

## ● Consolidated Performance for Fiscal 2017

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

Year Ended March 31

### Financial and Economic Conditions

Based in Miyagi Prefecture, The 77 Bank has a network of branches extending across Fukushima Prefecture, Iwate Prefecture, Yamagata Prefecture, Akita Prefecture, Tokyo, Aichi Prefecture, Osaka and Hokkaido. In accordance with the principle of sound management, the Bank's basic policy is to aspire to be the "Value-creating bank that grows together with and is the most trusted by the region." Within 10 years, the Bank aims to be the "Leading bank in the Tohoku region with scale and earnings power ranked within the top 10 regional banks based on the established earnings base capable of coping with any change in the business environment through creation of new value in the region."

In fiscal 2017, the year ended March 31, 2017, the moderate recovery of the Japanese economy continued with an upward trend in production and exports reflecting a moderate turnaround in the overseas economy and a strong demand for electronic components. Meanwhile, in Miyagi Prefecture, the heartland of The 77 Bank, economic activity was generally upbeat despite some weakening of production and personal consumption as the economic recovery of Miyagi Prefecture continued at a moderate pace.

In these circumstances, long-term interest rates, which had been negative against the backdrop of monetary easing initiated by the Bank of Japan and other measures, turned positive in the second half of the fiscal year, but generally remained at a low level of less than 0.1%. Meanwhile, short-term interest rates were at around zero. Regarding share prices, the Nikkei Stock Average temporarily declined to the ¥14,000 level in June, 2016 in response to the result of referendum on the U.K.'s withdrawal from the European Union (Brexit), but recovered in the second half of the fiscal year against the backdrop of expectations for the U.S. economic policies and remained around ¥19,000 toward the end of the fiscal year. In foreign exchange markets, the yen appreciated temporarily to ¥99 to the U.S. dollar at the beginning of the fiscal year, but afterward reversed its movement and stood at ¥111 at the end of the fiscal year.

In view of the massive damage caused by the Great East Japan Earthquake, the Bank strove to maintain the stable provision of financial services and to continue to fulfill its financial intermediary functions, in order to contribute to the recovery and reconstruction of communities and the regional economy as a financial institution working hand in hand with the region.

In terms of support for enterprises that were affected by the Great East Japan Earthquake, we vigorously responded to their funding needs for the resumption of business and restoration of facilities by using the Restoration and Maintenance Subsidy Project for Facilities of Small and Medium-sized Enterprise Groups and Compensation for Interest Rates on Special Zones for Reconstruction of central and local government. Through business matching and other core business support, we continued making efforts to resolve customers' management issues, including the development and expansion of sales routes.

To support customers facing difficulties in continuing business or making loan repayments because of the impact of the earthquake, the Bank continued to be flexible, such as accepting change of loan terms and conditions, in light of the situation faced by each customer. In response to the "double loan" problem, the Bank utilized external institutions, such as the Corporation for Revitalizing Earthquake-affected Business and the Miyagi Industry Revitalization Corporation, as necessary, to support corporate customers burdened by double loans, and offered consultation to help them improve management and revitalize their businesses through collaboration with external experts present at the Bank's headquarters. For individual customers, the Bank strove to communicate the advantages and implications of the Individual Debtor

Guidelines for Out-of-Court Workouts. Moreover, for customers subject to group relocation projects for disaster mitigation, the Bank vigorously offered the 77 Earthquake Recovery Support Home Loan (Group Relocation Type and Leased Land Type), a dedicated mortgage product to support the building of new homes.

In these circumstances, all officers and employees at the Bank and its consolidated subsidiaries made a concerted effort to promote business while helping the region in its drive to recover from the Great East Japan Earthquake with the support of shareholders and customers. Consolidated business results were as stated below.

### Consolidated Business Results

Deposits, including negotiable deposits, amounted to ¥7,805.8 billion at the end of the year under review, having decreased by ¥157.8 billion.

Loans and bills discounted increased by ¥93.0 billion to ¥4,443.8 billion at the end of the year. Investment securities decreased by ¥249.6 billion to ¥3,241.8 billion at the end of year.

Total assets stood at ¥8,649.3 billion at the end of the year under review, having increased by ¥50.8 billion.

With regard to profit and loss, total income decreased by ¥9,385 million from the previous year to ¥106,692 million as a result of a decrease in interest income mainly owing to a decrease in interest on loans and bills discounted resulting from lower market interest rates, and a decrease in other income as a result of a decrease in gains on reversal of reserve for possible loan losses. Total expenses decreased by ¥5,651 million to ¥82,895 million, owing to a decrease in general and administrative expenses resulting from a decrease in systems-related expenses recorded in the previous fiscal year in line with the migration to MEJAR in January 2016.

As a result, ordinary profit decreased by ¥3,735 million from the previous year to ¥23,796 million. Net income attributable to owners of the parent increased by 257 million to ¥16,114 million, mainly due to a decrease in income taxes. Net income per share was ¥43.14.

### Cash Flows

Net cash provided in operating activities totaled ¥71,377 million, an increase of ¥224,377 million from the previous year, mainly due to a decrease in call loans, etc.

Net cash provided by investing activities totaled ¥157,017 million, an increase of 9,953 million from the previous year, mainly due to sale and redemption of securities.

Net cash used in financing activities amounted to ¥9,308 million, an increase of ¥14,080 million from the previous year, mainly due to expenditure on acquisition of treasury stocks and purchase of shares of subsidiaries resulting in no change in scope of consolidation.

Consequently, cash and cash equivalents at March 31, 2017 amounted to ¥701,814 million, having increased by ¥219,081 million from the previous year.