



May 14, 2020

To Whom It May Concern

Name of Company: Suruga Bank, Ltd.
Name of Representative: Director and President: Michio Arikuni
(Code No. 8358 First Section of Tokyo Stock Exchange)
Contact Person: Senior Executive Officer
General Manager of General Management Planning
Headquarters: Tatsuya Akita
(TEL 03-3279-5536)

Announcement regarding Abolishment of the Directors' Retirement Benefits System and Introduction of an Ex-Post Delivery type Share Remuneration Scheme

At its Board of Directors Meeting held on May 14, 2020, the Bank decided to revise the remuneration system for the Bank's directors (except outside directors, directors who are Audit & Supervisory Committee members, and directors who do not reside in Japan; hereinafter likewise) by abolishing its Directors' Retirement Benefits System and introducing an Ex-Post Delivery type Share Remuneration Scheme (hereinafter referred to as "the Scheme").

Consequently, the Bank will propose a resolution on introduction of the Scheme at the 209th Ordinary Annual General Meeting of Shareholders scheduled to be held on June 26, 2020 (hereinafter referred to as "the Shareholders' Meeting").

Note

1. Abolishment of the Directors' Retirement Benefits System

On the condition that the resolution regarding introduction of the Scheme is adopted and approved at the Shareholders' Meeting, the Directors' Retirement Benefits System shall be abolished and the concerned directors shall relinquish their rights to the previously accrued and unpaid directors' retirement benefits so that they receive no money payments but rather that, under the Scheme, they are granted units (set forth in 3 (4) below, hereinafter likewise) corresponding to the number of the Bank's common shares corresponding to the relinquished director's retirement benefits, as a measure to facilitate transition from the Directors' Retirement Benefits System.

2. On Introduction of the Scheme

(1) The Bank is introducing the Scheme for the directors with the objective of linking the directors' remuneration more clearly to the Bank's performance and share value so as to heighten the directors' motivation to contribute to increasing the corporate value and performance of the Bank on the mid- to long-term. (*1) (*2)

(2) Introduction of the Scheme is conditional upon approval of the resolution on directors' remuneration at the Shareholders' Meeting. The total amount of the Bank's directors' remuneration was approved to be within 300 million yen (of which 50 million yen is for outside directors) per annum at the 208th Ordinary Annual General Meeting of Shareholders held on June 26, 2019 and remains in effect. With introduction of the Scheme, a decision will be sought of the Shareholders' Meeting to deliver common shares of the Bank and grant monetary remuneration claims for this purpose to the directors anew under the Scheme, separate from the above remuneration limit.

*1 Upon introduction of the Scheme, remuneration of directors of the Bank will comprise "basic remuneration," "bonus" and "share remuneration."

*2 The Bank has designed the Scheme on the basis of discussion in its Nomination and Compensation Committee, which is chaired by an independent outside director and in which independent outside directors constitute a majority, to ensure, upon introduction of the Scheme, the appropriateness, etc., of the Scheme's contents and levels of remuneration to the Bank's directors.

1. Overview of the Scheme

(1) Overview of the Scheme

The Scheme is a system to make delivery and provision (hereinafter referred to as "delivery, etc.") of the Bank's common shares and money (hereinafter referred to as "the Bank's common shares, etc.") (hereinafter respectively referred to as "the share delivery portion" and "the money provision portion") to the Bank's directors as directors' remuneration in accordance with the degree of achievement, etc., of the company's key performance indicators targeting the three business years (hereinafter referred to as "target periods") corresponding to the remaining period of the Bank's Mid-Term Management Plan "Re: Start 2025" Phase 1. The Bank's Board of Directors may approve the continuation of the Scheme after the end of the aforesaid initial target period, for each Mid-Term Management Plan period of three business years, within the limits approved by the Shareholders' Meeting.

In this case, the target periods shall be each of the subsequent three business year periods.

Meanwhile, the Scheme is categorized into the following two parts.

- (i) Ex-Post Delivery type Fixed Share Remuneration (Restricted Stock Units, hereinafter referred to as "RSUs") such that a predetermined number of units (hereinafter referred to as "fixed units") are granted every year during the target period, and delivery, etc., of the Bank's common shares, etc., is carried out after retirement.
- (ii) Ex-Post Delivery type Performance-based Share Remuneration (Performance Share Units, hereinafter referred to as "PSUs") such that a predetermined number of units (hereinafter referred to as "performance-based units") are granted every year during the target period, adjustment is made in the range of 0-150% in accordance with the degree of achievement of performance objectives after the end of the target periods, and delivery, etc., of the Bank's common shares, etc., is carried out after retirement.

The time that the Bank's directors receive delivery, etc., of the Bank's common shares, etc., shall be after the directors' retirement (including retirement due to death; hereinafter likewise).

(2) Mechanism of the Scheme

- (i) The Bank will obtain approval of the resolution regarding directors' remuneration pertaining to introduction of the Scheme at the Shareholders' Meeting.
- (ii) The Bank's Board of Directors will establish regulations for the delivery of shares pertaining to the contents of the Scheme and determine the method of calculation, etc., of the number of the Bank's common shares to be delivered and the amount of money to be provided to the directors.
- (iii) During the target period, each director will be granted a certain number of units (fixed units and performance-based units) at a fixed time each year in accordance with his/her rank, etc., in each business year. Furthermore, with regard to the current business year, directors who relinquish their directors' retirement benefits upon introduction of the Scheme will be granted fixed units corresponding to the number of shares corresponding to the relinquished director's retirement benefits, as a measure to facilitate transition from the Directors' Retirement Benefits System. The performance-based units will be adjusted in the range of 0-150% in accordance with the degree of achievement, etc., of performance objectives after the end of the target period.
- (iv) On this occasion, the Bank's common shares will be delivered in an amount corresponding to a fixed proportion of the accumulated units and an amount of money corresponding to the remainder of the

accumulated units will be provided in lieu of the Bank's common shares with thought to the director's income tax amount.

- (v) Delivery of the Bank's common shares to the directors will be made by issuance of shares or disposition of treasury shares by the Bank. In this case, the Bank will grant a monetary remuneration claim to the director and the director will make contribution in kind of the share delivery portion of said monetary remuneration claim to obtain the Bank's common shares upon said issuance of the Bank's shares or disposition of its treasury shares, and will be provided the remainder in money. The amount of said monetary remuneration claim will be determined by the Board of Directors within a range that is not particularly advantageous to the director who will be delivered the Bank's common shares.

(3) Shareholders' Meeting Resolution on Introduction of the Scheme

The Bank will pass a resolution on the upper limit of the total amount of the monetary remuneration claims to be granted for delivery of the Bank's common shares to the directors, the upper limit of the total number of units per single business year (set forth in (5) below) to be granted to the directors, and other necessary matters at the Shareholders' Meeting. Furthermore, in the event that the Scheme stipulated in (1) above is to be continued, it will be so decided by the Board of Directors within the limits approved by the Shareholders' Meeting.

(4) The Number of the Bank's Common Shares, etc., Subject to Delivery, etc., to the Directors

During the target period, each director will be granted "fixed units" which are RSUs and "performance-based units" which are PSUs, respectively, at a fixed time each year in accordance with his/her rank, etc., in each business year. The performance-based units will be adjusted in the range of 0-150% in accordance with the degree of achievement, etc., of performance objectives (RA gross operating profit, etc.) after the end of the target period.

Furthermore, with regard to the current business year, directors who relinquish their directors' retirement benefits upon introduction of the Scheme will separately be granted fixed units (RSUs) corresponding to the number of shares corresponding to the relinquished director's retirement benefits, as a measure to facilitate transition from the Directors' Retirement Benefits System.

The granted units will be accumulated each year, and the delivery, etc., of the Bank's common shares, etc., will be made after the director's retirement in accordance with the number of units accumulated.

Incidentally, one unit shall be one common share of the Bank. However, if a situation occurs such that it is reasonable to carry out a share split, reverse share split or other adjustment of units of the Bank's common shares during the target period, the number of the Bank's common shares per unit will be adjusted in accordance with the splitting ratio, the reverse splitting ratio or the like.

(5) The Upper Limit of the Total Amount of the Monetary Remuneration Claims and the Upper Limit of the Units to be Granted per Business Year under the Scheme

During the initial target period starting from the present business year, the Bank shall set 675 million yen ^{(*)3} as the upper limit of the total amount of the monetary remuneration claims (the sum of the money provision portion and the monetary remuneration claims that are the source of funds for the share delivery portion) and additionally shall set 150 million yen as the upper limit of the total amount of the monetary remuneration claims that are the funding source of the share delivery portion and the money provision portion of the units granted as a measure to facilitate transition from the Directors' Retirement Benefits System. Furthermore, in the event that the Scheme is to be continued after expiry of the target period, the upper limit of the total amount of the monetary remuneration claims to be set for each subsequent target period shall be 675 million yen. ^{(*)3}

The upper limit of the total number of units (the sum of the units for the share delivery portion and the money provision portion) per business year granted to directors under the Scheme as per (4) above shall be 800,000 units. ^{(*)4} Furthermore, as regards the present business year, in addition to the maximum number of units granted per said business year, a maximum of 300,000 units shall be granted separately as a measure to facilitate transition from the Directors' Retirement Benefits System. Furthermore, in the event that the Scheme is to be

continued after expiry of the target period, the upper limit of the total number of units (the total number of units related to the share delivery portion and the money provision portion) per business year in each subsequent target period shall be 800,000 units.

- *3 The upper limit of the total amount of monetary remuneration claims during the target period is calculated according to job responsibilities, etc., by referring to objective remuneration survey data of specialized external institutions.
- *4 The upper limit of the total number of units granted to directors per business year is set with reference to past share prices, etc., in consideration of the upper limit of the total amount of the monetary remuneration claims stated above.
- *5 If the number of the Bank's common shares per unit is adjusted as per (4) above, the upper limit of the number of the Bank's common shares, etc., subject to delivery, etc., will also be adjusted in accordance with the adjustment.

(6) After retirement, directors eligible for the Scheme can receive delivery, etc., of the Bank's common shares, etc., through the prescribed procedures stipulated in the regulations for delivery of shares, provided that the following requirements are met.

The requirements for delivery, etc., of the Bank's common shares, etc., are as follows.

- (i) Having been a director of the Bank during the target period from the starting date of the Scheme or thereafter (including those who had newly become directors after the starting date of the Scheme)
- (ii) Being a resident of Japan
- (iii) Having retired as a director of the Bank
- (iv) Having had the number of accumulated units determined as per (4) above
- (v) Not having retired from being a director of the Bank without justifiable reason nor committed certain acts of wrongdoing nor otherwise become subject to causes for forfeiture of rights as specified by the Board of Directors
- (vi) Other requirements recognized as necessary to achieve the purpose of the share remuneration scheme.

(7) Method and Timing of Delivery, etc., of the Bank's Common Shares, etc., to the Directors

Directors who fulfill the requirements in (6) above, after retirement, upon performing the prescribed procedures, will be delivered the Bank's common shares (the share delivery portion) in an amount corresponding to a fixed proportion of the accumulated units at the time of retirement (rounded down for shares less than one unit) and will be provided with an amount of money (the money provision portion) corresponding to the remainder of the accumulated units, in lieu of the Bank's common shares.

Delivery of the Bank's common shares to the directors will be made by issuance of shares or disposition of treasury shares by the Bank. In this case, the Bank will grant a monetary remuneration claim to the director and the director will make contribution in kind of the share delivery portion of said monetary remuneration claim to obtain the Bank's common shares upon said issuance of the Bank's shares or disposition of its treasury shares, and will be provided the remainder in money. The amount of said monetary remuneration claim is the amount obtained by multiplying the number of accumulated units by the amount paid per share, and the amount paid per share will be decided by the Board of Directors on the basis of the closing price of the Bank's common shares on the Tokyo Stock Exchange on the business day prior to the day of each resolution of the Board of Directors regarding issuance of shares or disposition of treasury shares by the Bank (or the closing price on the most recent trading day prior to that, if there were no trades on that day) within a range not particularly advantageous to the directors receiving said common shares.

If a director dies during the target period, the heirs of said director shall immediately receive monetary payment in an amount equal to the value of the Bank's common shares corresponding to the accumulated units at that time.

(8) Handling of Non-Payment of Remuneration

If a director has retired from being a director of the Bank without justifiable reason or committed certain acts of wrongdoing or otherwise become subject to causes for forfeiture of rights as specified by the Board of Directors, said director shall not be granted the monetary remuneration claim based on the Scheme and shall not be delivered common shares of the Bank.

(For reference)

On condition that introduction of the Scheme is approved by the shareholders at the Shareholders' Meeting, it is planned to also introduce the Scheme for executive officers who do not also serve as the Bank's directors by a resolution of the Board of Directors.

End