

# **IR Presentation**

**Results for Fiscal Year Ended March 31, 2013**

Materials were prepared for the Bank's presentation of its results for the fiscal year ending March 31, 2013 held on June 4, 2013.

**June 4, 2013**

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## 1. Results for FY2013

(JPY bn, %)

Summary of profits and losses (Non-consolidated)	FY2012	FY2013	YoY change	
			Increase/ decrease	Rate of change %
Gross operating income	82.0	77.0	(5.0)	(6.1)
[Core gross operating income]	[ 82.1]	[ 78.5]	[ (3.6)]	(4.3)
Interest income	72.5	68.5	(4.0)	(5.5)
Fees and commissions	9.5	9.8	0.3	2.5
Gains (losses) on bonds	(0.1)	(1.5)	(1.4)	
Foreign exchange transaction income	0.1	0.2	0.1	
Expenses	55.2	53.8	(1.4)	(2.4)
Operating income before provision of general reserve for possible loan losses	26.8	23.2	(3.6)	(13.7)
[Core operating income]	[ 26.9]	[ 24.7]	[ (2.2)]	(8.3)
Provision of general reserve for possible loan losses	2.5	—	(2.5)	
Operating income	24.3	23.2	(1.1)	(5.0)
Special income and losses	(7.8)	(2.6)	5.2	
Bad debt disposals (-)	6.4	1.0	(5.4)	
Gains on reversal of reserve for possible loan loss	—	2.3	2.3	
Gains on reversal of reserve for contingent losses	0.1	0.1	0.0	
Gains (losses) on stocks	0.1	(3.9)	(4.0)	
Ordinary income	16.5	20.6	4.1	24.3
Extraordinary income	11.4	—	(11.4)	
Extraordinary loss	1.6	0.8	(0.8)	
Income taxes (incl. deferred taxes)	15.7	7.7	(8.0)	
Net income	10.6	12.1	1.5	14.7
Credit-related expenses	8.8	(1.4)	(10.2)	

## &lt;Core operating income&gt;

Decreased despite a decrease in expenses because interest income decreased due partly to a decrease in interest on loans.

## &lt;Ordinary income/Net income&gt;

Both ordinary income and net income increased due partly to a decrease in credit costs, although impairment loss on securities increased.

## 2. Interest income

	FY2012	FY2013	YoY change
Interest income	72.5	68.5	(4.0)
Investment income	76.9	72.1	(4.8)
(Interest on loans)	52.7	49.3	(3.4)
(Dividends on securities)	23.5	22.2	(1.3)
Fund procurement costs	4.4	3.6	(0.8)
(Interest on deposits)	3.7	3.2	(0.5)

(JPY bn)

Major accounts (average balances)	FY2012	FY2013	YoY change
Loans and bills discounted	3,525.8	3,641.7	115.9
Securities	2,537.0	3,112.2	575.2
Deposits and certificates of deposits	6,370.0	6,900.6	530.6

(%)

Interest rates / Interest margin	FY2012	FY2013	YoY change
Loans and bills discounted interest rate	1.49	1.35	(0.14)
Securities interest rate	0.92	0.71	(0.21)
Interest rate on deposits	0.05	0.04	(0.01)
Interest rate spread	1.10	0.95	(0.15)
Net interest margin	0.23	0.17	(0.06)

\*Figures in YoY change shows percentage points.

### <FY2013 summary>

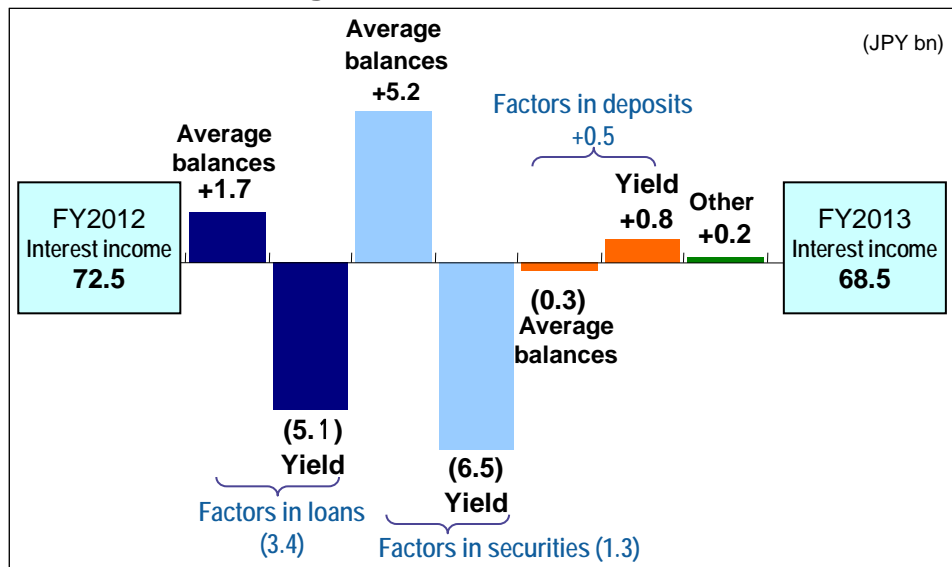
Interest rates declined as market interest rates declined.

- Loans and bills discounted interest rate: Down 0.14 YoY
- Securities interest rate: Down 0.21 YoY

=> Interest income decreased by JPY 4.0 billion YoY due to a decline in interest rates.

(JPY bn)	
FY2014 (Plan)	YoY change
68.3	(0.2)

### <Change factors in interest income>



### <Reference> Trends of market interest rates

	FY2012	FY2013
JPY TIBOR (3 months)	0.34%	0.32%
5-year JGBs	0.37%	0.20%
10-year JGBs	1.05%	0.78%

### 3. Loans and bills discounted

Loans and bills discounted (average balances)	FY2012	FY2013	YoY change %
Loans and bills discounted	3,525.8	3,641.7	3.2
Corporate loans	2,085.9	2,217.8	6.3
[Excl. spread loans]	1,179.7	1,189.5	0.8
[Spread loans]	906.2	1,028.3	13.4
Consumer loans	751.6	747.0	(0.6)
[Housing loans]	704.3	703.9	(0.0)
Loans for local governments	688.3	676.9	(1.6)

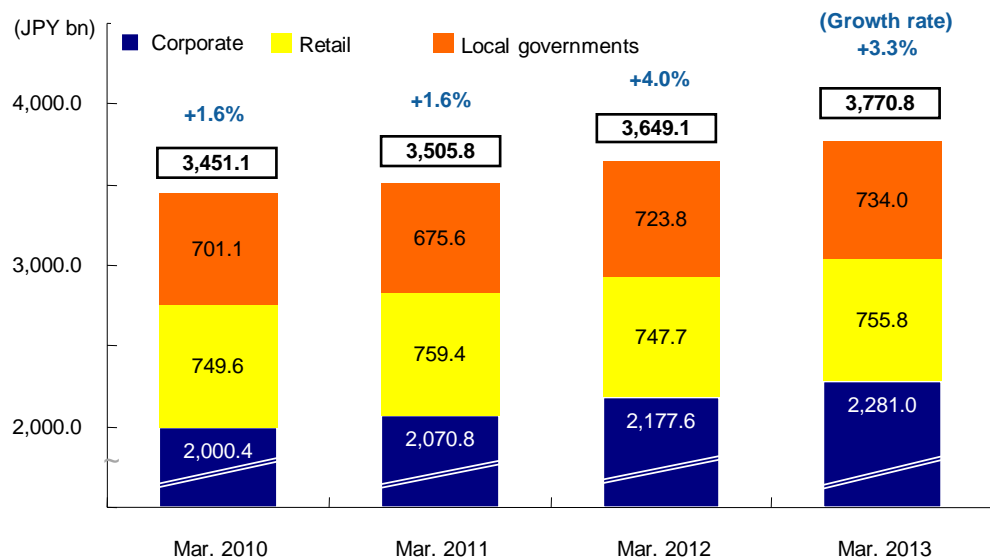
(JPY bn)

FY2014 (Plan)	YoY change %
3,700.0	1.6

#### <FY2013 summary>

- Corporate loans continued to increase as we responded steadily to post-quake reconstruction demand in addition to increasing lending to large corporations.
- Consumer loans, which had been gradually decreasing since the Great East Japan Earthquake due partly to early repayment with insurance claims received, started to increase again as post-quake reconstruction demand was realized.

#### <Loans and bills discounted balances>



#### <Loan trend by industry>

##### Manufacturing: Up JPY 38.0 billion

- Reconstruction funds for enterprises in the coastal area hit by the earthquake (Marine product processing companies, etc.)
- Capital expenditure and operating funds to enterprises expanding into Miyagi (Automobile and IED-related companies, etc.)

##### Wholesale and retail: Up JPY 23.8 billion

- Operating funds required as post-quake reconstruction demand is realized (Industries related to reconstruction businesses, trading companies, etc.)

##### Real estate and leasing: Up JPY 17.8 billion

- Funds for constructing assets for lease (Apartments, facilities for reconstruction workers, etc.)

Figures above indicate the amount of increase since March 31, 2012.

## 4. Deposits and certificates of deposits

<FY2013 summary>

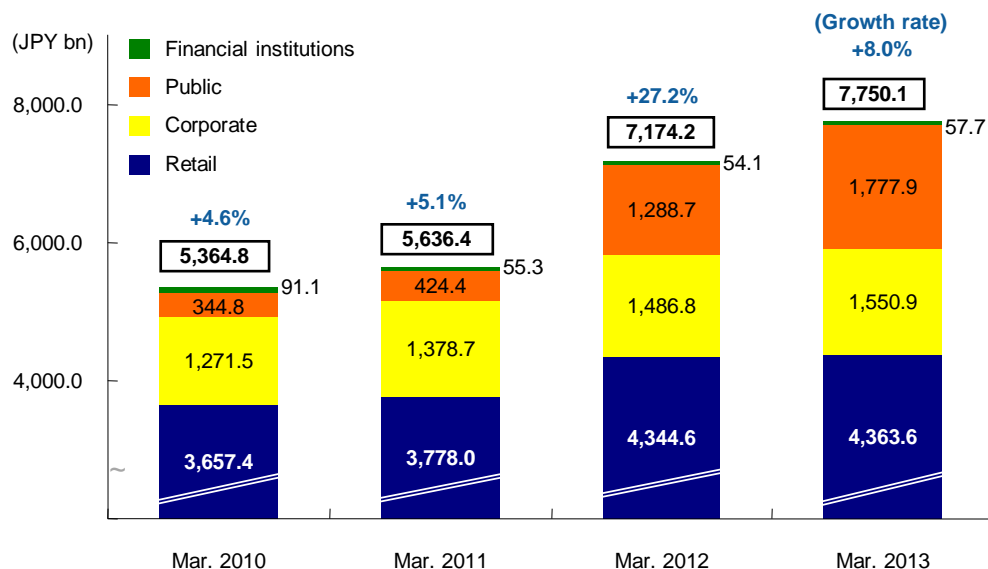
- Public and retail deposits increased significantly following the earthquake due to extraordinary factors (approximately JPY1.3 trillion (average balance)).
- These deposits are projected to remain at high levels for the time being due to the delay in reconstruction, although some withdrawals are expected as infrastructure and buildings/facilities are reconstructed.

Deposits and certificates of deposits (average balances)	FY2012	FY2013	YoY change %
Deposits and certificates of deposits	6,370.0	6,900.6	8.3
Retail deposits	4,259.9	4,364.5	2.4
Corporate deposits	1,428.7	1,469.5	2.8
Public deposits	655.9	1,043.0	59.0

(JPY bn)

FY2014 (Plan)	YoY change %
6,841.5	(0.8)

### <Deposits and certificates of deposits balances>



### <Extraordinary factors underlying the increase in deposits following the earthquake>

- Recovery grants from the government (Miyagi portion)  
Cumulative through March 31, 2013
- Recovery grants (Source: Reconstruction Agency HP)  
Approx. JPY 880.0 billion
  - Special local allocation tax grants for recovery from earthquake disaster (Source: Ministry of Internal Affairs and Communications HP)  
Approx. JPY 670.0 billion
- Insurance payouts, etc. (Miyagi portion)
- Earthquake insurance payouts (Source: The General Insurance Association of Japan HP)  
Approx. JPY 560.0 billion (As of May 31, 2012)
  - Relief funds (Source: Japanese Red Cross Society HP)  
Approx. JPY 170.0 billion (As of April 12, 2013)

## 5. Securities(1)

### Yields and duration

**Additional investment accompanying the significant increase in deposits following the earthquake**  
**Approx. JPY 700.0 billion (As of end-Mar. 2013)**

#### <Investment status>

Anticipated deposit withdrawals and future demand for funds accompanying the progress of reconstruction  
 => Invested mainly in short- and medium term public bonds to secure liquidity

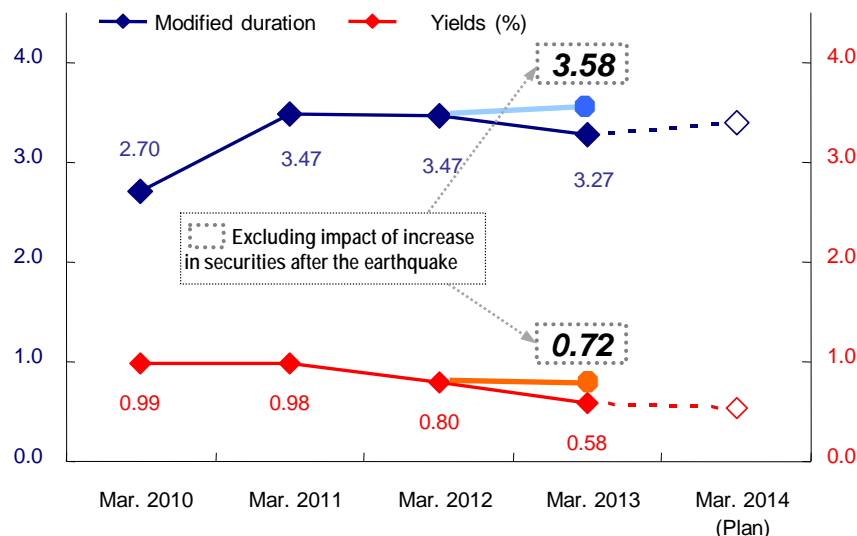
Modified duration : 2.32  
 Yields : 0.27%



**Duration and yields are declining**

### <Yields and modified duration of yen-denominated bonds>

\* Yen-dominated bonds other than investment trusts (annual basis)



### <Balance of securities>

	End-Mar. 2011	End-Mar. 2012	End-Mar. 2013	YoY change	YoY change, %	Gains (losses) from revaluation End-Mar. 2013	Change from End-Mar. 2012
<b>Securities</b>	2,118.0	2,849.4	3,402.9	553.5	19.4%	90.9	52.8
Bonds	2,024.1	2,764.3	3,304.6	540.3	19.5%	54.1	34.2
Yen-denominated bonds	1,780.9	2,552.6	2,966.0	413.4	16.2%	43.3	7.1
National gov. bonds	864.8	1,577.1	1,993.1	416.0	26.4%	22.8	2.9
Floating-rate national gov. bonds	365.5	319.6	315.5	(4.1)	(1.3%)	3.1	(4.2)
Local gov. bonds	107.9	82.2	87.9	5.7	6.9%	1.1	(0.5)
Corporate bonds	760.7	865.7	865.7	0.0	0.0%	19.4	4.7
Others	290.7	239.3	357.9	118.6	49.6%	10.8	27.1
Stocks	93.9	85.1	98.3	13.2	15.5%	36.8	18.6

## 5. Securities(2)

### Strengthen securities investment

Investment in yen-denominated bonds adjusted to interest rate trends

#### Ensure safety and liquidity

- Maintain a higher allocation to short- and medium term public bonds
  - ➔ Used as a source for reinvestment when interest rates are rising
- Maintain the current position in floating-rate national gov. bonds
- Investment in medium- to long-term bonds adjusted to interest rate levels

#### <Sophistication of market risk management>

Strengthen proactive management of the risk of rising interest rates

### Diversify investments to secure investment returns

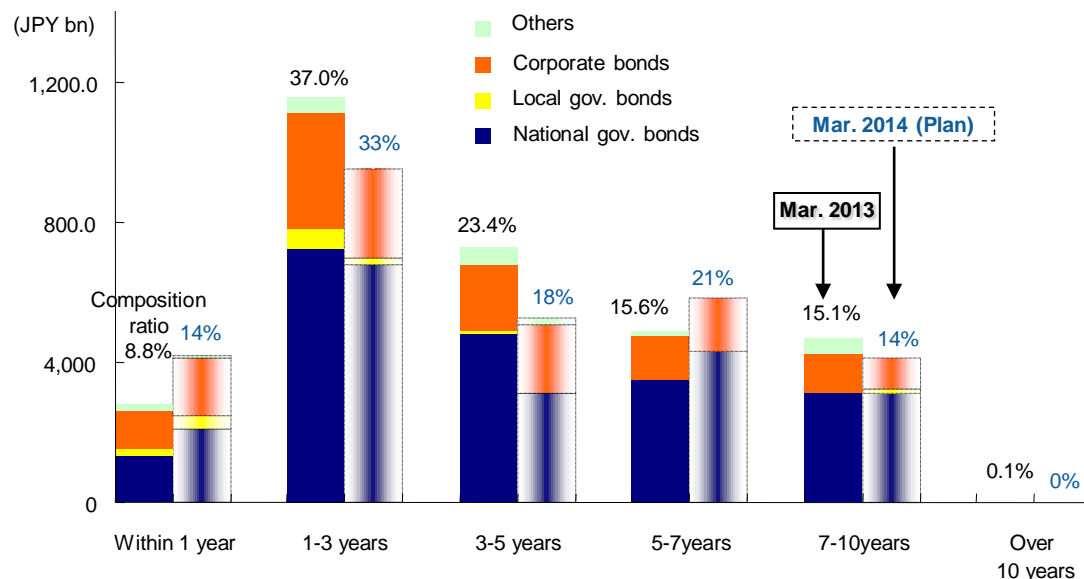
#### Enhance sources of investment returns

- Continue to invest in inflation proof assets such as stocks and REITs
- Enhance investments in the Asian region
- Strengthen investment in foreign bonds

#### Strengthen flexible investments

- Increase periodic income by taking advantage of market changes
- Rebalance equity and investment trust portfolios

<Balance and composition ratio by type and remaining terms to maturity>  
(Yen-denominated bonds)



#### Responses to the risk of rising interest rates and profitability improvement

- Use portfolios with higher liquidity
- Reduce risk and secure investment returns by diversifying tenors and types



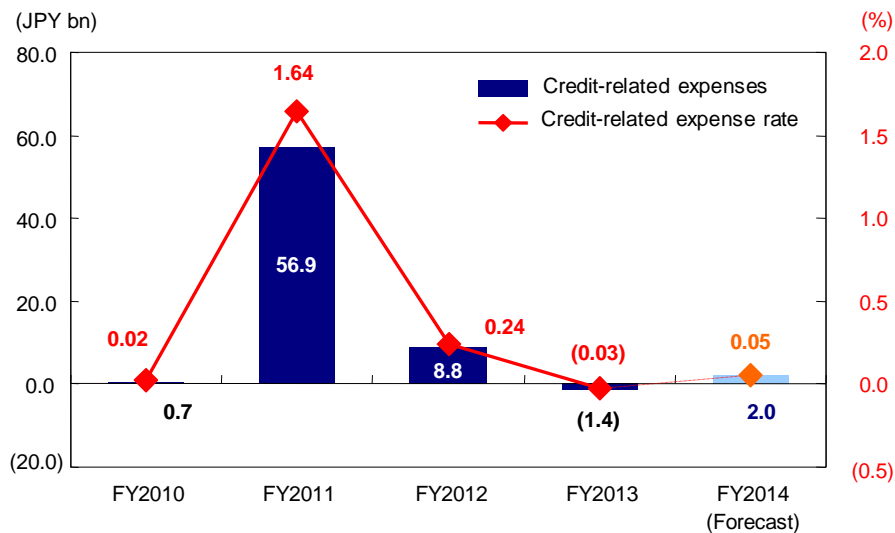
## 6. Credit-related expenses and credits disclosed under the Financial Reconstruction Law

### Credit-related expenses

Recognized a gain on reversal of reserve for possible loan losses as customers' business rehabilitation progressed and the business environment improved

	(JPY bn)		
	FY2011	FY2012	FY2013
Provision of general reserve for possible loan losses	3.1	2.5	-
Bad debt disposals	5.7	6.4	1.0
Provision of specific reserve for possible loan losses	4.4	5.2	-
Losses on sales of NPLs, etc.	1.3	1.2	1.0
Gains on reversal of reserve for possible loan losses (-)	-	-	2.3
Gains on reversal of reserve for contingent losses (-)	-	0.1	0.1
Provision of reserve for possible loan losses (Extraordinary loss)	48.1	-	-
<b>Total</b>	<b>56.9</b>	<b>8.8</b>	<b>(1.4)</b>

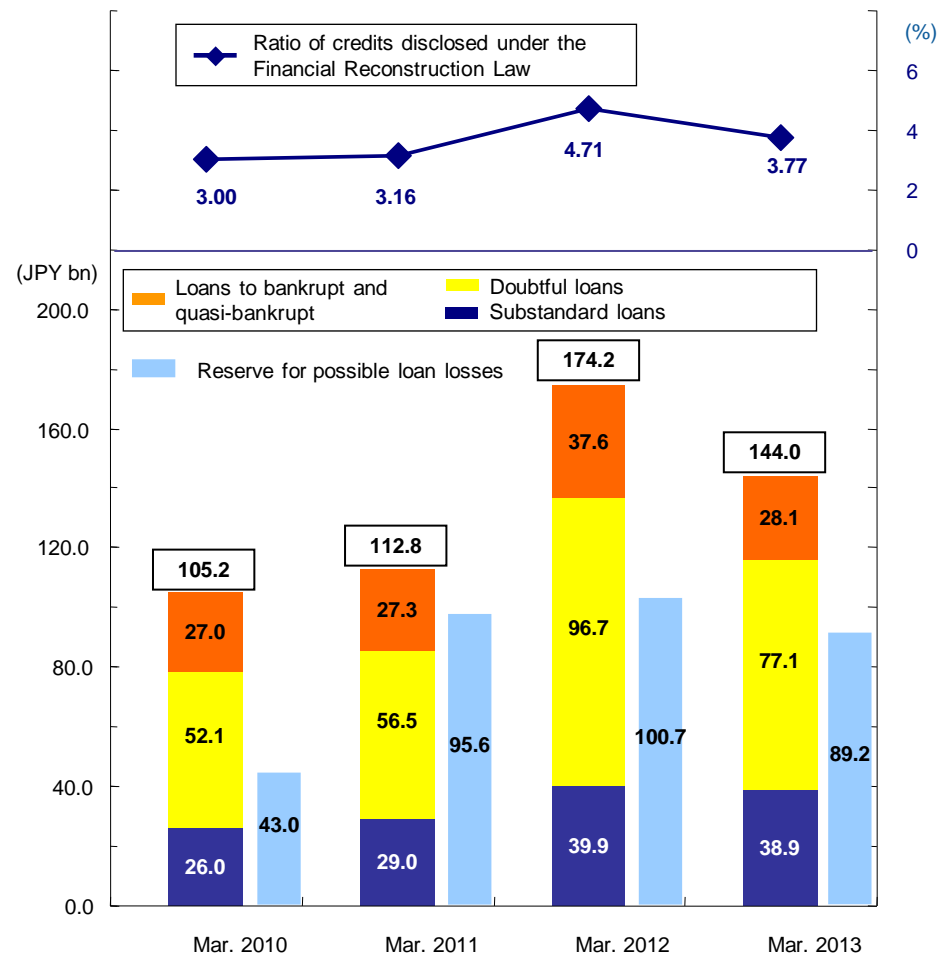
### <Credit-related expenses and credit-related expense rate trends>



### Credit disclosed under the Financial Reconstruction Law

Reserve for possible loan losses is at an adequate level

#### <Credits disclosed under the Financial Reconstruction Law>



\* The balance of credits disclosed under the Financial Reconstruction Law as of March 2011 shown above indicates the balance before we carried out self-assessment in consideration of the effect of the earthquake.

## 7. Capital adequacy

### Capital adequacy ratio

We maintained the capital adequacy ratio at sufficient levels (12.22% as of March 31, 2013).



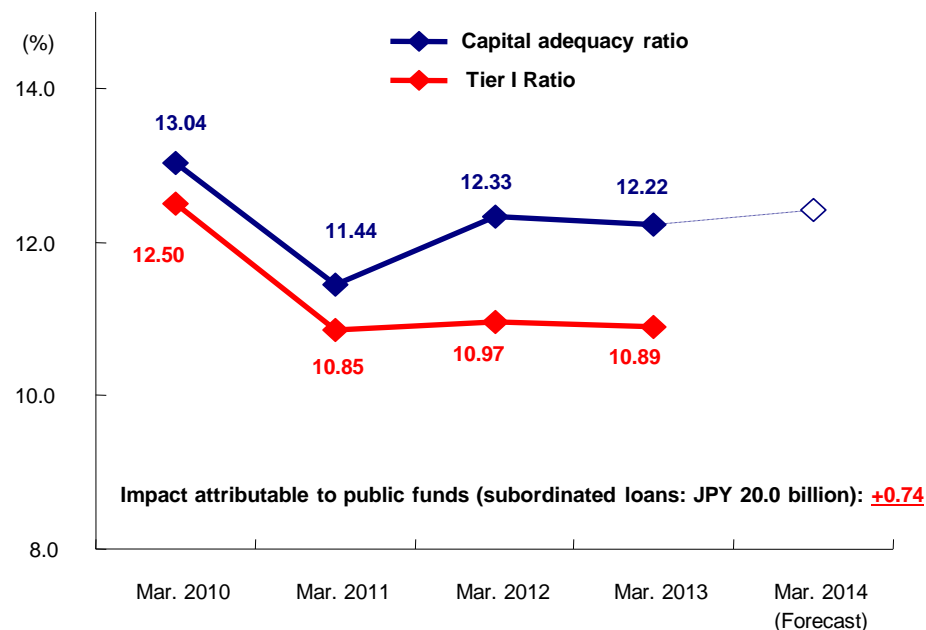
In the future, we will aim at early repayment of subordinated loans with increased retained earnings.

### <Capital adequacy>

(JPY bn)

	End-Mar. 2010	End-Mar. 2011	End-Mar. 2012	End-Mar. 2013
Capital	323.6	290.3	318.2	328.6
Tier I	310.2	275.5	283.1	292.8
Tier II	15.5	15.9	36.1	36.8
Subordinated loans	-	-	20.0	20.0
Risk assets	2,480.2	2,537.4	2,579.8	2,687.1

### <Capital adequacy ratio> (non-consolidated / domestic standards)



### <Reference> Effect of Basel III

Capital adequacy ratio under Basel III (domestic standards)

As of end-March 2013 (our provisional calculation): **12.44%**

Comparison with the current level: **+0.22**

# 1. Trends in Miyagi Prefecture

## Reconstruction and industrial transformation following the earthquake

Two major developments

### Earthquake reconstruction

- **Large marine facilities/marine product processing industrial parks**  
(Ishinomaki, Shiogama, Kesennuma, Onagawa, Minami-sanriku)  
Rehabilitation of fisheries using recovery grants
- **Shipbuilding industrial parks** (Kesennuma)  
Development of shared use facilities for shipbuilding, repair, etc.
- **Strawberry farming parks** (Watari, Yamamoto)  
Farming parks development led by municipalities using recovery grants
- **Biomass business** (Sendai, Ishinomaki, Kesennuma)  
A new business initiative to take advantage of wood and seaweed
- **Restoration housing plan**  
(Miyagi and other municipalities)  
Progress of the disaster prevention mass relocation business and housing reconstruction support provided by the municipalities
- **Other businesses taking advantage of the special reconstruction area designation**

### Industrial transformation

- **Concentration of automotive industry**  
(Southern Iwate to Northern Sendai)  
Full operation of Toyota Motor East Japan, Inc.
- **Concentration of IED industry** (Northern Sendai)  
Companies related to semiconductor manufacturing equipment such as Tokyo Electron Miyagi Limited
- **Mega solar power plants**  
(Ishinomaki, Iwanuma, Higashi-Matsushima)  
Business plans to be materialized in multiple regions of Miyagi
- **Development of the fishery and agriculture sectors into the sextiary sector** (Sendai)  
Business development using the tax relief available to special restoration regions
- **The ILC (International Linear Collider) plan**  
(Oushu, Iwate Pref. to Kesennuma)  
Candidate locations in Japan to be narrowed down to one location in July 2013  
If finalized, an additional production of JPY 4.3 trillion is expected
- **Other local revitalization measures under cooperation among the industry, academics, and the government**

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Promotion of lending

Provision of solutions

Rehabilitation of local communities and enterprises  
Revitalization of the economy of developing areas

## 2. Promote lending

### Corporate loans

Identify borrowing needs through visits to customers

Ongoing visits to customers

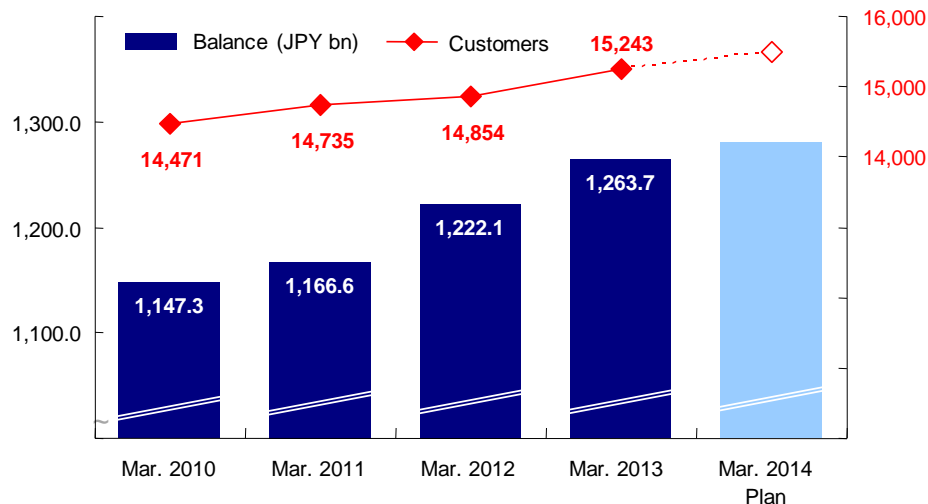
Total number of visits to customers: **Approx. 500,000** (FY2013)

Reinforcing customer relationship

- Accurately identify borrowing needs
- Promote efforts to increase the share of loans provided by the Bank

Both the number of customers and the balance are increasing

<Number of customers and loan balance to SMEs>



### Retail loans

Strengthen the efforts targeted at housing demand

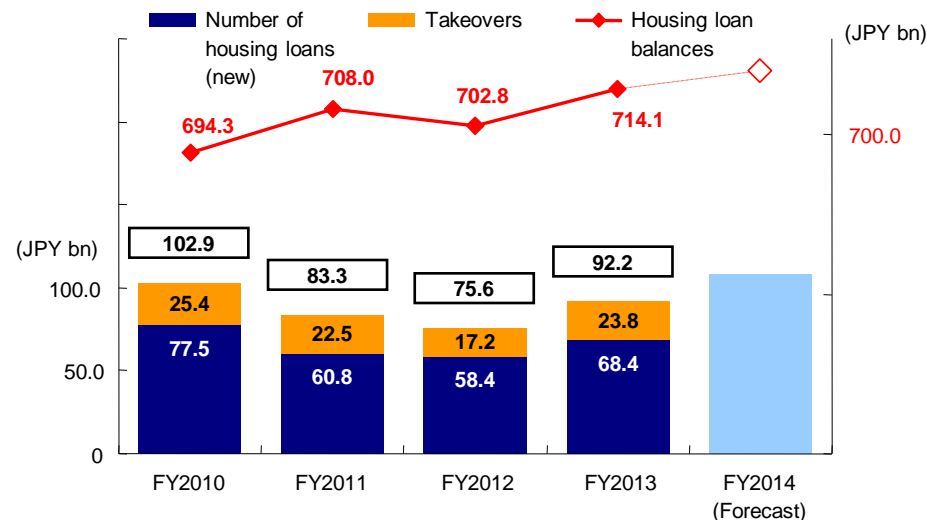
The housing loan balance declined after the earthquake

- Offer Japan Housing Finance Agency housing loans for those affected by the disaster  
Loans so far: **Approx. JPY 58.0 billion** (loans approved by agency, as of Apr. 2013)
- Total for repayments and early full repayment through insurance payouts, etc.  
Total: **Approx. JPY 30.0 billion**

- Strengthen sales by holding Sunday loan consultations and using mail shots
- Offer competitive interest rates

Housing loan balance is upward trend due to progress in reconstruction

<Number of housing loans granted and balance of housing loans>



### 3. Support earthquake recovery and revitalize the regional economy (1)

#### Earthquake disaster-related loans

#### Earthquake disaster-related loan performance (After the earthquake to end-Mar. 2013)

12,079 cases totaling JPY 298.4 billion

#### <Breakdown>

##### Corporate loans

(cases, JPY bn)

	Operating	Capital expenditure	Total
Cases	4,535	1,288	5,823
Amount	160.1	62.0	222.1

##### Retail loans

(cases, JPY bn)

	Unsecured	Housing	Total
Cases	2,485	3,771	6,256
Amount	4.4	71.9	76.3

#### SME group business promotion grants

Recovery development assistance projects for SME group facilities

Bridging finance performance  
(After the earthquake to end-Mar. 2013)

**334 cases**  
**totaling JPY 26.5 billion**

Portion of own funds performance  
(After the earthquake to end-Mar. 2013)

**83 cases**  
**totaling JPY 8.9 billion**

#### <Reference>

**Budget of group business promotion grants to Miyagi :  
Approximately JPY240.0 billion**

(Total of the national government and prefectural grants; cumulative through end-Mar. 2013)

Smooth provision of funds through  
the diversification of means to provide funds

#### ABL (Asset Based Lending)

Performance  
(to end-Mar. 2013)

**55 cases totaling  
JPY 7.5 billion**

After the earthquake – end-Mar. 2013

**37 cases /  
loans totaling JPY 6.3 billion**

#### <Financing of operating funds>

- Inventory of merchandise: Clothing items, miso, soy sauce, etc.
- Trade receivables: Electronically recorded monetary claims, etc.

#### Personal property appraisal advisors

(Qualification certified by Nihon Dosan Kantei)  
Efficient use of the certified employees: **11 people**

No. 1 in Japan among financial institutions in terms of the number of employees who has the qualification (As of end-May 2013)

#### <Financing of funds to purchase personal property>

- Large-scale cranes, hydraulic shovels, photovoltaic power generation facilities etc.

#### Renewable energy-related loans

Performance

(After the earthquake to end-Mar. 2013)

**13 cases totaling  
JPY 4.0 billion**

Mega solar power plants, biomass power plants, etc.

Information gathering through coordination with municipalities

Accurate identification of prospective projects

#### Reconstruction support funds

The investment results

(After the earthquake to end-Mar. 2013)

**8 cases totaling  
JPY 1.3 billion**

The Great East Japan Earthquake SME Reconstruction Support Fund

- Established jointly with Daiwa Corporate Investment Co., Ltd. in Jan. 2012

Miyagi Reconstruction Bridge Fund

- Established jointly with the Development Bank of Japan in Aug. 2011

### 3. Support earthquake recovery and revitalize the regional economy (2)

#### Corporate rehabilitation supports

Promote business improvement through corporate rehabilitation support

[Facilitation of financing]

(Overlapping loans)

[Loans for affected companies]

##### <Tighten procedures in the Credit Supervision Division>

- Increase the number of personnel in the Enterprise Assistance Dept.  
**Increased 9 people**  
(After the earthquake)  
Total 14 people
- Assigned external specialists at the headquarters  
**3 people**  
(In the Credit Supervision Division, from Apr. 2013)  
Business turnaround plan formulation supports, etc.

**17 personnel in total**

##### <Business operations improvement support> Number of businesses turnaround plan developed in FY2013

**1,964 customers**

Year-on-year basis **Approx. +1,200**

Of which, upgraded to higher borrower category  
**299**

Of which, rehabilitation plan formulation party  
**337**

##### <Use of credit purchase corporations>

- The Great East Japan Earthquake SME Reconstruction Support Fund
- Organization for Industry Promotion

Determined fund recipients  
(77 Bank supported)

**Total 77 customers**

(After the earthquake to end-Apr. 2013)

#### Response a double loan problem

Effective use of Guidelines for Individual Debtor Out-of-Court Workouts, etc.

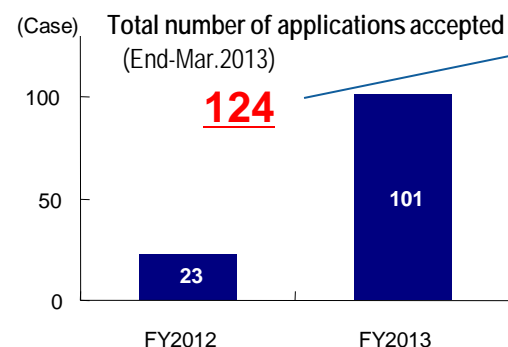
##### Efforts to increase the awareness of the Guidelines

###### •Gave free consultation sessions

At 10 venues in total jointly with the Sendai Bar Association and the Tohoku Local Finance Bureau  
(8 venues in Miyagi and 2 venues in Fukushima through end-May 2013)

###### •Direct mails and visits to housing loan customers

##### <Number of Guideline applications accepted (by the Bank)>



• Number of applications approved: **63**  
\*There was **no** rejected application

• Number of applications for which the customer procedure is in process (The repayment plan is being prepared, etc.): **61**

##### Effective use of products designed to support quake victims

- Preferential interest rates on loans to quake victims
- Housing loans (for mass relocation/leased land type)

\*Introduced for the first time in Japan.

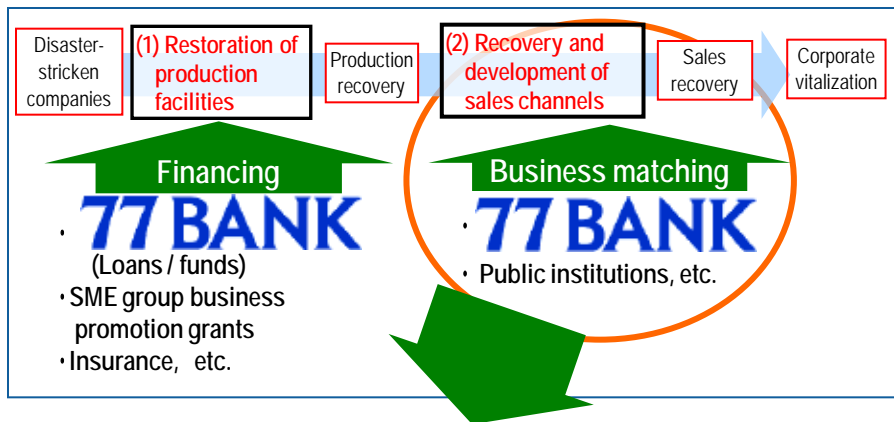
Commercial launch in February 2013

Housing loans provided specifically to those who construct a building on leased land under the mass relocation promotion business and secured only by the building

### 3. Support earthquake recovery and revitalize the regional economy (3)

#### Promote the business matching initiative

Rehabilitation support to customers through the recovery and development sales channels



#### Promotion of agribusiness and development into the sextiary sector

Promotion of development into the sextiary sector through a newly established fund

<Available human resources>

- Agricultural management advisors: **19**
  - Agriculture business diversification planners: **3**
  - Voluntary planner: **1**
- (As of end-Mar. 2013)

<Use of the fund>

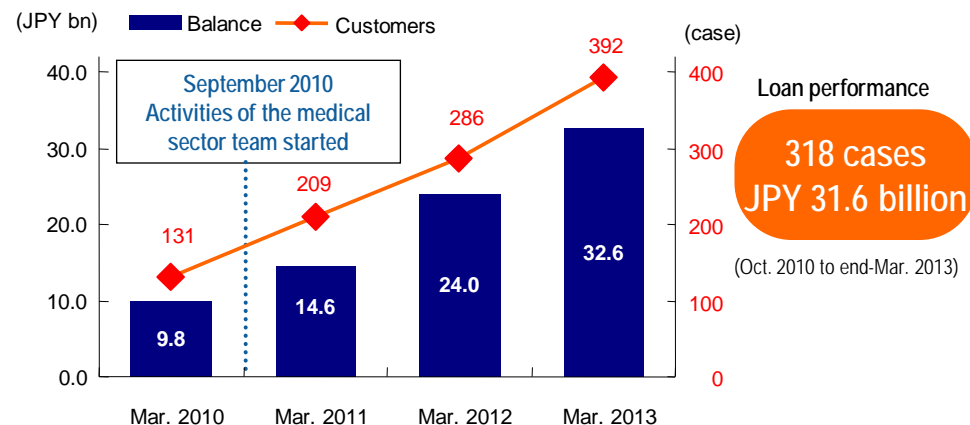
**Tohoku Sextiary Sector Industries Development Fund**  
(established in April 2013)  
**Fund size**  
**JPY 2.0 billion**



#### Medical and nursing fields

Strengthen the efforts to tap demand for funds by the medical sector team

<77 Bank medical and welfare loan balance and number of cases >



#### Provide business matching opportunities by holding trade fairs

Performance in FY2013

Approx. 270 customers attended

**Japan (5 meetings)**  
Sendai, Ishinomaki,  
Yamagata, Tokyo

**Overseas (4 meetings)**  
China, Hong Kong,  
Thailand

#### Provide highly promising individual business opportunities

• Provision of matching information based on the needs of customers through individual business negotiations (between our customers, with the Aeon Group, etc.)

Number of business matching contracts total: **Approx. 1,700 cases**

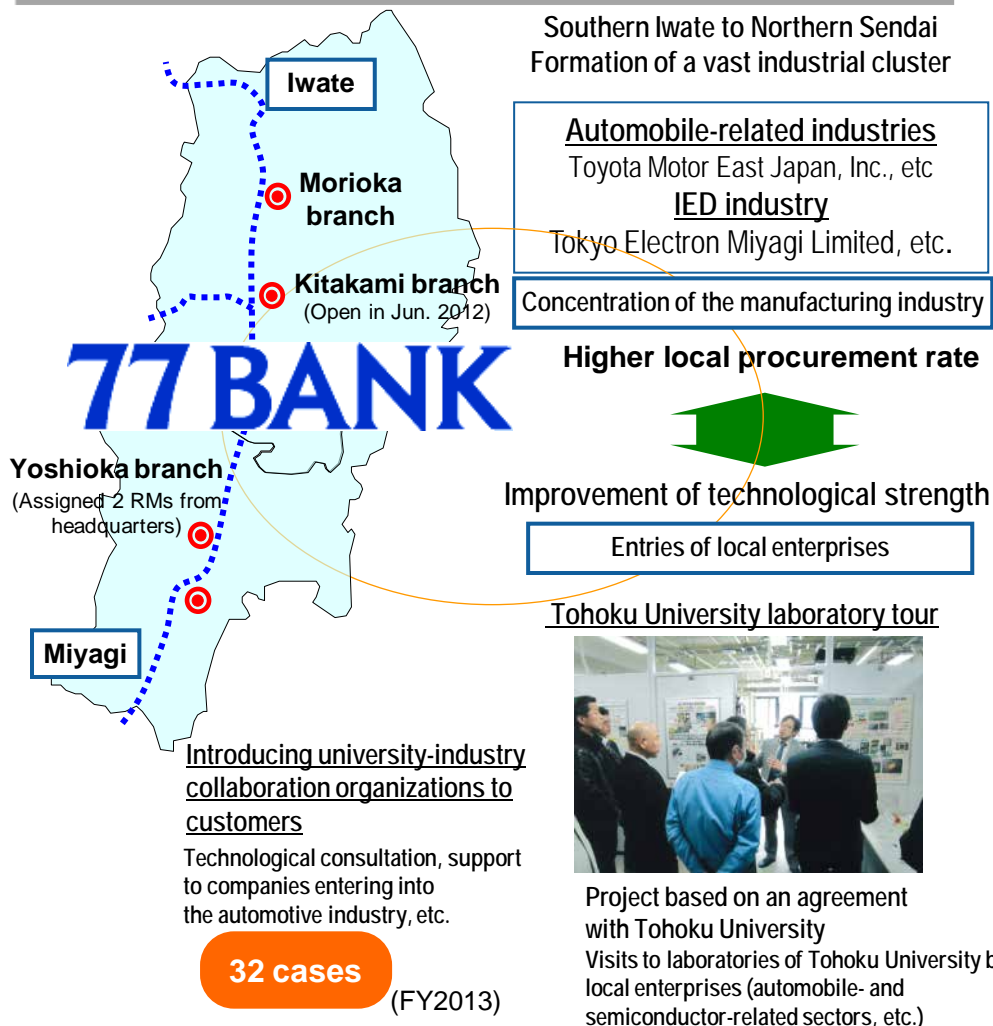
(After the earthquake to end-Mar. 2013)

Of which, Loan performance **Approx. JPY 7.0 billion** Real estate brokerage, etc.

### 3. Support earthquake recovery and revitalize the regional economy (4)

#### Responses to the concentration of manufacturing industry

Provide support to customers leveraging the network encompassing the industry, academics, and the government.



#### Support for local companies for Asia business

- Domestic lending to respond to borrowing needs overseas
- Promotion of credit transactions starting with overseas business support

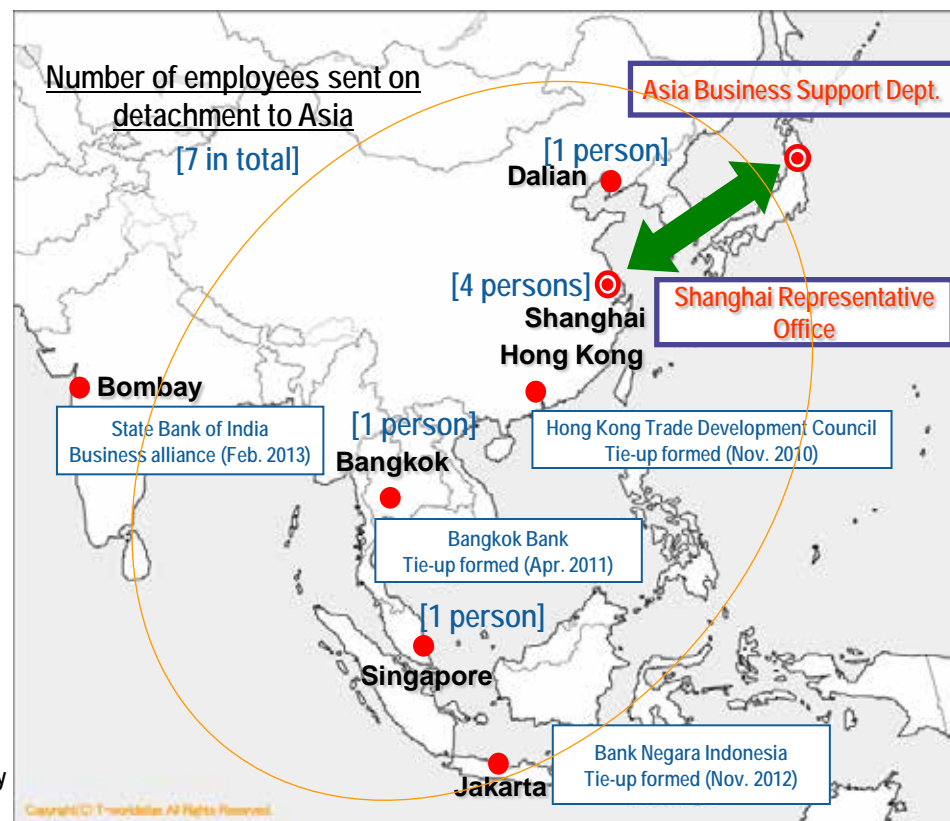
<Number of overseas business support cases>

Over 600 in total

(Total from Mar. 2011 to Mar. 2013)

<Number of loans related to overseas business support>

25 cases/approx. JPY 4.0 billion

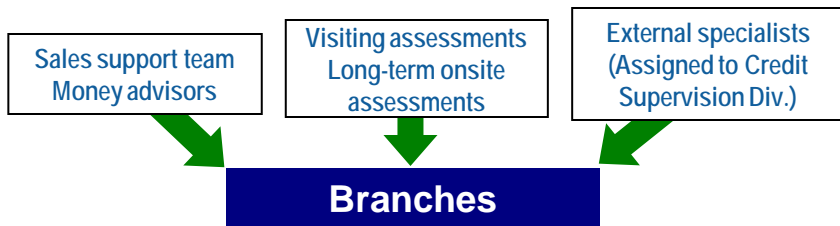




# 4. Expand investment in human resource development / Strengthen assets in custody

## Expand investment in human resource development

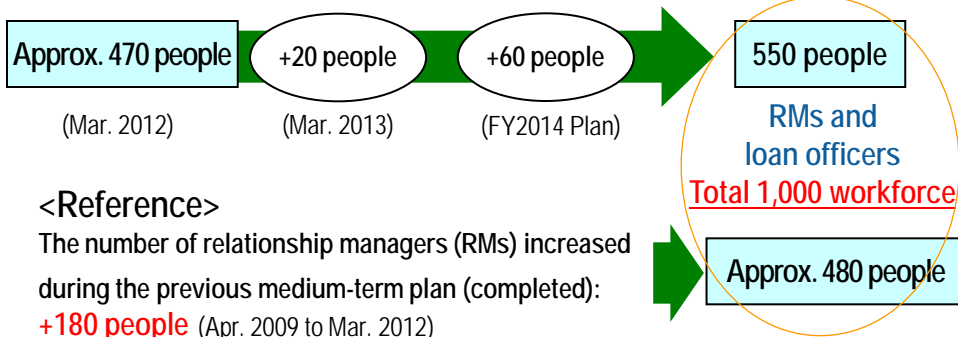
Maximize sales force by strengthening lending and consulting capabilities



Improvement of a practical financing skill

### Increase in the number of loan officers

Medium-term plan +80 people



#### <Reference>

The number of relationship managers (RMs) increased during the previous medium-term plan (completed): **+180 people** (Apr. 2009 to Mar. 2012)

### Develop finance capabilities of young employees through the Bank's internal school, Seven Juku

Total number of participants: **256**

### Video conference system

(installation completed at all branches in May 2013)

Utilize in meetings and trainings

## Strengthen assets in custody

Expand the Bank's customer base and increase fees and commissions

Sharp increase in deposits following the earthquake due to inflow of insurance payments and others

➡ Promote a shift in funds from liquid deposits to assets in custody

### Strengthen life consulting capabilities

- Introduce tablet PCs (arranged for all branches in April 2013)
- Utilize the 77 Akaishidai Insurance Plaza dedicated insurance sales counters

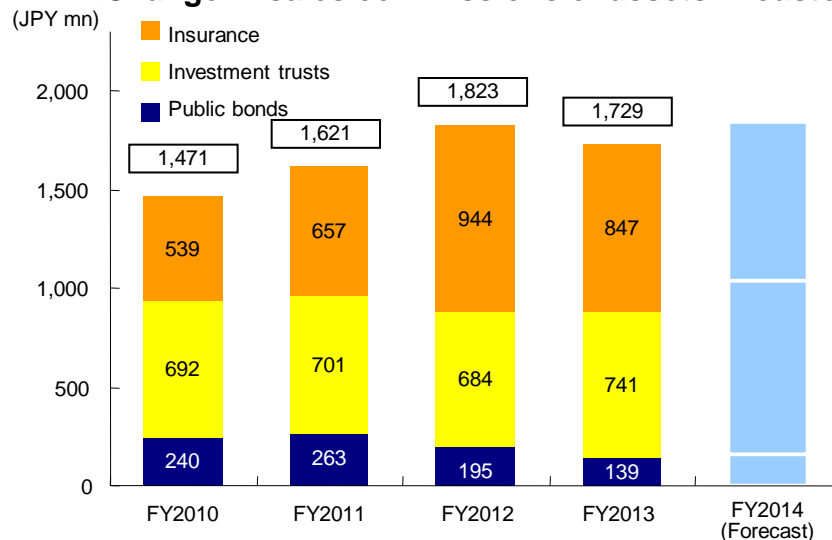
### Strengthen follow-up initiatives toward customers holding assets in custody

- Host seminars at each branch

### Capture large-scale JGB redemptions for individual investors

- Enhance the product lineup

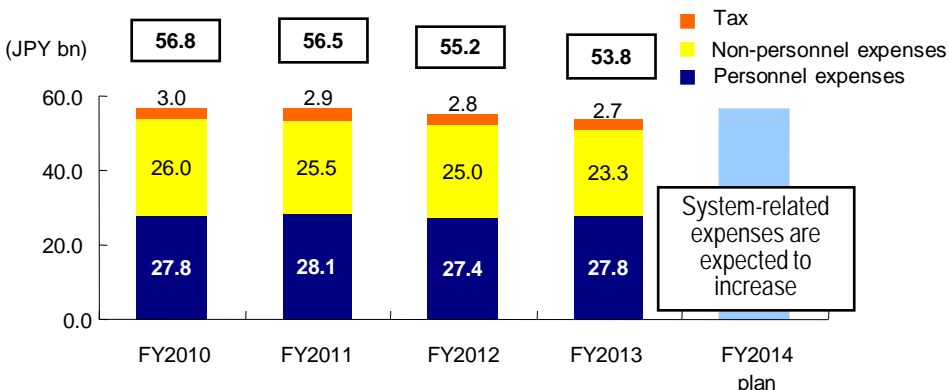
### <Change in sales commissions of assets in custody>



## 5. Further improve productivity

### Expenses

Expenses, particularly non-personnel expenses, were generally on a decrease, but they are expected to increase in FY2014



### Take steps toward a joint banking system (MEJAR)

Scheduled to start operation in January 2016;  
All-out preparation toward smooth transition

Participating banks: 4 banks [77Bank, Bank of Yokohama, Hokuohoku FG (The Hokuriku Bank, The Hokkaido Bank) ]

#### <Scope of system joint use>

- Backbone system (deposits, transactions, loans, etc.)
- ATMs, Internet banking, etc.

\*Consider expanding the scope by system joint use going forward.

#### <Expected benefits>

- Cost reduction / leveling
- The growing diversification and sophistication of financial services
- More sophisticated and efficient business operation through shared know-how

### Adhere strictly to a policy of low-cost operations

Strengthen business development activities by the time and human resources created through BPR and the increase in part-time employees

### Continue to push ahead with BPR

Impact of BPR (FY2013)

Approx. 3 hours

Impact of BPR implemented during the previous medium-term plan (FY2010 to FY2012)

Total Approx. 10 hours

\*Effect: Expected time saved daily per branch

Office work efficiency effect

Total approx. 13 hours

- Review excess administrative works
- Centralize administrative tasks to the head office

### Effectively use part-time staff

	Mar. 2012	Mar. 2013	Mar. 2015 (Forecast)
Part timer	Approx. 750	Approx. 850	Approx. 1,000
Bank clerks	Approx. 2,900	Approx. 2,800	Approx. 2,900
Total	Approx. 3,650	Approx. 3,650	Approx. 3,900

Increase headcount by around 250 during the medium-term management plan  
Create 1,000 part-time workforce (Mar. 2015)

➡ More employees in charge of sales and lending

### Radical review of costs

Carry out a radical review of costs by hiring external consultants

## 6. Continue to develop the financial services platform / Improve shareholder value

### Continue to develop the financial services platform

Enhancement of the 77 Bank brand through contribution to local communities

#### Step up initiatives that contribute to local communities

##### Rehabilitation support to the coastal disaster prevention forests

Our newly hired employees planted about 750 black pine trees in Arahama, Sendai



#### Reinforce the Bank's emphasis on warm-hearted customer service

##### Efforts to improve our customer service

###### Service care attendants

Number of qualified employees: **124**  
(As of Mar. 2013)  
**Up 95 from March 2012**

###### Dementia supporters

Number of qualified employees: **885**  
(As of Mar. 2013)  
**Up 436 from March 2012**

##### Enhancement of services for physically handicapped customers

Started the use of IC cards with braille lettering  
(Since February 2013)



Braille lettering

Enhancement of braille services  
(Since May 2013)

- Started to issue ordinary and savings deposit transaction details
- More frequent issuance of statements  
4 times per year => Monthly

### Improve shareholder value

Enhancement of shareholder value through strengthened IR and corporate governance

#### Election of an outside director (scheduled for June 2013)

Election of an outside director

The number of outside officers to increase from 3 to 4,

all of whom are independent officers

#### Deletion of provisions of the articles of incorporation concerning the issuance of preferred shares

(scheduled for June 2013)

Based on comprehensive consideration of the fact that no issuance of such shares is expected in the future and the current business environment

#### Upgrade and expand IR activities

Secure stable shareholders through IR activities targeted at the local communities and individuals

Continue IR activities targeted at foreign investors

#### Maintain stable dividends

Continue to pay stable dividend even after the earthquake

	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014 (Forecast)
Net income	JPY (30.6)bn	JPY 10.6bn	JPY 12.1bn	JPY 13.0bn
Annual dividends	6.0 yen	7.0 yen	7.0 yen	7.0 yen
Payout ratio	-	24.6%	21.5%	20.1%

<Reference> Recent acquisition of own shares

• Acquisition period: February to April 2011

• Total number of shares acquired: 5,563,000

• Total acquisition amount: approximately JPY2.5 billion

\* Acquisition was suspended in April 2011 in consideration of the effect of the earthquake.

# 1. Overview of the Medium-term Management Plan

## Medium-term Management Plan Basic policies

1. Support earthquake recovery and revitalize the regional economy

2. Strengthen loan and consulting capabilities

3. Further improve productivity

## Overview of the Medium-term Management Plan

We achieved the target in all items in FY2013

(Fiscal year end, JPY bn)

Balance of retail loans and bills discounted *1	FY2012 result	FY2013 plan	FY2013 result	Change from FY2013 Plan	FY2014 plan	Objective As of Mar 31, 2015 (final year of the Plan)
	2,093.3	2,110.0	2,138.3	28.3	2,142.0	
Balance of retail loans and bills discounted in Miyagi Pref. *2	1,931.1	1,947.0	1,969.9	22.9	1,971.0	JPY 2 trillion or more

\*1 Balance of loans and bills discounted excluding local government and other public authority, Tokyo, Osaka, and Nagoya areas branches as well as head office accounts

\*2 Balance of loans and bills discounted excluding local government and other public authority as well as head office accounts

(JPY bn)

Sales of investment trust, insurance, and public bond	FY2012 result	FY2013 plan	FY2013 result	Change from FY2013 Plan	FY2014 plan	Objective Cumulative total for the period of the Medium-term Management Plan
	144.1	137.5	144.5	7.0	157.0	

(JPY bn)

Net income	FY2012 result	FY2013 plan	FY2013 result	Change from FY2013 Plan	FY2014 plan	Objective	
						FY2013 and FY2014 respectively	FY2015, final year of the Plan
10.6	10.5	12.1	1.6	13.0	JPY 11.0 billion or more	JPY 13.0 billion or more	

(%)

Core OHR	FY2012 result	FY2013 plan	FY2013 result	Change from FY2013 Plan	FY2014 plan	Objective FY2015

## 2. Projected performance for FY2014

Projected performance (non-consolidated)	FY2012 results	FY2013 plan	(JPY bn)
			YoY change
Gross operating income	77.0	77.5	0.5
[Core gross operating income]	[ 78.5]	[ 78.0]	[ (0.5)]
Interest income	68.5	68.3	(0.2)
Fees and commissions	9.8	9.6	(0.2)
Gains (losses) on bonds	(1.5)	(0.5)	1.0
Foreign exchange transaction income	0.2	0.0	(0.2)
Expenses	53.8	56.5	2.7
Operating income before provision of general reserve for possible loan losses	23.2	21.0	(2.2)
[Core operating income]	[ 24.7]	[ 21.5]	[ (3.2)]
Provision of general reserve for possible loan losses	–	–	–
Operating income	23.2	21.0	(2.2)
Special income (losses)	(2.6)	(1.0)	1.6
Bad debt disposals (-)	1.0	2.0	1.0
Gains on reversal of reserve for possible loan losses	2.3	–	(2.3)
Gains on reversal of reserve for contingent losses	0.1	–	(0.1)
Gains (losses) on stocks	(3.9)	0.6	4.5
Ordinary income	20.6	20.0	(0.6)
Extraordinary losses	(0.8)	(0.5)	0.3
Income taxes (incl. deferred taxes)	7.7	6.5	(1.2)
Net income (Net loss)	12.1	13.0	0.9
Credit-related expenses	(1.4)	2.0	3.4

Major accounts (average balances)	FY2013 results	FY2014 plan	(JPY bn, %)
			YoY change
Loans and bills discounted	3,641.7	3,700.0	1.6
Securities	3,112.2	3,318.2	6.6
Deposits and certificates of deposits	6,900.6	6,841.5	(0.8)
Ref.			
Assets in custody (term-end balances)	716.6	746.5	4.1

Interest rates/ Interest margin	FY2013 results	FY2014 plan	YoY change
			(%)
Loans and bills discounted interest rate	1.35	1.30	(0.05)
Securities interest rate	0.71	0.69	(0.02)
Interest rate on deposits	0.04	0.03	(0.01)
Interest rate spread	0.95	0.95	0.00
Net interest margin	0.17	0.13	(0.04)

\*Figures in YoY change shows percentage points.

### <Interest rates and other assumptions underlying the projection>

	FY2013 results	FY2014 forecast
Unsecured call rate O/N	0.08%	0.08%
JPY TIBOR (3 months)	0.32%	0.27%
5-year JGBs	0.20%	0.18%
10-year JGBs	0.78%	0.83%
Exchange rate (JPY/USD)	¥83	¥94
Nikkei Average (At the term-end)	¥12,397	¥11,500

\*Note: Figures in the FY2014 (forecast) column were prepared in March 2013.

This is a Japanese-English translation of the presentation material for your convenience. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

Please note that the projections described in this document do not guarantee future performance. Future performance projections may differ from actual results due to uncertainty caused by factors such as changes in the business environment.

**七十七銀行**