



May 8, 2020
Seven Bank, Ltd.

Notice Concerning the Continuation of Performance-Based Stock Compensation Plan for Executive Officers 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”), hereby announces that it 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 Executive Officers (excluding those residing overseas; hereinafter the “Executive Officers”) and in addition to transfer the unexercised and outstanding share subscription rights previously granted to Executive Officers as share-based compensation in the form of stock options to the Plan, on the condition that a proposal regarding the Plan scheduled for consideration at the 19th Ordinary General Meeting of Shareholders scheduled on June 22, 2020 (the “Meeting” below), as explained in 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”, is approved at the Meeting.

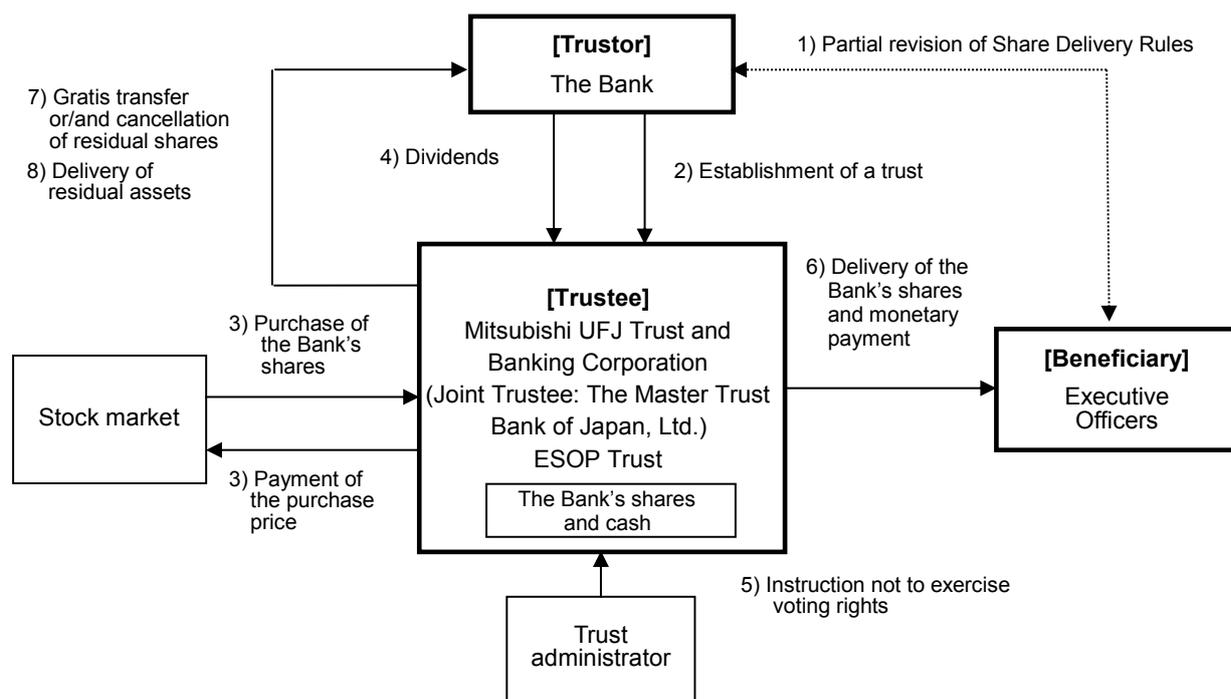
1. Continuation of the Plan

- (1) For the purpose of further enhancing the Executive Officers' 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 not only for the Directors but also for the Executive Officers. 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 and Executive Officers with the shareholders. Accordingly, the Bank has decided to continue the Plan from 2020 onward.
- (2) The Plan has adopted a framework called the Employee Stock Ownership Plan (ESOP) Trust (hereinafter, the “ESOP Trust”), which is an incentive plan modeled on ESOPs commonly used in the United States. The ESOP Trust delivers or pays (hereinafter, “deliver(y), etc.”) the Bank’s shares and cash equivalent to the value of such shares (hereinafter, the “Bank’s shares, etc.”) to the Executive Officers at the time of their retirement according to their job rank and degree of attainment of performance targets.

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 Executive Officers will waive their unexercised and outstanding share subscription rights 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. 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) Concerning the Plan, at the meeting of the Board of Directors the Bank shall partially revise the Share Delivery Rules related to stock compensation for Executive Officers in accordance with the transfer from share-based compensation in the form of stock options to the Plan.
- 2) The Bank shall contribute money based on the trust agreement and extend the trust period of a trust (the "Trust") for Executive Officers who meet certain requirements for entitlement (such as retirement) as a beneficiary thereunder.
- 3) 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 2).
- 4) 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.
- 5) No voting rights shall be exercised on the Bank's shares held in the Trust during the trust period.
- 6) During the trust period, the Bank's shares, etc. shall be delivered, etc. from the Trust to the Executive Officers who meet the requirements for entitlement as a beneficiary thereunder (such as retirement, etc.) in accordance with the Share Delivery Rules.
- 7) 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 contribute 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.
- 8) 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 fund. 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 Executive Officers.

Note: The Bank may contribute additional money to the Trust 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 to be delivered, etc., to the Executive Officers, who meet the requirements for entitlement as a beneficiary thereunder, or in the event that the money in the Trust becomes insufficient to pay the trust fees and trust expenses.

(Reference)

[Outline of the trust agreement of the Plan]

1) Type of trust	An individually operated specified trust of money other than a money trust (a third-party benefit trust)
2) Purpose of trust	To provide incentives to the Executive Officers
3) Trustor	The Bank
4) Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.)
5) Beneficiary	Retired Executive Officers 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 ESOP 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.