

## ● Message from the President

*The 77 Bank aims to be the “Best Consulting Bank” that responds to customers’ needs by offering the optimum solutions.*



Hidefumi Kobayashi, President

Regarding the Japanese economy, against the backdrop of moderate growth of overseas economies, exports and production are trending upward. In addition, following the improvement of corporate earnings and rising business confidence, capital investment is also trending upward. Consequently, the moderate recovery of the Japanese economy is continuing.

In Miyagi Prefecture, the primary base of operations for The 77 Bank, although demand for reconstruction and recovery from the Great East Japan Earthquake has largely run its course, economic activity generally remained at a high level and the moderate recovery trend continued.

Looking to the future, in addition to the issue of “decline in profitability” against the backdrop of structural problems, such as population aging, a declining birthrate and a shrinking population, and the negative interest rate policy, financial institutions are also facing a new threat of “less revenue opportu-

nities” because new contenders, such as companies in other business sectors and FinTech companies, are entering the financial field. In these circumstances, financial institutions need to establish a “sustainable business model” that will contribute to the resolving of various management issues.

While aspiring to become a bank that is truly supported by customers through differentiation from other financial institutions, companies in other business sectors, and FinTech companies that are strengthening their efforts to increase their business in the Sendai area, The 77 Bank also needs to establish a more robust business foundation. As a financial institution based in the region struck by the Great East Japan Earthquake, our task is to support the acceleration of reconstruction and recovery through proposals of solutions and support of implementation according to the circumstances and needs of the disaster victims.

In order to address these various issues, the Bank launched a medium-term management plan “For The Customer & For The Future—Best Consulting Bank Project—” in April 2018. Based on this plan, we will work to strengthen our consulting capabilities to further enhance the degree of customer satisfaction and confidence in the Bank by offering the optimum solutions for customers’ needs and issues. At the same time, we will work to establish a robust business foundation with the aim of achieving sustainable growth.

## Outline of Medium-term Management Plan

### 1. Name

“For The Customer & For The Future”  
—Best Consulting Bank Project—

### 2. Period

3 years [from April 1, 2018 to March 31, 2021]

### 3. Basic policies (Medium-term business model)

Further enhance the degree of customer satisfaction and confidence in the Bank through “consulting” offering the optimum solutions by identifying customers’ needs and issues. Moreover, enhance profitability and employee satisfaction through these initiatives.

### 4. Key Strategies

Key Strategy 1	<b>Growth strategy</b> —Strengthening of profitability—	Key Strategy 2	<b>Regional economy vitalization strategy</b> —Enhancement of value of the region—
(1) Establish systems and structures for strengthening consulting capabilities (2) Strengthen consulting-based sales capabilities throughout the Group (3) Strengthen the channel strategy utilizing IT and FinTech (4) Promote sophisticated management of securities		(1) Continue earthquake recovery support (2) Contribute to regional revitalization (3) Strengthen relations with regional public bodies (4) Strengthen support for corporate rehabilitation and business reform	
Key Strategy 3	<b>Productivity enhancement strategy</b> —Effective and efficient allocation of resources—	Key Strategy 4	<b>Governance strategy—Strengthening of governance for sustainable growth—</b>
(1) Make effective investment in light of sales measures (2) Continue business reform (3) Promote working style reform (4) Optimize allocation of human resources and promote strategic utilization		(1) Enhance and strengthen governance • Vigorously address ESG-related issues (2) Establish brand strategy (3) Enhance shareholder value	

For The Customer



For The Future

ベスト・コンサルティングバンク

### 5. Targets / KPIs

#### ○ Targets

#### Targets for the final year of MTMP (FY2021)

	Item	FY2018 results	FY2021 targets
Enhancement of profitability	• Net income (consolidated) • Interest on loans and bills discounted • Fees and commissions	JPY18.3 bn JPY41.4 bn JPY9.3 bn	JPY19.0 bn or more JPY45.0 bn or more JPY11.5 bn or more
Pursuit of efficiency	• Core OHR (core gross operating income expense ratio) • ROE (consolidated)	69.5% 3.8%	Less than 70% 3.7% or more
Pursuit of soundness	• Capital adequacy ratio (consolidated)	10.4%	10% or more
Strengthening of corporate sales capabilities	• Balance of corporate loans (term-end) Of which Miyagi Prefecture Of which Sendai City	JPY2,796.0 bn JPY1,698.9 bn JPY1,223.3 bn	JPY3,000.0 bn or more JPY1,900.0 bn or more JPY1,370.0 bn or more
Strengthening of retail sales capabilities	• Balance of assets in custody, Group (term-end) (Note) • Balance of consumer loans (term-end)	JPY606.2 bn JPY1,101.4 bn	JPY740.0 bn or more JPY1,200.0 bn or more

Note: Sum of assets in custody of The 77 Bank and those of 77 Securities (Foreign currency deposits exclude deposits by financial institutions and offshore accounts.)

#### ○ Key Performance Indicators (KPIs) for strengthening consulting capabilities

	Item	FY2018 results	FY2021 targets
Enhancement of consulting capabilities	• No. of employees with qualifications (1st grade Certified Financial Planner, CFP, and Small and Medium enterprise Management Consultant) (final year)	111 persons	700 persons or more
Strengthening of consulting for corporate clients	• No. of corporate loan borrowers (final year) • No. of clients who signed contracts for customized solutions based on business evaluation (cumulative total for 3 years) (Note 2) • Fees and commissions from corporate clients (final year) (Note 1)	12,290 borrowers (1,114 clients) JPY0.6 bn	13,000 borrowers or more 2,000 clients or more JPY1.8 bn or more
Strengthening of consulting for retail customers	• No. of business succession, inheritance, and asset succession support recipients (cumulative total for 3 years) (Note 2) • No. of increases in contracts for installment-type assets in custody [compared with FY2018 term-end] (Note 2) • No. of seminars for customers (cumulative total for 3 years) (Note 2)	(677 recipients) (10,856 contracts) (80 times)	3,300 recipients or more 40,000 contracts or more 1,100 times or more

Note 1: Fees and commissions for syndicated loans, commitment lines, business matching, M&A, privately placed corporate bonds, manager insurance products, etc.

Note 2: Results indicated for FY2018 are results for the single year.

## 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 Bank transitioned to a "company with an audit & supervisory committee" in June 2017. The purpose of this transition is to enhance corporate value through further enhancement of corporate governance.

The Board of Directors consists of a total of 16 Directors, comprising 11 Directors (excluding Directors serving as Audit & Supervisory Committee Members), of whom three are Outside Directors, and five Directors serving as Audit & Supervisory Committee Members, of whom three are Outside Directors. The Board of Directors is responsible for decision-making on key issues related to management, and has established the Executive Committee to discuss important business matters and determine courses of action within the authority granted by the Board of Directors. The Bank has adopted 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. Moreover, the Bank has established the Corporate Governance Committee, which is a voluntary Committee advisory body for the Board of Directors, to further enhance management transparency and appropriateness of processes and thus strengthen corporate governance functions.

The Audit & Supervisory Committee, consisting of five Directors serving as Audit & Supervisory Committee Members (of whom three are Outside Directors), audits execution of duties of Directors and monitors the Board of Directors' oversight functions.

Hidefumi Kobayashi  
President

