

THE 77 BANK
INTEGRATED REPORT

2019

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



77 BANK

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.

Environment

The 77 Bank's stance towards the environment has been formulated as the Environmental Policy, and The 77 Bank conducts initiatives to reduce its environmental footprint, while supporting the environmental conservation efforts of customers.

Social

The Bank Creed explains our stance on service for the prosperity of the local community. We will contribute to business partners and the local community and work to improve community value through our core business as a regional financial institution.

Governance

The 77 Bank will work continuously to strengthen and enhance corporate governance, in order to promote sustained growth and improvements in corporate value over the medium- to long-term.

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.



► Shareholders and investors information
<https://www.77bank.co.jp/kabunushi.html>
* Japanese Language only



► Social Contribution Activities information
<https://www.77bank.co.jp/shakaikouken/index.html>
* Japanese Language only

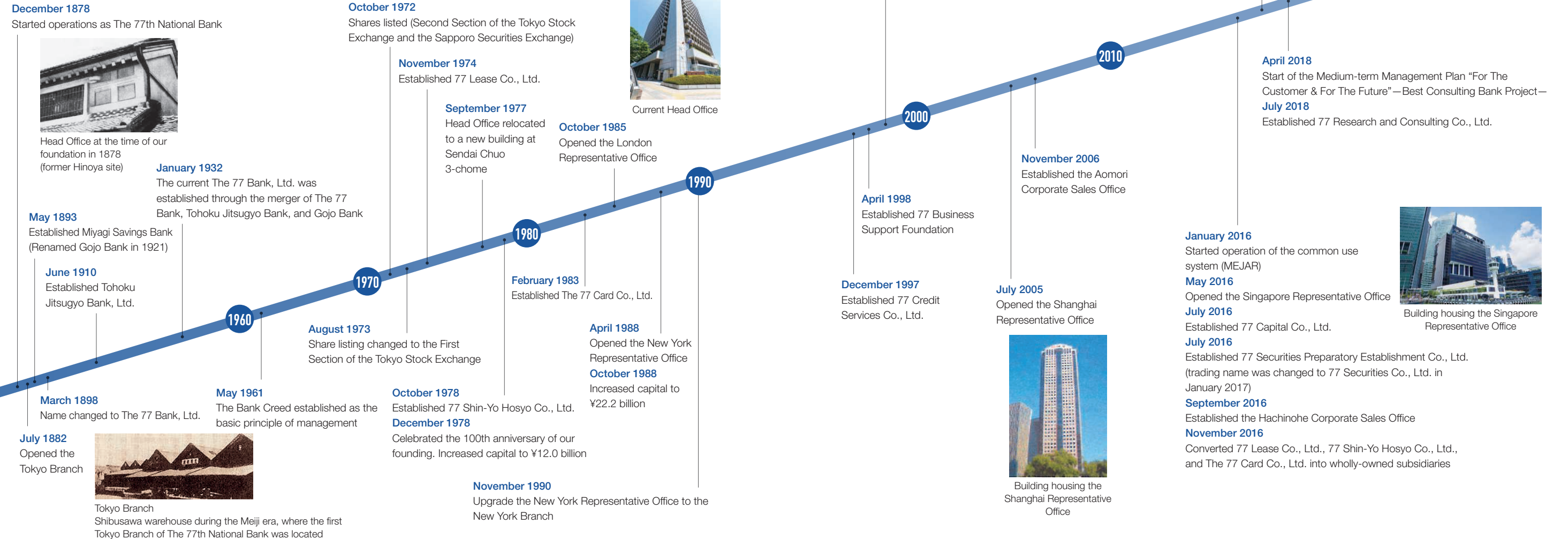
Note regarding forward-looking statements

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 77 Bank makes no guarantee that these forecasts will be achieved. Actual results may differ significantly from forecasts, due to a variety of factors.

About The 77 Bank, Ltd.

The Trajectory of Trust and Growth

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 Munenari Date, 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" lives 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."



Eiichi Shibusawa

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 next 120 years and to the present, The 77 Bank, Ltd. remains the only regional bank designated as a funds settlement bank, alongside the mega banks.

* Receipts and disbursements operations refers to account processing for the trading floor of a stock exchange



Seikei Ono
5th President

1

Effective Corporate Governance

In order to improve the effectiveness of the Board of Directors through the diversification of Directors, the Bank is proactively 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

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.



Onagawacho

Strengths of The 77 Bank, Ltd.



Hidefumi Kobayashi
President

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

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.

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 regional economy vitalization, 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.
By engaging with the local community in a way that surpassed previous efforts, we were able to further strengthen our connection with customers and the local community, as well as reaffirm the Bank’s history. Above all, I believe that we were able to convey our gratitude to our customers.

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.

To that end, as we pass the milestone year of our anniversary, I feel even more strongly the need to further enhance our ability to respond to the changes of the era, while enriching our ideas and proactively researching and preparing for the new experiences that lie ahead.

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. This is not something that can be achieved overnight but involves time-consuming effort, and that is exactly why it will be appreciated by customers and lead to differentiation with other banks.
It is a rewarding business model which enables us to share issues face to face with customers, and utilize our ingenuity to think how 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 the lack of successors and business succession. If these trends continue, it is said that one third of SMEs will go out of business. Ninety nine percent of Japanese corporations are SMEs, and if the number of SMEs continues to decline, the niche areas that are not covered by large corporations will no longer be filled, possibly resulting in the decline and collapse of local industries and the loss of jobs in local communities. This will lead to a crisis whereby the regional banking market, which includes the

Bank, shrinks and disappears, which will in turn have a major impact on regional revitalization.

In addition, the coastal areas in Miyagi Prefecture have entered the development period of the Miyagi Prefecture Earthquake Disaster Recovery Plan. However, as the reconstruction budget has shrunk, there are companies among our clients whose sales channels have not recovered, while other companies are facing issues of the aging of their employees, a shortage of labor, and a lack of successors. In order to recover from the earthquake 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.

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 Team staffed 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.

<Human resources development>

When it comes to "putting the customer first," I believe that customers will not be satisfied with digital services alone, and I do not believe that there will no longer be a need for services provided by people. There are still many services that must be provided by human beings, including business such as sales activities and negotiations with customers, and planning and management operations, and I believe that the quality and level of our employees will result in differentiation with our competitors. Education for this purpose is essential, and we have therefore formulated human resources development programs to enhance consulting capabilities, and are working on human resources development.

The weekday evening seminars that we launched in FY2019 as part of our working style reforms have been held on seven occasions with 807 participants.

<Business evaluation initiatives>

All businesses receive consideration for responding to the various needs of customers. It is customers who bring profits to banks, and knowing your customers well, broadly capturing their needs, and considering how to meet those needs are fundamental to considering a business model. Business evaluations are also conducted for this purpose, and it is important to give thorough consideration to our customers.

The number of business evaluations conducted as of March 31, 2019 increased by 1,723 compared with the number as of March 31, 2018 to 4,978 evaluations. Since we share a great many management issues with our customers, we would like to contribute to the sustainable growth and development of customers by way of initiatives aimed at resolving these 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 businesses, support and development of regional core companies, promotion of urban development, and support for promotion of tourism. In addition to support for starting new companies and businesses through recommendations to companies that will drive the future of the region, there are also many other good examples such as business matching that 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 workflow, 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 mental 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.

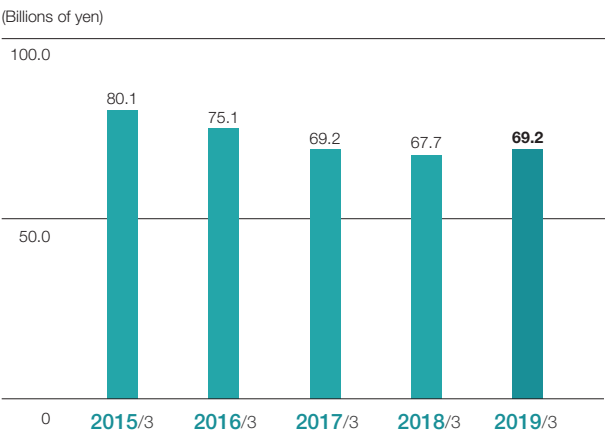
Going forward, we will continue to aim to be a bank that is trusted, useful, and brings happiness to all our customers, and we hope for your continued understanding and support.



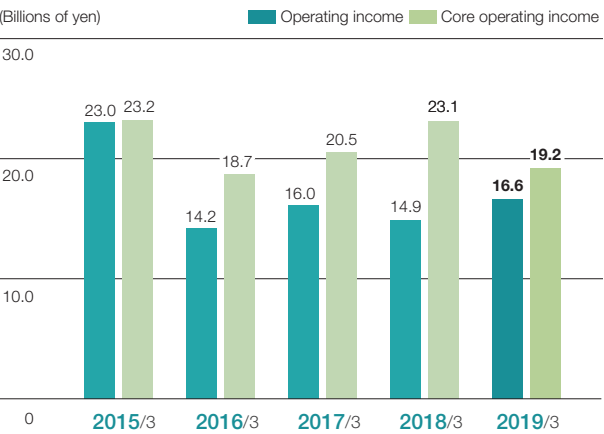
Financial and Non-financial Highlights

Financial information

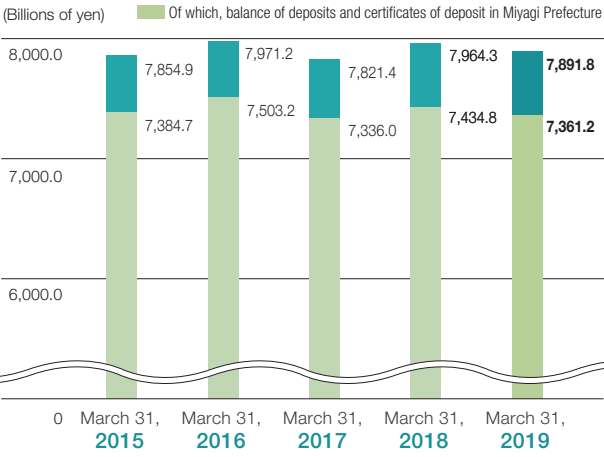
Gross operating income



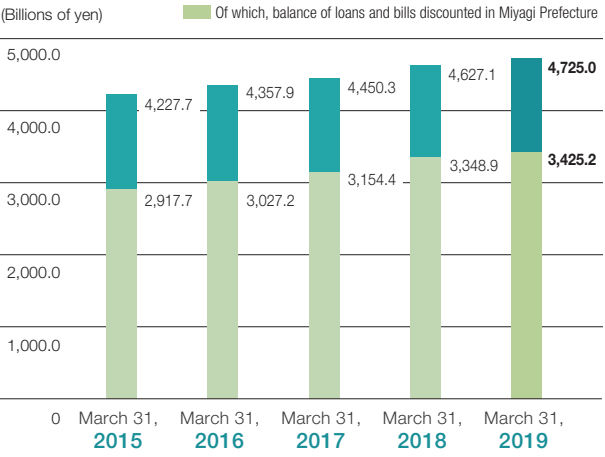
Operating income/Core operating income



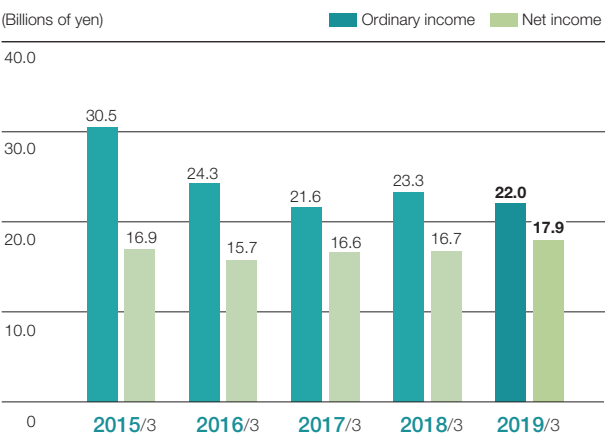
Balance of deposits and certificates of deposit



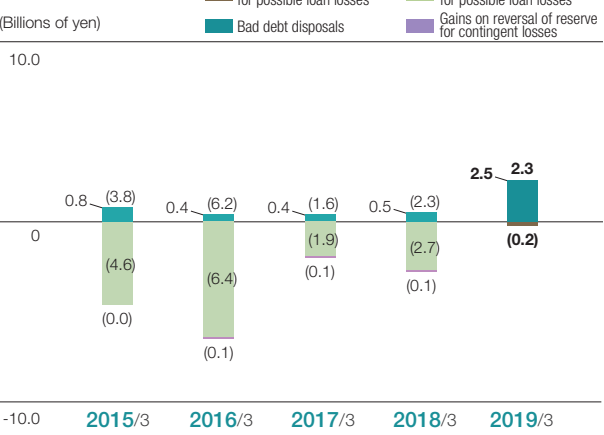
Balance of loans and bills discounted



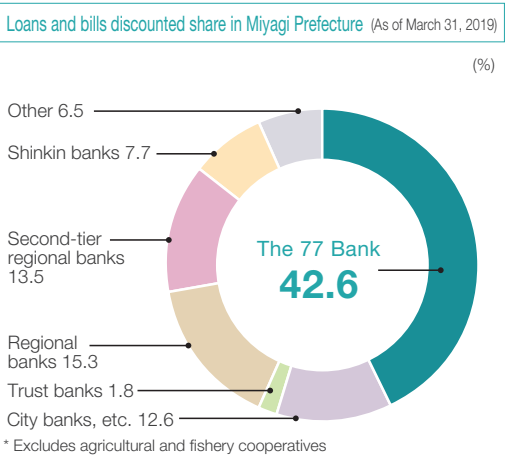
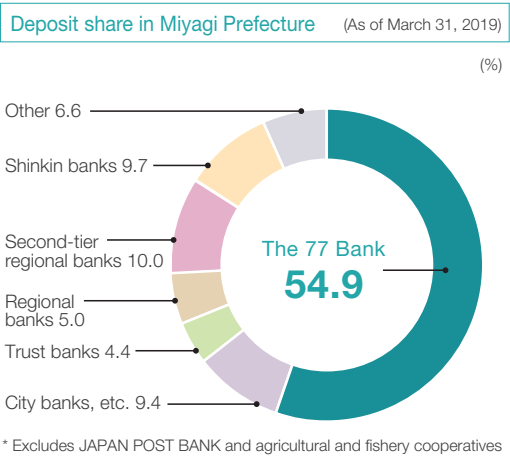
Ordinary income/Net income



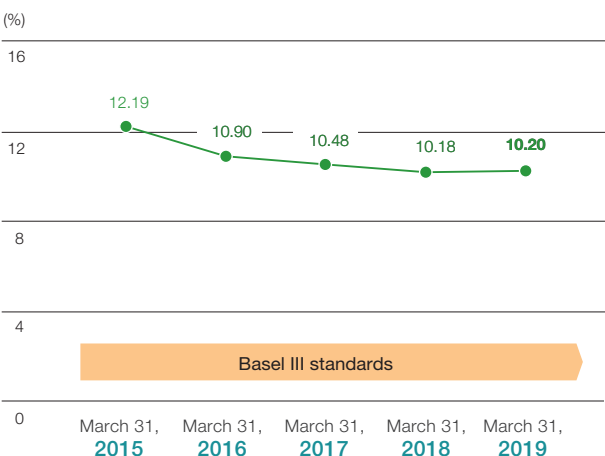
(Reference) Credit-related expenses trends



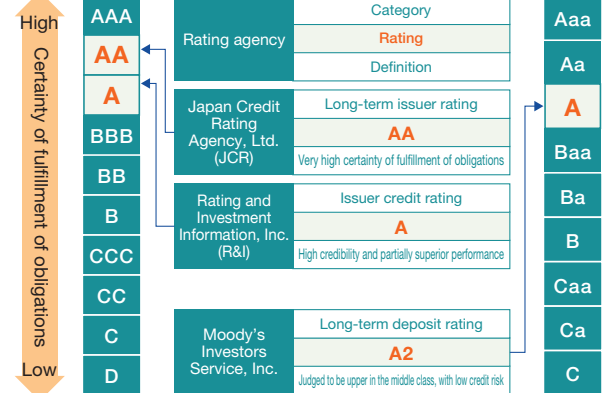
Deposits and loans and bills discounted share in Miyagi Prefecture



Capital adequacy ratio (domestic standards)

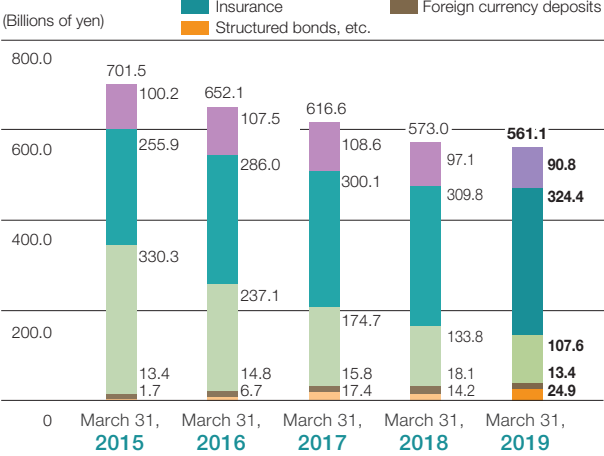


Rating (as of July 31, 2019)

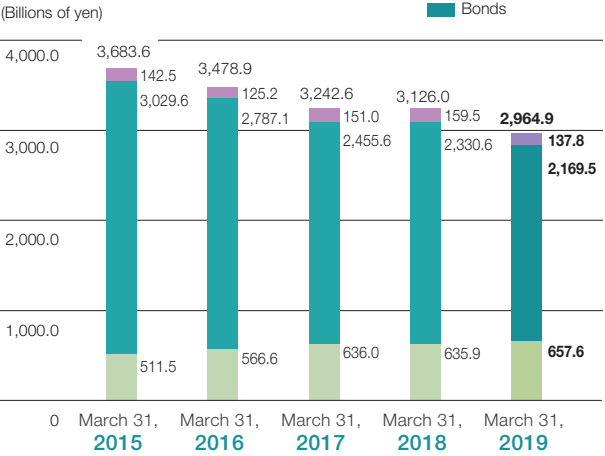


Notes:
1. Some rating agencies do not use D.
2. Ratings from level AA to level CCC (including level B by some agencies) are further qualified with the use of a + or - sign, or 1 through 3.

Balance of assets in custody

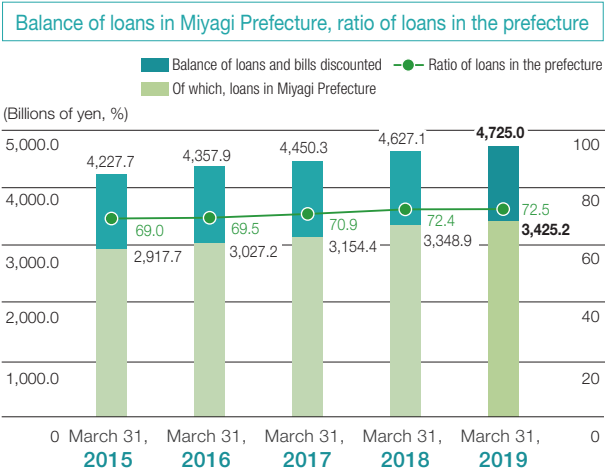


Securities balance

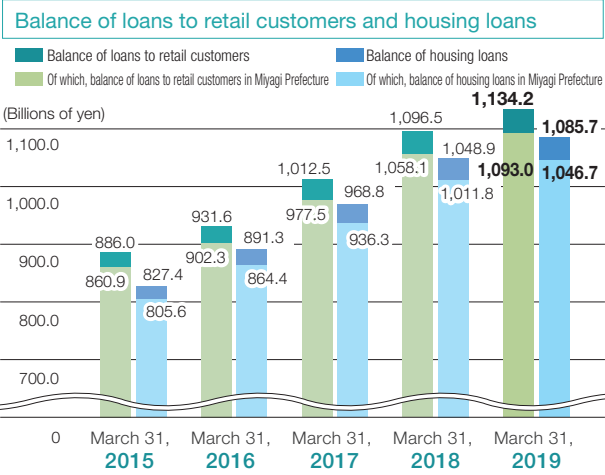


Financial information

Status of loans in Miyagi Prefecture



Status of loans to retail customers

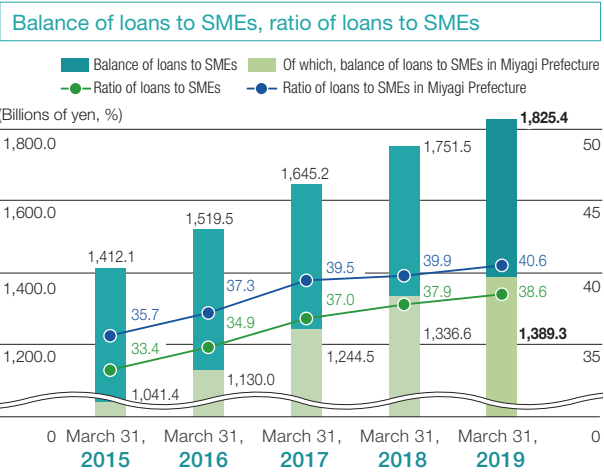


Status of credit disclosed under the Financial Reconstruction Act and risk-monitored loans

(As of March 31, 2019, Billions of yen)		
Credit disclosed under the Financial Reconstruction Act (Scope: credit related accounts, only loans and bills discounted for substandard loans)		
Classification	Total coverage	Coverage ratio
Loans to bankrupt and quasi-bankrupt 15.3	15.3	100%
Doubtful loans 53.9	48.4	89.8%
Substandard loans 26.8	14.5	54.2%
Subtotal 96.0	78.2	81.5%
Normal loans 4,680.7		
Total 4,776.7		

Risk-monitored loans (Scope: loans and bills discounted)	
Loans to bankrupt borrowers 4.8	
Delinquent loans 63.8	
Loans past due 3 months or more 1.9	
Restructured loans 24.9	
Total 95.4	

Loans to SMEs



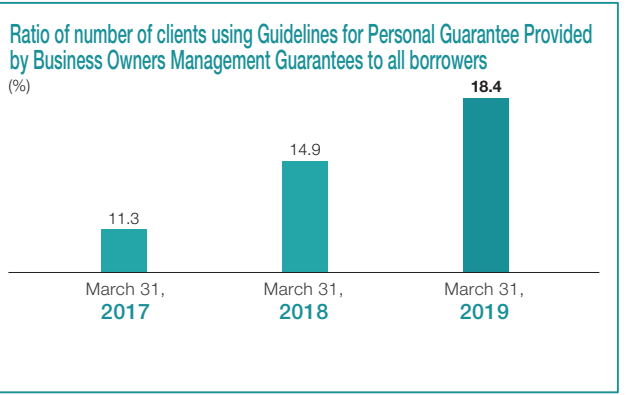
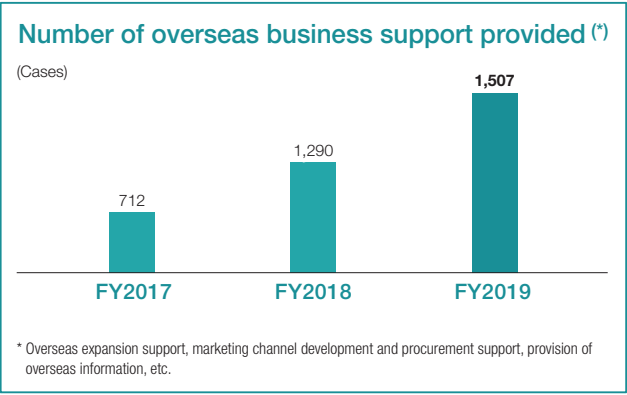
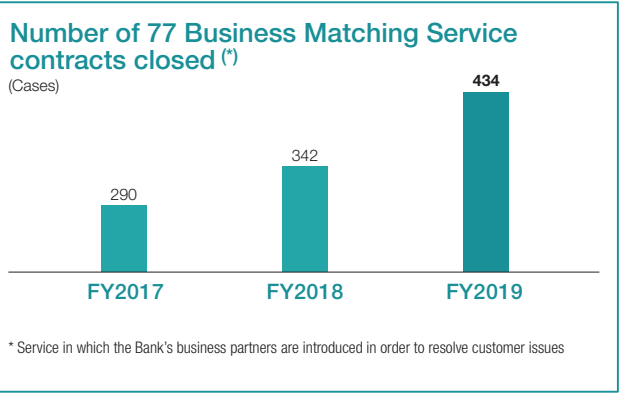
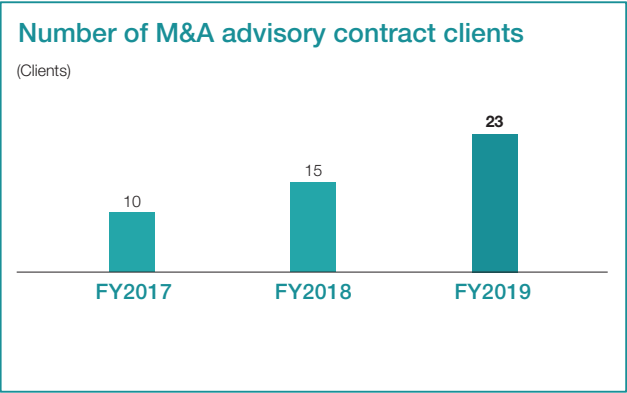
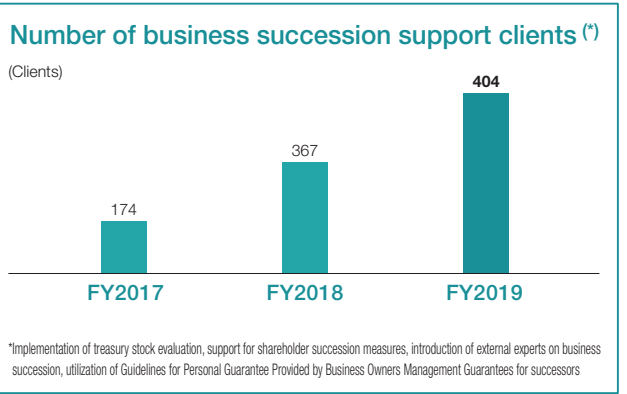
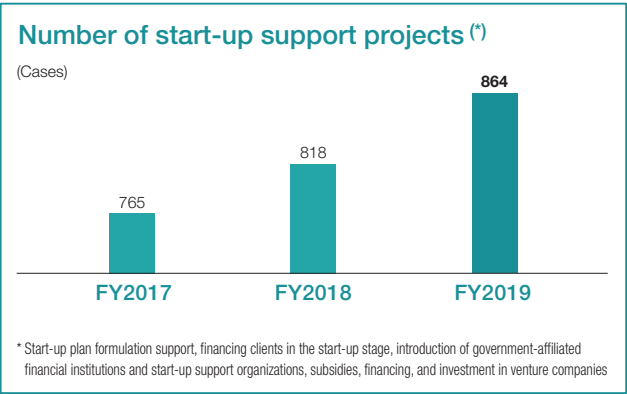
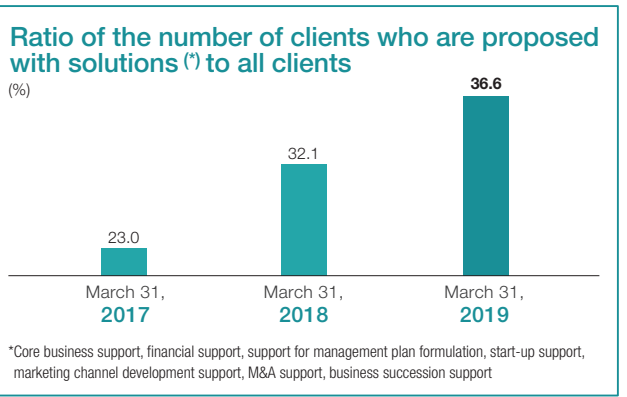
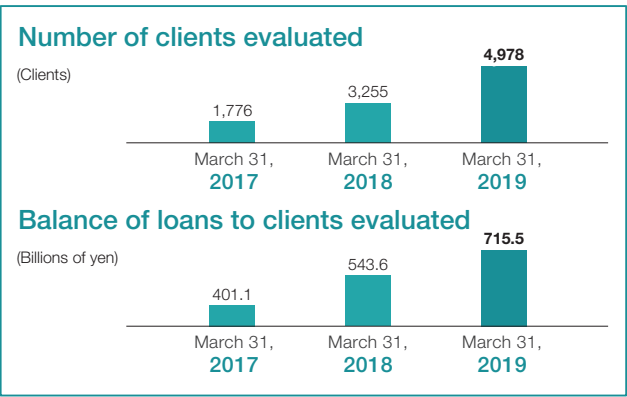
Status of loans by industry

Balance of loans by industry (As of March 31, 2019)	Balance of loans and bills discounted		
	Of which, Miyagi Prefecture	Percentage	
Manufacturing	420.0	179.9	42.8
Agriculture and forestry	6.5	5.6	86.4
Fisheries	5.0	4.9	99.6
Mining and quarrying of stones and gravel	3.7	1.1	31.3
Construction	153.6	130.0	84.6
Electricity, gas, heat supply and water	192.7	159.3	82.7
Information and communications	29.2	6.9	23.7
Transport and postal activities	127.7	72.0	56.4
Wholesale and retail trade	384.4	268.6	69.9
Finance and insurance	305.9	100.2	32.8
Real estate and goods rental and leasing	979.5	577.9	59.0
Other services	341.2	280.3	82.1
Municipal governments	640.7	544.6	85.0
Other	1,134.2	1,093.0	96.4
Total	4,725.0	3,425.2	72.5

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

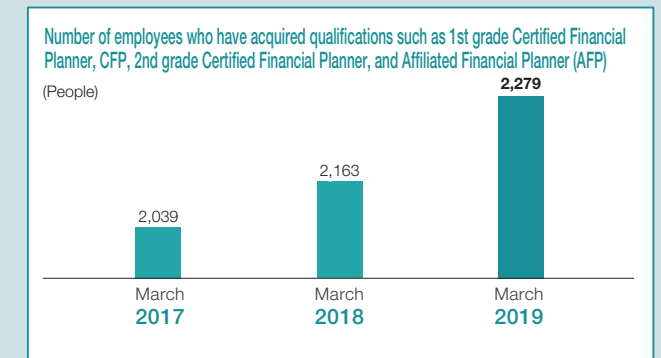
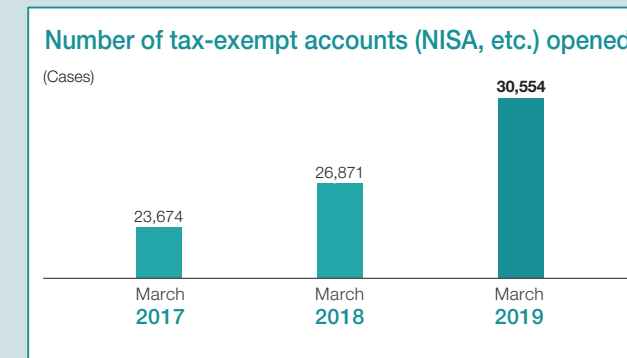
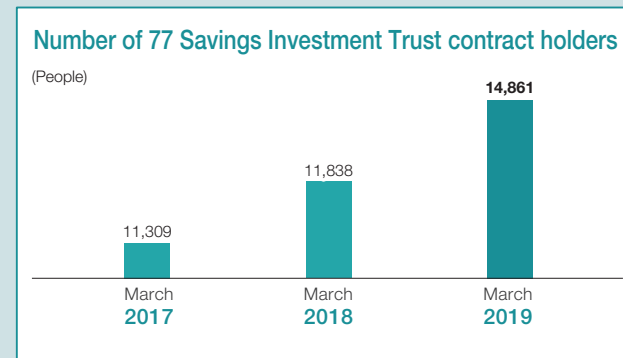
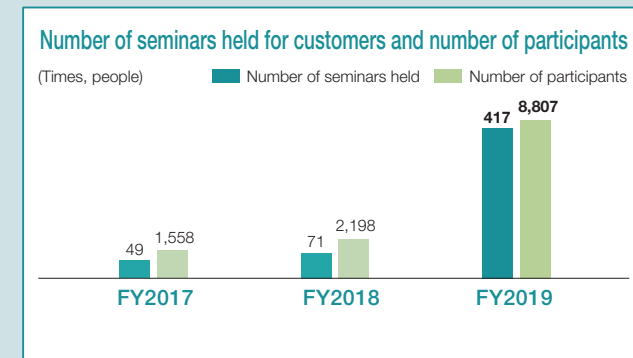
Non-financial information

Financial intermediation

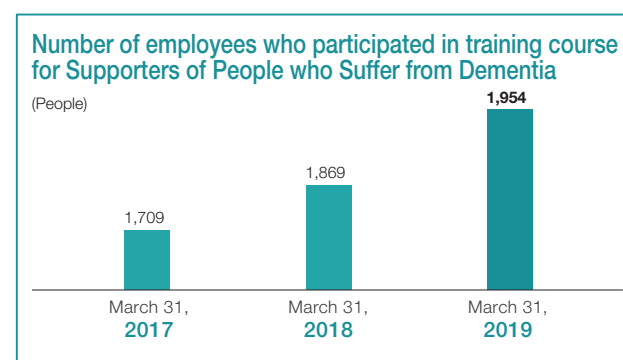
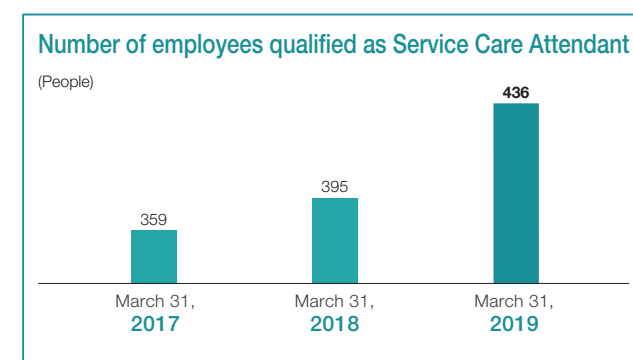
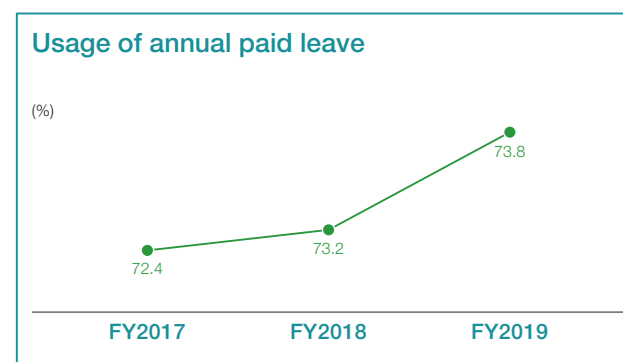
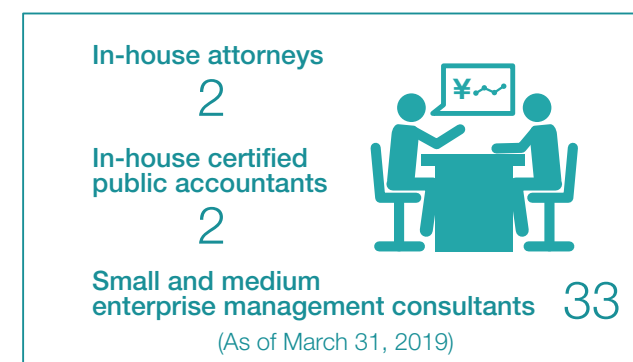
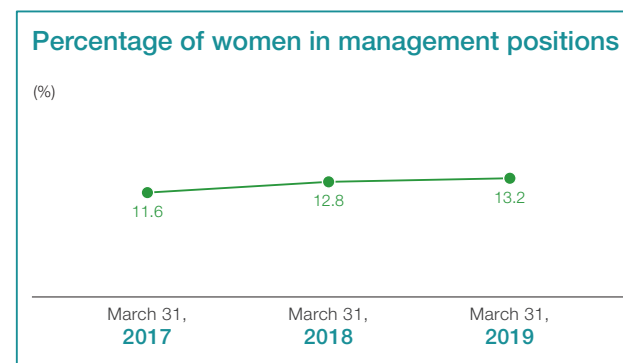
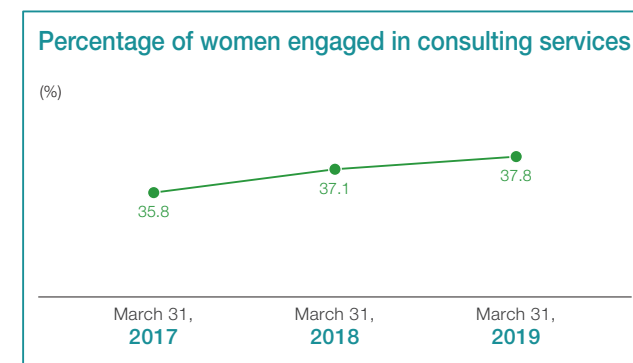


Non-financial information

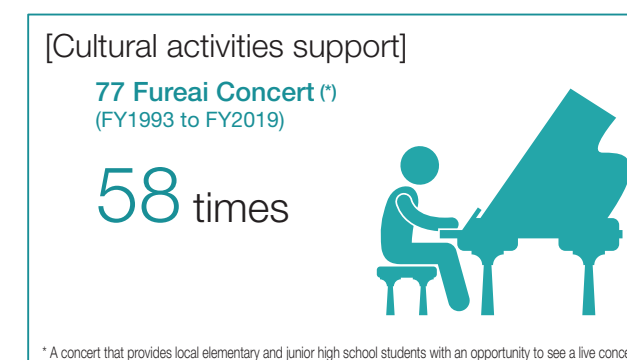
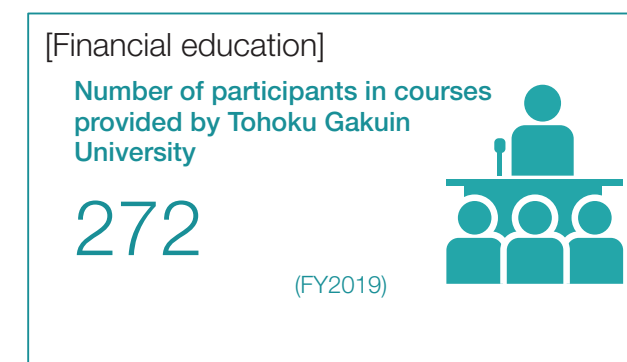
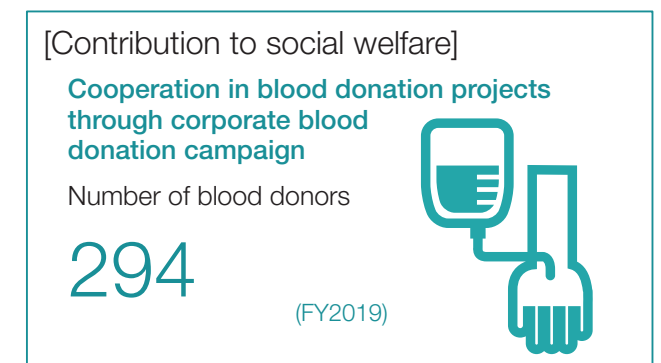
▶ Customer-focused measures ▶ (Initiatives for operations that put customers first ... Page 63)



▶ Human resources ▶ (Working style reform efforts...Page 49)



▶ Social contribution activities ▶ (Social contribution activities...Page 69)





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 1989, 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.

[Economy] Major Economic Indicators

Item	Actual number	National share	National rank
Total area	7,282km ²	1.9%	16
Population	2,312 thousand	1.8%	14
Number of households	989 thousand	1.7%	14
Gross Prefectural Product (Nominal)	¥9,481.6 billion	1.7%	14
Number of offices	102,026	1.8%	16
Number of workers	1,007 thousand	1.8%	15
Agricultural output	¥190.0 billion	2.0%	19
Fisheries and aquaculture production amount	¥81.9 billion	5.6%	4
Manufactured goods shipment amount	¥4,469.6 billion	1.4%	24
Wholesale sales amount	¥9,249.8 billion	2.1%	9
Retail sales amount	¥2,900.8 billion	2.0%	14
Number of new housing being constructed	19,646	2.1%	12

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

Item	Miyagi Prefecture	Japan
Agriculture, forestry and fishery	1.3	1.0
Manufacturing	15.1	21.7
Utilities and industrial waste processing	2.6	2.9
Construction	12.8	5.4
Wholesale and retail	13.3	12.6
Transportation and postal businesses	5.3	5.1
Accommodation and food services	2.3	2.5
Information and communications	3.7	4.9
Financial institutions	3.5	4.6
Real estate	11.0	11.6
Specialist technology and scientific technology, business support services	7.3	7.5
Government affairs	6.0	4.4
Education	4.3	3.8
Health and social welfare	7.5	7.2
Other services	4.1	4.5
Total	100.0	100.0

[Progress of Reconstruction Projects in Miyagi Prefecture]

Source: "Reconstruction Progress Statuses" issued by Miyagi Prefecture and other materials

Item	Progress (% of completion)				Overview (State of reconstruction/ damage and base date)
	20	40	60	80	
Infrastructure	100% (track length with service resumed)				456 km/456 km (December 10, 2016)
	98% (completed locations)				1,503/1,534 locations (May 31, 2019)
	83% (completed locations)				232/280 locations (May 31, 2019)
Residential environment	100% (volume disposed of)				1,888/1,888t (March 31, 2014)
	100% (relocation completed)				195/195 communities (January 31, 2019)
	100% (construction completed)				15,823/15,823 houses (March 31, 2019)
Agriculture/ Fisheries	98% (number of fishing boats restored)				8,800/9,000 boats (May 31, 2018)
	86% (completed locations)				1,073/1,252 fishing ports (May 31, 2019)
	99% (completed area)				12,875/13,000ha (May 31, 2019)
	100% (area recovered)				178/178ha (November 30, 2018)
Commerce and Industry	80% (number of chamber of commerce members near the coastline that resumed operation)				6,260/7,798 members (March 31, 2018)
	95% (number of facilities that resumed operation)				430/453 facilities (February 28, 2018)

Industrial transformation

- Expansion of manufacturing industry has created new jobs and grown peripheral industries (e.g., Toyota Motor East Japan and Tokyo Electron Miyagi).
- Toyota Motor East Japan has concentrated production of compact cars.
- Alps Alpine's new core plant in Japan starts operation.

[Number of offices]

2012	2016	Rate of increase
98,190	102,026	+3.9%

Source: Statistics Bureau, Ministry of Internal Affairs and Communications

No.1 growth rate in country since last survey (2012)

[Manufactured goods shipment amount]

(Trillions of yen)

2012	2013	2014	2015	2016	2017
3.42	3.73	3.97	4.02	4.11	4.47

Source: Tohoku Bureau of Economy, Trade and Industry

Six straight years of growth since earthquake

Increase in visitors

- Building a tourism platform
 - Creation of DMO in Sendai/Matsushima (March 2018)
 - Opening of Miyagi Olle (October 2018)
- Privatization of Sendai Airport
 - New routes and increased flights on domestic and international routes

[Cumulative total accommodation nights by foreigners]

2010	159,490 people
2018	344,420 people

Source: Japan Tourism Agency

Approx. 2.2x increase since 2010

[Number of annual passengers at Miyagi Airport]

FY2011	2.62 million
FY2019	3.61 million

Source: Miyagi Prefecture

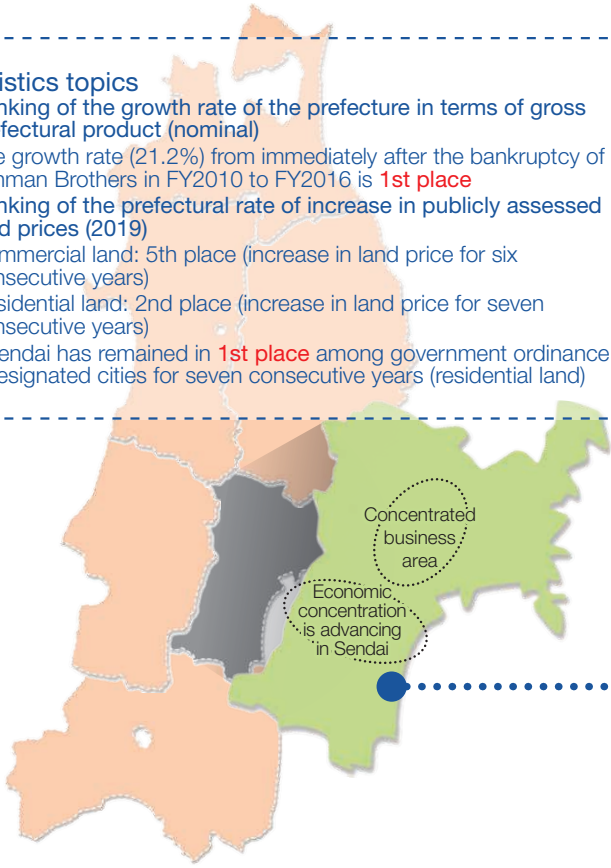
Up 990 thousand since 2010 (record high)

Progress of regional development projects

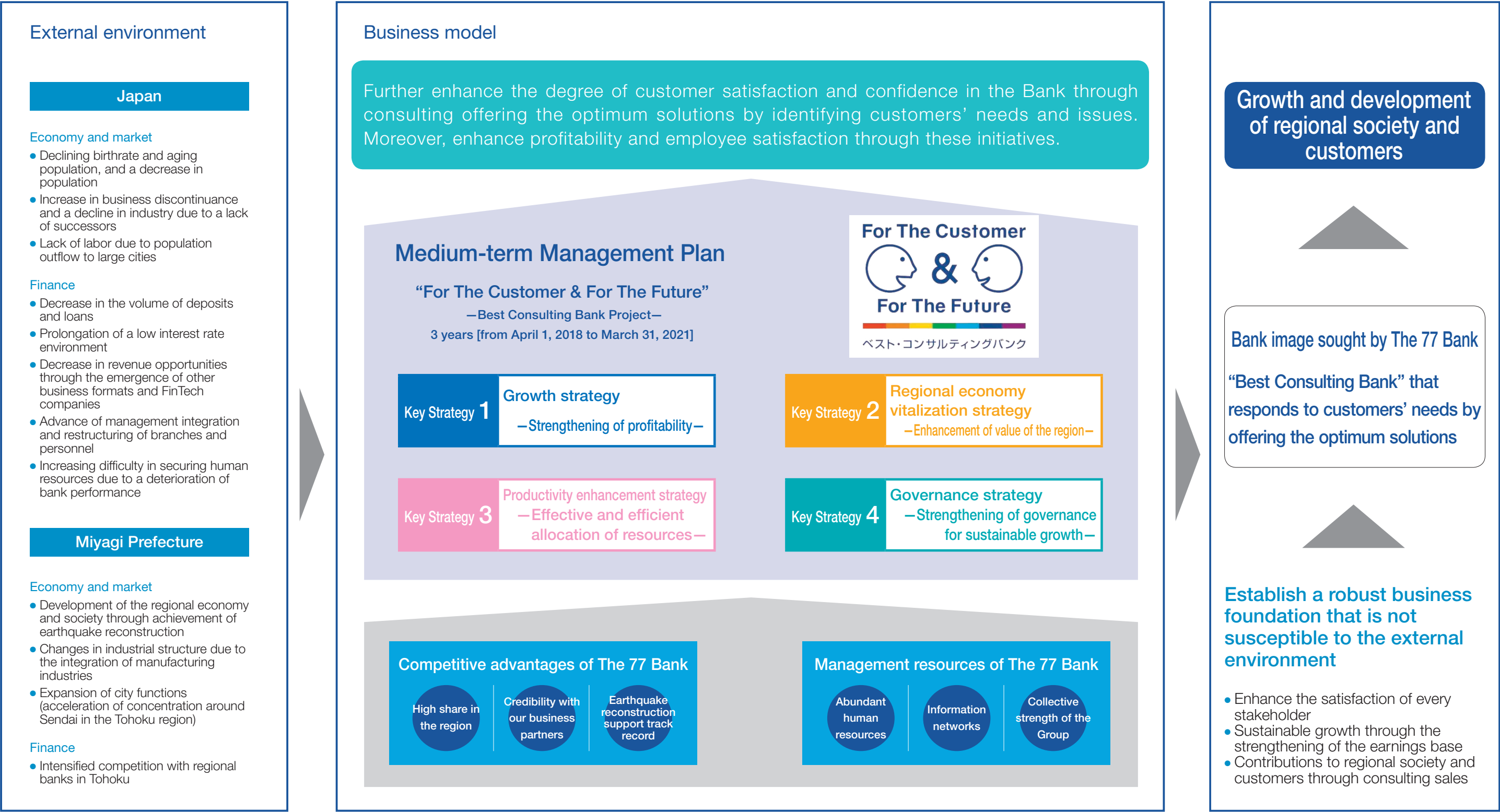
- Redevelopment progress
 - Former site of Tohoku University Faculty of Agriculture
 - Asuto Nagamachi City Sub-center
 - Tomizawa Station West Land Readjustment Project
- Regional development projects
 - Creation of a new campus for Tohoku Gakuin University
 - Next-generation synchrotron radiation facility development project
 - Wide-area disaster prevention hub development project (relocation of JR cargo terminal)

Statistics topics

- Ranking of the growth rate of the prefecture in terms of gross prefectural product (nominal)
The growth rate (21.2%) from immediately after the bankruptcy of Lehman Brothers in FY2010 to FY2016 is **1st place**
- Ranking of the prefectural rate of increase in publicly assessed land prices (2019)
Commercial land: 5th place (increase in land price for six consecutive years)
Residential land: 2nd place (increase in land price for seven consecutive years)
* Sendai has remained in **1st place** among government ordinance designated cities for seven consecutive years (residential land)



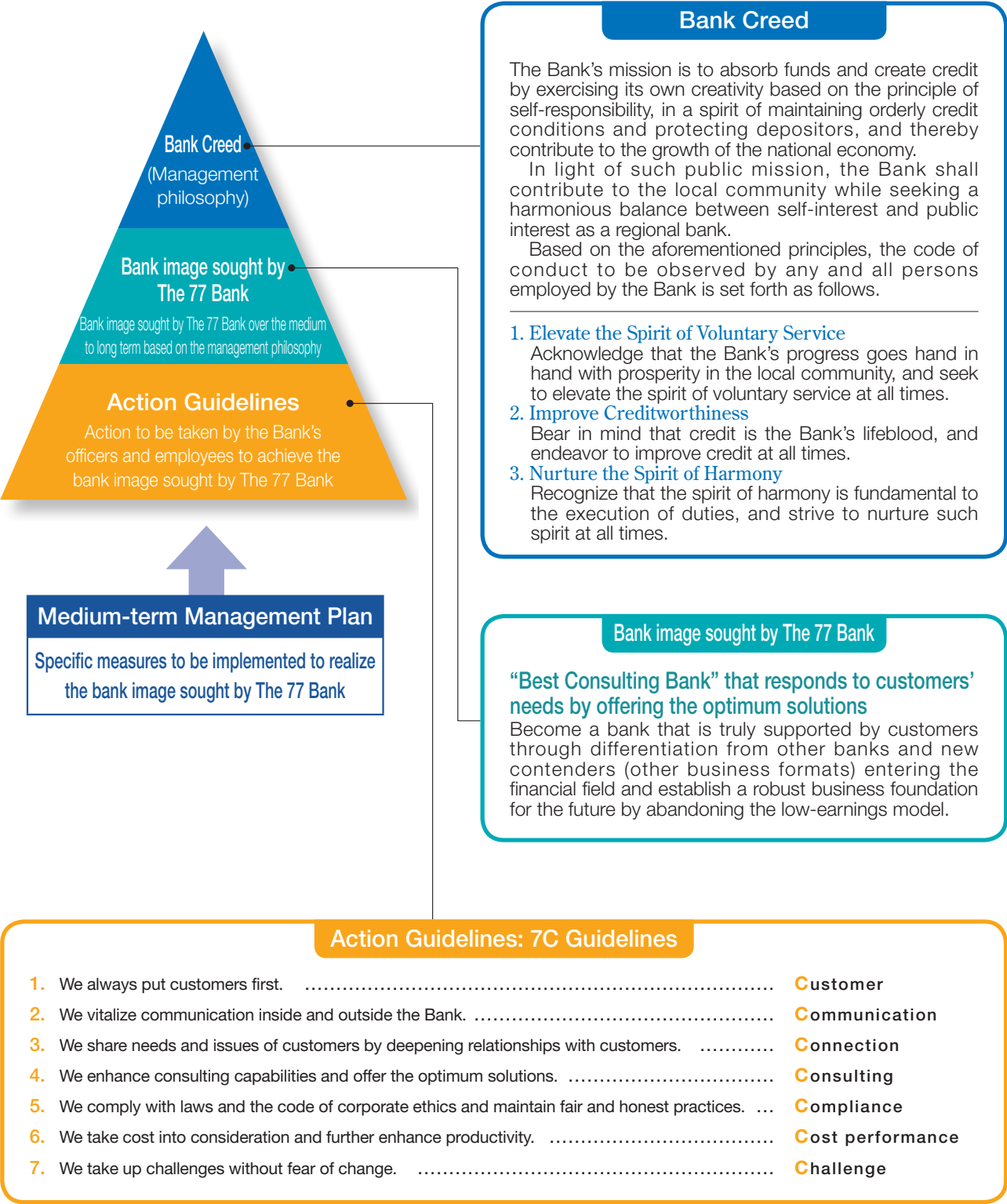
As the regional market is expected to contract due to a declining population over the medium to long term, competition has become increasingly intense, with the entry of other business formats and FinTech companies into the financial field, in addition to traditional financial institutions. Within this 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.



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.

Positioning of the bank image sought by The 77 Bank and the Action Guidelines



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- to 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

	Item	FY2019 results	FY2021 targets
Enhancement of profitability	● Net income (consolidated)	¥17.6 billion	¥19.0 billion or more
	● Interest on loans and bills discounted	¥42.0 billion	¥45.0 billion or more
	● Fees and commissions	¥9.6 billion	¥11.5 billion or more
Pursuit of efficiency	● Core OHR (core gross operating income expense ratio)	73.3%	70% or less
	● ROE (consolidated)	3.6%	3.7% or more
Pursuit of soundness	● Capital adequacy ratio (consolidated)	10.4%	10% or more
Strengthening of corporate sales capabilities	● Balance of corporate loans (term-end) Of which, Miyagi Prefecture Of which, Sendai City	¥2,868.5 billion ¥1,746.0 billion ¥1,276.6 billion	¥3,000.0 billion or more ¥1,900.0 billion or more ¥1,370.0 billion or more
	● Balance of assets in custody, Group (term-end) * ● Balance of consumer loans (term-end)	¥619.3 billion ¥1,140.4 billion	¥740.0 billion or more ¥1,200.0 billion or more

*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

	Item	FY2019 results	FY2021 targets
Enhancement of consulting capabilities	● No. of employees with qualifications (1st grade Certified Financial Planner, CFP, and Small and Medium Enterprise Management Consultant) (final year)	118 people	700 people or more
Strengthening of consulting for corporate clients	● No. of corporate loan borrowers (final year)	12,204 borrowers	13,000 borrowers or more
	● No. of clients who signed contracts for customized solutions based on business evaluation (cumulative total for 3 years) ● Fees and commissions from corporate clients (final year)*	1,244 clients ¥1.3 billion	2,000 clients or more ¥1.8 billion or more
Strengthening of consulting for retail customers	● No. of business succession, inheritance, and asset succession support recipients (cumulative total for 3 years)	904 recipients	3,300 recipients or more
	● No. of increases in contracts for installment-type assets in custody [compared with FY2018 term-end]	13,633 contracts 430 times	40,000 contracts or more 1,100 times or more
	● No. of seminars for customers (cumulative total for 3 years)		

*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 technologies and strengthening our channel strategy through appropriate collaboration with FinTech companies, etc., we will work to improve customer convenience and expand opportunities for profit.

► P23

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 means such as the use of various systems including subsidies. We will also provide corporate rehabilitation and business reform support for regional businesses, while strengthening relationships with municipal governments and various support institutions, in an effort to enhance the value of the region.

► P39

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 towards the effective and efficient allocation of limited management resources, while working to improve cost awareness, as all employees work together to reduce costs.

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 as we transform into a highly efficient and productive organization.

► P48

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, enhancing our various risk management systems for administrative and cybersecurity risks, and pursuing sincere efforts with the aim of realizing customer-oriented business operations.

In addition, we will further enhance our presence as a leading bank in the Tohoku region by addressing issues related to ESG and SDGs, and establishing a brand strategy for the 77 Bank Group.

► P51

In order to become a bank that is truly supported by customers through differentiation from other banks and new contenders (other business formats) entering the financial field, and to establish a robust business foundation for the future by abandoning the low-earnings model, we have defined the bank image sought by The 77 Bank, as follows.

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



Consulting approach targeted by The 77 Bank

“Consulting services” at The 77 Bank

Refers to services in which we identify the needs and issues of customers, and propose optimum solutions by bringing together the collective strength of the Group, while supporting problem solving and customer development by supporting the implementation of these solutions.

“Scope of consulting” 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.

“Consulting service providers” at The 77 Bank

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

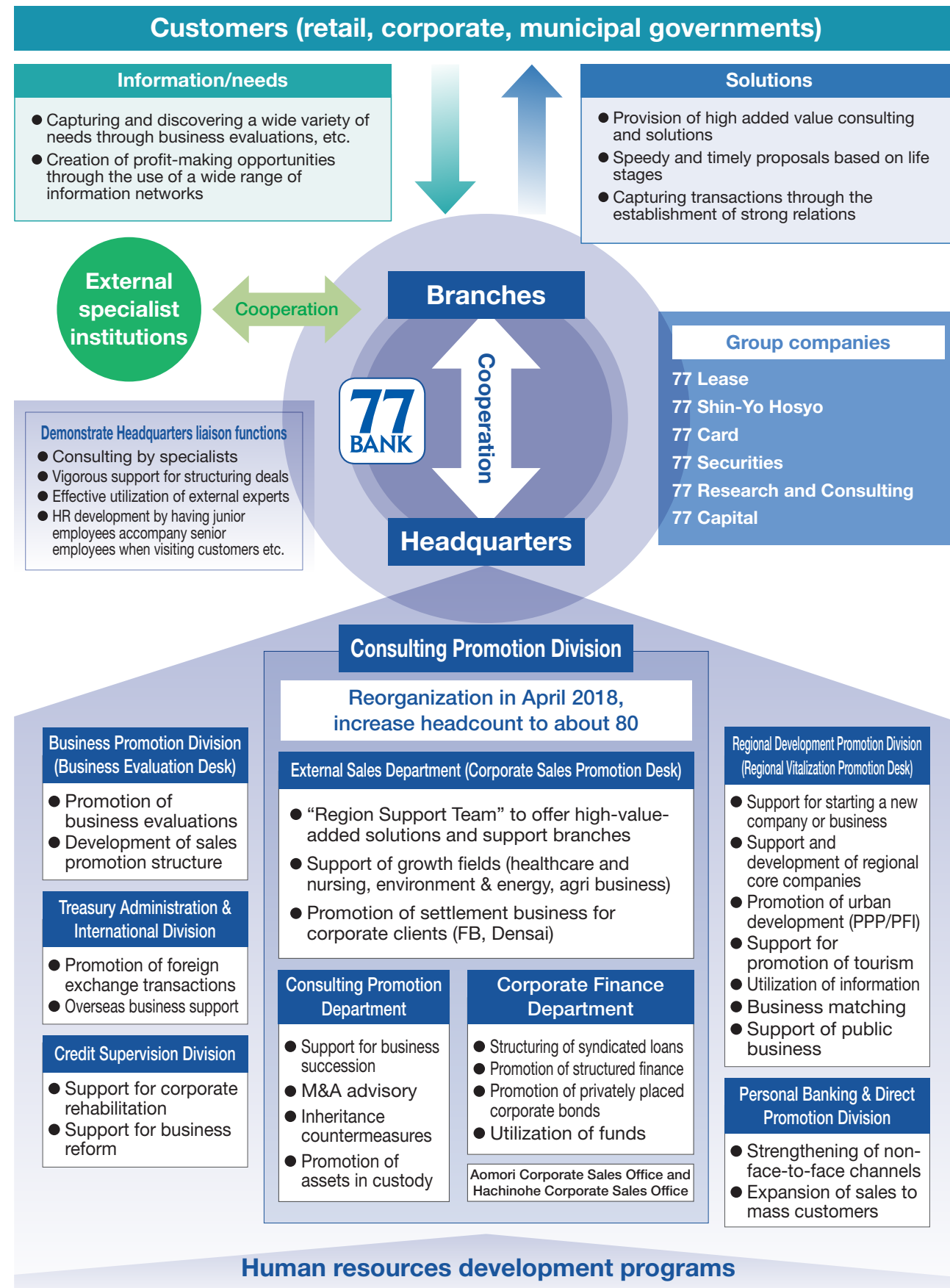
We will strengthen our consulting capabilities, and work to improve customer satisfaction and revitalize the regional economy, in order to realize the bank image sought by The 77 Bank of being the “Best Consulting Bank.”

“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.



Human resources development programs to enhance consulting capabilities

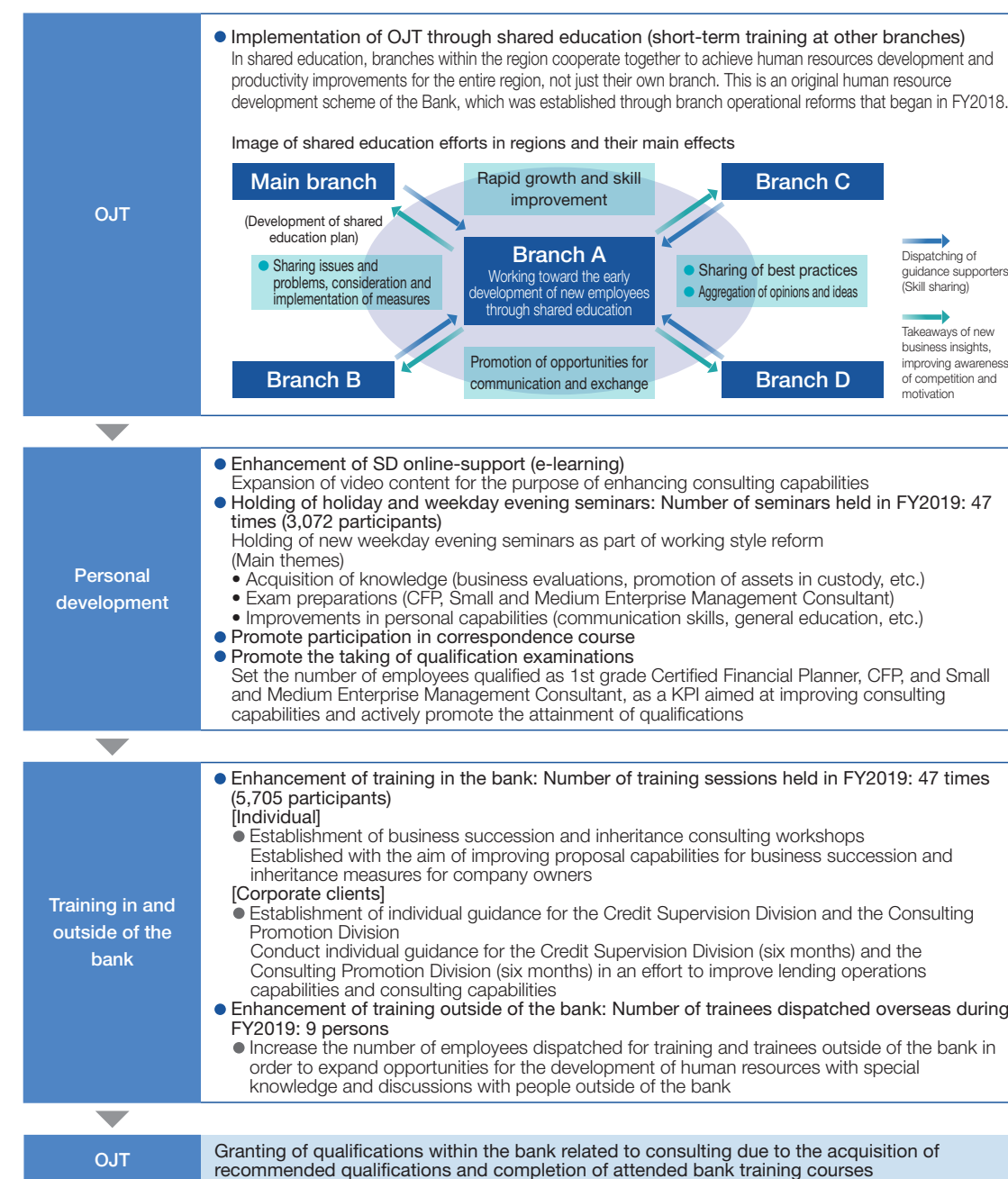
Ideal human resources—Toward enhancement of consulting capabilities that are firmly rooted in the region—

- **Insatiable 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
- **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 putting compliance and customer-oriented initiatives into practice, based on a high sense of ethics

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.

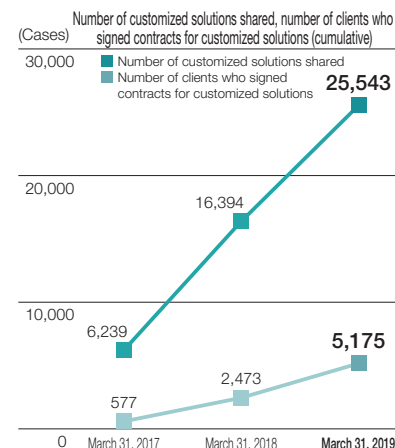
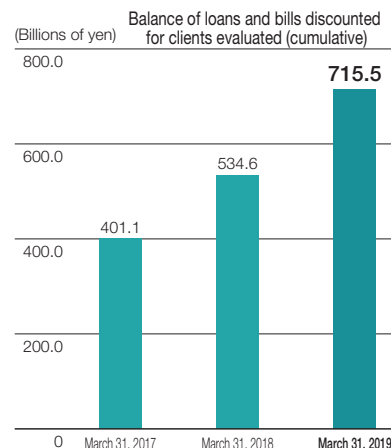
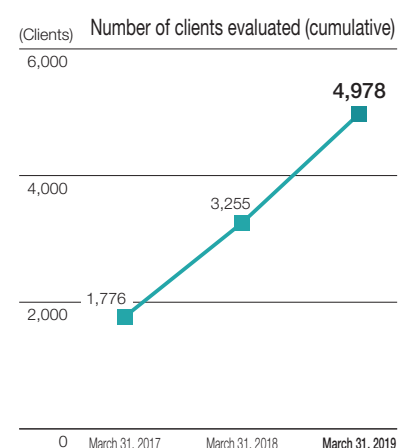
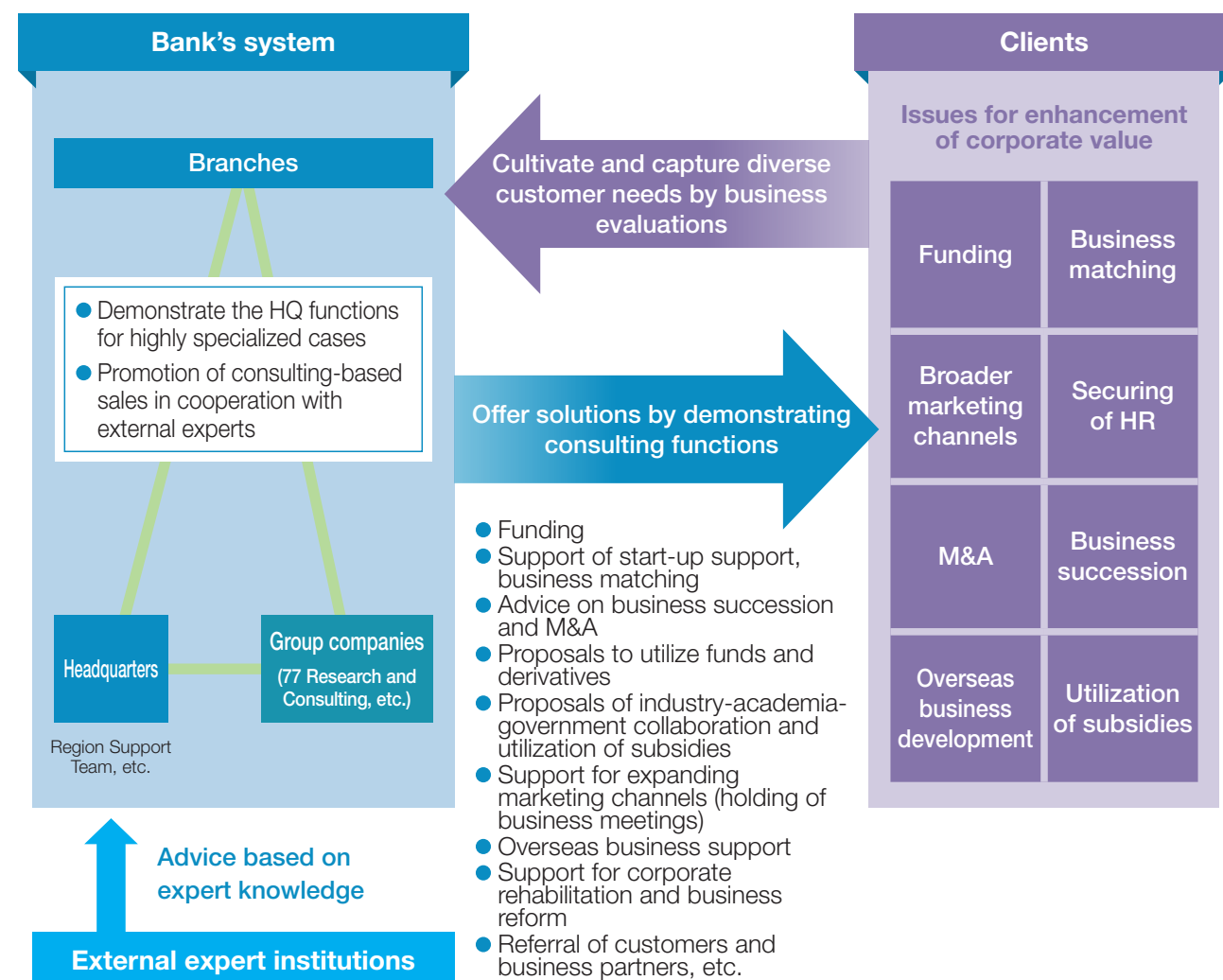
We aim to develop human resources by repeating such OJT, personal development, and training.



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.

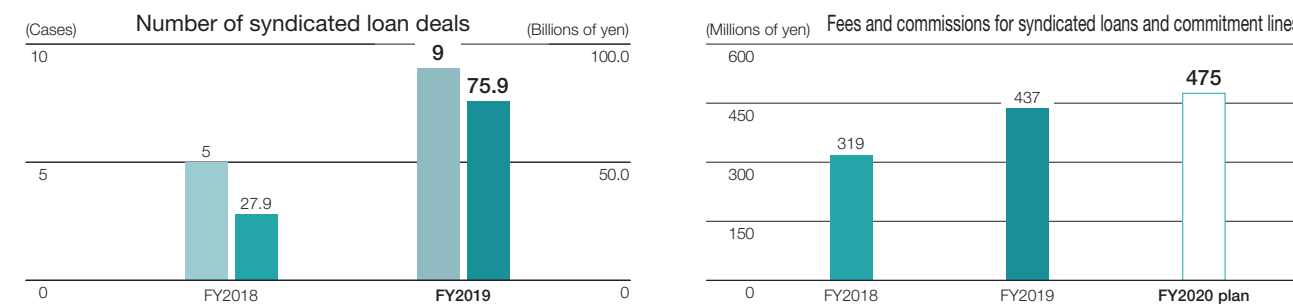
Business evaluation conceptual diagram



Syndicated loans, structured finance (*)

The Corporate Finance Department, which was established through organizational changes in April 2018, is strengthening its financing services for corporate clients including syndicated loans and structured finance, in an aim to offer diverse funding methods.

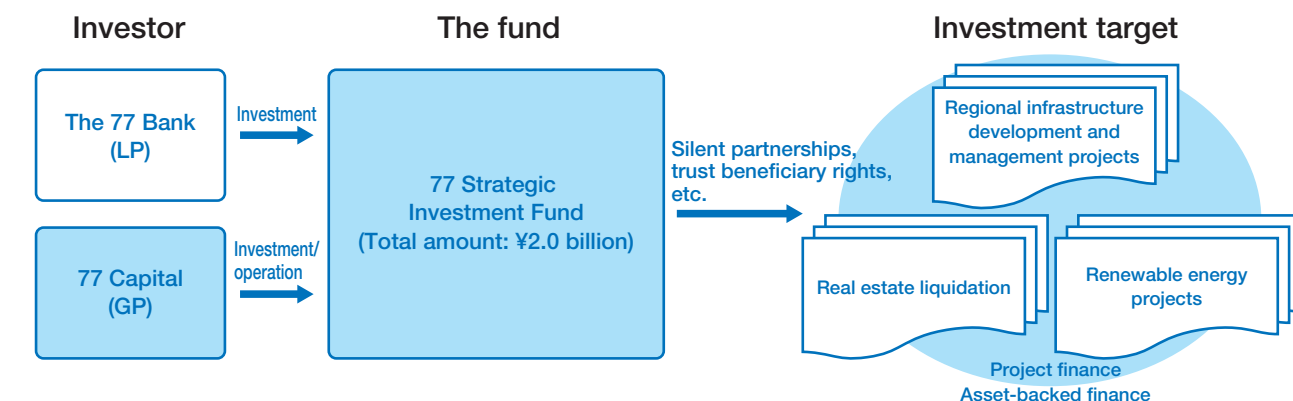
(*) Provision of finance based on the creditworthiness of cash flows and the asset value generated from business, independent from the creditworthiness of a company, through devising the transaction structure.



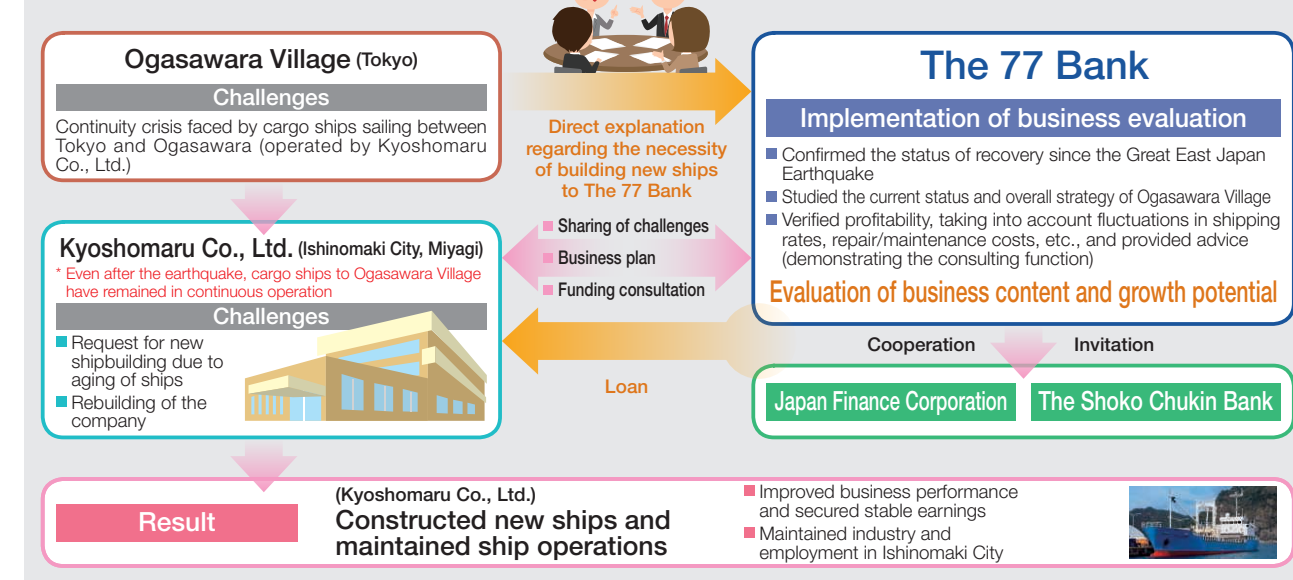
Establishment of the 77 Strategic Investment Fund

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.

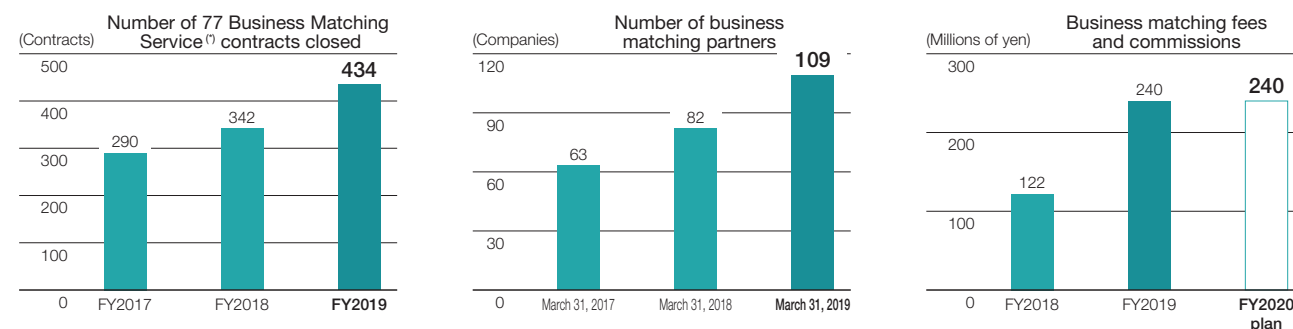


Business evaluation initiatives



Business matching

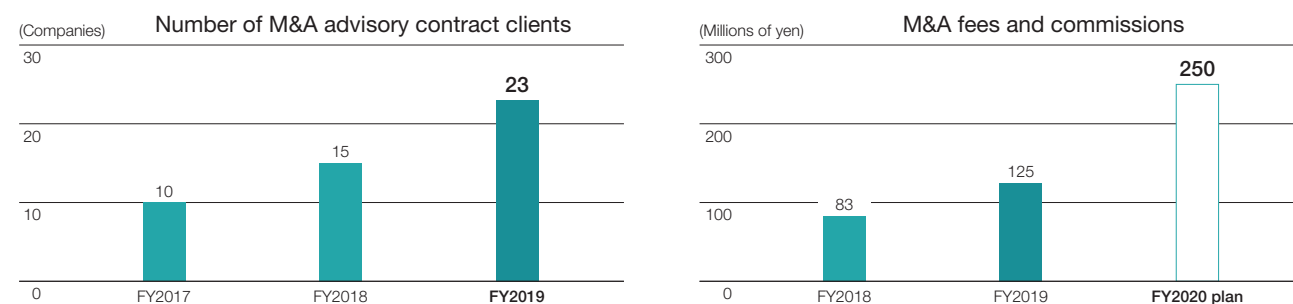
We are actively promoting business matching using regional networks, including support for creating new business opportunities and client management issues.



* Service in which the Bank's business partners are introduced in order to resolve customer issues

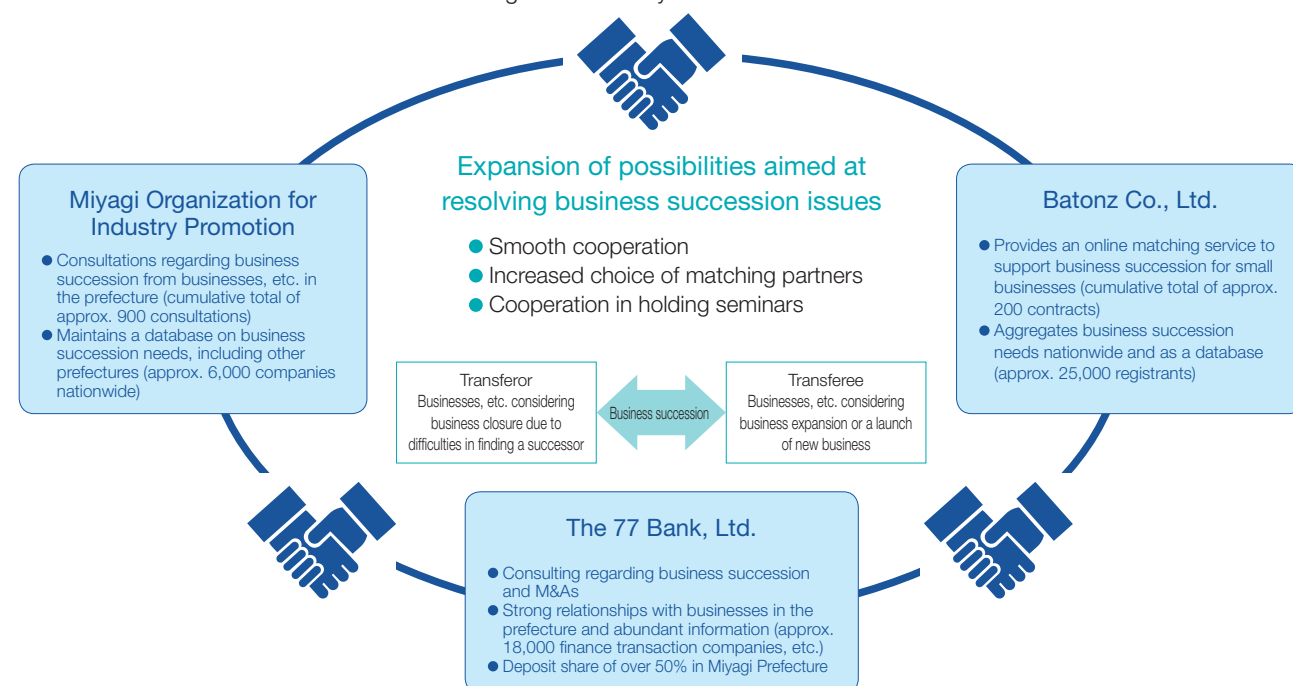
M&A

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.



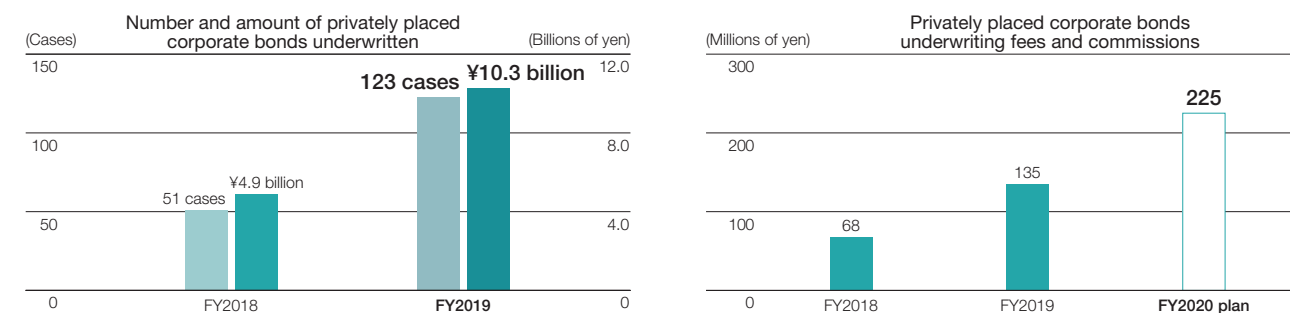
Partnership agreement regarding business succession

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.



Privately placed corporate bonds

We support the funding needs of customers with long-term, fixed interest rates, while promoting bank-guaranteed, privately placed corporate bonds that are issued only for blue-chip companies fulfilling issue standards. Such bonds also contribute to improving the image of companies. In addition, we also offer 77 Privately Placed Corporate Bonds for Reconstruction, for companies working toward post-earthquake recovery and reconstruction, as well as 77 Privately Placed Corporate Bonds for Social Contribution (Donation-Type), for which the Bank uses a portion of the fees and commissions received from the issuing company at the time of issuance of privately placed corporate bonds to buy and donate goods required for regional educational institutions and nursing care facilities, etc.



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 with the goal of satisfying customer needs for engaging in social contribution activities and backing 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 (Vegalta Sendai, Mynavi Vegalta Sendai Ladies, Tohoku Rakuten Golden Eagles, and the Sendai 89ERS).

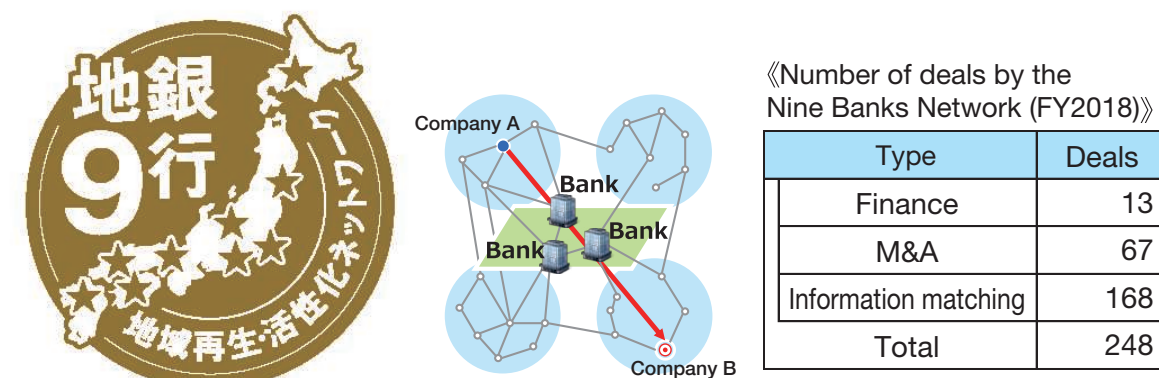
With 77 ESG Privately Placed Corporate Bonds, preferential treatment is offered for a portion of fees and commissions at the time of privately placed corporate bond issuance, in order to support the sustainable growth of customers that support ESG efforts and have set specific targets for ESG measures.

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 (*) 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



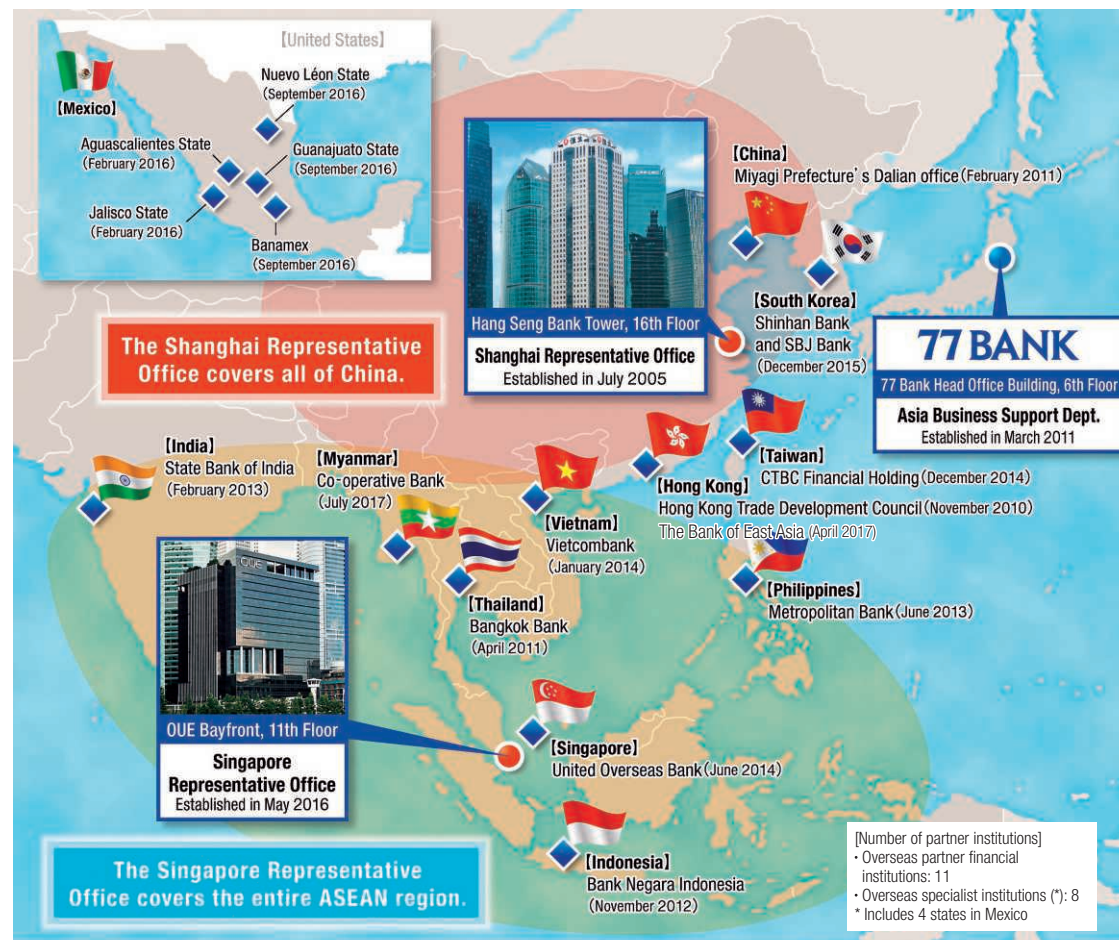
*Nine Banks Network participating banks

The 77 Bank, Hokkaido Bank, The Chiba Bank, The Hachijuni Bank, The Shizuoka Bank, The Bank of Kyoto, The Hiroshima Bank, The Iyo Bank, The Bank of Fukuoka

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

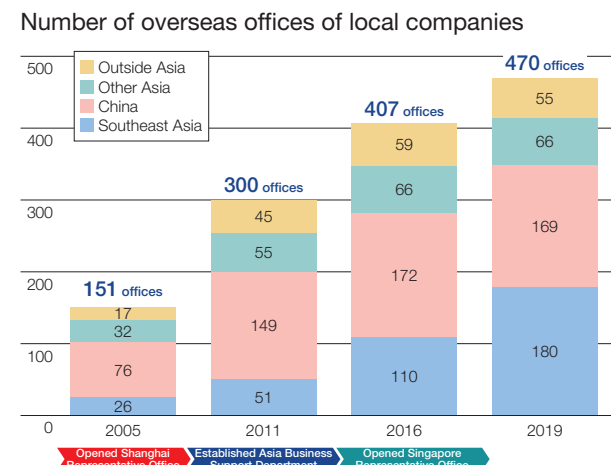


Number of employees deployed overseas

Number of employees deployed overseas			
	Dalian, China	Miyagi Prefecture's Dalian office	1
	Shanghai, China	Overseas representative offices, etc.	3
	Hong Kong	Financial institution	1
	Hanoi, Vietnam	Financial institution	1
	Bangkok, Thailand	Financial institution, etc.	2
	Singapore	Overseas representative offices, etc.	3
	London, United Kingdom	Japan External Trade Organization	1
	New York, United States	Financial institution	1
	Total		13

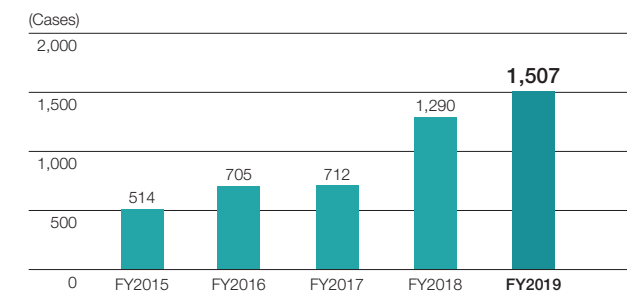
* As of May 30, 2019

Number of overseas offices of local companies



Status of overseas business support for clients

Number of overseas business support (*) cases



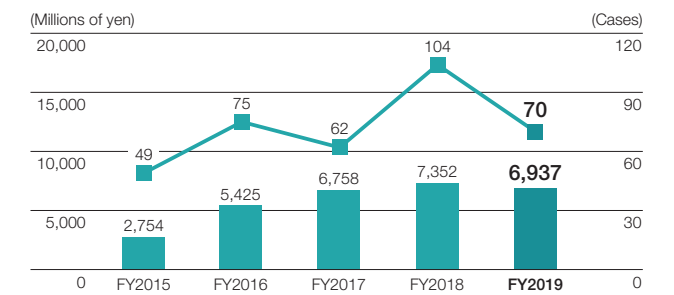
*Overseas expansion support, sales channel expansion and procurement support, provision of overseas information, etc.

Overseas business matching

Business meetings, etc. held overseas (FY2019)

Name of business meeting	Target companies	Timing	Location
Mfair Bangkok 2018 Monozukuri Business Conference	Manufacturing	June 2018	Thailand (Bangkok)
FBC Guangdong 2018 Monozukuri Business Discussion Meeting in Nanhai	Manufacturing	September 2018	China (Guangdong)
Miyagi and Tohoku Food Tasting Fair	Food products	October 2018	Singapore
Food Japan 2018	Food products	October 2018	Singapore
FBC Shanghai 2018 Monozukuri Business Discussion Meeting in Future Manufacturing Exhibition	Manufacturing	November 2018	China (Shanghai)
2018 Dalian - Regional Bank Joint Business Meeting	Manufacturing, food products, etc.	November 2018	China (Dalian)
Business Matching in Taipei (Japanese-Taiwanese Companies Business Discussion Meeting)	Manufacturing	November 2018	Taiwan (Taipei)
Thai-Japan Business Matching	Manufacturing, etc.	January 2019	Thailand (Bangkok)
JAPAN BRAND Kyodo Zen: Modern Tohoku Dining Singapore Promotion Project	Food products	February 2019	Singapore

Overseas business-related financing results



Pick Up

Miyagi 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 the fair.

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.



Business talks at food tasting fair

Food Japan 2018

Topics

Signing of a partnership agreement related to overseas business support, etc. with Sendai City, etc.

In January 2019, a partnership agreement aimed at the revitalization of SMEs in Sendai City and Thailand was signed between the four parties of The 77 Bank, Ltd., Sendai City, Toyo Business Service, and Toyota Tsusho (Thailand).

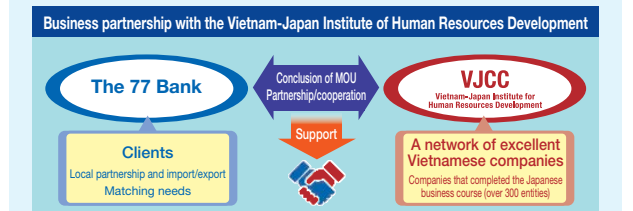
Each organization shares its specialized knowledge and information, and cooperates to support various needs related to overseas business for SMEs that are considering conducting business in or expanding business into Sendai City and Thailand.



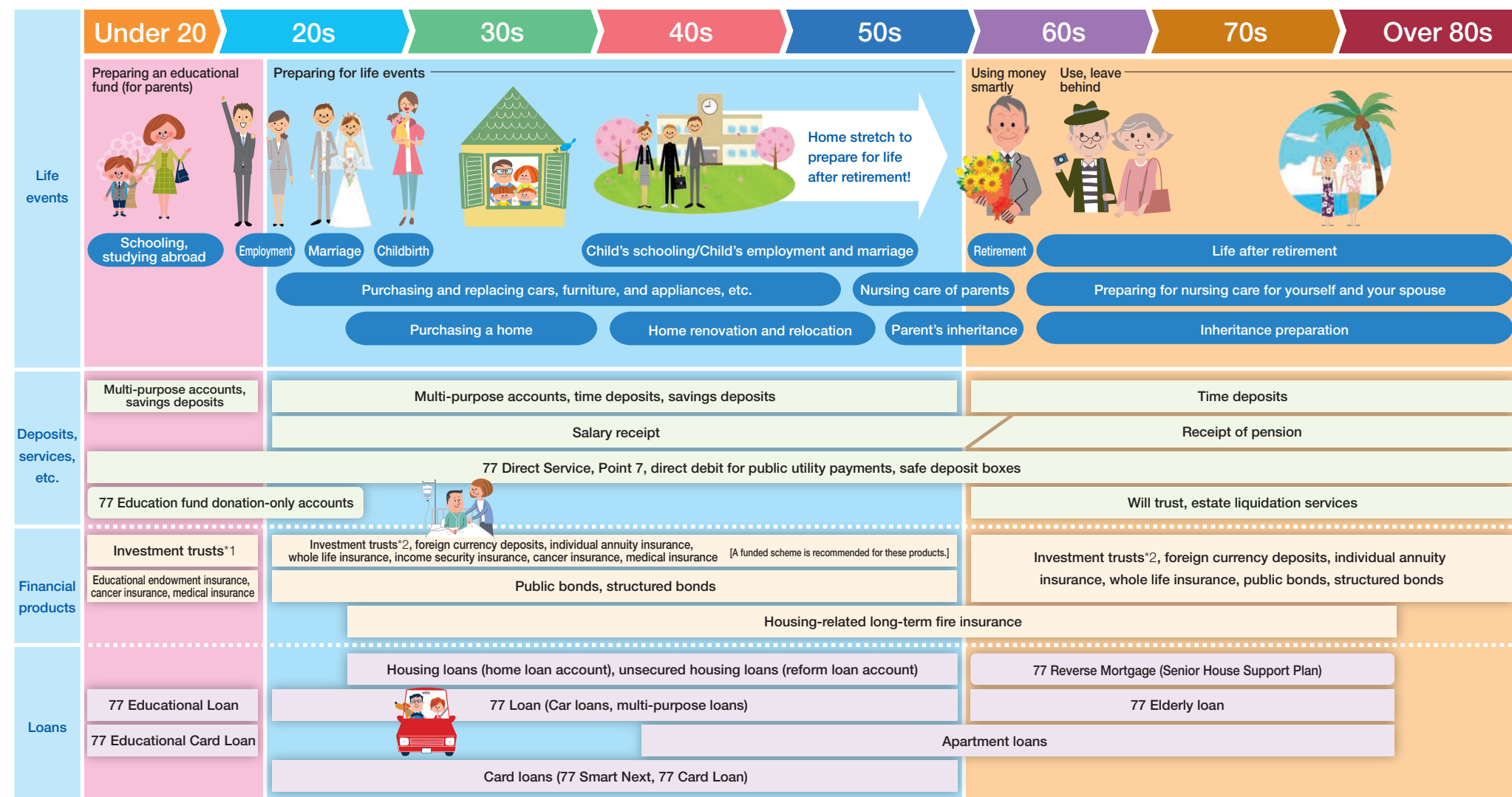
Topics

Signing of an MOU on business partnership and cooperation with the Vietnam-Japan Institute for Human Resources Development

In February 2019, we signed a Memorandum of Understanding on business partnership and cooperation with the Vietnam-Japan Institute for Human Resources Development. The institute is a human resources development organization that was established under the mutual agreement of the governments of Japan and Vietnam. As one of their various projects, the institute runs a business course that develops Vietnamese executives by teaching Japanese-style management. We conduct matching and other forms of support between companies that have completed this course and Japanese clients.



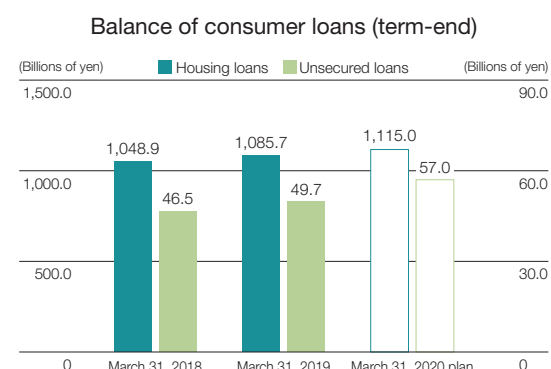
Initiatives for Retail Customers



*1. Junior NISA (tax exemption program for small investments for minors) is available.
 *2. NISA (tax exemption program for small investments) is available.

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.



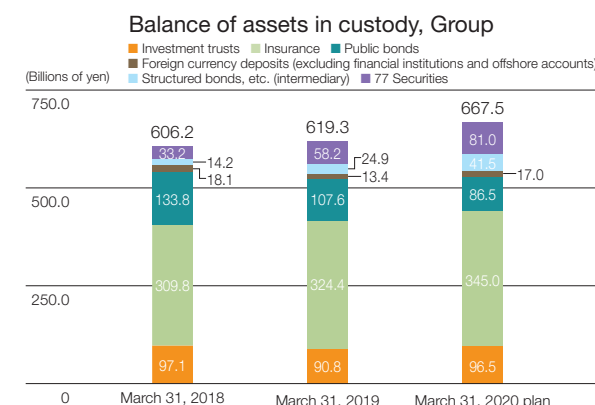
Topics Renewal of our website and launch of online contracts

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.



Assets in custody

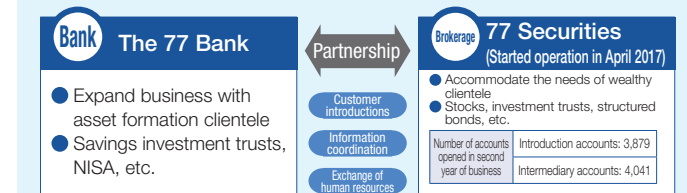
Together with 77 Securities, the Bank supports a wide range of customer asset management needs through the provision of high-quality services and products from a customer perspective.



Strengthening of bank-brokerage partnership businesses

The asset management needs of customers are becoming more varied and diverse as customers shift from savings to asset formation. With the bank-brokerage partnership between The 77 Bank and 77 Securities, we will support a broad range of needs through the provision of high-quality services from a customer perspective, as well as highly specialized products.

Supporting asset building for customers as a Group through bank-brokerage partnership



Topics 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 accounts) 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.

* Customers can also consult with the Bank's subsidiary 77 Research and Consulting Co., Ltd. regarding entering a trust agreement.



Topics 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.

Being open for business on holidays

All of the Bank's Loan Centers, Counselling Plazas, and Insurance Plazas are open for business on holidays excluding the New Year holidays. In addition, our branches and Loan Centers occasionally hold 77 Weekend Loan Advisory Sessions that allow customers to consult on and apply for various types of loans, including housing and educational loans.

Business days and business hours for Counselling Plazas, Loan Centers, and Insurance Plazas (As of July 31, 2019)

Name	Business days and business hours
Sendai Ekimae Counselling Plaza (within Sendai Ekimae Branch) Izumi Counselling Plaza (within Izumi Branch) Akashidai Counselling Plaza (within Akashidai Branch) Kuryu Counselling Plaza (within Kuryu Branch) Rifu Counselling Plaza (within Rifu Branch) Furukawa Counselling Plaza (within Furukawa Branch)	Weekdays, Saturdays, Sundays, holidays: 9:00 to 16:30 (Excluding December 31 to January 3)
Head Office Loan Center (Head Office 3F) Nagamachi Loan Center (Nagamachi-minami Branch 2F) Izumi Loan Center (Izumichuo Branch 2F) Sendai Higashiguchi Loan Center (Sendai Higashiguchi Branch 2F) Ishinomaki Loan Center (within Hebiba Branch) Mori-sekinoshita Loan Center (within Mori-sekinoshita Branch) Rokuchome Loan Center (within Rokuchome Branch)	
77 Akashidai Insurance Plaza (within Akashidai Branch) 77 Nagamachi-minami Insurance Plaza (within Nagamachi-minami Branch)	

*1. Reservations are required for Saturday, Sunday, and holiday visits to Loan Centers at the Head Office and the Sendai Higashiguchi Branch and for visits to the 77 Akashidai Insurance Plaza and 77 Nagamachi-minami Insurance Plaza.

*2. Sendai Ekimae Counselling Plaza closed as of 15:00 on August 30, 2019 upon the relocation of the Sendai Ekimae Branch.

Expansion of ATM services

<Expansion of opening hours for cash service corners>

In October 2016, we expanded the opening hours of cash service corners 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 Transit's Mori-sekinoshita 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 cash 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

	Applicable financial institutions	Available business hours
Miyaginnet 	SENDAI BANK, Morinomiyako Shinkin Bank, First Bank MIYASHIN, Ishinomaki-Shinkin Bank, Sennan-Shinkin Bank, Kesennuma Shinkin Bank	Weekdays 8:45 to 18:00
MY CASH POINT 	Yamagata Bank, Toho Bank	Weekdays 9:00 to 18:00
ATM linkage	Tohoku Bank, Kita-Nippon Bank	Weekdays 8:45 to 18:00

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, bank and account transfers, time deposit contract signing or cancellation, investment trust transactions, foreign currency deposits transactions, public bond transactions, 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 camera, 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 as 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 Tsucho (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.



NEW! 77 Bank PayB

In March 2019, we launched 77 Bank PayB, a payment app that uses PayB provided by the FinTech company, Billing System Corporation.

This app uses your smartphone's camera to scan the bar code information printed on payment handling slips for taxes, etc., in order to enable real-time payment by account transfer. Customers who use this app can easily pay taxes, etc. using a smartphone without having to visit a bank counter or convenience store.

Usage example

1. Launch the app and scan the bar code on the payment handling slip.



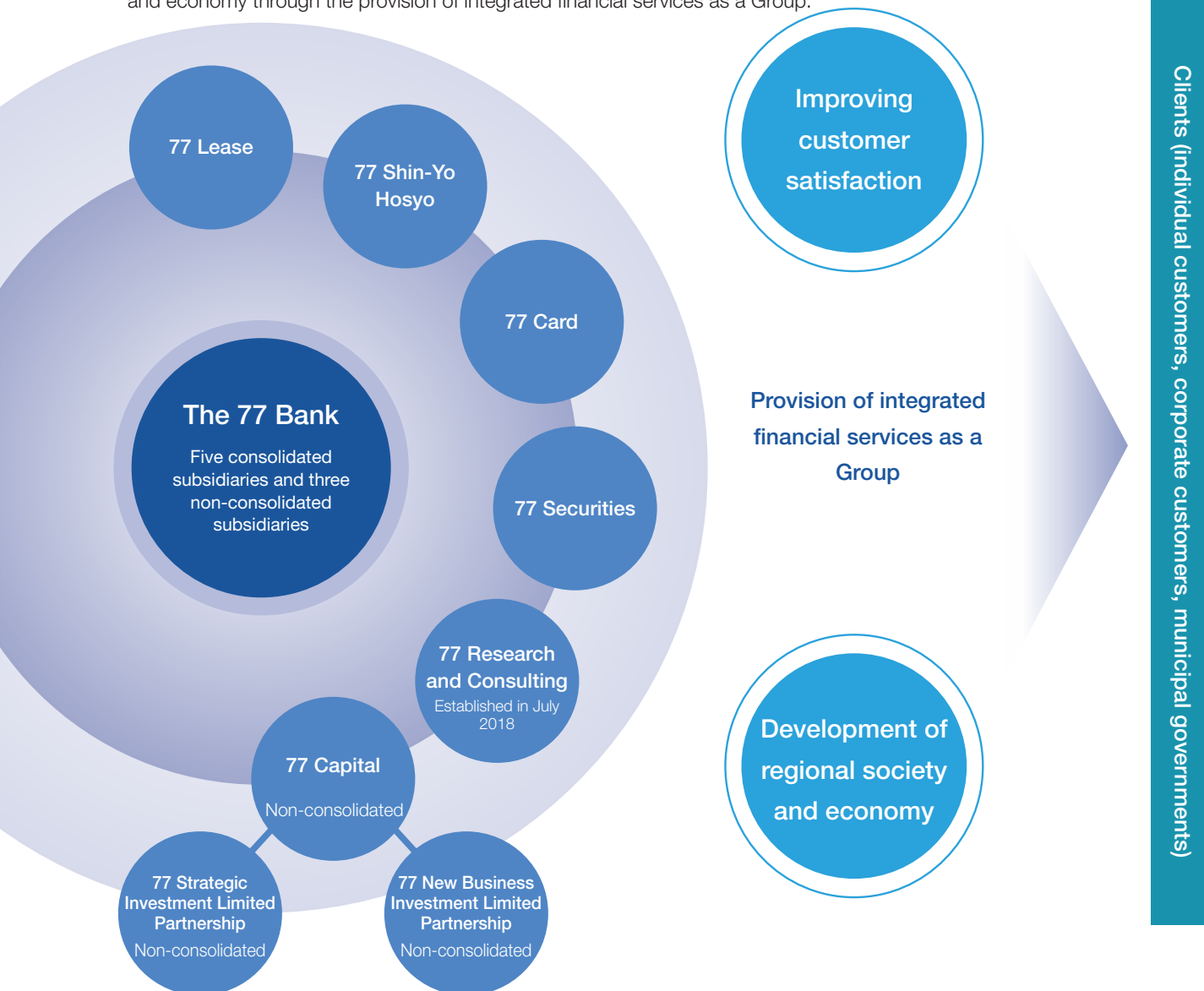
2. Confirm the payment information.
3. Enter your PIN number.
4. Complete the payment.



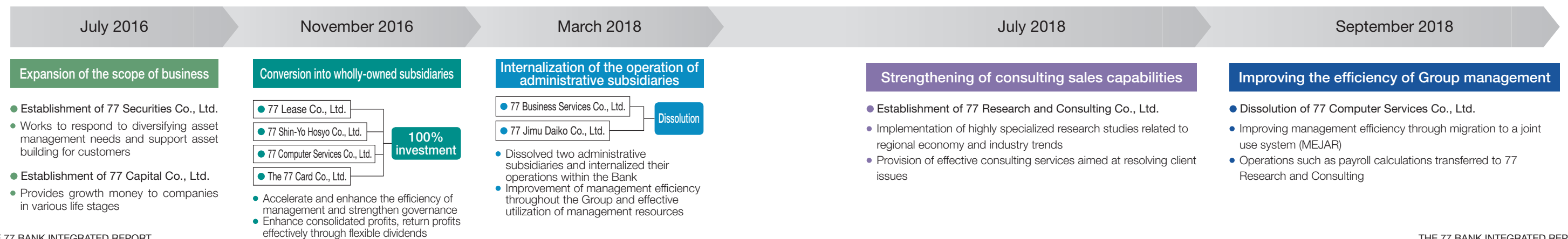
Provision of Integrated Financial Services

The Bank aims 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.



Evolution of the Group's strength

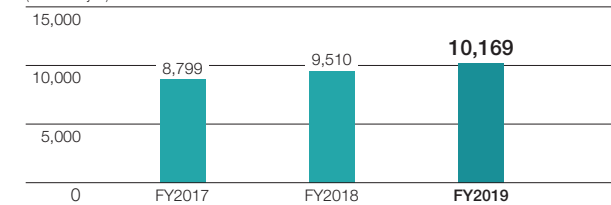


77 Lease

77 Lease supports capital investments by customers through finance leases, etc. for office equipment, transportation equipment, industrial machinery, medical devices, civil engineering and construction machinery, etc.

In terms of the business sentiment in Miyagi Prefecture, while there has been a slowdown in the recovery from the Great East Japan Earthquake as a result of factors including a rebound from reconstruction demand, economic activity has generally remained strong, and the new lease and installment contract amount remains high as well.

(Millions of yen) **New lease and installment contract amount**

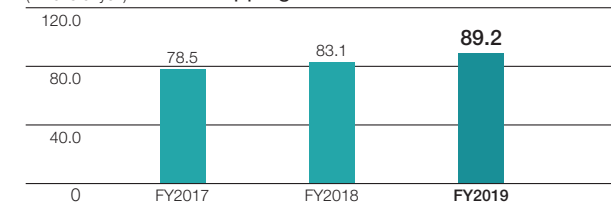


77 Card

77 Card issues credit cards including JCB, Visa, and MasterCard for retail and corporate customers and is also engaged in the card loan guarantee business. In addition, the company is working together with Miyagi Prefecture and Sendai City, etc. to support the introduction of cashless terminals to promote the further spread of cashless payments.

Shopping transaction value has been strong as a result of factors including strong personal consumption underpinned by an improvement in the employment and wage environment and the advance of cashless payments.

(Billions of yen) **Shopping transaction value**



77 Research and Consulting

77 Research and Consulting's main business activities include membership organization management, survey and research activities, and consulting services, and it contributes to improvement in value of client companies and regional revitalization through its expertise, the provision of high added value services, and information transmission.

The company has achieved a smooth business launch with the undertaking of research projects contracted by Sendai City, Tohoku University, etc., and consulting projects including support for asset succession, M&A support activities and human resources related activities.

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

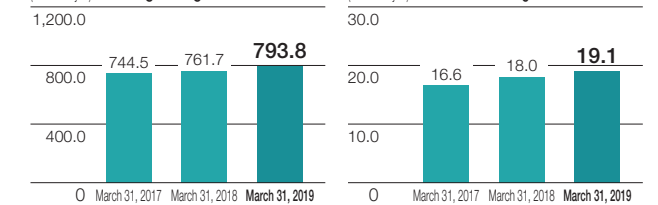
	Results
Number of member customers	1,317 members
Number of contracted research projects	5 projects
Number of consulting projects	18 projects

77 Shin-Yo Hosyo

77 Shin-Yo Hosyo is engaged in business including obligation guarantees for customers using housing loans and unsecured loans such as car loans, and credit management.

Although housing investment in Miyagi Prefecture is declining due to a rebound from the rebuilding demand triggered by the earthquake, investment levels remain high and the guarantee balance is strong as well.

(Billions of yen) **Housing loan guarantee balance** (Billions of yen) **Unsecured loan guarantee balance**

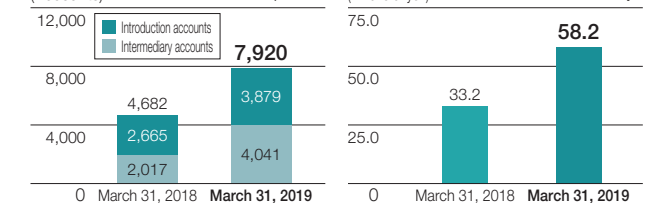


77 Securities

77 Securities is the only securities firm headquartered in Miyagi Prefecture. Our bank-brokerage partnership with The 77 Bank allows us to support a broad range of needs through the provision of high-quality services from a customer perspective as well as highly specialized products.

The number of accounts opened and balance of assets in custody is high thanks to integrated Group efforts through the bank-brokerage partnership.

(Accounts) **Number of accounts opened** (Billions of yen) **Balance of assets in custody**

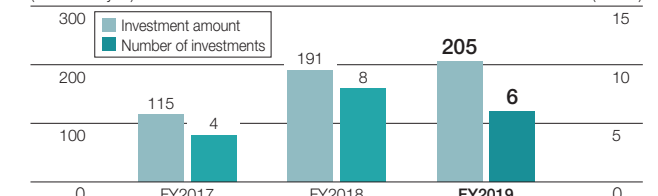


77 Capital

77 Capital's main business activities include the formation and management of investment limited partnerships (funds). In addition to providing a wide range of funding in response to the business characteristics and needs of companies, the company is actively engaged in company development and company support through investment and is working to improve regional value.

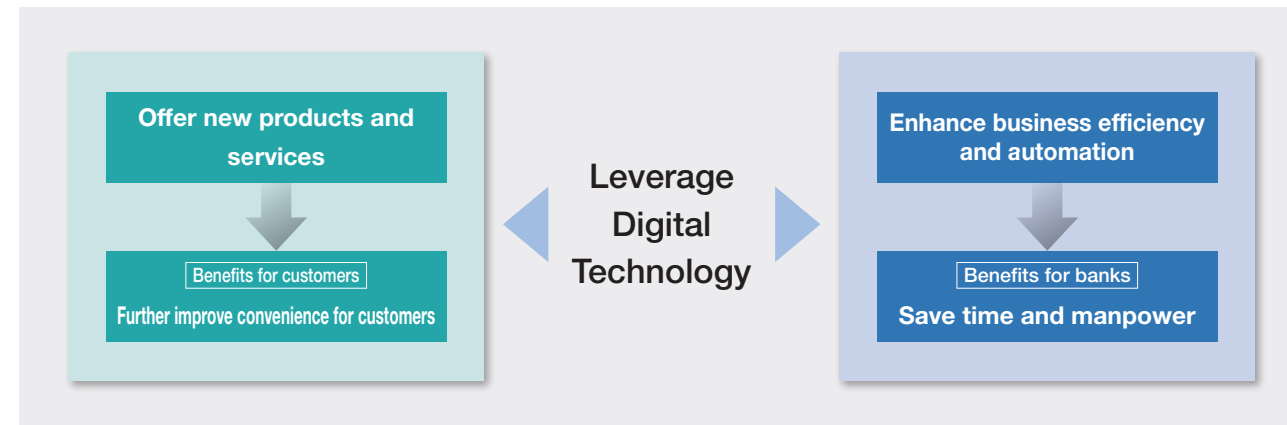
Since its establishment in July 2016, the company has achieved steady results through management of the 77 New Business Fund for companies working on an initial business launch, establishment, or secondary business launch that contribute to regional revitalization and regional activation. In addition, the company is developing new areas of finance through the 77 Strategic Investment Fund that was established in March 2019.

(Millions of yen) **Investment amount and number of investments** (Cases)



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.



New products and services	Payment/remittance	Smartphone payment	Yahoo! Wallet / Rakuten Edy / LINE Pay / PayPay / pring / merpay / docomo Kouza / J-Coin Pay Provide instant top-up to electric wallets
		Debit card payment	77 JCB Debit Provide instant transfer services, support Google Pay
		Fee payments	77 Bank PayB Provide instant payment service via smartphone
	Household finance/finance management	Smartphone apps	77 BANK app for account opening 77 BANK app (household accounting services, etc.)
	Data analysis	AI/Big data	Select investment trust targets, etc., based on big data analysis
	Financial information	Data linkage	Monitoring Information Service Receiving financial information on TKC Corporation member companies in digital data format
Enhance business efficiency		RPA	Enhance business efficiency and automation on repetitive routine work Annual hours reduced: 4,977 (110 operations) * As of end-March 2019
Other operations to sophisticate the Bank's businesses		Omnichannel	Provide services through information sharing between channels (full-scale operation scheduled to start in Oct. 2019)
		Block chaining	Joined user group of SBI Group and conducted research on new remittance/payment services
		Cooperation with external organizations	Dispatched Bank employees to Japan Digital Design to do research on enhancement of the Bank's businesses and user-friendliness Aiming to build highly efficient and productive new business model through revision and reform of operations in partnership with MEJAR system member banks

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.



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.

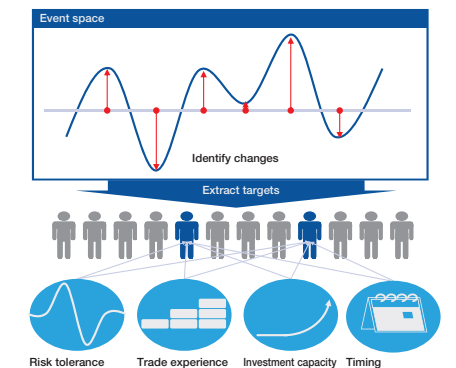


77 BANK app for account opening

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.

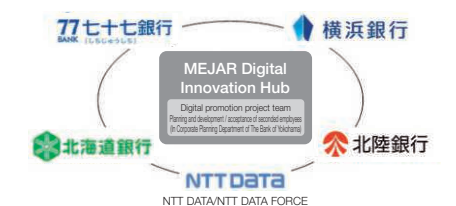
Introduction of big data analysis software using artificial intelligence (AI)

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.

<Reconstruction Support Policy>

-To restore the Miyagi and Tohoku region with flourishing vitality, abundance, and overflowing 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)

26,024 cases/¥715.6 billion

Corporate

	Operating	Capital expenditure	Total
Number of cases	5,933	2,483	8,416
Amount	¥265.6 billion	¥157.7 billion	¥423.3 billion

Retail

	Unsecured	Housing	Total
Number of cases	4,290	13,318	17,608
Amount	¥7.4 billion	¥284.9 billion	¥292.3 billion

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.

Bridge financing results

801 cases/¥57.9 billion

Principal investment results

168 cases/¥12.8 billion

Results of response to the double debt problems of businesses affected by the disaster

In response to the double debt problems triggered by the earthquake, we have utilized public institutions such as the Corporation for Revitalizing Earthquake-Affected Business, which has a diverse support menu including credit purchase, and the Miyagi Organization for Industry Reconstruction.

Businesses affected by the Great East Japan Earthquake designated by the Corporation for Revitalizing Earthquake-Affected Business

188 cases

Organization for Industry Reconstruction support clients

75 cases

77 Earthquake Reconstruction Support Housing Loans (for collective relocation/leased land type) disbursements

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.

929 cases/¥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.

220 times

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.

Personal voluntary liquidation guideline support results

Consultations received:	506 cases	Repayment plan proposals received:	216 cases
Applications received:	257 cases	Repayment plan proposals agreed to:	216 cases (Zero refused plans)

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.



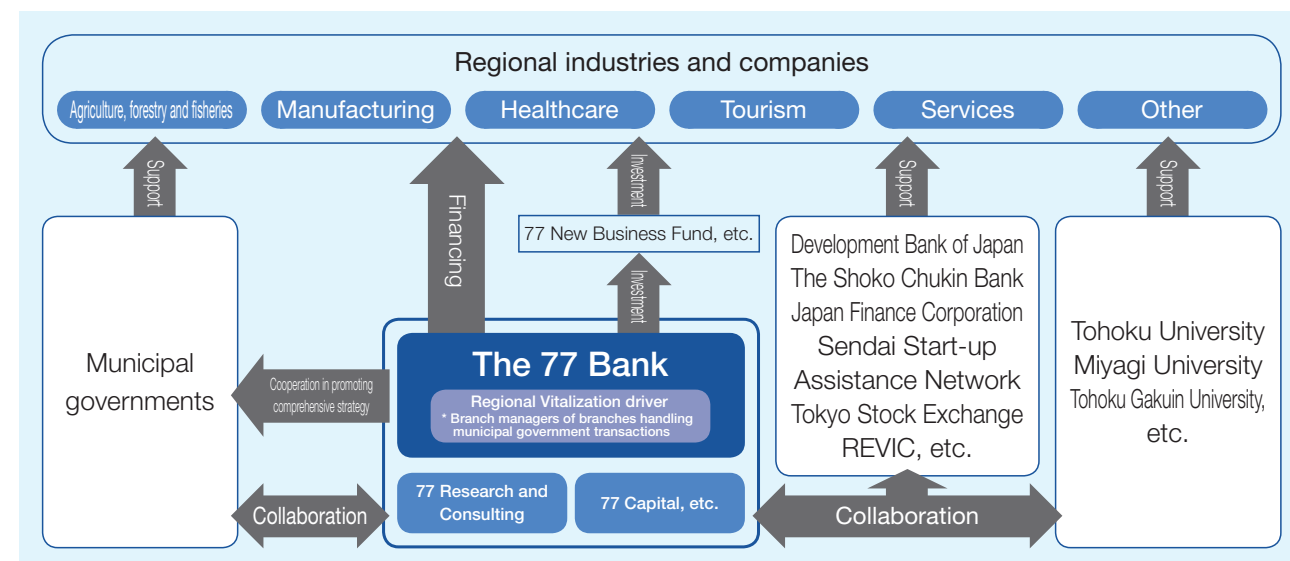
Commercial facility Mukaeru in Minamimachi-Kaigan



Ishinomaki Fish Market

Initiatives for Regional Revitalization

Implementation structure for regional revitalization



Setting of priority items

We have set four priority items that the Bank will proactively address with the aim of regional revitalization.

Support for starting new companies or businesses

- Support for initial and secondary business launch
- Funding support through venture funds
- Holding or cooperating with entrepreneur support events and the Business Grand Prix



Business Grand Prix

Promotion of urban development

- Promotion of public private partnerships (PPP/PFI)
- Participation in regional development projects
- Support in cooperation with external organizations



Next-generation synchrotron radiation facility (rendering)

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



Delicious Yamagata and Food Kingdom Miyagi Business Meeting

Support for promotion of tourism, etc.

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



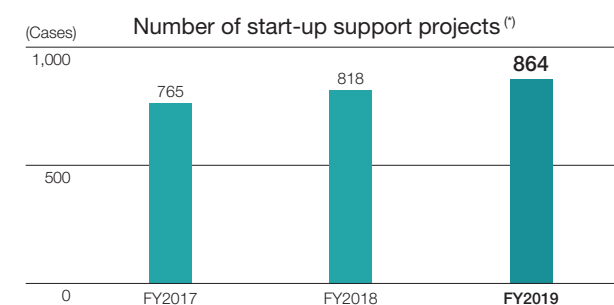
Tourism exchange center using a renovated traditional Japanese house

Support for starting a new company or business

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.



* 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

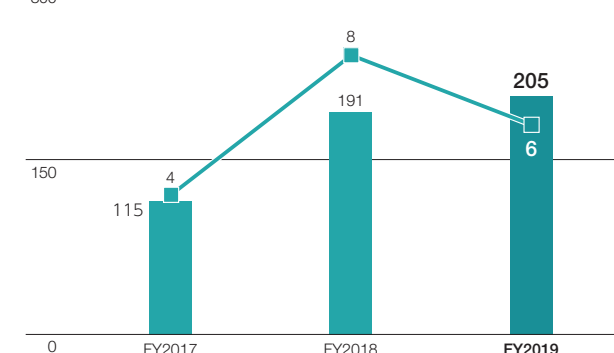
Results of hands-on support using external support organizations, etc. (Cases)

	FY2017	FY2018	FY2019
Tohoku University / Miyagi University	3	10	12
Organization for Small & Medium Enterprises and Regional Innovation, JAPAN	18	22	23
Yorozu Support Center	1	4	13
Miyagi Professional Human Resources Strategic Base	4	17	4
Tokeiren Business Center	2	7	1
Industrial Technology Institute, Miyagi Prefectural Government	0	2	1
Others	5	14	22
Total	33	76	76

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.

New Business Fund investment results (Millions of yen) (Cases)



Application support for subsidies, etc.

The Bank was certified as a Support Agency for Business Innovation in November 2012, 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.

Subsidies	Results
Manufacturing SME and Small Business Prototype Development Support Subsidy (Alias: Manufacturing Subsidy)	Cases of support: 56 Adoption results: 33
SME and Small Business Manufacturing, Commerce, and Service Innovation Project (Alias: New Manufacturing Subsidy)	Cases of support: 99 Adoption results: 52
Manufacturing, Commerce, and Service Innovation Subsidy	Cases of support: 51 Adoption results: 26
Manufacturing, Commerce, and Service New Development Support Subsidy	Cases of support: 47 Adoption results: 19
Manufacturing, Commerce, and Service Development Support Subsidy	Cases of support: 25 Adoption results: 11
Manufacturing, Commerce, and Service Management Capabilities Improvement Support Subsidy	Cases of support: 49 Adoption results: 24
Regional Demand Creation Entrepreneurship and Foundation Promotion Subsidy (Alias: Start-up Subsidy)	Cases of support: 79 Adoption results: 39
Foundation Subsidy (Alias: Foundation Promotion Subsidy)	Cases of support: 58 Adoption results: 18
2014 Supplementary Budget Initial and Secondary Business Launch Promotion Subsidy	Cases of support: 25 Adoption results: 21
Small Business Revitalization Subsidy (Alias: Small Business Subsidy)	Cases of support: 10 Adoption results: 9
2015 Budget Initial Business Launch and Secondary Business Launch Promotion Subsidy	Cases of support: 17 Adoption results: 14
2017 Budget Foundation and Business Succession Subsidy	Cases of support: 7 Adoption results: 0

Details of investees

Target area	Number of companies	Investment amount (Millions of yen)
Manufacturing	8	171
Energy	2	85
Drug discovery	2	80
Services	2	40
Medical institution	1	50
Nursing	1	49.5
Construction	1	20
Fishery processing	1	15
Total	18	510.5

Launch of the 77 Business Startup Support Package

In April 2019, we launched the 77 Business Startup Support Package, which covers our menu of business launch support services, in an aim to satisfy customers in the foundation stage with needs to optimize their operation, including for accounting and payment. Corporate customers that have a deposit account with the Bank, and that were founded within the last two years are eligible for this package. Preferential treatments and benefits, including exemption from contract fees and first year annual fees, are available for applicants at the time they introduce subject products.

THE 77 Business Support Foundation

The Bank established the 77 Business Support Foundation in April 1998, for the purpose of contributing to the promotion of industry and economic development in Miyagi Prefecture.

The 77 Business Support Foundation offers awards once per year in a ceremony held in November, including the 77 Business Grand Prize for companies with highly-regarded products or services, and outstanding technologies or management methods that have contributed to the development of industry and the economy within the prefecture, and the 77 New Business Subsidy for companies that are actively engaged in business through new and original technologies or know-how, and entrepreneurs who aspire to start new businesses. In addition to holding lectures and seminars, the Foundation also issues a business information magazine.



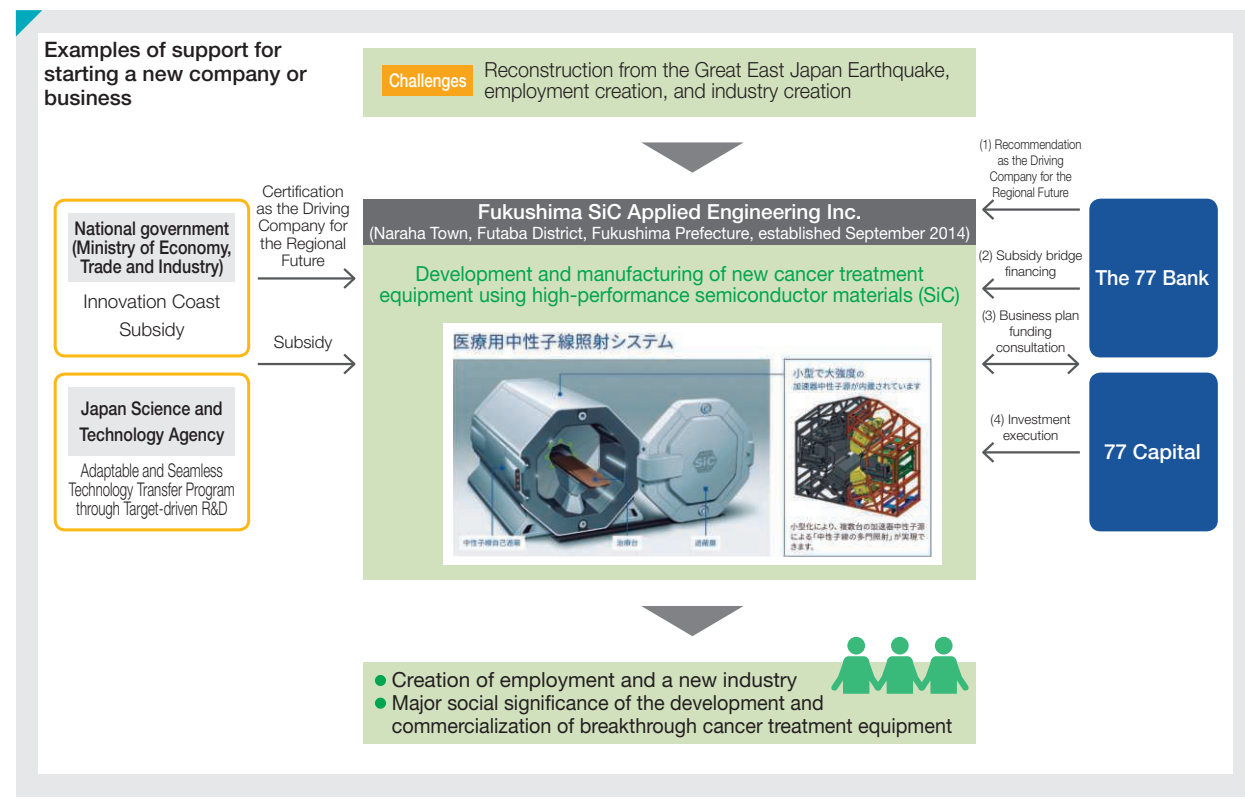
<FY2019 Awards Ceremony>

21st 77 Business Grand Prize	21st 77 New Business Subsidy
kyoyu co., ltd. SELCO HOME, Inc.	Olpasso Corporation Tohoku Magnet Institute manaby co., ltd. Mirai kikaku Co., Ltd. Yamato Medical Corporation

Support for Fukushima SiC Applied Engineering Inc.

Fukushima SiC Applied Engineering is a medical equipment manufacturing venture that was founded in 2014 to develop technologies and manufacture products using SiC semiconductors (compound semiconductors formed of silicon and carbon). Social implementation of the company's new technologies will lead to the creation of employment and new industry in the areas affected by the Great East Japan Earthquake, and contribute to society through the commercialization of breakthrough equipment for cancer treatment.

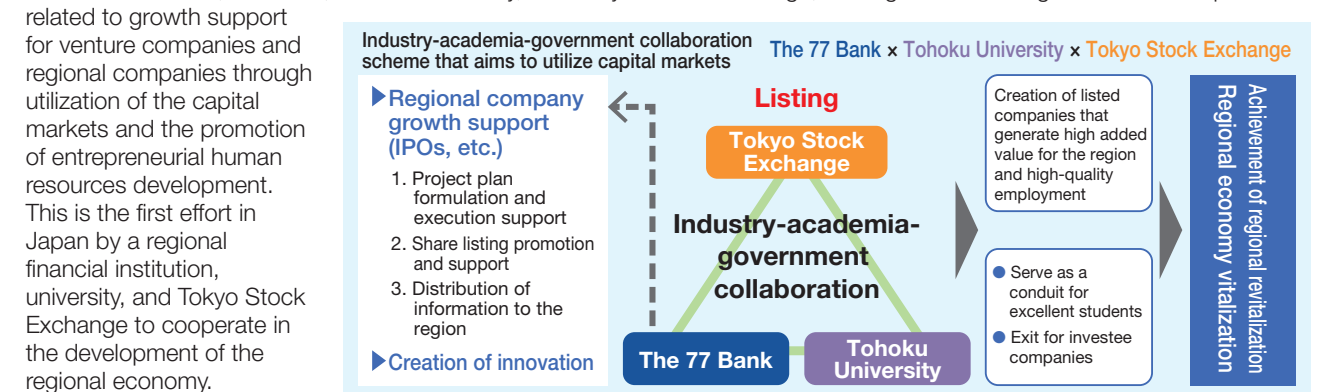
The Bank has cooperated from the stage of business plan formulation and provided various forms of support in the development period including recommendations to future leading companies in the region, bridge financing until the receipt of subsidies, and provision of capital funds through the 77 New Business Fund formed together with the Group company, 77 Capital Co., Ltd.



Support and development of regional core companies

Cooperation with Tohoku University and the Tokyo Stock Exchange

In November 2017, the Bank, Tohoku University, and Tokyo Stock Exchange, Inc. signed a basic agreement on cooperation related to growth support for venture companies and regional companies through utilization of the capital markets and the promotion of entrepreneurial human resources development.



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.

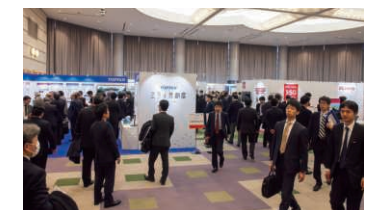
This program provides intensive support for stock listing, after recruiting and selecting local companies that could possibly be listed within roughly five years, and certifying them as Sendai Future Generating Companies.



* 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.

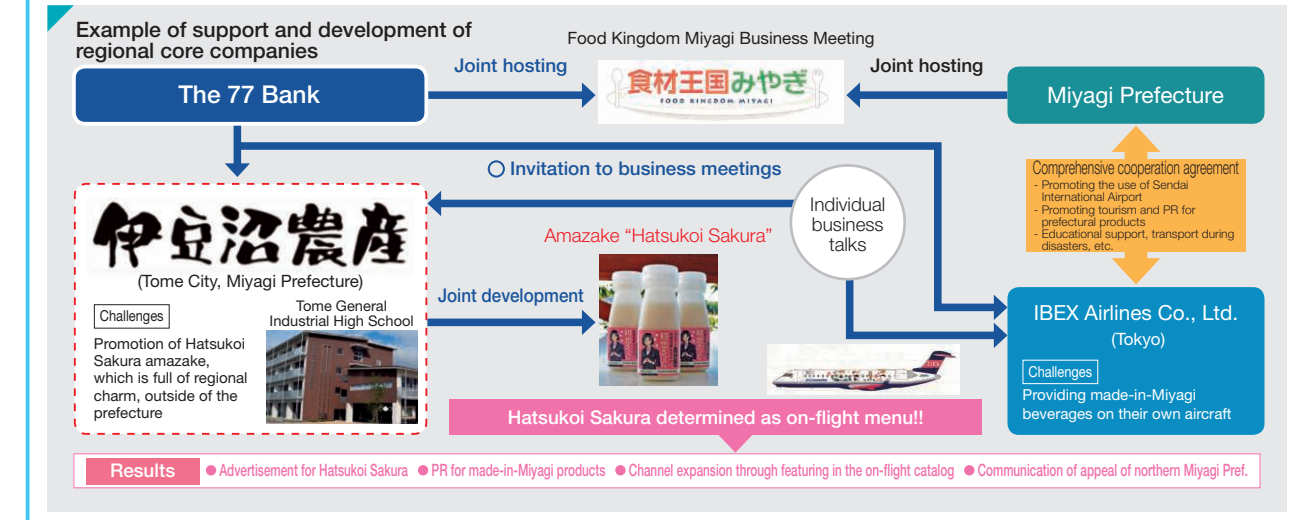
Holding the "77 Business Forum —For the Future—"

In January 2019, a business forum on the theme of the future was held as part of our efforts to contribute to the expansion of business opportunities for business partners and revitalization of the regional economy. Various programs related to regional revitalization were provided through the forum, including lectures and panel discussions by notable figures from various fields and exhibition booths introducing the latest technologies.



Support for Izunuma Nousan Co., Ltd.

Izunuma Nousan Co., Ltd., an agricultural production corporation in Tome City, is working toward the sixth sector industrialization of regional food products, including Hatsukoi Sakura amazake (traditional drink made from fermented rice), which was jointly developed with Tome 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 Izunuma Nousan Co., Ltd. Subsequent discussions led to a business match that will help serve as PR for made-in-Miyagi products.



Promotion of urban development

■ PPP/PFI project initiatives

The Bank has further strengthened relationships with municipal governments, through initiatives including involvement in the project 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 arranger 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 / Matsumori Plant Related Civic Facilities Development Project (Financing financial institution, arranger and agent)
- Sendai City / Nomura School Lunch Center Development Project (Financing financial institution, arranger and agent)
- Ishinomaki District Integrated Administration of a Large Region Office Work Association/ Nursing Home Improvement Project (Financing financial institution, arranger)
- Miyagi Prefecture / Fire Academy Transfer and Development Project (Financing financial institution, arranger)
- Sendai City / Minamiyoshinari School Lunch Center Development Project (Financing financial institution, arranger)
- Higashimatsushima City / School Lunch Center Development Operation Project (Financing financial institution, arranger)
- Tohoku University / Sanjo Student Dormitory Development Project (Financing financial institution)
- Sendai City / Observatory Development and Operation Project (Financing financial institution, co-arranger)
- Ishinomaki District Integrated Administration of a Large Region Office Work Association/ Fire Department Headquarters Transfer and Development Project (Financing financial institution, co-arranger)
- Miyagi Prefecture / Education and Welfare Complex Development Project (Financing financial institution, construction arranger)
- Onagawa Town / Onagawa Seafood Processing Complex Wastewater Treatment Facility Development Project (Financing financial institution)
- Ministry of Land, Infrastructure, Transport and Tourism / Sendai Airport Special Operation Project (Financing financial institution)
- Tohoku University / Aobayama University House Development Project (Financing financial institution, arranger and agent)



Miyagi Prefecture Fire Academy



Sendai Astronomical Observatory



Sendai International Airport



Aobayama University House, etc.



Spopark-Matsumori



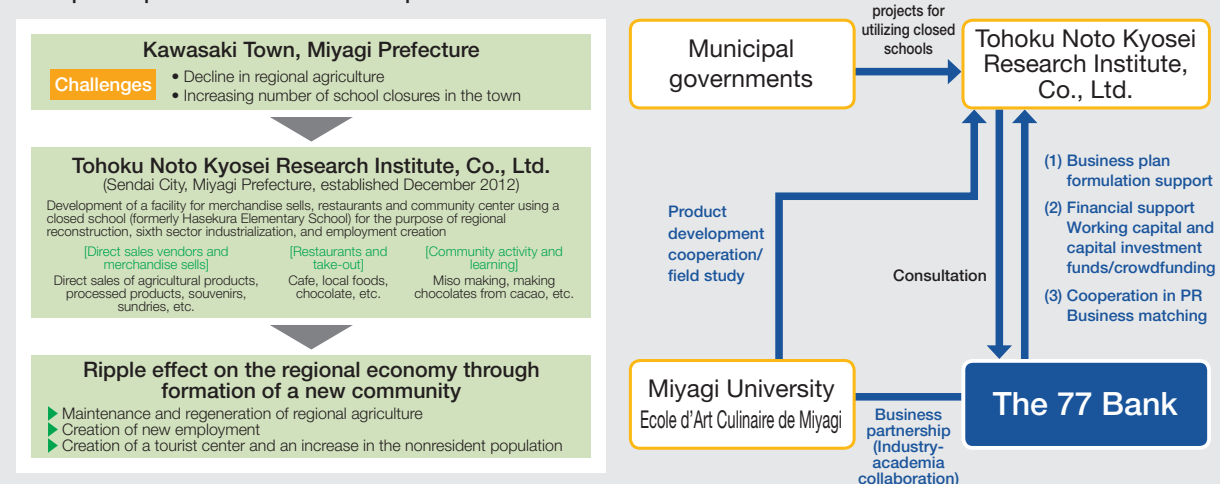
Nomura School Lunch Center

■ 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 branding, 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 Miyagi 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

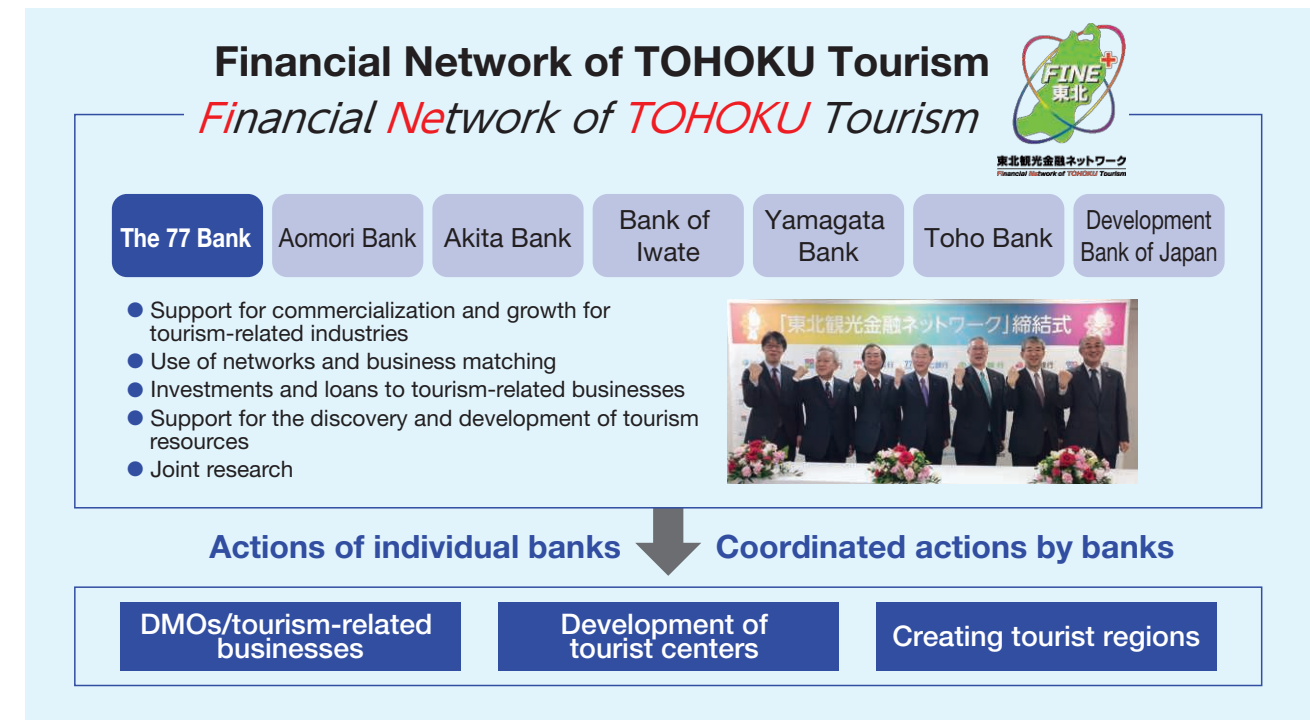


Support for promotion of tourism, etc.

■ 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 (Alias: FINE+ 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.

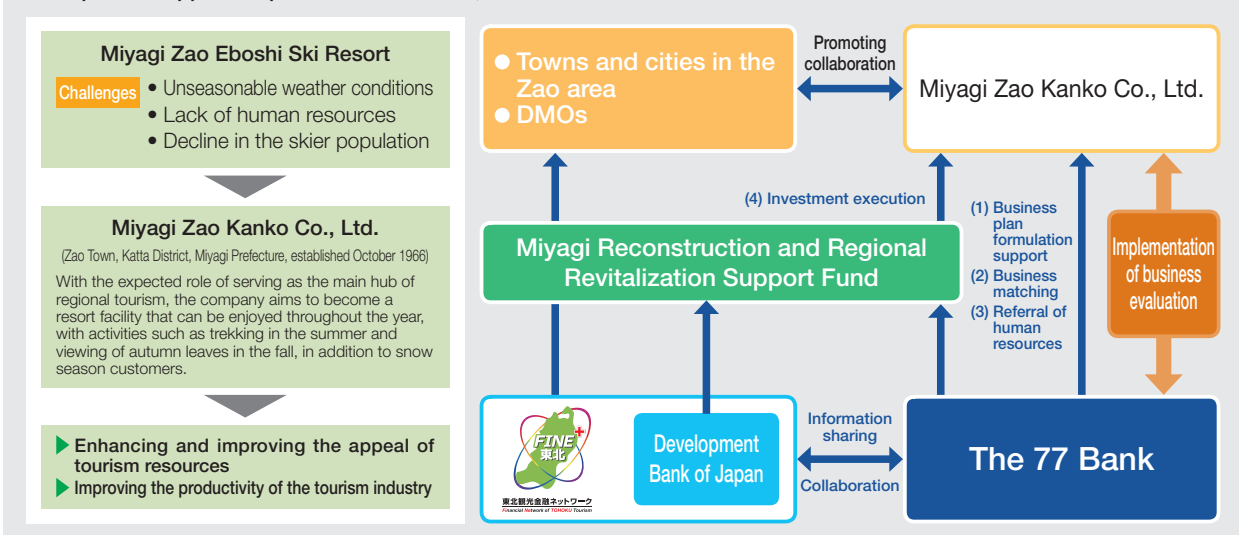


■ Support for Miyagi Zao Kanko Co., Ltd.

Miyagi Zao Kanko Co., Ltd. operates the Miyagi Zao Eboshi 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.



Cooperation with municipal governments

■ Signing 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 Kamigo 	Ogawara Town Sakurakki 
Iwanuma City Iwanuma-kakaricho 	Taiwa Town Asahinasaburo 
Zao Town Zao-sama 	Shiogama City Minamoto Nerikama 
Shinchi Town (Fukushima Prefecture) 	Shichigahama Town Bochan 
Minamisoma City (Fukushima Prefecture) Nomatan 	Kakuda City Muhime 
Tomiya City Buruberikko and Burupiyo 	Watari Town Watarin 
Ishinomaki City Ishipyon 	Tome City Hatton 
Marumori Town Shoko-maru 	Osaki City Patasaki-san 
Onagawa Town Seapal-chan 	Shibata Town Hanami-chan 
Higashimatsushima City Ito/Ina 	Rifu Town Fairy of Tofu no Sato Rifu-chan 
Murata Town Kurarin 	Kawasaki Town Chocoemon 

Corporate rehabilitation support and business reform support

■ 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 clients, and are directly involved in corporate rehabilitation support for these clients.

Clients selected as corporate rehabilitation support clients (FY2019)	57
Of which, clients with improvements in business conditions	22

■ 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 to 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.

Business reform support participation rate: 32.8%
= 2,121 business reform support participating clients/6,457 debtors at the beginning of the year (excluding normal borrowers)

Borrower classification improvement rate: 6.6%
= 140 clients with improved borrower classification/2,121 business reform support participating clients (excluding normal borrowers)

Rehabilitation plan formulation rate: 43.8%
= 928 clients that formulated rehabilitation plans/2,121 business reform support participating clients (excluding normal borrowers)

<FY2019 business reform support participation results>

	Number of borrowers at the beginning of year	Of which, number of business reform support participating clients	Of which, number of clients that improved borrower classification	Of which, number of clients that formulated rehabilitation plan
Borrowers requiring caution (excluding substandard borrowers)	5,484	1,564	96	647
Substandard borrowers	247	144	20	58
Potentially bankrupt borrowers	552	409	21	220
Effectively bankrupt borrowers	154	4	3	3
Bankrupt borrowers	20	0	0	0
Total	6,457	2,121	140	928

Effective and Efficient Allocation of Resources

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

In June 2018, the Hebita 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.



Opening day of the office

■ 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.



[77 Smart Counter]

Introduced in: 2 branches



[Tablets]

Introduced in: 10 branches
(expanded to 10 branches from 1 branch)



[Remote consultation system]

Introduced in: 4 branches
(expanded to 4 branches from 1 branch)

■ Changes in business hours

In April 2018, in an effort to maintain and improve financial services in the region, bank counter business hours at Ayukawa 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 Tsuji Branch was moved to within the Head Office Business Division in July 2018, in order to adopt a branches within branches format in which multiple branches are operated within a single branch building.

In addition, the Sendai Ekimae Branch was moved to within the Nakakecho Branch in September 2019.

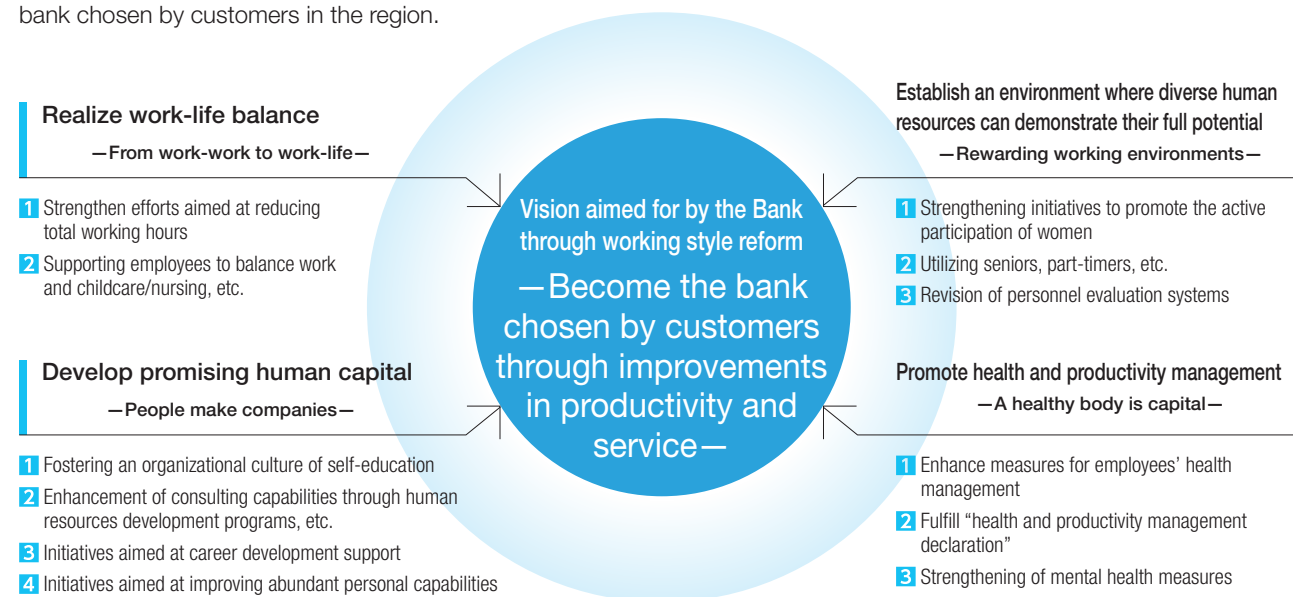
■ Streamlining operations

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).

Item	Annual reduction effect through streamlined operations in FY2019 (Hours)
Centralization of branch administration at Headquarters	10,787
Reviewing work flows at branches	59,192
Reviewing branch administration based on administration improvement proposals	12,437
RPA (67 Headquarters operations)	2,562
Total	84,978

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.



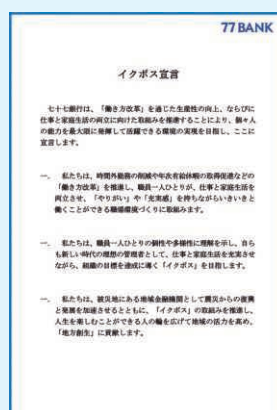
Realize work-life balance

We are developing ideal working environments through a reduction of total working hours and the promotion of diverse working styles.

- Strengthening efforts aimed at reducing total working hours (encouraging employees to leave work at the prescribed time, prohibition of overtime after 7 p.m. as a general rule, promoting early morning work)
- Supporting a balance between childcare/nursing and work (holding workplace visits, holding round-table talks for childcare leave participants and nursing care seminars)

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.



IkuBoss Declaration

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.

Partner daycare providers:
11 companies
Available daycare facilities:
20 facilities



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

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.

- Strengthening initiatives to promote 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 30% 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 during the plan period in order to improve the consulting capabilities of women

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
We foster a workplace environment where each and every employee can perform to their full potential by valuing autonomous career development by employees and mutually respecting the individuality of employees.
- 2 Achieving work-life balance
We will work to develop 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.
- 3 Improving corporate value
We will generate new value and ideas and improve the competitiveness of the organization by continually promoting diversity that responds flexibly to changes in the times and the environment.

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: 4
Total of 101 participants



Developing promising human capital

We work to improve the capabilities of each and every employee by effectively using the time that is created as time for human resources and personal development, and for engagement with regional society.

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

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

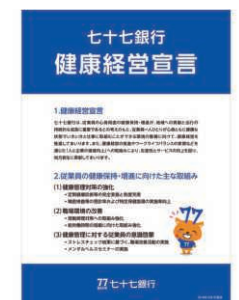


Promote health and productivity management

We are developing an environment that allows employees to work actively in a healthy state of mind and body.

- Expansion of health management measures for employees
- Strengthening of mental health measures

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



"Eruboshi (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



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. 2008 General Manager, General Planning & Coordination Div., the Bank
Jun. 2010 Director and General Manager, General Planning & Coordination Div., the Bank
Jun. 2013 Director and General Manager, Head Office Business Div., the Bank
Jun. 2014 Managing Director and General Manager, Head Office Business Div., the Bank
Jun. 2015 Managing Director, the Bank
May 2016 Managing Director, the Bank, General Manager, Ishinomaki Branch and Minato Branch
Jun. 2016 Managing Director, the Bank
Jun. 2017 Representative Director and Deputy President, the Bank
Jun. 2018 Representative Director and President, the Bank (current position)

Teruhiko Ujiie

Chairman

Apr. 1969 Joined The Industrial Bank of Japan, Limited
Aug. 1992 Associate Director-General, Related Business 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. 1999 Managing Director and General Manager, Investigation Div., the Bank
Mar. 2000 Managing Director, the Bank
Jun. 2002 Senior Managing Director, the Bank
Jun. 2005 Representative Director and Deputy President, the Bank
Jun. 2010 Representative Director and President, the Bank
Jun. 2018 Representative Director and Chairman, the Bank (current position)

Makoto Igarashi

Senior Managing Director

Apr. 1980 Joined the Bank
Sep. 2000 General Manager, Onahama Branch, the Bank
Jun. 2002 General Manager, Bashonotsuji Branch, the Bank
Jun. 2004 General Manager, Shiroishi Branch, the Bank
Jun. 2005 General Manager, General Affairs Div., the Bank
Jun. 2006 General Manager, Personnel Div., the Bank
Jun. 2009 Director and General Manager, Tokyo Branch, the Bank
Jun. 2012 Director and General Manager, Business Promotion 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)

**Toru Sugawara**
Managing Director

Apr. 1983 Joined the Bank
Jun. 2003 General Manager, Ogimachi Branch, the Bank
Jun. 2005 General Manager, Kitasendai Branch, the Bank
Jun. 2006 General Manager, Osaka Branch, the Bank
Jun. 2008 Deputy General Manager, System Development Div., the Bank
Jun. 2009 General Manager, System Development Div., the Bank
Jun. 2013 Director and General Manager, System Development Div., the Bank
Jun. 2014 Director, Executive Officer and General Manager, System Development Div., the Bank
Jun. 2017 Managing Director, the Bank (current position)

**Koichi Suzuki**
Managing Director

Apr. 1984 Joined the Bank
Mar. 2005 General Manager, Wakuya Branch, the Bank
Sep. 2007 General Manager, Masuda Branch, the Bank
Jun. 2009 General Manager, General Affairs Div., the Bank
Jun. 2013 General Manager, Business Promotion Div., the Bank
Jun. 2014 Executive Officer and General Manager, Business Promotion Div., the Bank
Jun. 2015 Director, Executive Officer and General Manager, Orshimachi Branch, the Bank
Jun. 2018 Managing Director, the Bank (current position)

**Atsushi Shitoh**
Managing Director

Apr. 1985 Joined the Bank
Jun. 2005 Chief Secretary, the Bank
Jun. 2008 General Manager, Fukushima Branch, the Bank
Jun. 2010 General Manager, Izumi Branch, the Bank
Jun. 2012 General Manager, Treasury Administration & International Div., the Bank
Jun. 2014 Executive Officer and General Manager, Tokyo Branch, the Bank
Jun. 2016 General Manager, Head Office Business Div., the Bank
Jun. 2018 Managing Director and General Manager, Head Office Business Div., the Bank
Jun. 2019 Managing Director, the Bank (current position)

**Yoshikazu Onodera**
Managing Director

Apr. 1985 Joined the Bank
Sep. 2007 General Manager, Hachimanmachi Branch, the Bank
Mar. 2009 General Manager, Yoshioka Branch, the Bank
Jun. 2011 General Manager, Operations Management Div., the Bank
Jun. 2013 General Manager, General Planning & Coordination Div., the Bank
Jun. 2014 Executive Officer and General Manager, General Planning & Coordination Div., the Bank
Jun. 2016 Director, Executive Officer and General Manager, Ishinomaki Branch and Minato Branch, the Bank
Jun. 2018 Managing Director, the Bank (current position)

**Takuji Tabata**
Managing Director

Apr. 1986 Joined the Bank
Sep. 2007 General Manager, Koriyama Branch, the Bank
Jun. 2009 General Manager, Tokyo Liaison Office, the Bank
Jun. 2012 General Manager, Treasury Div., the Bank
Jun. 2015 General Manager, Credit Supervision Div., the Bank
Jun. 2016 Executive Officer and General Manager, Credit Supervision Div., the Bank
Jun. 2018 Senior Executive Officer and General Manager, Credit Supervision Div., the Bank
Jun. 2019 Managing Director, the Bank (current position)

**Masahiro Sugita**
Outside Director

Apr. 1967 Joined the Bank of Japan
May 1996 General Manager, International Dept., the Bank of Japan
Jun. 1998 Director, Research Institute of Overseas Investment, the Export-Import Bank of Japan
Sep. 1999 Auditor, the Bank of Japan
Dec. 2003 Standing Audit & Supervisory Board Member, Banyu Pharmaceutical Co., Ltd. (currently MSD K.K.)
Jun. 2006 Director, Horiba, Ltd. (current position)
Jun. 2007 Audit & Supervisory Board Member, the Bank
Oct. 2009 Standing Audit & Supervisory Board Member, Banyu Pharmaceutical Co., Ltd. (currently MSD K.K.)
Jun. 2013 Director, the Bank (current position)

**Ken Nakamura**
Outside Director

Apr. 1974 Registered as Attorney-at-Law (Sendai Bar Association)
Sep. 1977 Opened Nakamura Ken Law Office (current position)
Jun. 1996 Audit & Supervisory Board Member, KOHSOKU CORPORATION
Nov. 2004 Audit & Supervisory Board Member, HOKUSHU Co., Ltd. (current position)
Jun. 2007 Audit & Supervisory Board Member, the Bank
Jun. 2013 Director, KOHSOKU CORPORATION
Jun. 2015 Director, the Bank (current position)
Jun. 2016 Director (Audit & Supervisory Committee Member), KOHSOKU CORPORATION (current position)

**Emiko Okuyama**
Outside Director

Apr. 1975 Joined the Sendai City Government
Aug. 2009 Mayor, Sendai City
Jun. 2018 Director, the Bank (current position)

**Yoshiaki Nagayama**
Director, Audit & Supervisory Committee Member

Apr. 1971 Joined the Bank
Jun. 1993 General Manager, New York Branch, the Bank
Jun. 1995 General Manager, International Div., the Bank
Jun. 1997 Director and General Manager, Business Promotion Div., the Bank
Apr. 2001 Director and General Manager, General Planning & Coordination Div., the Bank
Jun. 2003 Managing Director, the Bank
Nov. 2003 Managing Director and General Manager, International Div., the Bank
Jun. 2004 Managing Director, the Bank
Jun. 2006 Senior Managing Director, the Bank
Jun. 2008 Representative Director and Senior Managing Director, the Bank
Jun. 2010 Representative Director and Deputy President, the Bank
Jun. 2017 Director, Audit & Supervisory Committee Member, the Bank (current position)

**Mitsuo Chubachi**
Director, Audit & Supervisory Committee Member

Apr. 1985 Joined the Bank
Mar. 2011 General Manager, Nihonbashi Branch, the Bank
Jun. 2013 General Manager, Risk Management Div., the Bank
Jun. 2015 Audit & Supervisory Board Member, MIYAGI SYOJI Co., Ltd.
Jul. 2016 Director and General Manager, Administration Div., 77 Securities Co., Ltd.
Jun. 2019 Director, Audit & Supervisory Committee Member, the Bank (current position)

**Toshio Suzuki**
Director, Audit & Supervisory Committee Member (Outside Director)

Apr. 1970 Joined Tohoku Electric Power Co., Inc.
Jun. 2001 Deputy Director and General Manager, Human Resources Division, Tohoku Electric Power Co., Inc.
Jun. 2005 Director and General Manager, Human Resources Division, Tohoku Electric Power Co., Inc.
Jun. 2006 Director and General Manager, Miyagi Branch, Tohoku Electric Power Co., Inc.
Jun. 2007 Senior Executive Officer and General Manager, Miyagi Branch, Tohoku Electric Power Co., Inc.
Jun. 2009 Standing Statutory Auditor, Tohoku Electric Power Co., Inc.
Jun. 2010 Corporate Auditor, The Daishi Bank, Ltd.
Jun. 2013 Audit & Supervisory Board Member, the Bank
Jun. 2013 Chairman and Representative Director, Tohoku Intelligent Telecommunication Co., Inc.
Jun. 2015 Advisor, Tohoku Intelligent Telecommunication Co., Inc.
Jun. 2017 Director, Audit & Supervisory Committee Member, the Bank (current position)

**Masai Yamaura**
Director, Audit & Supervisory Committee Member (Outside Director)

Oct. 1973 Joined the Sendai City Government
Sep. 2005 Vice Mayor, Sendai City
Apr. 2006 Chief Director, Sendai Green Association
Jun. 2007 President and Representative Director, Sendai Software Center Co., Ltd.
Jun. 2008 Auditor, Sendai Meat Wholesale Market Co., Ltd. (current position)
Apr. 2014 Chairman, Sendai Council of Social Welfare (current position)
Jun. 2015 Audit & Supervisory Board Member, the Bank
Jun. 2017 Director, Audit & Supervisory Committee Member, the Bank (current position)

**Masahiro Wako**
Director, Audit & Supervisory Committee Member (Outside Director)

Apr. 1975 Joined the Miyagi Prefectural Government
Jul. 2010 Vice Governor, Miyagi Prefecture
Jun. 2017 President and Representative Director, TECHNO PLAZA Miyagi, Inc.
Jun. 2017 President, Miyagi Organization for Industry Promotion (current position)
Jun. 2017 Director, Audit & Supervisory Committee Member, the Bank (current position)

**Yoko Ushio**
Director, Audit & Supervisory Committee Member (Outside Director)

May 2001 Senior Managing Director and General Manager, Fujisaki Comfortable Lifestyle Research Institute Co., Ltd.
May 2003 Director, Department Store Fujisaki Co., Ltd.
Jan. 2011 Advisory Fellow, Tohoku Regional Advancement Center
Apr. 2012 Fellow, Tohoku Regional Advancement Center (current position)
Apr. 2016 Auditor, Tohoku University (current position)
Jun. 2019 Director, Audit & Supervisory Committee Member, the Bank (current position)

Senior Executive Officers

General Manager, Audit & Inspection Division **Kenji Kikuchi**
General Manager, Orshimachi Branch **Yoshiki Nakajima**
General Manager, Head Office Business Division, and Saito no Tsuji Branch **Atsushi Kobayashi**

Executive Officers

General Manager, Tokyo Branch **Masanori Muranushi**
General Manager, Business Promotion Division **Yoshihiro Endo**
General Manager, Personnel Division **Naoshi Aoyagi**
General Manager, Compliance Management Division **Kazuhito Chida**
General Manager, Ishinomaki Branch and Minato Branch **Shuichi Ibuka**
General Manager, Treasury Division **Hirokimi Fukushi**

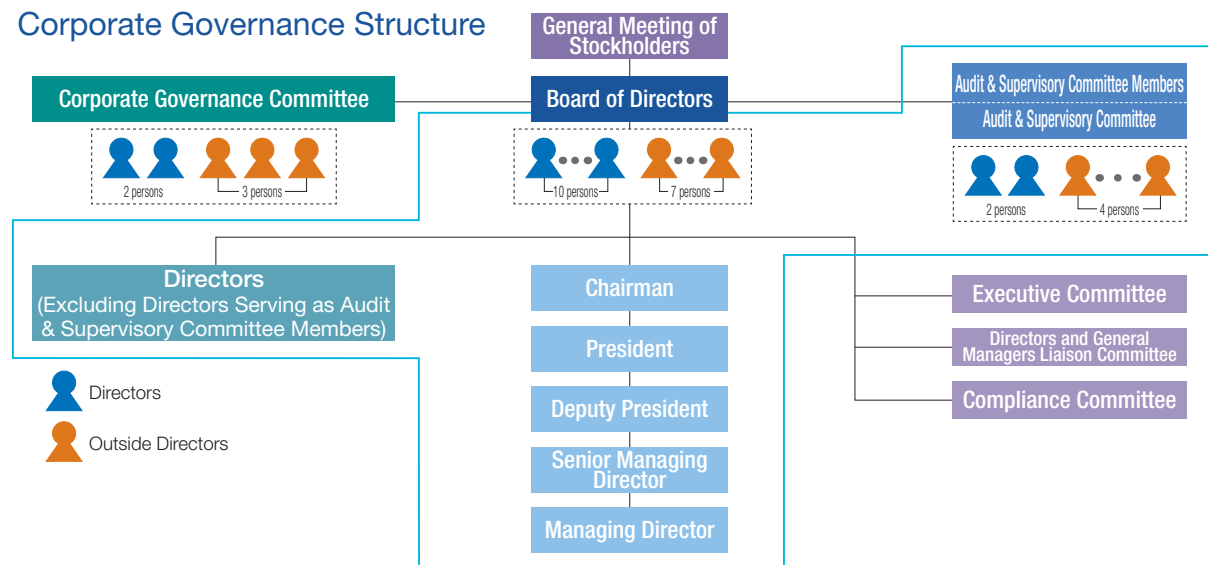
Corporate Governance Initiatives

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 mission 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



Main members by organization

Title	Name	Board of Directors	Executive Committee	Corporate Governance Committee	Audit & Supervisory Committee	Compliance Committee
(Representative Director) Chairman	Teruhiko Ujicie	○ (Chairperson)	○	○		
(Representative Director) President	Hidefumi Kobayashi	○	○ (Chairperson)	○		○ (Chairperson)
(Representative Director) Senior Managing Director	Makoto Igarashi	○	○			○
Managing Director	Toru Sugawara	○	○			○
Managing Director	Koichi Suzuki	○	○			○
Managing Director	Atsushi Shitoh	○	○			○
Managing Director	Yoshikazu Onodera	○	○			○
Managing Director	Takuji Tabata	○	○			○
Director	Masahiro Sugita	○		○ (Chairperson)		
Director	Ken Nakamura	○		○		
Director	Emiko Okuyama	○		○		
Director, Audit & Supervisory Committee Member	Yoshiaki Nagayama	○	△ (Note 3)		○ (Chairperson)	△ (Note 3)
Director, Audit & Supervisory Committee Member	Mitsuo Chubachi	○	△ (Note 3)		○	△ (Note 3)
Director, Audit & Supervisory Committee Member	Toshio Suzuki	○			○	
Director, Audit & Supervisory Committee Member	Masai Yamaura	○			○	
Director, Audit & Supervisory Committee Member	Masahiro Wako	○			○	
Director, Audit & Supervisory Committee Member	Yoko Ushio	○			○	
Other members			General Manager of General Planning & Coordination Division			General Manager of General Planning & Coordination Division, General Manager of Compliance Management Division, General Manager of Audit & Inspection Division

*1 A Deputy President has not been appointed.

*2 Directors Masahiro Sugita, Ken Nakamura, Emiko Okuyama, Toshio Suzuki, Masai Yamaura, Masahiro Wako, and Yoko Ushio are Outside Directors prescribed in Article 2, Item 15 of the Companies Act.

*3 Standing Directors who are Audit & Supervisory Committee Members attend the Executive Committee and Compliance Committee, and state their opinions as necessary.

*4 The Chairperson of the Audit & Supervisory Committee observes the Corporate Governance Committee.

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 of Directors, and the Corporate Governance Policy which states the basic stance toward corporate governance and the action policy for the Bank was established.

Discussion items for the Corporate Governance Committee

Necessary items from the perspective of enhancing the corporate governance function are discussed and reported to the Board of Directors.

- Nomination of Director candidates
- Appointment/dismissal of Representative Directors
- Compensation, etc. for Directors (excluding Directors who are Audit & Supervisory Committee Members)
- Disciplinary actions on Directors and Executive Officers
- Analysis and evaluation of the effectiveness of the Board of Directors, etc.

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%.

Ratio of Outside Directors:

41.1%

Ratio of Female Directors:

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



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)

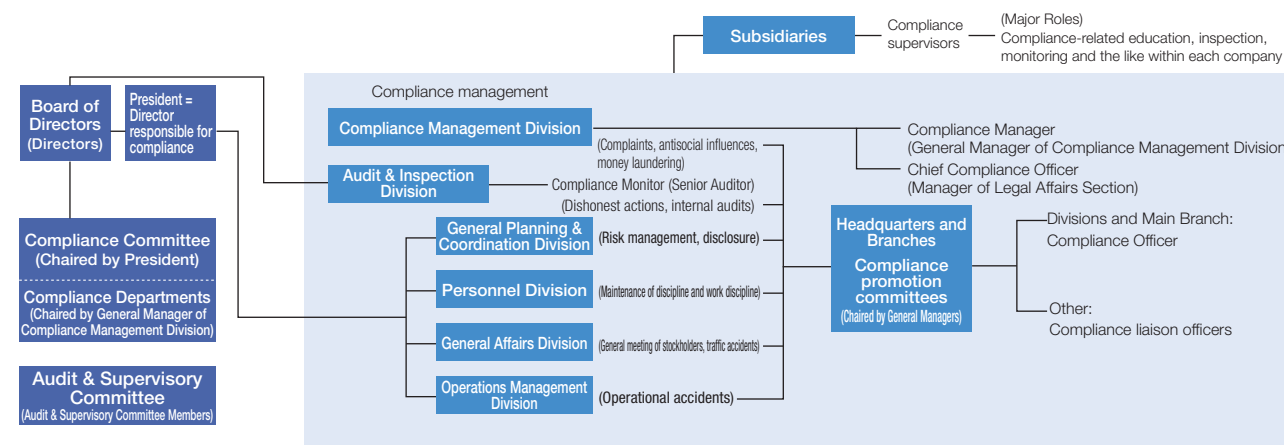
[Basic Direction]

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 not neglect to provide reports required by laws, ordinances, and internal rules of the Bank, or provide false reports.
5. We recognize the public nature and the large social responsibility of the Bank and will devote ourselves to our duties.
6. We will not follow instructions or orders given by an individual that go beyond or deviate from the authorities given to said individual.
7. We will not engage in such conduct as will undermine the credibility or honor of the Bank.
8. We will not do favors for our customers in violation of law, ordinances, or internal rules of the Bank.
9. We will not seek to make unfair profits by taking advantage of our duties or position.
10. We will not borrow from or mediate for someone to borrow from our customers, other executives, or other employees without legitimate reason.
11. We will not engage in socially unacceptable entertaining or gift giving.
12. We will make efforts to maintain order in the workplace.

Compliance structure



Note: Compliance officers and compliance liaisons maintain their independence in the performance of their duties related to compliance and do not follow the instructions of higher-ranking individuals.

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.

Scan the QR code to read the Basic Policy Concerning Responses to Antisocial Forces.
* Japanese Language only



Newly established

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.

Scan the QR code to read the 77 Bank Money Laundering Prevention Policy.
* Japanese Language only



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.

Scan the QR code to read the Policy for Management of Conflicts of Interest.
* Japanese Language only



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.

Scan the QR code to read the Privacy Policy.
* Japanese Language only



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.

Scan the QR code to read the Solicitation Policy.
* Japanese Language only



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.

Scan the QR code to read the Financial Facilitation Promotion Policy.
* Japanese Language only



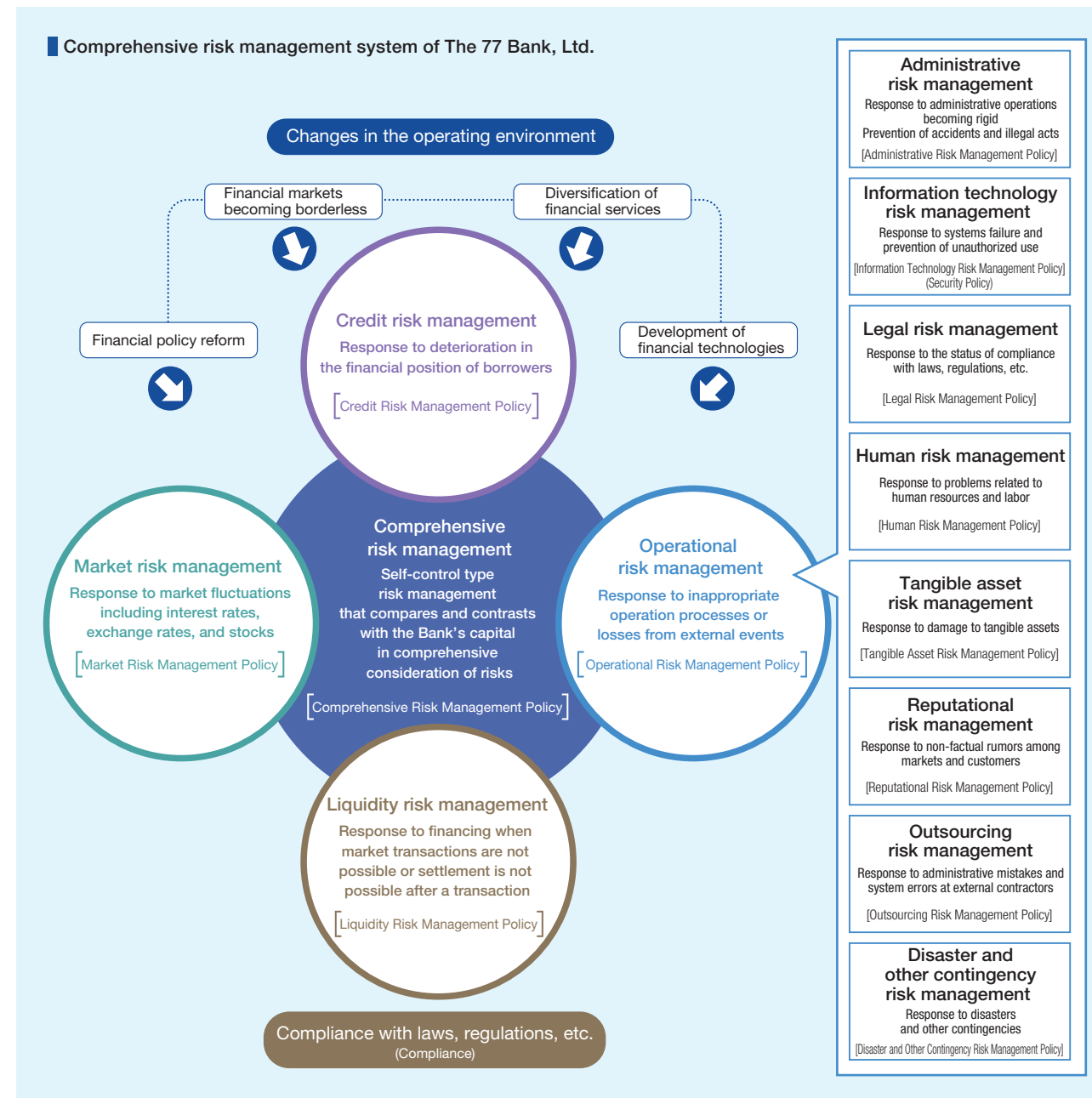
Risk Management System

Strengthening of comprehensive risk management system

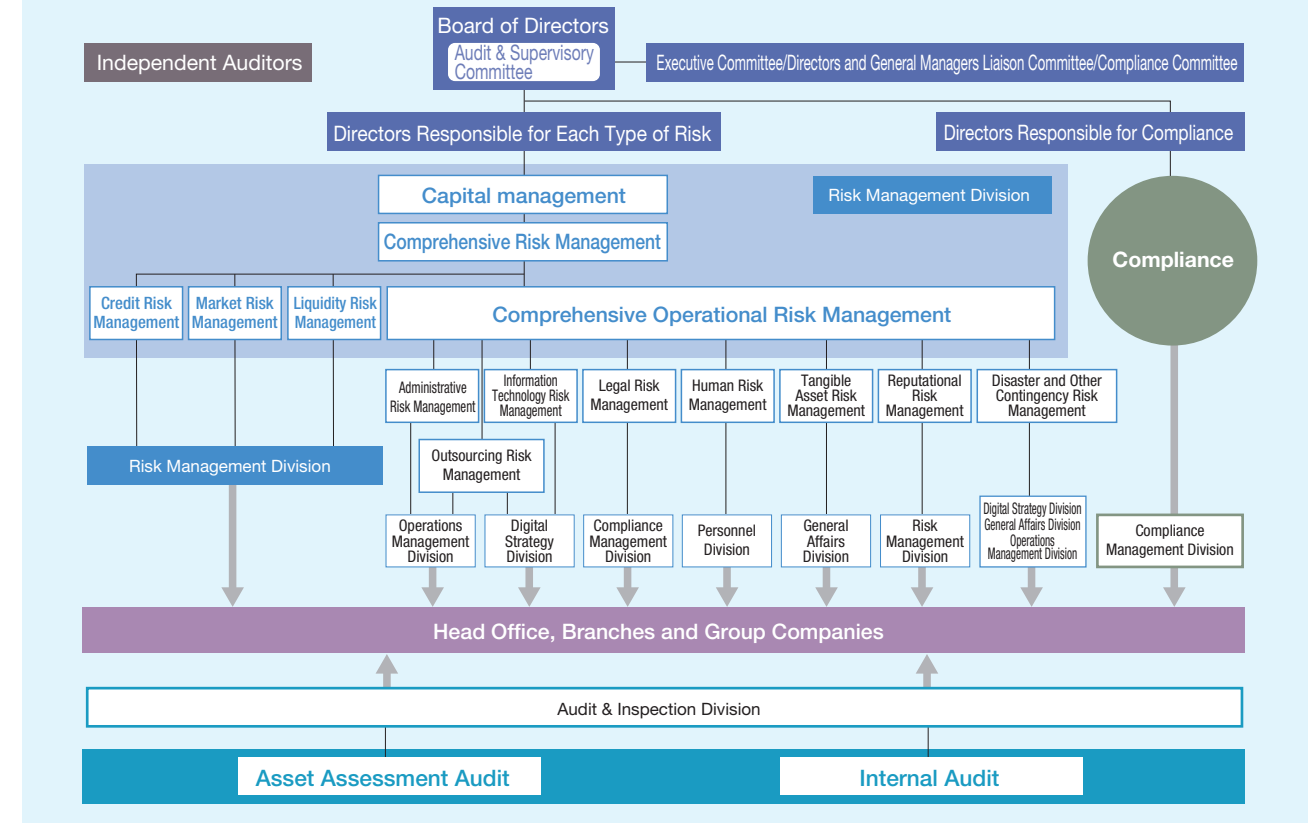
The operating environment surrounding financial institutions has significantly changed in recent years, exposing them to an unprecedented variety of risks. In this environment, financial institutions are required more than ever before to accurately identify, analyze and appropriately control risks.

From the viewpoint of increasing the soundness of management, the risks the Bank faces are assessed by category, and comprehensive risk management systems are established for self-control type risk management through comprehensive assessment, and by comparison and contrast with the Bank's capital. At the same time, efforts are being made to improve risk management methods through means such as the enhancement of risk measurement techniques.

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 represent 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.



The 77 Bank's risk management system



Risk management departments and roles

Classification	Responsible department	Roles
Comprehensive risk management	Risk Management Division	Comprehensive management of each risk
Credit risk	Risk Management Division	In addition to understanding management methods for each risk and developing regulations for appropriate risk management, verifies whether operations are being conducted in accordance with management principles and regulations, etc. and revises methods, etc. as necessary.
Market risk	Risk Management Division	
Liquidity risk	Risk Management Division	
Comprehensive operational risk management	Risk Management Division	
Administrative risk	Operations Management Division	
Information technology risk	Digital Strategy Division	
Legal risk	Compliance Management Division	
Human risk	Personnel Division	
Tangible asset risk	General Affairs Division	
Reputational risk	Risk Management Division	
Outsourcing risk	Digital Strategy Division, Operations Management Division	
Disaster and other contingency risk	Digital Strategy Division, General Affairs Division, Operations Management Division	

Verification of the risk management system by the Audit & Inspection Division

The Audit & Inspection Division is the auditing unit for internal processes and asset status, and is independent of all business units. This division audits branches, Headquarters and Group companies through comprehensive audits focusing on the verification of internal management systems (financial facilitation, compliance, customer protection, governance and management, and risk management systems) and physical inspections with the primary aim of preventing illegality.

Responding 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 developed 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 finance 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

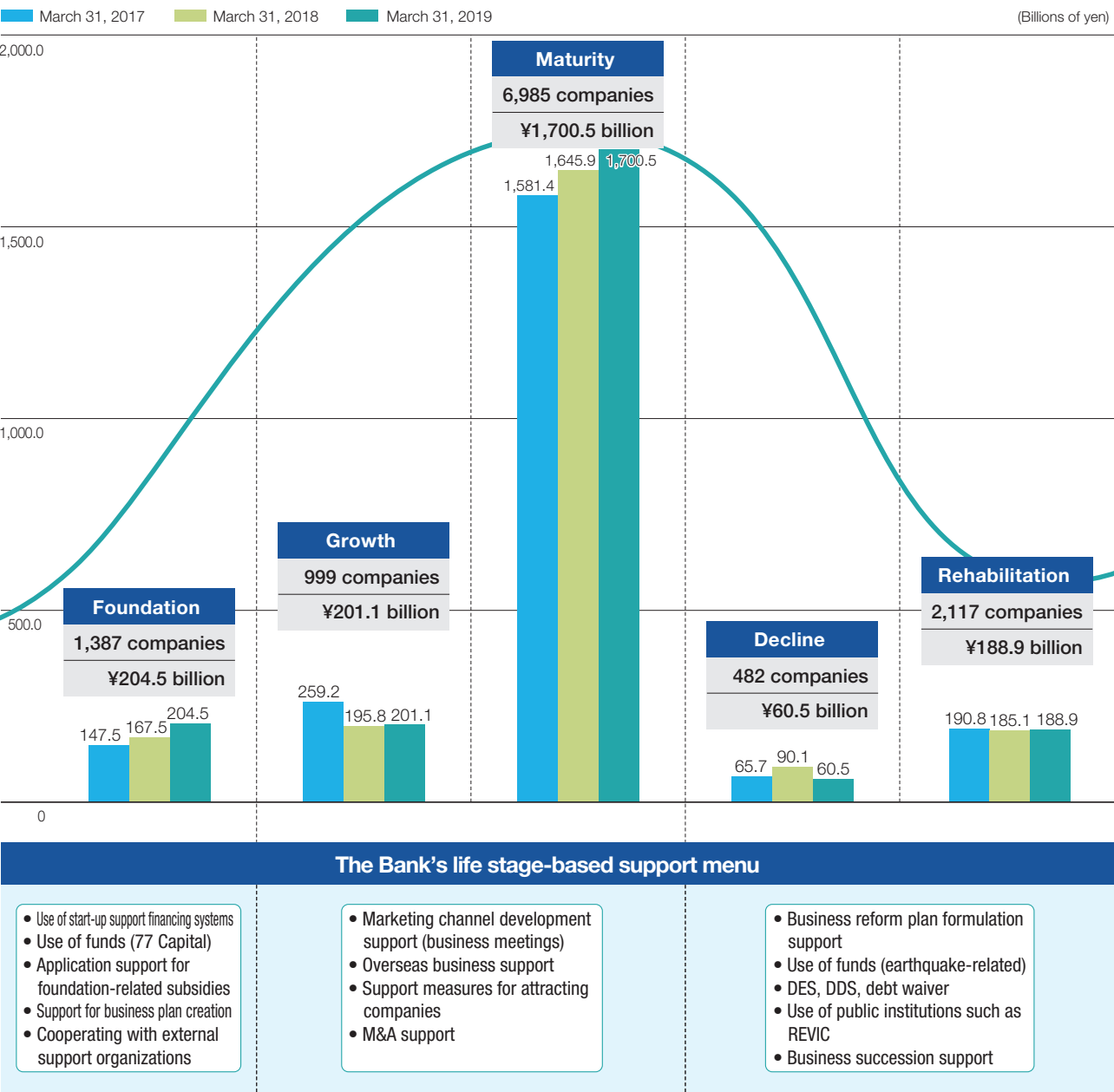
As a financial institution that works together with the region, the Bank aims for reconstruction from the Great East Japan Earthquake and has proactively supported clients who have been affected by the earthquake through means such as changes to loan conditions, and provided financial services and performed 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	Loan balance of borrowers
19,850 companies (as of March 31, 2019)	¥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. (7,880 companies / loan balance of ¥513.9 billion).

Number of borrowers and loan balance by life stage (Number of borrowers: non-consolidated basis)
* Non-consolidated basis: Companies within a group are recorded as one company



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.

Progress of business reform for SMEs that have changed loan terms (Companies)

Total number of condition changes				
948	Good progress	Steady progress	Unfavorable progress	Clients without a plan
	29	246	97	576

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

Number of clients with highly feasible drastic business improvement plans		
96	Number of clients that have achieved plans	Number of clients that have not yet achieved plans
	91	5

Number of secondees accepted for core business support for clients (People)

FY2019
13

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

FY2017	FY2018	FY2019
8	11	11

Number of users of SME Business Rehabilitation Support Co-operative (Companies)

FY2017	FY2018	FY2019
25	25	21

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

Use of funds

FY2019
10 cases

The Bank's main investee funds

Name	Size	Establishment	Investors
Great East Japan Earthquake SME Reconstruction Support Fund	¥8.8 billion	January 31, 2012	Unlimited liability partner (operator): Daiwa Corporate Investment Co., Ltd. Limited liability partners: The Bank, Organization for Small & Medium Enterprises and Regional Innovation, JAPAN, etc.
Miyagi Reconstruction and Regional Revitalization Support Fund	¥5.0 billion	December 8, 2014	Unlimited liability partner (operator): Tohoku Reconstruction Partners Limited liability partners: The Bank, Development Bank of Japan, Regional Economy Vitalization Corporation of Japan
THVP-1 Fund	¥9.68 billion	August 31, 2015	Unlimited liability partner (operator): TOHOKU University Venture Partners Co., Ltd. Limited liability partners: The Bank, Tohoku University, etc.
77 New Business Fund	¥1.0 billion	August 19, 2016	Unlimited liability partner (operator): 77 Capital Co., Ltd. Limited liability partner: The Bank
Miyagi Regional Value Co-creation Fund	¥3.0 billion	September 28, 2018	Unlimited liability partner (operator): DBJ Regional Investment Co., Ltd. (wholly owned subsidiary of Development Bank of Japan) Limited liability partners: The Bank, Development Bank of Japan
77 Strategic Investment Fund	¥2.0 billion	March 25, 2019	Unlimited liability partner (operator): 77 Capital Co., Ltd. Limited liability partner: The Bank

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) (Cases)

Number of start-up support projects				
864	Start-up plan formulation support	Financing clients in the start-up stage	Introduction of government-affiliated financial institutions and start-up support organizations	Subsidies, financing, and investment in venture companies
	17	775	47	25

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 balance, and ratio of the above to all borrowers and the loan balance (Number of borrowers: non-consolidated basis)

	Number of borrowers	Loan balance
Number of borrowers financed based on business evaluations and their loan balance (1)	4,978 companies	¥715.5 billion
Total number of borrowers and the loan balance (2)	19,850 companies	¥2,869.4 billion
(1)/(2)	25.1%	24.9%

Number of clients using Guidelines for Personal Guarantee Provided by Business Owners Management Guarantees and percentage of all borrowers (Companies)

Total number of borrowers (1)		
19,850	Of which, clients using Guidelines (2)	(2)/(1)
	3,651	18.4%

Number of unsecured borrowers and percentage of unsecured finance among local SME borrowers (Number of borrowers: non-consolidated basis) (Companies)

Total number of regional SME borrowers (1)		
16,235	Of which, unsecured borrowers (2)	(2)/(1)
	9,155	56.4%

(Billions of yen)

Loan balance for regional SMEs (3)		
1,188.4	Of which, unsecured loan balance (4)	(4)/(3)
	290.2	24.4%

Percentage of borrowers that revolving mortgage has not been set for among local SME borrowers (Number of borrowers: non-consolidated basis) (Companies)

Total number of regional SME borrowers (1)		
16,235	Of which, borrowers that revolving mortgage has not been set for (2)	(2)/(1)
	12,805	78.9%

Percentage of finance amount with a guarantee from a credit guarantee association and percentage of financing with a 100% guarantee among local SME financing (Billions of yen)

Loan balance for SMEs		
1,803.2	Of which, finance amount with a guarantee from a credit guarantee association	
	101.9 (5.7%)	Finance amount with a 100% guarantee 37.4 (2.1%)

Loan balance of clients who are proposed with solutions and percentage of loan balance of all clients (Companies)

All clients (1)		
18,729	Of which, clients who are proposed with solutions (2)	(2)/(1)
	6,850	36.6%

(Billions of yen)

Loan balance of all clients (3)		
2,869.4	Of which, loan balance of solution proposal clients (4)	(4)/(3)
	899.2	31.3%

Number of clients provided with support measures for attracting companies to the local region (Cases)

FY2017	FY2018	FY2019
46	64	65

Number of business succession support clients (Companies)

FY2017	FY2018	FY2019
174	367	404

Number of M&A support clients (Companies)

	FY2017	FY2018	FY2019
Advisory contract clients	10	15	23

Clients assisted with sales channel development (by local, non-local, overseas) (Companies)

	FY2017	FY2018	FY2019
Local	983	1,578	1,160
Non-local	106	173	126
Overseas	13	16	18
Total	1,102	1,767	1,304

* Counted as "local" if both are local companies, "overseas" if one is an overseas company, and "non-local" in other cases

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 be a bank that continues 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) (Companies)

	FY2019		
	Local	Non-local	
	Miyagi Prefecture	Non-local in the Tohoku Region	Other
Total number of clients	28,001		
Number of clients by region	23,625	4,376	
	23,625	2,758	1,618

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) (Companies)

FY2019	
Number of clients for which the Bank is the main bank (1)	8,407
Total number of clients (2)	28,001
(1)/(2)	30.0%

Among clients for which the Bank is the main bank (top in loan balance), clients for which improvements were seen in management indices (sales, operating income ratio, labor productivity, etc.) or an increase in the number of employees (Number of clients: group basis) (Companies/Billions of yen)

FY2019	
Number of clients for which the Bank is the main bank	7,391
Loan balance of above	966.5
Clients that improved management indicators, etc.	5,767

* Group basis: Multiple companies within a group are recorded as one company

Loan balance at the end of the fiscal year for the last three years of customers that improved management indicators, etc. (Billions of yen)

FY2017	FY2018	FY2019
755.4	799.9	798.1

Number of implemented training sessions on core business support for clients, number of participants, and number of people acquiring qualification

Number of training sessions	Number of participants	Number of people acquiring qualification
27 times	1,231 people	73 people

* The number of people acquiring qualifications is the total number of small and medium enterprise management consultants, personal property appraisal advisors, agricultural, and fishery industry management advisors

Reference

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

Clients	Borrowers who are corporate clients and individual business owners (including clients without a loan balance), and customers that have received various forms of support, including solution proposals	Highly feasible drastic business improvement plans	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
Borrowers	Includes clients without a loan balance, such as clients with only a credit line or guarantees	DES/DDS	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 (DES) and subordination (DDS) to facilitate business reforms DES: Method in which a financial institution swaps existing debt to equity DDS: Method in which a financial institution swaps existing debt to a subordinated loan with a lower repayment order than general creditors (Example of DDS) <div><div>Assets</div><div>Operating liabilities</div><div>Excess of liabilities</div><div>Borrowings</div><div>DDS</div><div>[Before implementation]</div><div>Assets</div><div>Operating liabilities</div><div>Excess of liabilities</div><div>Borrowings</div><div>DDS</div><div>[After implementation]</div></div>
Main borrowers	Borrowers whose highest loan balance is with the Bank among loan balances at time of financial closing of the customer		
Life stages	(1) Foundation: Up to 5 years from initial or secondary business launch (2) Growth: Average net sales for the past 2 years is over 120% of that for the past 5 years (3) Maturity: Average net sales for the past 2 years is 80% to 120% of that for the past 5 years (4) Decline: Average net sales for the past 2 years is less than 80% of that for the past 5 years (5) Rehabilitation: Period during which there have been loan condition changes or delinquency		
Secondary business launch	(1) When the successor of a client company with existing business starts a new business (2) When a manager that has transferred (succeeded) an existing business starts a new business (3) When a company changes industries and rebuilds itself through fundamental corporate rehabilitation		
Progress of business reform plans	Classified based on achievement of sales against the plan (1) Good: Achievement of over 120% (2) Steady: Achievement of 80% to 120% (3) Unfavorable: Achievement of less than 80%	Guarantee agreement with stopping conditions	Guarantee agreement which holds back the occurrence of guarantee obligations, in which guarantee obligations occur if matters that have been pledged are violated

Initiatives for Operations that Put Customers First

The 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 complied with by executives and employees, and it is available on the website of the Bank and 77 Securities Co., Ltd.

The 77 Basic Policy on Operations that Put Customers First

The 77 Bank Group (*) has established the 77 Basic Policy on Operations that Put Customers First as follows to achieve operations that put customers first when providing financial services that contribute to asset building and management by customers.

1. Provision of services that are appropriate for customers
2. Provision of information that is easy-to-understand for customers
3. Appropriate management of conflicts of interest
4. Strengthening of structures and raising awareness inside the Bank and internally
5. Periodic announcement of the status of initiatives

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

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



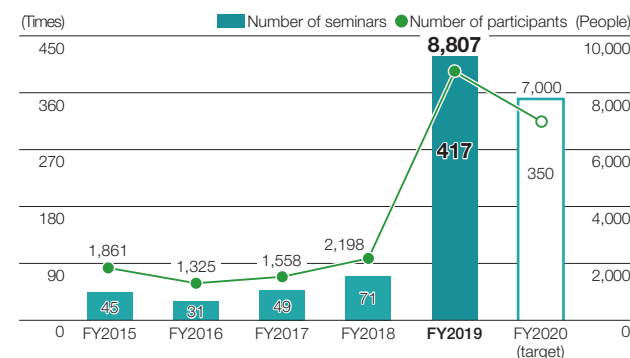
* Japanese Language only

Measures of The 77 Bank

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

1. Provision of information that is easy-to-understand for customers
 - The Bank regularly holds seminars for customers in order to provide information on asset management that is easy-to-understand for customers.
 - Going forward, we will continue to provide useful information to customers.

Number of seminars held for customers and number of participants

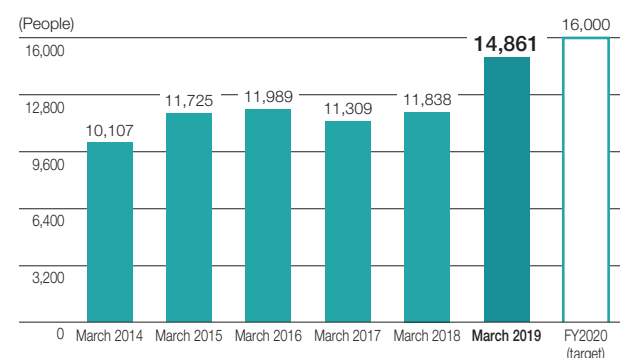


2. Provision of services that are appropriate for customers

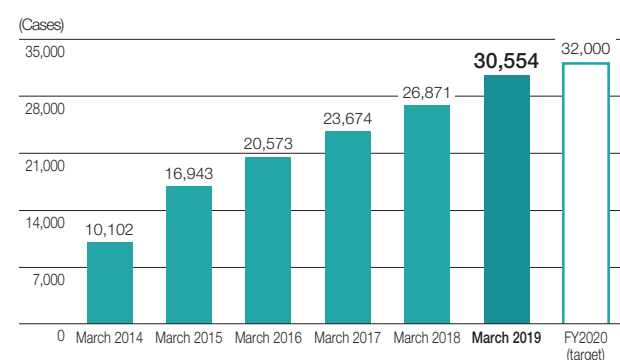
Consulting from a customer perspective

- We create, select, sell and make recommendations regarding financial products and services that are appropriate for customers according to customer asset status, trading experience, knowledge, trading objectives and needs.
- In particular, we actively propose the 77 Savings Investment Trust and tax-exempt accounts such as NISA, which are useful for asset formation by customers.

Number of 77 Savings Investment Trust contract holders



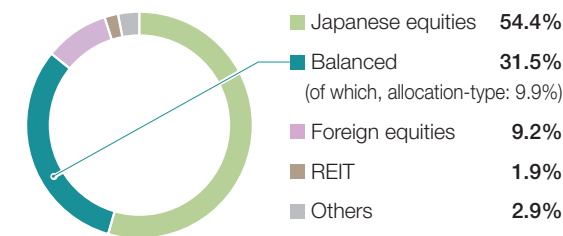
Number of tax-exempt accounts (NISA, etc.) opened



Promotion of stable asset formation

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

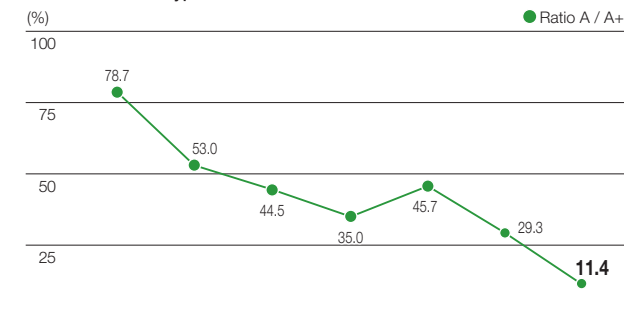
Portfolio of sales amount for balanced fund-type investment trusts



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.

Comparison of ratio of sales amount for monthly settlement-type investment trusts and other types of investment trusts to total investment trusts sales

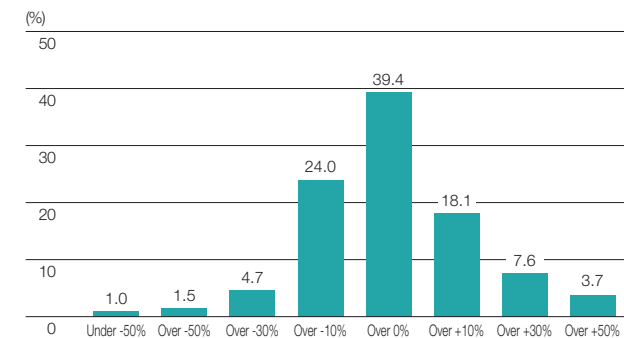


A: Monthly settlement-type

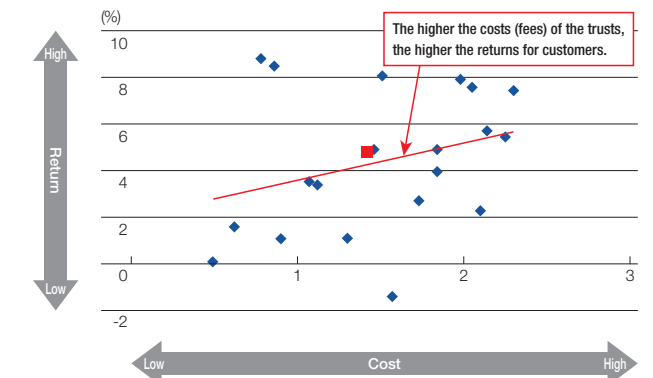
B: Non-monthly settlement-type

- In terms of the percentage of customers by gains (losses) on investments held in investment trusts as of March 31, 2019, approximately 70% of customers have made gains on investments.
- The top 20 investment trusts, in terms of deposit balance, consist mainly of investment trusts that generate returns on a low cost and have a good risk-return balance.

Percentage of customers by gains (losses) from investment trusts (common KPI)



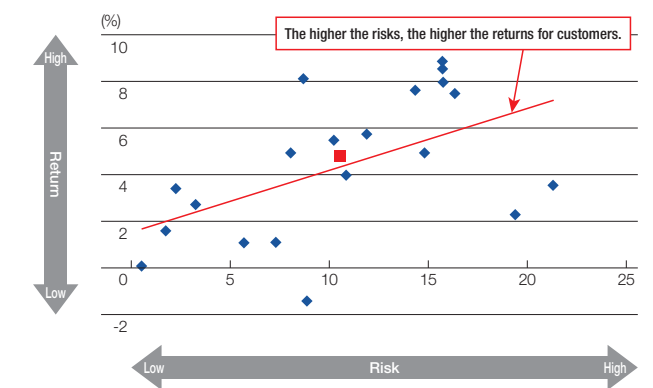
Costs and returns for the top 20 investment trusts in terms of deposit balance (common KPI)



* Cost: Total of 1/5 of the upper limit on the Bank's investment trust commission rate and the trust fee rate

* Return: Total return over the past five years (annualized)

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



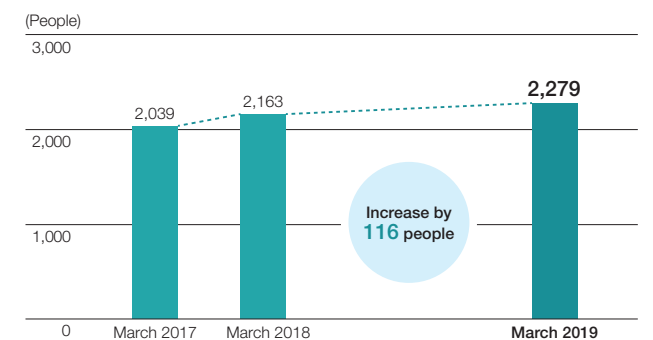
* Risk: Standard deviation of monthly returns over the past five years (annualized)

* Return: Total return over the past five years (annualized)

3. Strengthening of structures and raising awareness inside the Bank

- We have established a branch performance evaluation system that evaluates actions that meet the needs and interests of customers, and such actions are appropriately reflected in the evaluation of employees and personnel.
- The Bank promotes the acquisition of qualifications such as 1st grade Certified Financial Planner and CFP from the perspective of appropriate asset management proposals.

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

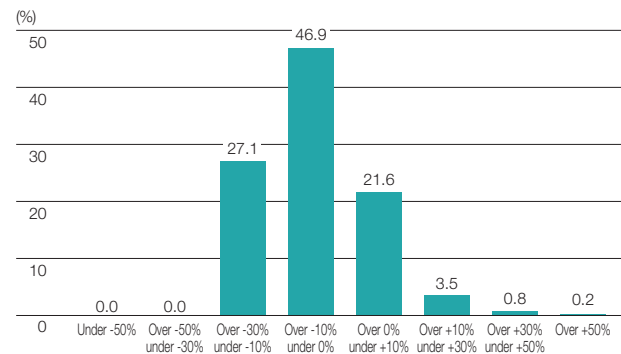


Measures of 77 Securities

■ Common KPIs that are comparable with investment trust sales companies

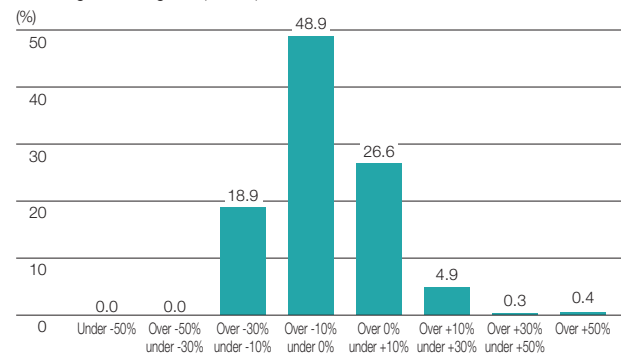
1. Percentage of customers by gains (losses) from investment trusts

- For customers holding investment trusts, the cumulative gains (losses) from investment trusts (after deduction of commissions), from the time of purchase held as of the base date, is calculated, and the percentage of customers by gains (losses) from investment trusts is presented.
- This indicator can be used to visualize the distribution of gains (losses) since the time of purchase, for investment trusts held by individual customers.
- The performance of investment trusts is positive for 26.1% of customers. In addition, as a point of reference, the percentage of customers by gains (losses) from investment trusts including realized gains and losses at the time of sale (voluntary KPI), is positive for 32.2% of customers.
- The percentage of customers with results of “Over -10% under 0%” is the highest. This could be the result of factors including a short investment trust holding period for customers due to the company having entered into business relatively recently, the negative impact equivalent to purchase commissions, and market volatility. To support the asset management of customers going forward, we will endeavor to introduce products and provide information suitable for long-term, diversified investment.



* The percentage of individual customers that held investment trusts as of March 31, 2019.
* The denominator in the calculation is the market valuation.

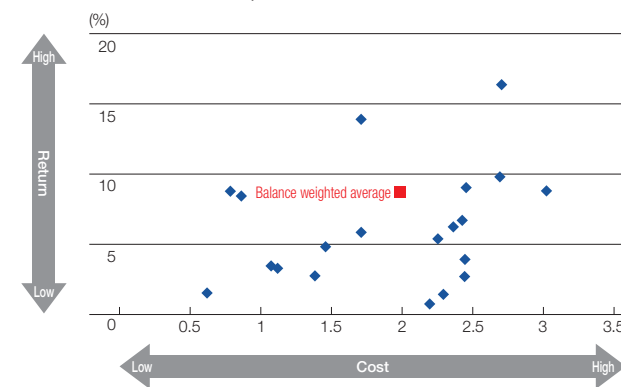
(Reference) Percentage of customers by gains (losses) from investment trusts including realized gains (losses) due to the sale, etc. of investment trusts



* The percentage of individual customers that held investment trusts as of March 31, 2019 or had transactions during FY2019.
* The denominator in the calculation is the investment amount.

2. Costs and returns for the top 20 investment trusts in terms of deposit balance

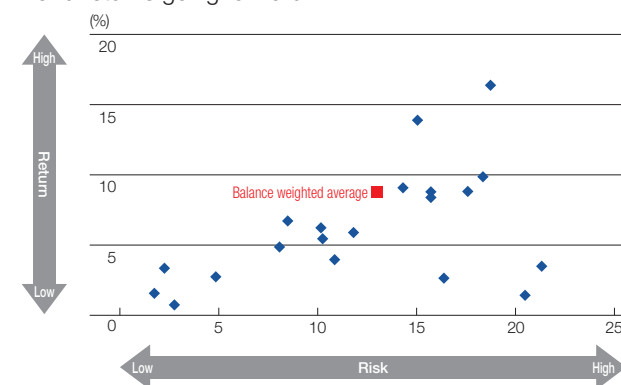
- The relationship between the costs and returns for each trust and the balance weighted average is presented for the top 20 investment trusts, in terms of deposit balance (based on March 31, 2019), with at least five years since trust establishment.
- This indicator can be used to see how many products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



* Cost: The total of 1/5 (annualized) of upper limit on sales commissions (including tax) and the trust fee
* Return: Total return over the past five years (annualized)

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.



* Risk: Standard deviation of monthly returns over the past five years (annualized)
* Return: Total return over the past five years (annualized)

■ 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.

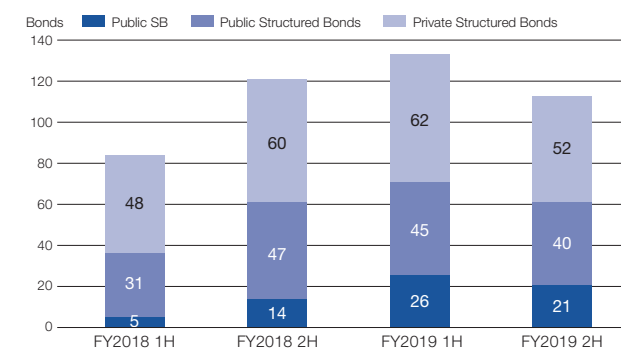
FY2019 first half				
(Millions of yen, %)				
No.	Name of product	Type of product	Sales amount	Sales ratio
1	Ichiyoshi Japan Growth Equity Fund (Alias: Amanogawa)	Domestic equities	893	32.8
2	Enterprise Value Growth Small Cap Stock Fund (Alias: Ganriki)	Domestic equities	389	14.3
3	netWIN Goldman Sachs Internet Strategy Fund (Course B, Unhedged)	Foreign equities	226	8.3
4	Nikkei 225 No-Load Open	Domestic equities	219	8.0
5	Daiva Global IoT-Related Equity Fund New Era of AI Currency Unhedged	Domestic/foreign equities	165	6.0
6	Hifumi Plus Fund	Domestic/foreign equities	133	4.9
7	Ichiyoshi Small-and Medium-Cap Growth Stock Fund (Alias: Asunaro)	Domestic equities	118	4.3
8	77 ESG Japanese Equities Open (Alias: Miyagi no Kizuna)	Domestic equities	105	3.8
9	Global AI Fund	Domestic/foreign equities	91	3.3
10	World Beauty Open (Currency Unhedged)	Domestic/foreign equities	48	1.8

FY2019 second half				
(Millions of yen, %)				
No.	Name of product	Type of product	Sales amount	Sales ratio
1	Cyber Security Equity Open (Currency Unhedged)	Domestic/foreign equities	330	16.1
2	Next Generation Connectivity Fund JPY Unhedged Class (Alias: THE 5G)	Domestic/foreign equities	293	14.3
3	Enterprise Value Growth Small Cap Stock Fund (Alias: Ganriki)	Domestic equities	272	13.3
4	Nomura Indian Bond Fund Semi-Annual Settlement	Foreign bonds	207	10.1
5	Nikkei 225 No-Load Open	Domestic equities	114	5.5
6	Goldman Sachs Bonds/Global Diversified Investment Strategy Fund 2019-02 (Alias: Prime One 2019-02)	Domestic/foreign balanced	93	4.5
7	Japan Inbound Open	Domestic balanced	72	3.5
8	Asset Trichotomy Fund (Real estate, Bond, Equity) Monthly Distribution Type	Domestic/foreign balanced	70	3.4
9	Goldman Sachs Bonds/Global Diversified Investment Strategy Fund 2019-02 (Alias: Prime One 2018-02)	Domestic/foreign balanced	61	3.0
10	Shinko Pure India Equity Fund	Foreign equities	48	2.3

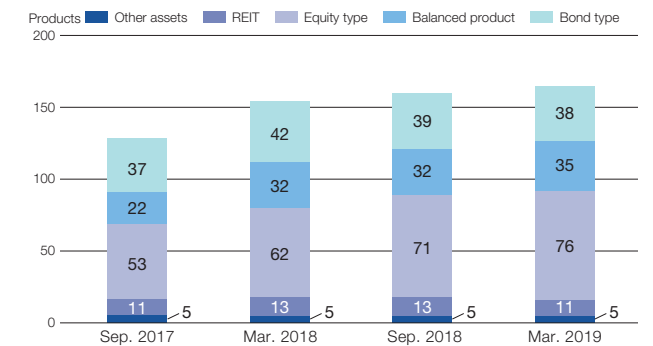
2. Reviewing and expanding the product lineup in consideration of the diversifying needs of customers

- 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 foreign bond issues



■ Number of investment trust products



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.

Item	Results (branches, participants)	
Holding of bank-brokerage workshops with The 77 Bank	FY2019 1H	18 branches
	FY2019 2H	42 branches
Holding of mutual fund seminars in cooperation with The 77 Bank	August 2018	69 people
	February 2019	145 people

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.

Item	Results (participants)
First anniversary seminar (April 2018)	143 people
Mutual fund seminar (July 2018)	54 people
New Year's seminar (January 2019)	110 people

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.

Applicable customers

Customers for whom both of the following two conditions apply

- ① Aged 70 or above
- ② Have not made a transfer with the Bank's cash card at an ATM for the past year

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

To prevent damage from counterfeit or stolen cash cards and stolen bankbooks, we have established a 24-hour system for customers to contact us regarding incidents such as loss or theft of cash cards.

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

Toll-free number

0120-77-1099 Available 24/7

Strengthening 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.

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 and to promptly detect and prevent the spread of damage from cybercrimes.

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 recurrence of incidents in cooperation with the Miyagi Prefectural Police
- ④ Proactive sharing of information useful for the prevention of cybercrimes

Supporting elderly customers and customers with disabilities

<Office facilities>

Installation of priority seats

Priority seats for use by elderly customers and customers with children that 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 COMUOON desktop-type interaction support system

In order to make customers including elderly customers feel comfortable using the Bank, we have installed the COMUOON 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 (*) and writing boards to confirm the purpose of bank visits and transactions.



Communication board

Guidance sign for people with hearing disabilities

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.

(Note) The communication board has been created by the Japanese Bankers Association and uses pictorial symbols to represent the major banking transactions and procedures.

Display of service dog welcome stickers

Service dogs for people with disabilities are welcome at our branches, and service dog welcome stickers are displayed at the entrance of each branch.



<Products and services>

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 for the notices that are provided 12 times per year (creation base date: last day of each month) on the monthly balance and transaction records for ordinary deposits and savings deposits.

IC cash cards with Braille

We issue IC cash cards with Braille characters stating the number 77 on the card surface in Braille so that customers who are visually impaired can recognize them as cash cards of the Bank.



Braille display

We will continue to walk together with the people of the region.

Basic Policy on Social Contribution Activities

We will achieve co-prosperity with the region and dedicate ourselves to serving the region by deepening interaction with regional society as a member of the local community and through our ongoing social contribution activities, including support for cultural and educational promotion as well as social welfare activities.

The 77 Bank's 6 themes in social contribution activities



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 ESG

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 stirring sound of the Japanese drums and the energy of the people pulling the Bank's "Shichifuku Odaiko 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.



Sendai Aoba Festival



Dontosai Festival

Responding to Environmental Issues ESG

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.

In addition, from April 2019, we started providing the 77 ESG Privately Placed Corporate Bond for companies that have formulated targets for ESG measures.

<Products for individual customers> [140th Anniversary Project]

We offer the Fidelity 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 ESG

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 Elem, 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 ESG

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 Itsuwa 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 750 people including children, students, and family members viewed a powerful musical performance and enjoyed introductions of the orchestral instruments and conductor experiences.



Promoting Sports ESG

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, activities 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 ESG

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.



Overview

Profile

(As of March 31, 2019)

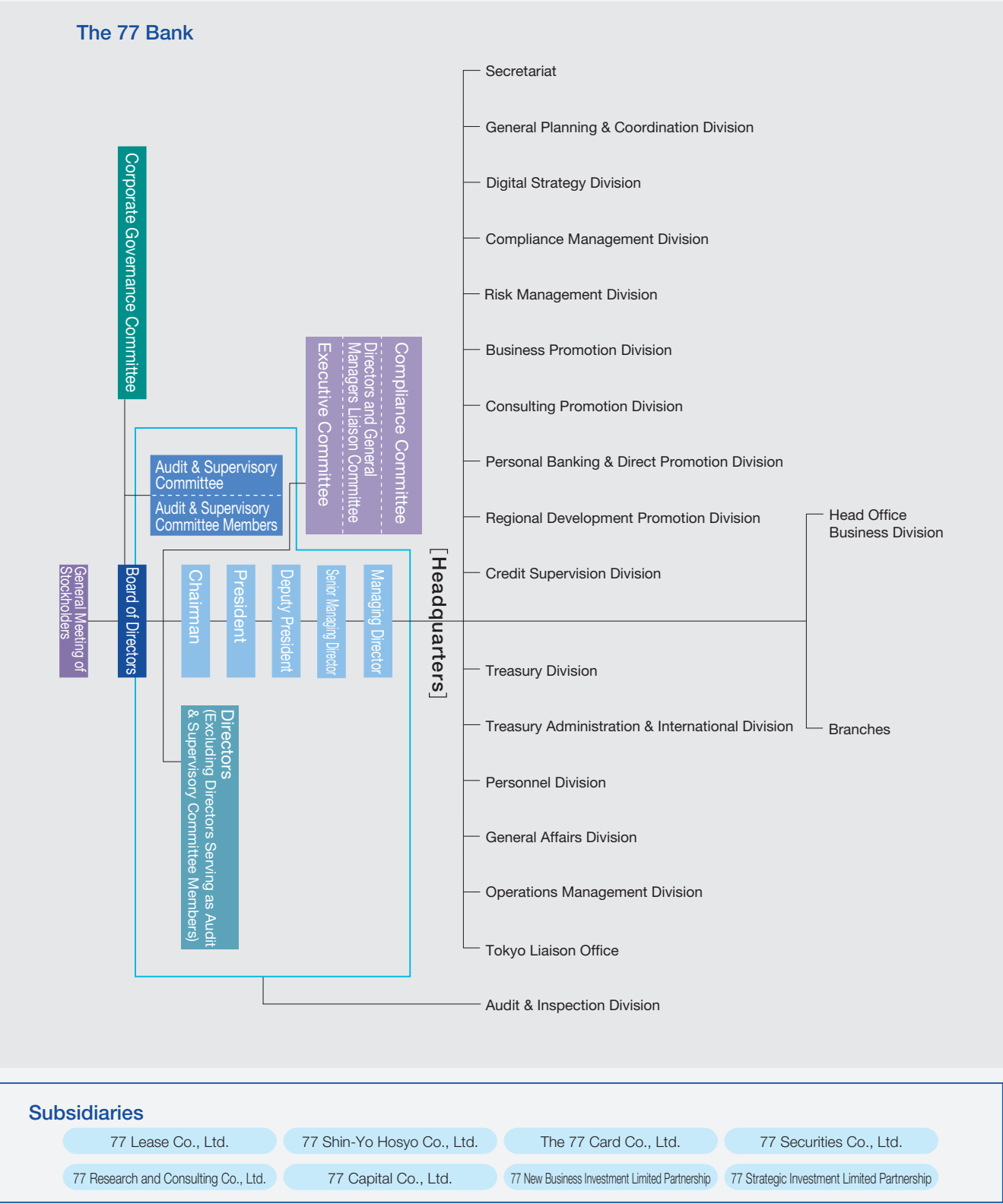
Company Name:	The 77 Bank, Ltd.	Shares Outstanding:	76,655 thousand
Head Office:	3-20, Chuo 3-chome, Aoba-ku, Sendai, Miyagi 980-8777, Japan	Number of Shareholders:	11,790
Founded:	December 9, 1878	Capital Adequacy Ratio (domestic standards):	non-consolidated 10.20% / consolidated 10.38%
Paid-in Capital:	¥24.6 billion	Total Assets:	¥8,610.3 billion
Number of Employees:	2,846	Deposits and Certificates of Deposits:	¥7,891.8 billion
Number of Branches:	143	Loans and Bills Discounted:	¥4,725.0 billion
	(Head Office/Branches: 137, Sub-Branches: 6)		

Business Description

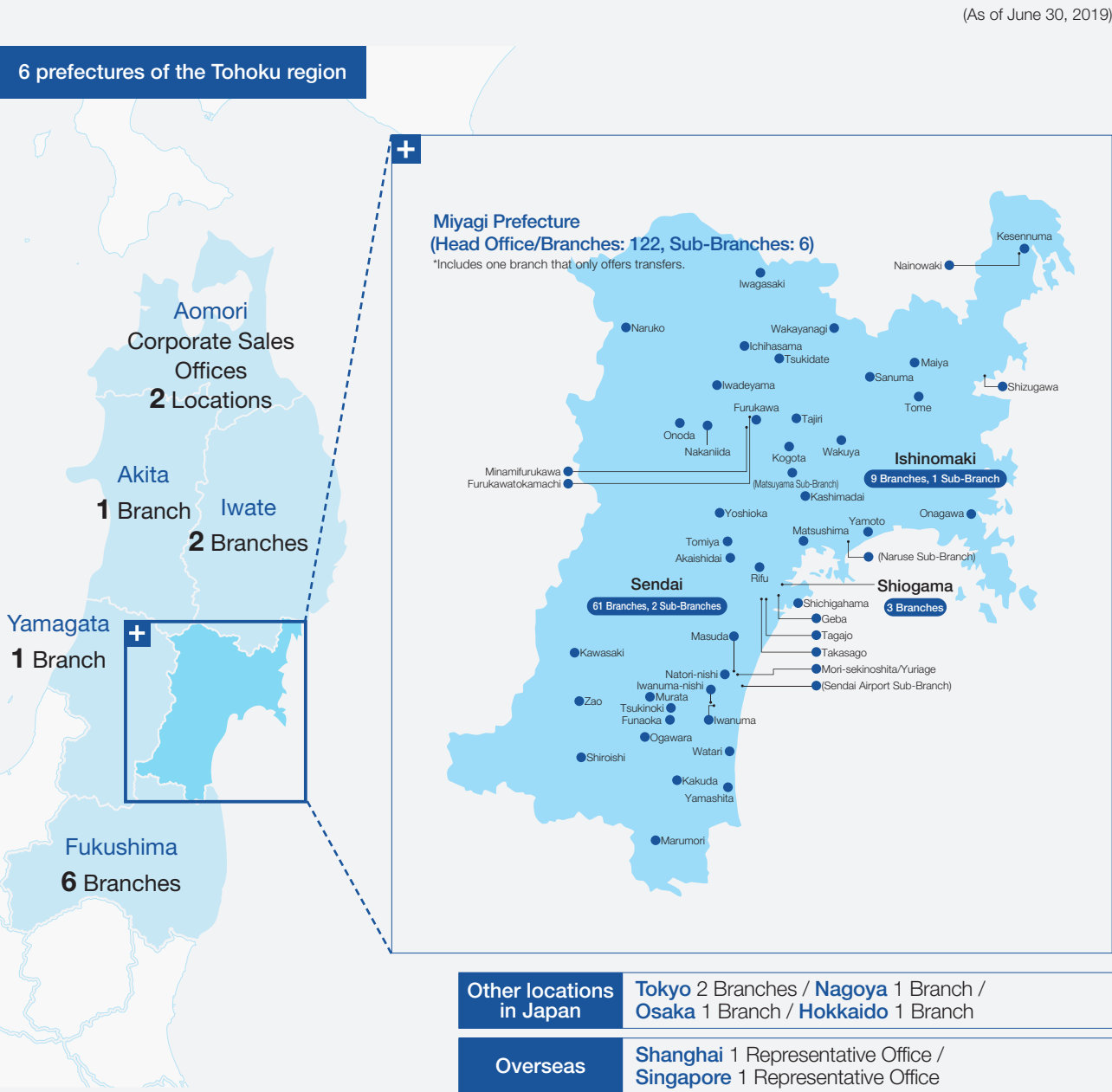
Deposit services	Deposits	The Bank offers current deposits, ordinary deposits, savings deposits, deposits at notice, time deposits, time savings, separate deposits, reserve deposits for tax payment, non-resident yen deposits, foreign currency deposits, etc.
	Certificates of deposits	The Bank offers negotiable 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.
Domestic exchange services		The Bank offers services such as exchange for remittance, account transfers, and bills for collection.
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.
Ancillary services	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 Allowance 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
		Safe custody and safe deposit box services
		Securities lending
		Obligation guarantees (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

Organization

(As of July 31, 2019)



Service Network



Service Network Data

	Number of municipalities (within Miyagi Prefecture)		Total number of the Bank's locations	Number of head office/branches		Number of ATMs
		Of which, areas with the Bank's location				
Within Miyagi Prefecture	35	31	128	122	6	784
Cities	14	14	109	103	6	686
[Of which, Sendai City]			(63)	(61)	(2)	(433)
Towns	20	17	19	19	—	97
Villages	1	—	—	—	—	1
Outside of Miyagi Prefecture			15	15	—	28
Within Tokyo			2	2	—	3
Other prefectures			13	13	—	25
Total	35 municipalities	31 cities and towns	143 locations	137 locations	6 locations	812 ATMs

(Note) Other branch locations: Sapporo City, Morioka City, Kitakami City, Akita City, Yamagata City, Fukushima City, Koriyama City, Soma City, Minamisoma City, Iwaki City (2 branches), Nagoya City, and Osaka City

Financial Section

Consolidated Five-Year Summary

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

	Millions of Yen				
	2019	2018	2017	2016	2015
For the fiscal year					
Net interest income	¥ 65,217	¥ 69,644	¥ 67,678	¥ 70,908	¥ 70,280
Net fees and commissions	11,345	10,963	10,973	11,519	11,843
Net other operating (loss) income	(3,104)	(7,869)	(5,213)	(2,988)	2,407
Net income attributable to owners of the parent	17,670	18,314	16,114	15,857	17,049
At the fiscal year-end					
Total assets	¥8,627,510	¥ 8,718,097	¥8,649,396	¥8,598,583	¥8,588,463
Deposits	7,872,834	7,946,100	7,805,860	7,963,738	7,849,299
Loans and bills discounted	4,718,942	4,621,062	4,443,883	4,350,795	4,219,621
Trading account securities and investment securities	2,978,130	3,146,865	3,262,638	3,519,568	3,708,968
Equity	489,077	490,737	468,195	452,310	472,029
Common stock	24,658	24,658	24,658	24,658	24,658

	Yen				
	2019	2018	2017	2016	2015
Per share of common stock					
Basic net income	¥ 237.90	¥ 246.87	¥ 215.73	¥ 42.37	¥ 45.56
Diluted net income		246.45	214.74	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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
ASSETS:			
Cash and due from banks (Notes 3 and 27)	¥ 711,025	¥ 705,563	\$ 6,406,207
Call loans and bills bought	511	530	4,604
Debt purchased	4,071	4,895	36,678
Trading account securities (Note 4)	19,848	24,975	178,826
Money held in trust (Notes 5 and 27)	115,613	170,985	1,041,652
Investment securities (Notes 4, 10, 11, 27 and 28)	2,958,281	3,121,890	26,653,581
Loans and bills discounted (Notes 6, 12, 27, 28 and 29)	4,718,942	4,621,062	42,516,821
Foreign exchange assets (Note 7)	4,734	5,956	42,652
Lease receivables and investments in leases (Notes 26 and 29)	17,622	16,124	158,771
Tangible fixed assets (Notes 8, 9 and 16):			
Buildings	8,319	9,747	74,952
Land	19,321	19,873	174,078
Lease assets	70	86	630
Construction in progress	138	534	1,243
Other tangible fixed assets	4,592	4,886	41,373
Intangible fixed assets:			
Software	50	66	450
Other intangible fixed assets	267	274	2,405
Deferred tax assets (Note 24)	1,136	859	10,235
Customers' liabilities for acceptances and guarantees (Notes 10 and 29)	24,622	29,060	221,839
Other assets (Notes 11, 28 and 29)	79,208	43,260	713,649
Reserve for possible loan losses	(60,868)	(62,537)	(548,409)
TOTAL	¥8,627,510	¥8,718,097	\$77,732,318
LIABILITIES:			
Deposits (Notes 11, 13 and 27)	¥7,872,834	¥7,946,100	\$70,932,822
Call money and bills sold	16,104	14,342	145,094
Payables under securities lending transactions (Note 11)	17,414	12,886	156,897
Borrowed money (Notes 11, 14 and 27)	116,643	111,704	1,050,932
Foreign exchange liabilities (Note 7)	339	113	3,054
Liability for employees' retirement benefits (Note 15)	23,902	33,749	215,352
Reserve for stock-based benefits (Note 17)	750	876	6,757
Reserve for reimbursement of deposits	464	455	4,180
Reserve for contingent losses	781	695	7,036
Deferred tax liabilities (Note 24)	20,462	28,100	184,358
Acceptances and guarantees (Notes 10 and 29)	24,622	29,060	221,839
Other liabilities (Notes 16 and 28)	44,111	49,275	397,432
Total liabilities	8,138,432	8,227,360	73,325,813
EQUITY (Notes 17,18 and 32):			
Common stock—authorized, 268,800,000 shares; issued, 76,655,746 shares in 2019 and 2018	24,658	24,658	222,164
Capital surplus	20,517	20,517	184,854
Stock acquisition rights (Note 19)			
Retained earnings	346,926	332,619	3,125,741
Less: treasury stock—at cost, 2,353,806 shares and 2,450,902 shares in 2019 and 2018, respectively	(6,391)	(6,658)	(57,581)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 4)	111,108	127,283	1,001,063
Deferred losses on derivatives under hedge accounting (Note 28)	(1,451)	(1,473)	(13,073)
Defined retirement benefit plans (Note 15)	(6,290)	(6,209)	(56,671)
Total equity	489,077	490,737	4,406,496
TOTAL	¥8,627,510	¥8,718,097	\$77,732,318

See notes to consolidated financial statements.

Consolidated Statement of Income

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 42,131	¥ 41,502	\$379,592
Interest and dividends on trading account and investment securities	26,381	31,078	237,688
Other	266	206	2,396
Fees and commissions (Note 29)	17,705	17,128	159,518
Other operating income (Note 20)	10,832	11,350	97,594
Reversal of reserve for possible loan losses		2,945	
Gains on sales of stocks and other securities	5,989	2,833	53,959
Gains on sales of money held in trust	3,908	4,044	35,210
Other income (Note 21)	2,268	2,090	20,434
Total income	109,483	113,180	986,422
EXPENSES:			
Interest expense:			
Interest on deposits	1,490	1,512	13,424
Interest on borrowings and rediscounts	610	464	5,495
Other	1,460	1,166	13,154
Fees and commissions	6,360	6,164	57,302
Other operating expenses (Note 22)	13,937	19,220	125,569
General and administrative expenses (Note 19)	58,735	57,745	529,191
Other expenses (Notes 9 and 23)	4,298	1,866	38,724
Total expenses	86,893	88,140	782,890
INCOME BEFORE INCOME TAXES	22,590	25,039	203,531
INCOME TAXES (Note 24):			
Current	5,809	4,280	52,338
Deferred	(889)	2,444	(8,009)
Total income taxes	4,919	6,725	44,319
NET INCOME	17,670	18,314	159,203
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 17,670	¥ 18,314	\$159,203

	Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 31):		
Basic net income	¥237.90	¥246.87
Diluted net income		246.45
Cash dividends applicable to the year	47.50	45.00
		0.427

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET INCOME	¥ 17,670	¥18,314	\$ 159,203
OTHER COMPREHENSIVE (LOSS) INCOME (Note 25):			
Unrealized (losses) gains on available-for-sale securities	(16,174)	6,465	(145,724)
Deferred gains on derivatives under hedge accounting	22	375	198
Defined retirement benefit plans	(80)	1,295	(720)
Total other comprehensive (loss) income	(16,233)	8,136	(146,256)
COMPREHENSIVE INCOME	¥ 1,437	¥26,450	\$ 12,947
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO— Owners of the parent	¥ 1,437	¥26,450	\$ 12,947

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2019

	Thousands		Millions of Yen							
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total Equity
							Unrealized Gains on Available- for-Sale Securities	Deferred Losses on Derivatives under Hedge Accounting	Defined Retirement Benefit Plans	
BALANCE, APRIL 1, 2017	370,609	¥24,658	¥20,267	¥728	¥317,655	¥(6,578)	¥120,817	¥(1,848)	¥(7,504)	¥468,195
One-for-five share consolidation (Note 18)	(306,622)									
Net income attributable to owners of the parent					18,314					18,314
Cash dividends, ¥45.00 per share					(3,349)					(3,349)
Purchase of treasury stock	(2,772)					(1,530)				(1,530)
Sales of treasury stock	12,991		249			1,450				1,699
Net change in the year				(728)			6,465	375	1,295	7,408
BALANCE, MARCH 31, 2018	74,205	24,658	20,517		332,619	(6,658)	127,283	(1,473)	(6,209)	490,737
Net income attributable to owners of the parent					17,670					17,670
Cash dividends, ¥45.00 per share*					(3,364)					(3,364)
Purchase of treasury stock	(1)					(4)				(4)
Sales of treasury stock	98					271				271
Net change in the year							(16,174)	22	(80)	(16,233)
BALANCE, MARCH 31, 2019	74,302	¥24,658	¥20,517		¥346,926	¥(6,391)	¥111,108	¥(1,451)	¥(6,290)	¥489,077

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total Equity
						Unrealized Gains on Available- for-Sale Securities	Deferred Losses on Derivatives under Hedge Accounting	Defined Retirement Benefit Plans	
BALANCE, MARCH 31, 2018	\$222,164	\$184,854		\$2,996,837	\$(59,987)	\$1,146,797	\$(13,271)	\$(55,941)	\$4,421,452
Net income attributable to owners of the parent				159,203					159,203
Cash dividends, \$0.405 per share				(30,309)					(30,309)
Purchase of treasury stock					(36)				(36)
Sales of treasury stock					2,441				2,441
Net change in the year						(145,724)	198	(720)	(146,256)
BALANCE, MARCH 31, 2019	\$222,164	\$184,854		\$3,125,741	\$(57,581)	\$1,001,063	\$(13,073)	\$(56,671)	\$4,406,496

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2019

	Thousands of U.S. Dollars (Note 1)			
	Millions of Yen			
	2019	2018	2019	
OPERATING ACTIVITIES:				
Income before income taxes	¥ 22,590	¥ 25,039	\$ 203,531	
Adjustments for:				
Income taxes—paid	(3,823)	(2,170)	(34,444)	
Depreciation and amortization	4,378	3,625	39,444	
Losses on impairment of fixed assets	761	709	6,856	
Net change in reserve for possible loan losses	(1,668)	(7,847)	(15,028)	
Net change in reserve for reimbursement of deposits	9	12	81	
Net change in reserve for contingent losses	85	(48)	765	
Net change in reserve for stock-based benefits	(125)	876	(1,126)	
Net change in liability for employees' retirement benefits	(9,963)	381	(89,764)	
Interest income	(68,779)	(72,787)	(619,686)	
Interest expense	3,561	3,143	32,083	
(Gains) losses on investment securities—net	(3,012)	5,525	(27,137)	
Gains on money held in trust—net	(3,110)	(4,044)	(28,020)	
Foreign exchange (gains) losses —net	(7,187)	9,598	(64,753)	
(Gains) losses on sales and disposals of fixed assets—net	(91)	65	(819)	
Net change in loans and bills discounted	(97,879)	(177,179)	(881,872)	
Net change in deposits	(73,265)	140,239	(660,104)	
Net change in borrowed money (except for subordinated loans)	4,939	964	44,499	
Net change in due from banks (except for the Bank of Japan)	(2,414)	3,532	(21,749)	
Net change in call loans and bills bought	843	174	7,595	
Net change in call money and bills sold	1,762	(65,649)	15,875	
Net change in payables under securities lending transactions	4,528	(18,112)	40,796	
Net change in trading account securities	5,127	(4,181)	46,193	
Net change in foreign exchange assets	1,221	(1,208)	11,000	
Net change in foreign exchange liabilities	226	40	2,036	
Net change in lease receivables and investments in leases	(1,497)	(907)	(13,487)	
Interest received	73,299	77,880	660,410	
Interest paid	(3,669)	(3,185)	(33,057)	
Other—net	(41,209)	(19,676)	(371,285)	
Total adjustments	(216,954)	(130,228)	(1,954,716)	
Net cash used in operating activities—(Forward)	¥(194,364)	¥ (105,188)	\$ (1,751,184)	
INVESTING ACTIVITIES:				
Purchases of investment securities	(344,105)	(371,459)	(3,100,324)	
Proceeds from sales of investment securities	32,581	38,901	293,548	
Proceeds from maturity of investment securities	461,174	441,505	4,155,095	
Proceeds from dispositions 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	1,522	
Purchases of intangible fixed assets	(8)	(79)	(72)	
Payment for execution of asset retirement obligations	(28)	(54)	(252)	
Net cash provided by investing activities	200,773	108,678	1,808,928	
FINANCING ACTIVITIES:				
Purchases of treasury stock	(4)	(1,530)	(36)	
Proceeds from sale of treasury stock		1,516		
Dividends paid	(3,362)	(3,348)	(30,291)	
Net cash used in financing activities	(3,366)	(3,362)	(30,327)	
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	5	(5)	45	
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,047	120	27,452	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	701,935	701,814	6,324,308	
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥ 704,983	¥ 701,935	\$ 6,351,770	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2019

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law of Japan (the “Banking Law”), and 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 into U.S. dollar amounts 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 control and influence concepts, 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

77 Business Services Co., Ltd., 77 Jimu Daiko Co., Ltd. and 77 Computer Service Co., Ltd. were excluded from the scope of consolidation due to completion of liquidation.

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

Unconsolidated Subsidiaries

77 Capital Co., Ltd.
77 New Business 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).

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).

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.

b. 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 the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent’s ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent’s ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Cash and Cash Equivalents—For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

d. Trading Account Securities, Investment Securities and Money Held in Trust—Securities other than investments in affiliates are classified into three categories, based principally on the Companies’ intent, as follows: (1) trading account securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The cost of trading account securities and available-for-sale securities sold is determined based on the moving-average method.

In addition, investments in unconsolidated subsidiaries not accounted for by the equity method are reported at cost determined by the moving-average method.

Available-for-sale securities for which fair value is extremely difficult to determine are reported at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust are also classified and accounted for using the same method as above.

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other income/ expenses. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

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 amounts if specified in the lease contracts (see Note 2.o).

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 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 the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition 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 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 at the current exchange rates in effect at each 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 for possible loan losses by means 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 and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

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 asset review 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 bankruptcy,” “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 collectible amounts by collateral or guarantees. Regarding loans to borrowers classified as possible bankruptcy, a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.

For large debtors who are likely to become bankrupt and debtors with restructured loans, if the cash flows from collection of the principal and interest can be reasonably estimated, the reserve is provided based on the difference between the relevant cash flows discounted by the initial contractual interest rates and the carrying amounts of the loans (the “DCF method”).

The reserve for other possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories and the fair value of the collateral for collateral-dependent loans and other solvency 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 were derecognized 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.

m. Employees' Retirement and Pension Plans—In calculation of projected benefit obligations, expected benefits are attributed to periods on a benefit formula basis. Treatment of prior service cost and actuarial gains and losses is as follows:

Prior service cost is charged to expenses when incurred. Unrecognized actuarial gains and losses are amortized by the straight-line method from the following fiscal year after the fiscal year when they were incurred over a definite period (10 years) with the employees' average remaining service period when incurred.

Consolidated subsidiaries apply a shortcut method whereby the amount of the retirement benefits required to be paid if all the employees voluntarily retired at the end of the fiscal year is regarded as projected benefit obligations in determining the liability for employees' retirement benefits and net periodic retirement benefit costs.

n. Asset Retirement Obligations—The asset retirement obligation is recognized as the sum of the DCFs required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. Leases

As a lessee

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. **As a lessor**
All finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee are recognized as investments in leases.

p. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q. Derivatives and Hedging Activities—It is the Bank's policy to use derivative financial instruments ("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 and to meet the needs of its clients. The Bank also enters into currency swaps, foreign exchange forward contracts, and currency options to hedge foreign currency exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

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 transactions.

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.

r. Per Share Information—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 consolidation.

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 are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. Additional Information—The Bank has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) (hereinafter, "Partial Amendments to Accounting Standard for Tax Effect Accounting") from the fiscal year ended March 31, 2019.

Accordingly, the Bank added the information indicated in explanatory note 8 (excluding the total amount of valuation allowance) of "Accounting Standard for Tax Effect Accounting" prescribed in Paragraphs 3 to 5 of the Partial Amendments to Accounting Standard for Tax Effect Accounting in the Note 24, "Income Taxes."

3. CASH AND CASH EQUIVALENTS

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Cash and due from banks	¥711,025	¥705,563	\$6,406,207
Due from banks, excluding due from the Bank of Japan	(6,042)	(3,627)	(54,437)
Cash and cash equivalents at the end of year	¥704,983	¥701,935	\$6,351,770

4. TRADING ACCOUNT SECURITIES AND INVESTMENT SECURITIES

Trading account securities as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
National government bonds	¥ 590	¥ 567	\$ 5,315
Local government bonds	8,257	7,407	74,394
Other securities	11,000	17,000	99,108
Total	¥19,848	¥24,975	\$178,826

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
National government bonds	¥ 712,606	¥ 992,921	\$ 6,420,452
Local government bonds	516,074	384,566	4,649,734
Corporate bonds	944,892	960,182	8,513,307
Equity securities	127,056	148,295	1,144,751
Other securities	657,651	635,924	5,925,317
Total	¥2,958,281	¥3,121,890	\$26,653,581

Securities loaned under securities lending agreements are included in the above national government bonds in the amount of ¥61,439 million (\$553,554 thousand) and ¥41,236 million as of March 31, 2019 and 2018, respectively.

Investment in an unconsolidated subsidiary in the amount of ¥25 million (\$225 thousand) and ¥25 million and investment in interest in partnership in the amount of ¥1,871 million (\$16,857 thousand) and ¥926 million are included in the above equity securities and other securities as of March 31, 2019 and 2018, respectively.

The carrying amounts and aggregate fair values of securities as of March 31, 2019 and 2018, were as follows:

Securities below include trading account securities and investment securities:

	Millions of Yen			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value

Securities classified as:				
Trading			¥	19,848
Available-for-sale:				
Equity securities*	¥ 51,936	¥73,735	¥ 611	125,061
Debt securities	2,146,590	22,937	54	2,169,473
Other securities*	603,455	57,393	8,184	652,664
Held to maturity	4,099	3		4,103

	Millions of Yen			
	2018			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value

Securities classified as:				
Trading			¥	24,975
Available-for-sale:				
Equity securities*	¥ 55,931	¥90,762	¥ 285	146,408
Debt securities	2,305,308	25,644	381	2,330,571
Other securities*	584,564	58,055	10,377	632,241
Held to maturity	7,099	15		7,115

	Thousands of U.S. Dollars			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value

Securities classified as:				
Trading			\$	178,826
Available-for-sale:				
Equity securities*	\$ 467,934	\$664,339	\$ 5,505	1,126,777
Debt securities	19,340,391	206,658	486	19,546,562
Other securities*	5,437,021	517,100	73,736	5,880,385
Held to maturity	36,931	27		36,967

* Unlisted equity securities for which the fair value is extremely difficult to determine are not included.

Securities, other than trading account securities, with readily determinable fair value, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value. The related losses on revaluation are charged to income for the fiscal year.

Impairment losses were recognized for available-for-sale securities in the amount of ¥44 million (\$396 thousand), consisting of ¥44 million (\$396 thousand) of equity securities, and ¥99 million, consisting of ¥99 million of other securities for the years ended March 31, 2019 and 2018, respectively.

The criteria for determining whether the fair value has "significantly declined" are defined based on the asset classification of the issuer in the internal standards for asset quality self-assessment as follows:

- (a) Normal issuer: Fair value declined by 50% or more of the acquisition cost or fair value declined between 30% and 50% and average fair value during the past one month declined by 50% or more (30% or more for issuers who have credit risk more than a certain level).
- (b) Caution issuers: Fair value declined by 30% or more of the acquisition cost.
- (c) Legally bankrupt, virtually bankrupt, and possibly bankrupt issuers: Fair value is lower than the acquisition cost.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2019 and 2018, were ¥32,581 million (\$293,548 thousand) and ¥38,786 million, respectively. Gross realized gains and losses on these sales, computed on a moving average cost basis, were ¥6,051 million (\$54,518 thousand) and ¥932 million (\$8,397 thousand), respectively, for the year ended March 31, 2019, and ¥3,030 million and ¥880 million, respectively, for the year ended March 31, 2018.

Unrealized gains on available-for-sale securities as of March 31, 2019 and 2018, consisted of the following:

	Thousands of U.S. Dollars		
	Millions of Yen	2018	2019
Valuation differences:			
Available-for-sale securities	¥144,958	¥163,159	\$1,306,045
Available-for-sale money held in trust	12,644	17,617	113,920
Deferred tax liabilities	(46,494)	(53,493)	(418,902)
Unrealized gains on available-for-sale securities	¥111,108	¥127,283	\$1,001,063

5. MONEY HELD IN TRUST

The carrying amounts and aggregate fair values of money held in trust as of March 31, 2019 and 2018, were as follows:

	Millions of Yen			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥ 81,387
Available-for-sale	¥21,581	¥12,644		34,225
Total	¥21,581	¥12,644		¥115,613

	Millions of Yen			
	2018			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥131,787
Available-for-sale	¥21,581	¥17,617		39,198
Total	¥21,581	¥17,617		¥170,985

	Thousands of U.S. Dollars			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				\$ 733,282
Available-for-sale	\$194,440	\$113,920		308,361
Total	\$194,440	\$113,920		\$1,041,652

Available-for-sale securities held in trust, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value.

No impairment loss was recognized for money held in trust for the years ended March 31, 2019 and 2018.

6. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
	¥	¥	\$
Bills discounted	¥ 11,530	¥ 11,149	\$ 103,883
Loans on bills	133,908	143,298	1,206,487
Loans on deeds	4,033,494	3,927,919	36,341,057
Overdrafts	540,008	538,696	4,865,375
Total	¥4,718,942	¥4,621,062	\$42,516,821

Bills discounted are accounted for as financial transactions in accordance with “Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry” (the Japanese Institute of Certified Public Accountants (the “JICPA”) Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥11,530 million (\$103,883 thousand) and ¥11,149 million as of March 31, 2019 and 2018, respectively.

Loans and bills discounted as of March 31, 2019 and 2018, included the following loans:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Loans to borrowers in bankruptcy	¥ 4,974	¥ 3,074	\$ 44,814
Past due loans	64,970	67,665	585,368
Past due loans (three months or more)	1,842	1,900	16,596
Restructured loans	24,917	26,235	224,497
Total	¥96,704	¥98,876	\$871,285

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans which include loans classified as “possible bankruptcy” and “virtual bankruptcy.” Nonaccrual loans are defined as loans for which the Bank has discontinued accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans are classified either as “possible bankruptcy” or “virtual bankruptcy” under the Bank’s self-assessment guidelines.

In addition to past due loans, certain other loans classified as “caution” under the Bank’s self-assessment guidelines include past due loans (three months or more) which consist of loans for which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Bank and its subsidiaries relax lending conditions by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower’s reorganization. Restructured loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

7. FOREIGN EXCHANGES

Foreign exchange assets and liabilities as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Assets			
Foreign exchange bills receivable	¥ 71	¥ 24	\$ 639
Due from foreign correspondent accounts	4,663	5,931	42,012
Total	¥4,734	¥5,956	\$42,652
Liabilities			
Foreign exchange bills sold	¥ 66	¥ 62	\$ 594
Foreign exchange bills payable	273	50	2,459
Total	¥339	¥113	\$3,054

8. TANGIBLE FIXED ASSETS

The accumulated depreciation of tangible fixed assets as of March 31, 2019 and 2018, amounted to ¥82,684 million (\$744,968 thousand) and ¥79,629 million, respectively.

As of March 31, 2019 and 2018, deferred gains for tax purposes of ¥7,695 million (\$69,330 thousand) and ¥7,695 million, respectively, on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets.

9. LONG-LIVED ASSETS

The Bank recognized impairment losses of ¥761 million (\$6,856 thousand) and ¥709 million on certain operating branches, business premises, branches to be closed, and unused facilities for the years ended March 31, 2019 and 2018, respectively.

The impairment losses were composed of ¥165 million (\$1,486 thousand) on buildings, ¥525 million (\$4,730 thousand) on land and ¥70 million (\$630 thousand) on other fixed assets for the year ended March 31, 2019, and ¥401 million on buildings, ¥243 million on land and ¥65 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 which it continues to manage and monitor identifiable cash flows. Branch offices to be closed and facilities not in operation are 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 disposition 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 disposition 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.

10. CUSTOMERS’ LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in “Acceptances and guarantees.” “Customers’ liabilities for acceptances and guarantees” are shown as assets, representing the Bank’s right to receive indemnity from the applicants.

The amount of guarantee obligations for privately placed corporate bonds included in securities as of March 31, 2019 and 2018, was ¥14,993 million (\$135,084 thousand) and ¥6,165 million, respectively.

11. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Assets pledged as collateral:			
Investment securities	¥245,060	¥232,517	\$2,207,946
Other assets	144	144	1,297
Relevant liabilities to above assets:			
Deposits	53,818	48,676	484,890
Payables under securities lending transactions	17,414	12,886	156,897
Borrowed money	110,129	106,800	992,242

Additionally, investment securities amounting to ¥100 million (\$900 thousand) and ¥45,482 million as of March 31, 2019 and 2018, respectively, and other assets amounting to ¥50,000 million (\$450,491thousand) and ¥14,393 million as of March 31, 2019 and 2018, respectively, are pledged as collateral for transactions, such as exchange settlement transactions or as substitute securities for future transaction initial margin and others.

Other assets include security deposits for financial instruments amounting to ¥3,700 million (\$33,336 thousand) and ¥2,130 million as of March 31, 2019 and 2018, respectively, and guarantee deposits for leased tangible fixed assets (lessee 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 (\$14,098,414 thousand). As of March 31, 2018, the unused amount of such contracts totaled ¥1,661,188 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 reconsider conditions in contracts and require additional collateral and guarantees.

13. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Current deposits	¥ 212,207	¥ 202,200	\$ 1,911,947
Ordinary deposits	4,756,017	4,663,111	42,850,860
Deposits at notice	15,377	14,902	138,544
Time deposits	2,197,737	2,322,878	19,801,216
Negotiable certificates of deposit	440,220	481,570	3,966,303
Other deposits	251,274	261,436	2,263,933
Total	¥7,872,834	¥7,946,100	\$70,932,822

14. BORROWED MONEY

As of March 31, 2019 and 2018, the weighted-average annual interest rates applicable to borrowed money were 0.094% and 0.015%, respectively.

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥113,460	\$1,022,254
2021	843	7,595
2022	784	7,063
2023	462	4,162
2024	218	1,964
2025 and thereafter	874	7,874
Total	¥116,643	\$1,050,932

15. LIABILITY FOR EMPLOYEES’ RETIREMENT BENEFITS

The Bank has severance payment plans as defined benefit plans consisting of corporate pension fund plans 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 plan.

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 withdrew due to liquidation.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥70,527	¥71,320	\$635,435
Service cost	1,782	1,723	16,055
Interest cost	447	451	4,027
Actuarial losses	523	527	4,712
Benefits paid	(3,680)	(3,678)	(33,156)
Prior service cost			
Others	181	183	1,630
Balance at end of year	¥69,781	¥70,527	\$628,714

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥36,778	¥36,091	\$331,363
Expected return on plan assets	1,287	1,263	11,595
Actuarial (losses) gains	(1,128)	470	(10,163)
Contributions from the employer	763	773	6,874
Establishment of retirement benefit trust	10,000		90,098
Benefits paid	(2,002)	(2,004)	(18,037)
Others	181	183	1,630
Balance at end of year	¥45,879	¥36,778	\$413,361

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

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of projected benefit obligations and plan assets as of March 31, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded projected benefit obligations	¥ 69,643	¥ 48,307	\$ 627,470
Plan assets	(45,879)	(36,778)	(413,361)
Total	23,764	11,529	214,109
Unfunded projected benefit obligations	137	22,220	1,234
Net liability arising from projected benefit obligations	¥ 23,902	¥ 33,749	\$ 215,352

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for employees’ retirement benefits	¥23,902	¥33,749	\$215,352
Asset for employees’ retirement benefits			
Net liability arising from projected benefit obligations	¥23,902	¥33,749	\$215,352

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	¥ 1,784	¥ 1,729	\$ 16,073
Interest cost	447	451	4,027
Expected return on plan assets	(1,287)	(1,263)	(11,595)
Recognized actuarial losses	1,535	1,917	13,830
Net periodic retirement benefit costs	¥ 2,480	¥ 2,834	\$ 22,344

Notes: 1. Employees’ contribution to corporate pension funds is deducted.
2. Net periodic retirement benefit costs of the consolidated subsidiaries which adopt a shortcut method are included in “Service cost.”

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Prior service cost			
Actuarial (losses) gains	¥(115)	¥1,860	\$(1,036)
Others			
Total	¥(115)	¥1,860	\$(1,036)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized prior service cost			
Unrecognized actuarial losses	¥9,037	¥8,921	\$81,421
Others			
Total	¥9,037	¥8,921	\$81,421

(7) Plan assets as of March 31, 2019 and 2018

a. Components of plan assets

Plan assets consisted of the following:

	2019	2018
Debt investments	41%	31%
Equity investments	24	33
Cash and cash equivalents	5	
Life insurance company accounts (general accounts)	23	28
Call loans, etc.	7	8
Others		
Total	100%	100%

Note: Total plan assets as of March 31, 2019, include retirement benefit trust established under lump-sum payment plans by 22%.

b. Method of determining the long-term expected rate of return on plan assets

The expected rate of return on plan assets is determined considering allocation of plan assets which are expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2019 and 2018, were set forth as follows:

	2019	2018
Discount rate	0.6%	0.6%
Long-term expected rate of return on plan assets	3.5	3.5
Expected rate of salary increase	4.5	4.5

(9) Defined contribution

The amount required to be contributed to the defined contribution plan of the Bank was ¥275 million (\$2,477 thousand) for the fiscal year ended March 31, 2019.

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:

a. Overview of asset retirement obligations

Asset retirement obligations are recognized for obligations of restoring leased buildings, such as branch premises, to their original state, based on the real estate lease contracts and asbestos removal costs.

b. Calculation of asset retirement obligations

Asset retirement obligations are calculated based on the estimated available periods of 16 to 31 years depending on the expected useful lives of buildings using discount rates from 0.139% to 2.324%.

c. The changes in asset retirement obligations for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥678	¥675	\$6,108
Increase due to acquisition of tangible assets	4	29	36
Reconciliation associated with passage of time	6	6	54
Decrease due to execution of asset retirement obligations	(22)	(32)	(198)
Other	(4)		(36)
Balance at end of year	¥662	¥678	\$5,964

17. PERFORMANCE-LINKED STOCK COMPENSATION SYSTEM

The Bank has introduced a performance-linked stock compensation system (the “System”) based on the Board Incentive Plan (“BIP”) trust from the perspective of enhancing motivation to make contributions to improving 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 ¥1,514 million and the number of shares was 452 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 rather than two years of normal term by its 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 prescribed so 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 provides 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. Increases/Decreases 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 and 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

capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

c. Treasury Stock and Treasury Stock Acquisition Rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

d. Share Consolidation
On October 1, 2017, the Bank conducted consolidation of shares at a ratio of five shares to one share and every five shares of the Bank's issued and outstanding common stock were exchanged for one issued and outstanding share of common stock of the Bank, taking into consideration the announcement of “Action Plan for Consolidating Trading Units” by the stock exchanges nationwide.

19. STOCK OPTIONS

Expenses related to stock options in the amount of ¥33 million are recorded under general and administrative expenses for the year ended March 31, 2018.

The Bank abolished the stock compensation-type stock options plan on August 17, 2017, and introduced the System on its behalf as noted in Note 17.

20. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Gain on sales and redemption of bonds and other securities	¥ 113	¥ 202	\$ 1,018
Lease receipts	7,028	6,808	63,321
Other	3,690	4,339	33,246
Total	¥10,832	¥11,350	\$97,594

21. OTHER INCOME

Other income for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Gains on sales of tangible fixed assets	¥ 107	¥ 103	\$ 964
Other	2,160	1,986	19,461
Total	¥2,268	¥2,090	\$20,434

22. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Losses on sales, redemption and devaluation of bonds and other securities	¥ 2,858	¥ 8,383	\$ 25,750
Lease costs	6,457	6,206	58,176
Other	4,620	4,630	41,625
Total	¥13,937	¥19,220	\$125,569

23. OTHER EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Bad debt losses	¥ 29	¥ 19	\$ 261
Provision for reserve for possible loan losses	1,521		13,703
Losses on dispositions of money held in trust	798		7,189
Losses on sales of loans	434	331	3,910
Losses on impairments and disposals of fixed assets	777	878	7,000
Provision for reserve for reimbursement of deposits	245	197	2,207
Other	491	439	4,423
Total	¥4,298	¥1,866	\$38,724

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 30.5% and 30.8% 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:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Reserve for possible loan losses	¥ 14,113	¥ 15,346	\$ 127,155
Liability for employees' retirement benefits	10,318	10,283	92,963
Fixed assets (depreciation)	6,002	5,935	54,076
Losses on devaluation of stocks and other securities	3,272	3,310	29,480
Other	6,554	6,460	59,050
Less valuation allowance (see Note below)	(12,758)	(13,935)	(114,947)
Total	27,501	27,400	247,779

Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	46,494	53,493	418,902
Deferred gain on sales of shares of consolidated subsidiaries		801	
Fixed assets (deferred gain on sales and replacements)	319	329	2,874
Other	14	16	126
Total	46,828	54,641	421,911
Net deferred tax liabilities	¥(19,326)	¥(27,240)	\$(174,123)

Note: Valuation allowance for the fiscal year ended March 31, 2019, decreased by ¥1,177 million (\$10,604 thousand). This decrease was mainly due to a decrease of ¥1,328 million (\$11,965 thousand) in valuation allowance for reserve for possible loan losses at the Bank and consolidated subsidiaries. Valuation allowance for the fiscal year ended March 31, 2018, decreased by ¥898 million. This decrease was mainly due to a decrease of ¥989 million in valuation allowance for reserve for possible loan losses at the Bank and consolidated subsidiaries.

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:

	2019	2018
Normal effective statutory tax rate	30.5%	30.8%
Expenses not deductible for income tax purposes	0.4	0.4
Nontaxable dividend income	(2.0)	(1.2)
Inhabitants taxes	0.3	0.3
Valuation allowance	(5.2)	(3.6)
Consolidation adjustment on gain on sales of shares of consolidated subsidiaries	(2.7)	
Other—net	0.5	0.2
Actual effective tax rate	21.8%	26.9%

25. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized (losses) gains on available-for-sale securities:			
(Loss) gain arising during the year	¥(16,741)	¥ 5,953	\$(150,833)
Reclassification adjustment to profit or loss	(6,431)	3,345	(57,942)
Amount before income tax effect	(23,173)	9,298	(208,784)
Income tax effect	6,998	(2,833)	63,050
Total	¥(16,174)	¥ 6,465	\$(145,724)

Deferred gains on derivatives under hedge accounting:			
Loss arising during the year	¥ (795)	¥ (293)	\$ (7,162)
Reclassification adjustment to profit or loss	827	833	7,451
Amount before income tax effect	31	539	279
Income tax effect	(9)	(164)	(81)
Total	¥ 22	¥ 375	\$ 198

Defined retirement benefit plans:			
Loss arising during the year	¥ (1,651)	¥ (56)	\$ (14,875)
Reclassification adjustment to profit or loss	1,535	1,917	13,830
Amount before income tax effect	(115)	1,860	(1,036)
Income tax effect	35	(565)	315
Total	¥ (80)	¥ 1,295	\$ (720)

Total other comprehensive (loss) income	¥(16,233)	¥ 8,136	\$(146,256)
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26. LEASES

Finance Leases

Lessor

A subsidiary leases certain equipment and other assets to various customers.

The net investments in leases as of March 31, 2019 and 2018, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Gross lease receivables	¥18,147	¥16,581	\$163,501
Estimated residual values	1,194	1,084	10,757
Unearned interest income	(1,847)	(1,704)	(16,641)
Investments in leases	¥17,494	¥15,961	\$157,617

Maturities of lease receivables for finance leases as of March 31, 2019, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 67	\$ 603
2021	24	216
2022	8	72
2023	7	63
2024	6	54
2025 and thereafter	20	180
Total	¥134	\$1,207

Maturities of investment in leases for finance leases as of March 31, 2019, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 5,633	\$ 50,752
2021	4,517	40,697
2022	3,458	31,155
2023	2,377	21,416
2024	1,283	11,559
2025 and thereafter	876	7,892
Total	¥18,147	\$163,501

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

- (1) Group Policy for Financial Instruments
The Companies provide financial services 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 corporations, local government agencies, and individual customers which are exposed to credit risk that the Companies may suffer from losses resulting from nonperformance of borrowers and interest rate risk that the Companies may suffer from losses resulting from fluctuations in interest rates.

Securities, mainly debt securities, equity securities, and investment trusts are subject 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 market turmoil.

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 cash flows are incurred in certain environments where the credit rating of the Bank may be lowered and, accordingly, necessary funding 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 manage exposure to market risks from changes in interest rates of loans and investment securities, and foreign exchange forward contracts, which are used to hedge foreign exchange risk associated with foreign currency-denominated assets and liabilities. Hedge accounting is applied to certain hedging activities 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 Companies clarify fundamental approaches to

secure the soundness of assets and control procedures for identifying, monitoring, and controlling credit risk. Additionally, the Bank utilizes the “Credit Rating System” applied to counterparties granted with credit from the viewpoint of identifying credit risk objectively and enhancing credit risk control.

In addition, as an organization responsible for credit risk management, credit risk control functions and review functions have 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 risk and the status of credit concentration in major borrowers through measurement of the level of credit risk and analysis of credit portfolios.

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

Market risk management

a. Market Risk Management System

The Bank has established the “Market Risk Control Policy” as a basic policy for market risk management and various rules concerning market risk management. Based on these policies and rules, the Bank clarifies 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 (middle office) 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 investment strategies in order to prevent risks resulting from fluctuations in interest rates and market prices, while forecasting future interest rates, market prices, and trends of fund and business conditions. The committee is also responsible for securing the soundness of management and also improving profitability at the same time based on appropriate asset and liability management through the unification of risk management and earnings control.

b. Quantitative Information about Market Risk

The Bank adopts the variance-covariance method (holding period: 125 business days for strategic equity securities and 60 business days for others; confidence interval: 99.0%; observation period: 250 business days) in computing the VaR with respect to money held in trust, securities, Japanese yen deposits and loans, and Japanese yen money market funds. The volume of market risk (estimated losses) that the Bank is exposed to as of March 31, 2019, amounts to ¥76,667 million (\$690,755 thousand) (¥66,894 million in 2018) as a whole. However, the risk under certain abnormal market fluctuations may not be captured since, under the VaR method, the volume of market risk under a definite probability of statistically computed incidence is measured based on historical market fluctuations.

The Bank implements back testing to compare the VaR computed by the model with actual profit and loss in the securities and confirms that the measurement model in use captures the market risk with sufficient precision.

Liquidity risk management

The Bank has established the “Liquidity Risk Control Policy” as a basic policy for liquidity risk management and various rules concerning liquidity risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for stable funding of operations and control procedures for identifying, monitoring and controlling liquidity risk. In addition, the Bank has established the “Contingency Plan for Liquidity” to enable it to make quick and correct responses to unexpected events.

Furthermore, as an organization responsible for liquidity risk management, a liquidity risk control function has been established and a cash management function and a settlement control function have been established to control daily cash management and settlement related to cash and securities.

The Risk Management Division, as a liquidity risk control function, manages the liquidity risk of the Bank as a whole by identifying, monitoring and controlling liquidity risk.

The Treasury Administration and International Division, as a cash management control function and settlement control function, prepares daily or monthly cash flow projections and conducts cash management by identifying possible funds and liquidity of assets and verifying the concentration of settlement of major account funds to a certain date. The Division also controls settlement by identifying the status of settlement through systems such as the BOJ-NET and among financial institutions.

Risk management system of subsidiaries

The subsidiaries have a risk management system similar to that of the Bank.

(4) Supplementary Explanation about Fair Values of Financial Instruments

The fair values of financial instruments include, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market prices are available. Since certain assumptions are used in calculating the value, the outcome of such calculation may vary if different assumptions are used.

(5) Fair Values of Financial Instruments

The carrying amount, the fair value, and the differences thereof as of March 31, 2019 and 2018, are disclosed below. Note that unlisted equity securities for which fair value is extremely difficult to determine are not included in the following table (see Note 2 below) and insignificant accounts in terms of the carrying amount are omitted:

March 31, 2019	Millions of Yen		
	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	¥ 711,025	¥ 711,025	
(2) Money held in trust	115,613	115,613	
(3) Investment securities	2,951,299	2,951,303	¥ 3
Held-to-maturity securities	4,099	4,103	3
Available-for-sale securities	2,947,199	2,947,199	
(4) Loans and bills discounted	4,718,942		
Reserve for possible loan losses*	(59,183)		
	4,659,758	4,680,944	21,185
Total assets	¥8,437,697	¥8,458,886	¥21,189
(1) Deposits	¥7,872,834	¥7,873,063	¥ 228
(2) Borrowed money	116,643	116,617	(26)
Total liabilities	¥7,989,478	¥7,989,681	¥ 202

March 31, 2018	Millions of Yen		
	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	¥ 705,563	¥ 705,563	
(2) Money held in trust	170,985	170,985	
(3) Investment securities	3,116,320	3,116,336	¥ 15
Held-to-maturity securities	7,099	7,115	15
Available-for-sale securities	3,109,221	3,109,221	
(4) Loans and bills discounted	4,621,062		
Reserve for possible loan losses*	(60,858)		
	4,560,203	4,571,534	11,330
Total assets	¥8,553,074	¥8,564,420	¥11,346
(1) Deposits	¥7,946,100	¥7,946,455	¥ 355
(2) Borrowed money	111,704	111,689	(15)
Total liabilities	¥8,057,805	¥8,058,146	¥ 340

March 31, 2019	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	\$ 6,406,207	\$ 6,406,207	
(2) Money held in trust	1,041,652	1,041,652	
(3) Investment securities	26,590,674	26,590,710	\$ 27
Held-to-maturity securities	36,931	36,967	27
Available-for-sale securities	26,553,734	26,553,734	
(4) Loans and bills discounted	42,516,821		
Reserve for possible loan losses*	(533,228)		
	41,983,584	42,174,466	190,873
Total assets	\$76,022,137	\$76,213,046	\$190,909
(1) Deposits	\$70,932,822	\$70,934,886	\$ 2,054
(2) Borrowed money	1,050,932	1,050,698	(234)
Total liabilities	\$71,983,764	\$71,985,593	\$ 1,819

*General and specific reserves for possible loan losses corresponding to loans and bills discounted are deducted.

Notes:

1. Calculation method for the fair value of financial instruments
- Assets

- (1) Cash and due from banks
For due from banks, the carrying amount is presented as the fair value since the fair value approximates the carrying amount.
- (2) Money held in trust
For securities that are part of trust property in an independently managed monetary trust with the primary purpose to manage securities, the fair values of equity securities and debt securities are determined using the quoted price of the stock exchange, Japan Securities Dealers Association, or the price calculated by financial institutions. The fair value of investment trust is determined using the published standard quotation or the standard quotation offered by the securities investment advisors.
See Note 5, “Money Held in Trust” for notes on “Money held in trust” by categories based on different holding purposes.
- (3) Investment securities
The fair values of equity securities and debt securities are determined using the quoted price of the stock exchange, Japan Securities Dealers Association, or the price calculated by financial institutions. The fair value of investment trust is determined using the published standard quotation or the standard quotation offered by the securities investment advisors. With respect to privately placed guaranteed bonds, the fair value is

determined using the future cash flows (coupons, redemption of principal, guarantee fees) discounted at an interest rate 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 loan was made, or market interest rate, which is adjusted by the standard spread (including overhead ratio) by credit rating. The carrying amount is presented as the fair value if the maturity is within a short time period (less than one year) and the fair value approximates the carrying amount.

For receivables from “legally bankrupt,” “virtually bankrupt,” and “possibly bankrupt” borrowers, possible loan losses are estimated based on the DCF method or factors such as the expected amounts to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the currently expected loan losses, such carrying amount is presented as the fair value.

For loans for which the repayment due date is not defined because of the characteristics that the loan amount is limited within the pledged assets, the carrying amount is presented as the fair value since the fair value is assumed to approximate the carrying amount considering the expected repayment schedule and terms of the interest rates.

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.

(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 time 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.

Category	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unlisted equity securities ^{*1,*2}	¥1,995	¥1,887	¥17,974
Capital subscription in investment business partnerships ^{*3}	4,986	3,682	44,922
Total	¥6,982	¥5,569	¥62,906

^{*1} Unlisted equity securities are not treated as instruments whose fair value is required to be disclosed since there is no market price and it is extremely difficult to determine the fair value.

^{*2} Impairment losses in the amount of ¥0 million (\$0 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 required to be disclosed.

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

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥ 657,359					
Investment securities	528,726	¥ 768,069	¥ 575,969	¥474,895	¥275,231	
Held-to-maturity securities	3,100	1,000				
National government bonds	2,800					
Local government bonds	300	1,000				
Available-for-sale securities with contractual maturities	525,626	767,069	575,969	474,895	275,231	
National government bonds	260,000	331,050	96,000	12,000		
Local government bonds		16,500	81,500	220,600	185,500	
Corporate bonds	188,982	294,082	306,195	132,464	9,959	
Other	76,644	125,437	92,274	109,830	79,772	
Loans and bills discounted*	1,086,874	804,531	676,490	402,886	476,903	¥1,157,700
Total	¥2,272,960	¥1,572,601	¥1,252,459	¥877,781	¥752,134	¥1,157,700

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	\$ 5,922,686					
Investment securities	4,763,726	\$ 6,920,163	\$ 5,189,377	\$4,278,718	\$2,479,781	
Held-to-maturity securities	27,930	9,009				
National government bonds	25,227					
Local government bonds	2,702	9,009				
Available-for-sale securities with contractual maturities	4,735,796	6,911,154	5,189,377	4,278,718	2,479,781	
National government bonds	2,342,553	2,982,701	864,942	108,117		
Local government bonds		148,662	734,300	1,987,566	1,671,321	
Corporate bonds	1,702,693	2,649,626	2,758,762	1,193,476	89,728	
Other	690,548	1,130,164	831,372	989,548	718,731	
Loans and bills discounted*	9,792,539	7,248,680	6,095,053	3,629,930	4,296,810	\$10,430,669
Total	\$20,478,962	\$14,168,853	\$11,284,431	\$7,908,649	\$6,776,592	\$10,430,669

** Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to “legally bankrupt” borrowers, loans to “virtually bankrupt” borrowers, and loans to “possibly bankrupt” borrowers, amounting to ¥69,944 million (\$630,182 thousand) are not included in the above table. Loans that do not have a contractual maturity, amounting to ¥43,611 million (\$392,927 thousand), are not included either.*

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

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	¥7,454,277	¥361,088	¥57,468			
Borrowed money	113,460	1,627	680	¥152	¥201	¥520
Total	¥7,567,738	¥362,716	¥58,149	¥152	¥201	¥520

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	\$67,161,699	\$3,253,338	\$517,776			
Borrowed money	1,022,254	14,658	6,126	\$1,369	\$1,810	\$4,685
Total	\$68,183,962	\$3,268,006	\$523,912	\$1,369	\$1,810	\$4,685

** Demand deposits included in deposits are presented under “Due in 1 year or less.”*

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 denominated in foreign currencies and to meet the needs of its clients.

Derivatives are subject to market risk 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 counterparties 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's positions, gain 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 credit or market risk.

	Millions of Yen								Thousands of U.S. Dollars			
	2019				2018				2019			
	Contract or Notional Amount				Contract or Notional Amount				Contract or Notional Amount			
	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses
Interest rate-related over-the-counter (“OTC”) transactions:												
Interest rate swaps:												
Fixed rate receipt/												
floating rate payment	¥ 11,167	¥10,867	¥ 287	¥ 287	¥ 4,456	¥ 4,256	¥ 34	¥ 34	\$ 100,612	\$ 97,909	\$ 2,585	\$ 2,585
Floating rate receipt/												
fixed rate payment	11,220	10,920	(183)	(183)	4,793	4,278	(20)	(20)	101,090	98,387	(1,648)	(1,648)
Interest rate swaption:												
Selling												
Buying												
Currency-related OTC transactions:												
Currency swaps	41,365	21,654	(498)	(498)	36,138	19,665	549	549	372,691	195,098	(4,486)	(4,486)
Foreign exchange forward contracts:												
Selling	138,940	198	(541)	(541)	134,859	192	1,501	1,501	1,251,824	1,783	(4,874)	(4,874)
Buying	4,742	198	2	2	3,272	192	(42)	(42)	42,724	1,783	18	18
Currency option:												
Selling	6,379	4,146	(149)	160	3,247	1,687	(140)	39	57,473	37,354	(1,342)	1,441
Buying	6,379	4,146	149	(81)	3,247	1,687	140	3	57,473	37,354	1,342	(729)

- Notes:
1. The above transactions are stated at fair value and unrealized gains (losses) for the years ended March 31, 2019 and 2018, are recognized in the consolidated statement of income.
 2. The fair value of interest rate-related OTC transactions is determined using the discounted present value or option-pricing models, and the fair value of currency-related OTC transactions is determined using the discounted present value.

Derivative Transactions to Which Hedge Accounting Is Applied

With respect to derivatives to which hedge accounting is applied, contract or notional amount, fair value, 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.

At March 31, 2019

Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Millions of Yen		
			Contract or Notional Amount		
			Total	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	¥227,920	¥226,608	¥(2,255)
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	69,832	58,080	(893)
	Other— Buying	Loans	583	583	(3)
Total					¥(3,151)

At March 31, 2018

Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Millions of Yen		
			Contract or Notional Amount		
			Total	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	¥225,384	¥224,275	¥(2,278)
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	76,436	75,663	(875)
	Other— Buying	Loans	750	750	(3)
Total					¥(3,157)

At March 31, 2019

Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Thousands of U.S. Dollars		
			Contract or Notional Amount		
			Total	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	\$2,053,518	\$2,041,697	\$(20,317)
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	629,173	523,290	(8,045)
	Other— Buying	Loans	5,252	5,252	(27)
Total					\$(28,389)

- 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

Related Party	Account Classification*3	Transactions for the Year*4			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
		2019	2018	2019	2019	2018	2019
Department Store Fujisaki Co., Ltd.*1	Loans and bills discounted	¥4,636	¥4,562	\$41,769	¥4,699	¥4,823	\$42,337
	Customers' liabilities for acceptances and guarantees	356	360	3,207	351	360	3,162
Fuji Styling Co., Ltd.*1	Loans and bills discounted	274	287	2,468	158	282	1,423
Fujisaki Agency Co., Ltd.*1	Customers' liabilities for acceptances and guarantees	1,000	981	9,009	1,000	1,000	9,009
Mr. Minokichi Akaizawa*2	Loans and bills discounted	518	224	4,667	538	439	4,847

- Notes: *¹ Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company)
*² Mr. Minokichi Akaizawa, a close relative of a director, passed away on November 14, 2018. Since the inheritance procedures are underway, the transaction in the above table is shown in the name of the deceased.
*³ Terms are substantially the same as for similar transactions with third parties.
*⁴ Amounts of transactions were reported at the average balance for the period.

b. Transactions between Consolidated Subsidiaries and Their Related Parties

Related Party	Account Classification*2	Transactions for the Year			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
		2019	2018	2019	2019	2018	2019
Department Store Fujisaki Co., Ltd.*1	Fees and commissions	¥28	¥23	\$252			
Fuji Styling Co., Ltd.*1	Other assets	46	17	414		¥41	

- Notes: *¹ Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company)
*² 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

	Millions of Yen				
	Loan	Securities Investment	Lease	Other	Total
External customers	¥42,119	¥36,342	¥8,127	¥22,894	¥109,483
	Millions of Yen				
	Loan	Securities Investment	Lease	Other	Total
External customers	¥41,491	¥38,152	¥8,007	¥25,529	¥113,180
	Thousands of U.S. Dollars				
	Loan	Securities Investment	Lease	Other	Total
External customers	\$379,484	\$327,434	\$73,222	\$206,270	\$986,422

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:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2019	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income attributable to common stockholders	¥17,670	74,275	¥237.90	\$2.14
Year Ended March 31, 2018				
Basic EPS—Net income attributable to common stockholders	¥18,314	74,185	¥246.87	
Effect of dilutive securities—Stock acquisition rights	—	125		
Diluted EPS—Net income for computation	¥18,314	74,310	¥246.45	

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:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25.00 (\$0.225) per share	¥1,868	\$16,830

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

Deloitte.

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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.

Deloitte Touche Tohmatsu LLC

June 27, 2019

Member of
Deloitte Touche Tohmatsu Limited

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Consolidated (Domestic standard)			
Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)	10.38	10.43	
Capital: (A)	408,494	396,036	3,680,457
Risk-adjusted assets: (B)	3,934,181	3,796,259	35,446,265

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Non-Consolidated (Domestic standard)			
Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)	10.20	10.18	
Capital: (A)	398,082	383,593	3,586,647
Risk-adjusted assets: (B)	3,902,624	3,767,679	35,161,942

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Operations that Put Customers First

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Bank Data

Non-Consolidated Balance Sheet (Parent Company)

THE 77 BANK, LTD.
March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Assets:			
Cash and due from banks	¥ 710,996	¥ 705,553	\$ 6,405,946
Call loans and bills bought	511	530	4,604
Debt purchased	4,071	4,895	36,678
Trading account securities	19,848	24,975	178,826
Money held in trust	115,613	170,985	1,041,652
Investment securities	2,964,936	3,126,044	26,713,541
Loans and bills discounted	4,724,954	4,627,118	42,570,988
Foreign exchange assets	4,734	5,956	42,652
Tangible fixed assets:			
Buildings	8,294	9,720	74,727
Land	19,321	19,873	174,078
Lease assets	81	87	729
Construction in progress	138	534	1,243
Other tangible fixed assets	4,194	4,478	37,787
Intangible fixed assets	263	269	2,369
Customers' liabilities for acceptances and guarantees	24,622	29,060	221,839
Other assets	63,198	28,255	569,402
Reserve for possible loan losses	(55,511)	(56,867)	(500,144)
Total	¥8,610,271	¥8,701,473	\$77,576,997
Liabilities:			
Deposits	¥7,891,848	¥7,964,302	\$71,104,135
Call money	16,104	14,342	145,094
Payables under securities lending transaction	17,414	12,886	156,897
Borrowed money	111,228	107,112	1,002,144
Foreign exchange liabilities	339	113	3,054
Liability for retirement benefits	14,726	24,404	132,678
Reserve for stock compensation	750	876	6,757
Reserve for reimbursement of deposits	464	455	4,180
Reserve for contingent losses	781	695	7,036
Acceptances and guarantees	24,622	29,060	221,839
Deferred tax liabilities	23,238	30,541	209,370
Other liabilities	27,527	34,060	248,013
Total liabilities	8,129,047	8,218,851	73,241,255
Equity:			
Common stock	24,658	24,658	222,164
Capital surplus	8,937	8,937	80,520
Retained earnings	343,810	329,205	3,097,666
Treasury stock	(5,551)	(5,818)	(50,013)
Total stockholders' equity	371,855	356,983	3,350,346
Unrealized gains on available-for-sale securities	110,820	127,111	998,468
Deferred losses on derivatives under hedge accounting	(1,451)	(1,473)	(13,073)
Total valuation adjustments	109,368	125,638	985,386
Stock acquisition rights			
Total equity	481,223	482,622	4,335,732
Total	¥8,610,271	¥8,701,473	\$77,576,997

Non-Consolidated Statement of Income (Parent Company)

THE 77 BANK, LTD.
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Income:			
Interest income:			
Interest on loans and discounts	¥42,044	¥ 41,410	\$378,808
Interest on dividends on trading account and investment securities	27,139	31,076	244,517
Other	266	206	2,396
Fees and commissions	16,742	16,140	150,842
Other operating income	115	859	1,036
Other income	13,544	11,888	122,029
Total income	99,853	101,581	899,657
Expenses:			
Interest expense:			
Interest on deposits	1,491	1,513	13,433
Interest on call money	584	440	5,261
Other	1,472	1,171	13,262
Fees and commissions	7,171	6,867	64,609
Other operating expenses	6,411	12,053	57,761
General and administrative expenses	55,734	55,068	502,153
Other expenses	4,289	1,822	38,643
Total expenses	77,154	78,938	695,143
Income before income taxes	22,699	22,642	204,513
Income taxes:			
Current	4,984	3,770	44,904
Deferred	(253)	2,117	(2,279)
Total income taxes	4,730	5,888	42,616
Net income	¥17,968	¥ 16,754	\$161,888

Loan Portfolio

Loan Portfolio by Industry	Billions of yen	Millions of U.S. Dollars
	2019	2019
Domestic offices <i>(Excluding Japan offshore banking accounts)</i>	¥4,724	\$42,570
Manufacturing	420	3,784
Agriculture and forestry	6	59
Fisheries	5	45
Mining and quarrying of stone and gravel	3	34
Construction	153	1,384
Electricity, gas, heat supply and water	192	1,736
Information and communications	29	263
Transport and postal activities	127	1,150
Wholesale and retail trade	384	3,463
Finance and insurance	305	2,756
Real estate and goods rental and leasing	979	8,825
Services, N.E.C.	341	3,074
Government, except elsewhere classified	640	5,773
Other	1,134	10,219
Japan's offshore banking accounts		
Financial institutions	—	—
Total	¥4,724	\$42,570


Loan Portfolio by Industry	Billions of yen
	2018
Domestic offices <i>(Excluding Japan offshore banking accounts)</i>	¥4,627
Manufacturing	433
Agriculture and forestry	6
Fisheries	5
Mining and quarrying of stone and gravel	4
Construction	159
Electricity, gas, heat supply and water	161
Information and communications	21
Transport and postal activities	125
Wholesale and retail trade	389
Finance and insurance	311
Real estate and goods rental and leasing	924
Services, N.E.C.	332
Government, except elsewhere classified	654
Other	1,096
Japan's offshore banking accounts	
Financial institutions	—
Total	¥4,627

Loans by Collateral	Billions of yen		Millions of U.S. Dollars
	2019	2018	2019
Securities	¥ 5	¥ 5	\$ 48
Commercial claims	20	22	188
Real estate	794	744	7,155
Subtotal	820	772	7,392
Guaranteed	1,259	1,244	11,345
Unsecured	2,645	2,610	23,832
Total	¥4,724	¥4,627	\$42,570

Reserve for Loan Losses	Billions of yen		Millions of U.S. Dollars
	2019	2018	2019
General reserve for loan losses	¥27	¥27	\$247
Specific reserve for estimated loan losses on certain doubtful loans	28	29	252
Total	¥55	¥56	\$500


Disclosure materials

Introduction of Disclosure 2019 (Data)



This is a disclosure document based on Article 21 of the Banking Act (explanatory document regarding our business and financial condition). It states financial data and matters related to the status of capital adequacy, and is available on The 77 Bank's website.
* Japanese Language only

Introduction of Mini Disclosure 2019



This small pamphlet provides a summary overview of our business results and state of operations, in consideration of our relationship with the local community, in a manner that is easy to understand. It is available at both The 77 Bank's Head Office and branches, and The 77 Bank's website.
* Japanese Language only

In addition to this document, The 77 Bank has prepared disclosures including Disclosure 2019 (Data) based on the Banking Act, the Securities Report based on the Financial Instruments and Exchange Act, Mini Disclosure 2019 for the general public and shareholders, and the Annual Report for countries overseas.

In addition, we are continuously working to provide investors with a better understanding of The 77 Bank, Ltd. through means such as the timely disclosure of management information through our website, etc. and the holding of corporate IR briefings twice per year.

Going forward, The 77 Bank, Ltd. will pursue sound management and work towards timely and appropriate disclosure.

Customer feedback

Customer Feedback Cards are available at lobbies and ATM corners at our branches, as a tool for gathering insights and feedback regarding products and services, as well as opinions and requests from customers.

We also accept opinions and requests from customers through our website. Please feel free to contact us.



Designated dispute resolution organization for The 77 Bank under the Banking Act

Japanese Bankers Association
Contact point: Japanese Bankers Association Customer Relations Center
Address: 2-6-1 Otemachi, Chiyoda-ku, Tokyo 19F, Asahi Seimei Otemachi Bldg. (within the Japanese Bankers Association)
Telephone number: +81-570-017109 or +81-3-5252-3772

<What is a designated dispute resolution organization?>
A designated dispute resolution organization is an organization designated by the Financial Services Agency that works to resolve complaints submitted by customers or requests for dispute resolution (mediation) related to banking services, etc. from a fair and neutral position.

The 77 Bank, Ltd.

August 2019

Issued by The 77 Bank, Ltd.

General Planning & Coordination Division

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<https://www.77bank.co.jp/english/top.htm>