

## ● Message from the President

*The 77 Bank aims to be the “Best creative bank” that creates a new era together with the region.*



Teruhiko Ujiie, President

The Japanese economy is on a moderate recovery track. Despite the dip in demand in the aftermath of the spike in demand before the consumption tax increase, private-sector capital investment is increasing in line with improvement of corporate earnings, personal consumption has been firm reflecting the improved labor market and personal incomes, and production is also picking up.

The economy of Miyagi Prefecture, the primary base of operations for The 77 Bank, is recovering at a modest pace as economic activity has been generally upbeat. Despite fluctuation due to the consumption tax increase, public investment and housing investment are trending upward, supported by demand associated with reconstruction in the aftermath of the Great East Japan Earthquake, and production showed signs of improvement.

Three years since the Great East Japan Earthquake, coastal areas are beset by several issues, including a sharp rise in construction materials and time-consuming consensus

building among those concerned about the future plans for their communities. Nevertheless, the recovery phase of Miyagi Prefecture’s reconstruction plan has been completed and the regeneration phase commenced in April 2014. Overall, economic activities are expected to remain buoyant along with stepped-up reconstruction initiatives.

Looking to the future, financial institutions need to share the recognition of issues with their customers through daily, ongoing customer relations and utilize their discerning judgment and consulting functions according to the life phase of individual customers. In addition to execution of new loans, financial institutions should make feasible proposals for dealing with management issues, such as business succession, through cooperation with external experts, if desirable.

As a financial institution based in the region struck by the Great East Japan Earthquake, we are required to supply funds for reconstruction and deal with the double loan problem swiftly.

On the other hand, in Sendai and the surrounding area, competition among banks is intensifying as they seek to capture business opportunities in view of the continuing reconstruction demand and the trend toward concentration of economic activity in Sendai. In these circumstances, capitalizing on our presence in Miyagi Prefecture and the Tohoku region, the Bank aspires to establish win-win relationships with customers through deepened relationships with local enterprises and managers by offering added value unique to the Bank and to support personal customers as their main bank, helping them to accumulate stable assets.

In order to tackle these issues, the Bank launched a medium-term management plan in April 2012 entitled “‘POWER for the Future’ – 36 Months of Renewal and Growth –.” Based on this plan, we are deepening our relationships with the people of the region and continue doing business anchored in the ultimate mission of regional financial institutions, that is, to contribute to the revitalization and development of the regional society and economy.

## Outline of Medium-term Management Plan: “POWER for the Future” – 36 Months of Renewal and Growth –

Based on the medium-term management plan launched in April 2012 entitled “POWER for the Future’ – 36 Months of Renewal and Growth –,” the Bank is implementing three basic policies: “support earthquake recovery and revitalize the regional economy,” “strengthen loan and consulting capabilities,” and “further improve productivity.”

The fiscal year ending March 31, 2015 is the final year of the Bank’s medium-term management plan. Everyone at the Bank will join forces in a concerted effort to make The 77 Bank the “Best creative bank” that creates a new era together with the region.

<b>Bank Image Sought by The 77 Bank</b>	<b>“Best creative bank” that creates a new era together with the region</b>	
<b>Name</b>	<p>Medium-term Management Plan: <b>“POWER for the Future” – 36 Months of Renewal and Growth –</b></p> <p>“POWER” will be a key word in the ongoing reconstruction and development of the regional economy, and development of the Bank, meaning that we will exert our “power” for the sake of regional reconstruction, and that each and every employee of the Bank will build up his or her “power.”</p>	
<b>Period</b>	The three-year period April 1, 2012 to March 31, 2015	
<b>Basic Policies</b>	<ol style="list-style-type: none"> <li>1. Support earthquake recovery and revitalize the regional economy</li> <li>2. Strengthen loan and consulting capabilities</li> <li>3. Further improve productivity</li> </ol>	
<b>Basic Objectives</b>	<ul style="list-style-type: none"> <li>• Balance of retail loans and bills discounted (as of Mar 31, 2015 (final year of the Plan))<sup>(*1)</sup> JPY 2.15 trillion or more</li> <li>• Balance of retail loans and bills discounted in Miyagi Pref. (as of Mar 31, 2015 (final year of the Plan))<sup>(*2)</sup> JPY 2 trillion or more</li> </ul> <p><small>*1. Balance of loans and bills discounted excluding local government and other public authorities, Tokyo, Osaka and Nagoya areas branches as well as head office accounts</small></p> <p><small>*2. Balance of loans and bills discounted excluding local government and other public authorities as well as head office accounts</small></p> <hr/> <ul style="list-style-type: none"> <li>• Sales of investment trust, insurance and public bond (cumulative total for the period of the Medium-term Management plan) JPY 450.0 billion or more</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Net income (FY2013 and FY2014, respectively) JPY 11.0 billion or more</li> <li style="padding-left: 100px;">(FY2015, final year of the Plan) JPY 13.0 billion or more</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Core OHR (FY2015) Less than 67%</li> </ul>	
<b>Priorities</b>	<ol style="list-style-type: none"> <li>1. Promote lending</li> <li>2. Support earthquake recovery and revitalize the regional economy <ul style="list-style-type: none"> <li>• Fulfill our financial intermediary functions</li> <li>• Strengthen support for business rehabilitation and management improvement (respond to “double loan” problems)</li> <li>• Contribute to reconstruction and development of the region (promotion of relationship banking)</li> </ul> </li> <li>3. Improve capacity to conduct business and raise productivity <ul style="list-style-type: none"> <li>• Improve capacity to conduct business</li> <li>• Expand investment in human resource development</li> <li>• Expand customer base and increase service revenues</li> </ul> </li> </ol> <ul style="list-style-type: none"> <li>• Implement low-cost operations from top to bottom</li> <li>• Strengthen management of securities</li> <li>• Strengthen preparation for transition to joint banking system (MEJAR)</li> <li>4. Provide the best financial services in the region <ul style="list-style-type: none"> <li>• Enhance the branch network, non-face-to-face channels, and sales platform</li> <li>• Strengthen lock-in of seniors and youth</li> <li>• Disaster prevention and safety measures</li> <li>• Ensure compliance with laws and regulations, strengthen countermeasures for antisocial forces, and enhance internal management</li> <li>• Bolster the 77 brand</li> </ul> </li> </ul>	

## Bank Creed as a Code of Conduct

The Bank Creed has been deeply engrained as a code of conduct among the Bank's executives and employees to this day, since its establishment as the basic principle of management in 1961. The Bank Creed declares our commitment to "contribute to the local community while achieving a harmonious balance between self-interest and public interest." In this context, it gives top priority to "elevating the spirit of voluntary service" and advocates a service-minded approach to bring about prosperity in the local community.

### Bank Creed

The Bank's mission is to absorb funds and create credit by exercising its own creativity based on the principle of self-responsibility, in a spirit of maintaining orderly credit conditions and protecting depositors, and thereby contribute to the growth of the national economy. In light of such public mission, the Bank shall contribute to the local community while seeking a harmonious balance between self-interest and public interest as a regional bank.

Based on the aforementioned principles, the code of conduct to be observed by any and all persons employed by the Bank is set forth as follows.

#### 1. Elevate the Spirit of Voluntary Service

Acknowledge that the Bank's progress goes hand in hand with prosperity in the local community, and seek to elevate the spirit of voluntary service at all times.

#### 2. Improve Creditworthiness

Bear in mind that credit is the Bank's lifeblood, and endeavor to improve credit at all times.

#### 3. Nurture the Spirit of Harmony

Recognize that the spirit of harmony is fundamental to the execution of duties, and strive to nurture such spirit at all times.

Based on such basic principles, the Bank aspires to become an enterprise in harmony with the local community by demonstrating its leadership and fulfilling its social responsibility for the sustained growth of the local community.

Specifically, our activities include supplying the region with funds smoothly, offering products and services tailored to customers' needs and providing support to corporate activities as well as various information. We also continually engage in activities that contribute to society, from the standpoint of a good corporate citizen.

In order to fulfill the principles set forth in our Bank Creed, we will continue to proactively contribute to the local community and make efforts so that they are fully understood by local residents.

(Note) For the Bank, "region" first and foremost means "Miyagi Prefecture," the Bank's primary base of operations.

## Corporate Governance Status

The 77 Bank positions enhancement of corporate governance as a management priority, including the strengthening of the functions of the Board of Directors including outside directors, the strengthening of the audit system including outside audit & supervisory board members, and the enhancement of compliance and risk management systems.

The Board of Directors consisting of 14 directors, one of whom is an outside director, is responsible for decision-making on key issues related to operations. The Executive Committee discusses important business matters and determines courses of action within the authority granted to it by the Board of Directors. The Bank has introduced an executive officer system for the purpose of separating management decision-making and supervision from execution of operations, as well as from the viewpoint of strengthening and expediting implementation of these functions.

The Bank maintains an audit & supervisory board member system under which three of the five members of the Audit & Supervisory Board are outside audit & supervisory board members, a structure that raises the level of impartiality of internal audits. Audit & supervisory board members check that the actions of directors are constructive and appropriate by attending Board of Directors' meetings and issuing opinion statements on discussions and decisions made at those meetings.

With regard to compliance and risk management structures, in accordance with the Compliance Policies and the Basic Policy for Risk Management established by the Board of Directors, The 77 Bank emphasizes clarity and effectiveness of compliance-related initiatives and aims to establish a sturdy risk management system for the Bank's stable and sustainable growth.

Teruhiko Ujiie  
President

