

Financial Results for the
Second Quarter (Interim Period)
of Fiscal 2018

November 2018



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

Financial Results Digest

Financial Results for the First Half of Fiscal 2018

Consolidated

Ordinary income: ¥73.4 billion
(increased ¥11.2 billion year on year)
Ordinary profit: ¥20.7 billion
(increased ¥0.9 billion year on year)

Non-consolidated

Ordinary income: ¥60.4 billion
(increased ¥2.3 billion year on year)
Ordinary profit: ¥22.8 billion
(increased ¥1.3 billion year on year)

Record-high first-half ordinary income and ordinary profit

【Extraordinary Losses】

Consolidated

Amount **Approx. ¥14.5 billion**
(Impairment loss)

Non-consolidated

Approx. ¥21.8 billion
(Loss on valuation of stocks of subsidiaries and affiliates)*

Losses incurred in promoting overseas businesses (North America, Indonesia)

Consolidated

Net income attributable to owners of the parent: -¥0.2 billion
(decreased ¥13.8 billion year on year)

Non-consolidated

Net income: ¥0.7 billion
(decreased ¥14.1 billion year on year)

【Dividends】 No change from initial plan

Interim dividend: ¥5.00 per share (Scheduled year-end dividend of ¥5.00 per share
for total annual dividends of ¥10.00 per share)

* Loss on valuation of stocks of subsidiaries and affiliates is eliminated upon consolidation, and therefore does not impact consolidated results

Income Statement (Consolidated)

(Billion yen)

	FY17 Results		FY18 H1 Results			FY18 Revised Plan (Sept. 2018)	
		H1 Results		Changes from FY17 H1 Results	Difference from Plan		H1 Plan
Ordinary income	127.6	62.2	73.4	11.2	0.4	147.2	73.0
Ordinary expenses	89.3	42.3	52.7	10.4	0.0	107.3	52.7
Ordinary profit	38.3	19.8	20.7	0.9	0.4	39.9	20.3
Extraordinary loss	0.1	0.0	14.6	14.6	0.0	14.6	14.6
Net income attributable to owners of the parent	25.3	13.6	(0.2)	(13.8)	0.3	12.8	(0.5)

Notes:

1. Amounts less than one hundred million yen have been truncated.
2. Previous-year comparisons are based on the units used in these materials.
3. Exchange rates on the consolidated income statement:
 per USD 1
 FY17 = ¥112.16, FY17 H1 = ¥112.34, FY18 H1 = ¥108.67, FY18 Revised Plan = ¥110.00
 per IDR 100:
 FY17 = ¥0.838, FY17 H1 = ¥0.843, FY18 H1 = ¥0.790, FY18 Revised Plan = ¥0.900

Income Statement (Seven Bank)

(Billion yen)

	FY17		FY18			FY18	
	Results	H1 Results	H1 Results	Changes from FY17 H1 Results	Difference from Plan	Revised Plan (Sept. 2018)	H1 Plan
Ordinary income	116.6	58.1	60.4	2.3	0.5	119.6	59.9
ATM-related fee income	105.9	53.2	54.4	1.2	(0.3)	108.3	54.7
Ordinary expenses	74.3	36.6	37.5	0.9	0.0	77.1	37.5
Interest expenses	0.7	0.3	0.3	0.0	0.0	0.8	0.3
ATM placement fee expenses	14.3	7.1	7.4	0.3	0.1	14.8	7.3
Outsourcing expenses	18.3	9.1	9.2	0.1	(0.1)	18.8	9.3
Maintenance fees	4.1	2.1	1.8	(0.3)	(0.2)	3.9	2.0
Depreciation and amortization	15.7	7.8	8.1	0.3	0.2	16.1	7.9
Ordinary profit	42.2	21.5	22.8	1.3	0.4	42.5	22.4
Extraordinary loss	0.1	0.0	21.8	21.8	(0.1)	21.9	21.9
Income taxes	13.0	6.6	0.2	(6.4)	0.0	6.4	0.2
Net income	29.1	14.8	0.7	(14.1)	0.6	14.0	0.1
EBITDA	58.0	29.3	30.9	1.6	0.6	58.6	30.3
No. of ATMs installed at end of term (units)	24,392	23,873	24,756	883	(57)	25,350	24,813
ATM-related fee income per transaction (yen)	132.9	133.0	133.0	0.0	1.0	133.1	132.0
Daily average transactions per ATM (transactions/ATM/day)	94.1	95.3	93.7	(1.6)	(1.1)	92.3	94.8
Total no. of transactions (million)	815	409	419	10	(5)	830	424

Note: EBITDA = Ordinary profit + Depreciation and amortization

Income Statement (FCTI)

(Million US\$)

	FY17		FY18			FY18		FY18	
	Results	H1 Results	H1 Results	Changes from FY17 H1 Results	Difference from Initial Plan	Revised Plan (Sept. 2018)	H1 Plan	Initial Plan (May 2018)	H1 Plan
Ordinary income	96.5	35.9	119.1	83.2	5.3	244.3	119.1	239.1	113.8
Ordinary expenses	120.4	43.5	131.4	87.9	8.7	258.4	131.4	250.0	122.7
Interest expenses	12.5	3.2	14.6	11.4	(1.5)	30.1	14.6	30.1	16.1
ATM placement fee expenses	58.0	21.9	68.2	46.3	1.5	141.9	68.2	138.9	66.7
Outsourcing expenses	7.8	3.0	9.0	6.0	(0.4)	19.5	9.0	19.1	9.4
Maintenance fees	8.4	3.1	9.8	6.7	1.5	20.3	9.8	17.1	8.3
Depreciation and amortization	9.5	3.0	12.7	9.7	0.4	16.0	12.7	25.5	12.3
Ordinary profit	(23.9)	(7.6)	(12.3)	(4.7)	(3.4)	(14.0)	(12.3)	(10.9)	(8.9)
Extraordinary gain loss	0.0	0.0	90.0	90.0	90.0	90.0	90.0	0.0	0.0
Income taxes	3.4	(2.8)	0.0	2.8	0.0	0.0	0.0	0.0	0.0
Net income	(27.4)	(4.9)	(102.3)	(97.4)	(93.4)	(104.0)	(102.3)	(10.9)	(8.9)
EBITDA	(14.3)	(4.6)	0.4	5.0	(2.6)	2.0	0.4	13.9	3.0
No. of ATMs installed at end of term (units)	11,582	5,674	13,235	7,561	(465)	13,300	13,235	13,300	13,700
At SEI (units)	5,948	0.0	7,903	7,903	(97)	8,400	7,903	8,400	8,000
Daily average transactions per ATM (transactions/ATM/day)	20.3	16.0	34.5	18.5	0.7	36.7	34.5	36.7	33.8
At SEI (transactions/ATM/day)	39.2	0.0	48.1	48.1	1.4	50.0	48.1	50.0	46.7
Total no. of transactions (thousand)	51,812	17,097	81,915	64,818	815	177,400	81,915	177,400	81,100

Notes: 1. Number of ATMs installed as of September 30, 2018: 13,525

Installed at 7-Eleven stores: 8,202 (including Sunoco)

Installed at stores other than 7-Eleven stores: 4,491 directly owned, 832 owned by location where installed

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

Income Statement (ATMi)

(Million yen)

	FY17 Results		FY18 H1 Results			FY18 Plan	
	FY17 Results	H1 Results	FY18 H1 Results	Changes from FY17 H1 Results	Difference from Plan	FY18 Plan	H1 Plan
Ordinary income	81	35	46	11	(47)	311	93
Ordinary expenses	170	85	79	(6)	(51)	378	130
Ordinary profit (loss)	(88)	(50)	(33)	17	3	(66)	(36)
Net income (loss)	(90)	(34)	(197)	(163)	(170)	(50)	(27)

Notes: 1. Exchange rate per IDR 100:

FY17 = ¥0.838, FY17 H1 = ¥0.843, FY18 H1 = ¥0.790, FY 18 Plan = ¥0.900

2. 103 ATMs installed as of September 30, 2018

➤ Although the number of ATM transactions increased, profitability did not improve

Income Statements (Subsidiaries in Japan)

BBF

(Million yen)

	FY17 Results		FY18 H1 Results		FY18 Plan	
		H1 Results		Changes from FY17 H1 Results		H1 Plan
Ordinary income	972	436	566	130	1,016	525
Ordinary expenses	881	429	490	61	981	508
Ordinary profit	90	7	76	69	35	17
Net income	57	6	49	43	22	11

- Orders from four banks for money laundering monitoring services (As of September 30, 2018)
- We have received inquiries from many financial institutions and intend to reinforce the system for introduction of service and expand business operations.

7PS

(Million yen)

	FY18 H1 Results		FY18 Plan	
		Changes from FY17 H1 Results		H1 Plan
Ordinary income	4	—	492	29
Ordinary expenses	87	—	597	118
Ordinary profit (loss)	(82)	—	(104)	(89)
Net income (loss)	(83)	—	(104)	(89)

- Started a cash receipt service (May 2018)
- More than 100 companies have agreed to service contracts (as of September 30, 2018)
Planning to begin service in succession

Financial Position (Seven Bank) and Dividend Policy

Balance sheet as of September 30, 2018 (Seven Bank)

(Billion yen)

Cash and due from banks: 726.2 (for ATMs, etc.)	Deposits: 679.3 (Individual deposits: 417.0)
Securities: 85.3	Bonds and borrowings: 105.0
ATM-related temporary payments: 199.0	ATM-related temporary advances: 80.4
Other: 82.8	Other: 16.5
Assets: 1,093.3	Liabilities + Net Assets: 1,093.3
	Net assets: 212.1

Non-consolidated capital ratio
(Domestic standard): 52.20% (Preliminary figure)

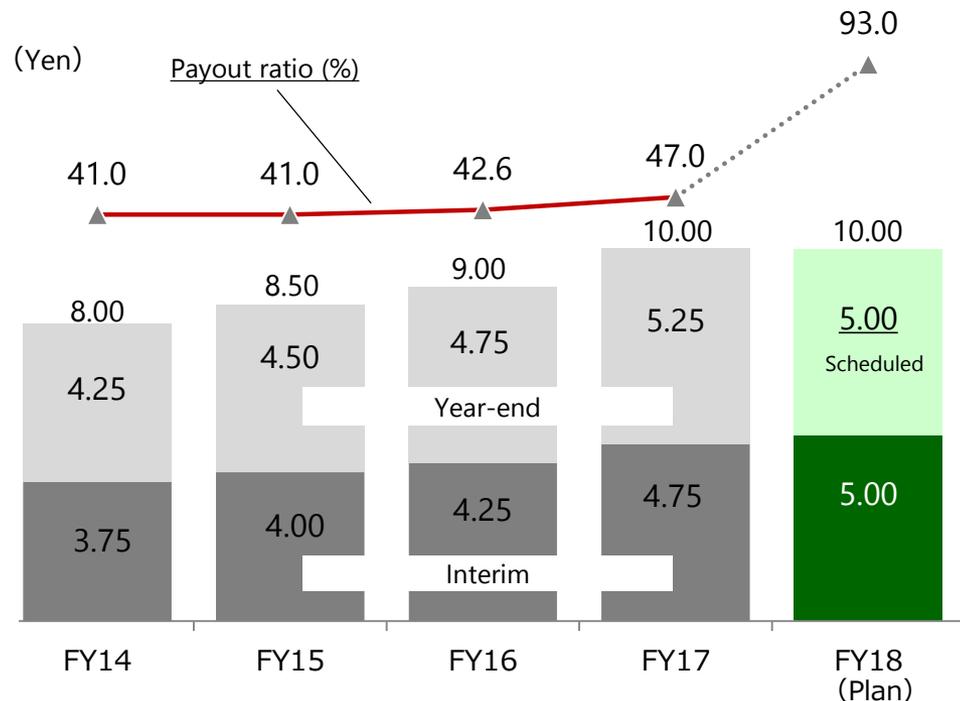
Credit rating (long-term) S&P A+
R&I AA

Shareholder returns policy

- Changed dividend policy to enhance shareholder returns under the Medium-Term Management Plan
- Targeting a minimum consolidated payout ratio of 40% through twice-yearly payments

Dividends

Fiscal 2017: ¥10.00 annual dividends
Fiscal 2018: ¥10.00 annual dividends scheduled
(¥12.0 billion total dividends)



FY17-FY19

Medium-Term Management Plan
【Status of Progress】

Medium-Term Management Plan

Achieve Growth in Our Main Business as We Diversify Our Operations

Deepen Our Broad-based Earnings Structure

Raise Income and Profit Levels

- KPI (¥40 billion increase in ordinary income and ¥8 billion increase in ordinary profit compared with fiscal 2016)

Establish a Foundation for Long-Term Growth

- Establish a foundation for long-term growth looking ahead to fiscal 2020 and beyond

Medium-Term Management Plan (Review)

		Review of Measures	KPI Review	
			Ordinary income	Ordinary profit
Domestic Business	ATM Platform	<ul style="list-style-type: none"> ➤ Steady expansion of scale ➤ Further improvement in quality <ul style="list-style-type: none"> → Progress in each measure, but number of transactions are short of the plan ➤ Creation of new styles of ATM usage <ul style="list-style-type: none"> → Steadily launching new services, but new market development requires more time than expected 	25.6/40.0 (64% achievement rate)	3.2/8.0 (40% achievement rate)
	Settlement and Account	<ul style="list-style-type: none"> ➤ Growth of current lineup <ul style="list-style-type: none"> → Slow growth for each service due to environmental changes ➤ Solid progress in laying the groundwork for the Group financial strategy 		
Overseas Business	United States	<ul style="list-style-type: none"> ➤ Installation of ATMs at U.S. 7-Eleven stores <ul style="list-style-type: none"> → Completed installations in March 2018 and achieved stable operation 	Planned Increase in Ordinary Income FY18 year-end plan/Medium-Term Management Plan increase (Billion yen)	Planned Increase in Ordinary Profit FY18 year-end plan/Medium-Term Management Plan increase (Billion yen)
	Indonesia	<ul style="list-style-type: none"> ➤ Major changes in requirements and business environment since initial entry 		

Medium-Term Management Plan (Direction)

Domestic Business

Continuation of Plan

- No change to the Medium-Term Management Plan (KPIs/Establishing a foundation for growth)
 - Achieve KPIs and make forward-looking investments
 - Focus more on laying the foundation for medium-to-long-term growth

Overseas Business

Revision of Plan

- Revise strategy in light of environmental changes
 - United States: Quickly build a stable profit structure and take on new challenges with a view toward the future
 - Indonesia: Without foreseeable improvement in income, begin preparations to withdraw

Medium-Term Management Plan (Future Measures 1)

Achieve KPIs

Domestic Business

ATM Platform

- Along with improvements in quality, steadily increase the number of ATMs inside and outside 7&i Group
- Conduct efficient and focused promotion of use (ads, area promotions, joint promotions with partner companies)
- Launch new services (develop markets) including cash receipt service, partnerships in new categories and e-money charging, and focus on raising recognition

Settlement and Account

- Loan and debit services
 - Efficiently approach new accounts, which are growing strongly
- International money transfer services
 - Continue to build share in view of the growing market for foreign labor

Overseas Business

United States

- Increase usage of ATMs installed at 7-Eleven stores
 - Promote an increase in banks that use ATMs for their branding and ongoing measures to raise recognition
- Review costs to improve operating efficiency
 - Optimize ATM cash replenishment, dispose of unprofitable ATMs, etc.

Establish a Foundation for Long-Term Growth

Domestic Business

ATM Platform

- Introduce next-generation ATM system:
 - Establish a foundation for new services by upgrading ATMs and the relay system
- Shift from a cash settlement platform to an authentication/information platform
 - Work to enable new service fields for convenience store ATMs

New business field

- Expand services in the security field
 - Create new businesses utilizing our expertise in financial crime prevention

Settlement and Account

- Continue rationalization of accounts for efficient procurement of funds to supply ATMs
- Build a foundation premised on external partnerships (link to API)
- Work to introduce a financial version of the Seven Premium
 - Develop products in the fields of investment, insurance and loans

Overseas Business

United States

- Review operations:
 - Reorganize cost structure by reconsidering fund procurement methods, raising security operations efficiency, etc.
- Consider new services:
 - Aim to create new services jointly with 7-Eleven, Inc. in line with changing needs

Allocations Centered on Growth Investment and Shareholder Returns

Growth Investment

Strengthen
Management
Foundation



**Continuous
Growth**

¥40 Billion over 3-Year Period

- Invest in development of new services and Group financial strategy
 - Development of next-generation ATM system, new ATM connection method and core banking systems, expansion of e-money charging, cash receipt service, Group financial strategy (investment in 7Pay), etc.
- Continue proactive investment in growth opportunities

Shareholder Returns

**Enhance
Profit
Return**

¥40 Billion over 3-Year Period

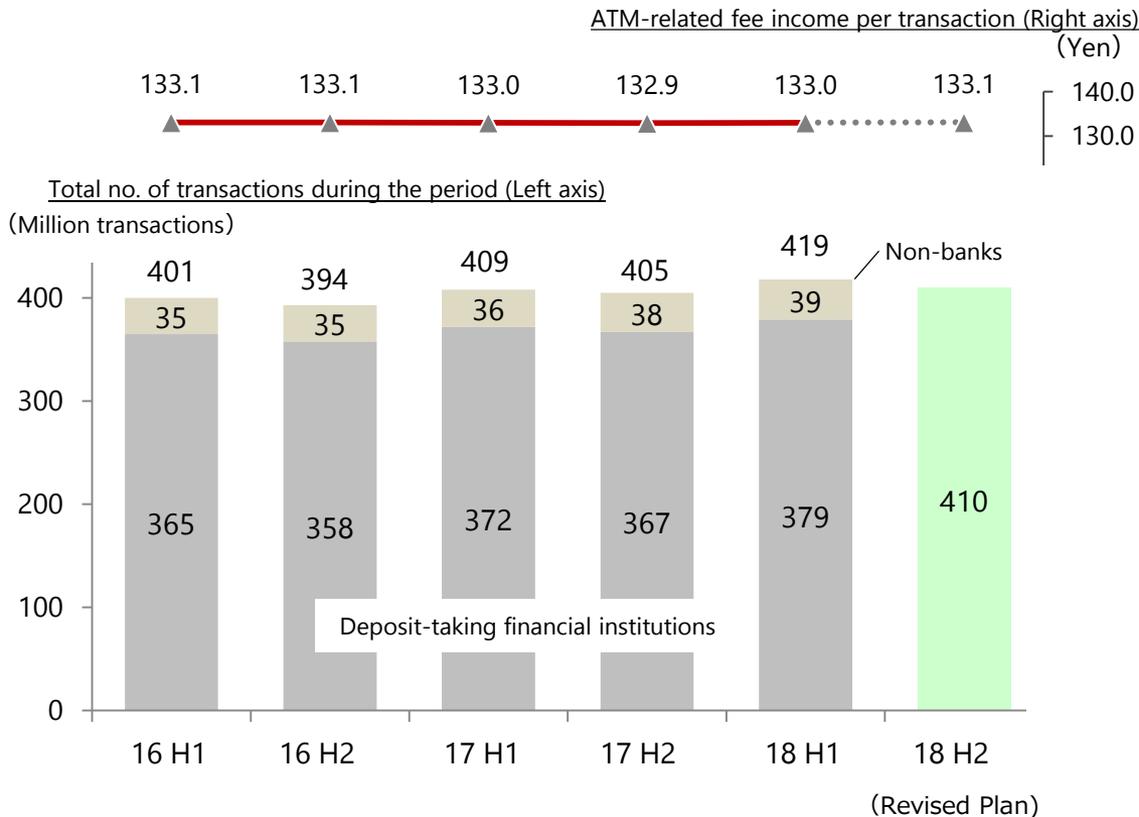
- Enhance returns from profit growth
- Stable and continuous increases in dividends with a minimum payout ratio of 40%

Reference Materials (Seven Bank)

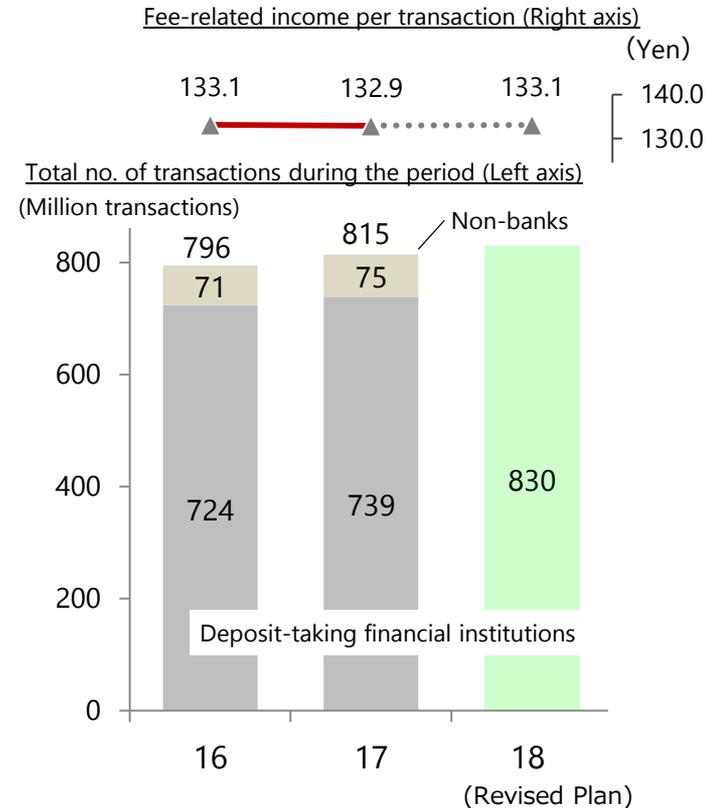
Second Quarter (Interim Period) of Fiscal 2018

ATM Usage and Fee-Related Income per Transaction

Half-year results



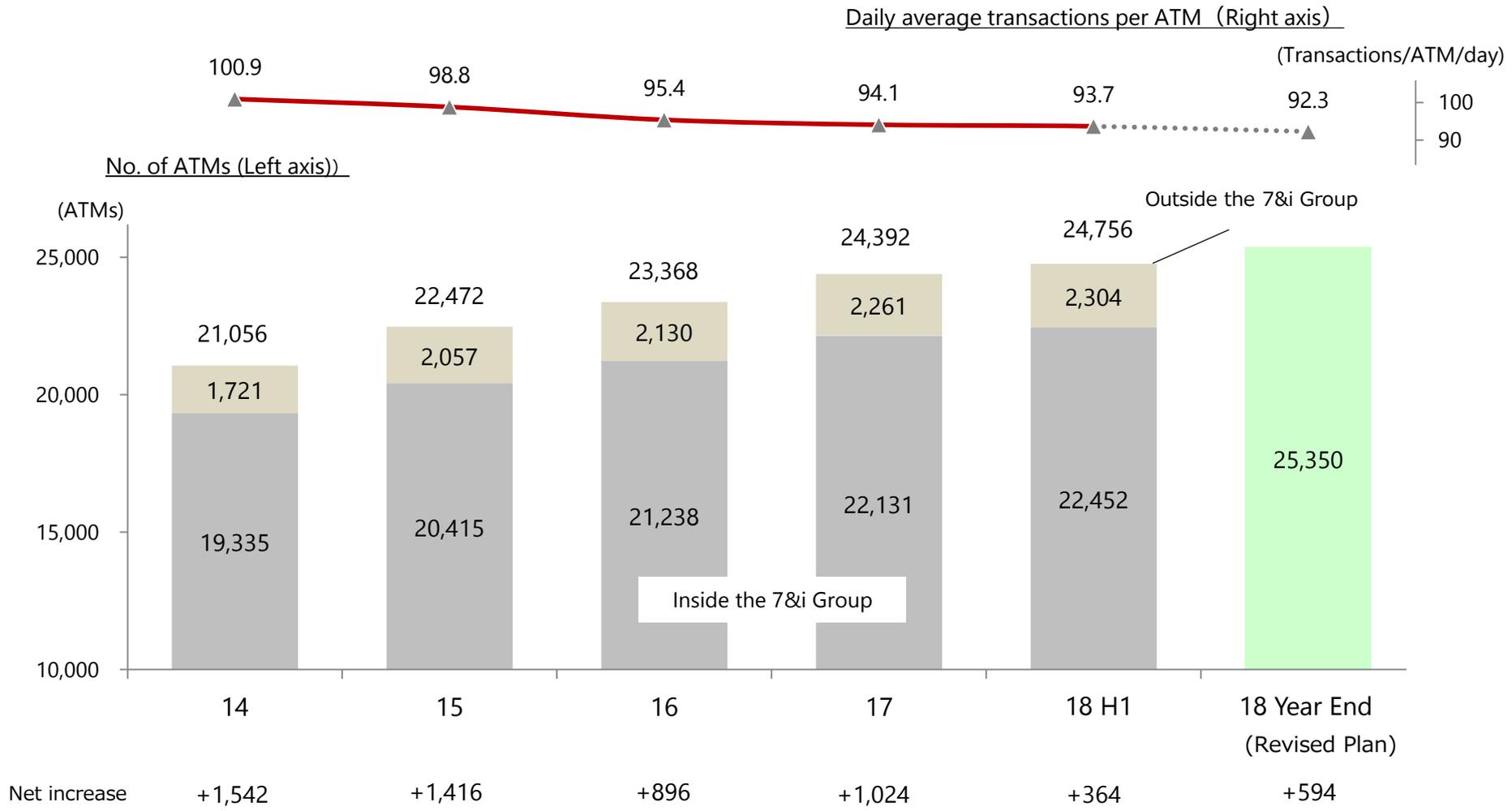
Full-year results



Notes:

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

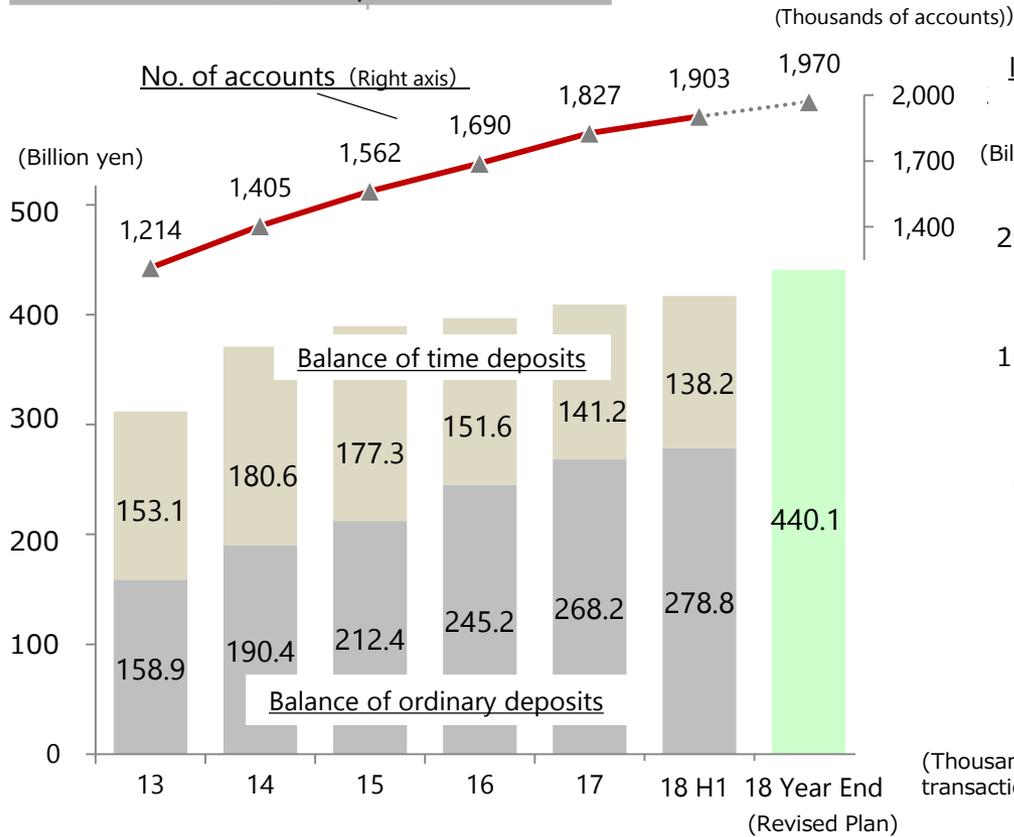
Number of ATMs and Daily Average Transactions



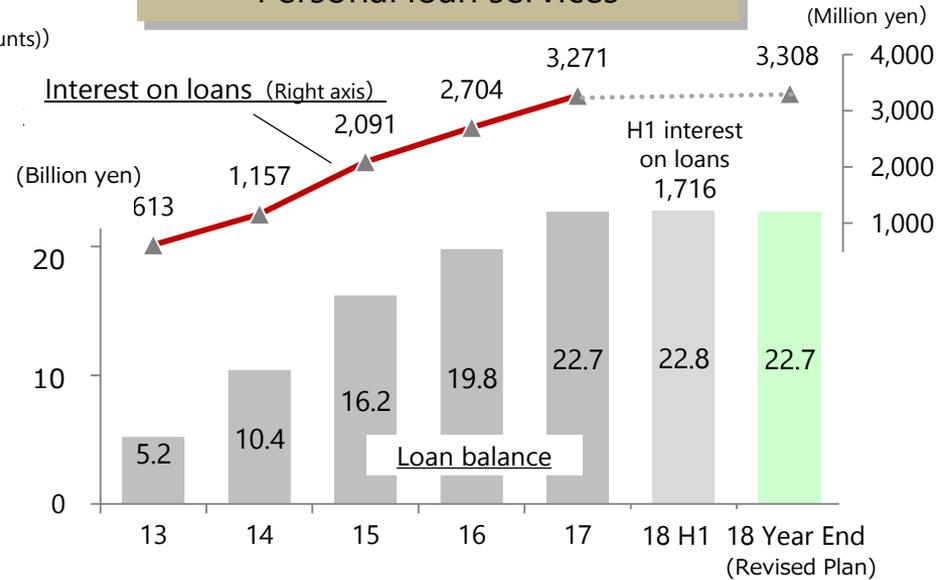
Note: Daily average transactions per ATM for the period excludes balance inquiries, e-money charges, PIN changes and daily withdrawal limit changes.

Settlement and Account Business

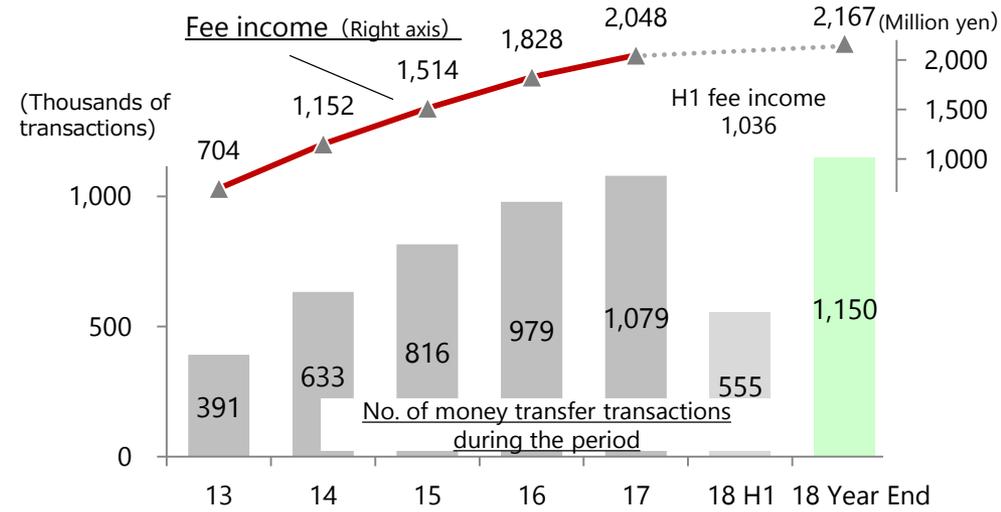
Number of individual accounts and balance of deposits



Personal loan services



International money transfer services

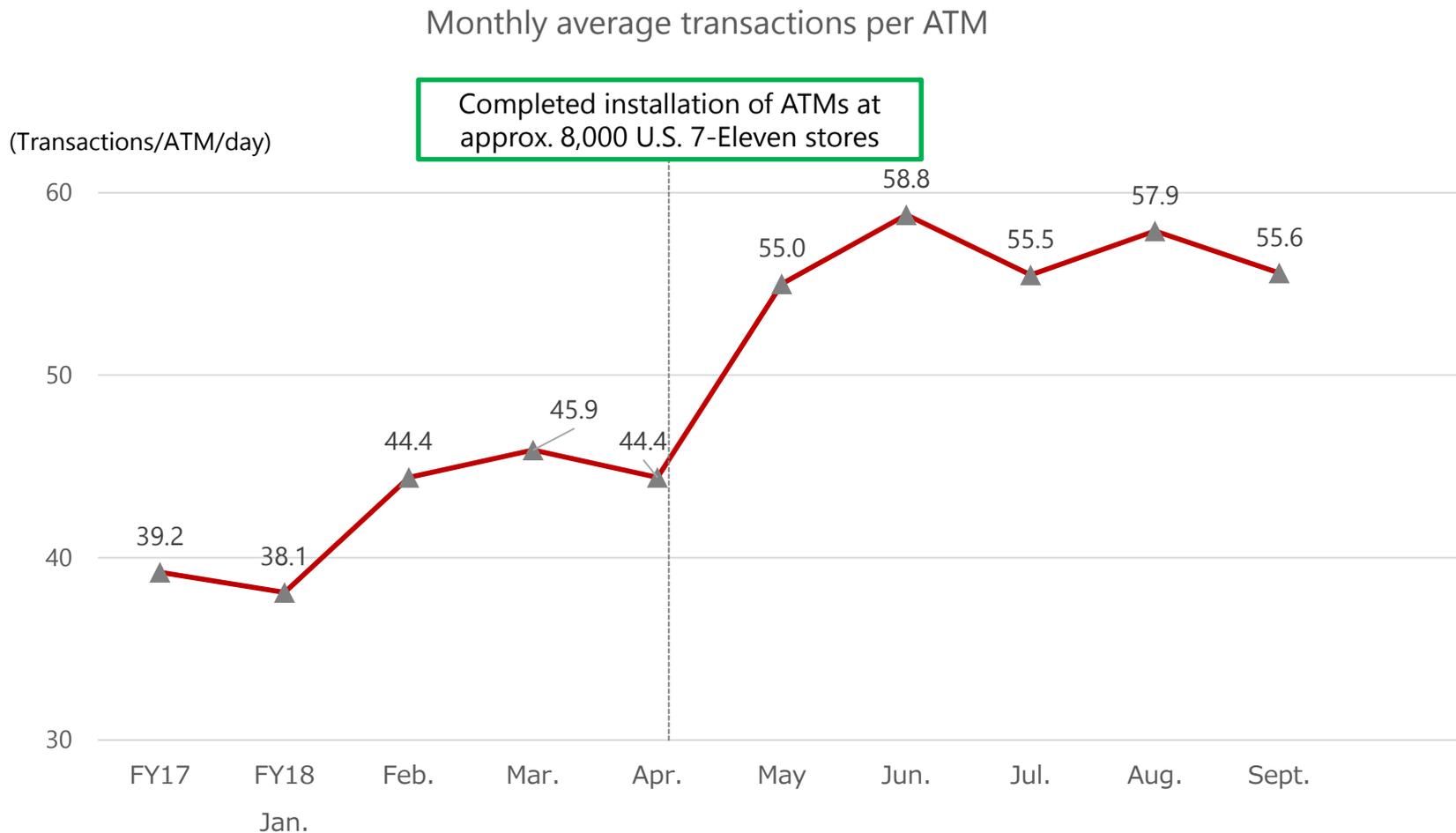


Debit services

	FY18 H1	FY18 (Revised Plan)
Accounts (Thousands of accounts)	409	469
Number of transactions (Thousands of transactions)	4,827	10,317

Overseas Business (FCTI)

ATMs Installed at U.S. 7-Eleven Stores



Note: From June, includes ATMs installed at Sunoco



These presentation materials contain forward looking statements concerning forecasts, expectations, goals and plans related to the financial results of Seven Bank, Ltd. ("Seven Bank") and its consolidated subsidiaries. Except for concrete historical facts, these forward looking statements are based on the information available when they were written. As such, these forward-looking statements may contain some premises (assumptions). These statements and premises (assumptions) are subjective and subject to various risks and uncertainties. As a result of such risks and uncertainties, the actual financial results of Seven Bank may differ substantially from these forecasts and expectations. Such risks and uncertainties include, without limitation, system malfunctions, disasters, crimes and other various risks entailed in the ATM Platform Business, Settlement and Account Business and Overseas Business. Any information in these materials, which is other than that of Seven Bank and its consolidated subsidiaries, is based on publicly available information, and we have not validated the accuracy or appropriateness of such information and do not guarantee its accuracy. All rights reserved.