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

Becoming the “Best Consulting Bank” that responds to customers’ needs by offering the optimum solutions

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ESG Information

ESG is a word that combines the first letters of the three words, environment, social, and governance, and is a concept that advocates the use of non-financial aspects as factors for measuring corporate value. The 77 Bank actively addresses issues related to ESG based on the policies outlined on the right, and in this report, details regarding such efforts by The 77 Bank are indicated with an ESG mark.

Editorial Policy

The 77 Bank has prepared “THE 77 BANK INTEGRATED REPORT 2019.” This report relates non-financial information, including our management philosophy, the bank image sought by The 77 Bank, our four strategies, and ESG and SDGs information, to financial information, and has been comprehensively compiled to include efforts aimed at the sustainable growth of The 77 Bank and the local community.

This document supplements disclosure materials based on Article 21 of the Banking Act (explanatory document regarding our business and financial condition). When using this document as a disclosure document, please refer to both this document and Disclosure 2019 (Data) (viewable at The 77 Bank’s Head Office and branches).

SDGs Information

SDGs is an abbreviation for “Sustainable Development Goals.” We will strive to achieve the reconstruction and revitalization of the local region through various social contribution activities in accordance with our six themes, and make efforts to deepen the understanding of our executives and employees and raise their awareness toward achieving these Sustainable Development Goals (SDGs) in an aim to achieve a sustainable society together with the local community.

Note regarding forward-looking statements

This document contains forward-looking statements that are based on the information available at the time of disclosure, along with certain assumptions believed to be reasonable by The 77 Bank. However, the results may differ significantly from forecasts, due to a variety of factors.
About The 77 Bank, Ltd.

Since its foundation in 1878, based on our management philosophy of dedication to serve the local community for the prosperity of the local community, throughout the four generations of Meiji, Taisho, Showa, and Heisei, The 77 Bank, Ltd. has developed steadily by overcoming many difficulties while pursuing sound management. In this new generation of Reiwa, we will continue to walk together with the region.

Sources of competitive advantages

1. Deep connection with Eiichi Shibusawa

Eiichi Shibusawa, a businessman who was known as "the father of Japanese capitalism," had a strong interest in the Tohoku region through Muriendai, who provided him with the opportunity to enter the Ministry of Finance. At the time, there was no bank based in Miyagi Prefecture and for this reason, when The 77th National Bank was established, Shibusawa not only provided investment and various advice regarding such matters as the nature of the banking business and basic management concepts, he also seconded exceptional talent including Keishi Endo (the second and fourth President) and Seikei Ono from The Dai-Ichi Bank Limited. Furthermore, Shibusawa provided both mental and practical support to the Bank over many years, including his transfer of The Dai-Ichi Bank Limited's banking business in Miyagi Prefecture to The 77th National Bank and his appointment as Advisor in 1908. Eiichi Shibusawa's spirit of "harmony of morality and the economy" was on today in the line from the Bank Creed, which describes the Bank's management philosophy, that states "the Bank's progress goes hand in hand with prosperity in the local community."

2. Trust relationship with the Tokyo Stock Exchange

The Tokyo Stock Exchange (currently Tokyo Stock Exchange, Inc.), which was established in May 1878, along with an increase in trading volume, in 1894 designated The 77th National Bank as the only bank among many banks to handle receipts and disbursements operations for all trades of shares cleared. The reasons for this designation include a recommendation from Eiichi Shibusawa and the provision of relief financing to the Tokyo Stock Exchange during a stock market crash caused by a recession when Seikei Ono, who became the fifth president, was manager of the Tokyo Branch, which rescued the exchange. Over the past 120 years and to the present, The 77th Bank, Ltd. remains the only regional bank designated as a financial intermediary. This is why The 77 Bank, Ltd. is regarded as a base for bank-type financial services.

3. Strong partnerships with the region and customers through earthquake reconstruction support

On March 11, 2011, unprecedented damage was caused when the Great East Japan Earthquake, one of the largest recorded natural disasters in our history, struck Japan. Immediately after the earthquake, The 77 Bank, Ltd. worked to provide financial infrastructure and fulfill financial intermediary functions, and has since provided financial support for the reconstruction efforts of the region and customers.

Strengths of The 77 Bank, Ltd.

1. Effective Corporate Governance

In order to improve the effectiveness of the Board of Directors and the diversification of Directors, the Bank is proactive appointing Outside Directors and female Directors, and the ratios of Outside Directors and female Directors now stand at 41.1% and 11.7%, respectively.

2. Trust from the local community

The Bank is supported by many customers, as seen by the high percentages of approximately 55% deposit share and approximately 43% loans and bills discounted share in Miyagi Prefecture.

3. Deep connection with Eiichi Shibusawa

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Message from the President

Hidefumi Kobayashi
President

Review of the First Year of the Medium-term Management Plan

1. Celebrating the 140th anniversary of the Bank’s foundation

FY2019 was a memorable year for the Bank during which we started our new three-year Medium-term Management Plan and, in December 2018, celebrated the 140th anniversary of the Bank’s foundation.

We held a number of commemorative projects to mark our 140th anniversary, including the "One branch, one social contribution campaign," whereby all branches engage in social contribution activities, and business forums which were held with the aim of expanding business opportunities for customers and contributing to the regional economy’s revitalization, as well as some new initiatives such as business contests to collect IT-based service models and ideas from startup companies, announcement of the official mascot “Shichi-Shika-Kun,” and renovation of the Currency and Banking Museum.

Under these circumstances, as a leading bank in the Tohoku region that provides integrated financial services, looking back over the past thirty years that have formed the Heisei era, the environments surrounding finance and the Japanese economy have undergone significant change. With the collapse of the "bubble" economy, the issue of bad debt disposal, deregulation such as the financial Big Bang, the bankruptcy of Lehman Brothers and more, the environment surrounding financial institutions has become increasingly harsh as Japan’s economic growth has slowed, and today we are entering a new phase of monetary easing and negative interest rates.

Many areas of the economy, not just finance, have undergone significant change due to globalization and exposure to the market economy. I believe that in the future, with the addition of the further progress of digitalization, we will face even greater changes at an accelerated pace.

Under these circumstances, as a leading bank in the Tohoku region that provides integrated financial services, in order to create an outstanding business model, be the most useful and the most trusted by our customers and the region, and to continue to contribute to the development of society, we must respond to the changing times even more quickly and astutely and regard those changes as opportunities.

2. Consulting by the Bank

The Medium-term Management Plan that we started in FY2019 stipulates a business model whereby we further enhance the degree of customer satisfaction and confidence in the Bank, and achieve higher profitability and employee satisfaction through consulting.

Consulting is about "always putting the customer first" and "being of use to the customer," as well as the resulting initiatives that lead to the Bank’s earnings. It is a business model whereby we demonstrate our consulting capabilities in order to achieve goals and resolve development and growth issues by establishing relationships with customers and conducting business evaluations in the case of corporate clients and becoming involved with household finances and life planning in the case of retail customers, so that we can contribute to our customers while at the same time achieve increased transactions and earnings overall.

The main point of consulting is not simply the products and services that the Bank wants to sell; it is about initiatives that are based on the actual or potential needs of customers. In order to carry out consulting, it is necessary to make frequent visits to customers and use our ingenuity to think of ways to be of use to customers, deal with difficulties together, and reach a resolution. I believe that consulting-based sales will enrich all customers and the local community, regardless of whether the customers are corporate or retail customers.

As the nation’s declining birthrate, aging population and population decline continue, the biggest concerns for small and medium enterprises (SMEs) are corporate or retail customers.

We will further enhance the degree of customer satisfaction and confidence in the Bank through consulting, offering the optimum solutions by identifying customers’ needs and issues.

“For The Customer & For The Future”
Becoming the “Best Consulting Bank”

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Bank, shrinks and disappears, which will in turn have a major impact on regional revitalization. In addition, in Miyagi Prefecture, many companies among our clients whose sales channels have not recovered, while facing issues of the aging of their employees, a shortage of labor, and a lack of successors. In order to recover from the disaster, we must focus on corporate rehabilitation, business succession, and M&A, which is also a measure that provides a solution to these issues. Local industry and finance are two sides of the same coin. Through consulting-based sales utilizing the Bank's network, we will protect the regional economy, regional companies, and our market share.

3. Initiatives for our key strategies

Key Strategy 1: Growth strategy
—Strengthening of profitability—

<Establish systems and structures for strengthening consulting capabilities>

In order to improve the sales promotion structure of Headquarters, the name of the Corporate & Retail Banking Division was changed to Consulting Promotion Division, and the Corporate Finance Department, which offers financing services for corporate clients, including syndicated loans and structured finance, was established. In addition, the name of the Asset Management Support Department was changed to the Consulting Promotion Department to develop a structure that can support a wide range of customer needs including business succession, M&As, inheritance, and asset management. Furthermore, branches have been categorized into six areas within Miyagi Prefecture, and Region Support Staff led by liaison personnel from the Consulting Promotion Division in each area was formed in order to strengthen the support system for branches by Headquarters.

In addition to these system improvements, the number of sales personnel in the Consulting Promotion Division was increased from 42 prior to the start of the current Medium-term Management Plan to 68 as of March 31, 2019, and will be further increased to approximately 80 by March 31, 2020.

Additionally, 77 Research and Consulting Co., Ltd. was established as a subsidiary to undertake highly specialized research studies involving the regional economy and industry trends, etc. and to provide effective consulting services for resolving clients’ issues.

<Key Strategy 2: Regional economy vitalization strategy—Enhancement of value of the region—>

We have engaged in earthquake reconstruction support in accordance with the situation in the affected area, while taking into consideration the change in the stage of the Miyagi Prefecture Earthquake Disaster Recovery Plan from the regeneration to the development period, and trends in reconstruction demand.

Regional revitalization involved initiatives for the revitalization of towns, people, and jobs. With a focus on the creation of jobs, we worked on four frameworks: support for starting new companies and business initiatives, support and development of regional core companies, promotion of urban development, and support for promotion of tourism. In addition, we formulated the Consulting Promotion Division Promotion Guidelines for supporting new companies and businesses through recommendations from the companies that will drive the future of the region, there are also many other good examples such as business matching which also leads to PR for products from Miyagi Prefecture, support for formulation of business plans utilizing former schools, and support for enhancing tourism resources.

Key Strategy 3: Productivity enhancement strategy—Effective and efficient allocation of resources—

The Nozomino Sub-Branch, a next generation branch, was established in order to secure manpower and time to focus on consulting services, while branches introducing next generation branch functions, including a remote consultation system and the use of tablets, were expanded. In addition to reviewing business hours, we also expanded operations in the form of branches within branches. Furthermore, we are working to automate operations by centralizing branch operations at Headquarters, reviewing administrative tasks, and introducing RPA (robotics process automation), thereby creating a reduction effect of approximately 85,000 hours per annum.

In terms of working style reforms, we formulated the “health and productivity management declaration” to establish an environment where each and every employee can work actively in a healthy state of mind and body, and implemented initiatives including a total prohibition of smoking on all Bank property.

Key Strategy 4: Governance strategy
—Strengthening of governance for sustainable growth—

<Enhance and strengthen governance>

In light of the increasing international importance of preventing money laundering and financing of terrorism, we established the Money Laundering Countermeasures Department, and also formulated the Policy for Prevention of Money Laundering.

In addition, as part of measures to strengthen corporate governance, we increased the number of Outside Directors serving as Audit & Supervisory Committee Members by one in order to enhance the management oversight functions of the Audit & Supervisory Committee and establish a more effective corporate governance system.

As a result of these efforts, the ratio of Outside Directors now stands at 41.1% and the ratio of female Directors at 11.7%.

<Enhance shareholder value>

With regard to shareholder returns, the Bank's basic policy is to continue stable dividend returns while holistically considering the public nature of banks and the maintenance of sound management. For the fiscal year ended March 31, 2019, we increased the annual dividend by ¥2.50 per share from the previous fiscal year to ¥47.50 per share from the perspectives of comprehensively taking into consideration business performance and enhancing shareholder returns. The annual dividend for the fiscal year ending March 31, 2020 is expected to be ¥50.00 per share. In addition, the Bank has acquired treasury stock of approximately ¥800 million from the perspective of implementing flexible capital policies and returning profits to shareholders.

Going forward, we will continue to enhance shareholder returns, including through the acquisition of treasury stock, taking into account changes in the business environment.

Message to stakeholders

In April this year, the government announced that the portrait of Eiichi Shibusawa would be used on ¥10,000 bills scheduled to be issued in 2024. Eiichi Shibusawa, who is also known as “the father of Japanese capitalism,” has an extremely deep connection with the Bank, as seen in his support, both spiritual and practical, at the time of the Bank’s foundation. The “harmony of morality and the economy” advocated by Shibusawa is the idea of the coexistence of profit and public interest that warns against a monopoly on profits and encourages the return of profits to society. This spirit is one of the models that corporate managers should use as reference, and I believe that it also leads to the idea of the Sustainable Development Goals (SDGs) that are promoted by the United Nations.

Shibusawa’s spirit of coexistence is reflected in the line from the Bank Creed, which is the Bank’s management philosophy, that states “the Bank’s progress goes hand in hand with prosperity in the local community.” Today this lives on in the hearts of all our executives and employees.

The environment surrounding financial institutions is becoming increasingly severe due to social structural issues such as the declining birthrate, aging population and population decline, and the continuation of the monetary easing policy by the Bank of Japan. I believe that it is precisely because this is the era in which we live that we must once again go back to our management philosophy, develop a business model that has its roots in the region, and contribute to the prosperity of the local community.

Going forward, we will continue to aim to be a bank that is trusted, useful, and brings happiness to all our customers, and we hope for your continued understanding and support.
### Financial and Non-financial Highlights

**Gross operating income**

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2015/3</th>
<th>2016/3</th>
<th>2017/3</th>
<th>2018/3</th>
<th>2019/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>100.0</td>
<td>25.1</td>
<td>28.4</td>
<td>29.3</td>
<td>26.7</td>
<td>26.2</td>
</tr>
<tr>
<td>50.0</td>
<td>12.5</td>
<td>14.2</td>
<td>14.5</td>
<td>13.9</td>
<td>13.6</td>
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<tr>
<td>0</td>
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</tbody>
</table>

**Operating income/Core operating income**

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2015/3</th>
<th>2016/3</th>
<th>2017/3</th>
<th>2018/3</th>
<th>2019/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.0</td>
<td>20.0</td>
<td>23.2</td>
<td>23.2</td>
<td>19.1</td>
<td>16.6</td>
</tr>
<tr>
<td>15.0</td>
<td>11.2</td>
<td>14.5</td>
<td>15.0</td>
<td>14.9</td>
<td>15.6</td>
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<tr>
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</tbody>
</table>

**Ordinary income/Net income**

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2015/3</th>
<th>2016/3</th>
<th>2017/3</th>
<th>2018/3</th>
<th>2019/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.0</td>
<td>20.0</td>
<td>23.2</td>
<td>23.2</td>
<td>19.1</td>
<td>16.6</td>
</tr>
<tr>
<td>15.0</td>
<td>11.2</td>
<td>14.5</td>
<td>15.0</td>
<td>14.9</td>
<td>15.6</td>
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</tbody>
</table>

**Balance of deposits and certificates of deposit**

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>March 31, 2015</th>
<th>March 31, 2016</th>
<th>March 31, 2017</th>
<th>March 31, 2018</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,654.7</td>
<td>7,841.7</td>
<td>7,563.2</td>
<td>7,621.4</td>
<td>7,564.7</td>
<td>7,891.6</td>
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<td>0</td>
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</table>

**Balance of loans and bills discounted**

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>March 31, 2015</th>
<th>March 31, 2016</th>
<th>March 31, 2017</th>
<th>March 31, 2018</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,000.0</td>
<td>4,227.1</td>
<td>4,057.0</td>
<td>4,050.0</td>
<td>4,072.1</td>
<td>4,050.0</td>
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<td>0</td>
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</tbody>
</table>

**Capital adequacy ratio (domestic standards)**

<table>
<thead>
<tr>
<th>(Reference) Credit-related expenses trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Billions of yen)</td>
</tr>
<tr>
<td>30.0</td>
</tr>
<tr>
<td>15.0</td>
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<tr>
<td>0</td>
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</tbody>
</table>

**Balance of assets in custody**

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>March 31, 2015</th>
<th>March 31, 2016</th>
<th>March 31, 2017</th>
<th>March 31, 2018</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>24.3</td>
<td>21.6</td>
<td>21.6</td>
<td>21.3</td>
<td>22.8</td>
<td>22.4</td>
</tr>
<tr>
<td>10.0</td>
<td>10.9</td>
<td>10.9</td>
<td>10.4</td>
<td>10.8</td>
<td>10.8</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
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<td>0</td>
</tr>
</tbody>
</table>

**Securities balance**

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>March 31, 2015</th>
<th>March 31, 2016</th>
<th>March 31, 2017</th>
<th>March 31, 2018</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,560.5</td>
<td>4,675.6</td>
<td>4,718.9</td>
<td>4,668.2</td>
<td>4,769.2</td>
<td>4,845.6</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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**Notes:**
1. Some rating agencies do not use D.
2. Ratings from level AA to level CCC (including level B by some agencies) are further qualified with the use of a + or – sign, or 1 through 3.
### Financial information

#### Status of loans in Miyagi Prefecture

<table>
<thead>
<tr>
<th>Balance of loans in Miyagi Prefecture, ratio of loans in the prefecture (Billions of yen, %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2015</td>
</tr>
<tr>
<td>March 31, 2016</td>
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<tr>
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</tr>
<tr>
<td>March 31, 2018</td>
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<tr>
<td>March 31, 2019</td>
</tr>
</tbody>
</table>

#### Loans to SMEs

<table>
<thead>
<tr>
<th>Balance of loans to SMEs, ratio of loans to SMEs (Billions of yen, %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2015</td>
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<tr>
<td>March 31, 2016</td>
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<td>March 31, 2018</td>
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<td>March 31, 2019</td>
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</tbody>
</table>

#### Status of loans to retail customers and housing loans

<table>
<thead>
<tr>
<th>Balance of loans to retail customers and housing loans (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2015</td>
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<tr>
<td>March 31, 2016</td>
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<td>March 31, 2017</td>
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<td>March 31, 2018</td>
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<td>March 31, 2019</td>
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</tbody>
</table>

#### Status of credit disclosed under the Financial Reconstruction Act and risk-monitored loans

<table>
<thead>
<tr>
<th>Credit disclosed under the Financial Reconstruction Act (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2015</td>
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<tr>
<td>March 31, 2016</td>
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<td>March 31, 2017</td>
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<td>March 31, 2018</td>
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<tr>
<td>March 31, 2019</td>
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</tbody>
</table>

#### Financial intermediation

- **Number of clients evaluated**
  - (Clients)
  - March 31, 2017: 1,736
  - March 31, 2018: 1,520
  - March 31, 2019: 4,079
- **Balance of loans to clients evaluated**
  - (Billions of yen)
  - March 31, 2017: 401.1
  - March 31, 2018: 540.6
  - March 31, 2019: 115.5
- **Ratio of the number of clients who are proposed with solutions**
  - (Billions of yen)
  - March 31, 2017: 83.0
  - March 31, 2018: 32.1
  - March 31, 2019: 36.8

#### Non-financial information

- **Number of start-up support projects**
  - (Cases)
  - March 31, 2017: 765
  - March 31, 2018: 918
  - March 31, 2019: 814
- **Number of M&A advisory contract clients**
  - (Clients)
  - FY2017: 176
  - FY2018: 143
  - FY2019: 205
- **Number of 77 Business Matching Service contracts closed**
  - (Cases)
  - FY2017: 10
  - FY2018: 51
  - FY2019: 93
- **Number of overseas business support provided**
  - (Clients)
  - March 31, 2017: 21
  - March 31, 2018: 75
  - March 31, 2019: 1,068
- **Ratio of number of clients using Guidelines for Personal Guarantee Provided by Business Owners Management Guarantees to all borrowers**
  - (Clients)
  - March 31, 2017: 3.3
  - March 31, 2018: 4.5
  - March 31, 2019: 6.4

*The breakdowns of the balance of loans by industry have been rounded down to the unit displayed.*
**Non-financial information**

### Customer-focused measures

- **Number of seminars held for customers and number of participants**
  - **Times**: FY2017, FY2018, FY2019
  - **People**: 14,861, 11,608, 14,081

- **Number of 77 Savings Investment Trust contract holders**
  - **People**: 11,309, 11,838

- **March**: FY2017, FY2018, FY2019
  - **People**: 1,954, 1,869, 1,709

- **Number of employees who participated in training course for Supporters of People who Suffer from Dementia**
  - **People**: 436, 395, 359

- **March 31, 2017**: 436
  - **March 31, 2018**: 395
  - **March 31, 2019**: 359

### Human resources

- **Percentage of women engaged in consulting services**
  - **March 31, 2017**: 30.3%
  - **March 31, 2018**: 31.1%
  - **March 31, 2019**: 35.3%

- **Percentage of women in management positions**
  - **March 31, 2017**: 15.2%
  - **March 31, 2018**: 14.6%
  - **March 31, 2019**: 12.6%

- **In-house attorneys**
  - 2

- **In-house certified public accountants**
  - 2

- **Small and medium enterprise management consultants**
  - 33

- **Usage of annual paid leave**
  - **FY2017**: 73.2%
  - **FY2018**: 73.9%
  - **FY2019**: 73.8%

### Social contribution activities

- **Environment**
  - *Sales of <77> ESG Japan Stock Open (Miyagi no Kizuna)™*
    - **Cases**: 713
    - **Sales amount**: ¥1,169 million
    - **March 31, 2019**

- **Contribution to social welfare**
  - *Cooperation in blood donation projects through corporate blood donation campaign*
    - **Number of blood donors**: 294
    - **FY2019**

- **Financial education**
  - *Number of participants in courses provided by Tohoku Gakuin University*
    - **March 31, 2019**: 272

- **Cultural activities support**
  - *77 Fureai Concert™*
    - **FY2019**: 58 times
  - *Starlight Symphony™*
    - **FY2019**: 27 times

---

*All data as of March 31, 2019.*
The Economy and Growth Potential of Miyagi Prefecture

Miyagi Prefecture, the primary base of operations for The 77 Bank, is located in the southeast of the Tohoku region. The prefecture is an important crossroads linking Tohoku to Tokyo, the nation's capital. In 1969, Sendai, the prefectural capital, became the 11th city in Japan specially designated by ordinance. The branches and offices of major national businesses and organizations, including government agencies, are concentrated in Sendai, thereby positioning Sendai as the preeminent city of the Tohoku region. In terms of major economic indicators such as population, gross prefectural product, and retail sales amount, Miyagi Prefecture ranks around 15th within the nation, and the national share is roughly 2%.

Although Miyagi Prefecture experienced significant damage due to the Great East Japan Earthquake, particularly in coastal areas, reconstruction projects have now reached the final phase thanks to joint efforts by the public and private sectors. In addition, with the expansion of major automotive and electronics companies, the manufacturing industry is expected to become a driver for post-recovery economic growth while economic concentration is advancing owing to active construction investment related to redevelopment projects in Sendai.

<table>
<thead>
<tr>
<th>[Economy] Major Economic Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Item</strong></td>
</tr>
<tr>
<td>Total area</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>Number of households</td>
</tr>
<tr>
<td>Gross Prefectural Product (Nominal)</td>
</tr>
<tr>
<td>Number of offices</td>
</tr>
<tr>
<td>Number of workers</td>
</tr>
<tr>
<td>Agricultural output</td>
</tr>
<tr>
<td>Fishers and aquaculture production</td>
</tr>
<tr>
<td>Manufactured goods shipment amount</td>
</tr>
<tr>
<td>Wholesale sales amount</td>
</tr>
<tr>
<td>Retail sales amount</td>
</tr>
<tr>
<td>Number of new housing being</td>
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</tbody>
</table>

**Economy** Major Economic Indicators

**Industry** Composition of Gross Prefectural and Gross Domestic Product (Nominal) (%)

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The Economy and Growth Potential of Miyagi Prefecture
Growth Vision of The 77 Bank, Ltd.

As the regional market is expected to contract due to a declining population over the medium to long term, competition has become increasingly intense, with the entry of other business formats and FinTech companies into the financial field, in addition to traditional financial institutions. Within this business environment, the Bank will overcome management issues through efforts under the Medium-term Management Plan and aim to establish a robust business foundation that is resistant to changes in the external environment.

External environment

Japan

Economy and market
- Declining birthrate and aging population, and a decrease in population
- Increase in business discontinuance and a decline in industry due to a lack of successors
- Lack of labor due to population outflow to large cities

Finance
- Decrease in the volume of deposits and loans
- Prolongation of a low interest rate environment
- Decrease in revenue opportunities through the emergence of other business formats and FinTech companies
- Advance of management integration and restructuring of branches and personnel
- Increasing difficulty in securing human resources due to a deterioration of bank performance

Miyagi Prefecture

Economy and market
- Development of the regional economy and society through achievement of earthquake reconstruction
- Changes in industrial structure due to the integration of manufacturing industries
- Expansion of city functions (acceleration of concentration around Sendai in the Tohoku region)

Finance
- Intensified competition with regional banks in Tohoku

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.

Medium-term Management Plan

“For The Customer & For The Future”
—Best Consulting Bank Project—
3 years [from April 1, 2018 to March 31, 2021]

Key Strategy 1 Growth strategy
- Strengthening of profitability—

Key Strategy 2 Regional economy vitalization strategy
- Enhancement of value of the region—

Key Strategy 3 Productivity enhancement strategy
- Effective and efficient allocation of resources—

Key Strategy 4 Governance strategy
- Strengthening of governance for sustainable growth—

For The Customer

&

For The Future

Establish a robust business foundation that is not susceptible to the external environment
- Enhance the satisfaction of every stakeholder
- Sustainable growth through the strengthening of the earnings base
- Contributions to regional society and customers through consulting sales

Growth and development of regional society and customers

Bank image sought by The 77 Bank

“Best Consulting Bank” that responds to customers’ needs by offering the optimum solutions

High share in the region

Competitive advantages of The 77 Bank

Credibility with our business partners

Earthquake reconstruction support track record

Management resources of The 77 Bank

Abundant human resources

Information networks

Collective strength of the Group

Established by The 77 Bank

Strategies of The 77 Bank, Ltd.
Operations that Put Customers First
About The 77 Bank, Ltd.
Social Contribution Activities
Bank Data
Positioning of the bank image sought by The 77 Bank and the Action Guidelines

The Bank Creed established in 1961 as our management philosophy, we seek to become the “Best Consulting Bank” that responds to customers’ needs by offering optimum solutions.

With the Bank Creed established in 1961 as our management philosophy, we seek to become the “Best Consulting Bank” that responds to customers’ needs by offering optimum solutions.

We will continue to implement measures based on the Action Guidelines (7C Guidelines) and the Medium-term Management Plan, in order to realize our management philosophy as well as the bank image sought by The 77 Bank.

Management Policy

We will continue to implement measures based on the Action Guidelines (7C Guidelines) and the Medium-term Management Plan, in order to realize our management philosophy as well as the bank image sought by The 77 Bank.

We take cost into consideration and further enhance productivity.

We comply with laws and the code of corporate ethics and maintain fair and honest practices.

We vitalize communication inside and outside the Bank.

We share needs and issues of customers by deepening relationships with customers.

We always put customers first.

We vitalize communication inside and outside the Bank.

We share needs and issues of customers by deepening relationships with customers.

We always put customers first.

1. We always put customers first.

2. We vitalize communication inside and outside the Bank.

3. We share needs and issues of customers by deepening relationships with customers.

4. We enhance consulting capabilities and offer the optimum solutions.

5. We comply with laws and the code of corporate ethics and maintain fair and honest practices.

6. We take cost into consideration and further enhance productivity.

7. We take up challenges without fear of change.

Action Guidelines: 7C Guidelines

1. We always put customers first.

2. We vitalize communication inside and outside the Bank.

3. We share needs and issues of customers by deepening relationships with customers.

4. We enhance consulting capabilities and offer the optimum solutions.

5. We comply with laws and the code of corporate ethics and maintain fair and honest practices.

6. We take cost into consideration and further enhance productivity.

7. We take up challenges without fear of change.

Bank image sought by The 77 Bank

Action Guidelines

Action to be taken by the Bank’s officers and employees to achieve the bank image sought by The 77 Bank over the medium term 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.

4. Deepen Relationships with Customers

   Establish and strengthen relations of trust with customers, creating a harmonious balance between self-interest and public interest as a regional bank.

5. Take Cost into Consideration

   Further enhance productivity.

6. Comply with Laws and Code of Corporate Ethics

   Maintain fair and honest practices.

7. Respect the Spirit of Voluntary Service

   Recognize the significance of voluntary service.

Positioning of the bank image sought by The 77 Bank

The bank image sought by The 77 Bank 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.

Overview of the 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 long-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 Growth strategy —Strengthening of profitability—

   Key Strategy 2 Regional economy vitalization strategy —Enhancement of value of the region—

   Key Strategy 3 Productivity enhancement strategy —Effective and efficient allocation of resources—

   Key Strategy 4 Governance strategy —Strengthening of governance for sustainable growth—

5. Targets

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<tr>
<th>Item</th>
<th>FY2019 results</th>
<th>FY2021 targets</th>
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<tbody>
<tr>
<td>Enhancement of profitability</td>
<td>Y17.6 billion</td>
<td>Y19.0 billion or more</td>
</tr>
<tr>
<td>Interest on loans and bills discounted</td>
<td>Y4.2 billion</td>
<td>Y4.5 billion or more</td>
</tr>
<tr>
<td>Fees and commissions</td>
<td>Y9.6 billion</td>
<td>Y11.0 billion or more</td>
</tr>
<tr>
<td>Pursuit of efficiency</td>
<td>73.3%</td>
<td>70% or less</td>
</tr>
<tr>
<td>Core OHR (core gross operating income expense ratio)</td>
<td>3.6%</td>
<td>3.7% or more</td>
</tr>
<tr>
<td>ROE (consolidated)</td>
<td>30%</td>
<td>30% or more</td>
</tr>
<tr>
<td>Pursuit of soundness</td>
<td>Capital adequacy ratio (consolidated) 10.4%</td>
<td>10% or more</td>
</tr>
<tr>
<td>Strengthening of corporate sales capabilities</td>
<td>Balance of corporate loans (term-end)</td>
<td>Y2,868.5 billion</td>
</tr>
<tr>
<td>Of which, Miyagi Prefecture</td>
<td>Y1,746.0 billion</td>
<td></td>
</tr>
<tr>
<td>Of which, Sendai City</td>
<td>Y1,276.0 billion</td>
<td></td>
</tr>
<tr>
<td>Strengthening of retail sales capabilities</td>
<td>Balance of assets in custody (Group term-end)</td>
<td>Y119.3 billion</td>
</tr>
<tr>
<td>Of which, Sendai City</td>
<td>Y1,140.4 billion</td>
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   *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)

6. Key performance indicators (KPIs) for strengthening consulting capabilities

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<th>FY2021 targets</th>
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<tr>
<td>Enhancement of consulting capabilities</td>
<td>No. of employees with qualifications (1st grade Certified Financial Planner, CFP, and Small and Medium Enterprise Management Consultant) (final year)</td>
<td>1,188 people</td>
</tr>
<tr>
<td>Strengthening of consulting for corporate clients</td>
<td>No. of corporate loan borrowers (final year)</td>
<td>12,204 borrowers</td>
</tr>
<tr>
<td>No. of clients who signed contracts for customized solutions based on business evaluation (cumulative total for 3 years)</td>
<td>3,900 borrowers or more</td>
<td></td>
</tr>
<tr>
<td>Fees and commissions from corporate clients (final year)*</td>
<td>¥1.3 billion</td>
<td></td>
</tr>
<tr>
<td>Strengthening of consulting for retail customers</td>
<td>No. of business succession, inheritance, and asset succession support recipients</td>
<td>904 recipients</td>
</tr>
<tr>
<td>No. of increases in contracts for installment-type assets in custody (compared with FY2018 term-end)</td>
<td>3,603 contracts</td>
<td></td>
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<tr>
<td>No. of seminars for customers (cumulative total for 3 years)</td>
<td>40,000 contracts or more</td>
<td></td>
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   *Fees and commissions for syndicated loans, commitment lines, business matching, M&A, privately placed corporate bonds, manager insurance products, etc.
**Key Strategies**

Based on four key strategies, we will realize our image of becoming the "Best Consulting Bank" that responds to customers’ needs by offering optimum solutions.

**Key Strategy 1**

**Growth strategy**
—Strengthening of profitability—

1. Establish systems and structures for strengthening consulting capabilities
2. Strengthen and demonstrate consulting-based sales capabilities throughout the Group
3. Strengthen the channel strategy utilizing digital technologies
4. Promote sophisticated management of securities

We will boost profitability by providing solutions with higher added value that lead to true customer satisfaction, and take full advantage of structures developed to enhance our consulting capabilities, including a branch support structure centered on the Consulting Promotion Division, and the consulting function of 77 Research and Consulting Co., Ltd. In addition, by effectively utilizing digital technology and strengthening our channel strategy through appropriate collaboration with affiliate companies, etc., we will work to improve customer convenience and expand opportunities for profit.

**Key Strategy 2**

**Regional economy vitalization strategy**
—Enhancement of value of the region—

1. Continue earthquake reconstruction support
2. Contribute to regional revitalization
3. Strengthen relations with regional public bodies
4. Strengthen support for corporate rehabilitation and business reform

We will continue to engage in finely tuned earthquake reconstruction support, according to the actual circumstances in the affected area, while taking into consideration the change in the stage of the Miyagi Prefecture Earthquake Disaster Recovery Plan from the regeneration to the development period. In addition, in order to achieve regional revitalization by resolving regional challenges, we will strengthen support for regional core companies and new companies or businesses through measures such as the use of various systems including subsidies. We will also provide corporate rehabilitation and establish highly efficient and productive organizations.

**Key Strategy 3**

**Productivity enhancement strategy**
—Effective and efficient allocation of resources—

1. Strategically allocate management resources through enhanced cost-management structure
2. Streamline and increase sophistication of operations using digital technologies
3. Promote working style reform
4. Optimize allocation of human resources and promote strategic utilization

We will strengthen our cost management structure toward the effective and efficient allocation of limited management resources, while working to improve cost awareness, as all employees work together to achieve these goals. In addition, in order to secure manpower and time to focus on consulting services, we will improve operational efficiency through the effective use of digital technology along with a review of branch functions and our sales structure, and pursue business and working style reforms to re-engineer highly efficient and productive organizations.

**Key Strategy 4**

**Governance strategy**
—Strengthening of governance for sustainable growth—

1. Enhance and strengthen governance
2. Establish brand strategy
3. Enhance shareholder value

We will establish a high-level internal control system that will be trusted by customers, by further strengthening our compliance system and money laundering prevention system, enriching our various risk management systems for administrative and cybersecurity risks, and pursuing strong countermeasures against fraud and money laundering. In addition, we will further enhance our presence as a leading bank in the Tohoku region by addressing issues related to ESG and SDGs, reorganization, and promoting effective and efficient allocation of limited resources through the effective use of digital technology.

For purposes of strengthening consulting capabilities, at The 77 Bank

**“Consulting services”** at The 77 Bank

Consulting covers a broad range of services. We receive consultation requests from all of our customers, including corporate customers, individuals, and regional public bodies, in areas requiring specialized expertise such as business succession and M&As, problem solving through business evaluations, and acceptance of deposits. As a banking service professional, each and every Bank employee serves as a consultant, and all Bank employees provide consulting services in their areas of responsibility.

**“Purpose of strengthening consulting capabilities”** at The 77 Bank

We will strengthen our consulting capabilities, and work to improve customer satisfaction and revitalize the regional economy, in order to realize the bank image sought by The 77 Bank of being the “Best Consulting Bank.”

**“Requirements for strengthening consulting capabilities”** at The 77 Bank

We will rebuild our structures at Headquarters and branches, as well as human resource development frameworks, in order to gain an understanding of customer needs and issues, propose solutions, and provide implementation support. In this process, it is necessary to improve the skills and skill levels of each and every employee.
Sales Promotion Structure and Human Resource Development

Headquarters, branches, and Group companies will work together to provide solutions with higher added value in response to diverse needs, to support the growth and development of the regional society and customers. In addition, we are also engaged in human resources development aimed at enhancing consulting capabilities.

**Customers (retail, corporate, municipal governments)**

- Information/needs
  - Capturing and discovering a wide variety of needs through business evaluations, etc.
  - Creation of profit-making opportunities through the use of a wide range of information networks

- Solutions
  - Provision of high added value consulting and solutions
  - Speedy and timely proposals based on life stages
  - Capturing transactions through the establishment of strong relations

**Business Promotion Division**

- Consulting Promotion Division
  - Reorganization in April 2018, increase headcount to about 80

- External Sales Department (Corporate Sales Promotion Desk)
  - "Region Support Team" to offer high-value-added solutions and support branches
  - Support of growth fields (healthcare and nursing, environment & energy, agri business)
  - Promotion of settlement business for corporate clients (FB, Densai)

- Corporate Finance Department
  - Support for business succession
  - M&A advisory
  - Inheritance countermeasures
  - Promotion of assets in custody
  - Structuring of syndicated loans
  - Promotion of structured finance
  - Promotion of privately placed corporate bonds
  - Utilization of funds

- Regional Development Promotion Office (Regional Vitalization Promotion Desk)
  - Support for starting a new company or business
  - Support and development of regional core companies
  - Promotion of urban development (PPP/FPI)
  - Support for promotion of tourism
  - Utilization of information
  - Business matching
  - Support of public business

- Corporate Banking & Direct Promotion Division
  - Strengthening of non-face-to-face channels
  - Expansion of sales to mass customers

- Credit Supervision Division
  - Support for corporate rehabilitation
  - Support for business reform

- Treasury Administration & International Division
  - Promotion of foreign exchange transactions
  - Overseas business support

- Human resources development programs

**Group companies**

- 77 Lease
- 77 Shin-Yo Hosyo
- 77 Card
- 77 Securities
- 77 Research and Consulting
- 77 Capital

**Human resources development programs**

- Branches
  - Demonstrate Headquarters liaison functions
  - Consulting by specialists
  - Vigorous support for structuring deals
  - Effective utilization of external experts
  - HR development by having junior employees accompany senior employees when visiting customers, etc.

- Headquarters
  - Engagement in human resources development aimed at enhancing consulting capabilities.
  - Abundant personal capabilities: Human resources who are capable of building trust relationships with the people around them through abundant personal capabilities and achieving results through cooperation
  - High sense of ethics: Human resources who are capable of faithfully fulfilling business activities and customer-oriented initiatives in practice, based on a high sense of ethics

**Ideal human resources**—Toward enhancement of consulting capabilities that are firmly rooted in the region—

- Instinctive desire to improve: Human resources who will continue to grow, and who are full of ambition for personal development, and have the constant desire to improve and explore from a broad perspective
- Robust spirit of taking on challenges: Human resources who will continue to take on challenges without being held back by precedents or previous successes, while working toward high goals without fear of failure
- Ability to execute independently: Human resources who think independently with a sense of responsibility, and who are capable of performing to the end

**Basic approach toward human resource development**

OJT at the workplace forms the basis for human resource development. Our basic approach toward the knowledge and skills that each employee believes to be necessary, or that they would like to study, involves personal development through self-study. A variety of training is conducted to complement OJT and personal development, and to provide opportunities to learn more specialized knowledge and skills, and for further skill improvements.

We aim to develop human resources by repeating such OJT, personal development, and training.
Business Evaluation Initiatives

We conduct appropriate business evaluations of the business content and growth potential of clients in various life stages, while appropriately grasping and analyzing the current state and issues of the regional economy and industry as we actively engage in business evaluations that provide funds smoothly and proposals for solutions to resolve issues.

Business evaluation conceptual diagram

- Demonstrate the HQ functions for highly specialized cases
- Promotion of consulting-based sales in cooperation with external experts
- Cultivate and capture diverse customer needs by business evaluations
- Offer solutions by demonstrating consulting functions
  - Funding
  - Support of start-up support, business matching
  - Advice on business succession and M&A
  - Proposals to utilize funds and derivatives
  - Proposals of industry-academia-government collaboration and utilization of subsidies
  - Support for expanding marketing channels (holding of business meetings)
  - Overseas business support
  - Support for corporate rehabilitation and business reform
  - Referral of customers and business partners, etc.

Issues for enhancement of corporate value

- Funding
  - Business matching
- Broader marketing channels
- Securing of HR
- M&A
- Business succession
- Overseas business development
- Utilization of subsidies

Clients

<table>
<thead>
<tr>
<th>Issues for enhancement of corporate value</th>
<th>Funding</th>
<th>Business matching</th>
<th>Broader marketing channels</th>
<th>Securing of HR</th>
<th>M&amp;A</th>
<th>Business succession</th>
<th>Overseas business development</th>
<th>Utilization of subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Establishment of the 77 Strategic Investment Fund

In March 2019, the 77 Strategic Investment Fund was established in cooperation with 77 Capital Co., Ltd. This fund invests in equity interests in silent partnerships, etc. backed by assets including real estate and cash flow generated from projects such as infrastructure development and operations of regional commercial, educational, and medical facilities, as well as renewable energy.

The fund executes equity investments related to structured finance, which is an extremely unique effort for a regional bank affiliated fund, and will develop new areas of finance for the Group.

Investor

- The 77 Bank (LP)
- 77 Capital (GP)

The fund

- 77 Strategic Investment Fund (Total amount: ¥2.0 billion)

Investment target

- Silent partnerships, trust beneficiary rights, etc.
- Regional infrastructure development and management projects
- Real estate liquidation
- Renewable energy projects
- Project finance
- Asset-backed finance

Business evaluation initiatives

Ogasawara Village (Tokyo)

Continuity crisis faced by cargo ships sailing between Tokyo and Ogasawara (operated by Kyoshomaru Co., Ltd.)

- Direct explanation regarding the necessity of building new ships to The 77 Bank
- Sharing of challenges
- Business plan
- Funding consultation
- Loan

Kyoshomaru Co., Ltd. (Shinonome City, Miyagi)

- Request for new shipbuilding due to aging of ships
- Natural disaster of the company

The 77 Bank

- Confirmed the status of recovery since the Great East Japan Earthquake
- Studied the current status and overall strategy of Ogasawara Village
- Verified profitability, taking into account fluctuations in shipping rates, repair/maintenance costs, etc., and provided advice (demonstrating the consulting function)

Evaluation of business content and growth potential

Cooperation

- Invitation
- Japan Finance Corporation

Result

(Ogasawara Co., Ltd.)

- Constructed new ships and maintained ship operations
- Improved business performance and secured stable earnings
- Maintained industry and employment in Shinonome City
Growth Strategy

### Key Strategy

#### Business matching

We are actively promoting business matching using regional networks, including support for creating new business opportunities and client management issues.

#### M&A

M&A representatives have been assigned to the Consulting Promotion Department to support growing needs for business succession support, underpinned by the advance of an aging society, and respond to various types of consultations in cooperation with branches.

#### Partnership agreement regarding business succession

In June 2019, we entered into a three-party Partnership and Cooperation Agreement on Business Succession Support, together with Miyagi Organization for Industry Promotion and Batonz Co., Ltd., in order to promote smooth business succession for SMEs and revitalization of the regional economy.

Launch of 77 Local Professional Sports Support Bonds (Donation-Type) and 77 ESG Privately Placed Corporate Bonds

In April 2019, we launched 77 Local Professional Sports Support Bonds (Donation-Type) and 77 ESG Privately Placed Corporate Bonds to support the sustainable growth of customers who support ESG efforts.

With 77 Local Professional Sports Support Bonds (Donation-Type), the Bank donates a portion of the fees and commissions received from the issuing company at the time of bond issuance, as activity funds for a professional sports team in Miyagi Prefecture selected by the customer from among bank-designated teams (Vegalita Sendai, Mynavi Vegalita Sendai Ladies, Tohoku Rakuten Golden Eagles, and the Sendai 89ERS).

With 77 ESG Privately Placed Corporate Bonds, preferential treatment is offered for a portion of fees and commissions at the time of privately placed corporate bond issuance, in order to support the sustainable growth of customers that support ESG efforts and have set specific targets for ESG measures.

### Regional Regeneration and Revitalization Network (Nine Banks Network)

We participate in the Regional Regeneration and Revitalization Network (Nine Banks Network), a business alliance between nine regional banks (1) that works to create new value and regenerate and revitalize the regional economy by leveraging the information and networks held in different management bases and sales areas.

The Bank works with partner banks to resolve management issues, including matching clients between banks in cases where matching within one’s own bank is difficult, expanding sales channels, and introducing suppliers. For example, in February 2018, the Bank and a partner bank (The Hiroshima Bank) matched a client of the Bank that wanted to expand from Tohoku into western Japan with a client of a partner bank in the same industry that was struggling to find a successor, which led to an M&A deal.

### Multiple financial institutions share and utilize their information and networks

$\text{Number of deals by the Nine Banks Network (FY2018)}$

<table>
<thead>
<tr>
<th>Type</th>
<th>Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>13</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>67</td>
</tr>
<tr>
<td>Information matching</td>
<td>168</td>
</tr>
<tr>
<td>Total</td>
<td>248</td>
</tr>
</tbody>
</table>

*Nine Banks Network participating banks*

**Overseas Business Support**

The Bank provides overseas business support, including support for overseas expansion, development of overseas marketing channels, and various trade transactions of clients using a broad network led by the Asia Business Support Department, and in coordination with our two representative offices (Shanghai and Singapore), employees deployed abroad in eight cities located in six countries, and partner overseas financial institutions.

**Expansion of overseas network**

<table>
<thead>
<tr>
<th>City</th>
<th>Financial institution</th>
<th>Overseas specialist institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York, United States</td>
<td></td>
<td></td>
</tr>
<tr>
<td>London, United Kingdom</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hanoi, Vietnam</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangkok, Thailand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tokyo, Japan</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Number of employees deployed overseas**

- Dalian, China: 30 employees
- Shanghai, China: 20 employees
- Hong Kong: 15 employees
- Hanoi, Vietnam: 10 employees
- Bangkok, Thailand: 5 employees
- Singapore: 2 employees
- London, United Kingdom: 1 employee
- New York, United States: 1 employee

**Total:** 53 employees

*As of May 30, 2019

**Number of overseas offices of local companies**

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outside Asia</td>
<td>420 offices</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>420 offices</td>
</tr>
<tr>
<td>Other Asia</td>
<td>420 offices</td>
</tr>
<tr>
<td>Tokyo, Japan</td>
<td>420 offices</td>
</tr>
<tr>
<td>Osaka, Japan</td>
<td>420 offices</td>
</tr>
<tr>
<td>Osaka, Southeast Asia</td>
<td>420 offices</td>
</tr>
<tr>
<td>Other Asia</td>
<td>420 offices</td>
</tr>
<tr>
<td>Other Asia</td>
<td>420 offices</td>
</tr>
<tr>
<td>Outside Asia</td>
<td>420 offices</td>
</tr>
</tbody>
</table>

**Overseas business-related financing results**

- FY2015: 10,000 million yen
- FY2016: 20,000 million yen
- FY2017: 5,000 million yen
- FY2018: 7,000 million yen
- FY2019: 3,000 million yen

**Overseas business matching**

<table>
<thead>
<tr>
<th>Business meeting</th>
<th>Type of event</th>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Japan 2018 Food Products</td>
<td>Food products</td>
<td>October 2018</td>
<td>Singapore</td>
</tr>
<tr>
<td>Miyagi and Tohoku Food Tasting Fair</td>
<td>Food products</td>
<td>October 2018</td>
<td>Singapore</td>
</tr>
<tr>
<td>FBC Guangdong 2018 Monozukuri Manufacturing Exhibition</td>
<td>Manufacturing</td>
<td>September 2018</td>
<td>China (Shanghai)</td>
</tr>
<tr>
<td>RBC Bangkok 2018 Monozukuri Manufacturing Discussion Meeting in Bangkok</td>
<td>Manufacturing</td>
<td>June 2018</td>
<td>Thailand (Bangkok)</td>
</tr>
</tbody>
</table>

**Pick Up**

Myiagi and Tohoku Food Tasting Fair and Food Japan 2018

We supported Food Japan 2018, the largest Japanese food tasting fair in the ASEAN countries, which was held in Singapore from October 25 to 27, 2018, and six of our clients with needs for developing overseas sales channels exhibited at this event.

In addition, the Miyagi and Tohoku Food Tasting Fair was held, together by the Bank and related organizations within Miyagi Prefecture on the day prior to Food Japan 2018. Eight of our clients held business talks with approximately 40 visitors involved in the local restaurant industry.

Furthermore, for the purpose of test marketing by the exhibiting companies, local restaurant chefs were asked to develop dishes using the foods of exhibiting companies and these dishes were provided at actual restaurants for a period of roughly one month before the food tasting fair, and feedback was sought.
Initiatives for Retail Customers

**Life events**

- **Preparing an educational fund for parents**
- **Preparing for life events**
- **Child’s schooling/Child’s employment and marriage**
- **Purchasing and replacing cars, furniture, and appliances, etc.**
- **Home renovation and relocation**
- **Parent’s inheritance**
- **Inheritance preparation**

**Financial products**

- **Mutual accounts, savings deposits**
- **Multi-purpose accounts, time deposits, savings deposits**
- **Salaries, pensions**
- **? Direct Service, Point 7, direct debit for public utility payments, safe deposit boxes**
- **? Education fund donation-only accounts**
- **Investment trusts**
- **Public bonds, structured bonds**
- **Housing-related long-term fire insurance**
- **? Education loan**
- **77 Loan (Car loans, multiple purposes loans)**
- **77 Elderly loan**

**Loans**

- **77 Educational Loan**
- **77 Loan (Car loans, multiple purposes loans)**
- **77 Elderly loan**

---

**Consumer loans**

We offer a variety of loan products including housing loans and educational loans to support the various funding needs of our retail customers.

**Assets in custody**

Together with 77 Securities, the Bank supports a wide range of customer asset management needs through the provision of high-quality services and products from a customer perspective.

**Launch of deposit accounts, etc. based on civil trust agreements**

In response to needs for property management and smooth asset succession by the elderly using civil trusts, along with the advance of the aging population, we started offering deposit accounts based on civil trust agreements in October 2018, and the 77 Apartment Loan (civil trust account) in March 2019.

A civil trust is a means for an elderly trustor to entrust the management of assets (real estate, deposits, etc.) to a trusted family member (trustee), in preparation for a decline in judgment ability caused by factors such as dementia. This type of trust is also called a family trust. The use of a civil trust enables smooth estate division at the time of succession. In addition, the use of an apartment loan that supports a civil trust makes it possible to continue a real estate rental business and procure the funds needed for large-scale repairs, etc. even if the trustor suffers from dementia. The elderly trustor can entrust the management of assets (real estate, deposits, etc.) to a trusted family member (trustee), in preparation for a decline in judgment ability caused by factors such as dementia. This type of trust is also called a family trust. The use of a civil trust enables smooth estate division at the time of succession. In addition, the use of an apartment loan that supports a civil trust makes it possible to continue a real estate rental business and procure the funds needed for large-scale repairs, etc. even if the trustor suffers from dementia.

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**Renewal of our website and launch of online contracts**

In June 2019, we completely renewed the loan page of our website to offer product lineup that is easy for customers to understand and use, and began offering online contracts for the 77 Card Loan.

**Launch of online insurance**

In October 2018, we launched online insurance to support the diversifying financial asset management needs of our customers. The introduction of online insurance will make it possible for customers who are unable to visit the bank during business hours to conduct procedures ranging from estimates to applications for life insurance products through our website.
**Key Strategy 1 Growth Strategy**

### Expansion of ATM services

**<Expansion of opening hours for cash service centers>**

In October 2016, we expanded the opening hours of cash service centers in Miyagi Prefecture from 7:00 to 22:00 on Saturdays, Sundays, and holidays, in principle, in order to further improve convenience for customers.

**<Installation of ATMs that support cards issued overseas>**

ATMs that allow withdrawals in Japanese yen and balance inquiries using credit cards and other cards issued overseas have been installed at the Head Office, the Sendai Airport Sub-Branch, and the third floor of JR Sendai Station and at Sendai Airport Trans's Mori-SENKOSHIHACHI Station.

**<Offering ATM Pay-easy and ATM Lottery services>**

The ATM Pay-easy service allows customers to make payments for taxes and various charges supported by Pay-easy, which is a service handled by the Bank's designated collection agency. The service allows payments in cash or by card, and cash card payments are also available on Saturdays, Sundays, and holidays.

In addition, with the ATM Lottery, which allows customers to buy number-selection type lottery tickets with their cash cards using the ATM (NUMBERS 3, NUMBERS 4, MINI LOTO, LOTO 6, and LOTO 7), prize money is automatically transferred to the cash card account used for purchase in two business days from the winning date.

**<Partnerships with financial institutions>**

We have ATM partnerships with E-net, Lawson Bank, Seven Bank, Aeon Bank, and JAPAN POST BANK, and our cash cards can be used at convenience stores throughout Japan for transactions such as withdrawals and balance inquiries.

In addition, withdrawals are free of charge during daytime hours on weekdays for some partner financial institutions.

#### Partner financial institutions with free withdrawals during the daytime hours on weekdays

- **MyCashPoint**
- **SendoBank**
- **MyCASH POINT**
- **ATM linkage**

### Channel diversification efforts

The Bank has expanded direct channels to allow the direct use of services including fund transfer and deposit inquiries as well as bank transfers by telephone, Internet, mobile phone and other means in response to the diversifying needs of customers.

**Telephone banking**

Telephone banking is a service that allows balance inquiries, fund transfer and deposit inquiries, and account transfers by telephone and is available from 9:00 to 19:00 on weekdays. This service can also be used to carry out address change procedures.

**Internet banking**

Internet banking is a transaction service that is available over the Internet using a computer or smartphone. Services such as balance inquiries, fund transfer and deposit inquiries, and account transfers, and payment of taxes and various charges supported by Pay-easy can be used anytime, 24 hours a day (excluding some services). In addition, changes to housing loan conditions (entering fixed interest selective special contracts and partial early repayment) and digital delivery services are also available.

Transactions are also possible using a smartphone dedicated transaction display (excluding some services).

**Mobile banking**

Mobile banking is a service for mobile phones that support i-mode, EZweb, and Yahoo! Keitai. Services such as balance inquiries, fund transfer and deposit inquiries, bank and account transfers, and payment of taxes and various charges supported by Pay-easy (online services only) are available anytime, 24 hours a day (excluding some services).

**77 BANK app for account opening**

This app allows users to apply to open an ordinary deposit account using a smartphone. By taking a photo of a driver's license using a smartphone, the information of the user, including name and address are automatically reflected, making it possible to apply for opening a new account without the inconvenience of direct input by the user.

In addition, users can apply to open an investment trust trading account if they have an ordinary deposit account at a branch that offers investment trusts.

There are conditions for use. In addition, applications may be refused based on a comprehensive judgment.

**Launch of digital delivery service for Internet banking**

In March 2018, we launched a digital delivery service for documents related to deposits and investment trusts that are sent to customers by post.

With this service, customers can view supported documents at any time on their Internet banking screen, and these documents can be saved on a PC or smartphone, document management is easier with a reduced risk of loss.

**Launch of 77 BANK app**

This smartphone app allows users to make balance inquiries and fund transfer and deposit inquiries for ordinary deposit accounts, savings deposit accounts and card loan accounts, as well as use purpose-based deposits that make it fun to save by setting goals such as a car purchase or trip. In cooperation with a personal asset management app, Issho Taicho (Lifetime account management) by Moneytree, which allows users to centrally manage details regarding transaction status including the Bank's accounts and credit cards, is also supported.
Key Strategy 1 Growth Strategy

Provision of Integrated Financial Services

The Bank aims to realize its image of becoming the “Best Consulting Bank” that responds to customers’ needs by offering optimum solutions, and we have worked to strengthen coordination within the Group and expand the scope of our business. We will work to improve customer satisfaction and make further contributions to the development of the regional society and economy through the provision of integrated financial services as a Group.

Clients  individual customers, corporate customers, municipal governments  
Provision of integrated financial services as a Group  

Development of regional society and economy  

77 Lease  
77 Shin-Yo Hosyo  
77 Card  
77 Securities  
77 Research and Consulting  
77 Capital  
77 New Business Investment Limited Partnership  
77 Strategic Investment Limited Partnership  

Evolution of the Group’s strength

Expansion of the scope of business
- Establishment of 77 Securities Co., Ltd.  
  Works to respond to diversifying asset management needs and support asset building for customers  
- Establishment of 77 Capital Co., Ltd.  
  Provides management support services for companies in various life stages

Conversion into wholly-owned subsidiaries
- 77 Lease Co., Ltd.  
- 77 Shin-Yo Hosyo Co., Ltd.  
- 77 Computer Services Co., Ltd.  
- The 77 Card Co., Ltd.
  - Accelerate and enhance the efficiency of management and strengthen governance  
  - Enhance consolidated profits, return profits effectively through flexible dividends

Internalization of the operation of administrative subsidiaries
- 77 Business Services Co., Ltd.  
- 77 Jusu Daiko Co., Ltd.
  - Dissolved two administrative subsidiaries and internalized their operations within the Bank  
  - Improvement of management efficiency throughout the Group and effective utilization of management resources

Results as of March 31, 2019 (8 months since launch)

<table>
<thead>
<tr>
<th>Results</th>
<th>FY2018</th>
<th>FY2017</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of member customers</td>
<td>1,317 members</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of contracted research projects</td>
<td>5 projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of consulting projects</td>
<td>18 projects</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Strategies of The 77 Bank, Ltd.
Operations that Put Customers First

About The 77 Bank, Ltd.

Social Contribution Activities

Bank Data
Leverage Digital Technology

We are working to achieve a digital transformation that will transform the banking business model through the utilization of digital technologies and cooperation with external companies for the purpose of enhancing customer convenience and improving productivity.

**Key Strategy**

**Growth Strategy**

**Strategies of The 77 Bank, Ltd.**

**Operations that Put Customers First**

**About The 77 Bank, Ltd.**

**Social Contribution Activities**

**Bank Data**

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**Cashless payment initiatives**

In order to enhance customer convenience through cashless payments, we support debit cards as well as a wide variety of smartphone-based cashless payment services provided by external companies.

**Utilization of smartphone apps**

We work together with FinTech companies, etc. to improve convenience through smartphone apps.

- **Cashless payment initiatives**
  - **77 Bank PayB**
    - App that enables payments to be made anytime, anywhere without going to an ATM or convenience store, as long as you have a smartphone and payment handling slip.
  - **77 BANK app**
    - App that enables retail customers to use various services whenever they want without visiting a teller, including viewing balances, or having fun saving for preset goals like buying a car or going on a trip.
  - **77 BANK app for account opening**
    - App that enables a user to apply to open an ordinary deposit account or investment trust trading account from the comfort of their home, etc. at any time without visiting a teller.

- **Introduction of big data analysis software using artificial intelligence (AI)**
  - In partnership with the FinTech company, Generic Solution Corporation, we have been engaged in the creation of a model to predict the timing with which customers will want to borrow loans and use asset management services, based on the massive amount of transaction records held by the Bank, as a trial effort for big data analysis utilizing artificial intelligence. Because a certain degree of accuracy has been confirmed for the developed model as a result of this trial, in June 2018, we carried out full-scale introduction of an AI-based data analysis software developed by the Bank.

- **Launch of the MEJAR Digital Innovation Hub**
  - In December 2018, together with The Bank of Yokohama, Hokuriku Bank, and Hokkaido Bank with whom we jointly manage the core system MEJAR, we launched a digital promotion project. In this project, various measures utilizing digital technologies including operational process reforms as well as channel and service reforms are promoted collaboratively with the project partners.

- **Holding of X-Tech Innovation 2018**
  - From July 2018, the IT-themed business contest, X-Tech Innovation 2018 was jointly held with the Fukuoka Financial Group, Hokkaido Bank, and The Bank of Okinawa, in order to contribute to revitalization of the regional economy through the discovery and support of original and novel ideas and innovations utilizing IT. This contest focuses on various forms of rapidly developing technologies, and widely accepts new cross-industry services and business ideas from start-up companies, etc., in order to discover and recognize outstanding ideas. It also supports the commercialization of such business ideas, provides matching opportunities with local companies and explores the applicability in existing businesses in an aim to revitalize the regional economy.
Earthquake Reconstruction Support

Reconstruction Support Policy
In view of the massive damage inflicted by the Great East Japan Earthquake, The 77 Bank formulated its “Reconstruction Support Policy” to contribute to the reconstruction and development of the regional economy. The objective of this policy is to fulfill the Bank’s responsibility as a regional financial institution that should work hand-in-hand with the local region, through the provision of financial services and financial intermediary functions aimed at supporting reconstruction efforts of the region and customers.

All executives and employees of the Bank are working to support the region and the Bank’s customers by tackling various challenges in order to restore Miyagi and the wider Tohoku region to their original states of places brimming with vitality, affluence and kindness.

1. Fulfill our financial intermediation function
As a financial institution working with the local region, we are striving to meet funding needs related to reconstruction and revitalization efforts. We are working sincerely to resolve the problems of customers who were affected by the disaster through altering lending conditions and resolving double mortgages for customers who are working proactively for rebuilding.

2. Contribute to reconstruction and further development for the region
We will further enhance our consulting and judgment capabilities, and provide swift and optimum solutions to customers with reconstruction needs that were identified through vigorous customer visiting. At the same time, we will participate actively in initiatives for regional rehabilitation and industrial revitalization through enhanced collaboration with the municipal governments that are taking the lead in implementing reconstruction measures in the region. In this way, we will contribute to reconstruction and further development of the region.

Additionally, we will work to improve the branch network and sales platform in an effort to help enhance customer convenience and to fully assist efforts to achieve regional revitalization and rehabilitation through stable provision of financial services.

3. Assist efforts to achieve a disaster prevention-aware, safe and environmentally-friendly society
In light of the massive damage caused by the earthquake, we will pay even closer attention to disaster prevention and mitigation, as well as safety. In addition, we will take measures to bolster the business continuity framework in order to provide continuous financial services in disasters and other emergencies. Furthermore, we will make long-term and sustainable contributions to the local community through initiatives to enhance energy conservation and environmental friendliness in anticipation of an environmentally-friendly society in the region after reconstruction.

Earthquake Reconstruction Committee
The Earthquake Reconstruction Committee, which is chaired by the President at Headquarters, was established in May 2011 to work toward the restoration of financial infrastructure and the prompt normalization of customers and clients, promote efforts aimed at further improvements in financial intermediary functions, and contribute to the reconstruction and development of the regional society and economy. The Earthquake Reconstruction Committee discusses measures related to damaged office response and reconstruction support, monitors the implementation status of these measures, and revises measures as necessary, depending on their effectiveness.

Efforts toward earthquake reconstruction
Earthquake-related loan performance (cumulative total after the earthquake to March 31, 2019)

<table>
<thead>
<tr>
<th></th>
<th>Corporate</th>
<th></th>
<th>Unsecured Housing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of cases</td>
<td>5,933</td>
<td>4,290</td>
<td>13,318</td>
<td>17,608</td>
</tr>
<tr>
<td>Amount</td>
<td>¥265.6 billion</td>
<td>¥157.7 billion</td>
<td>¥284.3 billion</td>
<td>¥292.3 billion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Retail</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of cases</td>
<td>4,290</td>
<td>13,318</td>
<td>17,608</td>
</tr>
<tr>
<td>Amount</td>
<td>¥7.4 billion</td>
<td>¥284.3 billion</td>
<td>¥292.3 billion</td>
</tr>
</tbody>
</table>

Results of Loans related to Recovery and Development Subsidy Project for SME Group Facilities, etc. (Miyagi Prefecture)
The Loans related to Recovery and Development Subsidy Project for SME Group Facilities, etc. Project is under way with the assistance of the national government and Miyagi Prefecture as support for the recovery and development of the facilities and equipment of SME groups affected by the earthquake. In addition to subsidy application support, we actively meet funding needs through bridge financing until the subsidies are granted as well as financing for the principal investment portion (a quarter of the investment amount that is not fully covered by the subsidy).

Earthquake Reconstruction Support

Earthquake Reconstruction Support Housing Loans (for collective relocation/leased land type)
From February 2013, we began handling 77 Earthquake Reconstruction Support Housing Loans for collective relocation/leased land type, a dedicated housing loan in which only the building is put forth as collateral, when constructing a new building on leased land, in connection with the disaster prevention collective relocation promotion project.

|                |
|----------------|----------|
| Number of cases| 929      |
| Amount         | ¥20.7 billion |

Number of housing rebuilding consultation meetings held
Housing rebuilding consultation meetings are held in cooperation with the Miyagi Reconstruction and Residential Development Promotion Committee, the Japan Housing Finance Agency, and municipal governments in Miyagi Prefecture, in order to support the rebuilding of housing for people affected by the disaster.

|                |
|----------------|----------|
| Meetings       | 220      |

Results of response to the double debt problems of retail customers affected by the disaster
We actively work to raise awareness of and promote use of the personal voluntary liquidation guideline support that is implemented for the purpose of resolving the double debt problems of retail customers who are using housing loans, etc.

Examples of initiatives to improve convenience

Relocation of the Kesennuma Branch
The Kesennuma Branch, which has continued its operation in the former Kesennuma Chamber of Commerce and Industry building after the branch building was damaged in the Great East Japan Earthquake, will be relocated in January 2020 to a newly constructed building at almost the same location as the former branch.

Relocation of the Minato Branch and Watanoha Branch
The Minato and Watanoha Branches, which have continued their operation at a location different from the original place after the branch buildings were damaged in the Great East Japan Earthquake, will be together relocated in February 2020 to a newly constructed building near the Ishinomaki Fish Market.

Strategies of The 77 Bank, Ltd.
Operations that Put Customers First About The 77 Bank, Ltd.
Social Contribution Activities
Bank Data

THE 77 BANK INTEGRATED REPORT
THE 77 BANK INTEGRATED REPORT
Initiatives for Regional Revitalization

Implementation structure for regional revitalization

Support for starting a new company or business

As part of our efforts to strengthen initiatives toward regional revitalization, with the objectives of new business creation and vitalization of the regional economy through the promotion of business start-ups and entrepreneurship in the region, the Bank is providing various forms of support in cooperation with external support organizations, and is actively working to provide funds through the use of start-up and new business-related financing systems provided by Miyagi Prefecture.

In addition, the Bank provides hands-on support through introductions of companies with outstanding technologies and ideas to external support organizations, such as Tohoku University and Miyagi University.

Support for starting a new company or business

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2017</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>702</td>
<td>810</td>
<td>964</td>
</tr>
</tbody>
</table>

* Start-up plan formulation support, financing clients in the start-up stage, introduction of government-affiliated financial institutions and start-up support organizations, and subsidies, financing, and investment in venture companies

**Results of hands-on support using external support organizations, etc.**

Support and development of regional core companies

- Support for development and expansion of marketing channels
- Overseas business support
- Support through industry-academia collaboration
- Conversion of agricultural, forestry, and fishery industries into growth industries
- Business reform and corporate rehabilitation
- Business succession and M&A

**Investments through 77 Capital Co., Ltd.**

77 Capital Co., Ltd., which was established in July 2016, has formed and made investments through the 77 New Business Fund together with the Bank for companies working on initial business launch, establishment, or secondary business launch that contribute to regional revitalization and regional activation.

**Support for promotion of tourism, etc.**

- Commercialization support and growth support for tourism-related industries
- Support for promotion of inbound tourism

**Support for starting a new company or business**

- Application support for subsidies, etc.

The Bank was certified as a Support Agency for Business Innovation in November 2019, and liaison personnel from branches and Headquarters visit business partners to support business plan creation and applications for subsidies such as the Manufacturing Subsidy and Start-up Subsidy.

<table>
<thead>
<tr>
<th>Subsidies</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing SME and Small Business Prototype Development Support Subsidy (Alias: Manufacturing Subsidy)</td>
<td>Cases of support: 56, Adoption results: 33</td>
</tr>
<tr>
<td>Manufacturing, Commerce, and Service Innovation Subsidy</td>
<td>Cases of support: 57, Adoption results: 26</td>
</tr>
<tr>
<td>Manufacturing, Commerce, and Service New Development Support Subsidy</td>
<td>Cases of support: 47, Adoption results: 19</td>
</tr>
<tr>
<td>Manufacturing, Commerce, and Service Development Support Subsidy</td>
<td>Cases of support: 25, Adoption results: 11</td>
</tr>
<tr>
<td>Manufacturing, Commerce, and Service Management Capabilities Improvement Support Subsidy</td>
<td>Cases of support: 59, Adoption results: 24</td>
</tr>
<tr>
<td>Regional Demand Creation Entrepreneurship and Foundation Promotion Subsidy (Alias: Start-up Subsidy)</td>
<td>Cases of support: 79, Adoption results: 39</td>
</tr>
</tbody>
</table>

**Strategies of The 77 Bank, Ltd.**

Operations that Put Customers First

About The 77 Bank, Ltd.

Social Contribution Activities

Bank Data

**Tourism exchange center using a renovated traditional Japanese house**

**Next-generation synchrotron radiation facility (rendering)**
Support and development of regional core companies

Cooperation with Tohoku University and the Tokyo Stock Exchange

In November 2017, the Bank, Tohoku University, and the Tokyo Stock Exchange, Inc. signed a basic agreement on cooperation related to growth support for venture companies and regional companies through the utilization of the capital markets and the promotion of entrepreneurial human resources development. This is the first effort in Japan by a major financial institution, university, and Tokyo Stock Exchange to cooperate in the development of the regional economy.

Industry-academia-government collaboration schemes that aim to utilize capital markets
- Regional company growth support (POs, etc.)
  1. Project plan formulation and execution support
  2. Share listing promotion and support
  3. Distribution of information to the market

Creation of innovation

Sendai Future Generating Company Creation Program

The Bank works together with Sendai City towards intensive support for the listing of local companies, through cooperation as a Project Partner in the Sendai Future Generating Company Creation Program implemented by Sendai City. This program provides intensive support for stock listing, after recruiting and selecting local companies that could possibly be listed within roughly five years, and certifying them as Sendai Future Generating Companies.

* Cooperation with this program is carried out as a new initiative based on a three-party cooperation agreement entered in November 2017 between the Bank, Tohoku University, and the Tokyo Stock Exchange, Inc. for the purpose of providing growth support for venture companies and local companies using the capital markets, and promoting the development of entrepreneurial human resources.

Support for Iwama Noura Co., Ltd.

Iwama Noura Co., Ltd., an agricultural production corporation in Tomi City, is working toward the sixth sector industrialization of regional food products, including Hatsukoi Sakura amazake (traditional drink made from fermented rice), which it has jointly developed with Tohoku General Industrial High School, and has participated in the Food Kingdom Miyagi Business Meeting sponsored by the Bank with the aim of developing and expanding sales channels. In addition, in response to the needs of IBEX Airlines Co., Ltd., based at Sendai International Airport, with respect to beverages made in Miyagi Prefecture that could be served aboard the airline’s flights, the handling branch proposed participation in the Food Kingdom Miyagi Business Meeting, during which individual business talks were held with Iwama Noura Co., Ltd. Subsequent discussions led to a business match that will help serve as PR for made-in-Miyagi products.

Example of support and development of regional core companies

- Joint heading
  - Food Kingdom Miyagi Business Meeting
  - Joint heading

Example of support and development of regional core companies

- Invitation to business meetings
  - Individual business talks
  - Iwama Noura Co., Ltd.
  - IBEX Airlines Co., Ltd. (Tokyo)

Results

- Trial service to IBEX Airlines
- PR for made-in-Miyagi products
- Expansion through listing in the in-flight catalog
- Certification of appeal of non-saké amazake
Key Strategy 2 Regional Economy Vitalization Strategy

Promotion of urban development

- PPP/PFI project initiatives
  - The Bank has strengthened relationships with municipal governments, through initiatives including involvement in the promotion from the formulation stage, in response to an expected increase in PPP/PFI projects led by municipal governments stemming from a declining population and aging public facilities.

To date, the Bank has participated as a financing financial institution for 13 PPP/PFI projects in Miyagi Prefecture, and has conducted arrangement agent services as the main bank for seven of these projects.

Track record of the Bank’s PPP/PFI project in Miyagi Prefecture

- Sendai City / Matsumi Plant Related Civil Facilities Development Project (Financing financial institution, arranger and agent)
- Sendai City / Nomura School Lunch Center Development Project (Financing financial institution, arranger and agent)
- Sendai City / Senshu Centennial School Dormitory Center Development Project (Financing financial institution, arranger and agent)
- Sendai City / Miraizakicho School Lunch Center Development Project (Financing financial institution, arranger and agent)
- Sendai City / Sante Student Dormitory Development Project (Financing financial institution)
- Sendai City / Obanyo Observatory Development Project (Financing financial institution, arranger)
- Sendai City / Koyokita School Development Project (Financing financial institution, co-arranger)
- Sendai City / Obanyo Observatory Development Project (Financing financial institution, co-arranger)

Support for Tohoku Noto Kyosei Research Institute, Co., Ltd.

Tohoku Noto Kyosei Research Institute is a business consulting company that provides support for sixth sector industrialization and regional development, and its primary business is a sixth sector industrialization support business that is contracted by municipal governments, etc. This project aims to create a sustainable regional management model through the effective use of closed schools, which have become a social issue nationwide, maintenance of the local community in rural villages, and creation of regional industry based on agriculture.

The Bank has provided support, including support for the formulation of business plans to realize this project, industry-academia collaboration with Sendai University, cooperation with product development through matching with the Ecole d’Art Culinaire de Miyagi, and the formation of cooperative loans with local financial institutions, etc. In addition, the Bank also provides ongoing support for sales channel expansion through business matching.

Examples of promotion of urban development

- Kawasaki Town, Miyagi Prefecture
  - Creation of agricultural communities
  - Preservation of closed school campuses

- Sendai Noto Kyosei Research Institute, Co., Ltd.
  - Sendai City, Miyagi Prefecture (established December 2012)
  - Development of facilities for use as tourist and agricultural communities
  - Use of networks and business matching

- Sendai City, Miyagi Prefecture
  - Sendai City, Miyagi Prefecture
  - Sendai City, Miyagi Prefecture

- Miyagi University
  - Ecole d’Art Culinaire de Miyagi
  - Business matching

- The 77 Bank
  - Business matching

Support for promotion of tourism, etc.

- Establishment of the Financial Network of TOHOKU Tourism
  - In March 2017, the Cooperative Business Agreement on Support for Tourism Promotion Projects was signed with Aomori Bank, Akita Bank, the Bank of Iwate, Yamagata Bank, Toho Bank, and the Development Bank of Japan, and the Financial Network of TOHOKU Tourism (FINET TOHOKU) was established.

Through this cooperative business agreement, each bank will work to cooperate in areas such as information exchange and the provision of financial services while supporting tourism promotion and contributing to further improvements in the appeal of the region and regional revitalization.

Examples of support for promotion of tourism, etc.

- Support for Miyagi Zao Kanko Co., Ltd.
  - Miyagi Zao Kanko Co., Ltd. operates the Miyagi Zao Eobshi Ski Resort, which enjoys the largest number of visitors among ski resorts in Miyagi Prefecture. As a main hub of regional tourism, the resort has installed artificial snow machines as part of efforts toward establishing a business structure that is not dependent on weather conditions during the winter season.

The Bank is providing support aimed at resolving the issues of Miyagi Zao Kanko Co., Ltd., including cooperation from the business plan formulation phase, cooperation with the Development Bank of Japan, which participates in the Financial Network of TOHOKU Tourism, and execution of investments through the jointly funded Miyagi Reconstruction and Regional Revitalization Support Fund.

Examples of support for promotion of tourism, etc.

- Miyagi Zao Eobshi Ski Resort
  - Improvement of tourist facilities
  - Improvement of tourist information

- Miyagi Zao Kanko Co., Ltd.
  - Miyagi Zao Kanko Co., Ltd.

- Miyagi Zao Kanko Co., Ltd.
  - Miyagi Zao Kanko Co., Ltd.
  - Miyagi Zao Kanko Co., Ltd.
Cooperation with municipal governments

Signaling of a cooperation agreement with municipal governments
The Bank has Comprehensive Cooperation Agreements for regional revitalization with 22 municipal governments, with the aim of sustainable development of the regional economy through mutual cooperation by the Bank and municipal governments while effectively utilizing mutual resources. In addition, the Bank entered an Agreement to Assist Elderly People in the Region with Miyagi Prefecture along with nine financial institutions in the prefecture. We will strengthen our partnerships with municipal governments, and contribute to the vitalization of the regional economy pursuing public-private partnership efforts based on these agreements.

List of agreement partners

Kami Town
Ogawara Town
Iwanuma City
Shiogama City
Shinchi Town
Minamisoma City
Tomiyama City
Ishinomaki City
Marumori Town
Ongawa Town
Rifu Town
Murata Town
Kamigawa Town
Kamisato City
Tama City
Ichinomiya City
Shikoku City
Shibata Town
Higashimatsushima City
Kawasaki City

Support for corporate rehabilitation and business reforms by the Credit Supervision Division

The Corporate Support Office was established in the Credit Supervision Division, and is working to support corporate rehabilitation and the business reform of clients. Following the earthquake, the number of personnel in the Corporate Support Office was increased from five persons before the earthquake to 11 (as of March 31, 2019), in order to strengthen support for corporate rehabilitation and business reform.

In an effort to revitalize the regional economy and strengthen the soundness of the Bank’s assets, we have designated clients for which there is a need to plan and execute rehabilitation support measures, such as those who have repeatedly changed loan terms over many years, as corporate rehabilitation support candidates, and are directly involved in corporate rehabilitation support for these clients.

Clients selected as corporate rehabilitation support clients (FY2018)

Of which, clients with improvements in business conditions

Support for business reforms at branches

In order to strengthen efforts to improve borrower classification levels, branches conduct analysis regarding the necessity of business reform support for each client so as to identify whom support should be provided. Based on such analysis, branches offer support for business reform, including presentation of approaches to resolve issues related to financial position and profitability.

Specifically, clients whose management intends to continue business, and for which improvements can be expected through the implementation of business reform support, are identified as business reform support clients, and support is provided through the formulation of business reform plans based on thorough discussions with the clients, as well as cooperation between the Corporate Support Office of the Credit Supervision Division and external experts.

In light of the impact of the earthquake, since April 2012, the scope of business reform support clients has been expanded, and the Corporate Support Office has started regular monitoring of business reform support clients to strengthen the involvement of the Headquarters in business reform support.

In FY2019, a total of 2,121 business reform support clients were identified, 140 of which achieved improvements in their borrower classification level as a result of various forms of business reform support.

Corporate rehabilitation support and business reform support participation results

Effective and Efficient Allocation of Resources

Establishment of the Nozomino Sub-Branch, a next generation branch

In June 2018, the Heibita Branch Nozomino Sub-Branch was established in Nozomino, Ishinomaki City, based on a new branch concept that differs from traditional ones, in order to create manpower, time, and space for business activities, with the aim of strengthening consulting capabilities and improving customer satisfaction.

This new branch offers a self-service counter (77 Smart Counter) that can be used with employee assistance, as well as tablets that support digital signatures when applying to open a new account.

In addition, a remote consultation system enabling mutual communication with dedicated Headquarters staff members has been installed, and we support a wide variety of retail customer needs including life planning, inheritance, and the effective use of real estate.

Expansion of branches with remote consultation systems and tablets

In January 2019, we expanded the number of branches with remote consultation systems and tablets, in order to become the ‘Best Consulting Bank’ that responds to customers’ needs by offering the optimum solutions, an image sought under the Medium-term Management Plan.

Changes in business hours

In April 2018, in an effort to maintain and improve financial services in the region, bank counter business hours at Akioka Branch were changed to 9:00 to 11:30 and 12:30 to 15:00 on weekdays, with counters closed between 11:30 and 12:30.

Deployment of branches within branches

In an effort to strengthen the Bank’s overall sales capabilities through the effective use of management resources created through the consolidation of sales locations, the Basho no Tsui Branch was moved to within the Head Office Business Division in July 2019, in order to adopt a branches within branches format in which multiple branches are operated within a single branch building.

In addition, the Sendai Ekime Branch was moved to within the Nakaizake Branch in September 2019.

Streamlining operations

We are working to centralize branch administration at Headquarters, and review work flows in order to create manpower and time for focusing on the consulting business. In addition, we are implementing automated operations by introducing RPA (robotics process automation).

<table>
<thead>
<tr>
<th>Item</th>
<th>Annual reduction effect through streamlined operations in FY2019 (Hour)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centralization of branch administration at Headquarters</td>
<td>10,787</td>
</tr>
<tr>
<td>Reviewing work flows at branches</td>
<td>59,192</td>
</tr>
<tr>
<td>Reviewing branch administration based on administration improvement proposals</td>
<td>12,437</td>
</tr>
<tr>
<td>RPA (77 Headquarters operations)</td>
<td>2,582</td>
</tr>
<tr>
<td>Total</td>
<td>84,978</td>
</tr>
</tbody>
</table>
Working Style Reform Efforts

The Bank is committed to creating a highly productive organization where each and every employee can perform to their full potential in a healthy state of mind and body, and with a greater sense of fulfillment and job accomplishment. By allowing our employees and the organization to continue to grow together while enhancing our consulting capabilities, we aim to be the bank chosen by customers in the region.

Realize work-life balance
— From work—work to work—life —

1. Strengthen efforts aimed at reducing total working hours
2. Supporting employees to balance work and childcare/nursing
3. Initiatives aimed at career development support
4. Initiatives aimed at improving abundant personal capabilities

Develop promising human capital
— People make companies—

1. Fostering an organizational culture of self-education
2. Enhancement of consultative capabilities through human resources development programs, etc.
3. Initiatives aimed at career development support
4. Initiatives aimed at improving abundant personal capabilities

Implementation of IkuBoss Declaration

The Bank’s Directors and managerial employees implemented the IkuBoss Declaration in October 2016 to develop ideal workplace environments that are both easier and more rewarding to work in.

Joining the Miyagi IkuBoss Union

In February 2017, we joined the Miyagi IkuBoss Union, an information sharing network for nurturing supportive IkuBosses at companies and organizations in Miyagi Prefecture to spread the concept of IkuBosses in the region.

In March 2019, the Bank formed a utilization partnership with daycare facilities in Miyagi Prefecture, as an enterprise-driven daycare project.

Vision aimed for by the Bank through working style reform—Become the bank chosen by customers through improvements in productivity and service—

Establish an environment where diverse human resources can demonstrate their full potential

—Rewarding working environments—

3. Strengthening initiatives to promote the active participation of women
4. Utilizing part-timers, etc.
5. Realization of personnel evaluation systems
6. Promote health and productivity management
— A healthy body is capital —

- Enhance measures for employees’ health management
- Fulfil "health and productivity management declaration"
- Strengthening of mental health measures

Establishment of Diversity Promotion Policy

In March 2018, the Bank established the Diversity Promotion Policy in order to foster a workplace culture in which all employees can work with enthusiasm and perform to their full potential.

Diversity Promotion Policy

The 77 Bank will promote diversity that leads to improvements in corporate value, by respecting the diversity of each and every employee and generating new value and ideas.

1. Fostering a vibrant workplace environment
2. Establishing a workplace environment that enables each and every employee to work with a feeling of fulfillment and accomplishment that is in line with their own lifestyle.

Promote health and productivity management

We are developing work environments that will improve the motivation of each and every employee and enable participation that is rewarding for diverse human resources.

- Establishing initiatives to support the active participation of women
- Establishment of General Business Owner Action Plan (No. 2) based on the Act on Promotion of Women’s Participation and Advancement in the Workplace

Main contents of the General Business Owner Action Plan (No. 2)

- Plan period: 3 years from April 1, 2018 to March 31, 2021
- Targets:
  1. Increase the percentage of women in management positions by 20% or more (compared to March 31, 2017)
  2. Over 600 women engaged in consulting
  3. Have 150 or more women with qualifications such as 1st grade Certified Financial Planner or CFP

In December 2018, the bank formulated the health and productivity management declaration, and implemented initiatives including a total prohibition of smoking on all Bank property to strengthen health and productivity management.

External evaluations on the Bank’s initiatives

- "Gold/Certified Company" under the company certification system for leveraging the power of women in Miyagi Prefecture
- "Enuboshi (Grade 3)" general business owner certification based on the Act on Promotion of Women’s Participation and Advancement in the Workplace
- "Platinum Kurumin" special certification based on the Act on Advancement of Measures to Support Raising Next-Generation Children

Holding of career seminars and roundtable discussions for young employees, as part of the support for career development for women

Number of times held in FY2019: 3 Total of 101 participants

Holding of holiday and weekday evening seminars, based on a human resource development program from the perspective of improving consulting capabilities

Holiday and weekday evening seminars

Number of times held in FY2019: 47 Total of 3,072 participants

Developing promising human capital

We are developing work environments that will improve the motivation of each and every employee and enable participation that is rewarding for diverse human resources.

- Initiatives aimed at supporting career development (implementation of career support interviews, career development support seminars)
- Initiatives aimed at improving abundant personal capabilities (holding exchanges between different industries, implementing recurrent education and volunteer activities)
Board of Directors and Audit & Supervisory Committee Members

(As of June 30, 2019)

Hidefumi Kobayashi  
President

Apr. 1981  
Joined the Bank
Jun. 2006  
General Manager, Treasury Div., the Bank
Jun. 2006  
Senior Manager, Head Office Business Div., the Bank
Jun. 2013  
Director and General Manager, Head Office Business Div., the Bank
Jun. 2015  
Managing Director, the Bank
May. 2016  
Managing Director, the Bank
Representative Director and Deputy President, the Bank
Jun. 2018  
Representative Director and President, the Bank (current position)

Teruhiko Ujie  
Chairman

Apr. 1969  
Joined The Industrial Bank of Japan, Limited
Aug. 1990  
Associate Director-General, Business Development Department, The Industrial Bank of Japan, Limited
Jun. 1993  
Director and General Manager, Business Development Div., the Bank
Jun. 1995  
Director and General Manager, Business Promotion Div., the Bank
Jun. 1997  
Director and General Manager, Head Office Business Div., the Bank
Jun. 1998  
Managing Director and General Manager, Head Office Business Div., the Bank
Jun. 2006  
Managing Director and General Manager, Business Coordination Div., the Bank
Mar. 2008  
Managing Director, the Bank
Jun. 2012  
Senior Managing Director, the Bank
Representative Director and Deputy President, the Bank
Jan. 2018  
Representative Director and Chairman, the Bank (current position)

Makoto Igarashi  
Senior Managing Director

Apr. 1980  
Joined the Bank
Sep. 2000  
General Manager, Shonan Branch, the Bank
Jun. 2002  
General Manager, Okazaki Branch, the Bank
Jun. 2004  
General Manager, Shinsyu Branch, the Bank
Jun. 2005  
General Manager, General Affairs Div., the Bank
Jun. 2006  
General Manager, Personnel Div., the Bank
Jun. 2008  
Director and General Manager, Tokyo Branch, the Bank
Jun. 2009  
Director and General Manager, Building Promotion Div., the Bank
Jun. 2012  
Director and General Manager, Business Coordination Div., the Bank
Jun. 2013  
Managing Director, the Bank
Jun. 2017  
Senior Managing Director, the Bank
Jun. 2018  
Representative Director and Senior Managing Director, the Bank (current position)

Toshibo Suzuki  
Managing Director

Nov. 1971  
Joined Accounting Foundation
Dec. 1976  
Director and General Manager, Head Office Business Div., the Bank
Representative Director and General Manager, Head Office Business Div., the Bank
Jun. 1984  
Managing Director, the Bank
Jun. 2008  
Representative Director and President, the Bank
Jun. 2010  
Representative Director and President, the Bank
Jun. 2018  
Representative Director and Chairman, the Bank (current position)

Masahiro Wako  
Managing Director

Oct. 1971  
Joined the Bank
Oct. 1984  
Executive Officer and General Manager, the Bank
Jun. 2008  
Senior Executive Officers, the Bank
Jun. 2012  
Representative Director and Senior Managing Director, the Bank (current position)

Yoko Ushio  
Managing Director

Apr. 1970  
Joined the Bank
Aug. 1977  
Senior Executive Officers, the Bank
Oct. 1998  
Representative Director, the Bank
Jun. 2007  
Representative Director of the Bank
Jun. 2012  
Representative Director and Senior Managing Director, the Bank (current position)

Toru Sugawara  
Managing Director

Apr. 1971  
Joined the Bank
Jun. 2013  
Director and General Manager, Business Development Div., the Bank
Jun. 2015  
Director and General Manager, Business Coordination Div., the Bank
Jun. 2017  
Managing Director, the Bank (current position)

Mitsuo Chubachi  
Managing Director

Apr. 1974  
Joined the Bank
Apr. 1980  
Representative Director, the Bank
Jun. 2006  
Director and General Manager, Business Planning & Coordination Div., the Bank
Jun. 2015  
Managing Director, the Bank
Jun. 2017  
Managing Director and General Manager, the Bank (current position)

Emiko Okuyama  
Managing Director

Jun. 1974  
Joined the Bank
Nov. 2003  
Managing Director and General Manager, the Bank
Apr. 2006  
Chief Director, Sendai Green Government Office (current position)
Jun. 2017  
Managing Director, the Bank (current position)

Ken Nakamura  
Managing Director

Jun. 1974  
Joined the Bank
Jun. 1997  
Director and General Manager, Business Development Div., the Bank
Jun. 2004  
Director and General Manager, Business Coordination Div., the Bank
Jun. 2012  
Managing Director, the Bank
Jun. 2015  
Managing Director, the Bank (current position)

Masahiro Sugita  
Outside Director

Nov. 1971  
Graduate, Tohoku University
Jun. 1995  
Director and General Manager, Business Development Div., the Bank
Jun. 1998  
Director and General Manager, Business Coordination Div., the Bank
Jun. 2005  
Senior Managing Director, the Bank
Jun. 2010  
Director and General Manager, Business Coordination Div., the Bank
Jun. 2015  
Managing Director, the Bank (current position)

Ken Nakamura  
Chairman, the Bank (current position)

Apr. 1971  
Joined the Bank
Apr. 1974  
Registered as Attorney-at-Law
Apr. 1980  
Representative Director and Senior Managing Director, the Bank
Apr. 1985  
Managing Director, the Bank
Apr. 2016  
Auditor, Tohoku University

Yoshikazu Onodera  
Managing Director

Jun. 1980  
Joined the Bank
Jun. 1998  
Director and General Manager, Business Planning & Coordination Div., the Bank
Jun. 2002  
Director and General Manager, Business Coordination Div., the Bank
Jun. 2007  
Managing Director, the Bank (current position)

Atsushi Shitoh  
Managing Director

Jun. 1978  
Joined the Bank
Jun. 2013  
Director and General Manager, Business Development Div., the Bank
Jun. 2015  
General Manager, Risk Management Div., the Bank
Jun. 2017  
Managing Director and General Manager, the Bank (current position)

Takuji Tabata  
Managing Director

Jul. 1980  
Joined the Bank
Jul. 2010  
Vice Governor, Miyagi Prefecture
Jan. 2011  
Advisory Fellow, Tohoku Regional Advancement Center (current position)
Apr. 2016  
Auditor, Tohoku University

Masai Yamaura  
Managing Director

Jul. 1980  
Joined the Bank
Sep. 1985  
Manager, Investigation Div., the Bank
Jun. 1998  
General Manager, International Business Div., the Bank
Sep. 2000  
Director, TECHNO PLAZA Miyagi, Government Office (current position)
Jun. 2005  
Managing Director, the Bank (current position)
Corporate Governance Initiatives

Basic stance toward corporate governance

We will work to strengthen and enhance corporate governance in accordance with the following basic stance.

- In accordance with the Bank Creed, which is our basic principle of management, we will operate business that give constant consideration to the public missions of a regional bank — contributing to the development of the regional economy and society — through banking operations.
- We will improve the transparency of management and the appropriateness of processes and work together appropriately with stakeholders including the regional society, clients, and shareholders for the Bank’s sustained growth and improvements in corporate value over the medium- to long-term.

Corporate Governance Structure

<table>
<thead>
<tr>
<th>Title</th>
<th>Name</th>
<th>Board of Directors</th>
<th>Executive Committee</th>
<th>Corporate Governance Committee</th>
<th>Audit &amp; Supervisory Committee</th>
<th>Compliance Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Teruhiko Ujiie</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>President</td>
<td>Hidefumi Kobayashi</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Directors</td>
<td>Masahiro Sugita, Ken Nakamura, Emiko Okuyama, Toshio Suzuki, Masai Yamaura, Masahiro Wako, and Yoko Ushio</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Corporate Governance Committee</td>
<td>Committee Member Masahiro Wako</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td></td>
<td>Committee Member Masai Yamaura</td>
<td>☑</td>
<td>☑</td>
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<tr>
<td></td>
<td>Committee Member Toshio Suzuki</td>
<td>☑</td>
<td>☑</td>
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</tr>
<tr>
<td></td>
<td>Committee Member Yoshiaki Nagayama</td>
<td>☑</td>
<td>☑</td>
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<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td></td>
<td>Committee Member Masahiro Sugita</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td></td>
<td>Committee Member Ken Nakamura</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td></td>
<td>Committee Member Emiko Okuyama</td>
<td>☑</td>
<td>☑</td>
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</tr>
<tr>
<td></td>
<td>Committee Member Toshio Suzuki</td>
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<td>☑</td>
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</tr>
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<td></td>
<td>Committee Member Masai Yamaura</td>
<td>☑</td>
<td>☑</td>
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<tr>
<td></td>
<td>Committee Member Masahiro Wako</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td></td>
<td>Committee Member Yoko Ushio</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
</tbody>
</table>

Past Efforts to Enhance and Strengthen Governance

November 2015: Establishment of Corporate Governance Policy

In order to further improve the transparency of management and the appropriateness of processes, and to further enhance the corporate governance function, the Corporate Governance Committee was established as an advisory body to the Board ofDirectors, and the Corporate Governance Policy which states the basic stance toward corporate governance and the action policy for the Bank was established.

June 2017: Transition to a Company with an Audit & Supervisory Committee

The Bank has transitioned to a company with an Audit & Supervisory Committee to improve corporate value through further enhancement of corporate governance.

- We strengthened the audit function over the Board of Directors and executives by establishing an Audit & Supervisory Committee, the majority of which is composed of Outside Directors, and granting Directors who are Audit & Supervisory Committee Members voting rights on the Board of Directors.
- We worked to accelerate the decision making process by delegating a portion of the authority of the Board of Directors to Directors.
- With this transition to a company with an Audit & Supervisory Committee, we will work to further improve the transparency and objectivity of management by increasing the ratio of Outside Directors.
- Along with the transition to a company with an Audit & Supervisory Committee, we have revised the compensation system for Directors and introduced a performance-linked compensation system in which Director compensation is linked to the degree of attainment of the management plan, etc.

June 2018: Revision of executive officer system and appointment of a female Director

The Executive Officer System introduced in April 2014 was partially revised, and the business execution function of Executive Officers was further strengthened. In addition, the former mayor of Sendai City, Ms. Emiko Okuyama was appointed as an Outside Director in order to improve the effectiveness of the Board of Directors through the diversification of Directors.

- A new position, Senior Executive Officer, was introduced to streamline and vitalize the Board of Directors, with an aim of accelerating decision-making, oversight and business execution, as well as strengthening functions.

June 2019: We increased the number of Outside Directors who are Audit & Supervisory Committee Members by one in order to strengthen the management supervisory function of the Audit & Supervisory Committee and establish a more effective corporate governance structure.

Due to the proactive appointment of Outside Directors and female Directors, the ratio of Outside Directors now stands at 41.1%, while the ratio of female Directors stands at 11.7%.

Enhancement of IR activities

The Bank is actively involved in IR activities including the holding of corporate briefings for institutional investors and individual investors so that stakeholders such as customers, the local community, and shareholders can understand the management conditions of the Bank.

Results for FY2019:

- Corporate briefings for institutional investors: 2 times/approximately 250 participants
- Corporate briefings for individual investors: 4 times/approximately 310 participants
- Corporate briefings for clients by region: 5 times/approximately 400 participants

Visits to foreign investors: July 2017: Asia, February 2018: North America, April 2019: Asia

![Diagram of Corporate Governance Structure]

* A Deputy President has not been appointed.
* Directors Masahiro Sugita, Ken Nakamura, Emiko Okuyama, Toshio Suzuki, Masai Yamaura, Masahiro Wako, and Yoko Ushio are Outside Directors prescribed in Article 2, Item 13 of the Companies Act.
* Standing Directors who are Audit & Supervisory Committee Members attend the Executive Committee and Compliance Committee, and state their opinions as necessary.
* The Chairperson of the Audit & Supervisory Committee observes the Corporate Governance Committee.
Social Responsibility

Compliance structure

The Bank formulated the Compliance Policies in order to clarify its stance on compliance and to ensure the effectiveness thereof. Further, the Bank established the Compliance Guidelines (Compliance Standards) to articulate specific guidelines and a code of conduct so that the executives and employees place importance on compliance, thereby ensuring the lawful conduct of business.

Compliance Guidelines (Compliance Standards)

[Basic Direction]
1. Ensure sound management and pay the utmost attention to sustaining the Bank’s credibility and its ability to maintain smooth financing.
2. Comply with laws and the code of corporate ethics and maintain fair and honest practices.
3. Take a principled stand with regard to issues that threaten social order or public peace.
4. Provide financial services that the region, customers, and society broadly trust and endeavor to achieve sustainable development together with them as a good corporate citizen.
5. Foster a flexible and constructive working environment conducive to the well-being of all employees.

[Code of Conduct]
1. We will comply with laws, ordinances, the Articles of Incorporation, the Rules of Employment, and internal rules of the Bank.
2. We will not force unfair transaction on our customers.
3. We will not divulge confidential information of our customers or the Bank, or material information that has not been made public.
4. We will follow instructions or orders given by an individual that go beyond or deviate from the authorities given to said individual.
5. We will not neglect to provide reports required by laws, ordinances, and internal rules of the Bank, or provide false reports.
6. We will not follow the instructions of higher-ranking individuals.
7. We will not engage in socially unacceptable entertaining or gift giving.
8. We will not neglect our duties or position.
9. We will not seek to make unfair profits by taking advantage of our duties or position.
10. We will provide reports required by laws, ordinances, and internal rules of the Bank, or provide false reports.
11. We will not seek to make unfair profits by taking advantage of our duties or position.
12. We will make efforts to maintain order in the workplace.

Compliance with the Basic Policy Concerning Response to Antisocial Forces

The Bank has established an Antisocial Forces Response Policy to respond with a resolute attitude towards antisocial forces and to eliminate relationships with such forces, and it ensures that executives and employees comply with this policy. In addition, the Basic Policy Concerning Responses to Antisocial Forces has been released on the Bank’s website. Furthermore, clauses to exclude antisocial forces have been included in various transaction rules, including ordinary deposit transaction rules and bank transaction agreements, as part of our efforts to eliminate relationships with antisocial forces.

Compliance with the 77 Bank Money Laundering Prevention Policy

The Bank recognizes that the abuse of financial services through crimes including money laundering is a serious risk in bank management, and positions the prevention of money laundering as one of its most important management issues. In light of this, the Bank has established the 77 Bank Money Laundering Prevention Policy, and released this policy through the Bank’s website.

Compliance with the Policy for Management of Conflicts of Interest

The Bank has established the Conflict of Interest Management Policy and Conflict of Interest Management Regulations, in order to prevent unfair impairment of interests of customers by transactions that could cause conflicts of interest, and ensures that executives and employees comply with this policy. In addition, the Policy for Management of Conflicts of Interest has been released on the Bank’s website.

Compliance with the Privacy Policy

Due to the nature of their business, financial institutions possess large amounts of important information that must be appropriately protected, including transaction information and personal information regarding customers. The Bank has established and complies with the Privacy Policy in order to appropriately protect personal information, and this policy has been released on the Bank’s website.

Compliance with the Solicitation Policy

The Bank has established a Solicitation Policy that stipulates our basic policy when offering financial products and services to customers, and it ensures that executives and employees comply with this policy. The Solicitation Policy is on display in the lobbies and cash service corners of our branches and has been released on the Bank’s website.

Compliance with the Financial Facilitation Promotion Policy

The Bank has established a Financial Facilitation Promotion Policy to more appropriately respond to consultations from customers regarding changes to loans or repayment terms in consideration of factors including the current economic and financial situation, as well as the employment environment. The Bank ensures that executives and employees comply with this policy, which has been released on the Bank’s website.
**Risk Management System**

**Strengthening of comprehensive risk management system**

We have implemented risk capital management as a specific framework for comprehensive risk management. Risk capital management is a management method where a risk capital budget, which represents risk tolerance, is allocated by risk category to each unit (domestic business units, funds and securities units, and other units), and the risks measured for each unit are monitored to ensure that they do not exceed their respective budgets. Risk capital management is also utilized to monitor whether the expected profits that are suitable for the risks taken are being secured.

**Comprehensive risk management system of The 77 Bank, Ltd.**

**Changes in the operating environment**

- Financial markets becoming borderless
- Financial policy reform
- Market risk management
  - Response to market fluctuations including interest rates, exchange rates, and stocks
- Commodity risk management
  - Response to movements in commodity prices
- Development of financial technologies
- Risk measurement techniques
- Compliance
  - with laws, regulations, etc.

**Methods of operational risk management**

- Credit risk management
  - Response to deterioration in the financial position of borrowers
- Legal risk management
  - Response to changes in legislation
- Human risk management
  - Response to problems related to human resources and labor
- Tangible asset risk management
  - Response to damage to tangible assets
- Reputational risk management
  - Response to damage to the bank’s reputation
- Outsource risk management
  - Response to risk associated with outsourcing
- Disaster and other contingency risk management
  - Response to disasters and other natural disasters

**Response to increasing cyberattacks**

In order to respond to cyberattacks, which are becoming increasingly advanced and sophisticated on a daily basis, the Bank has established Cyber Security Management Regulations, and has implemented multi-layer technical measures, including the prevention of unauthorized intrusions and blocking of information leakage, as well as detection of malicious viruses.

In addition, the Bank has undertaken organizational measures such as drills and exercises that assume the occurrence of a cyberattack, and is continuously working to strengthen systems for swiftly responding to cyberattacks.

**Development of business continuity systems in response to the occurrence of large-scale disasters**

The Bank has a Disaster Emergency Response Plan that clarifies the basic principles of action for times of emergency, such as earthquakes or other disasters and systems failures. Under the Disaster Emergency Response Plan, we have worked to develop systems to ensure business continuity through the establishment of business continuity plans for continuing the minimum operations required to maintain the financial function, and to achieve the prompt resumption or recovery of this function, in the event that the Bank incurs sufficient damage that it becomes impossible to fulfill normal bank operations, due to an unforeseen disaster. In addition, in order to confirm the effectiveness of the Disaster Emergency Response Plan, we conduct regular disaster drills and business continuity drills and conduct revisions to make our preparations for disaster more robust in consideration of the damage caused by the Great East Japan Earthquake in an effort to strengthen the Bank’s crisis response capabilities.
Vigorously supplying risk money

As a financial institution that works together with the region, the Bank aims for reconstruction from the Great East Japan Earthquake and has proactively supported clients who have been affected by the earthquake through means such as changes to loan conditions, and provided financial services and performed financial intermediary functions.

Going forward, along with the advancement of reconstruction efforts in the affected area, the Bank will steadily implement support measures according to the stage of earthquake reconstruction, and vigorously supply risk money through the promotion of financing focused on business feasibility and future potential as well as the utilization of various funds, after appropriately assessing the issues and needs of customers in various life stages.

Total number of borrowers

19,850 companies (as of March 31, 2019)

Loan balance of borrowers

¥2,869.4 billion (as of March 31, 2019)

Although the number of corporate clients and individual business owners (including clients without a loan balance) is stated for the number of borrowers, the number of borrowers by life stage shown below does not include individual business owners or corporate clients for which there is no financial registration data for the past five years. (1,850 companies / loan balance of ¥153.9 billion).

Number of borrowers and loan balance by life stage (Number of borrowers: non-consolidated basis)

- Total number of borrowers
  - Maturity
    - 6,985 companies
    - ¥1,700.5 billion
  - Growth
    - 999 companies
    - ¥201.1 billion
  - Foundation
    - 1,387 companies
    - ¥204.5 billion
  - Decline
    - 482 companies
    - ¥66.5 billion
  - Rehabilitation
    - 2,117 companies
    - ¥188.9 billion

Number of corporate rehabilitation support clients with highly feasible drastic business improvement plans and status of plan achievement

96

- Number of clients that have achieved plans: 91
- Number of clients that have not yet achieved plans: 5

Use of funds

<table>
<thead>
<tr>
<th>Name</th>
<th>Size (billion)</th>
<th>Established Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>THVP-1 Fund</td>
<td>¥9.68 billion</td>
<td>Unltd liability partner (operators)</td>
</tr>
<tr>
<td>77 New Business Fund</td>
<td>¥1 billion</td>
<td>Unltd liability partner (operators)</td>
</tr>
<tr>
<td>Miyagi Regional Value Co-creation Fund</td>
<td>¥3.0 billion</td>
<td>Unltd liability partner (operators)</td>
</tr>
<tr>
<td>77 Strategic Investment Fund</td>
<td>¥2.0 billion</td>
<td>Unltd liability partner (operators)</td>
</tr>
</tbody>
</table>

Use of funds

- M&A support
- Foundation-related subsidies
- Support for business plan evaluation
- Cooperating with external support organizations

- Marketing channel development support (business meetings)
- Overseas business support
- Support measures for attracting companies
- M&A support

- Business reform plan formulation support
- Use of funds (earthquake-related)
- DES, DDS, debt waiver
- Use of public institutions such as REVIC
- Business succession support

Progress of business reform for SMEs that have changed

<table>
<thead>
<tr>
<th>Total number of condition changes</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good progress</td>
<td>29</td>
<td>246</td>
<td>97</td>
</tr>
<tr>
<td>Steady progress</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unfavorable progress</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clients without a plan</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

The Bank's main investee funds

<table>
<thead>
<tr>
<th>Name</th>
<th>Size (billion)</th>
<th>Established Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great East Japan Earthquake SME Reconstruction Support Fund</td>
<td>¥5.0 billion</td>
<td>Unltd liability partner (operators)</td>
</tr>
<tr>
<td>Miyagi Reconstruction and Regional Revitalization Support Fund</td>
<td>¥5.0 billion</td>
<td>Unltd liability partner (operators)</td>
</tr>
</tbody>
</table>

Number of secondees accepted for core business support for clients

29 cases

Number of users of the Regional Economy Vitalization Corporation of Japan (REVIC), SME Business Rehabilitation Support Co-operatives

<table>
<thead>
<tr>
<th>Number of users of REVIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of users of SME Business Rehabilitation Support Co-operative

<table>
<thead>
<tr>
<th>Number of users of SME Business Rehabilitation Support Co-operative</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Users of DES, DDS, or debt waiver among corporate rehabilitation support clients and the support amount

Fiscal year ended March 31, 2019

- DES, DDS, debt waiver
  - 11 companies: ¥1.5 billion

Strengthening corporate rehabilitation support and business reform support

In order to support clients who have had difficulties repaying loans due to the impact of the earthquake, the Bank has responded flexibly to changes in loan conditions, including reductions in repayment amounts, depending on the degree of damage experienced by clients. After the earthquake, in order to strengthen the consulting functions, including corporate rehabilitation and business reform, we have increased the number of personnel at the Corporate Support Office (increased from five before the earthquake to current 11) in the Credit Supervision Division, which is a specialized department and stationed external experts with advanced corporate rehabilitation know-how in Credit Supervision Division as part of efforts to strengthen our structures.

We will work to support corporate rehabilitation and business reform of customers by flexibly supporting new issues and diverse needs that arise with advancements in the stage of earthquake reconstruction, and by continuing to conduct analysis and proposals aimed at resolving issues related to the financial position and profitability of customers.
Contributing to regional revitalization

We aim for regional revitalization by contributing to the growth of the regional economy and industrial development through the sharing of management issues with customers, proposals and support aimed at solving issues and improving business value of customers, and cooperation with industry-academia-government bodies under the close relationships with our customers.

Support for starting a new company or business

Number of start-up support projects (by type of support) [Compared]

<table>
<thead>
<tr>
<th>Number of start-up support projects</th>
<th>masturbation formulation</th>
<th>Financing plan in the start-up stage</th>
<th>Introduction of government-related funds or institutions and start-up support organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>864</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start-up formulation</td>
<td>17</td>
<td>775</td>
<td>47</td>
</tr>
<tr>
<td>Financing plan in the start-up stage</td>
<td>17</td>
<td>775</td>
<td>47</td>
</tr>
</tbody>
</table>

Support and development of regional core companies (promotion of business evaluation)

Number of borrowers provided finance by the Bank based on business evaluations, their loan ratio, and the ratio of above to all borrowers and the loan balance (Number of borrowers: non-consolidated basis) [Compared]

| Total number of borrowers (1)       | 19,850                   | 2,869.4 billion                     |
|                                    | (19,850 companies)       | 2,869.4 billion                     |
| Total number of borrowers and the loan balance (2) | 19,850                   | 2,869.4 billion                     |
|                                     | 25%                      | 24.9%                              |

Number of clients using Guidelines for Personal Guarantee Provided by Business Owners Management Guarantee and percentage of all borrowers [Compared]

| Number of clients using Guidelines for Personal Guarantee Provided by Business Owners Management Guarantee | 8,407 |
|                                                                                                           |      |
|                                                      |      |

Number of clients provided with support measures for attracting companies to the local region [Compared]

| Number of clients provided with support measures for attracting companies to the local region | 8,407 |
|                                                                                           |      |
|                                                                                           |      |

Number of clients for which the Bank is the main bank (top in loan balance) [Compared]

| Number of clients for which the Bank is the main bank (1) | 8,407 |
|                                                            |      |
|                                                            |      |

Number of business succession support clients [Compared]

| Number of business succession support clients | 174 |
|                                             |    |
|                                             |    |

Number of M&A support clients [Compared]

| Number of M&A support clients | 10 |
|                              |    |
|                              |    |

Improvements to the 77 brand

The Group will realize the provision of integrated financial services as a leading regional bank by working to improve customer convenience and expand group functions. We aim to improve the 77 brand and to build banks that continue to be chosen by customers through means such as the development of human resources with both financing and consulting skills, along with heart-warming customer support capabilities.

Number of all clients and number of clients by region (Number of borrowers: non-consolidated basis) [Compared]

| Number of all clients and number of clients by region | FY2019 |
|                                                      |       |
|                                                      |       |

Number of clients in cases which the Bank is the main bank (top in loan balance) and their percentage against all clients (Number of borrowers: non-consolidated basis) [Compared]

| Number of clients in cases which the Bank is the main bank | 8,407 |
|                                                           |      |
|                                                           |      |

Number of clients provided with support measures for attracting companies to the local region and number of people acquiring qualification [Compared]

| Number of clients provided with support measures for attracting companies to the local region | 27 times |
|                                                                                            | 2,131 people |
|                                                                                            | 73 people |

Reference

Supplementary explanation on terms used in “Financial intermediary function benchmarks”

Business reform plans with highly feasible drastic business improvement plans and clients with a sales achievement rate of at least 80% are classified as those that have achieved plans

Debt for equity swaps and debt for debt swaps are methods that aim to eliminate excessive debt for companies with future business potential or an outlook of improvements in management. Efforts are made to improve the balance sheet through conversion of debt into equity (DE) and substitution (DDS) to facilitate business reform. DE Method in which a financial institution ceases existing debt to equity

DDS Method in which a financial institution swaps existing debt to a subordinated loan with a lower repayment order than creditors

CIESS: The number of people acquiring qualifications is the total number of small and medium enterprise management guarantee, personal property, appraisal, and loan information management associations
The 77 Bank and 77 Securities Co., Ltd. have established the 77 Basic Policy on Operations that Put Customers First in order to promote the provision of quality financial products and services to customers. This policy is compiled with by executives and employees, and it is available on the website of the Bank and 77 Securities Co., Ltd.

1. Provision of information that is easy-to-understand for customers and employees, and it is available on the website of the Bank and 77 Securities Co., Ltd. to promote the provision of quality financial products and services to customers. This policy is complied with by executives of the Bank and 77 Securities Co., Ltd.

The 77 Basic Policy on Operations that Put Customers First can be viewed here.

Measures of The 77 Bank

1. Key performance indicators (KPIs) for operations that put customers first

2. Provision of services that are appropriate for customers

3. Appropriate management of conflicts of interest

4. Strengthening of structures and raising awareness inside the Bank

5. Periodic announcement of the status of initiatives

* Group companies covered by this policy: The 77 Bank, Ltd. and 77 Securities Co., Ltd.

** Promotion of stable asset formation**

The Bank actively proposes balanced funds (allocation funds) that are useful for asset formation by customers.

** Portfolio of sales amount for balanced fund-type investment trusts**

- Japanese equities: 54.4%
- Balanced: 31.5%
- Foreign equities: 9.2%
- REIT: 1.9%
- Others: 2.9%

** Abundant product lineup**

We offer 70 investment trust products and 33 life insurance products in order to support the diverse needs of customers.

In addition, we take a careful approach towards proposal for monthly settlement-type investment trusts so that the compound effect interest can be better gained.

** Number of seminars held for customers and number of participants**

FY2019

- Number of seminars: 1,861
- Number of participants: 2,198

** Number of employees who have acquired qualifications such as 1st grade Certified Financial Planner, CFP, 2nd grade Certified Financial Planner, and AFP**

- Number of employees: 116 people
- Increase by 11 people

** Costs and returns for the top 20 investment trusts in terms of deposit balance (common KPI)**

- Balance weighted average: 1.42%
- Risk: 4.79%

** Risks and returns for the top 20 investment trusts in terms of deposit balance (common KPI)**

- Balance weighted average: 6.00%
- Risk: 6.00%
- Return: 4.79%
2. Costs and returns for the top 20 investment trusts in terms of deposit balance

- The relationship between the costs and returns for each trust and the balance weighted average is presented for the top 20 investment trusts, in terms of deposit balance (based on March 31, 2019), with at least five years since trust establishment.
- This indicator can be used to see how many products with the track record of returns commensurate with costs have been provided to customers.
- Returns exceed costs for 18 of the top 20 investment trusts, in terms of deposit balance.

3. Risks and returns for the top 20 investment trusts in terms of deposit balance

- The relationship between the risks and returns for each trust and the balance weighted average is presented for the top 20 investment trusts, in terms of deposit balance (based on March 31, 2019), with at least five years since trust establishment.
- This indicator can be used to determine how many products with the track record of returns commensurate with risks have been provided to customers.
- We will work to provide products with well-balanced risks and returns going forward.

Key performance indicators (voluntary KPIs) for sales of financial products

1. Surveys on top-selling investment trusts

- We regularly conduct surveys on the top-selling investment trusts and use these surveys to review and expand the product lineup, in order to offer an investment trust product lineup that supports the diverse investment needs of customers.

FY2019 first half

<table>
<thead>
<tr>
<th>Name of product</th>
<th>Type of product</th>
<th>Sales</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyber Security Equity Open Currency Unhedged</td>
<td>Domestic/foreign equities</td>
<td>3,000</td>
<td>10.1</td>
</tr>
<tr>
<td>Mesta Growth (Currency Unhedged)</td>
<td>Domestic/foreign equities</td>
<td>1,400</td>
<td>10.3</td>
</tr>
<tr>
<td>Enterprise Value Growth (Currency Unhedged)</td>
<td>Domestic/foreign equities</td>
<td>2,700</td>
<td>10.2</td>
</tr>
<tr>
<td>Komatsu Equity Open Japanese Equity (Currency Unhedged)</td>
<td>Japanese equities</td>
<td>2,300</td>
<td>9.8</td>
</tr>
<tr>
<td>Nikkei 225 No-Load Open</td>
<td>Domestic equities</td>
<td>3,000</td>
<td>9.8</td>
</tr>
<tr>
<td>Shinsei holding seminars in cooperation with The 77 Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FY2019 second half

<table>
<thead>
<tr>
<th>Name of product</th>
<th>Type of product</th>
<th>Sales</th>
<th>Return</th>
</tr>
</thead>
<tbody>
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<td>Shinsei holding seminars in cooperation with The 77 Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Reviewing and expanding the product lineup in consideration of the diversifying needs of customers

- We regularly review the product lineup of foreign bonds and investment trusts as well as expand the products offered in consideration of the results of surveys on market trends and sales performance in order to support the diverse investment needs of customers.

Number of investment trust products

<table>
<thead>
<tr>
<th>Name of product</th>
<th>Type of product</th>
<th>Sales (Millions of yen)</th>
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</tr>
</tbody>
</table>

3. Strengthening of bank-brokerage partnership

- Holding of bank-brokerage workshops with The 77 Bank

Bank-brokerage workshops instructed by the company's sales personnel are held for the purpose of improving financial product sales skills among employees of The 77 Bank, during which participants learn about portfolio proposals in line with customer needs, easy-to-understand explanations, and efforts to improve the quality of proposals to customers. We will continue holding these workshops going forward.

- Holding of mutual fund seminars in cooperation with The 77 Bank

The company holds mutual fund seminars jointly with The 77 Bank, as an opportunity to report to customers on the status of investment trust products handled by the company and The 77 Bank. Going forward, we will work to provide useful information to customers by regularly holding seminars in cooperation with The 77 Bank.

4. Provision of easy-to-understand information for customers

- Holding of seminars that contribute to the provision of information on asset management and market conditions

We hold seminars to provide information on asset management and market conditions to customers. Going forward, we will continue to hold similar seminars, as we work to provide information to our customers.

- Number of foreign bond issues

<table>
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<tr>
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<th>Sales (Millions of yen)</th>
<th>Return</th>
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</tr>
</tbody>
</table>

- Results of bank-brokerage workshops with The 77 Bank

<table>
<thead>
<tr>
<th>Bank-brokerage workshops</th>
<th>Results (branches, participants)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019 1H</td>
<td>18 branches</td>
</tr>
<tr>
<td>FY2019 2H</td>
<td>42 branches</td>
</tr>
</tbody>
</table>

- Results of mutual fund seminars in cooperation with The 77 Bank

<table>
<thead>
<tr>
<th>Mutual fund seminars</th>
<th>Results (branches, participants)</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 2018</td>
<td>69 people</td>
</tr>
<tr>
<td>February 2019</td>
<td>145 people</td>
</tr>
</tbody>
</table>

- Results of seminars on investment products

<table>
<thead>
<tr>
<th>Investment products</th>
<th>Results (branches, participants)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First anniversary seminar (April 2018)</td>
<td>143 people</td>
</tr>
<tr>
<td>Mutual fund seminar (July 2018)</td>
<td>54 people</td>
</tr>
<tr>
<td>New Year's seminar (January 2019)</td>
<td>110 people</td>
</tr>
</tbody>
</table>
Measures to strengthen security related to transactions using cash cards

Setting of withdrawal limit

The withdrawal limit per day for individual customers using a cash card has been set at ¥1 million in order to prevent increased damage from cash card counterfeiting, theft, fraud, and bank transfer scams. In addition, IC cash cards for which biometric authentication information has been registered can be used to withdraw up to ¥2 million per day as long as the Bank’s ATMs are used. Customers who wish to change this withdrawal limit should consult a service counter at the Bank’s Head Office or a branch.

Partial use limits on bank transfers

To prevent damage from financial crimes such as bank transfer scams and refund scams, which are widespread throughout Japan, and to protect the valuable deposits of customers, we have set limits on transfers using cash cards at ATMs for some customers. Applicable customers who wish to make transfers using a cash card at ATMs should consult with a service counter at the Bank’s Head Office or a branch.

Responding to the loss, etc., of cash cards on holidays

In light of the fact that the unauthorized use of Internet banking is becoming a social problem, we provide compensation for corporate clients that have incurred damages due to unauthorized withdrawals, and launched one-time passwords (temporary passwords that change after a certain amount of time has elapsed) in our Internet banking services for corporate clients and individual business owners.

In addition, in our Internet banking services for retail customers (77 Direct Service), we provide temporary passwords, email notification passwords, and risk-based authentication. In addition, in July 2018, we lowered the limit amount on payments when using email notification passwords, and in September 2018, we began providing a biometric authentication function for logging in to Internet banking using a smartphone.

In addition to the measures above, we introduced a security feature that detects both virus infections on the computers of customers and unauthorized transactions, and which requires no customer installation.

Signing of an agreement on the joint handling of cybercrimes with the Miyagi Prefectural Police

In light of the increase in cybercrimes throughout Japan, the Bank has signed an agreement on the joint handling of cybercrimes with the Miyagi Prefectural Police in an effort to further strengthen coordination with the Miyagi Prefectural Police.

Main contents of the agreement

1. Appropriate reporting to the Miyagi Prefectural Police when the Bank becomes aware of a cybercrime
2. Cooperation with investigations by the Miyagi Prefectural Police
3. Implementation of measures to prevent the spread of damage and occurrence of incidents in cooperation with the Miyagi Prefectural Police
4. Proactive sharing of information useful for the prevention of cybercrimes

Measures to strengthen security for Internet banking

In light of the fact that the unauthorized use of Internet banking is becoming a social problem, we provide compensation for corporate clients that have incurred damages due to unauthorized withdrawals, and launched one-time passwords (temporary passwords that change after a certain amount of time has elapsed) in our Internet banking services for corporate clients and individual business owners.

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Supporting elderly customers and customers with disabilities

Applicable customers

Customers for whom both of the following two conditions apply

- Aged 70 or above
- Have not made a transfer with the Bank’s cash card at an ATM for the past year

Contact information for emergencies including loss of a cash card or bankbook

Toll-free number

0120–77–1099 Available 24/7

Supporting elderly customers and customers with disabilities

Office facilities

Installation of priority seats

Priority seats for use by elderly customers and customers with disabilities who can be used during waiting times have been installed at all branches.

Installation of ATMs with voice interaction functions

To enable the use of our services by customers who are visually impaired, we have equipped all of our ATMs with voice interaction functions, and also display Audio Codes on our ATM Usage Guide leaflets in order to allow voice announcements using a dedicated reader.

Installation of ramps and elimination of level differences at branch entrances

We have actively worked to install ramps and eliminate level differences at entrances to allow easy branch access for people with wheelchairs.

Equipment, supplies, tools, etc. at branches

Installation of COMOVO desktop-type interaction support system

In order to make customers including elderly customers feel comfortable using the Bank, we have installed the COMOVO desktop-type interaction support system, which enables smooth communication at all branches within Miyagi Prefecture. This device uses a high-performance microphone to listen to the voice of the person speaking and reproduces a voice that is easy-to-listen to through egg-shaped speakers.

Installation of lap writing tables

Lap writing tables have been installed at all branches so that elderly customers and customers with disabilities can enter forms and documents while remaining seated at a sofa or chair.

Equipping branches with wheelchairs

In order to make elderly customers and customers with disabilities feel comfortable using the Bank, all branches within Miyagi Prefecture have been equipped with wheelchairs.

Equipping branches with communication boards, writing boards and guidance signs for people with hearing disabilities

In order to make people who feel uneasy towards conversations at bank counters (customers with hearing disabilities, foreigners, elderly people, etc.) feel comfortable using the Bank, all branches have been equipped with communication boards (1) and writing boards to confirm the purpose of bank visits and transactions.

In addition, guidance signs for people with hearing disabilities have been installed in branches, and communication by writing is conducted with customers who have hearing disabilities.

味の付け方

1. Appropriate reporting to the Miyagi Prefectural Police when the Bank becomes aware of a cybercrime
2. Cooperation with investigations by the Miyagi Prefectural Police
3. Implementation of measures to prevent the spread of damage and occurrence of incidents in cooperation with the Miyagi Prefectural Police
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Supporting elderly customers and customers with disabilities

Installation of priority seats

Priority seats for use by elderly customers and customers with disabilities who can be used during waiting times have been installed at all branches.

Installation of ATMs with voice interaction functions

To enable the use of our services by customers who are visually impaired, we have equipped all of our ATMs with voice interaction functions, and also display Audio Codes on our ATM Usage Guide leaflets in order to allow voice announcements using a dedicated reader.

Installation of ramps and elimination of level differences at branch entrances

We have actively worked to install ramps and eliminate level differences at entrances to allow easy branch access for people with wheelchairs.

Support for filling out forms by employees

At the request of customers who are visually impaired, employees will fill out the documents that are necessary for transactions involving deposits, withdrawals, loans, and assets in custody, etc. on the behalf of customers.

Supporting customers who are visually impaired

Reduction in bank counter transfer fees for customers who are visually impaired

For customers who have difficulties making transfers using the ATM due to a visual impairment, we have reduced bank counter transfer fees to match the transfer fee that would apply for transfers using the ATM with a cash card from the Bank.

Braille service for customers who are visually impaired

We offer Braille service for customers who are visually impaired, who have difficulties making transfers using the ATM due to a visual impairment, we have reduced bank counter transfer fees to match the transfer fee that would apply for transfers using the ATM with a cash card from the Bank.

In order to make elderly customers and customers with disabilities feel comfortable using the Bank, we have installed the COMOVO desktop-type interaction support system, which enables smooth communication at all branches within Miyagi Prefecture. This device uses a high-performance microphone to listen to the voice of the person speaking and reproduces a voice that is easy-to-listen to through egg-shaped speakers.

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In order to make people who feel uneasy towards conversations at bank counters (customers with hearing disabilities, foreigners, elderly people, etc.) feel comfortable using the Bank, all branches have been equipped with communication boards (1) and writing boards to confirm the purpose of bank visits and transactions.
We will continue to walk together with the people of the region.

The 77 Bank’s 6 themes in social contribution activities

- Contributions to social welfare
- Interaction with the region
- Responding to environmental issues
- Promoting sports
- Supporting cultural activities
- Supporting financial education

FY2020 Social Contribution Activity Plan

We aim to contribute to the reconstruction and revitalization of the region, through a variety of social contribution activities in accordance with the six themes set forth by the Bank, while also working to realize the Sustainable Development Goals (SDGs) by deepening the understanding and raising the awareness of our executives and employees, with the aim of achieving a sustainable society together with the local community.

1. We will promote social contribution activities through the provision of financial services and address social and environmental issues together with our customers.
2. We will actively work to support financial education and improve financial literacy in the region while contributing to the development of the future leaders.
3. We will actively participate in regional events and environmental initiatives in order to raise the awareness of our executives and employees regarding social contribution.

Interaction with the Region

Implementation of One Branch, One Social Contribution Campaign [140th Anniversary Project]

The One Branch, One Social Contribution Campaign has been carried out as part of the 140th Anniversary Project, in an effort to deepen interactions with the region as a member of the local community and raise the awareness of Bank employees regarding social contribution. These activities were conducted in the period from August to the end of December 2018 at all of the Bank’s 142 branches (excluding branches that only offer transfers) after selecting social contribution activities in accordance with the Bank’s six themes.

Participation in regional events

The 35th Sendai Aoba Festival was held in May 2019, during which approximately 160 employees participated in the Yamaboko Parade, which was the highlight of the festival. The string sound of the Japanese drums and the energy of the people pulling the Bank’s “Shichifuku Odakyo Yamaboko” in the parade and the beautiful performance of the dancers were met with applause and cheers from the audience.

During the Sendai Tanabata Festival, which is held in August every year, we put up Tanabata decorations in front of the branch located in the arcade where the festival is held and Head Office Business Division. At the traditional Dontosai Festival that celebrates the Lunar New Year every January, approximately 50 employees made the traditional hadakamairi (naked shrine visit) to Osaki Hachiman Shrine wearing only light clothing in January 2019.

Responding to Environmental Issues

We have established and released an Environmental Policy to clarify the Bank’s stance toward the environment as a regional financial institution and to actively and continuously promote efforts to protect the natural environment of the region and reduce our environmental burden.

Environmental Policy

[Basic Principle]
The 77 Bank believes that it has a social responsibility to protect the beautiful and abundant natural environment and to pass it down to the next generation in an improved state as a good corporate citizen.

Based on the mindset to “Elevate the Spirit of Voluntary Service,” which is the first item in the Bank Creed, our basic principle of management, the Bank aims to be a company that coexists with regional society, and for this reason the Bank is actively and continuously engaged in environmental conservation activities aimed at creation of a sustainable society.

[Action Guidelines]
1. We will comply with laws and regulations, agreements, and other matters related to the environment to which the Bank has agreed.
2. We will promote energy conservation, resource conservation and recycling activities, and work to reduce our environmental burden.
3. We will support customers involved in environmental conservation through the provision of environmentally-friendly financial products and services.
4. We will conduct awareness raising activities to deepen the awareness of each and every executive and employee regarding the environment and promote environmental conservation activities in regional society.

Forest conservation activities [140th Anniversary Project]

Executives and new employees from FY2019 planted 1,000 black pine seedlings in the Arahama District of Sendai City, based on the “Citizens’ Reforestation Activities to Restore the Miyagi Coastal Forests” agreement that was entered into with Miyagi Prefecture, etc., in September 2018 as part of the 140th Anniversary Project. The tree planting area has been named the “77 Forest for the Future,” and will be managed as a coastal disaster prevention forest to protect the region from disaster.
Environmental conservation activities through financial products and services

The Bank supports companies and individual customers actively involved in social contribution activities such as those for environmental conservation through the provision of environmentally-friendly financial products and services.

(products for businesses)
We offer the 77 Social Contribution Activities Support Loan for companies engaged in efforts such as the prevention of global warming and the introduction of recycling-related equipment.

(products for individual customers [140th Anniversary Project])
We offer the Fixity Three Basic Fund (Water, Land, and Energy), an investment trust that invests in environmentally-conscious companies, as well as reduced interest rates for the 77 Car Loan for customers purchasing eco-cars.

In addition, from July 2018, we started offering the 77 ESG Japanese Equities Open (Alias: Miyagi no Kizuna) to commemorate the 140th Anniversary of our foundation. The fund donates a portion of the trust fees received by the Bank to restoration activities of the coastal disaster prevention forest, which suffered catastrophic damage from the earthquake.

Offering bankbooks that use environmentally-friendly materials:
Our bankbooks use paper cloth, which can be turned into recycled paper, for material; vegetable oil inks for printing to reduce toxic gases in the incineration process; and PVC-free materials for the magnetic stripes.

In addition, from April 2018, we have given users the option of selecting an online bankbook when opening an account at the counter, which was previously available only through the app for account opening and Internet banking.

The online bankbook is a convenient, eco-friendly bankbook that allows users to make balance and transaction record inquiries online, such as through using Internet banking instead of issuing a paper bankbook.

Supporting Financial Education

Course provided at Tohoku Gakuin University
A course provided by The 77 Bank has been held at the Faculty of Business Administration at Tohoku Gakuin University since FY2012 for the purpose of promoting social contributions to the region through education and research contributing to the development of the regional economy and human resources.
This course is taught by an employee of the Bank, and covers topics such as specific details of bank operations, recent financial trends, and the role of regional financial institutions.
The course was held for the 8th time in FY2019, and it has been participated by 272 students since the start of the course in September 2018.

National High School Student Finance and Economics Quiz Championship "Economics Koshien" Miyagi Tournament
The Miyagi Tournament of the National High School Student Finance and Economics Quiz Championship "Economics Koshien" has been held since FY2010 through joint sponsorship with the Association for the Promotion of Financial Literacy, in an effort to make social contributions to the region through an educational project for acquiring the financial and economics knowledge that is essential for life planning and safeguarding one's lifestyle.
In December 2018, the 10th Miyagi Tournament was held at the Head Office of the Bank.

Conducting the Student City experiential educational program
We provide a Student City experiential educational program for elementary school students, conducted at the Sendai Children Experience Plaza Etem, which was opened by Sendai City in September 2014 as a working experience facility. As a sponsoring company of this program, the Bank has established a booth that is a reproduction of a bank counter, and dispatches operations volunteers. 8,684 students from 120 schools participated in FY2019.

The 77Bank Currency and Banking Museum [140th Anniversary Project]
The 77Bank Currency and Banking Museum was opened in December 1998 in celebration of the 120th anniversary of our founding and in gratitude for the many years of support from people in the region. Media such as exhibition panels, actual materials, videos, and experiential displays are used to introduce topics, including the history and roles of money, the birth and development of banks, and industry and economy in Miyagi Prefecture and Japan in a manner that is easy to understand.
The center was reopened after remodeling in March 2019, as part of the 140th Anniversary Project, and new features including a projection mapping and a children’s area have been added.

77 Kids Land financial education website for children [140th Anniversary Project]
In March 2019, a financial education website for children, 77 Kids Land, was opened in conjunction with the post-remodeling reopening of the 77Bank Currency and Banking Museum.
In the Shichi-Shika Note section of our website, the Bank’s official mascot, Shichi-Shika-Kun provides an easy-to-understand explanation of money and banks in a manga format.

Supporting Cultural Activities

77 Starlight Symphony
The Bank has held a charity concert named the 77 Starlight Symphony since 1991 in order to enhance the experience of the Sendai Pageant of Starlight, which is becoming established as a winter tradition, as a member of the city.
In December 2018, Mayumi Ittwa was invited as a guest, and performed various hit songs with the backing of the Sendai Philharmonic Orchestra. In addition, fundraising activities were conducted to help support earthquake reconstruction and operation of the Sendai Pageant of Starlight.

77 Fureai Concert
The 77 Fureai Concert has been held continuously since FY1993 in cooperation with the Sendai Philharmonic Orchestra, in order to give students from regional elementary schools and junior high schools the opportunity to experience a live orchestra.
Concerts were held at Onagawa Junior High School (Onagawa Town) and Shikitama Elementary School (Osaki City) in FY2019, where approximately 150 people including children, students, and family members viewed a powerful musical performance and enjoyed introductions of the orchestral instruments and conductor experiences.
Promoting Sports

Volunteer activities at the Sendai International Half Marathon
At the 29th Sendai International Half Marathon held in May 2019, around 40 employees were involved in volunteer activities as water supply staff. On the day of the event, the volunteers provided water at a water supply stand located near Sendai Station while enthusiastically cheering on the runners doing their best.

Promotion of sports through local professional sports teams
We contribute to the promotion of local sports by supporting the activities of local professional sports teams as an official sponsor of the Tohoku Rakuten Golden Eagles, Vegalta Sendai, and the Sendai 89ERS. In addition, we support the activities of the academy team (elementary school students to high school students) of Vegalta Sendai, as a uniform sponsor. From April 2019, we launched the 77 Local Professional Sports Support Bond (Donation-Type), which donate a portion of the fees and commissions received from customers as activities funds.

Promotion of sports through sports club activities
The Bank promotes regional sports through sports club activities. The baseball team, track and field team, and badminton team participate in national level competitions such as the Intercity Baseball Tournament, Japan National Championships, and Badminton S/J League, while the para-badminton team also competes in international level competitions, which are conducted to bring some bright news and vitality to the region.

77 Kids Challenge—Run! Hit! Throw!—joint sports workshops held by three sports clubs [140th Anniversary Project]
In November 2018, joint workshops were held by the Bank’s three sports clubs for first- and second-grade elementary school children and their parents, as part of the 140th Anniversary Project. This was the first time for the three teams to jointly provide such coaching, and approximately 300 participants enjoyed trying all baseball, track and field, and badminton.

Badminton team member Ayako Suzuki has represented Japan, earning gold medals at four international competitions in FY2019. In December 2017, she was awarded the Sanji No Tate Award by Sendai City, which recognizes individuals with outstanding performance in sports, and there are hopes for her to participate and earn a medal at the 2020 Tokyo Paralympic Games.

Contribution to Social Welfare

77 Caring Fund Raising Committee
The 77 Caring Fund Raising Committee was established in 1994 by the executives and employees of the Bank for the purpose of donating to social welfare projects and facilities in appreciation of the support received from the local community to that time.
During FY2019, we made a disaster relief donation of ¥1.96 million to the Japanese Red Cross Society as support for the regions affected by the Heavy Rain Event of July 2018. In addition, a total of ¥3.37 million was donated to 10 social welfare facilities recommended by the Miyagi Prefecture Social Welfare Council and 14 volunteer groups. The donated funds are used to cover facility repair costs, running costs for volunteer activities and other expenses.

Cooperation in blood donation projects through a corporate blood donation campaign
We have conducted a corporate blood donation campaign in cooperation with the Miyagi Prefecture Red Cross Blood Center in order to contribute to ensuring a stable supply of blood required for medical treatment. During FY2019, a blood donation campaign using a mobile blood bank was conducted at the Head Office and branches, with 294 participants.
In 2008, in commemoration of the 130th anniversary of our establishment, the Bank donated one mobile blood bank to the Miyagi Prefecture Red Cross Blood Center, which is now being used throughout the prefecture.

Small Kindness Movement
Since the establishment of the Miyagi Prefecture Headquarters of the Small Kindness Movement, the Bank has been involved in the planning and operation of these activities, while serving as the secretariat for 43 years. The Summer Sendai Cleaning Campaign is conducted each year prior to opening of the Sendai Tanabata Festival, and in FY2019, it was participated by approximately 290 people including 110 employees of the Bank.
Each year, we donate wheelchairs to social welfare facilities in the prefecture, and make visits to welfare facilities for the elderly and hold entertainment performances. In addition, we donate mini sunflower seeds to elementary schools in the prefecture, and gather used stamps and donate them to stamp collection organizations.
Bank Data

Overview

Profile

Company Name: ...............The 77 Bank, Ltd.
Head Office: .................3-20, Chuo 3-chome, Aoba-ku, Sendai, Miyagi 980-8777, Japan
Founded: ......................December 9, 1878
Paid-in Capital: ..............¥24.6 billion
Number of Employees: .....2,846
Number of Branches: .....143
(Head Office/Branches: 137, Sub-Branches: 6)

Shares Outstanding: .........76,655 thousand
Number of Shareholders: ....11,790

Capital Adequacy Ratio (domestic standards): non-consolidated 10.20% / consolidated 10.38%

Total Assets: ..................¥8,610.3 billion
Deposits and Certificates of Deposits: ¥7,891.8 billion
Loans and Bills Discounted: ¥4,725.0 billion

Business Description

Deposit services
- Deposits: The Bank offers current deposits, ordinary deposits, savings deposits, deposits at notice, time deposits, time savings, separate deposits, reserve deposits for tax payment, non-resident yen deposits, foreign currency deposits, etc.
- Certificates of deposits: The Bank offers negotiable time deposits.

Loan services
- Loans: The Bank offers loans on bills, loans on deeds, and overdrafts.
- Discounts on bills: The Bank offers discounts on bank acceptances, commercial bills, and documentary bills.

Trading account securities transaction services
- The Bank offers transaction services for public bonds including national government bonds and commercial paper.

Securities investment
- The Bank invests in national government bonds, local government bonds, corporate bonds, stocks, and other securities for deposit payment preparations and asset management.

Foreign exchange services
- The Bank offers various services related to exports, imports, foreign remittances, and other foreign exchange services.

Contracted services for corporate bonds
- The Bank offers contracted services for corporate bonds and contracted services for public and corporate bond subscriptions under the Secured Bond Trust Act.

Financial futures transaction services, etc.
- The Bank offers services such as financial futures transactions, options transactions, and swap transactions.

Agent services
- Agent services for the Bank of Japan, revenue agent services for the Bank of Japan
- Public fund handling services for local governments
- Agent services for the Organization for Workers’ Retirement Assistance Mutual Aid, etc.
- Agent services for the receipt of payments for stocks and agent services for the payment of stock dividends and interest on public and corporate bonds
- Loan agent services for the Japan Finance Corporation, etc.
- Trust agent services
- Nonlife insurance agent services
- Life insurance agent services

Ancillary services
- Safe custody and safe deposit box services
- Securities lending
- Obligation guarantee (acceptances)
- Gold trading
- Public bond underwriting
- Over-the-counter sales of public bonds including government bonds and investment trusts
- Corporate-type defined contribution pension services
- Handling of commercial paper, etc.
- Financial product brokerage services

Subsidiaries

- Subsidiaries: 77 Lease Co., Ltd. | 77 Shinhosyo Co., Ltd. | The 77 Card Co., Ltd. | 77 Securities Co., Ltd.
- Subsidiaries: 77 Research and Consulting Co., Ltd. | 77 Capital Co., Ltd. | 71 Sea Finance Investment Limited Partnership | 77 Strategic Investment Limited Partnership

Organization

(As of July 31, 2019)

The 77 Bank

Corporate Governance Committee

Compliance Committee

Executive Committee

Board of Directors

Chairman

Directors President

Deputy President

Senior Managing Director

Managing Director

Headquarters

Audit & Supervisory Committee

Directors and General Managers Liaison Committee

General Meeting of Stockholders (Excluding Directors Serving as Audit & Supervisory Committee Members)

The 77 Bank

Compliance Committee

Digital Strategy Division

Risk Management Division

Credit Supervision Division

Regional Development Promotion Division

Treasury Administration & International Division

Operations Management Division

Tokyo Liaison Office

Audit & Inspection Division

Subsidiaries

- Subsidiaries: 77 Lease Co., Ltd. | 77 Shinhosyo Co., Ltd. | The 77 Card Co., Ltd. | 77 Securities Co., Ltd.
- Subsidiaries: 77 Research and Consulting Co., Ltd. | 77 Capital Co., Ltd. | 71 Sea Finance Investment Limited Partnership | 77 Strategic Investment Limited Partnership

Overview

As of March 31, 2019

- Company Name: ...............The 77 Bank, Ltd.
- Head Office: .................3-20, Chuo 3-chome, Aoba-ku, Sendai, Miyagi 980-8777, Japan
- Founded: ......................December 9, 1878
- Paid-in Capital: ..............¥24.6 billion
- Number of Employees: .....2,846
- Number of Branches: .....143
  (Head Office/Branches: 137, Sub-Branches: 6)
Service Network

(As of June 30, 2019)

Service Network Data

<table>
<thead>
<tr>
<th>Number of municipalities (within Miyagi Prefecture)</th>
<th>Number of municipalities (outside of Miyagi Prefecture)</th>
<th>Total number of municipalities</th>
<th>Number of head offices/branches</th>
<th>Number of sub-branches</th>
<th>Number of ATMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>35</td>
<td>70</td>
<td>326</td>
<td>797</td>
<td>784</td>
</tr>
<tr>
<td>(Of which, Sendai City)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>102</td>
<td>103</td>
<td>6</td>
<td>696</td>
</tr>
<tr>
<td>(Of which, Sendai City)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
<td>107</td>
<td>107</td>
<td>2</td>
<td>433</td>
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<tr>
<td>Villages</td>
<td></td>
<td>192</td>
<td>192</td>
<td>97</td>
<td>2,346</td>
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<tr>
<td>Outside of Miyagi Prefecture</td>
<td></td>
<td>152</td>
<td>152</td>
<td>1</td>
<td>2,148</td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>35</td>
<td>35</td>
<td>28</td>
<td>5,076</td>
</tr>
</tbody>
</table>

[Note] Other branch locations: Sapporo City, Minokamo City, Makamigata City, Akita City, Yamagata City, Fukushima City, Koriyama City, Sonuma City, Minamisoma City, Iwaki City, [branches], Natori City, Akita City, Yonezawa City, Sendai City, Shinjo City, Kazo City, etc.

Financial Section

Consolidated Five-Year Summary

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of Yen</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income</td>
<td>¥ 65,217</td>
<td>¥ 69,644</td>
<td>¥ 67,678</td>
<td>¥ 70,908</td>
</tr>
<tr>
<td>Net fees and commissions</td>
<td>11,345</td>
<td>10,963</td>
<td>10,973</td>
<td>11,519</td>
</tr>
<tr>
<td>Net other operating (loss) income</td>
<td>(3,104)</td>
<td>(7,869)</td>
<td>(5,213)</td>
<td>(2,988)</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td>17,670</td>
<td>18,314</td>
<td>16,114</td>
<td>15,857</td>
</tr>
<tr>
<td>At the fiscal year-end</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>¥8,627,510</td>
<td>¥8,718,097</td>
<td>¥8,649,396</td>
<td>¥8,598,583</td>
</tr>
<tr>
<td>Deposits</td>
<td>7,872,834</td>
<td>7,946,100</td>
<td>7,803,860</td>
<td>7,963,738</td>
</tr>
<tr>
<td>Loans and bills discounted</td>
<td>4,718,942</td>
<td>4,621,062</td>
<td>4,433,883</td>
<td>4,350,795</td>
</tr>
<tr>
<td>Trading account securities and investment securities</td>
<td>2,978,130</td>
<td>3,146,865</td>
<td>3,262,638</td>
<td>3,159,568</td>
</tr>
<tr>
<td>Equity</td>
<td>489,077</td>
<td>490,737</td>
<td>468,195</td>
<td>452,310</td>
</tr>
<tr>
<td>Common stock</td>
<td>24,638</td>
<td>24,638</td>
<td>24,638</td>
<td>24,638</td>
</tr>
</tbody>
</table>

Per share of common stock

Basic net income | ¥ 237.90 | ¥ 246.87 | ¥ 215.73 | ¥ 42.37 | ¥ 45.56 |
| Diluted net income | 246.45 | 241.74 | 42.18 | 45.38 |
| Equity | 6,582.31 | 6,613.28 | 6,306.73 | 1,165.83 | 1,223.49 |
| Cash dividends | 47.50 | 45.00 | 45.00 | 9.00 | 8.50 |
| Capital adequacy ratio (%) |
| Domestic standard | 10.38 | 10.43 | 10.73 | 11.21 | 12.51 |

Notes:
1. The national consumption tax and the local consumption tax are excluded from transaction amounts.
2. The Bank’s capital adequacy ratio on the domestic standard is accompanied by the revision of Article 14, Paragraph 2, of the Banking Law of Japan, in line with enforcement of the related law for financial system reform.
3. On October 1, 2017, the Bank conducted consolidation of shares at a ratio of five shares to one share. Per share information is computed as if the share consolidation was conducted on April 1, 2016.
Consolidated Balance Sheet
THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2019

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Balance Sheet</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits (Notes 11, 13 and 27)</td>
<td>¥7,872,834</td>
<td>¥7,946,100</td>
<td>¥7,932,822</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Call money and bills sold</td>
<td>16,104</td>
<td>14,342</td>
<td>14,984</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables under securities lending transactions (Note 11)</td>
<td>17,414</td>
<td>13,686</td>
<td>15,897</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowed money (Notes 11, 14 and 27)</td>
<td>116,643</td>
<td>111,704</td>
<td>105,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange liabilities (Note 7)</td>
<td>3,054</td>
<td>339</td>
<td>312</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability for employees’ retirement benefits (Note 15)</td>
<td>23,902</td>
<td>33,749</td>
<td>21,352</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve for stock-based benefits (Note 17)</td>
<td>750</td>
<td>876</td>
<td>6,737</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve for reimbursement of deposits</td>
<td>464</td>
<td>455</td>
<td>4,180</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve for contingent losses</td>
<td>781</td>
<td>695</td>
<td>7,036</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities (Note 24)</td>
<td>20,462</td>
<td>28,100</td>
<td>184,358</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acceptances and guarantees (Notes 10 and 29)</td>
<td>24,622</td>
<td>29,060</td>
<td>221,839</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities (Notes 16 and 28)</td>
<td>64,111</td>
<td>49,275</td>
<td>397,432</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>81,388,432</td>
<td>82,227,360</td>
<td>73,325,815</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EQUITY</strong> (Notes 17, 18 and 32):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock—authorized, 268,800,000 shares, issued, 76,655,746 shares in 2019 and 2018</td>
<td>24,658</td>
<td>24,658</td>
<td>222,164</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital surplus</td>
<td>20,517</td>
<td>20,517</td>
<td>184,854</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock acquisition rights (Note 19)</td>
<td>346,926</td>
<td>332,619</td>
<td>3,125,741</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less treasury stock—at cost, 2,337,806 shares and 2,450,902 shares in 2019 and 2018, respectively</td>
<td>111,108</td>
<td>127,283</td>
<td>1,001,063</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gains on available-for-sale securities (Note 4)</td>
<td>111,108</td>
<td>127,283</td>
<td>1,001,063</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred losses on derivatives under hedge accounting (Note 28)</td>
<td>(1,451)</td>
<td>(1,473)</td>
<td>(13,073)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred retirement benefit plans (Note 15)</td>
<td>(6,290)</td>
<td>(6,200)</td>
<td>(36,671)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>489,077</td>
<td>490,733</td>
<td>4,200,696</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,627,510</td>
<td>8,718,097</td>
<td>7,773,318</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.

Consolidated Statement of Income
THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2019

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income</strong>:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on loans and discounts</td>
<td>¥42,131</td>
<td>¥41,502</td>
<td>¥379,592</td>
<td></td>
<td></td>
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<tr>
<td>Interest and dividends on trading account and investment securities</td>
<td>26,381</td>
<td>31,078</td>
<td>237,688</td>
<td></td>
<td></td>
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<tr>
<td><strong>Other</strong>:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees and commissions (Note 29)</td>
<td>17,795</td>
<td>17,128</td>
<td>159,518</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating income (Note 20)</td>
<td>10,832</td>
<td>11,350</td>
<td>97,594</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reversal of reserve for possible loan losses</td>
<td>2,945</td>
<td>2,995</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gains on sales of stocks and other securities</strong>:</td>
<td>5,898</td>
<td>2,833</td>
<td>53,959</td>
<td></td>
<td></td>
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<tr>
<td>Gains on sales of money held in trust</td>
<td>3,008</td>
<td>6,044</td>
<td>33,210</td>
<td></td>
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<tr>
<td><strong>Other income (Note 21)</strong></td>
<td>134</td>
<td>202</td>
<td>1,437</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>109,483</td>
<td>113,180</td>
<td>986,422</td>
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<td></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2019

| **INCOME BEFORE INCOME TAXES**               | 22,390 | 23,039 | 203,311 |                 |                           |
| **INCOME TAXES**:                            |        |        |        |                 |                           |
| **Net income attributable to owners of the parent** | ¥17,670 | ¥18,314 | ¥199,203 |                 |                           |
| **Net income attributable to owners of the parent**: | ¥17,670 | ¥18,314 | ¥199,203 |                 |                           |
| **PER SHARE OF COMMON STOCK (Note 31)**     |        |        |        |                 |                           |
| Basic net income                            | 5,809  | 4,280  | 52,338  |                 |                           |
| Diluted net income                          | (889)  | 2,444  | (8,099) |                 |                           |
| **Total income taxes**                      | 4,919  | 6,723  | 44,319  |                 |                           |

See notes to consolidated financial statements.
Consolidated Statement of Changes in Equity  
THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES  
Year Ended March 31, 2019

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares of Common Stock outstanding</td>
<td>$222,164</td>
<td>$219,054</td>
<td>$312,741</td>
<td>$307,781</td>
<td>$1,021,083</td>
<td>$1,013,073</td>
<td>$767,711</td>
<td>$461,452</td>
<td></td>
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<tr>
<td>Balances on Available-for-Sale Securities</td>
<td>$3,216,675</td>
<td>$3,146,747</td>
<td>$13,372</td>
<td>$13,721</td>
<td>$319,941</td>
<td>$412,492</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td>159,203</td>
<td>159,203</td>
<td>150,203</td>
<td>150,203</td>
<td>150,203</td>
<td>150,203</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends, 50% per share</td>
<td>(30,300)</td>
<td>(30,300)</td>
<td>(30,300)</td>
<td>(30,300)</td>
<td>(30,300)</td>
<td>(30,300)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Balance in the year</td>
<td>819,293</td>
<td>819,293</td>
<td>819,293</td>
<td>819,293</td>
<td>819,293</td>
<td>819,293</td>
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</tr>
</tbody>
</table>

Consolidated Statement of Cash Flows  
THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES  
Year Ended March 31, 2019

<table>
<thead>
<tr>
<th>Millions of Yen</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>¥ 22,590</td>
<td>¥ 25,039</td>
<td>¥ 203,531</td>
<td></td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes—paid</td>
<td>(3,823)</td>
<td>(2,170)</td>
<td>(34,444)</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>4,378</td>
<td>3,823</td>
<td>39,644</td>
<td></td>
</tr>
<tr>
<td>Losses on impairment of fixed assets</td>
<td>501</td>
<td>330</td>
<td>6,456</td>
<td></td>
</tr>
<tr>
<td>Net change in reserve for possible loan losses</td>
<td>(1,668)</td>
<td>(7,847)</td>
<td>(13,028)</td>
<td></td>
</tr>
<tr>
<td>Net change in reserve for reimbursement of deposits</td>
<td>5</td>
<td>12</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td>Net change in reserve for contingent losses</td>
<td>85</td>
<td>48</td>
<td>765</td>
<td></td>
</tr>
<tr>
<td>Net change in reserve for stock-based benefits</td>
<td>(125)</td>
<td>86</td>
<td>(1,126)</td>
<td></td>
</tr>
<tr>
<td>Net change in liability for employees’ retirement benefits</td>
<td>(9,963)</td>
<td>381</td>
<td>(89,764)</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>(68,779)</td>
<td>(72,787)</td>
<td>(610,686)</td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>3,561</td>
<td>3,143</td>
<td>32,083</td>
<td></td>
</tr>
<tr>
<td>(Gains) losses on investment securities—net</td>
<td>(3,012)</td>
<td>5,525</td>
<td>(27,137)</td>
<td></td>
</tr>
<tr>
<td>Sales of treasury stock</td>
<td>(7,550)</td>
<td>(4,244)</td>
<td>(28,020)</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange (gains) losses—net</td>
<td>(77)</td>
<td>9,566</td>
<td>(64,753)</td>
<td></td>
</tr>
<tr>
<td>(Gains) losses on sales and disposals of fixed assets—net</td>
<td>(91)</td>
<td>65</td>
<td>(819)</td>
<td></td>
</tr>
<tr>
<td>Net change in loans and bills discounted</td>
<td>(97,879)</td>
<td>(117,179)</td>
<td>(881,872)</td>
<td></td>
</tr>
<tr>
<td>Net change in deposits</td>
<td>(73,265)</td>
<td>(140,239)</td>
<td>(660,104)</td>
<td></td>
</tr>
<tr>
<td>Net change in borrowed money (except for subordinated loans)</td>
<td>4,939</td>
<td>904</td>
<td>4,499</td>
<td></td>
</tr>
<tr>
<td>Net change in due from banks (except for the Bank of Japan)</td>
<td>(2,414)</td>
<td>3,332</td>
<td>(21,749)</td>
<td></td>
</tr>
<tr>
<td>Net change in call loans and bills bought</td>
<td>843</td>
<td>174</td>
<td>7,995</td>
<td></td>
</tr>
<tr>
<td>Net change in call money and bills sold</td>
<td>1,762</td>
<td>(65,694)</td>
<td>13,875</td>
<td></td>
</tr>
<tr>
<td>Net change in payables under securities lending transactions</td>
<td>4,928</td>
<td>(18,112)</td>
<td>40,796</td>
<td></td>
</tr>
<tr>
<td>Net change in trading account securities</td>
<td>5,127</td>
<td>(4,181)</td>
<td>40,193</td>
<td></td>
</tr>
<tr>
<td>Net change in foreign exchange assets</td>
<td>1,221</td>
<td>(3,208)</td>
<td>11,000</td>
<td></td>
</tr>
<tr>
<td>Net change in foreign exchange liabilities</td>
<td>226</td>
<td>400</td>
<td>2,036</td>
<td></td>
</tr>
<tr>
<td>Net change in lease receivables and investments in leases</td>
<td>(1,497)</td>
<td>(907)</td>
<td>(13,487)</td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>73,299</td>
<td>77,880</td>
<td>660,410</td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>(3,609)</td>
<td>(3,185)</td>
<td>(33,057)</td>
<td></td>
</tr>
<tr>
<td>Other—net</td>
<td>(41,209)</td>
<td>(19,676)</td>
<td>(371,283)</td>
<td></td>
</tr>
<tr>
<td>Total adjustments</td>
<td>(216,954)</td>
<td>(130,220)</td>
<td>(1,954,745)</td>
<td></td>
</tr>
<tr>
<td>Net cash used in operating activities—(Forward)</td>
<td>(199,364)</td>
<td>(105,188)</td>
<td>(1,751,184)</td>
<td></td>
</tr>
</tbody>
</table>

INVESTING ACTIVITIES:  
Purchases of investment securities                    | (344,105) | (371,499) | (3,100,324) |
Proceeds from sales of investment securities          |  32,581 |  38,901 |  293,948 |
Proceeds from maturities of investment securities     | 661,174 | 641,506 | 4,753,095 |
Proceeds from disposals of money held in trust        | 53,510 | 3,708 | 482,115 |
Purchases of tangible fixed assets                    | (2,520) | (3,973) | (22,704) |
Proceeds from sales of tangible fixed assets          |  169  |  130  |  1,322 |
Purchases of intangible fixed assets                  | (8) |  79 | (72) |
Payment for execution of asset retirement obligations | (28) |  45 | (22) |
Net cash provided by investing activities             | 200,773 | 108,678 | 1,808,920 |

FINANCING ACTIVITIES:  
Purchases of treasury stock                           | (4) | (1,530) | (36) |
Proceeds from sale of treasury stock                  |  1,516 |  1,516 |
Dividends paid                                       | (3,362) | (3,348) | (30,291) |
Net cash used in financing activities                 | (3,306) |  8,362 | (30,291) |

FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS  
$ (5) | (5) | 45  

NET INCREASE IN CASH AND CASH EQUIVALENTS             | 3,047 | 120 | 27,492 |
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR          | 701,935 | 701,814 | 6,324,308 |
CASH AND CASH EQUIVALENTS, END OF YEAR (Note $)       | 704,983 | 704,935 | 6,351,770 |

See notes to consolidated financial statements.
1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with Japanese Generally Accepted Accounting Principles ("GAAP") in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law (the "Banking Law"). In accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2018 consolidated financial statements to conform to the classifications used in 2019.

In accordance with the Japanese Financial Instruments and Exchange Act and other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items. Also, U.S. dollar amounts have been rounded down to the nearest thousand dollars.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The 77 Bank, Ltd. ("The Bank") is incorporated and operates. The translations of Japanese yen amounts in U.S. dollars are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.99 to U.S.$1, the approximate rate of exchange as of March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Bank and its significant subsidiaries (collectively, the "Companies"). There were five (seven in 2018) consolidated subsidiaries as of March 31, 2019. Under the concept of control, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated in consolidation.

(1) Scope of consolidation

Consolidated Subsidiaries

The 77 Bank, Ltd., 77 Business Co., Ltd., 77 Jimu Daiko Co., Ltd. and 77 Computer Service Co., Ltd. are included from the scope of consolidation due to completion of liquidation.

77 Research Co., Ltd. was newly established and has been included in the scope of consolidation from the fiscal year ended March 31, 2019.

Unconsolidated Subsidiaries

77 Capital Co., Ltd.
77 Strategic Investment Limited Partnership
77 Strategic Investment Limited Partnership

Unconsolidated subsidiaries are excluded from the scope of consolidation because they are not material to the consolidated financial statements in terms of total assets, income, net income (corresponding to the Bank's share), retained earnings (corresponding to the Bank's share) and accumulated other comprehensive income (corresponding to the Bank's share).

The companies are excluded from the scope of equity method accounting because they are not material to the consolidated financial statements in terms of net income (corresponding to the Bank's share), retained earnings (corresponding to the Bank's share) and accumulated other comprehensive income (corresponding to the Bank's share). The Companies' investments are accounted for using the equity method based on the fair value of the Bank's shareholding as of the date of the Companies' establishment.

77 Strategic Investment Limited Partnership which was newly established has been included in the scope of unconsolidated subsidiaries from the fiscal year ended March 31, 2019.

(2) Equity method

Unconsolidated Subsidiaries Not Accounted for by the Equity Method

77 Capital Co., Ltd.
77 New Business Investment Limited Partnership
77 Strategic Investment Limited Partnership

These companies are excluded from the scope of equity method accounting because they are not material to the consolidated financial statements in terms of net income (corresponding to the Bank's share), retained earnings (corresponding to the Bank's share) and accumulated other comprehensive income (corresponding to the Bank's share). The Companies' investments are accounted for using the equity method based on the fair value of the Bank's shareholding as of the date of the Companies' establishment.

77 Strategic Investment Limited Partnership which was newly established has been included in the scope of unconsolidated subsidiaries not accounted for by the equity method from the fiscal year ended March 31, 2019.

d. Business Combinations—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retroactively adjust the provisional amounts recognized at the acquisition date to reflect new information that has come to the acquirer's attention since the acquisition date and that would have affected the measurement of the amounts recognized as of that date.

e. Tangible Fixed Assets—Tangible fixed assets are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of tangible fixed assets, except for lease assets, is mainly computed using the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 5 to 31 years for buildings and from 4 to 20 years for equipment. Lease assets under finance lease transactions, in which substantial ownership is not deemed to have been transferred, are depreciated using the straight-line method over the lease term. The salvage value is zero or the guaranteed amount at the time of lease contract (see Note 2 of the consolidated financial statements).

f. Intangible Fixed Assets—The amortization of intangible fixed assets is calculated using the straight-line method.

Capitalized costs of computer software developed/obtained for internal use are amortized using the straight-line method over the estimated useful lives of five years.

g. Long-Lived Assets—The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds its estimated future cash flows expected to result from the continued use and eventual disposal of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's discounted cash flows ("DCF") from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Foreign Currency Items—Assets and liabilities denominated in foreign currencies held by the Bank at year-end are translated into Japanese yen values at the exchange rate effective at each fiscal year-end consolidated balance sheet date. Exchange gains and losses are recognized in the fiscal periods in which they occur.

i. Reserve for Possible Loan Losses—The Bank determines the amount of the reserve based on the results of management's judgment and assessment of future losses based on a self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business cycle, economic conditions, the character, quality and performance of the portfolio, and other relevant factors.

As part of the Bank's self-assessment system, the quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the Bank's audit and inspection division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its debtors are classified into five categories. The credit rating system is used in the self-assessment of asset quality. All loans are classified into one of the following five categories for self-assessment purposes: "normal," "caution," "possible bankrruptcy," "virtual bankruptcy," and "legal bankruptcy."

For loans to borrowers classified as legal bankruptcy or virtual bankruptcy, the Bank fully provides the net amount of loans and estimated collective amounts by collateral or guarantees. Regarding loans to borrowers classified as possible bankruptcy, a specific reserve is provided to the extent necessary for the net amount of loans and estimated collective amounts by collateral.

For large debtors who are likely to become bankrupt and debtors with restricted loans, if the cash flows from collecting the principal and interest of loans are not expected to be realized, the reserve is provided based on the difference between the relevant cash flows discounted by the initial contract interest rate and the carrying amount of the loans (the "DCF method").

The reserve for other possible loan losses is calculated based on the specific actual past loan ratio for normal and caution categories and the fair value of the collateral for collateral-dependent loans and other subordinating factors including the value of future cash flows for the other self-assessment categories.

The Bank's subsidiaries determine the reserve for possible loan losses by a similar self-assessment system as that of the Bank.

j. Reserve for Stock-Based Benefits—Reserve for stock-based benefits is provided for the grants of the Bank's shares to directors, etc. in accordance with the stock grant program based on the estimated stock-based benefits liabilities as of the fiscal year end.

k. Reserve for Reimbursement of Deposits—Reserve for reimbursement of deposits which shall be recognized as liabilities is provided for the future estimated payments for reimbursement claims on dormant deposit accounts based on the historical reimbursement experience.

l. Reserve for Contingent Losses—Reserve for contingent losses is provided for the future estimated payments of burden money to the Credit Guarantee Corporations based on the historical experience of subrogation.
Derivatives are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivative transactions are recognized in the consolidated statement of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on derivatives are deferred until maturity of the hedged items.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

5. Shareholders’ Equity—Basic net income per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits or share consolidations.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the consolidated statement of income is dividends applicable to the respective years including dividends paid to be paid at the end of the year.


3. Cash and Cash Equivalents

The reconciliation of cash and cash equivalents at the end of the year and cash and due in banks in the consolidated balance sheet as of March 31, 2019 and 2018, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>¥1,127,389,125</td>
<td>$10,368,362</td>
</tr>
<tr>
<td>2018</td>
<td>¥1,127,389,125</td>
<td>$10,368,362</td>
</tr>
</tbody>
</table>

Cash and due in banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>¥1,127,389,125</td>
<td>$10,368,362</td>
</tr>
<tr>
<td>2018</td>
<td>¥1,127,389,125</td>
<td>$10,368,362</td>
</tr>
</tbody>
</table>

Due in banks, excluding due in the Bank of Japan

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>¥6,406,207</td>
<td>$60,368,362</td>
</tr>
<tr>
<td>2018</td>
<td>¥6,406,207</td>
<td>$60,368,362</td>
</tr>
</tbody>
</table>

6. Financial Statements

a. Leases

Finance lease transactions are recognized as lease receivables, as a lessee, and lease liabilities, as a lessor.

Lease agreements for the leased property to the lessee are recognized as lease receivables, as a lessor.

Lease agreements for the leased property to the lessor are recognized as lease receivables, as a lessee.

Leasing transactions are recognized in the consolidated statement of income. The carrying amount of the leased asset is amortized over the lease term, and the lease liability is reduced as the related lease receivable is collected.

b. Income Taxes

As a lessee,

Income tax expense is recognized in the consolidated statement of income. The asset and liability approaches are used to account for income taxes.

The deferred tax assets or liabilities are measured by applying currently enacted tax laws to the temporary differences.

c. Derivatives and Hedging Activities

Derivatives are recognized in the income statement at fair value, and changes in the fair value of derivatives are recognized in the consolidated statement of income. If a derivative qualifies for hedge accounting, the changes in the fair value of the derivative are recognized in other comprehensive income (OCI) until the derivative is no longer designated as a hedge. If a derivative does not qualify for hedge accounting, the changes in the fair value of the derivative are recognized in the income statement. If the derivative is designated as a cash flow hedge, the changes in the fair value of the derivative are recognized in other comprehensive income (OCI) until the hedge is no longer effective. The changes in the fair value of the derivative are recognized in the income statement when the hedge is no longer effective. The changes in the fair value of the derivative are recognized in the consolidated statement of income when the hedge no longer meets the criteria for hedge accounting.

d. Accounting Policies

The Bank applies the “Consolidated Financial Statements Accounting Principles.” The Bank applies the “Consolidated Financial Statements Accounting Principles” to all of its consolidated subsidiaries.
5. MONEY HELD IN TRUST

The carrying amounts and aggregate fair values of money held in trust as of March 31, 2019 and 2018, respectively, amounted to ¥82,684 million and ¥81,460 million, respectively.

Report No. 24). The Bank has rights to sell or pledge these bills in accordance with “Treatment of Accounting and Auditing of Financial Instruments” for the years ended March 31, 2019 and 2018.

The impairment losses were comprised of ¥165 million ($1,484 thousand) on buildings, ¥593 million ($5,430 thousand) on land and ¥70 million ($630 thousand) on other fixed assets for the year ended March 31, 2019, and ¥901 million on buildings, ¥23 million on land and ¥95 million on other fixed assets for the year ended March 31, 2018.

For the purpose of testing for impairment, the Bank recognizes each individual branch office as a cash-generating unit. For branches to be closed and facilities not in operation, impairment is individually assessed for impairment. Subsidiaries recognize each company as a cash-generating unit. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposal of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the DCFs from the continued use and eventual disposal of the asset or the net selling price at disposition. The DCFs were calculated using discount rates of 8.0% and 5.0% for the years ended March 31, 2019 and 2018, respectively, and the net selling price was determined by quotation from a third-party vendor.

Other assets include security deposits for financial instruments amounting to ¥3,700 million ($33,338 thousand) and ¥3,730 million as of March 31, 2019 and 2018, respectively, and guarantee deposits for leased tangible fixed assets (lessor side) amounting to ¥92 million ($828 thousand) and ¥93 million as of March 31, 2019 and 2018, respectively.

12. LOAN COMMITMENTS

Contracts of overdraft facilities and loan commitments are contracts with customers to lend up to the prescribed limits in response to customers’ applications for a loan, as long as there is no violation of any condition within the contracts. As of March 31, 2019, the unused amount of such contracts totaled ¥1,647,277 million ($14,841,670 thousand), of which amounts with original agreement terms of less than one year were ¥1,564,783 million ($13,908,914 thousand). As of March 31, 2018, the unused amount of such contracts totaled ¥1,661,388 million, of which amounts with original agreement terms of less than one year were ¥1,569,181 million.

Since many of the commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions allowing the Companies to refuse customers’ applications for a loan or decrease the contract limits based on proper reasons (e.g., changes in financial situation, deterioration in customers’ creditworthiness). At the inception of the contracts, the Companies obtain collateral real estate, securities, etc., if considered to be necessary. Subsequently, the Companies perform a periodic review of the customers’ business results based on internal rules and take necessary measures to recommit or cancel the contracts and require additional collateral and guarantees.

13. DEPOSITS

Deposits as of March 31, 2019, and 2018, consisted of the following:

14. BORROWED MONEY

As of March 31, 2019 and 2018, the weighted-average annual interest rates applicable to borrowed money were 0.045% and 0.015%, respectively.

Borrowed money consists of borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2019, were as follows:

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### 15. LIABILITY FOR EMPLOYEES’ RETIREMENT BENEFITS

The Bank has severance payment plans as defined benefit plans consisting of corporate pension funds and lump-sum retirement payment plans for employees. In addition, the Bank has established corporate defined contribution pension plans as defined contribution plans from the year ended March 31, 2019. The Bank has also established a retirement benefit trust under the lump-sum retirement payment plans. The consolidated subsidiaries have lump-sum retirement payment plans, and calculate liability for retirement benefit and retirement benefit costs using a shortcut method. Certain consolidated subsidiaries had adopted corporate pension fund plans, but withdrawing due to liquidation.

1. The changes in projected benefit obligations for the years ended March 31, 2019 and 2018, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at end of year</td>
<td>¥69,781</td>
<td>¥70,527</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥215,352</td>
<td>¥214,109</td>
</tr>
<tr>
<td>Total</td>
<td>¥483,450</td>
<td>¥485,736</td>
</tr>
</tbody>
</table>

2. The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at end of year</td>
<td>¥30,178</td>
<td>¥31,722</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥6,108</td>
<td>¥4,027</td>
</tr>
<tr>
<td>Total</td>
<td>¥36,286</td>
<td>¥35,739</td>
</tr>
</tbody>
</table>

### 16. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations which were recognized on the consolidated balance sheet for the years ended March 31, 2019, and 2018, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning year</td>
<td>¥431,363</td>
<td>¥431,363</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥811,839</td>
<td>¥431,363</td>
</tr>
</tbody>
</table>

Note: Plan assets related to the multiemployer welfare pension fund plans adopted by certain consolidated subsidiaries are not included in the above plan assets.

### 17. PERFORMANCE-LINKED STOCK COMPENSATION SYSTEM

The Bank has introduced a performance-linked stock compensation system (the “System”) based on the Bank Incentive Plan (“BIP”) to trust the perspective of enhancing motivation to improve the medium-to-long term performance and corporate value by further clarifying the linkage between compensation to directors, etc. and stock value of the Bank.

Under the System, the Bank’s shares are acquired using the funds contributed by the Bank as compensation to directors, etc. through the trust and such shares are granted to directors, etc. through the trust according to their ranks and achievement of management plans. Said transactions are related to the System.

The Bank’s shares remaining in the trust are recorded as treasury stock under “Equity” and the carrying amount of such treasury stock was ¥1,243 million ($11,199 thousand) and ¥1,254 million of the number of shares was 752 thousand and 551 thousand as of March 31, 2019 and 2018, respectively.

### 18. EQUITY

Japanese banks are subject to the Banking Law and to the Companies Act of Japan (the “Companies Act”).

The significant provisions in the Companies Act and the Banking Law that affect financial and accounting matters are summarized below:

- **a. Dividends**
  - Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general meeting of stockholders. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year or more than two years of normal term by articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has so prescribed in its articles of incorporation. The Bank meets all the above criteria.
  - The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to stockholders subject to certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Bank can do so because it stipulates this in its articles of incorporation. The Companies Act restricts certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.
  - **b. Increased/Decrease and Transfer of Common Stock, Reserve and Surplus**
    - The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in-capital equals 100% of stated capital.
    - Under the Companies Act and the Banking Law, the aggregate amount of additional paid-in-capital is subject to the legal reserve that exceeds 100% of the stated capital may be made available for dividends by resolution of the stockholders after transferring such excess to retained earnings in accordance with the Companies Act. Under the Companies Act, the total amount of additional paid-in-capital and the legal reserve may be reversed without limitation. The Companies Act also provides that stated capital, legal reserve, additional paid-in-
22. OTHER OPERATING EXPENSES
Other operating expenses for the years ended March 31, 2019 and 2018, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Lease receipts</td>
<td>¥ 2,858</td>
<td>$ 25,730</td>
</tr>
<tr>
<td>Lease costs</td>
<td>6,657</td>
<td>6,206</td>
</tr>
<tr>
<td>Other</td>
<td>4,620</td>
<td>4,630</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>¥13,137</strong></td>
<td><strong>$125,360</strong></td>
</tr>
</tbody>
</table>

23. OTHER EXPENSES
Other expenses for the years ended March 31, 2019 and 2018, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Interest</td>
<td>¥ 107</td>
<td>$ 1,060</td>
</tr>
<tr>
<td>Finance costs</td>
<td>1,260</td>
<td>1,086</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>¥2,028</strong></td>
<td><strong>$20,527</strong></td>
</tr>
</tbody>
</table>

24. INCOME TAXES
The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 36.5% and 38.8% for the years ended March 31, 2019 and 2018, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2019 and 2018, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve for possible loss</td>
<td>¥14,113</td>
<td>$ 1,295</td>
</tr>
<tr>
<td>Liability for employees' retirement benefits</td>
<td>10,318</td>
<td>92,963</td>
</tr>
<tr>
<td>Fixed assets (depreciation)</td>
<td>6,002</td>
<td>54,076</td>
</tr>
<tr>
<td>Losses on devaluation of stocks and other securities</td>
<td>3,272</td>
<td>29,480</td>
</tr>
<tr>
<td>Other</td>
<td>6,554</td>
<td>59,050</td>
</tr>
<tr>
<td><strong>Less valuation allowance (see Note below)</strong></td>
<td>(12,780)</td>
<td>(114,947)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(2,037)</strong></td>
<td><strong>(95,492)</strong></td>
</tr>
</tbody>
</table>

25. OTHER COMPREHENSIVE (LOSS) INCOME
The components of other comprehensive (loss) income for the years ended March 31, 2019 and 2018, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td><strong>Less unrealized gains on available-for-sale securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Loss) gain arising during the year</td>
<td>¥(16,741)</td>
<td>$(150,833)</td>
</tr>
<tr>
<td>Reclassification adjustment to profit or loss</td>
<td>(8,831)</td>
<td>(28,816)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(25,572)</strong></td>
<td><strong>$(179,649)</strong></td>
</tr>
</tbody>
</table>

26. LEASES

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2019 and 2018, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal effective statutory tax rate</td>
<td>21.8%</td>
<td>20.9%</td>
</tr>
<tr>
<td>Expenses not deductible for income tax purposes</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Noncapitalized income</td>
<td>(2.0)%</td>
<td>(1.2)%</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>0.3%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(5.2)%</td>
<td>(3.6)%</td>
</tr>
<tr>
<td>Consolidation adjustment on gain on sales of shares of consolidated subsidiaries</td>
<td>(2.7)%</td>
<td>(2.7)%</td>
</tr>
<tr>
<td>Other</td>
<td>0.5%</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Actual effective tax rate</strong></td>
<td>21.8%</td>
<td>20.9%</td>
</tr>
</tbody>
</table>
27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments
The Companies process various financial instruments such as credit card business and leasing operations in addition to banking operations. In the course of these operations, the Companies raise funds principally through deposit taking and invest funds in loans, securities, and others. As such, the Bank holds financial assets and liabilities which are subject to fluctuation in interest rates and conducts comprehensive Asset and Liability Management ("ALM") to avoid unfavorable effects from interest rate fluctuations. Derivatives are also employed by the Bank as part of ALM.

(2) Nature and Extent of Risks Arising from Financial Instruments
Financial assets held by the Companies mainly consist of loans to domestic corporate customers and governments, and individual customers which are exposed to credit risk that the Companies may suffer from losses resulting from nonperformance of repayment. Derivatives are also exposed to credit risk that the Companies may suffer from losses resulting from fluctuations in interest rates.

Securities, mainly debt securities, equity securities, and investment trusts are held to maturity and for other purposes and also certain debt securities are held for the purpose of selling to customers. These securities are exposed to credit risk of issuers and market risks of fluctuations in interest rates and market prices. In addition, they are exposed to market liquidity risk that the Companies may suffer from losses resulting from difficulties in executing financial transactions in certain environments such as turmoil markets.

Financial liabilities, mainly consisting of liquid deposits or time deposits taken from corporate and individual customers, are exposed to cash flow risk that the Bank may experience a situation where unexpected funds are required in certain environments where the credit rating of the Bank may be lowered and, accordingly, necessary borrowing may become difficult.

Foreign currency denominated assets and liabilities are exposed to foreign exchange risk that the Bank may suffer from losses resulting from fluctuations in foreign exchange rates. Derivatives mainly include interest rate swaps and bond futures, which are used to expose to market risks changes in interest rates of loans and investment securities, and foreign exchange forward contracts, which are used to hedge foreign exchange risks associated with foreign currency-denominated assets and liabilities. Hedging accounting is applied to certain derivatives that are related to loans and investment securities as hedged items.

(3) Risk Management for Financial Instruments

Credit risk management
The Bank has established the "Credit Risk Control Policy" as a basic policy for credit risk management and various rules concerning credit risk management. Based on these policies and rules, the Banks clarify fundamental approaches for identifying, monitoring and controlling credit risk.

The Risk Management Division, as a credit risk control function, is engaged in identifying the level of future possible credit risks and the status of unexpected events through measurement of the level of credit risk and credit concentration.

In addition, as an organization responsible for credit risk management, a market risk control function has been established to secure the effectiveness of credit risk management. The Risk Management Division, as a credit risk control function, is engaged in identifying the level of future possible credit risks and the status of unexpected events through measurement of the level of credit risk and credit concentration.

The Risk Supervision Division as a review control function, is engaged in reviewing lending operations based on strict credit standard procedures, system development for strengthening the daily control of loan receivables, and appropriate maintenance of operational procedures.

Market risk management
The Bank has established the "Market Risk Management Policy" as a basic policy for market risk management and various rules concerning market risk management. Based on these policies and rules, the Banks clarify fundamental approaches for appropriate market risk control operations and control procedures for identifying, monitoring and controlling market risk.

As an organization responsible for market risk management, a market risk control function (market risk control division) has been established and furthermore, the operating function (front office) and the administration function (back office) have been separated. Additionally, market risk control function staffs are assigned to the operating function to secure the effectiveness of market risk management.

The Risk Management Division, as a market risk control function, measures the level of market risk of the Bank as a whole using Value-at-Risk ("VaR") approach models and other models and regularly monitors the status of compliance with position limits and loss limits established according to the type and characteristics of transactions to control the level of market risk within a certain range.

In addition, an ALM and Income Control Committee was established for the purpose of analyzing flexible financial strategies in order to prevent risks resulting from fluctuations in interest rates, market prices, and trends of fund and business conditions. The committee is also responsible for securing the soundness of management and also liquidity at the same time based on appropriate asset and liability management through the unionization of risk management and earnings control.

b. Quantitative Information about Market Risk
The Bank adopts the "Value-at-Risk approach" for determining the market risk of the Bank. The holding period: 125 business days for strategic equity securities and 60 business days for others (confidence interval: 99.9%).

The volume of market risk (estimated losses) that the Bank is exposed to as of March 31, 2019, amounts to ¥7,957,805 million (¥5,922,032 million at September 30, 2018, 95%). The volume of market risk is determined using the VaR method. However, the risk under certain abnormal market fluctuations may not be captured, under certain conditions, and the volume of market risk under a definite duration of statistically computed incidence is measured based on historical market fluctuations.
determined using the future cash flows (coupons, redemption of principal, guaranteed fees) discounted at an interest rate calculated considering the market interest rates and issuers' credit risk.

(4) Loans and bills discounted
With respect to loans with floating interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount as they reflect the market interest rates over a short period, unless the creditworthiness of the borrower has changed significantly since the loan origination. With respect to loans with fixed interest rates, for each category of loan based on the type of loan, internal ratings, and maturity length, the fair value is determined based on the present value of expected cash flows of aggregated amounts of principal and interest discounted at a rate which is the rate assumed if a new financing was made. The carrying amount is presented as the fair value if the maturity is within a short period (less than one year) and the fair value approximates the carrying amount.

(2) Borrowed money
For each type of borrowed money financed, the fair value is determined based on the present value of the aggregated amounts of principal and interest discounted at a rate which is the rate assumed if a new financing was made. The carrying amount is presented as the fair value if the maturity is within a short period (less than one year) and the fair value approximates the carrying amount.

2. The financial instruments whose fair value is extremely difficult to determine are as follows. These items are not included in (3) “Available-for-sale securities” under “Assets” in the above table of fair value information of financial instruments.

<table>
<thead>
<tr>
<th>Category</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted equity securities*</td>
<td>$1,995</td>
<td>$1,807</td>
<td>$17,974</td>
</tr>
<tr>
<td>Capital subscription in investment</td>
<td>4,986</td>
<td>3,602</td>
<td>44,922</td>
</tr>
<tr>
<td>business partnerships*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10,982</td>
<td>7,500</td>
<td>52,890</td>
</tr>
</tbody>
</table>

*1 Unlisted equity securities are not treated as instruments whose fair value is regarded as being realized since there is no market price and it is extremely difficult to determine the fair value.

*2 Impairment losses in the amount of ¥10 million (¥10 thousand) and ¥20 million were recognized for unlisted equity securities for the years ended March 31, 2019 and 2018, respectively.

*3 Capital subscription in investment business partnerships, whose assets (i.e., unlisted equity securities) consist of those whose fair values are extremely difficult to determine, is not treated as instruments whose fair value is regarded as being realized.

Liabilities
(1) Deposits
Regarding demand deposits, the amount payable as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. Time deposits and negotiable certificates of deposit are grouped by maturity length, and the fair value is determined using the present value of the aggregate amounts of principal and interest discounted at an interest rate that would be applied to newly accepted deposits. For deposits with maturities within a short time period (less than one year) and whose fair value approximates the carrying amount, the carrying amount is presented as the fair value.

3. Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2019

<table>
<thead>
<tr>
<th>Due after 1 Year or less</th>
<th>Due after 1 Year through 3 Years</th>
<th>Due after 3 Years through 5 Years</th>
<th>Due after 5 Years through 7 Years</th>
<th>Due after 7 Years through 10 Years</th>
<th>Due after 10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from banks</td>
<td>¥ 657,359</td>
<td>¥ 768,069</td>
<td>¥ 575,969</td>
<td>¥744,895</td>
<td>¥273,231</td>
</tr>
<tr>
<td>Investment securities</td>
<td>528,726</td>
<td>767,069</td>
<td>575,969</td>
<td>744,895</td>
<td>273,231</td>
</tr>
<tr>
<td>Held-to-maturity securities</td>
<td>1,000</td>
<td>1,000</td>
<td>96,000</td>
<td>12,000</td>
<td></td>
</tr>
<tr>
<td>National government bonds</td>
<td>3,100</td>
<td>3,100</td>
<td>311,050</td>
<td>311,050</td>
<td></td>
</tr>
<tr>
<td>Local government bonds</td>
<td>300</td>
<td>300</td>
<td>16,500</td>
<td>16,500</td>
<td></td>
</tr>
<tr>
<td>Available-for-sale securities with contractual maturities</td>
<td>523,626</td>
<td>767,069</td>
<td>575,969</td>
<td>744,895</td>
<td>273,231</td>
</tr>
<tr>
<td>National government bonds</td>
<td>260,000</td>
<td>311,050</td>
<td>96,000</td>
<td>96,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Local government bonds</td>
<td>16,500</td>
<td>16,500</td>
<td>220,600</td>
<td>220,600</td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>188,082</td>
<td>234,082</td>
<td>306,950</td>
<td>306,950</td>
<td>125,437</td>
</tr>
<tr>
<td>Other loans</td>
<td>76,644</td>
<td>82,727</td>
<td>92,830</td>
<td>92,830</td>
<td>79,772</td>
</tr>
<tr>
<td>Loans and bills discounted*</td>
<td>1,086,874</td>
<td>804,331</td>
<td>676,490</td>
<td>402,806</td>
<td>470,003</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,272,960</td>
<td>¥1,372,601</td>
<td>¥1,252,439</td>
<td>¥877,781</td>
<td>¥752,134</td>
</tr>
</tbody>
</table>

4. Repayment schedule of bonds, borrowed money, and other interest-bearing liabilities subsequent to March 31, 2019

<table>
<thead>
<tr>
<th>Due after 1 Year or Less</th>
<th>Due after 1 Year through 3 Years</th>
<th>Due after 3 Years through 5 Years</th>
<th>Due after 5 Years through 7 Years</th>
<th>Due after 7 Years through 10 Years</th>
<th>Due after 10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from banks</td>
<td>$ 5,922,686</td>
<td>$ 6,920,163</td>
<td>$ 5,189,377</td>
<td>$4,278,718</td>
<td>$2,479,781</td>
</tr>
<tr>
<td>Investment securities</td>
<td>4,763,726</td>
<td>6,011,154</td>
<td>5,189,377</td>
<td>4,278,718</td>
<td>2,479,781</td>
</tr>
<tr>
<td>Held-to-maturity securities</td>
<td>2,342,553</td>
<td>2,982,701</td>
<td>864,942</td>
<td>108,117</td>
<td></td>
</tr>
<tr>
<td>National government bonds</td>
<td>2,702</td>
<td>9,009</td>
<td>1,062</td>
<td>1,062</td>
<td></td>
</tr>
<tr>
<td>Local government bonds</td>
<td>348,662</td>
<td>348,662</td>
<td>348,662</td>
<td>348,662</td>
<td></td>
</tr>
<tr>
<td>Available-for-sale securities with contractual maturities</td>
<td>4,733,796</td>
<td>6,011,154</td>
<td>5,189,377</td>
<td>4,278,718</td>
<td>2,479,781</td>
</tr>
<tr>
<td>National government bonds</td>
<td>2,342,553</td>
<td>2,982,701</td>
<td>864,942</td>
<td>108,117</td>
<td></td>
</tr>
<tr>
<td>Local government bonds</td>
<td>348,662</td>
<td>348,662</td>
<td>348,662</td>
<td>348,662</td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>1,702,693</td>
<td>2,049,626</td>
<td>2,738,762</td>
<td>1,193,476</td>
<td>89,728</td>
</tr>
<tr>
<td>Other</td>
<td>690,548</td>
<td>1,130,164</td>
<td>831,372</td>
<td>890,548</td>
<td>718,731</td>
</tr>
<tr>
<td>Total</td>
<td>$6,478,962</td>
<td>$7,148,853</td>
<td>$6,288,431</td>
<td>$5,809,649</td>
<td>$10,430,669</td>
</tr>
</tbody>
</table>

*1 Loans and bills discounted, the portion whose timing of collection is unknown, such as loans to “legally bankrupt” borrowers, loans to “virtually bankrupt” borrowers, and loans to “possibly bankrupt” borrowers, amounting to ¥9,944 million (¥91,944 thousand) are not included in the above table. Loans that do not have a contractual maturity, amounting to ¥153,611 million (¥1,536,112 thousand), are not included either.

28. DERIVATIVES

It is the Bank’s policy to use derivatives primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities.

The Bank enters into interest rate swaps and interest rate swaptions as a means of hedging its interest rate risk on certain loans and investment securities while entering into interest rate swaps and interest rate swaptions to meet the needs of its clients. The Bank also enters into currency swaps, foreign exchange forward contracts, and currency options to hedge foreign exchange risk associated with its assets and liabilities. Derivatives are subject to market and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty’s failure to perform its obligations under a contract.

The Bank sets limits on credit risk for those derivatives by limiting the counterparty to major financial institutions and securities companies and establishing maximum risk exposures to the counterparties.

The Bank has established a standard of risk management including management approaches for each type of risk. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate trading activities and credit risk management including maximum risk exposures and loss-cutting rules. Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions are clearly separated and risk managers are assigned to the trading divisions, while the Risk Management Division synthetically manages the Bank’s market risks. In this manner, an internal control system is effectively secured. The Bank positions, gains and loss, risk amount, and other conditions are periodically reported to the executive committee.
The Bank has the following derivatives contracts outstanding as of March 31, 2019 and 2018:

### Derivative Transactions to Which Hedge Accounting Is Not Applied

With respect to derivatives to which hedge accounting is not applied, contract or notional amount, fair value, and unrealized gains/losses, and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank’s exposure to market risk.

#### Table: Derivative Transactions to Which Hedge Accounting Is Not Applied

<table>
<thead>
<tr>
<th>Hedge Accounting Method</th>
<th>Type of Derivatives</th>
<th>Major Hedged Item</th>
<th>Contract or Notional Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal method</td>
<td>Interest rate swaps— Floating rate receipt/ fixed rate payment</td>
<td>Loans and investment securities</td>
<td>¥223,384 ¥224,275 ¥(2,278)</td>
</tr>
<tr>
<td>Special matching criteria</td>
<td>Interest rate swaps— Floating rate receipt/ fixed rate payment Other— Buying</td>
<td>Loans</td>
<td>76,436 75,683 (875)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>¥299,820 ¥299,958 ¥(2,153)</td>
</tr>
</tbody>
</table>

#### Notes:
1. These are principally accounted for under the deferral hedge method in accordance with the JICPA Industry Audit Committee Report No.24, “Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry.”
2. Fair value is determined using the discounted present value, option-pricing models, etc.

### 29. RELATED-PARTY TRANSACTIONS

#### Related-party transactions for the years ended March 31, 2019 and 2018, were as follows:

**a. Transactions between the Bank and Its Related Parties**

<table>
<thead>
<tr>
<th>Related Party</th>
<th>Account Classification</th>
<th>Transactions for the Year*</th>
<th>Balance at End of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Store Fujiyusa Co., Ltd.*1</td>
<td>Loans and bills discounted</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customers’ liabilities for acceptances and guarantees</td>
<td>¥9,636 ¥9,562</td>
<td>¥41,769 ¥41,823</td>
</tr>
<tr>
<td>Fuji Styling Co., Ltd.*1</td>
<td>Loans and bills discounted</td>
<td>¥350 360</td>
<td>320 320</td>
</tr>
<tr>
<td>Fujiyusa Agency Co., Ltd.*1</td>
<td>Customers’ liabilities for acceptances and guarantees</td>
<td>¥973 981</td>
<td>909 909</td>
</tr>
<tr>
<td>Mr. Minokichi Akaizawa**</td>
<td>Loans and bills discounted</td>
<td>¥1,000 981</td>
<td>1,000 1,000</td>
</tr>
</tbody>
</table>

#### Notes:
* Terms are substantially the same as for similar transactions with third parties.
+ Amounts of transactions were reported at the average balance for the period.

**b. Transactions between Consolidated Subsidiaries and Their Related Parties**

<table>
<thead>
<tr>
<th>Related Party</th>
<th>Account Classification</th>
<th>Transactions for the Year*</th>
<th>Balance at End of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Store Fujiyusa Co., Ltd.*1</td>
<td>Fees and commissions</td>
<td>¥28 ¥23</td>
<td>¥52</td>
</tr>
<tr>
<td>Fuji Styling Co., Ltd.*1</td>
<td>Other assets</td>
<td>96 11</td>
<td>¥11</td>
</tr>
</tbody>
</table>

#### Notes:
* Terms are substantially the same as for similar transactions with third parties.
30. SEGMENT INFORMATION

Description of Reportable Segments
The Companies are principally engaged in the banking business and also leasing business and other financial services. The reportable segments of the Bank are the segments for which separate financial information is available, and are subject to periodic review by the chief operating decision maker to determine the allocation of management resources and assess performance.

Since the reportable segments of the Companies consist only of the “Banking” segment and since the “Other” segment is immaterial, segment information is omitted.

Related Information for the Years Ended March 31, 2019 and 2018

Information by Service Line

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th></th>
<th>Millions of Yen</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan</td>
<td>¥32,119</td>
<td>¥30,342</td>
<td>¥8,127</td>
<td>¥22,894</td>
</tr>
<tr>
<td>Securities</td>
<td>§30,452</td>
<td>§36,152</td>
<td>§8,007</td>
<td>§25,529</td>
</tr>
<tr>
<td>Investment</td>
<td>§8,007</td>
<td>§8,007</td>
<td>§8,007</td>
<td>§8,007</td>
</tr>
<tr>
<td>Lease</td>
<td>§12,119</td>
<td>§12,119</td>
<td>§12,119</td>
<td>§12,119</td>
</tr>
<tr>
<td>Other</td>
<td>§109,483</td>
<td>§113,180</td>
<td>§113,180</td>
<td>§113,180</td>
</tr>
<tr>
<td>Total</td>
<td>¥190,149</td>
<td>¥193,875</td>
<td>¥54,955</td>
<td>¥59,800</td>
</tr>
</tbody>
</table>

Information about Geographical Area
Information about geographical areas is omitted because the Companies conduct banking and other related activities only in Japan and do not have foreign subsidiaries or foreign branches.

Information about Major Customers
Information about major customers is not presented because there are no customers who account for over 10% of ordinary income.

Information about Asset Impairment Losses
Information about asset impairment losses for the years ended March 31, 2019 and 2018, is omitted because the only reportable segment is “Banking” and “Other” is immaterial.

31. NET INCOME PER SHARE

Basic and diluted net income per share (“EPS”) for the years ended March 31, 2019 and 2018, is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of Shares</th>
<th>Yen</th>
<th>U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic EPS—Net income attributable to common stockholders</td>
<td>¥17,670</td>
<td>74,275</td>
<td>¥237.90</td>
<td>$2.14</td>
</tr>
<tr>
<td>Year Ended March 31, 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic EPS—Net income attributable to common stockholders</td>
<td>¥18,314</td>
<td>74,185</td>
<td>¥246.87</td>
<td>$2.16</td>
</tr>
<tr>
<td>Year Ended March 31, 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted EPS—Net income for</td>
<td>§18,314</td>
<td>74,185</td>
<td>§246.87</td>
<td>§2.16</td>
</tr>
<tr>
<td>computation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Above information about the weighted-average number of shares and EPS have been restated as appropriate, to reflect a one-for-five share consolidation effected October 1, 2017.

The Bank's shares held by the directors’ compensation BIP trust that are recorded as treasury stock under “Equity” are included in the treasury stock to be deducted when computing the average number of shares during the fiscal year for the calculation of basic net income per share and diluted net income per share.

Diluted EPS for the year ended March 31, 2019, is not shown because there were no potential shares.

32. SUBSEQUENT EVENTS

Cash Dividends
At the Bank’s general meeting of stockholders held on June 27, 2019, the Bank’s stockholders approved the following appropriations of retained earnings:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-end cash dividends, ¥25.00 ($0.225) per share</td>
<td>¥1,868</td>
<td>$16,830</td>
</tr>
</tbody>
</table>

Note: Above total amount of cash dividends includes dividends for the Bank’s shares held by BIP trust in an amount of ¥11 million ($99 thousand).

Acquisition of Treasury Stock of the Bank
At the Board of Directors’ meeting held on May 15, 2019, the Bank resolved the following matters related to acquisition of treasury stock and implemented the acquisition in accordance with Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the Companies Act in order to perform flexible capital policies corresponding to the changes in management environments and to return the profit to the stockholders.

(1) Details of the resolution at the Board of Directors’ meeting held on May 15, 2019
a. Type of shares to be acquired: Common stock
b. Total number of shares to be acquired: 500,000 shares at maximum
c. Aggregated amount of acquisition cost: ¥800 million ($7,207 thousand) at maximum
d. Period of acquisition: May 16, 2019 through June 21, 2019

(2) Status of acquisition of treasury stock:
   a. Class of shares acquired: Common stock
   b. Total number of shares acquired: 488,800 shares
   c. Aggregated amount of acquisition cost: ¥799 million ($7,198 thousand)
   d. Period of acquisition: May 16, 2019 through June 19, 2019

Acquisition of Treasury Stock of the Bank
At the Bank’s general meeting of stockholders held on June 27, 2019, the Bank’s stockholders approved the following appropriations of retained earnings:

<table>
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<tr>
<th></th>
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<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
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<td>Year-end cash dividends, ¥25.00 ($0.225) per share</td>
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</tr>
</tbody>
</table>

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Above information about the weighted-average number of shares and EPS have been restated as appropriate, to reflect a one-for-five share consolidation effected October 1, 2017.

The Bank’s shares held by the directors’ compensation BIP trust that are recorded as treasury stock under “Equity” are included in the treasury stock to be deducted when computing the average number of shares during the fiscal year for the calculation of basic net income per share and diluted net income per share.

Diluted EPS for the year ended March 31, 2019, is not shown because there were no potential shares.
Independent Auditors’ Report

Deloitte Touche Tohmatsu LLC

INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of The 77 Bank, Ltd.:

We have audited the accompanying consolidated balance sheet of The 77 Bank, Ltd. and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The 77 Bank, Ltd. and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 27, 2019

Deloitte Touche Tohmatsu LLC

Member of Deloitte Touche Tohmatsu Limited

Capital Adequacy Ratios

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2019

Consolidated (Domestic standard)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)</td>
<td>10.38</td>
<td>10.43</td>
<td></td>
</tr>
<tr>
<td>Capital: (A)</td>
<td>408,494</td>
<td>396,036</td>
<td>3,680,457</td>
</tr>
<tr>
<td>Risk-adjusted assets: (B)</td>
<td>3,934,181</td>
<td>3,796,259</td>
<td>35,446,265</td>
</tr>
</tbody>
</table>

Non-Consolidated (Domestic standard)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)</td>
<td>10.20</td>
<td>10.18</td>
<td></td>
</tr>
<tr>
<td>Capital: (A)</td>
<td>398,082</td>
<td>383,593</td>
<td>3,586,647</td>
</tr>
<tr>
<td>Risk-adjusted assets: (B)</td>
<td>3,902,624</td>
<td>3,767,679</td>
<td>35,161,942</td>
</tr>
</tbody>
</table>

THE 77 BANK INTEGRATED REPORT

Strategies of The 77 Bank, Ltd. Operations that Put Customers First About The 77 Bank, Ltd. Social Contribution Activities Bank Data
## Non-Consolidated Balance Sheet (Parent Company)

**THE 77 BANK, LTD.**

**March 31, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and due from banks</td>
<td>¥710,996</td>
<td>$4,605,946</td>
</tr>
<tr>
<td>Call loans and bills bought</td>
<td>511</td>
<td>4,604</td>
</tr>
<tr>
<td>Demand deposits</td>
<td>4,071</td>
<td>36,678</td>
</tr>
<tr>
<td>Trading account securities</td>
<td>19,848</td>
<td>178,826</td>
</tr>
<tr>
<td>Money held in trust</td>
<td>115,613</td>
<td>1,041,632</td>
</tr>
<tr>
<td>Investment securities</td>
<td>2,964,936</td>
<td>26,713,541</td>
</tr>
<tr>
<td>Loans and bills discounted</td>
<td>4,724,954</td>
<td>42,570,988</td>
</tr>
<tr>
<td>Foreign exchange assets</td>
<td>4,734</td>
<td>42,652</td>
</tr>
<tr>
<td>Tangible fixed assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>8,294</td>
<td>74,727</td>
</tr>
<tr>
<td>Land</td>
<td>19,321</td>
<td>174,078</td>
</tr>
<tr>
<td>Lease assets</td>
<td>81</td>
<td>729</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>138</td>
<td>1,243</td>
</tr>
<tr>
<td>Other tangible fixed assets</td>
<td>4,194</td>
<td>37,787</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>263</td>
<td>2,369</td>
</tr>
<tr>
<td>Customers' liabilities for acceptances and guarantees</td>
<td>24,822</td>
<td>221,839</td>
</tr>
<tr>
<td>Other assets</td>
<td>63,198</td>
<td>569,402</td>
</tr>
<tr>
<td>Reserve for possible loan losses</td>
<td>(55,511)</td>
<td>(500,144)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥8,610,271</td>
<td>$77,576,997</td>
</tr>
</tbody>
</table>

| **Liabilities:** | | |
| Deposits | ¥7,891,848 | $71,104,135 |
| Call money | 16,104 | 145,094 |
| Payables under securities lending transaction | 17,414 | 136,897 |
| Borrowed money | 111,228 | 1,002,144 |
| Foreign exchange liabilities | 339 | 3,054 |
| Liability for retirement benefits | 14,726 | 132,678 |
| Reserve for stock compensation | 750 | 6,757 |
| Reserve for reimbursement of deposits | 464 | 4,180 |
| Reserve for contingent losses | 781 | 7,036 |
| Acceptances and guarantees | 24,622 | 221,839 |
| Deferred tax liabilities | 23,238 | 209,370 |
| Other liabilities | 27,527 | 248,013 |
| **Total liabilities** | ¥8,129,047 | 73,241,235 |

| **Equity:** | | |
| Common stock | 24,658 | 222,164 |
| Capital surplus | 8,937 | 80,520 |
| Retained earnings | 343,810 | 3,097,666 |
| Treasury stock | (5,551) | (50,013) |
| **Total stockholders’ equity** | ¥371,855 | $3,350,346 |
| Unrealized gains on available-for-sale securities | 110,820 | 998,468 |
| Deferred losses on derivatives under hedge accounting | (1,451) | (13,073) |
| **Total valuation adjustments** | 109,386 | 985,386 |
| **Stock acquisition rights** | | |
| **Total equity** | 481,223 | 4,335,732 |
| **Total** | ¥8,610,271 | $77,576,997 |

## Non-Consolidated Statement of Income (Parent Company)

**THE 77 BANK, LTD.**

**Year Ended March 31, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on loans and discounts</td>
<td>¥42,044</td>
<td>$378,808</td>
</tr>
<tr>
<td>Interest on dividends on trading account and investment securities</td>
<td>27,139</td>
<td>244,517</td>
</tr>
<tr>
<td>Other</td>
<td>266</td>
<td>2,396</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>¥99,853</td>
<td>$899,657</td>
</tr>
</tbody>
</table>

| **Expenses:** | | |
| Interest expense: | | |
| Interest on deposits | 1,491 | 13,433 |
| Interest on call money | 584 | 5,261 |
| Other | 1,472 | 13,262 |
| Fees and commissions | 7,171 | 64,609 |
| Other operating expenses | 6,411 | 57,761 |
| General and administrative expenses | 55,734 | 502,153 |
| Other expenses | 4,289 | 38,643 |
| **Total expenses** | ¥77,154 | $695,143 |

| **Income before income taxes** | 22,699 | $204,513 |

| **Income taxes:** | | |
| Current | 4,984 | 44,904 |
| Deferred | (253) | (2,729) |
| **Total income taxes** | 4,730 | 42,616 |

| **Net income** | ¥17,968 | $161,888 |
### Loan Portfolio by Industry

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic offices (excluding Japan offshore banking accounts)</td>
<td>4,724</td>
<td>4,724</td>
<td>42,570</td>
<td>42,570</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>420</td>
<td>3,784</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture and forestry</td>
<td>6</td>
<td>39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fisheries</td>
<td>5</td>
<td>45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining and quarrying of stone and gravel</td>
<td>3</td>
<td>34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>133</td>
<td>1,386</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity, gas, heat supply and water</td>
<td>192</td>
<td>1,736</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information and communications</td>
<td>29</td>
<td>263</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport and postal activities</td>
<td>127</td>
<td>1,130</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>304</td>
<td>3,463</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>305</td>
<td>2,756</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate and goods rental and leasing</td>
<td>979</td>
<td>8,825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services, N.E.C.</td>
<td>341</td>
<td>3,074</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government, except elsewhere classified</td>
<td>640</td>
<td>7,773</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1,134</td>
<td>10,219</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan's offshore banking accounts</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial institutions</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,724</strong></td>
<td><strong>42,570</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Loans by Collateral

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities</td>
<td>5</td>
<td>5</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>Commercial claims</td>
<td>20</td>
<td>22</td>
<td>188</td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td>794</td>
<td>744</td>
<td>7,153</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>820</td>
<td>772</td>
<td>7,392</td>
<td></td>
</tr>
<tr>
<td>Guaranteed</td>
<td>1,259</td>
<td>1,244</td>
<td>11,343</td>
<td></td>
</tr>
<tr>
<td>Unsecured</td>
<td>2,645</td>
<td>2,610</td>
<td>23,832</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,724</strong></td>
<td><strong>4,627</strong></td>
<td><strong>42,570</strong></td>
<td><strong>42,570</strong></td>
</tr>
</tbody>
</table>

### Reserve for Loan Losses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General reserve for loan losses</td>
<td>27</td>
<td>27</td>
<td>247</td>
<td></td>
</tr>
<tr>
<td>Specific reserve for estimated loan losses on certain doubtful loans</td>
<td>28</td>
<td>29</td>
<td>252</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55</strong></td>
<td><strong>56</strong></td>
<td><strong>500</strong></td>
<td></td>
</tr>
</tbody>
</table>
The 77 Bank aims to be the “Best Consulting Bank” that responds to customers' needs by offering the optimum solutions.