

## **Issue of Equity Remuneration Type Stock Options (Share Subscription Rights)**

Seven Bank, Ltd. (Seven Bank, or the Bank), at a meeting of its Board of Directors held today, resolved to issue stock options as compensation to its directors and executive officers in accordance with Articles 236, 238 and 240 of Japan's Company Law.

Details are as follows.

### **I. Award to directors**

#### **1. Reason for issue of share subscription rights as stock options**

Seven Bank has decided to issue share subscription rights as stock options in place of a retirement benefits program in order to ensure that directors share with shareholders not only the benefits of share price rises, but also the risks associated with share price declines. This will increase the incentive and motivation of management with regard to achieving sustained growth and enhancing corporate value in the medium to long term, and thereby serve to further strengthen the correlation between the Bank's performance and the price of its shares.

#### **2. Particulars of new share subscription rights**

##### **(1) Title of new share subscription rights**

Seven Bank Second Round -1 Share Subscription Rights

##### **(2) Recipients of new share subscription rights**

Four Directors of the Bank (excluding external directors)

##### **(3) Type and number of shares to which share subscription rights apply**

The share subscription rights apply to common stock and the number of shares to be acquired upon exercise of one share subscription right shall be one ordinary share of Seven Bank (total number of shares: 171)

In the event that shares are split or consolidated after the issuance of the share subscription rights, the number of shares granted shall be adjusted based on the following calculation formula:

Number of shares after adjustment = Number of shares prior to adjustment × ratio of split or consolidation

In the event of Seven Bank implementing a merger, company separation, share exchange, share transfer (collectively, "Mergers, etc."), or other such circumstance where adjustment of the exercise price is necessary, the number of shares issued shall be adjusted in a reasonable manner, based on consideration of the consolidation or gratis allocation of shares.

Any fractions less than 1 (one) share will be disregarded.

##### **(4) Aggregate number of share subscription rights to be issued: 171**

The above aggregate number is the number of share subscription rights scheduled to be allotted. If

the aggregate number of the share subscription rights to be allotted is reduced due to subscription not being made for share subscription rights or for any other reason, the aggregate number of the share subscription rights to be issued shall be the aggregate number of the share subscription rights that are allotted.

(5) Cash payment for share subscription rights

Cash payment for share subscription rights shall be the amount of the option price per share calculated by the Black-Scholes Model as of the allotment date of the share subscription rights multiplied by the number of shares to be acquired upon exercise of one share subscription right. However, pursuant to the provisions of Article 246, Paragraph 2 of the Japan's Company Law, a director will, in place of making such payment, offset the cash payment for the subscription rights by compensation held with respect to the Bank.

(6) Value of property contributed upon the exercise of the share subscription rights

The property to be contributed upon the exercise of the share subscription rights shall be in pecuniary form, and the amount of property to be contributed upon the exercise of the share subscription rights shall be one (1) yen (which is the amount to be paid per share upon exercising the share subscription rights) multiplied by the granted share number.

(7) Effective period during which the share subscription rights are exercisable

The period from August 4, 2009 to August 3, 2039.

(8) Matters regarding increases in capital and capital reserve when shares are issued upon the exercise of the share subscription rights

(a) The increased amount of capital upon the issuance of shares by the exercise of the share subscription rights shall be 1/2 of the maximum amount of increases of capital, etc., calculated in accordance with Article 17, Paragraph 1 of the Companies Accounting Regulations. Any fractional amount of less than one (1) yen resulting from such calculation shall be rounded up.

(b) The increased amount of the capital reserve upon the issuance of shares by the exercise of the share subscription rights shall be the maximum amount of the increases of capital, etc., mentioned in (a) above, after subtracting the increased amount of capital prescribed in (a) above.

(9) Restriction on acquisition of the share subscription rights by transfer

An acquisition of the share subscription rights by way of transfer requires the approval of the Board of Directors of the Bank.

(10) Conditions for exercise of share subscription rights

(a) A share subscription right holder may exercise the share subscription rights only within ten days from the day following the day he/she loses his/her position as a director of the Bank.

(b) If a share subscription right holder deceases, his/her heir (s) may exercise such right.

The conditions for exercising the share subscription rights by the heir (s) shall be as set forth in the agreement referred to in (3) below.

(c) Other conditions shall be as set forth in the "Share Subscription Rights Allotment Agreement" entered into between the Bank and the share subscription right holders pursuant to the resolution of the Board of Directors.

(11) Events and conditions for acquisition of share subscription rights by the Bank

- (a) The Bank may acquire share subscription rights without compensation if the share subscription right holder fails to fulfill the conditions for exercising rights indicated in (10) above.
- (b) The Bank may acquire share subscription rights without compensation on a date separately determined by the Board of Directors if any of the following proposals is approved at a general meeting of shareholders (or resolved by the board of directors should no shareholders meeting be required):
  - a) a proposal for approval of a merger agreement whereby the Bank is to be dissolved
  - b) a proposal for approval of a corporate separation contract or plan whereby the Bank is to be separated
  - c) a proposal for approval of a share exchange agreement or share transfer agreement whereby the Bank is to become a wholly owned subsidiary
- (c) The Bank may acquire the share subscription rights without compensation if the share subscription right holder violates the provisions of the subscription rights allotment agreement.

(12) Treatment of share subscription rights upon restructuring

If the Bank is to engage in a merger (limited to cases where the Bank is to be dissolved as a result of the merger), separated and absorbed, separated and newly incorporated, or subject to a stock swap or stock transfer (all of which are collectively referred to as a “restructuring transaction”), share subscription rights in the entity specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Company Law (such entity hereafter referred to as the “restructured company”) are, in accordance with applicable items, to be issued to holders of share subscription rights that remain in effect as of the time of the restructuring transaction. In such a case, the remaining share subscription rights will be extinguished. However, the foregoing shall be limited to cases where it is indicated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type split-off agreement, incorporation-type split-off agreement, share swap agreement or share transfer plan that share subscription rights of the restructured bank are to be granted in accordance with the following conditions.

- (a) Number of the share subscription rights of the restructured bank to be granted.

Holders of share subscription rights that remain in effect as of the time of the restructuring transaction are to be given, in exchange for those rights, the same number of share subscription rights of the restructured bank.
- (b) Class of shares of the restructured bank to be acquired upon the exercise of share subscription rights.

The above shares shall be common stock of the restructured bank.
- (c) Number of shares of the restructured bank to be acquired upon the exercise of share subscription rights  

The number of shares is to be set to a rationally adjusted quantity based on a consideration of, among other matters, the terms of the restructuring transaction. Any fractional number of shares resulting from such an adjustment is to be discarded.
- (d) Property to be contributed upon the exercise of a share subscription right is to be of a value equal to the number of shares to be issued per that right multiplied by a post-restructuring exercise price as adjusted upon a consideration of, among other matters, the terms of the restructuring transaction.
- (e) Period during which share subscription rights are exercisable

Share subscription rights are exercisable over the period that begins on a) the first day of the execution period specified in (7). or the effective date of the restructuring transaction, whichever is later, and ends on b) the last day of the execution period specified in (7).

(f) Restriction on transfer of share subscription rights

An acquisition of share subscription rights by way of transfer requires the approval of the board of directors of the restructured company.

(g) Conditions for the execution of share subscription rights

To be determined in accordance with (10).

(h) Events and conditions for acquisition of share subscription rights by the restructured company

To be determined in accordance with (11).

(13) Rounding off of fractions

If the number of shares to be granted to a share subscription rights holder produces a fractional number, that fractional portion is to be discarded.

(14) Share subscription right allotment date

August 3, 2009

## II. Award to executive officers

1. Reason for issue of share subscription rights as stock options

Seven Bank has decided to issue share subscription rights as stock options in place of a retirement benefits program in order to ensure that executive officers share with shareholders not only the benefits of share price rises, but also the risks associated with share price declines. This will increase the incentive and motivation of management with regard to achieving sustained growth and enhancing corporate value in the medium to long term, and thereby serve to further strengthen the correlation between the Bank's performance and the price of its shares.

2. Particulars of new share subscription rights

(1) Title of new share subscription rights

Seven Bank Second Round -2 Share Subscription Rights

(2) Recipients of new share subscription rights

Five Executive Officers of the Bank (excluding directors)

(3) Type and number of shares to which share subscription rights apply

The share subscription rights apply to common stock and the number of shares to be acquired upon exercise of one share subscription right shall be one ordinary share of Seven Bank (total number of shares: 38)

In the event that shares are split or consolidated after the issuance of the share subscription rights, the number of shares granted shall be adjusted based on the following calculation formula:

Number of shares after adjustment = Number of shares prior to adjustment × ratio of split or consolidation

In the event of Seven Bank implementing a merger, company separation, share exchange, share transfer (collectively, “Mergers, etc.”), or other such circumstance where adjustment of the exercise price is necessary, the number of shares issued shall be adjusted in a reasonable manner, based on consideration of the consolidation or gratis allocation of shares.

Any fractions less than 1 (one) share will be disregarded.

(4) Aggregate number of share subscription rights to be issued: 38

The above aggregate number is the number of share subscription rights scheduled to be allotted. If the aggregate number of the share subscription rights to be allotted is reduced due to subscription not being made for share subscription rights or for any other reason, the aggregate number of the share subscription rights to be issued shall be the aggregate number of the share subscription rights that are allotted.

(5) Cash payment for share subscription rights

Cash payment for share subscription rights shall be the amount of the option price per share calculated by the Black-Scholes Model as of the allotment date of the share subscription rights multiplied by the number of shares to be acquired upon exercise of one share subscription right. However, pursuant to the provisions of Article 246, Paragraph 2 of the Japan’s Company Law, a executive officer will, in place of making such payment, offset the cash payment for the subscription rights by compensation held with respect to the Bank.

(6) Value of property contributed upon the exercise of the share subscription rights

The property to be contributed upon the exercise of the share subscription rights shall be in pecuniary form, and the amount of property to be contributed upon the exercise of the share subscription rights shall be one (1) yen (which is the amount to be paid per share upon exercising the share subscription rights) multiplied by the granted share number.

(7) Effective period during which the share subscription rights are exercisable

The period from August 4, 2009 to August 3, 2039.

(8) Matters regarding increases in capital and capital reserve when shares are issued upon the exercise of the share subscription rights

(a) The increased amount of capital upon the issuance of shares by the exercise of the share subscription rights shall be 1/2 of the maximum amount of increases of capital, etc., calculated in accordance with Article 17, Paragraph 1 of the Companies Accounting Regulations. Any fractional amount of less than one (1) yen resulting from such calculation shall be rounded up.

(b) The increased amount of the capital reserve upon the issuance of shares by the exercise of the share subscription rights shall be the maximum amount of the increases of capital, etc., mentioned in (a) above, after subtracting the increased amount of capital prescribed in (a) above.

(9) Restriction on acquisition of the share subscription rights by transfer

An acquisition of the share subscription rights by way of transfer requires the approval of the Board of Directors of the Bank.

(10) Conditions for exercise of share subscription rights

- (a) A share subscription right holder may exercise the share subscription rights only within ten days from the day following the day he/she loses his/her position as a executive officer of the Bank, or the day he/she loses his/her position as a director of the Bank if the he/she is appointed the director of the Bank.
- (b) If a share subscription right holder deceases, his/her heir (s) may exercise such right.  
The conditions for exercising the share subscription rights by the heir (s) shall be as set forth in the agreement referred to in (c) below.
- (c) Other conditions shall be as set forth in the “Share Subscription Rights Allotment Agreement” entered into between the Bank and the share subscription right holders pursuant to the resolution of the Board of Directors.

(11) Events and conditions for acquisition of share subscription rights by the Bank

- (a) The Bank may acquire share subscription rights without compensation if the share subscription right holder fails to fulfill the conditions for exercising rights indicated in (10) above.
- (b) The Bank may acquire share subscription rights without compensation on a date separately determined by the Board of Directors if any of the following proposals is approved at a general meeting of shareholders (or resolved by the board of directors should no shareholders meeting be required:
  - a) a proposal for approval of a merger agreement whereby the Bank is to be dissolved
  - b) a proposal for approval of a corporate separation contract or plan whereby the Bank is to be separated
  - c) a proposal for approval of a share exchange agreement or share transfer agreement whereby the Bank is to become a wholly owned subsidiary
- (c) The Bank may acquire the share subscription rights without compensation if the share subscription right holder violates the provisions of the subscription rights allotment agreement.

(12) Treatment of share subscription rights upon restructuring

If the Bank is to engage in a merger (limited to cases where the Bank is to be dissolved as a result of the merger), separated and absorbed, separated and newly incorporated, or subject to a stock swap or stock transfer (all of which are collectively referred to as a “restructuring transaction”), share subscription rights in the entity specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Company Law (such entity hereafter referred to as the “restructured company”) are, in accordance with applicable items, to be issued to holders of share subscription rights that remain in effect as of the time of the restructuring transaction. In such a case, the remaining share subscription rights will be extinguished. However, the foregoing shall be limited to cases where it is indicated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type split-off agreement, incorporation-type split-off agreement, share swap agreement or share transfer plan that share subscription rights of the restructured bank are to be granted in accordance with the following conditions.

- (a) Number of the share subscription rights of the restructured bank to be granted.  
Holders of share subscription rights that remain in effect as of the time of the restructuring transaction are to be given, in exchange for those rights, the same number of share subscription rights of the restructured bank.

- (b) Class of shares of the restructured bank to be acquired upon the exercise of share subscription rights.  
The above shares shall be common stock of the restructured bank.
- (c) Number of shares of the restructured bank to be acquired upon the exercise of share subscription rights  
The number of shares is to be set to a rationally adjusted quantity based on a consideration of, among other matters, the terms of the restructuring transaction. Any fractional number of shares resulting from such an adjustment is to be discarded.
- (d) Property to be contributed upon the exercise of a share subscription right is to be of a value equal to the number of shares to be issued per that right multiplied by a post-restructuring exercise price as adjusted upon a consideration of, among other matters, the terms of the restructuring transaction.
- (e) Period during which share subscription rights are exercisable  
Share subscription rights are exercisable over the period that begins on a) the first day of the execution period specified in (7). or the effective date of the restructuring transaction, whichever is later, and ends on b) the last day of the execution period specified in (7).
- (f) Restriction on transfer of share subscription rights  
An acquisition of share subscription rights by way of transfer requires the approval of the board of directors of the restructured company.
- (g) Conditions for the execution of share subscription rights  
To be determined in accordance with (10).
- (h) Events and conditions for acquisition of share subscription rights by the restructured company  
To be determined in accordance with (11).
- (13) Rounding off of fractions  
If the number of shares to be granted to a share subscription rights holder produces a fractional number, that fractional portion is to be discarded.
- (14) Share subscription right allotment date  
August 3, 2009