

● Message from the President

The 77 Bank aims to be the “Best creative bank” that creates a new era together with the region.

Despite the risk of a downswing due to factors associated with the European debt crisis including the economic slowdown overseas and the fluctuating exchange rate, the Japanese economy is recovering gradually, thanks to improvements in exports, production, and capital investment backed by emerging demand related to reconstruction, as well as an upturn in personal consumption owing to the effects of economic stimulus.

In addition, the economy in Miyagi Prefecture, the primary base of operations for The 77 Bank, has shown an overall tendency toward recovery, despite the lingering effects of damage from the disaster. Production and housing are picking up, in addition to which public investment is on the rise as disaster reconstruction projects come online, and personal consumption is making a comeback due to continuing demand related to replacement purchases.

The disaster caused massive damage in terms of human casualties as well as damage to social and lifestyle infrastructure in Northeast Japan, including Miyagi Prefecture, which is our primary base of operations. Even now, after one year has passed since the disaster, the coastal region is still facing many challenges with regard to restoration of the region's economic foundation and social infrastructure. Town revitalization efforts that take into account disaster prevention, including measures to deal with land subsidence, are still in progress. In addition, there is a growing risk of deterioration of the regional economy as the accident at the nuclear power plant in Fukushima Prefecture drags on, causing direct and indirect damage to the mainstay primary industries of Miyagi Prefecture and Northeast Japan as well.

With regard to our outlook for the future, while facing risk factors such as concerns about the downturn in the global economy, fluctuations in financial capital markets, and the effects of deflation, financial institutions are called upon to act as economic leaders, providing back-up support for real economy and enterprises.

In addition, regional financial institutions need to sustain and expand their own business foundations by contributing to regional economic and social development through further enhanced and strengthened consulting functions such as providing customers with support for management improvement or overseas expansion. For The 77 Bank in particular, as a financial institution working with the local region, it is necessary to fulfill our function as a financial intermediary by offering strong support in terms of funding for revitalization and development of the areas that suffered massive damage in the disaster.

In order to deal proactively with these issues, the Bank initiated a three-year medium-term management plan in April of this year, entitled “‘POWER for the Future’ – 36 Months of Renewal and Growth –.” Based on this plan, 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.



Teruhiko Ujiie, President

Outline of Medium-term Management Plan: “POWER for the Future” – 36 Months of Renewal and Growth –

In order to respond proactively to changes in the business environment, The 77 Bank launched its medium-term management plan for the period of three years from April 2012 to March 2015, entitled “POWER for the Future’ – 36 Months of Renewal and Growth –.”

Under the plan “POWER for the Future’ – 36 Months of Renewal and Growth –,” we will strive to become the “Best creative bank” that creates a new era together with the region through efforts guided by three basic policies: “support earthquake recovery and revitalize the regional economy,” “strengthen loan and consulting capabilities,” and “further improve productivity.”

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| Bank Image Sought by The 77 Bank | “Best creative bank” that creates a new era together with the region | |
| Name | Medium-term Management Plan: “POWER for the Future” – 36 Months of Renewal and Growth – “POWER” will be a key word in the ongoing reconstruction and development of the regional economy, and development of the Bank, meaning that we will exert our “power” for the sake of regional reconstruction, and that each and every employee of the Bank will build up his or her “power.” | |
| Period | The three-year period April 1, 2012 to March 31, 2015 | |
| Basic Policies | 1. Support earthquake recovery and revitalize the regional economy 2. Strengthen loan and consulting capabilities 3. Further improve productivity | |
| Basic Objectives | <ul style="list-style-type: none"> • Balance of retail loans and bills discounted (as of Mar 31. 2015 (final year of the Plan))^(e1) JPY 2.15 trillion or more • Balance of retail loans and bills discounted in Miyagi Pref. (as of Mar 31. 2015 (final year of the Plan))^(e2) JPY 2 trillion or more <small>*1. Balance of loans and bills discounted excluding local government and other public authorities, 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 authorities as well as head office accounts</small> <hr/> <ul style="list-style-type: none"> • Sales of investment trust, insurance and public bond sales (cumulative total for the period of the Medium-term Management plan) JPY 450.0 billion or more <hr/> <ul style="list-style-type: none"> • Net income (FY2013 and FY2014, respectively) JPY 11.0 billion or more (FY2015, final year of the Plan) JPY 13.0 billion or more <hr/> <ul style="list-style-type: none"> • Core OHR (FY2015) Less than 67% | |
| Priorities | 1. Support earthquake recovery and revitalize the regional economy 1) Fulfill our financial intermediary function 2) Strengthen support for business rehabilitation and management improvement 3) Contribute to reconstruction and development of the region 2. Strengthen loan and consulting capabilities 1) Expand investment in human resources development 2) Strengthen lending and expand customer base 3. Further improve productivity 1) Improve capacity to conduct business 2) Implement low-cost operations from top to bottom 3) Prepare for conversion to shared systems 4. Continue to develop the financial services platform 1) Enhance branch network and sales platform 2) Strengthen services for seniors and youth 3) Strengthen management of securities 4) Disaster prevention and safety measures 5) Compliance with laws and regulations, enhancement of internal management 6) Bolster the 77 brand | |

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

