

## ● Message from the President

*The 77 Bank aims to be the “Value-creating bank” that grows together with and is the most trusted by the region.*



Teruhiko Ujiie, President

The moderate recovery of the Japanese economy is continuing as exports and production start to gain vigor owing to the recovery of the U.S. economy and the depreciation of the yen, despite the lingering weakness of personal consumption.

The economy of Miyagi Prefecture, the primary base of operations for The 77 Bank, is recovering at a modest pace. Economic activity has been generally upbeat, supported by demand associated with reconstruction in the aftermath of the Great East Japan Earthquake, notwithstanding weakness in certain areas.

Four years have passed since the Great East Japan Earthquake. In coastal areas, despite a sharp rise in prices of construction materials and labor shortages, projects promoting group relocation for disaster mitigation and construction of public housing for people affected by the disaster are underway. Underpinned by development of highway networks and resumption of railway operations that will promote exchanges among regions, initiatives to put the lives and livelihoods of disaster victims back on a firm footing and to build new communities are moving into high gear.

Looking to the future, through daily, ongoing customer relations, financial institutions need to share the recognition of management issues with their customers who are at various life phases and vigorously fulfill financial intermediary functions by utilizing our judgment capability, paying attention to feasibility and the potential of customers without being overly dependent on financial data, collateral and guarantees. Moreover, in view of the population decrease and the aging of society confronting regional cities, financial institutions should strengthen their initiatives to foster companies and industries capable of becoming the driving force of the regional economy. Moreover, it is incumbent on them to fulfill consulting functions while utilizing the expertise of external specialists so as to contribute to sustainable growth of the region.

As a financial institution based in the region struck by the Great East Japan Earthquake, we need to identify the situation in the disaster-stricken areas and the changing needs of the disaster victims corresponding to the phase of the recovery. Our task is to support the acceleration of reconstruction and recovery in collaboration with the national government and municipalities.

On the other hand, in Sendai and the surrounding area, competition among banks is intensifying as they seek to address vigorous needs for funds and capture business opportunities in view of the demand to endow Sendai, the core city in the Tohoku region, with enhanced urban functions and the trend toward concentration of economic activity in Sendai. While the mission of regional banks in the future is the subject of debate, in order to maintain and enhance the management foundation of the Bank, it is necessary to enhance the Bank's presence in Miyagi Prefecture and the wider Tohoku region. With this in mind, we need to strengthen earnings power and enhance operational efficiency by utilizing information networks and helping customers resolve their issues by offering consulting services.

In order to vigorously address these issues, the Bank launched a new medium-term management plan “Value Up: Challenge Value Creation” in April 2015 that covers three years. Based on this plan, we are deepening our relationships with the people of the region and ensuring that all aspects of our business contribute to the fulfillment of our mission as a regional financial institution, that is, to contribute to the revitalization and development of the regional society and economy.



## 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.

## 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 15 directors, two of whom are outside directors, 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

