates 24/365 in principle. In the Settlement and account business, the Bank's group provides ubiquitous and convenient account services such as ordinary deposits, time deposits, loan services, international money transfer services and debit services, as well as financial services which utilize the knowledge of the Bank's Group.

Through overseas consolidated subsidiaries of the Bank, the Bank's group has developed businesses in the United States and Indonesia to provide ATM services that address local settlement needs and has also been preparing for business commencement in the Philippines.

As stated above, the Bank's Group has been promoting initiatives towards diversification of businesses and services to achieve sustainable growth while recognizing changes in a diverse society as substantial business opportunities.

Economic and Financial environment

Although the Japanese economy had been on a moderate recovery trend on the back of a relaxed financial environment, since the first case of novel coronavirus disease (COVID-19) was reported in Japan in January 2020 amid continued impacts on consumer confidence from a rise in the consumption tax implemented in October 2019, circumstances remain very uncertain due to concerns over the spread and possible prolongation of COVID-19 infections and effects on social conditions and the real economy associated with the strengthening of restrictions by the Japanese national and local governments to respond to the infections.

Business developments and outcomes

(1) Domestic business segment

- ATM platform business

During the consolidated fiscal year under review, the Bank's group continued to enhance convenience for customers, promoting aggressively the creation of new value in ATMs in order to flexibly meet changing consumer needs associated with the diversification of settlement methods. In order to further expand the number of users of our ATMs while responding to consumer needs, we aggressively promoted new partnerships with fund transfer businesses other than financial institutions as a new business category, such as our partnership with "PayPay," which commenced top-up transactions by cash in July 2019.

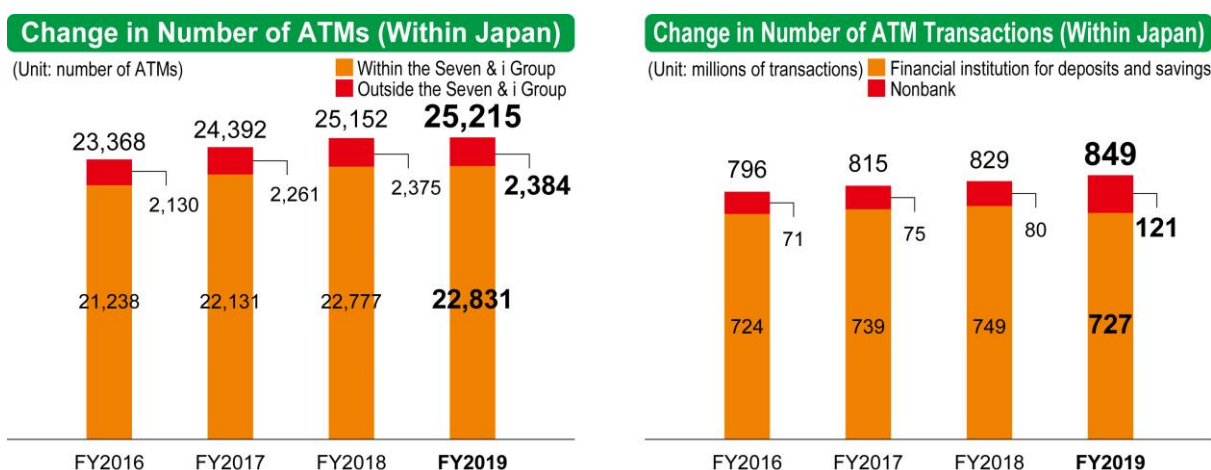
Following the "Point Reward Project for Consumers using Cashless Payment" and other projects introduced in connection with the consumption tax hike in October 2019, the use of cashless settlements within Japan expanded and the number of transactions using the Bank's

ATMs to charge cash into various cashless settlement methods significantly increased. As a result of such efforts, in September 2019, the average number of daily transactions per ATM exceeded 100% of that of the same month in the previous year for the first time in six years. Although there were signs of a decrease in the number of transactions at some of our ATMs due to the effects of the spread of COVID-19 since March 2020, the average number of daily transactions per ATM in March 2020 remained strong at 101.2% compared with the same month in the previous year.

As of March 31, 2020, we had partnered with 123 banks, 253 *shinkin* banks, 124 credit cooperatives, 13 labor banks, JA Bank, JF Marine Bank, Shoko Chukin Bank, 10 securities companies, 7 life insurance companies and 79 other financial institutions and operating companies, totaling 612 businesses.* The number of our ATMs installed reached 25,215 (up 0.2% compared with the end of March 2019). The average number of daily transactions per ATM were 92.1 (down 0.2% year over year), and a total of 849 million ATM transactions were recorded (up 2.3% year over year). As seen in these figures, the ATM platform business, which is the Bank's core business, remained strong.

In September 2019, we started installing our fourth-generation ATMs in response to lifestyle changes, the widespread use of smartphones, and the changing times. Installations and replacements have been implemented smoothly and the number of fourth-generation ATMs installed was 1,150 as of March 31, 2020.

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



- Settlement and account business

As of the end of the consolidated fiscal year under review, the number of individual customer accounts was 2,179,000 (up 8.8% compared with the end of March 2019), with a balance of individuals' deposits of 458,600 million yen (up 5.5% year over year) and a balance of loan services for individual customers of 23,200 million yen (up 2.6% year over year).

The number of accounts for cash cards with a debit function grew smoothly to 602,000 (up 24.2% year over year), partially attributable to our participation as a registered settlement business operator of the "Point Reward Project for Consumers using Cashless Payment."

International money transfer services grew both in the number of contract accounts and the number of money transfers made, and the number of money transfers made using our international money transfer services during the consolidated fiscal year under review was 1,214,000 (up 6.1% year over year). Additionally, for the purpose of offering daily financial service infrastructure for foreign residents by utilizing the knowledge gained through the international money transfer service, we established Seven Global Remit, Ltd. (the Bank's investment ratio: 100%), a domestic consolidated subsidiary of the Bank which operates in the fund transfer business and Cred Finance, Ltd. (the Bank's investment ratio: 60%), a domestic consolidated subsidiary of the Bank which operates in the money lending business, and advanced preparations toward commencing operations.

In recent years, financial crimes are becoming increasingly intricate and sophisticated and they have been recognized as a new social issue. In response to such issues, and to contribute to offering safe and secure financial services, the Bank's domestic consolidated subsidiary,

Bank Business Factory Co., Ltd., has been promoting outsourced back-office support businesses engaged not only in back-office support operations for the Bank but also in other back-office support operations such as countermeasures against money laundering, utilizing the Bank's expertise in countermeasures against financial crimes.

In addition, utilizing the Bank's expertise in countermeasures against financial crimes, our network of over 25,000 ATMs across Japan, and the technical strength of Information Services International-Dentsu, Ltd. (hereinafter "ISID"), the Bank established ACSiON, Ltd., a domestic consolidated subsidiary of the Bank and a joint venture company (the Bank's investment ratio: 60%) with ISID, and is preparing to commence operations to offer services such as monitoring and detecting fraudulent transactions.

(2) Overseas business segment

- The United States

FCTI, Inc., the Bank's consolidated subsidiary, has achieved stable operation of ATMs installed inside 7-Eleven stores all over the United States. As a result of systematically reorganizing ATMs with low profitability that were installed at locations outside of United States 7-Eleven stores, the number of ATMs installed as of December 31, 2019 totaled 10,886 (down 14.9% compared to December 31, 2018), including the 8,465 ATMs installed inside 7-Eleven stores in the United States. With regard to the business results of FCTI, Inc. for the consolidated fiscal year (from January 2019 to December 2019), ordinary income was 254.0 million U.S. dollars, ordinary profit was 6.3 million U.S. dollars, and net profit was 6.6 million U.S. dollars.

- Asia

PT. ABADI TAMBAH MULIA INTERNASIONAL, a consolidated subsidiary of the Bank in Indonesia, promoted business expansion based on the operation of company-owned ATMs as the main pillar of its businesses, and steadily increased the number of ATMs installed. The number of ATMs operated as of December 31, 2019 was 200 (up 108.3% compared to December 31, 2018).

Additionally, Pito AxM Platform, Inc., consolidated subsidiary of the Bank in the Philippines, entered into a business partnership agreement in February 2020 with Philippine Seven Corporation, the biggest convenience store operating company in the Philippines, for the purpose of developing the installation, operation and maintenance businesses for ATMs at 7-Eleven stores in the Philippines.

(3) Operating results

As for the consolidated results of our operations in fiscal 2019, with both domestic business and overseas business demonstrating strong performance, ordinary income achieved a historic high for the Bank at 148,553 million yen (up 0.8% year over year). However, unauthorized access to some accounts at "7pay," a barcode settlement service offered by the Bank's equity-method affiliate Seven Pay Co., Ltd., caused difficulties in maintaining the service within its existing framework, resulting in the discontinuation of the service on September 30, 2019. Additionally, business results were below initially planned levels for TORANOTEC Ltd. and TORANOTEC Asset Management Ltd., the Bank's equity-method affiliates. As a result, due to a recorded share of loss of entities accounted for using equity method of 4,770 million yen, ordinary profit was 39,836 million yen (down 2.1% year over year) and net income attributable to owners of the parent was 26,162 million yen (up 97.6% year over year).

As for the Bank's non-consolidated business results, given the steady progress of ATM platform business, which is Bank's core business, ordinary income was 120,275 million yen (up 0.5%) and ordinary profit was 45,013 million yen (up 4.5% year over year), both reaching record highs since the foundation of the Bank. In addition, the Bank recognized a decline in the real value of shares in the aforementioned equity-method affiliate of the Bank and recorded losses on valuation of shares of subsidiaries and affiliates amounting to 5,009 million yen as an extraordinary loss, resulting in net income of 27,675 million yen (up 89.9% year over year).

(4) Assets, liabilities and net assets

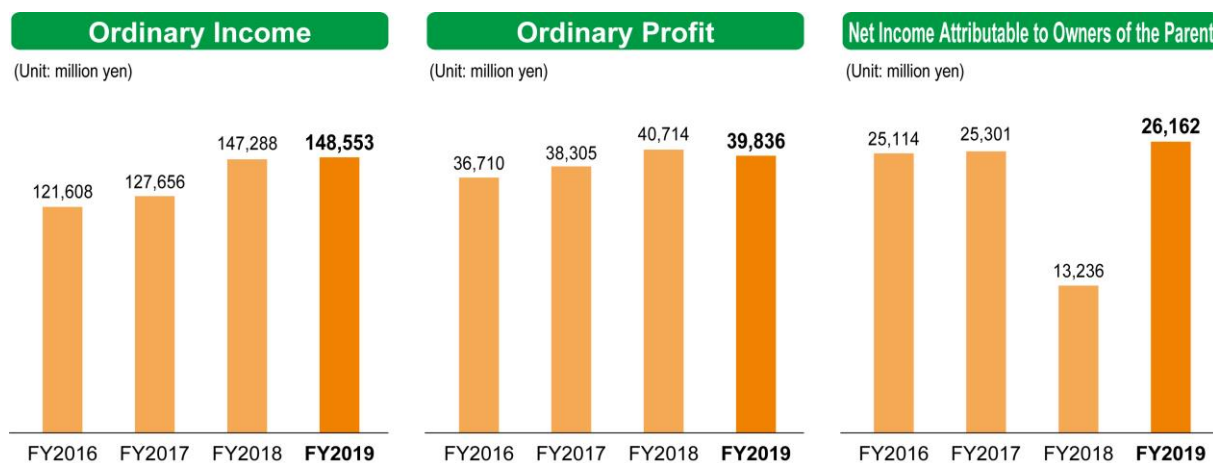
Total assets at the end of March 2020 were 1,085,885 million yen. The majority of this total comprised cash and due from banks required for the operation of ATMs of 848,446 million yen.

The remainder mostly consisted of marketable securities of 70,911 million yen held as collateral for foreign exchange settlements and Bank of Japan current account overdraft

transactions, and 81,965 million yen representing ATM-related temporary payments, which are temporary advances from partner financial institutions.

Liabilities were 863,051 million yen. These largely comprised deposits (excluding negotiable certificates of deposit) totaling 683,760 million yen. Of these, the outstanding balance of individuals' ordinary deposits was 324,531 million yen and the balance of individuals' time deposits was 134,093 million yen.

Net assets were 222,833 million yen. Of these, retained earnings were 155,760 million yen.



Issues the Bank's group needs to cope with

The business environment surrounding the Bank's group is changing dramatically, and the speed of the change is increasing. Much more so than before, management will need to be flexible in quickly incorporating products equipped with revolutionary technologies, while maintaining a high sensitivity to changes in social structures and the diversification of customer needs.

In Japan, following the "Point Reward Project for Consumers using Cashless Payment" that started with the consumption tax hike in October 2019, the digitization of account settlements and the increase in cashless transactions is ramping up. Given such trends, the value that customers seek in ATMs as financial contact points close to their ever-changing daily lives is also shifting radically. Moreover, with increasingly diversifying lifestyles and sense of value, the implementation of a new regulation related to foreign workers, etc., new consumption and labor markets are emerging, leading to further expansion of the needs of "nearby and more convenient" financial services. On the other hand, today's diverse and serious social issues include concern over cybersecurity given recent increasingly sophisticated and intricate financial crimes, a decreasing productive population along with an aging society, and declining opportunities to meet financial needs in rural towns due to a reduction in the number of tellers and ATMs at financial institutions in such regions.

In addition to these recent changes in the social environment, COVID-19, which originated in Wuhan City, Hubei Province of the People's Republic of China in December 2019, has spread globally and has had a great impact on social conditions both in Japan and overseas. The wide spread and prolonged infections of the disease, along with the resulting strengthened restrictions by the national governments, are affecting the real economy as well as personal behavior and lifestyles more drastically than estimated, causing the business environment surrounding the Bank's group to remain uncertain.

Amid such a business environment, the Bank's group plans to:

(1) Implement stable operation of existing businesses, focusing first on providing safe and secure payment infrastructure as a facet of social infrastructure.

(2) As basic policies for the future, steadily promote "diversification of businesses and services," which can help achieve medium to long term growth, and "structural reform," which can realize and speed up the "diversification of business and services," steadily deal with issues we are facing, and promote structural reorganization that allows for accurate and flexible responses to business opportunities stemming from a drastically changing business environment.

<Domestic business segment>

● ATM platform business

To attract more customers to our ATM services, we have been responding to varying customer needs by offering services such as charging (loading money onto) electronic money for public transportation or QR code settlements, in addition to our services for existing business partners such as financial institutions. We will continue to develop initiatives to increase the number of business partners and customers.

Furthermore, our next-generation ATMs, which we started installing in September 2019, reduce environmental burdens of the main body. In addition, by minimizing the frequency of supplying and collection of cash within the ATM with more precise handling and management of cash, we are expecting these ATMs will contribute to reducing CO₂ emissions in terms of logistics. Through developing and providing services that are not bound to cash deposits and withdrawals and instead flexibly responding to changes in the needs and values of social structures and customers via new services utilizing newly equipped functions including high-resolution cameras and scanning functions, we will strive to provide new value of ATMs.

● Settlement and account business

While digitalization, shifts to cashless payment, and automation are progressing, we have developed a framework to enable quick opening of new accounts online with simplicity and convenience. We will expand our platform to provide unique products and services, with a view to partnerships with external corporations.

● Business diversification

We will offer new value in customers' daily lives, highly integrating not only the knowledge concerning safety and security gained from ATM and account operations in the Bank's group,

but also the knowledge we gain via partnerships with external corporations. There are issues that have become apparent with social change, such as whether an increasing number of foreigners are able to live in Japan with peace of mind and whether anyone can use new settlement and other services safely and securely, etc. Taking our efforts to contribute to tackling such issues as business opportunities, we will organize structures and systems which can respond to such issues with flexibility and agility. These initiatives include the establishment in June 2019 of Seven Global Remit, Ltd., a consolidated subsidiary of the Bank (the Bank's investment ratio: 100%) that operates financial services for foreigners and in July 2019 of ACSiON, Ltd., a consolidated subsidiary of the Bank (the Bank's investment ratio: 60%) and a joint-venture company with ISID that promotes business in the security field, utilizing the Bank's expertise in countermeasures against financial crimes.

<Overseas business segment>

- The United States

For FCTI, Inc., the Bank's consolidated subsidiary in the United States, although there have been signs of a decrease in the number of transactions at some ATMs under the impact of stricter restrictions due to COVID-19, operations are stable. Aiming to improve profitability from a medium- to long-term perspective, we will proceed with measures including preparing new services through synergies with 7-Eleven, Inc. (U.S.).

- Asia

PT. ABADI TAMBAH MULIA INTERNASIONAL, the Bank's consolidated subsidiary in Indonesia, will steadily promote the ATM business through synergies with local partner corporations. In addition, in the Philippines, where the market for ATMs is expected to expand alongside high economic growth, the Bank's consolidated subsidiary Pito AxM Platform, Inc. will promote preparation for beginning operations in the ATM business.

The Bank's group has, since its establishment, enhanced the convenience of people's lives by offering safe and secure financial services, closely listening to customers' input and addressing their needs. We will continue to pursue the absolute value of our services, aiming to improve customer satisfaction and maximize social value. However, it is expected that daily life and values as well as social structures will change radically due to COVID-19. We therefore must be attentive to social changes and increasingly diverse customer needs and take flexible measures to adopt the fruits of technological innovation. To this end, in every business area of the Bank's group, we will continue "responding to change while strengthening fundamentals." That is, we will boldly, flexibly, agilely, and proactively deal with environmental changes without being caught up in conventional ideas and continue to evolve while firmly maintaining and strengthening our strengths.

We look forward to your continued support and guidance.

2. Assets and profit/loss of the Bank and the Bank's group

A. Assets and profit/loss of the Bank's group (Consolidated)

(Unit: 100 millions of yen)

	FY2016	FY2017	FY2018	FY2019
Ordinary income	1,216	1,276	1,472	1,485
Ordinary profit	367	383	407	398
Net income attributable to owners of the parent	251	253	132	261
Comprehensive income	246	246	130	259
Total net assets	1,990	2,120	2,128	2,228
Total assets	9,577	10,224	11,419	10,858

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

B. Assets and profit/loss of the Bank (Non-consolidated)

(Unit: 100 millions of yen)

	FY2016	FY2017	FY2018	FY2019
Deposits	5,715	6,227	6,797	6,866
Time deposits	2,354	2,288	2,315	2,319
Others	3,361	3,939	4,482	4,546
Bonds	1,100	950	1,350	1,050
Loans receivable	198	237	234	235
To individuals	198	227	226	232
To medium and small enterprises	—	—	—	—
Others	—	10	7	2
Commodity-related securities	—	—	—	—
Securities	1,025	900	927	808
Government bonds	—	—	—	—
Others	1,025	900	927	808
Total assets	9,556	10,232	11,455	10,912
Amount of domestic exchange handled	344,226	356,076	367,177	372,731
Amount of foreign exchange handled	Millions of U.S. dollars 430	Millions of U.S. dollars 479	Millions of U.S. dollars 524	Millions of U.S. dollars 598
Ordinary profit	Millions of yen 38,911	Millions of yen 42,262	Millions of yen 43,059	Millions of yen 45,013
Net income for the term	Millions of yen 26,871	Millions of yen 29,106	Millions of yen 14,572	Millions of yen 27,675
Net income per share for the term	Yen 22.55	Yen 24.43	Yen 12.23	Yen 23.42

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

3. Employees of the Bank's group

	Current FY end		Previous FY end	
	Domestic Business	Overseas Business	Domestic Business	Overseas Business
Number of employees	606	107	539	118

Note: Number of employees does not include officers, executive officers, employees on loan to outside the Bank's group, part-time employees and dispatched employees, whereas it does include employees on loan from outside the Bank's group.

4. Major outlets and branch stores of the Bank's group

A. Banking business

(a) Major outlets and branch stores and numbers outlets and branch stores

	Major outlet and branch store	Current FY end		Previous FY end	
		Total	(Outlets)	Total	(Outlets)
Tokyo metropolitan region	Headquarters, Ueno Outlet, and others	19	(1)	19	(1)
Saitama Prefecture	Kawaguchi Store Outlet	1	(1)	1	(1)
Kanagawa Prefecture	Kawasaki Azalea Outlet	1	(1)	1	(1)
Aichi Prefecture	NAGOYA · SAKAE Outlet	1	(1)	1	(1)
Total		22	(4)	22	(4)

Notes: 1. Outlets and branch stores in the Tokyo metropolitan region include 17 virtual branch stores (12 for individuals, 5 for corporations), all of which are located at the headquarters.

2. In addition to the above, non-store ATMs were installed in 23,389 locations as of the end of FY 2019 (up from 23,367 as of the end of FY 2018).

(b) 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)
Seven Global Remit, Ltd.	6-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	Fund transfer

(c) Bank agency services, etc. operated by Seven Bank

Not applicable

B. Domestic business

Bank Business Factory Co., Ltd.: Head Office in Yokohama, Kanagawa Prefecture, Japan

Seven Payment Service, Ltd.: Head Office in Chiyoda-ku, Tokyo, Japan

Seven Global Remit, Ltd.: Head Office in Chiyoda-ku, Tokyo, Japan

ACSiON, Ltd.: Head Office in Chiyoda-ku, Tokyo, Japan

Credd Finance, Ltd.: Head Office in Chiyoda-ku, Tokyo, Japan

C. Overseas business

FCTI, Inc.: Head Office in the United States

PT. ABADI TAMBAH MULIA INTERNASIONAL: Head Office in Indonesia

Pito AxM Platform, Inc. : Head Office in the Philippines

5. Plant and equipment investment by the Bank's group

A. Total amount of investment

(Unit: millions of yen)

Reportable Segment	Amount
Domestic business	16,570
Overseas business	124
Total	16,694

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)

Reportable Segment	Details	Amount
Domestic business	ATMs	3,556
	Software	11,567

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 Bank 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	% 46.27 (46.27)	—

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

The parent company has relationships with the Bank 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 Bank	Others
FCTI, Inc.	California, USA	ATM operation	August 25, 1993	Millions of U.S. dollars 19	% 100.00	—
PT. ABADI TAMBAH MULIA INTERNASIONAL	Jakarta Special Capital Region, Indonesia	ATM operation	June 10, 2014	100 millions of Indonesian rupiah 1,281	67.91	—
Bank Business Factory Co., Ltd.	Yokohama, Kanagawa Prefecture, Japan	Commissioned clerical work	July 1, 2014	Millions of yen 100	100.00	—
Seven Payment Service, Ltd.	Chiyoda-ku, Tokyo, Japan	Fund transfer	January 11, 2018	Millions of yen 475	100.00	—
Pito AxM Platform, Inc.	Manila Metropolitan Area, Republic of the Philippines	ATM operation	April 1, 2019	Millions of Philippine peso 85	100.00	—
Seven Global Remit, Ltd.	Chiyoda-ku, Tokyo, Japan	Fund transfer	June 3, 2019	Millions of yen 495	100.00	—
ACSiON, Ltd.	Chiyoda-ku, Tokyo, Japan	Personal authentication and fraud detection platform and consulting	July 16, 2019	Millions of yen 300	60.00	—
Credd Finance, Ltd.	Chiyoda-ku, Tokyo, Japan	Money lending business and credit management business	January 22, 2020	Millions of yen 490	60.00	—

Notes: Other than the above, there are four equity-method affiliates of the Bank.

7. Assignment of business, etc.

Not applicable

8. Other important items concerning the current situation of the Bank's group

Not applicable

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
Kensuke Futagoishi	Chairman and Representative Director		—
Yasuaki Funatake	President and Representative Director [Business in Charge] Internal Audit Division		—
Kazuhiko Ishiguro	Director, Senior Managing Executive Officer [Business in Charge] Digital Banking Division	Outside Audit & Supervisory Board Member, Signpost Corporation	—
Hisanao Kawada	Director, Managing Executive Officer, General Manager of Planning Division [Business in Charge] Planning Division	Director, Seven Financial Service Co., Ltd.; Director, Seven Pay Co., Ltd.	—
Kazutaka Inagaki	Director, Executive Officer, General Manager of Sales Management Division [Business in Charge] Sales Management Division ATM Administration Division and Business Promotion Division		—
Katsuhiro Goto	Director	Vice President & Representative Director, Seven & i Holdings Co., Ltd.	—
Makoto Kigawa	Director (Outside Director)	Special Adviser, YAMATO HOLDINGS CO., LTD.; Outside Director, Komatsu Ltd.; Outside Director, Oki Electric Industry Co., Ltd.	(Note 2) (Note 3)
Toshihiko Itami	Director (Outside Director)	Attorney-at-law (Advisor, Nagashima Ohno & Tsunematsu); Outside Director, TODA CORPORATION	(Note 2)
Koichi Fukuo	Director (Outside Director)	Outside Director, Hitachi Metals, Ltd.	(Note 2)
Yukiko Kuroda	Director (Outside Director)	Director/Founder, People Focus Consulting; Outside Director, CAC Holdings Corporation; Outside Member of the Board, Mitsui Chemicals, Inc.; Independent Director, Terumo Corporation	(Note 2)
Isamu Hirai	Audit & Supervisory Board Member (full-time)		—
Akihiko Shimizu	Audit & Supervisory Board Member (full-time)		(Note 4)
Hideaki Terashima	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Attorney-at-law (Harumi-kyowa Law Offices); Professor, Law School, Senshu University	(Note 2)
Yukie Toge	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Representative Director, Felice Consulting Ltd.; Certified Public Accountant (Head of Toge Yukie CPA Office); Outside Director, Mabuchi Motor Co., Ltd.	(Note 2) (Note 5)

Notes: 1. The officer who resigned from his office during the fiscal year under review is as follows.

(Name)	(Position at Resignation)	(Date of Resignation)
Kunihiro Matsuo	Audit & Supervisory Board Member (Outside)	June 17, 2019

2. Mr. Makoto Kigawa, Mr. Toshihiko Itami, Mr. Koichi Fukuo, Ms. Yukiko Kuroda, Mr. Hideaki Terashima and Ms. Yukie Toge have been registered as Independent Officers with the Tokyo Stock Exchange, based on the provisions stipulated by Tokyo Stock Exchange, Inc.
3. Mr. Makoto Kigawa assumed office as Outside Corporate Auditor of The Higo Bank, Ltd. on April 1, 2020.
4. Mr. Akihiko Shimizu has long experience in accounting duties at Seven & i Holdings Co., Ltd., the Bank's parent company, and possesses considerable knowledge of finance and accounting.
5. Ms. Yukie Toge is qualified as a Certified Public Accountant and possesses considerable knowledge of finance and accounting.

2. Remuneration, etc., for Company officers

(Unit: millions of yen)

Category	Number of persons	Remuneration, etc.
Director	11	324 (inclusive of 60 million yen in non-remuneration payments)
Audit & Supervisory Board Member	6	66
Total	17	390 (inclusive of 60 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 60 million yen of expenses related to stock compensation as "non-remuneration payments" which were granted to 5 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 Makoto Kigawa Toshihiko Itami Koichi Fukuo Yukiko Kuroda Isamu Hirai Akihiko Shimizu Hideaki Terashima Yukie Toge	On the basis of the provisions of Article 427, Paragraph 1, of the Companies Act, the Bank 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.

3 Matters concerning Outside Company officers

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

Name	Concurrent posts, etc.
Makoto Kigawa	Special Adviser, YAMATO HOLDINGS CO., LTD.; Outside Director, Komatsu Ltd.; Outside Director, Oki Electric Industry Co., Ltd. There are no major business interests and other relationships between the Bank and Komatsu Ltd., YAMATO HOLDINGS CO., LTD, or Oki Electric Industry Co., Ltd.
Toshihiko Itami	Attorney-at-law (Advisor, Nagashima Ohno & Tsunematsu); Outside Director, TODA CORPORATION There are no major business interests and other relationships between the Bank and Nagashima Ohno & Tsunematsu or TODA CORPORATION.
Koichi Fukuo	Outside Director, Hitachi Metals, Ltd. There are no major business interests and other relationships between the Bank and Hitachi Metals, Ltd.
Yukiko Kuroda	Director/Founder, People Focus Consulting; Outside Director, CAC Holdings Corporation; Outside Member of the Board, Mitsui Chemicals, Inc.; Independent Director, Terumo Corporation There are no major business interests and other relationships between the Bank and People Focus Consulting, CAC Holdings Corporation, Mitsui Chemicals, Inc., or Terumo Corporation.
Hideaki Terashima	Attorney-at-law (Harumi-kyowa Law Offices); Professor, Law School, Senshu University There are no major business interests and other relationships between the Bank and Harumi-kyowa Law Offices or Senshu University.
Yukie Toge	Representative Director, Felice Consulting Ltd.; Certified Public Accountant (Head of Toge Yukie CPA Office); Outside Director, Mabuchi Motor Co., Ltd. There are no major business interests and other relationships between the Bank and Felice Consulting Ltd., Toge Yukie CPA Office, or Mabuchi Motor Co., Ltd.

Note: Mr. Makoto Kigawa assumed office as Outside Corporate Auditor of The Higo Bank, Ltd. on April 1, 2020.

2. Contribution of Outside Company officers

Name	Appointment period	Attendance at meetings of the Board of Directors, etc., during fiscal 2019	Verbal input and other contributions at meetings of the Board of Directors, etc.
Makoto Kigawa	June 2018 to present	Attended 12 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
Toshihiko Itami	June 2018 to present	Attended 12 of 13 meetings of the Board of Directors	Contributed advice and opinions on legal compliance and internal controls in areas such as management policy and company operations, drawing on his experience as an Attorney-at-law
Koichi Fukuo	June 2018 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 management executive
Yukiko Kuroda	June 2018 to present	Attended 12 of 13 meetings of the Board of Directors	Contributed advice and opinions regarding management policy and company operations, drawing on her experience as a management executive.
Hideaki Terashima	June 2019 to present	Attended all 10 meetings of the Board of Directors Attended all 10 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
Yukie Toge	June 2019 to present	Attended all 10 meetings of the Board of Directors Attended all 10 meetings of the Audit & Supervisory Board.	Contributed advice and opinions regarding management policy and company operations, drawing on her experience as a Certified Public Accountant and a management executive

Note: Attendance of Mr. Hideaki Terashima and Ms. Yukie Toge is only with regard to the Board of Directors meetings and the Audit & Supervisory Board meetings that were held after they assumed office as Audit & Supervisory Board Member on June 17, 2019.

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.	8	65	—

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 shares of the Bank

1. Number of shares	Total number of shares available for issuance	Common stock	4,763,632 thousand shares
	Total number of shares issued	Common stock	1,179,129 thousand shares

2. Number of Shareholders as at the end of fiscal 2019 97,240

3. Major shareholders

Shareholder name	Shareholding in the Bank	
	Number of shares	% holding
Seven-Eleven Japan Co., Ltd.	(thousand shares) 453,639	38.47
Ito-Yokado Co., Ltd.	46,961	3.98
York-Benimaru Co., Ltd.	45,000	3.81
The Master Trust Bank of Japan, Ltd. (trust account)	41,890	3.55
Japan Trustee Services Bank, Ltd. (trust account)	36,488	3.09
STATE STREET CLIENT OMNIBUS ACCOUNT OM44	15,562	1.31
Sumitomo Mitsui Banking Corporation	15,000	1.27
The Dai-ichi Life Insurance Company, Limited	15,000	1.27
Japan Trustee Services Bank, Ltd. (trust account 9)	13,422	1.13
Japan Trustee Services Bank, Ltd. (trust account 5)	13,418	1.13

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 Bank's shares (798 thousand shares) held by the BIP Trust for officer remuneration and the ESOP Trust, which grants the Bank's shares.

4. Other important items concerning the Bank's shares

Not applicable

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

1. The Bank'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 : 45 shares Number and type of shares to be acquired for : 45,000 shares of common stock of the Bank (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to : 1 yen share Exercise period for subscription rights to : From August 13, 2008, to August 12, 2038 shares	2
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 : 55 shares Number and type of shares to be acquired for : 55,000 shares of common stock of the Bank (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to : 1 yen share Exercise period for subscription rights to : From August 4, 2009, to August 3, 2039 shares	2
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 : 9 shares Number and type of shares to be : 9,000 shares of common stock of the Bank (1,000 acquired for : shares per subscription rights to share) Amount to be paid for exercising a : 1 yen subscription rights to share Exercise period for subscription rights to : From August 4, 2009, to August 3, 2039 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., Third Round-(1) Subscription rights to shares Issuance decided : July 9, 2010 Number of subscription rights to : 180 shares Number and type of shares to be : 180,000 shares of common stock of the Bank (1,000 acquired for : shares per subscription rights to share) Amount to be paid for exercising a : 1 yen subscription rights to share Exercise period for subscription rights to : From August 10, 2010, to August 9, 2040) shares	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., Fourth Round-(1) Subscription rights to shares Issuance decided : July 1, 2011 Number of subscription rights to : 187 shares Number and type of shares to be acquired for : 187,000 shares of common stock of the Bank (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to : 1 yen share Exercise period for subscription rights to : From August 9, 2011, to August 8, 2041 shares	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., Fifth Round-(1) Subscription rights to shares Issuance decided : July 6, 2012 Number of subscription rights to : 146 shares Number and type of shares to be acquired for : 146,000 shares of common stock of the Bank (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to : 1 yen share Exercise period for subscription rights to : From August 7, 2012, to August 6, 2042 shares	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., Fifth Round-(2) Subscription rights to shares Issuance decided : July 6, 2012 Number of subscription rights to : 10 shares Number and type of shares to be acquired for : 10,000 shares of common stock of the Bank (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to : 1 yen share Exercise period for subscription rights to : From August 7, 2012, to August 6, 2042 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., Sixth Round-(1) Subscription rights to shares Issuance decided : July 5, 2013 Number of subscription rights to : 93 shares Number and type of shares to be acquired for : 93,000 shares of common stock of the Bank (1,000 shares per subscription rights to share) Amount to be paid for exercising a subscription rights to : 1 yen share Exercise period for subscription rights to : From August 6, 2013, to August 5, 2043 shares	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., Sixth Round-(2) Subscription rights to shares Issuance decided : July 5, 2013 Number of subscription rights to : 5 shares Number and type of shares to be acquired for : 5,000 shares of common stock of the Bank (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 : From August 6, 2013, to August 5, 2043 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., Seventh Round-(1) Subscription rights to shares Issuance decided : July 4, 2014 Number of subscription rights to : 81 shares Number and type of shares to be acquired for : 81,000 shares of common stock of the Bank (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 : From August 5, 2014, to August 4, 2044 shares	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., 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 Bank (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 : 58 Number and type of shares to be acquired for : 58,000 shares of common stock of the Bank (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	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., 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 Bank (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 : 160 Number and type of shares to be acquired for : 160,000 shares of common stock of the Bank (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	4
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 Bank's subscription rights to shares, etc., granted to employees, etc., during the fiscal year

Not applicable.

6 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 Bank in accordance with Article 362, Paragraph 4, Item 6, of the Companies Act. In regard to this resolution, each fiscal year the Bank 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 "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 "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 Bank'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 "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 Bank, 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 Bank's management, the Bank has established a structure for independent management decision making while continuing to adhere to the arm's-length rule and other measures. To ensure the appropriateness of operations conducted by the Group consisting of the Bank and its subsidiaries, the Board of Directors formulates the "Policy to Manage Subsidiaries," and, based on such "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 Bank's employees to support the role of Audit & Supervisory Board Members
The Bank shall install the Audit & Supervisory Board Members' Office and deploy employees dedicated for the Audit & Supervisory Board Members' Office to support the role of 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 Bank's employees dedicated to the Audit & Supervisory Board Members' Office from the Directors
Concerning the employees dedicated to the Audit & Supervisory Board Members' Office, the Officers in charge of the Human Resources Division should preliminarily report to, and gain prior approval of, the full-time Audit & Supervisory Board Members concerning personnel transfers, performance evaluations of the personnel and disciplinary actions.
 - 9) Items concerning ensuring the effectiveness of instructions given to the employees who assist Audit & Supervisory Board Members with their audit duties
The Bank 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 Bank's Audit & Supervisory Board Members made by Directors and employees
Directors shall receive explanation as necessary from the Audit & Supervisory Board regarding the audit policy, the audit plan, the 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 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 Bank 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 Bank 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 Bank's operations
Outline of the status of operation of the structure for the maintenance of the appropriateness of the Bank's operations for the fiscal year under review is as follows.
- 1) Compliance system
The Bank 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 types of training were provided concerning “reconstructing and nurturing awareness toward information management systems” as a priority issue under the Bank’s compliance program.

2) Risk management system

The Bank has a Risk Management Committee installed for the purpose of deliberating on important matters regarding the status of risk management reported from the Risk Management Division controlling each risk and reporting the content to the Executive Committee. During the fiscal year under review, the Risk Management Committee met four 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 Bank’s Articles of Incorporation. In addition, the board determined management policy, formulated a budget and determined other important managerial matters; analyzed and evaluated monthly business performance; and deliberated from the perspectives of compliance with laws, regulations and the Bank’s Articles of Incorporation, as well as the appropriateness of business duties. In addition, during 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 bank’s business operation.

4) Group management structure

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

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

The Bank’s Audit & Supervisory Board consists of four Audit & Supervisory Board Members including two Outside Audit & Supervisory Board Members. During 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 Bank and exchanging opinions among the Audit & Supervisory Board Members. In addition, the Audit & Supervisory Board Members attend important meetings such as Board of Directors meetings and the Executive Committee meetings, regularly exchanging information with Representative Directors, the Accounting Auditor and the Internal Audit Division, thereby monitoring Directors’ execution of duties.

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

To support the role of the Audit & Supervisory Board Members, the Bank has the Audit & Supervisory Board Members’ Office with three employees dedicated to the office, assisting the Audit & Supervisory Board Members with their duties. Directors receive explanation as necessary from the Audit & Supervisory Board regarding the audit policy, the audit plan, the status of implementation of audits and the audit results. Directors determine the issues that should be reported to the Audit & Supervisory Board by consulting with the Audit & Supervisory Board, and they are duly reporting to the Audit & Supervisory Board. Directors and employees of the Bank and directors and employees of the subsidiaries report to the Audit & Supervisory Board Members as necessary regarding matters that have a significant impact on the overall company, the status of implementation of the internal audits and important matters related to compliance in addition to legal issues.

7 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 Yukihisa Tatsumi CPA Tomoaki Takeuchi	58	(Reason for the Bank'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 Bank'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.

- In audit contracts between the Bank 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.
- Total amount of money and other property benefits payable to the Accounting Auditors by the Bank and its subsidiary corporations or entities: 58 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 Bank'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 Bank's Audit & Supervisory Board may, in consideration of the work conducted by the Accounting Auditors and the Bank'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 and Pito AxM Platform, Inc. were audited by audit corporations other than the Accounting Auditors of the Bank (including a body with an equivalent qualification in a foreign jurisdiction).

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

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

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 Bank's management policy is the return of profits to shareholders; therefore, it is a key policy of the Bank 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 Bank'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.

Consolidated Balance Sheet
at the End of the 19th Term (as of March 31, 2020)

(Unit: million yen)

Category	Amount	Category	Amount
(Assets)		(Liabilities)	
Cash and due from banks	848,446	Deposits	683,760
Securities	70,911	Negotiable certificates of deposits	800
Loans receivable	23,283	Borrowed money	196
Foreign exchanges	0	Bonds	105,000
ATM-related temporary payments	81,965	ATM-related temporary advances	45,052
Other assets	16,365	Other liabilities	27,288
Tangible fixed assets	13,985	Reserve for bonuses	573
Buildings	1,630	Net defined benefit liability	3
ATMs	9,042	Reserve for directors' retirement benefits	4
Other (tangible fixed assets)	3,312	Reserve for stocks payment	236
Intangible fixed assets	29,665	Deferred tax liabilities	137
Software	20,930	Total liabilities	863,051
Other (intangible fixed assets)	8,734	(Net assets)	
Net defined benefit asset	378	Capital stock	30,702
Deferred tax assets	909	Capital surplus	30,757
Allowance for losses	(25)	Retained earnings	155,760
		Treasury stock	(338)
		Total shareholders' equity	216,882
		Valuation difference on available-for-sale securities	499
		Foreign currency translation adjustment	3,767
		Remeasurements of defined benefit plans	62
		Total accumulated other comprehensive income	4,329
		Subscription rights to shares	274
		Non-controlling interests	1,346
		Total net assets	222,833
Total assets	1,085,885	Total liabilities and net assets	1,085,885

Consolidated Statement of Income
for the 19th Term (from April 1, 2019, to March 31, 2020)

(Unit: million yen)

Category	Amount	
Ordinary income		148,553
Interest income	3,569	
Interest on loans receivable	3,451	
Interest and dividends on securities	26	
Interest on call loans	0	
Interest on deposits with banks	90	
Fees and commissions income	144,280	
Remittance-related fee income	3,062	
ATM-related fee income	136,486	
Other fees and commissions income	4,730	
Other ordinary income	281	
Other income	422	
Other	422	
Ordinary expenses		108,716
Interest expenses	674	
Interest on deposits with banks	99	
Interest on negotiable certificates of deposits	0	
Interest on call money	(12)	
Interest on borrowings and rediscounts	15	
Interest on bonds	570	
Fees and commissions expenses	40,305	
Remittance-related fee expense	1,591	
ATM placement fee expenses	31,013	
ATM-related fee expenses	4,886	
Other fees and commissions expenses	2,813	
General and administrative expenses	62,813	
Other expenses	4,922	
Provision of allowance for credit losses	2	
Other expenses	4,920	
Ordinary profit		39,836
Extraordinary income		91
Gain on disposal of non-current assets	91	
Extraordinary losses		147
Losses on disposal of non-current assets	147	
Income before income taxes		39,780
Income taxes - current	13,840	
Income taxes - deferred	(164)	
Total income taxes		13,675
Net income		26,105
Loss attributable to non-controlling shareholders		(57)
Net income attributable to owners of the parent		26,162

Consolidated Statement of Changes in Net Assets

for the 19th Term (from April 1, 2019, to March 31, 2020)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2019	30,679	30,661	147,094	(352)	208,083
Changes in items during the period					
Issuance of new shares	23	23	—	—	46
Dividends from surplus	—	—	(13,639)	—	(13,639)
Net income attributable to owners of the parent	—	—	26,162	—	26,162
Purchase of treasury stock	—	—	—	(3,857)	(3,857)
Disposal of treasury stock	—	—	—	13	13
Cancellation of treasury stock	—	—	(3,857)	3,857	—
Net change in capital surplus arising from change in interest of consolidated subsidiaries	—	73	—	—	73
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes in items during the period	23	96	8,665	13	8,798
Balance as of March 31, 2020	30,702	30,757	155,760	(338)	216,882

	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, 2019	492	3,798	182	4,473	320	11	212,890
Changes in items during the period							
Issuance of new shares	—	—	—	—	—	—	46
Dividends from surplus	—	—	—	—	—	—	(13,639)
Net income attributable to owners of the parent	—	—	—	—	—	—	26,162
Purchase of treasury stock	—	—	—	—	—	—	(3,857)
Disposal of treasury stock	—	—	—	—	—	—	13
Cancellation of treasury stock	—	—	—	—	—	—	—
Net change in capital surplus arising from change in interest of consolidated subsidiaries	—	—	—	—	—	—	73
Net changes in items other than shareholders' equity	7	(31)	(119)	(143)	(46)	1,334	1,145
Total changes in items during the period	7	(31)	(119)	(143)	(46)	1,334	9,943
Balance as of March 31, 2020	499	3,767	62	4,329	274	1,346	222,833

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: 8
Name of the subsidiary firm (corporation): FCTI, Inc., PT. ABADI TAMBAH MULIA INTERNASIONAL, Bank Business Factory Co., Ltd., Seven Payment Service, Ltd., Pito AxM Platform, Inc., Seven Global Remit, Ltd., ACSiON, Ltd., and Credd Finance, Ltd.
(Change in the scope of consolidation)
Pito AxM Platform, Inc., Seven Global Remit, Ltd., ACSiON, Ltd., and Credd Finance, Ltd., which were newly established during the consolidated fiscal year under review, have been included in the scope of consolidation.
 - (2) Unconsolidated subsidiary firms and subsidiary corporations:
Not applicable
2. Application of the equity method
 - (1) Unconsolidated subsidiary firms and subsidiary corporations to which the equity method is applied
Not applicable
 - (2) Affiliates and others to which the equity method is applied: 4
Name of affiliates: Seven Pay Co., Ltd., TORANOTEC Ltd., TORANOTEC Asset Management Ltd., and Metaps Payment Inc.
(Change in the scope of application of the equity method)
From the consolidated fiscal year under review, Metaps Payment Inc., which the Bank acquired by purchasing shares, were newly included in the scope of application of the equity method.
 - (3) Unconsolidated subsidiary firms and subsidiary corporations to which the equity method is not applied
Not applicable
 - (4) Affiliates and others to which the equity method is not applied
Not applicable
 - (5) Matters deemed necessary to be stated concerning procedures for applying equity method
For companies to which the equity method is applied that have different closing dates for the settlement of accounts from the consolidated closing date, the financial statements as of each fiscal year of such companies are used.
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: 5 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 5 years. However, if the amount is insignificant, the corresponding goodwill is recorded as an expense at the time of occurrence.

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 Bank 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 Bank 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 Bank's internal standards for write-offs and provisions.

For credits to obligors classified as normal obligors or watch obligors, the allowance for losses is provided in the Bank's estimated amount of credit losses for the following fiscal year 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 March 17, 2020, by The Japanese Institute of Certified Public Accountants (JICPA)). Of which, on the basis of loss ratios, determined by the average for a fixed period of time of historical credit loss ratios or historical bankruptcy ratios, which is based on credit loss history or bankruptcy loss history in the fiscal year, the estimated amount of credit losses is calculated by making requisite amendments, including future projections, to the loss ratios. 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 Bank's Risk Management Division, which is independent from the Bank's other divisions, evaluates all credits in accordance with its internal rules for self-assessment of assets, and its evaluations are audited by the Internal Audit Division, which is independent from the Bank's other divisions and the Risk Management Division. The allowance is provided based on the results of these assessments.

For consolidated subsidiary firms and subsidiary corporations, an allowance for losses for general credits is provided for estimated amounts based on historical credit loss ratios; for specific credits such as credits with loss possibility, an allowance for losses is provided for estimated unrecoverable amounts based on assessment of recoverability.

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 Bank'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 Bank'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.

(6) Translation of assets and liabilities denominated in foreign currencies

The Bank'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 Bank, as well as at its 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)

The Bank has adopted a performance-based stock compensation plan for the Bank'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 Bank applies an accounting treatment method in line with the "Practical Solution on Transactions of Delivering the Bank'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 Bank's shares are purchased via the Trust using the money contributed by the Bank as a source fund and the Bank'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 Bank's shares, etc., shall be at the time of retirement of each Director, in principle.

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

The Bank'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 239 million yen and the number of such shares was 563 thousand.

(Performance-based stock compensation plan for Executive Officers)

The Bank has adopted a performance-based stock compensation plan for the Bank'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 Bank 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 Bank's shares are purchased via the Trust using the money contributed by the Bank as a source fund and the Bank'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 Bank's shares, etc., shall be at the time of retirement of each Executive Officer, in principle.

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

The Bank'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 99 million yen and the number of such shares was 234 thousand.

Important notes

(Consolidated balance sheet)

- Total amount of stocks of (and investments in) subsidiaries and affiliates (excluding stocks of [and investments in] consolidated subsidiary firms and subsidiary corporations): 2,000 million yen
- Among the loans receivable, credits to bankrupt obligors were 0 million yen, and loans in arrears were 38 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 39 million yen. The amounts of credits stated in Nos. 2 to 5 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 63,371 million yen in available-for-sale securities have been provided. Also, 2,020 million yen in guarantees and a deposit of 800 million yen in a central counterparty clearinghouse (CCP) 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 20,604 million yen. This includes the unused balance of funds in the amount of 20,604 million yen under agreements in which the original term is one year or less.
- Accumulated depreciation for tangible fixed assets 68,799 million yen

(Consolidated statement of income)

4,770 million yen of equity in losses of affiliates is included in “Other expenses.”

(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	1,192,464	165	13,500	1,179,129	(Note 1)
Total	1,192,464	165	13,500	1,179,129	
Treasury stock					
Common stock	831	13,500	13,532	798	(Notes 2, 3)
Total	831	13,500	13,532	798	

Notes: 1. 165 thousand shares increase of shares issued resulted from the exercise of subscription rights to shares. 13,500 thousand shares decrease of shares issued resulted from cancellation of treasury stock.

2. The number of treasury shares increased by 13,500 thousand shares due to purchase of treasury stock by resolutions of

the Board of Directors. The number of treasury shares decreased by 13,532 thousand shares due to cancellation of treasury stock by resolutions of the Board of Directors by 13,500 thousand shares and the delivery of the Bank's shares for the BIP Trust for officer remuneration by 32 thousand shares.

3. The numbers of treasury shares as of April 1, 2019 and March 31, 2020 include 831 thousand shares and 798 thousand shares of the Bank, respectively, held by the BIP Trust for officer remuneration and the ESOP Trust for stock allocation.

2. Subscription rights to shares and treasury subscription rights to shares:

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		—					274	
Total		—					274	

Note: There are no treasury subscription rights to shares.

3. The Bank'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 24, 2019	Common stock	7,154 million yen	6.00 yen	March 31, 2019	June 3, 2019
At the Board of Directors' meeting held on November 8, 2019	Common stock	6,485 million yen	5.50 yen	September 30, 2019	December 2, 2019

Note: 1. The total amount of dividends determined by resolution of the Board of Directors at its meeting held on May 24, 2019, includes dividends of 4 million yen for the Bank's shares held by the BIP Trust for officer remuneration and the ESOP Trust for stock allocation.

2. The total amount of dividends determined by resolution of the Board of Directors at its meeting held on November 8, 2019, includes dividends of 4 million yen for the Bank'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, 2020, 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 22, 2020	Common stock	6,485 million yen	Retained earnings	5.50 yen	March 31, 2020	June 1, 2020

Note: The total amount of dividends includes dividends of 4 million yen for the Bank'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 Bank's basic policy is to ensure security and minimize risks in both raising and investing funds, and the Bank does not pursue profit-making by aggressive risk-taking.

Funds raised by the Bank 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 Bank secures the source funds by such means as deposits 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 Bank'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 Bank does not invest in risky financial derivatives, etc.

(2) Description and risk of financial instruments

The financial assets held by the Bank 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 market price 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 Bank 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 Bank 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 situations where the market is unavailable under certain conditions.

(3) Risk management framework for financial instruments

1) Credit risk management

The Bank observes its basic policy for credit risks established in the Basic 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 Bank 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 Bank observes its basic policy for market risks established in the Basic 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 Risk Management Group under 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 every quarter, the Bank'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 Bank, the Bank measures the Value at Risk (VaR) of entire assets and liabilities of the Bank. In measuring the VaR, the Bank uses the Variance-Covariance Method (holding period: 125 days, confidence interval: 99.9%, data observation period: 1 year), and the Bank's VaR (estimated loss amount) as of March 31, 2020, was a total of 8,701 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 Bank 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 Bank observes its basic policy for liquidity risks established in the Basic 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 Risk Management Group under 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 Bank 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, 2020, 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*	848,446	848,446	—
(2) Securities			
Other securities	64,054	64,054	—
(3) Loans receivable	23,283		
Allowance for losses*	(0)		
	23,282	23,282	—
(4) ATM-related temporary payments*	81,965	81,965	—
Total assets	1,017,750	1,017,750	—
(1) Deposits	683,760	683,856	96
(2) Negotiable certificates of deposits	800	800	—
(3) Borrowed money	196	196	—
(4) Bonds	105,000	105,975	975
(5) ATM-related temporary advances	45,052	45,052	—
Total liabilities	834,808	835,880	1,071
Derivative transactions			
Transactions for which hedge accounting is not applied	48	48	—
Transactions for which hedge accounting is applied	—	—	—
Total derivative transactions	48	48	—

* 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

Stocks are stated at the price quoted on the exchange. 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 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 Bank 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) Securities" of "2. Matters concerning market value, etc., of financial instruments."

(Unit: million yen)

Classification	Amount on consolidated balance sheet
Unlisted stocks*1 *2	1,701
Stocks of affiliates and others*1	2,000
Subscription rights to shares*1	50
Investment in partnership*3	3,105
Total	6,856

Notes:

*1 Unlisted stocks, stocks of affiliates and others and subscription rights to shares do not have any market price, and their market value is deemed extremely difficult to identify; therefore, these are excluded from the scope of disclosure.

*2 An impairment loss of 38 million yen on unlisted stocks was recorded for the consolidated fiscal year under review.

*3 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	98,468	—	—	—	—	—
Securities						
Other securities with maturity	11,400	34,813	16,862	—	—	—
Municipal bonds	5,700	9,113	7,862	—	—	—
Bonds	5,700	25,700	9,000	—	—	—
Loans receivable*2	23,244	—	—	—	—	—
ATM-related temporary payments	81,965	—	—	—	—	—
Total	215,077	34,813	16,862	—	—	—

Notes:

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

*2 Loans receivable: The amount (39 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*	567,587	72,903	43,269	—	—	—
Negotiable certificates of deposit	800	—	—	—	—	—
Borrowed money	196	—	—	—	—	—
Bonds	—	20,000	35,000	—	50,000	—
ATM-related temporary advances	45,052	—	—	—	—	—
Total	613,635	92,903	78,269	—	50,000	—

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

(Securities)

1. Securities held for trading purposes (as of March 31, 2020)

Not applicable

2. Bonds held to maturity (as of March 31, 2020)

Not applicable

3. Other securities (as of March 31, 2020)

	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	8,710	8,707	2
	Municipal bonds	8,409	8,406	2
	Corporate bonds	300	300	0
	Subtotal	9,394	8,859	534
Securities whose consolidated balance sheet amounts do not exceed acquisition costs	Bonds	54,660	54,723	(62)
	Municipal bonds	14,347	14,352	(5)
	Corporate bonds	40,313	40,370	(56)
	Subtotal	54,660	54,723	(62)
Total		64,054	63,583	471

4. Bonds held to maturity sold during the consolidated fiscal year (from April 1, 2019, to March 31, 2020)

Not applicable

5. Other securities sold during the consolidated fiscal year (from April 1, 2019, to March 31, 2020)

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 Bank	4 Directors of the Bank	5 Executive Officers of the Bank	5 Directors of the Bank
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 Bank	8 Executive Officers of the Bank	6 Directors of the Bank	7 Executive Officers of the Bank
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 Bank	7 Executive Officers of the Bank	6 Directors of the Bank	8 Executive Officers of the Bank
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 Bank	9 Executive Officers of the Bank	6 Directors of the Bank	9 Executive Officers of the Bank
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 Bank 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, 2020 (fiscal year 2019), 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	45,000	55,000	9,000	180,000
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding	45,000	55,000	9,000	180,000

	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	187,000	42,000	171,000	30,000
Granted	—	—	—	—
Exercised	—	29,000	25,000	10,000
Forfeited	—	—	—	—
Outstanding	187,000	13,000	146,000	20,000

	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	107,000	15,000	98,000	23,000
Granted	—	—	—	—
Exercised	14,000	5,000	17,000	5,000
Forfeited	—	—	—	—
Outstanding	93,000	10,000	81,000	18,000

	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	70,000	24,000	185,000	57,000
Granted	—	—	—	—
Exercised	12,000	5,000	25,000	18,000
Forfeited	—	—	—	—
Outstanding	58,000	19,000	160,000	39,000

(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	—	279	277	282
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	277	282	277	282
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	277	282	277	290
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 Bank. As of December 1, 2011, the Bank 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 Bank’s stocks at the time when stock options were exercised.

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

3. 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	187.73 yen
Net income attributable to owners of the parent per share	22.14 yen
Diluted net income attributable to owners of the parent per share	22.11 yen

Note: From the consolidated fiscal year under review, the Bank has adopted the BIP Trust for officer remuneration and the ESOP Trust for stock allocation. The Bank'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 798 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 Net income attributable to owners of the parent per share and Diluted net income attributable to owners of the parent per share. The average number of treasury shares deducted for the consolidated fiscal year under review was 809 thousand.

(Significant subsequent events)

Not applicable

Balance Sheet
at the End of the 19th Term (as of March 31, 2020)

(Unit: million yen)

Category	Amount	Category	Amount
(Assets)		(Liabilities)	
Cash and due from banks	842,606	Deposits	686,633
Cash	748,283	Ordinary deposits	454,564
Due from banks	94,322	Time deposits	231,971
Securities	80,826	Other deposits	98
Municipal bonds	22,756	Negotiable certificates of deposits	800
Bonds	40,614	Bonds	105,000
Stocks	7,632	Other liabilities	68,389
Other securities	9,823	Income taxes payable	7,813
Loans receivable	23,528	Accrued expenses	5,463
Loan on deeds	244	ATM-related temporary advances	45,052
Current overdrafts	23,283	Asset retirement obligations	366
Foreign exchanges	0	Other	9,692
Due from foreign banks	0	Reserve for bonuses	361
Other assets	95,618	Reserve for stocks payment	236
Prepaid expenses	1,153	Total liabilities	861,421
Accrued income	9,191		
Derivatives other than for trading – assets	48	(Net assets)	
ATM-related temporary payments	81,885	Capital stock	30,702
Other	3,339	Capital surplus	30,702
Tangible fixed assets	11,667	Legal capital surplus	30,702
Buildings	1,602	Retained earnings	168,025
ATMs	7,318	Legal retained earnings	0
Other (tangible fixed assets)	2,745	Other retained earnings	168,025
Intangible fixed assets	27,768	Retained earnings brought forward	168,025
Software	20,595	Treasury stock	(338)
Software-related temporary accounts	7,168	Total shareholders' equity	229,091
Other (intangible fixed assets)	4	Valuation difference on available-for-sale securities	499
Prepaid pension cost	269	Total valuation and translation adjustments	499
Deferred tax assets	9,053	Subscription rights to shares	274
Allowance for losses	(50)	Total net assets	229,866
Total assets	1,091,287	Total liabilities and net assets	1,091,287

Statement of Income
for the 19th Term (from April 1, 2019, to March 31, 2020)

(Unit: million yen)

Category	Amount	
Ordinary income		120,275
Interest income	3,575	
Interest on loans receivable	3,462	
Interest and dividends on securities	26	
Interest on call loans	0	
Interest on deposits with banks	86	
Fees and commissions income	116,016	
Remittance-related fee income	3,062	
ATM-related fee income	108,750	
Other fees and commissions income	4,203	
Other ordinary income	302	
Gains on foreign exchange transactions	302	
Other income	381	
Gain on reversal of allowance for credit losses	67	
Other	313	
Ordinary expenses		75,261
Interest expenses	670	
Interest on deposits with banks	99	
Interest on negotiable certificates of deposits	0	
Interest on call money	(12)	
Interest on borrowings and rediscounts	11	
Interest on bonds	570	
Fees and commissions expenses	20,228	
Remittance-related fee expense	1,591	
ATM placement fee expenses	15,774	
ATM-related fee expenses	1,001	
Other fees and commissions expenses	1,861	
General and administrative expenses	54,280	
Other expenses	82	
Written-off of loans	0	
Written-off equity securities	38	
Other expenses	43	
Ordinary profit		45,013
Extraordinary losses		5,108
Losses on disposal of non-current assets	98	
Losses on valuation of shares of subsidiaries and affiliates	5,009	
Income before income taxes		39,905
Income taxes - current	13,777	
Income taxes - deferred	(1,546)	
Total income taxes		12,230
Net income		27,675

Statement of Changes in Net Assets
for the 19th Term (from April 1, 2019, to March 31, 2020)

(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, 2019	30,679	30,679	30,679	0	157,847	157,847	(352)	218,854
Changes in items during the period								
Issuance of new shares	23	23	23	—	—	—	—	46
Dividends from surplus	—	—	—	—	(13,639)	(13,639)	—	(13,639)
Net income	—	—	—	—	27,675	27,675	—	27,675
Purchase of treasury stock	—	—	—	—	—	—	(3,857)	(3,857)
Disposal of treasury stock	—	—	—	—	—	—	13	13
Cancellation of treasury stock	—	—	—	—	(3,857)	(3,857)	3,857	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes of items during the period	23	23	23	—	10,177	10,177	13	10,237
Balance as of March 31, 2020	30,702	30,702	30,702	0	168,025	168,025	(338)	229,091

	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, 2019	492	492	320	219,667
Changes in items during the period				
Issuance of new shares	—	—	—	46
Dividends from surplus	—	—	—	(13,639)
Net income	—	—	—	27,675
Purchase of treasury stock	—	—	—	(3,857)
Disposal of treasury stock	—	—	—	13
Cancellation of treasury stock	—	—	—	—
Net changes of items other than shareholders' equity	7	7	(46)	(38)
Total changes of items during the period	7	7	(46)	10,198
Balance as of March 31, 2020	499	499	274	229,866

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, affiliates and others 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 Bank is amortized over the period in which it is expected to be utilized (five years).

3. 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.

4. Provisioning standards

(1) Allowance for losses

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

For credits to obligors classified as normal obligors or watch obligors, the allowance for losses is provided in the Bank's estimated amount of credit losses for the following fiscal year 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 March 17, 2020, by The Japanese Institute of Certified Public Accountants (JICPA)). Of which, on the basis of loss ratios, determined by the average for a fixed period of time of historical credit loss ratios or historical bankruptcy ratios, which is based on credit loss history or bankruptcy loss history in the fiscal year, the estimated amount of credit losses is calculated by making requisite amendments, including future projections, to the loss ratios. 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 Bank's Risk Management Division, which is independent from the Bank's other divisions, evaluates all credits in accordance with its internal rules for self-assessment of assets, and its evaluations are audited by the Internal Audit Division, which is independent from the Bank's other divisions and the Risk Management Division. The allowance is provided based on the results of these assessments.

(2) Reserve for bonuses

The Bank 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 Bank'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.

5. 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.

6. 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)

A performance-based stock compensation plan has been adopted for the Bank'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 investments in) of subsidiaries and affiliates: 11,914 million yen
2. Among the loans receivable, credits to bankrupt obligors were 0 million yen, and loans in arrears were 38 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 39 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 63,371 million yen in available-for-sale securities have been provided. Also, 1,951 million yen in guarantees and a deposit of 800 million yen in a central counterparty clearinghouse (CCP) 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 20,604 million yen. This includes the unused balance of funds in the amount of 20,604 million yen under agreements in which the original term is one year or less.
8. Accumulated depreciation for tangible fixed assets 65,361 million yen
9. Total monetary claims on subsidiaries and affiliates 411 million yen
10. Total monetary liabilities payable to subsidiaries and affiliates 39,306 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)

1. Profit from trading with subsidiaries and affiliates

Total income from fund management transactions	26 million yen
Total income from fee transactions, etc.	1,089 million yen
Total income from other transactions and other ordinary transactions	96 million yen
2. 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.	14,153 million yen
Total costs deriving from other transactions	888 million yen
3. Losses on valuation of shares of subsidiaries and affiliates of 5,009 million yen occurred upon the valuation of two equity-method affiliates of the Bank including Seven Pay Co., Ltd.

(Statement of changes in net assets)

The types and number of shares of treasury stock of the Bank 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	831	13,500	13,532	798	(Notes 1, 2)
Total	831	13,500	13,532	798	

Notes:

1. The number of treasury shares increased by 13,500 thousand shares due to purchase of treasury stock by resolutions of the Board of Directors. The number of treasury shares decreased by 13,532 thousand shares due to cancellation of treasury stock by resolutions of the Board of Directors by 13,500 thousand shares and the delivery of the Bank's shares for the BIP Trust for officer remuneration by 32 thousand shares.
2. The numbers of treasury shares as of April 1, 2019 and March 31, 2020 include 831 thousand shares and 798 thousand shares of the Bank, respectively, 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, 2020)
Not applicable
2. Bonds held to maturity (as of March 31, 2020)
Not applicable
3. Shares in subsidiary firms, subsidiary corporations, affiliates and others (as of March 31, 2020)
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	9,914
Stocks of affiliates and others	2,000
Total	11,914

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, 2020)

	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	8,710	8,707	2
	Municipal bonds	8,409	8,406	2
	Corporate bonds	300	300	0
	Subtotal	9,394	8,859	534
Securities whose balance sheet amounts do not exceed acquisition costs	Bonds	54,660	54,723	(62)
	Municipal bonds	14,347	14,352	(5)
	Corporate bonds	40,313	40,370	(56)
	Subtotal	54,660	54,723	(62)
Total		64,054	63,583	471

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

Classification	Balance sheet amount (million yen)
Unlisted stocks	1,701
Subscription rights to shares	50
Investments in partnership	3,105
Total	4,856

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. Also, for the fiscal year under review, impairment was applied to unlisted stocks, recording an impairment loss of 38 million yen.

5. Bonds held to maturity sold during the fiscal year (from April 1, 2019, to March 31, 2020)

Not applicable

6. Other securities sold during the fiscal year (from April 1, 2019, to March 31, 2020)

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)
Losses on valuation of shares of subsidiaries and affiliates, etc.	8,263
Unpaid corporate tax	427
Excess depreciation charge	223
Asset retirement obligations	112
Reserve for bonuses	110
Stock options-related expenses	84
Reserve for stocks payment	72
Investments in partnership	32
Excess bad debt reserve	15
Accrued expenses (previously Provision for directors' retirement benefits)	6
Other	38
Total deferred tax assets	9,386
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	(220)
Prepaid pension cost	(82)
Adjustment to tangible fixed assets related to asset retirement obligations	(26)
Other	(2)
Total deferred tax liabilities	(332)
Net deferred tax assets	9,053

(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 38.47%	Contracts related to installation & operation of ATM business capital transactions	Payment of fees for ATM installation (Note 1)	14,153	Accrued expenses (Note 2)	1,270

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.

There are no material transactions of note.

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

There are no material transactions of note.

(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 194.84 yen

Basic earnings per share 23.42 yen

Diluted earnings per share 23.39 yen

Notes: The Bank has adopted the BIP Trust for officer remuneration and the ESOP Trust for stock allocation. The Bank'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 798 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 809 thousand.

(Significant subsequent events)

Not applicable

The Board of Directors
Seven Bank, Ltd.

KPMG AZSA LLC, Tokyo Office

Yukihisa Tatsumi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomoaki Takeuchi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Seven Bank, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act 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 for the conveniences of the reader.

The Board of Directors
Seven Bank, Ltd.

KPMG AZSA LLC, Tokyo Office

Yukihisa Tatsumi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomoaki Takeuchi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Seven Bank, Ltd. ("the Company") as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 436-2-1 of the Companies Act.

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 the Company for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors 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 misstatement, whether due to fraud or error.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and Others

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Audit Report
(English Translation)

Regarding the performance of duties by the Directors for the 19th fiscal year from April 1, 2019, to March 31, 2020, 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, 2020, 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 Explanatory Notes) and the 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 supplementary schedules are in accordance with the related laws, regulations and the Articles of Incorporation, and fairly present the Bank'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 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 22, 2020

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	Hideaki Terashima (seal)
Outside Audit & Supervisory Board Member	Yukie Toge (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 Bank 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 Bank adopts the organizational form of a Company with Audit & Supervisory Board Members. At the Board of Directors, the Bank ensures effective corporate governance through decision making by Directors with executive authority over operations who are well versed in the Bank's operations and Outside 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 Bank to realize the above policy and fulfill the accountability of the Bank's corporate governance to its shareholders, the Bank has established the "Corporate Governance Guidelines," which are disclosed on its website.

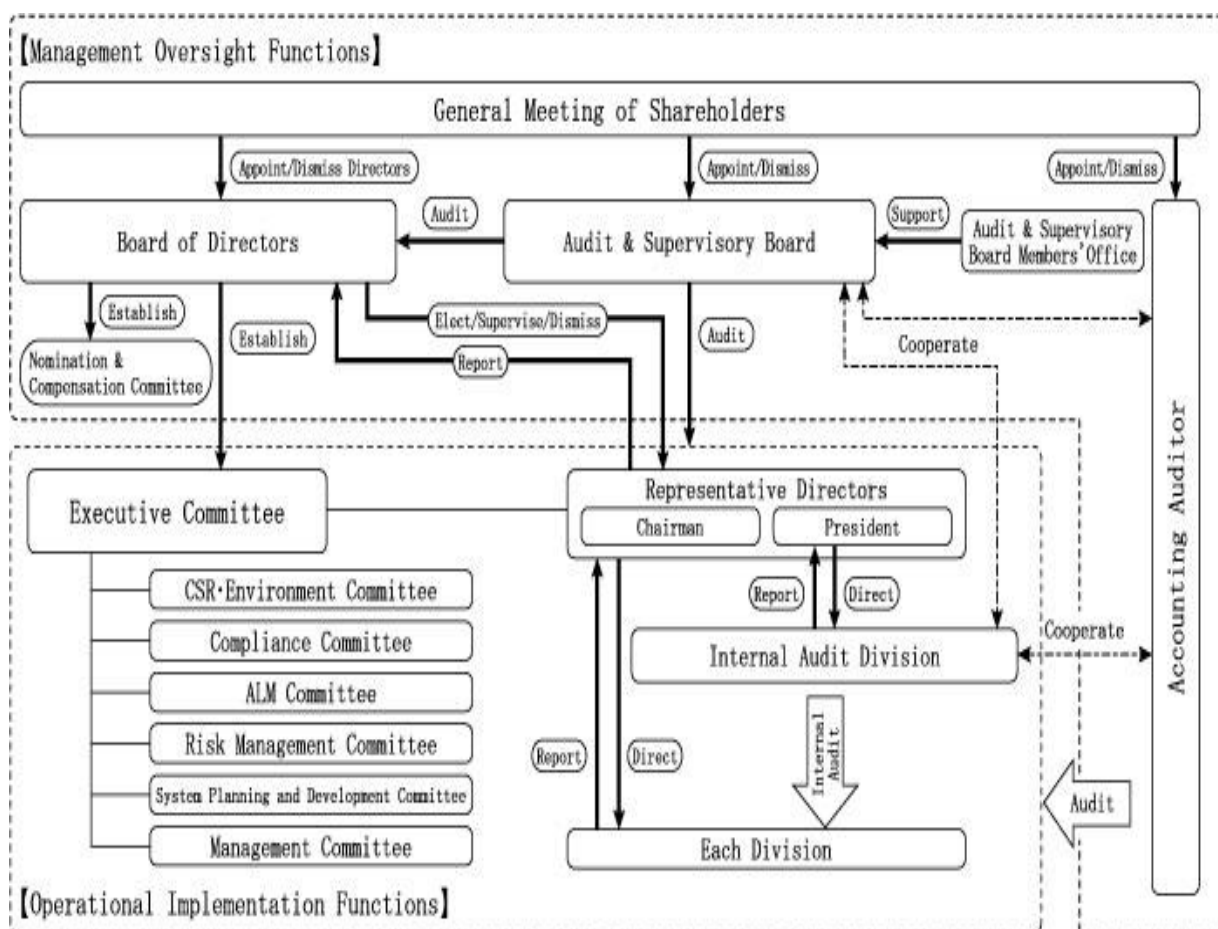
<<URL of the page regarding corporate governance>>

<https://www.sevenbank.co.jp/english/csr/esg/governance.html>

<<Corporate Governance Guidelines>>

https://www.sevenbank.co.jp/english/ir/pdf/2018/20181109_E1_CGG.pdf

2. Corporate Governance Structure



3. Policies and procedures for the Board of Directors to appoint or remove top management and nominate candidates for Director and candidates for Audit & Supervisory Board Member

<<Criteria for appointing or removing top management>>

- 1 Top management must have a significant track record, high capabilities and insights in the Bank's group, 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 Bank's group so that the Bank will continue to be an enterprise that will grow in the future.
2. Any of the following shall disqualify top management.
 - 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.
3. In the event that top management reaches a certain age as specified in internal rules; in the event of fraud; in the event of the occurrence of a serious obstacle to the execution of business; in the event that the selection criteria set forth in 1. and 2. above are not met, or in the event that there is a significant lack of qualifications as top management, including cases where it is judged that the level of business execution as top management does not meet the requirements of the Bank, the top management will be released from their position.

<<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 Bank'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 and high capabilities in his or her area of expertise, financial, accounting and legal knowledge and insights necessary for the execution of business, 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. Policies and procedures for the Board of Directors to determine compensation for the top management and Directors

<<Establishment of the Nomination & Compensation Committee>>

1. As an advisory organization to the Board of Directors, the Bank has established the Nomination & 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 Nomination & Compensation Committee shall deliberate the following matters regarding the Bank's Directors and Executive Officers.
 - (1) Compensation and bonuses
 - (2) Other important matters concerning compensation
 - (3) Matters concerning the recommendation of candidates for Director and candidates for Executive Officer
 - (4) Matters concerning the recommendation of candidates for Representative Director and candidates for Executive Director
 - (5) Other important personnel matters regarding Directors

(Excerpt from Article 23 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 Bank, 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 Nomination & 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.