

## 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

In the fiscal year ended March 31, 2011, the Japanese economy showed little sign of recovery in personal consumption, reflecting a slump in the job market and other factors; however, exports, production and capital investment picked up with improvements in overseas economies, making for an overall tendency toward recovery despite a lingering impression of treading water.

In Miyagi Prefecture, the primary base of operations for The 77 Bank, the economic climate remained challenging. Despite signs of improvement in residential investment, production lagged in the mining and manufacturing industry, and overall personal consumption weakened as the effects of economic stimulus wore off. Furthermore, the Great East Japan Earthquake that occurred in March was a natural disaster of unprecedented scale, damaging a wide area along the Pacific coast. As a result, serious economic deterioration will be a concern for the foreseeable future.

The devastation caused by the Great East Japan Earthquake was far beyond any

predictions, affecting a wide area in Northeast Japan including Miyagi Prefecture, which is our primary base of operations. The utmost priority for the Bank is to quickly restore our financial functions and to provide sufficient funds for the region using our function as financial intermediary so that the region can recover from the disaster and return to its vitality and richness.

Under these circumstances, our outlook for the future is that financial institutions must strive to build a strong business foundation through continuing efforts to strengthen internal management and compliance systems, while more powerfully striving to improve profit-earning capability and management efficiency within an extremely challenging profit environment including stagnation of economic activity due to the effects of the earthquake and prolonged loosening of monetary policy.

Furthermore, regional financial institutions need to take a mid-to-long-term perspective to play a role of back-up for real economy and enterprises, to work together as organizations to promote community-based financing efforts, and to contribute to the development of regional economy and society through further enhanced and strengthened consulting functions such as providing customers with support for disaster recovery and management improvement, as well as support for overseas expansion, mainly in Asia.

With this in mind, we will further deepen our business relationship with people of the region, and continue doing business anchored in the first and final mission of regional financial institutions, that is, to contribute to the revitalization and development of regional society and economy.

### **Mid-to-long-term Management Strategy**

In April of 2009, the Bank launched the medium-term management plan “SSS Improvement Plan: For the Creation of a New Era,” based on which we have worked to reform our business model, enhance operating capabilities, and improve productivity, with the aim of rewarding our stakeholders.

For the time being, our first priority must be to work toward revitalization and development of the regional society and economy after the Great East Japan Earthquake. However, as a financial institution working with the local region, in order to contribute to creative revitalization of the region and transformation of the regional industrial structure centered on Miyagi Prefecture, our primary base of operations, we must fulfill our financial intermediary function to the utmost, with the aim of becoming the “Best creative bank” that creates a new era together with the region.

Furthermore, we will endeavor to disclose information proactively to execute management in a highly transparent manner and to become a bank with the strong support of the regional community, customers, shareholders, and investors.

## Outline of Medium-term Management Plan

### 1. Bank Image Sought by The 77 Bank

“Best creative bank” that creates a new era together with the region  
While continuing to seek our ideal as a bank to “grow with the region” as envisioned under the previous medium-term management plan, we will aggressively forge ahead into the new era and proactively fulfill our role as a regional financial institution by foreseeing reforms in the regional industrial structure driven by the influx of major corporations into the Tohoku region centering on Miyagi Prefecture and other new trends.

### 2. Name

Medium-term Management Plan: “SSS Improvement Plan: For the Creation of a New Era”

“SSS” is the acronym of “Sales,” “Speed-up” and “Service” referred to in the basic policies. It is also the Bank’s action guideline: “77 (Seventy-seven) Bank” “Sincerely” “Supports” customers.

### 3. Basic Policies

1. “Sales”: Enhance operating capabilities — Reform the business model into one that adapts to changes in customers’ needs and business environment.
2. “Speed-up”: Improve productivity — Boost results and effects generated by each unit of business resource (human resources, goods, time and money).
3. “Service”: Contribute to stakeholders — Increase enterprise value by building a win-win relationship.

### 4. Period

Three years from April 1, 2009 to March 31, 2012

### 5. Basic Objectives

- Total deposits, loans and assets in custody (as of the end of FY2011): More than ¥10 trillion
- Balance of loans to small-and-medium-sized enterprises (as of the end of FY2011): More than ¥1.2 trillion
- Amount of sales of investment trusts and individual annuity insurance during the period: More than ¥200 billion
- Core Overhead Ratio (Core OHR = Ratio of expenses to core gross operating profit in FY2011): 65% or less

## 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 has always emphasized management priorities that serve to build a better business administration structure. In particular, we have devoted considerable efforts toward strengthening the capabilities of the Board of Directors, reinforcing auditing activities by inviting outside statutory auditors to sit on the Board of Statutory Auditors, and enriching our compliance and risk management systems.

The Board of Directors is responsible for decisions on key issues related to operations. The Executive Committee, a separate authority, discusses important business matters and determines courses of action within the power granted to it by the Board of Directors. The Bank maintains a statutory auditor system under which three of the five statutory auditors on the Board of Statutory Auditors are outside statutory auditors, a structure that raises the level of impartiality of internal audits. Statutory Auditors 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.

In regard to compliance, The 77 Bank emphasizes clarity and integrity, a position underpinned by Compliance Policies, drafted by the Board of Directors. With regard to risk management, the Bank applies its Basic Policy for Risk Management, also drafted by the Board of Directors, to maintain a sound structure that promotes stable, long-lasting growth as a regional bank.

Teruhiko Ujiie  
President

