



May 8, 2020

Seven Bank, Ltd.

Review of Structure of Directors to Strengthen Corporate Governance and Review of Policy on Compensation of Directors and Compensation System for Directors

Seven Bank, Ltd. (hereinafter, the “Bank”), hereby announces that it resolved at a meeting of the Board of Directors held today to review the structure of Directors and to review the policy on Compensation of Directors and the compensation system for Directors in order to strengthen corporate governance.

1. Review of Structure of Directors

As a bank that manages deposits from a large number of customers, and owns and operates an ATM network that is similar in nature to public infrastructure, the Bank has stipulated its basic views on corporate governance in its “Corporate Governance Guidelines”. Such guidelines reflect the Bank’s consideration that ensuring disciplined corporate management is vital in responding to social trust and enhancing corporate value, and therefore such guidelines seek to improve and assure a transparent, fair and swift managerial decision making system; clarify the roles and responsibilities of the management and their execution thereof; strengthen management oversight functions; maintain a system to assure sound operations; and enhance the compliance system, in each case in order to pursue corporate governance that effectively works.

The Bank aims to strengthen the supervisory function of the Board of Directors and accelerate management execution and operations under the appropriate supervision of the Board of Directors in order to respond more appropriately and concretely to the requirements under these views, and has therefore reviewed the structure of Directors.¹

1. This information has been announced in the “Financial Results for the Fiscal Year ended March 31, 2020 (Consolidated Data)” released today. An announcement on the structure of Executive Officers will be released once a decision has been reached.

2. Review of Policy on Compensation for Directors and Compensation System for Directors

In light of the aforementioned review of the structure of Directors to strengthen corporate governance, the Bank has decided to review its policy on compensation of Directors and the compensation system for Directors (as stated in the Appendix) for the purpose of further enhancing the motivation of Directors with executive authority over operations to contribute to the improvement of the Bank’s corporate value, and in order to properly reflect their accountability for such outcome in the evaluation of their performance. The policy will further strengthen the link between the Bank’s business performance and the compensation of Directors.

As part of its efforts to review the Bank’s policy on the compensation of Directors and the compensation system for Directors, the Bank has decided to newly introduce bonuses in order to strengthen the link between the Bank’s business performance and the compensation of Directors. Accordingly, the compensation of Directors will consist of “basic compensation” as fixed compensation, and “bonuses (short-term incentives)” and “performance-based stock compensation (medium- to long-term incentives)” as variable compensation.

In addition, the Bank has revised the compensation levels for each job rank, after improving the objectivity

and transparency of the compensation decision process, in order to secure highly capable human resources who will lead and take responsibility for, in an appropriate manner, the supervision and execution of operations, and to provide fair compensation systems and levels commensurate with their responsibilities.

This review of the policy on the compensation of Directors and the compensation system for Directors has been decided after deliberation by the Nomination & Compensation Committee chaired by an Independent Outside Director.

Furthermore, as is the case with Directors with executive authority over operations, compensation for Executive Officers will also be revised to be consistent with the compensation system and compensation decision process of Directors with executive authority over operations, in order to further increase their motivation to contribute to the improvement of the Bank's corporate value, and to properly reflect their accountability for such outcome in the evaluation of their performance.

[Appendix: Policy on Compensation of Directors and Compensation System for Directors]

1. Basic Policy on Compensation of Directors

The Bank decides compensation for Directors based on the following points.

- Ensuring a compensation system to promote sustainable improvement of corporate value with emphasis placed on the link to business performance
- Ensuring compensation systems and compensation levels with their responsibilities to secure highly capable human resources who lead and take responsibility for, in an appropriate manner, the supervision and execution of operations
- Ensuring a compensation system based on an objective and transparent process, and that is fair and equitable.

2. Compensation Structure

The Bank’s compensation structure for Directors is comprised of “basic compensation” as fixed compensation and “bonuses” and “performance-based stock compensation” as variable compensation, which are applied as follows.

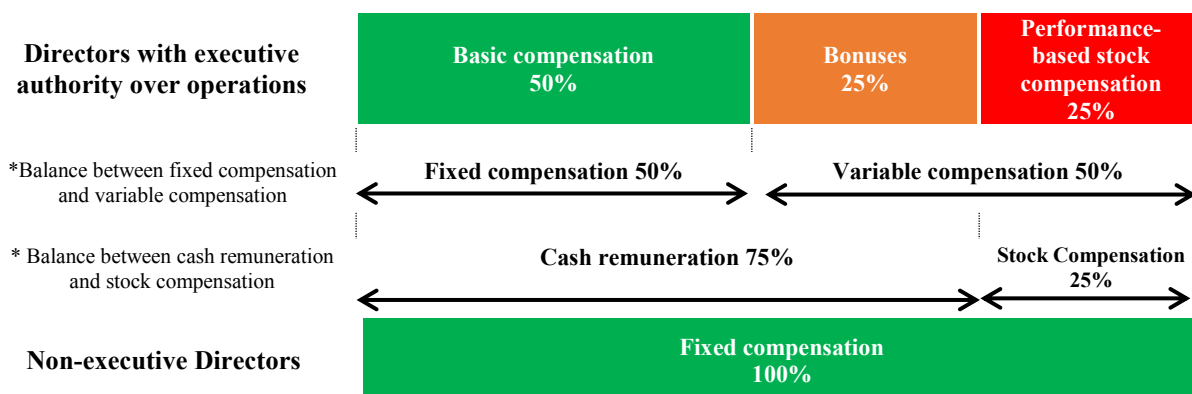
	Fixed compensation	Variable compensation	
	(a) Basic compensation	(b) Bonuses	(c) Performance-based stock compensation
Directors with executive authority over operations	●	●	●
Non-executive Directors	●	—	—

Each plan is positioned as follows.

(a) Basic compensation	Compensation aiming to encourage steady execution of duties commensurate with job rank
(b) Bonuses	Short-term incentives aiming to achieve performance targets (milestones) steadily for each fiscal year for the medium- to long-term improvement of corporate value
(c) Performance-based stock compensation	Medium- to long-term incentives for the medium- to long-term improvement of corporate value, aligning interests with shareholders

The ratio of each plan has been decided as set forth below, after deliberation by the Nomination & Compensation Committee chaired by an Independent Outside Director and taking into account factors including: (i) a balance between fixed compensation and variable compensation, (ii) a balance between cash remuneration and stock compensation, (iii) a balance between bonuses and stock compensation, and (iv) incentivization to carry out management with a well-balanced perspective in both the short-term and the medium- to long-term.

In addition, Non-executive Directors only receive fixed compensation, considering their role is to supervise the Bank’s management from an objective and independent standpoint.



* Calculated under the assumption that bonuses and performance-based stock compensation are based on a standard compensation amount.

3. Compensation Level

In order to provide a competitive compensation level and thereby secure highly capable human resources, the Bank's compensation level for Directors has been determined after deliberation by the Nomination & Compensation Committee chaired by an Independent Outside Director. Such deliberation was based on the analysis and comparison of data on the compensation levels of a group of companies of the same size and operating in the same industry as the Bank, which was drawn from a larger body of objective data on compensation levels provided by an outside professional organization.

4. Details of Variable Compensation

● Bonuses

Bonuses, which are provided as short-term incentives, will be determined by multiplying (i) the standard amount of compensation for each job rank by (ii) performance-linked factors corresponding to the consolidated performance targets for the previous fiscal year.

● Performance-based stock compensation

Performance-based stock compensation, which is provided as a medium- to long-term incentive, is composed of a "fixed portion", which grants fixed points for each job rank, and a "performance-based portion", which grants a varying number of points determined based on job rank and performance. For each portion, points are granted and accumulate through every year of the term of office of the relevant Director, and a number of the Bank's shares corresponding to the amount of such accumulated points will be delivered to such Director upon his/her retirement.

The number of points (i.e., the number of shares to be delivered) to be provided in the performance-based portion will be determined by multiplying (i) the number of points for each rank by (ii) performance-linked factors according to the achievement level of consolidated performance targets.

Plan		Indicators and evaluation method
Bonuses		<ul style="list-style-type: none"> • Evaluation based on the achievement status and process for performance targets (milestones) for the medium- to long-term improvement of corporate value, taking into account the management strategy of achieving “Growth in Our Main Business as We Diversify Our Operations” • Quantitative evaluation based on the achievement status of consolidated ordinary income and consolidated ordinary profit targets in the previous fiscal year • Determination of a compensation amount in the range of 0% to 200% of the baseline amount
Performance-based stock compensation	Fixed portion	—
	Performance-based portion	<ul style="list-style-type: none"> • Evaluation based on the results of the medium- to long-term improvement of corporate value, taking into account the management strategy of achieving “Growth in Our Main Business as We Diversify Our Operations” • Quantitative evaluation based on the achievement status of consolidated ordinary income, consolidated ordinary profit, and other targets in the previous fiscal year • Determination of a number of points (i.e., the number of shares to be delivered) in the range of 0% to 200% of the baseline number of points

5. Compensation Decision Process

Individual compensation amounts for Directors are decided by the Board of Directors after deliberation by the Nomination & Compensation Committee chaired by an Independent Outside Director within the range of the total amount approved at the General Meeting of Shareholders.

In addition, the Nomination & Compensation Committee deliberates on the compensation system and compensation level, etc., of Directors and also verifies compensation amounts based on the Bank’s Basic Policy on Compensation of Directors, and thereby ensures the objectivity and transparency of the compensation decision process.

The main topics discussed and deliberated by the Nomination & Compensation Committee in fiscal 2019 were as follows.

- Recommendation of candidates for Directors and recommendation of candidates for Executive Officers to the Board of Directors
- Proposal of compensation for Directors and Executive Officers to the Board of Directors
- Supervision and execution, structure of Directors, and roles of Executive Officers
- Compensation system and compensation level for Directors