



May 8, 2020
Seven Bank, Ltd.

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

Seven Bank, Ltd. (hereinafter, the “Bank”) resolved at a meeting of the Board of Directors held today to continue a Performance-Based Stock Compensation Plan (hereinafter, the “Plan”) introduced for the Bank’s Directors (excluding non-executive Directors and Directors residing overseas, hereinafter these Directors are collectively referred to as the “Directors”), and in addition to transfer the unexercised and outstanding share subscription rights previously granted to the Directors as share-based compensation in the form of stock options to the Plan.

Accordingly, the Bank hereby announces that it has decided to submit a proposal regarding the Plan to the 19th Ordinary General Meeting of Shareholders scheduled on June 22, 2020 (hereinafter, the “Meeting”).

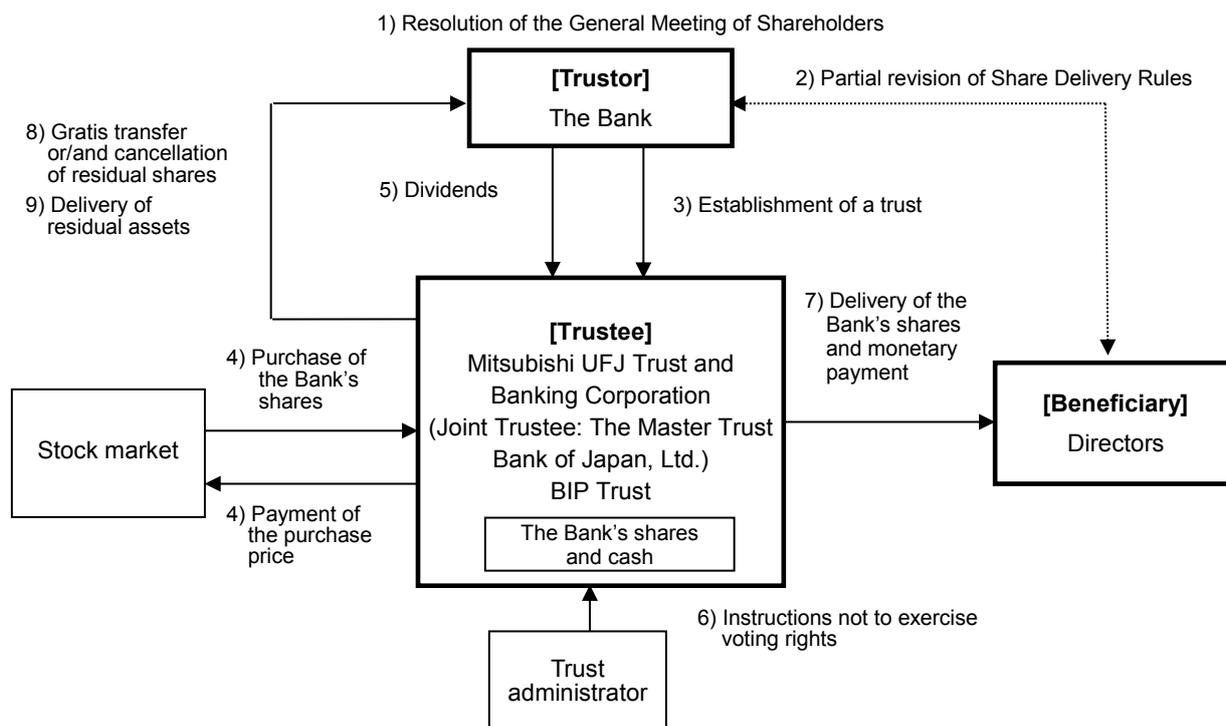
1. Continuation of the Plan

- (1) For the purpose of further enhancing the Directors' motivation and morale in contributing to the medium- to long-term improvement of performance and corporate value of the Bank, by way of linking part of their remuneration to the Bank's business performance and share price, the Bank introduced the Plan in 2017 for the Directors. The Plan is an incentive plan that is designed to be closely linked to the Bank’s business performance and thereby align the interests of the Directors with the shareholders. Accordingly the Bank has decided to continue the Plan from 2020 onward.
- (2) The Plan has adopted a framework called the Board Incentive Plan Trust (hereinafter, the “BIP Trust”), which is an executive incentive plan modeled on “Performance Share Plan” and “Restricted Stock Plan” -type incentive plans commonly used in the United States. The BIP Trust delivers or pays (hereinafter, “deliver(y), etc.”) the Bank’s shares acquired by the BIP Trust and cash equivalent to the value of such shares (hereinafter, the “Bank’s shares, etc.”) to the Directors as executive remuneration.

2. Transition from Share-Based Compensation in the form of Stock Options to the Plan

To transition from share-based compensation in the form of stock options to the Plan, the Directors will waive their unexercised and outstanding share subscription rights previously granted to them as share-based compensation in the form of stock options on the condition of amendment of the Plan and other conditions, as well as the grant of points to them 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 (such points, the “Transitional Points” described in Section 4. (5) below). Transitioning from share-based compensation in the form of stock options to the Plan will allow the share-based compensation system to be managed and operated in an integrated manner.

3. 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 amount of trust money set forth in 4. (7) below) 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 (as stipulated in 4. (5) below), or in the event that the money in the Trust becomes insufficient to pay the trust fees and trust expenses.

4. Details of the Plan

(1) Outline of the Plan

After the currently contemplated continuation, the Plan shall be an executive remuneration plan covering three business years, from the fiscal year ending March 31, 2021, to the fiscal year ending March 31, 2023 (with an extension for the subsequent three business years thereafter in the event that the Trust is continued pursuant to item (4) below), for delivery, etc. of the Bank's shares, etc. according to certain criteria such as the degree of attainment of performance targets.

(2) Resolution of the General Meeting of Shareholders regarding the Plan

The maximum amount to be contributed to the Trust, the maximum number of shares to be delivered to the Directors (including the Bank's shares subject to sale for money) and other necessary matters shall be determined by resolution at the Meeting. The currently contemplated amendments to the maximum amount to be contributed to the Trust and the maximum number of shares to be delivered to the Directors (including the Bank's shares subject to sale for money) to be submitted at the Meeting for approval are solely for the purpose of transition from share-based compensation in the form of stock options to the Plan, and therefore there will be no substantive change to the incentive plan. Further, in the event that the Plan is continued as set forth in (4) below, and within the range approved at the Meeting, the Board of Directors will resolve that certain amendments to the trust agreement and additional contributions to the Trust may be made at the expiration of the trust period.

(3) Eligibility under the Plan (requirements for entitlement as a beneficiary)

Upon meeting the following requirements for entitlement as a beneficiary, each of the Directors will be entitled to the delivery, etc. of a number of the Bank's shares, etc. by the Trust in accordance with their respective number of points for the delivery of shares as defined in (5) below.

- 1) Holding office as Director as of, or after, the Plan's start date (including a person who newly becomes a Director as of, or after, the Plan's start date)
- 2) Having retired from office as Director or having been made to reside outside Japan due to overseas assignment
- 3) Not having been found by the Bank's Board of Directors as a person who has violated the Bank's internal rules and acted against the interests of the Bank
- 4) Have been granted the number of points for the delivery of shares (as defined in (5) below)
- 5) Having satisfied other requirements considered necessary for fulfilling the purpose of the Plan as a stock compensation plan

(4) Extended trust period

The period of the Trust shall be for three years, from September 2020 (planned) to August 31, 2023 (planned).

At the expiration of the trust period, 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 each extension of the trust period, the Bank shall make an additional contribution up to the maximum amount approved at the Meeting and continue to award points to the Directors during such extension of the trust period.

However, when making such an additional contribution, if there are residual Bank shares (excluding those shares corresponding to the number of points awarded to each Director that are not yet delivered 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 approved at the Meeting.

Further, even 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 necessary for the completion of the delivery, etc. of the Bank’s shares, etc. to these Directors.

(5) Number of the Bank’s shares to be delivered to the Directors (including the shares of the Bank subject to sale for money)

During the trust period, at a designated time of each year thereof, the “Fixed Points” (pre-assigned to each job rank) and the “Performance-Based Points” (calculated by the point calculation formula below, according to the degree of attainment of the Bank’s performance targets for each business year) shall be granted to each Director.

In addition, in connection with the transition from share-based compensation in the form of stock options to the Plan, additional points (hereinafter, “Transitional Points”) shall be granted, only in the current fiscal year, to Directors who waive 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.

After a Director retires, the sum of the accumulated Fixed Points and the accumulated Performance-Based Points, as well as the Transitional Points (hereinafter, “Share Delivery Points”) shall be calculated and the number of the Bank’s shares, etc., corresponding to such Share Delivery Points shall be delivered to the retiring Director.

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 pro rated to the ratio of such increase or decrease.

(Fixed Points)

Monthly compensation amount by job rank¹ × Fixed Points composition ratio¹ ÷ Average closing price² 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)

Monthly compensation amount by job rank¹ × Performance-Based Points composition ratio¹ × performance-linked factors³ ÷ Average closing price² 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

(Share Delivery Points)

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

1. 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.
2. Any number after the decimal point arising in Fixed Points and Performance-Based Points shall be rounded down.
3. 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.

(6) 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 and has fulfilled the requirements for entitlement as a beneficiary, the Director, by undertaking a designated procedure to confirm his/her eligibility as a beneficiary, shall receive 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, there is a possibility that a certain percentage of the Bank’s shares to which the Director is entitled to delivery may instead be 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 and has fulfilled the requirements for entitlement as a beneficiary during the trust period, in principle, 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, and otherwise has fulfilled the requirements for entitlement as a beneficiary, in principle, a number 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.

(7) The maximum total trust money to be contributed to the Trust and the maximum total number of points granted to Directors by the Trust

The maximum total trust money to be contributed to the Trust during the trust period and the maximum total number of points awarded to Directors by the Trust shall be as follows, subject to the approval by resolution at the Meeting.

(The maximum total trust money to be contributed to the Trust)

For each extension of the trust period, up to ¥400 million in cash will be contributed to the Trust. However, for the current fiscal year, in addition, as part of the transition from share-based compensation in the form of stock options to the Plan, up to ¥400 million in cash will be contributed to the Plan⁴

4. Such contribution amount covers the total amount of the Trust’s share acquisition fund and the trust fees and trust expenses. For the current fiscal year, the Bank plans to contribute ¥600 million in cash (inclusive the remaining shares, etc.) to the Trust

(The annual maximum number of points to be granted to the Directors)

The upper limit of the total number of Fixed Points and Performance-Based Points to be granted by the BIP Trust in accordance with (5) above will be 400,000 for each fiscal year.⁵ However, for the current fiscal year, in addition, up to 900,000 points will be granted as transition from share-based compensation in the form of stock options to the Plan.

5. The upper limit of the total number of points to be granted is determined by reference to the maximum total trust money and to the current stock price, among other factors.

The maximum number of the Bank's shares acquired by the Trust during the trust period (hereinafter, the "Number of Shares to be Acquired") is such number of shares (i.e., 1.2 million shares) that corresponds to the maximum number of points to be granted to the Directors per year multiplied by 3, which is the number of years of a trust period. However, the maximum number of shares for the current trust period will be 2.1 million, which includes the number of additional shares corresponding to 900,000 points.

(8) Method for the acquisition of the Bank's shares by the Trust

The Trust is scheduled to acquire the Bank's shares from the stock market within the range of the Trust's share acquisition fund and the Number of Shares to be Acquired, which are described in (7) above.

(9) 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 (6) above) will not be exercised during the trust period to ensure neutrality to company management.

(10) Treatment of dividends on the Bank's shares in the Trust

Dividends on the shares of the Bank in the Trust shall be received by the Trust and appropriated to the trust fees and trust expenses of the Trust.

(11) Treatment at the expiration of the trust period

If there are residual shares at the expiration of the trust period due to reasons such as underachievement of performance targets, the Bank may continue to use the Trust by way of making modification of the trust agreement and additional contributions of such residual shares to the Trust for either the Plan or any other incentive plan similar to the Plan. If the Trust is terminated at the expiration of the trust period, the residual shares shall be transferred from the Trust to the Bank without payment and the Bank will cancel such shares by a resolution of the Board of Directors.

Dividends arising from the shares of the Bank in the Trust shall be appropriated to the trust fees and trust expenses for the Trust. Residual amounts, if any, at the time of such termination of the Trust after the aforementioned appropriation will be donated to organizations with no interest in the Bank or its Directors.

(Reference)

[Outline of the trust agreement of the Plan]

1) Type of trust	An individually operated specified trust of money other than money trust (a third-party benefit trust)
2) Purpose of trust	To provide incentives to the Directors
3) Trustor	The Bank
4) Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.)
5) Beneficiary	Retired Directors who meet the requirements for entitlement as a beneficiary
6) Trust administrator	A third party unaffiliated with the Bank (Certified Public Accountant)
7) Date of trust agreement	August 7, 2017 (To be amended on August 11, 2020)
8) Term of the Trust	August 7, 2017, through August 31, 2023 (planned) (planned to be extended until August 31, 2023 by an amendment to the trust agreement on August 11, 2020)
9) Exercise of voting rights	Voting rights will not be exercised.
10) Class of shares to be acquired	Common stock of the Bank
11) Amount of additional trust money	¥600 million (planned) (including trust fees and trust expenses)
12) Timing for acquiring shares	From August 18, 2020 (planned) to August 31, 2020 (planned)
13) Method of acquisition of shares	Acquisition in the stock market
14) Rights holder	The Bank
15) Residual assets	Residual assets that may be received by the Bank, which is the rights holder, shall be in an amount not to exceed the trust expenses reserve amount, which is an amount calculated by deducting the share acquisition fund amount from the trust money amount.

Note: The scheduled dates mentioned above may be changed to appropriate dates in light of applicable laws and regulations.

[Details of administration relating to the trust and shares]

1) Trust-related administration	Mitsubishi UFJ Trust and Banking Corporation will be the trustee of the BIP Trust and perform trust-related administrative tasks.
2) Share-related administration	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will perform administrative tasks necessary for the delivery of the Bank's shares to the beneficiaries based on an administration service agreement.