



Leading company creating a path to the future



Results for the First Half of Fiscal
Year Ending March 31, 2022

IR Presentation

77
BANK 七十七銀行

Materials were prepared for the Bank's presentation of its results for the first half of fiscal year ending March 31, 2022 held on December 7, 2021.

December 7, 2021

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01



Financial Summary

1. Financial Summary (Summary of profits and losses)

(JPY bn, %)

Summary of profits and losses (Non-consolidated)	1H	1H	YoY change	
	FY2021	FY2022	Increase/decrease	Rate of change %
Gross operating income	37.5	38.5	1.0	2.7
[Core gross operating income]	[38.0]	[44.4]	[6.4]	[17.0]
Interest income	34.1	37.7	3.6	10.8
Fees and commissions	4.2	6.4	2.2	52.9
Other operating income	(0.8)	(5.6)	(4.8)	
Gains (losses) on bonds	(0.5)	(5.9)	(5.4)	
Gains (losses) on forex transactions	(0.7)	(0.1)	0.6	
Expenses	25.3	24.8	(0.5)	(1.7)
Substantial operating income (Operating income before provision of general reserve for loan losses)	12.2	13.7	1.5	11.9
[Core operating income]	[12.7]	[19.6]	[6.9]	[54.4]
[Core operating income (excl. gains (losses) on cancellation of investment trusts)]	[8.4]	[13.1]	[4.7]	[55.1]
Provision of general reserve for loan losses	1.8	2.1	0.3	
Operating income	10.4	11.6	1.2	11.0
Special income and losses	0.2	5.9	5.7	
Bad debt disposals (-)	3.9	0.3	(3.6)	
Gains on reversal of reserve for loan loss	0.1	0.0	(0.1)	
Gains (losses) on stocks	2.0	5.5	3.5	
Gains (losses) on investments in money held in trust	2.2	1.3	(0.9)	
Ordinary income	10.6	17.5	6.9	64.9
Extraordinary income	—	—	—	
Extraordinary loss	0.2	0.4	0.2	
Income taxes (incl. deferred taxes)	3.0	5.3	2.3	
Net income	7.4	11.8	4.4	59.7
Credit-related expenses	5.6	2.4	(3.2)	

Summary of profits and losses (Consolidated)

Ordinary income	11.1	18.4	7.3	66.3
Net income attributable to owners of the parent	7.5	12.2	4.7	62.9

< Core operating income >

Core operating income increased JPY 6.9 billion year-on-year, thanks partly to an increase in interest income, as well as an increase in fees and commissions.

< Ordinary income and net income >

Ordinary income and net income increased JPY 6.9 billion and JPY 4.4 billion year-on-year respectively, thanks partly to a decrease in credit-related expenses.

1. Financial Summary (Interest income)

(JPY bn)

	1H FY2021	1H FY2022	YoY change
Interest income	34.1	37.7	3.6
Investment income	34.9	38.0	3.1
[Interest on loans and bills discounted]	[20.7]	[20.9]	[0.2]
[Interest and dividends on securities]	[14.0]	[16.7]	[2.7]
Fund procurement costs	0.8	0.3	(0.5)
[Interest on deposits]	[0.2]	[0.1]	[(1.0)]

Interest income increased JPY 3.6 billion year-on-year, partly as a result of increases in interest on loans and bills discounted and interest and dividends on securities.

(JPY bn)

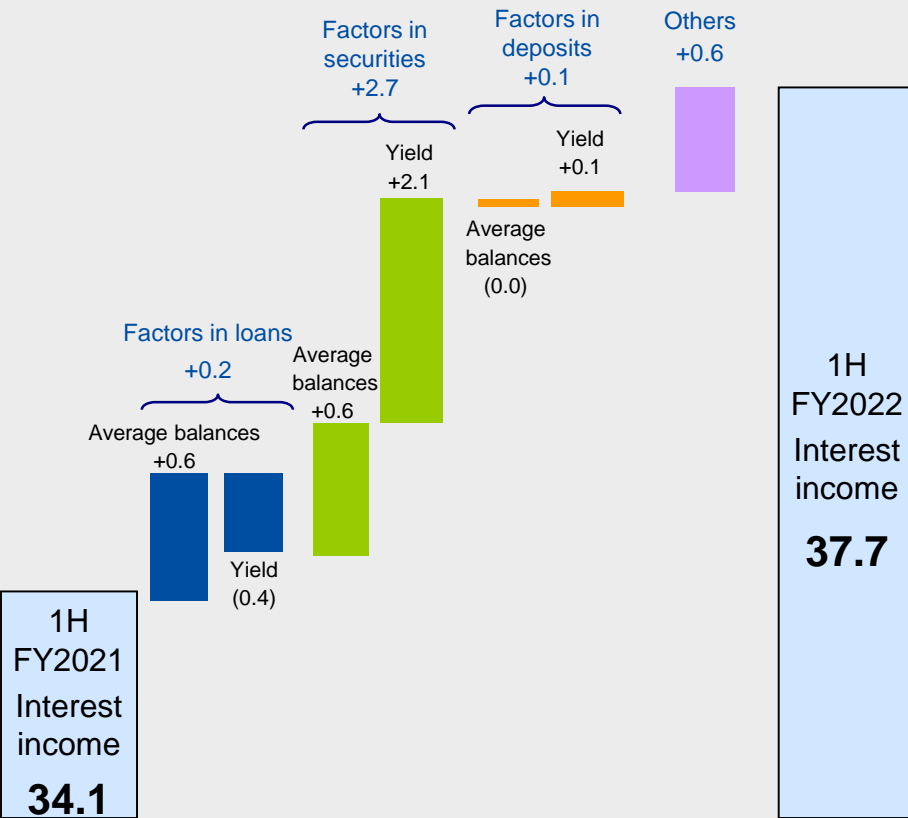
Major accounts (average balances)	1H FY2021	1H FY2022	YoY change
Loans and bills discounted	4,930.0	5,071.6	141.6
Securities	2,868.3	2,995.8	127.5
Deposits and certificates of deposits	8,149.4	8,636.9	487.5

(%)

Interest rates	1H FY2021	1H FY2022	YoY
Loans and bills discounted interest rate	0.83	0.82	(0.01)
Securities interest rate	0.97	1.11	0.14
Interest rate on deposits	0.00	0.00	0.00

< Change factors in interest income >

(JPY bn)



1. Financial Summary (Loans and bills discounted/Deposits)

- Loans and bills discounted increased 2.8% year-on-year owing to active efforts to respond to the demand for funds of SMEs, etc., affected by COVID-19, as well as an increase in retail loans centered on housing loans. Interest on yen-denominated loans and bills discounted also increased JPY 0.4 billion year-on-year because of changes in the average balance.
- Total deposits and certificates of deposits increased 5.9% year-on-year because of increased retail and corporate deposits.

(JPY bn, %)

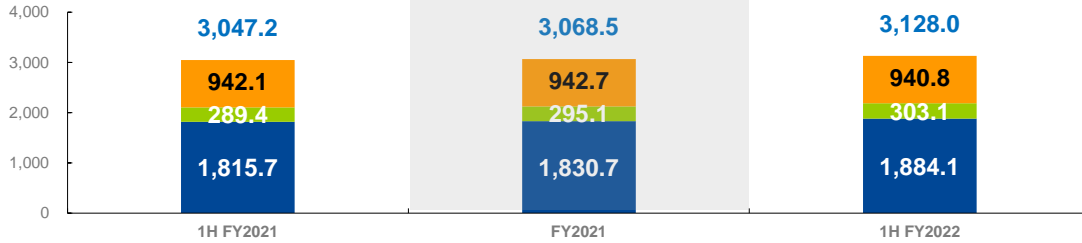
	1H FY2021	1H FY2022	YoY change (%)
Loans and bills discounted (average balances)	4,930.0	5,071.6	2.8
Corporate loans	3,103.0	3,191.5	2.8
Retail loans	1,184.7	1,221.7	3.1
Loans for local governments	642.3	658.4	2.5

(JPY bn, %)

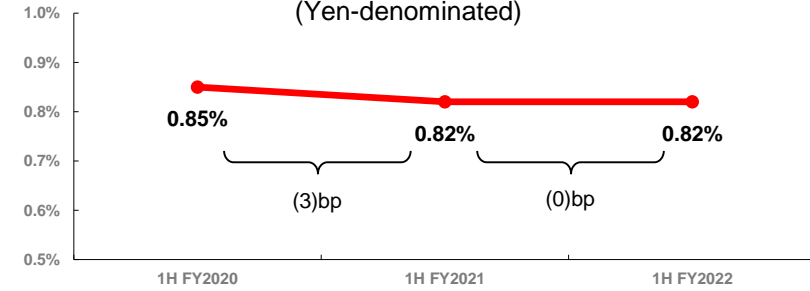
	1H FY2021	1H FY2022	YoY change (%)
Deposits and certificates of deposits (average balances)	8,149.4	8,636.9	5.9
Retail deposits	5,273.1	5,593.8	6.0
Corporate deposits	2,026.4	2,207.6	8.9
Public deposits	826.7	810.0	(2.0)

(JPY bn) **Corporate loans** (yen-denominated, average balances)

■ Miyagi Pref. ■ Tohoku region, etc. ■ Tokyo/Nagoya/Osaka

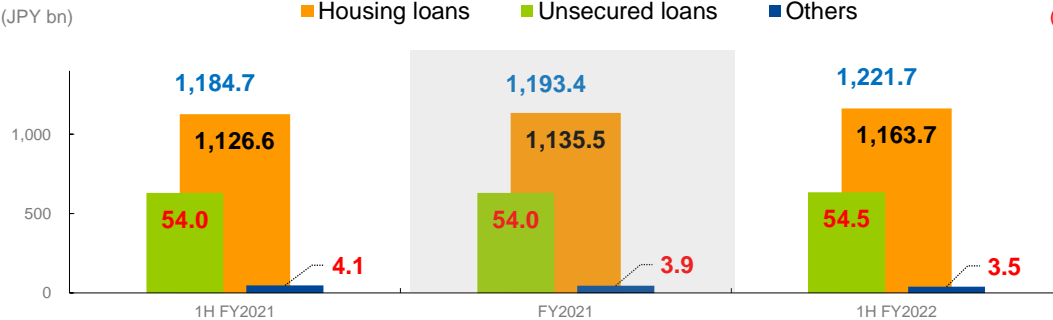


Loans and bills discounted interest rate (Yen-denominated)

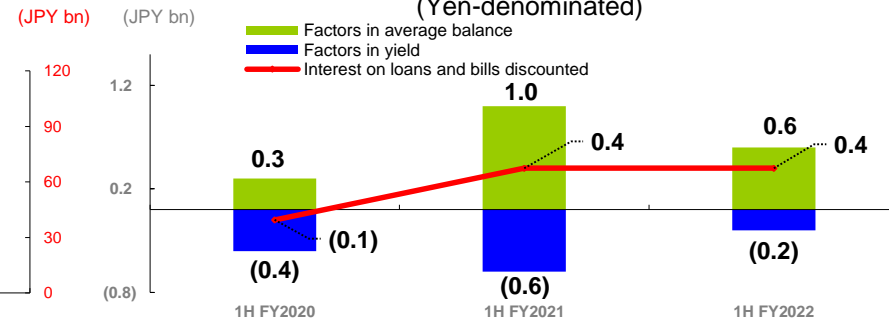


Retail loans (average balances)

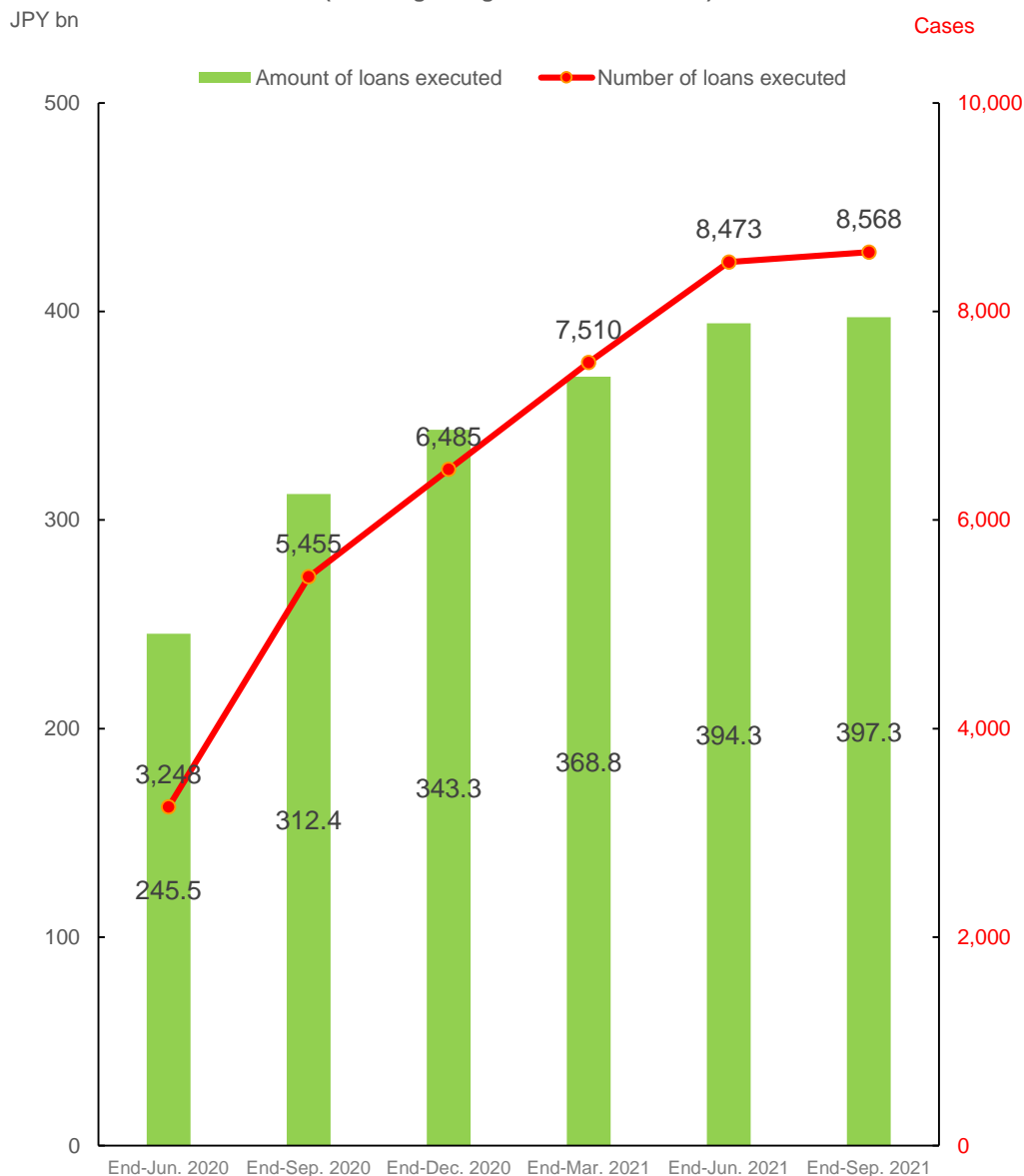
■ Housing loans ■ Unsecured loans ■ Others



Change in interest on loans and bills discounted (Yen-denominated)



COVID-19-related loan performance (including changes in loan conditions)



◆ Consultations by the COVID-19 Emergency Support Team

7,385 cases (as of September 30, 2021)

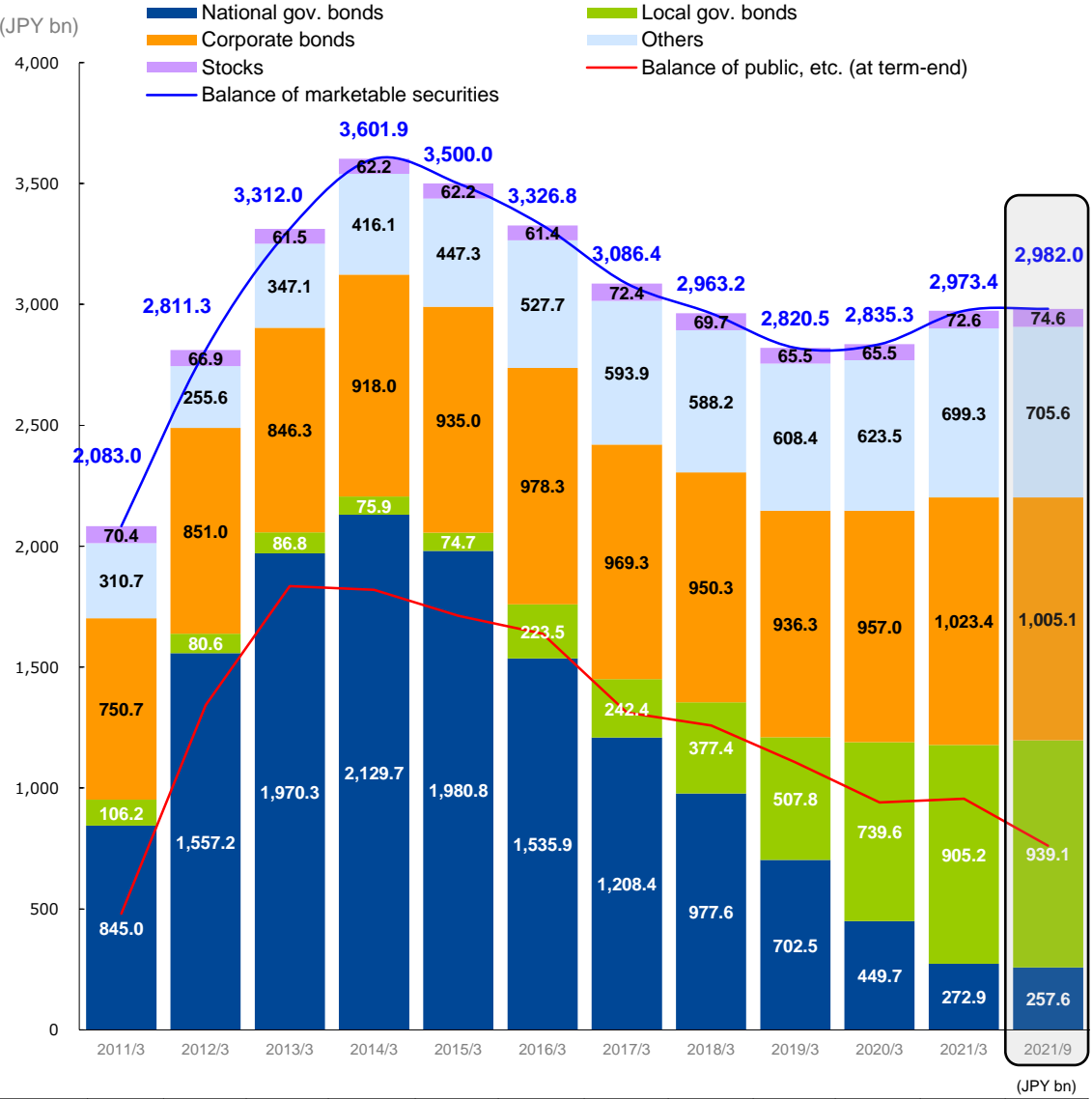
(Content of consultations)	1H FY2022	(cumulative)
1) <u>New lending consultations (related to COVID-19)</u>	34 cases	(3,199 cases)
2) <u>Change in loan conditions, etc.</u>	2 cases	(29 cases)
3) <u>Business matching</u>	770 cases	(2,285 cases)
4) <u>Business succession and M&A</u>	679 cases	(1,744 cases)
5) <u>Subsidiaries</u>	191 cases	(569 cases)
6) <u>Funds</u>	53 cases	(128 cases)
7) <u>Others (provision of information related to core business support)</u>	3,754 cases	(6,401 cases)
8) <u>Matters not related to COVID-19</u>	1,902 cases	(4,570 cases)
	Total	(18,925 cases)

◆ Number of branches subject to credit supervision by Credit Supervision Division employees

582 branches (1H FY2022) (total)

1. Financial Summary (Securities)

Balance of marketable securities (on an amortized cost base)

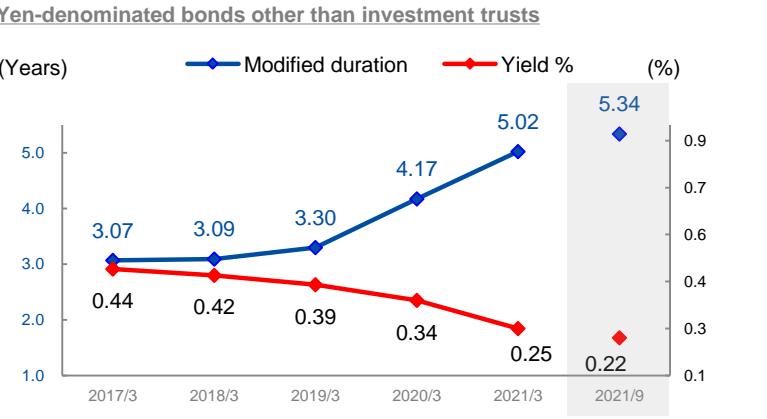


The balance of marketable securities increased by JPY 8.6 billion from the end of March 2021, thanks to increases in investments centered on local gov. bonds and investment trusts.

Composition ratio by type (on an amortized cost base)

	End-Mar. 2020	End-Mar. 2021	End-Sep. 2021
National gov. bonds	15.9%	9.2%	8.6%
Local gov. bonds	26.1%	30.5%	31.5%
Corporate bonds	33.7%	34.4%	33.7%
Others	22.0%	23.5%	23.7%
Investment trusts	17.8%	18.5%	20.3%
Foreign bonds	4.2%	5.0%	3.4%
Stocks	2.3%	2.4%	2.5%

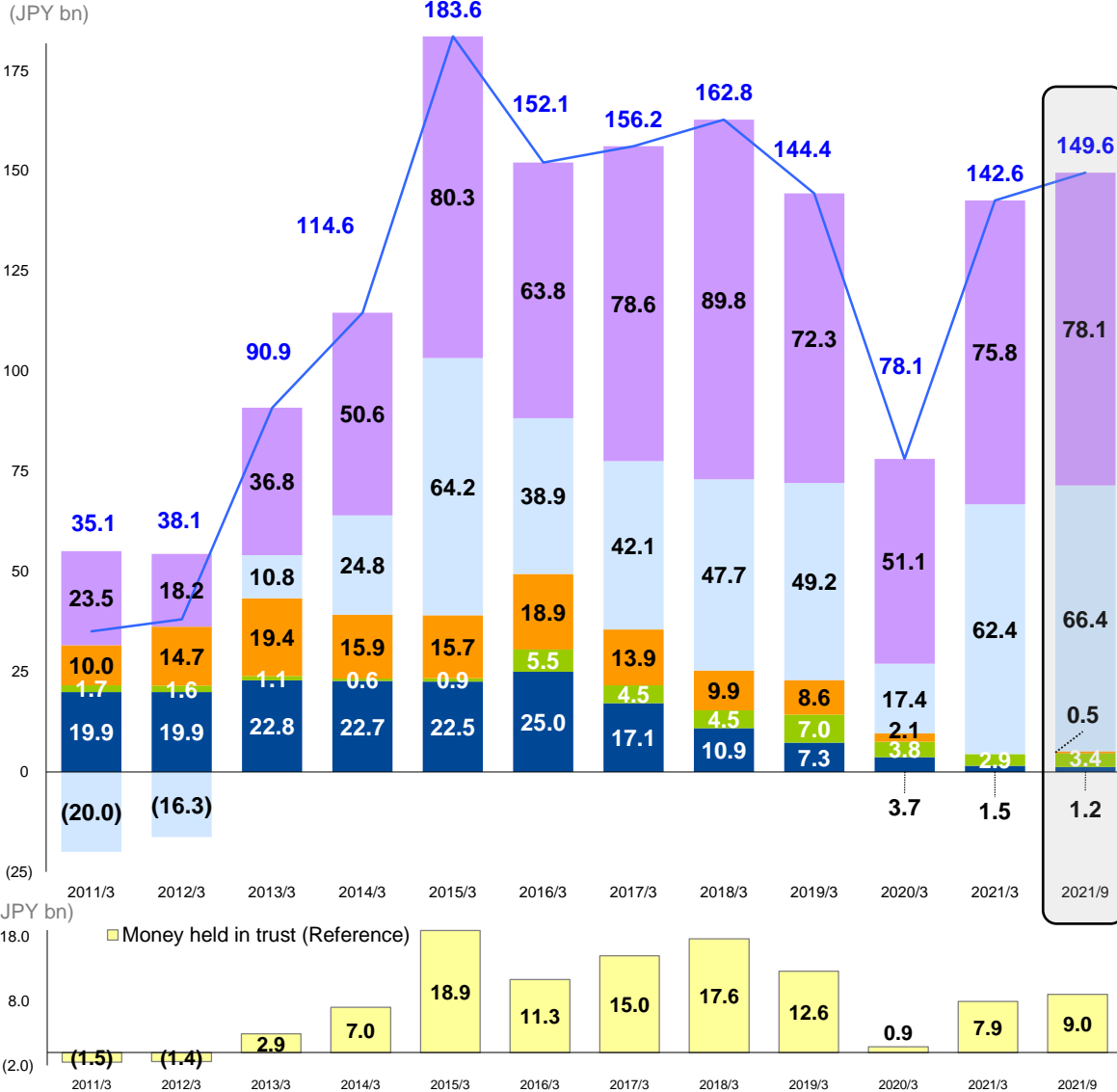
Yields and modified duration of yen-denominated bonds



1. Financial Summary (Securities)

Gains (losses) from evaluation of securities

- National gov. bonds
- Corporate bonds
- Stocks
- Local gov. bonds
- Others
- Gains (losses) from evaluation of securities



Gain (losses) from evaluation of securities increased JPY 7.0 billion from the end of March 2021, thanks to increases related to investment trusts and stocks.

Total gains (losses) from securities

(JPY bn)

	1H FY2021	1H FY2022	YoY change
Interest and dividends on securities [A]	14.0	16.7	2.7
Interest on yen-denominated bonds	3.0	2.5	(0.5)
Interest on foreign currency-denominated bonds	0.9	0.6	(0.3)
Stock dividends	2.9	3.2	0.3
Distributions from investment trusts	2.9	3.9	1.0
Gains on cancellation of investment trusts	4.3	6.5	2.2
Gains (losses) on bonds [B]	(0.5)	(5.9)	(5.4)
Gain on sales of bonds	0.2	0.1	(0.1)
Losses on sales of bonds	0.0	1.6	1.6
Losses on redemption of bonds	0.7	4.4	3.7
Losses on cancellation of investment trusts	0.6	4.2	3.6
Gains (losses) on stocks [C]	2.0	5.5	3.5
Gains on sales of stocks	2.8	5.5	2.7
Losses on sales of stocks	0.8	—	(0.8)
Amortization of stocks	0.0	0.0	0.0
Gains (losses) on investments in money held in trust [D]	2.2	1.3	(0.9)
Total gains (losses) from securities [A+B+C+D]	17.7	17.6	(0.1)

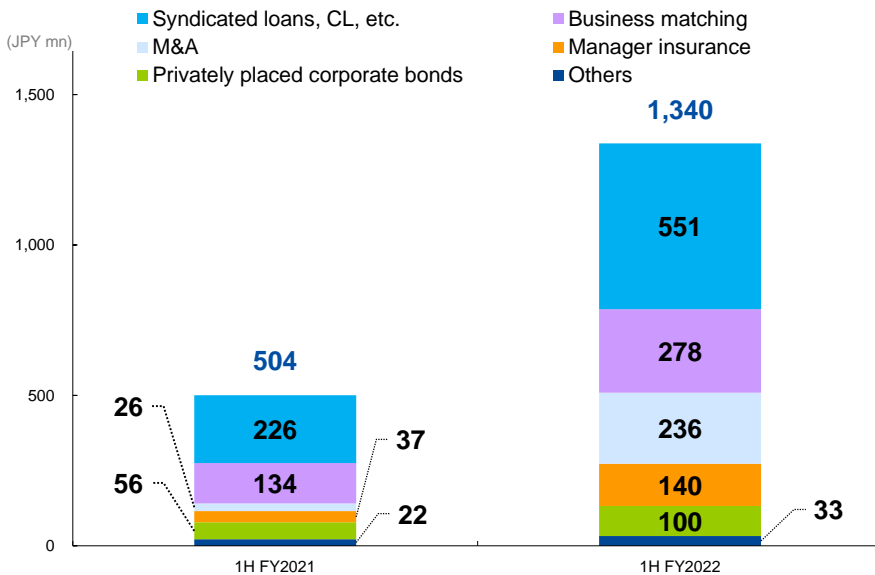
1. Financial Summary (Fees and commissions)

(JPY mn)

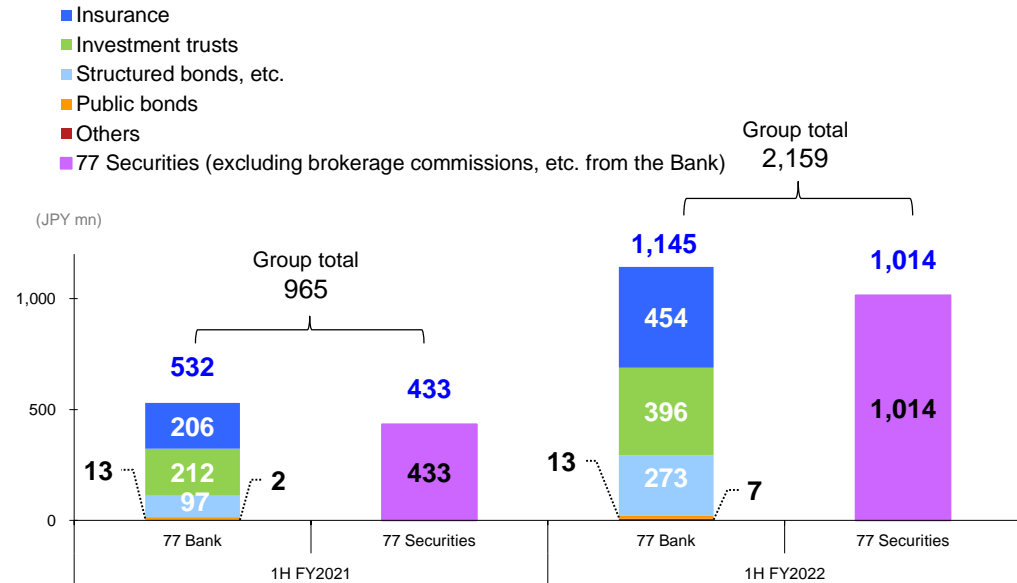
	1H FY2021	1H FY2022	YoY change
Fees and commissions A	7,854	9,330	1,476
Fees and commissions from payments	4,628	4,536	(92)
Fees and commissions from corporate clients	504	1,340	836
Sales commissions of assets in custody	532	1,145	613
Fees and commissions payments B	3,686	2,953	(733)
Loan repayment guarantee fees and insurance premiums	2,470	1,762	(708)
Fees and commissions [A-B]	4,168	6,377	2,209

Fees and commissions increased JPY 2.2 billion year-on-year, thanks partly to an increase in fees and commissions from corporate clients as a result of measures to strengthen consulting-based sales and focus on structured finance, as well as an increase in sales commissions of assets in custody.

Fees and commissions from corporate clients



Sales commissions of assets in custody

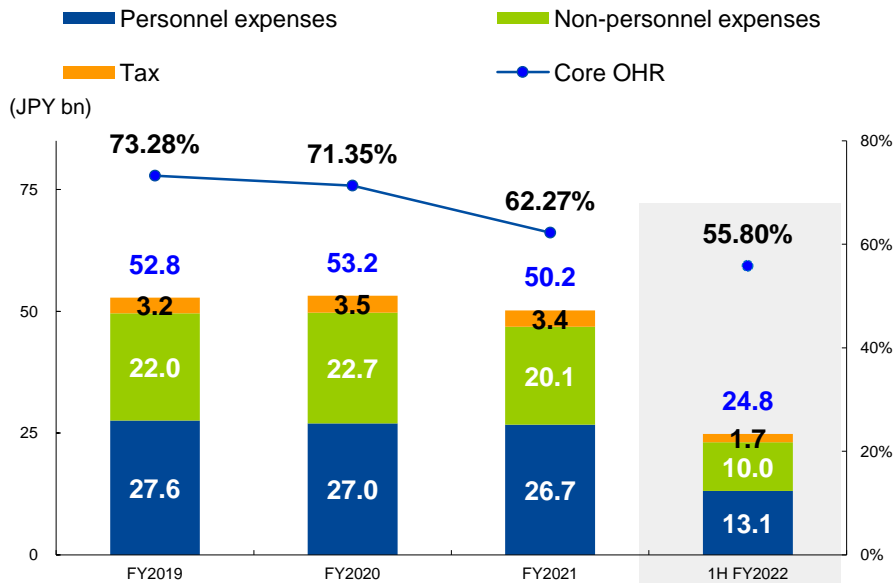


1. Financial Summary (Expenses)

Despite an increase in non-personnel expenses as a result of higher system-related expenses, etc., expenses decreased JPY 0.5 billion year-on-year, mainly because of a decrease in personnel expenses, partly as a result of a decrease in the number of employees.

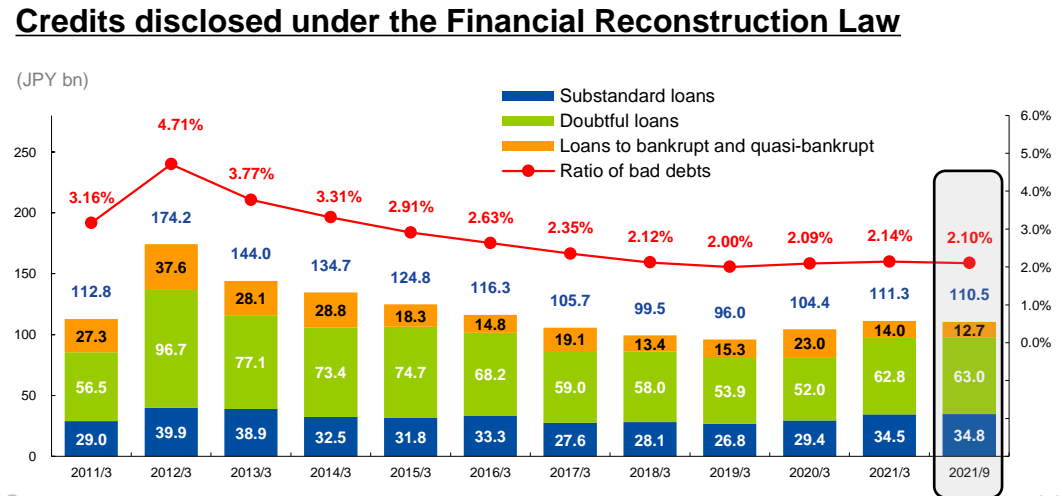
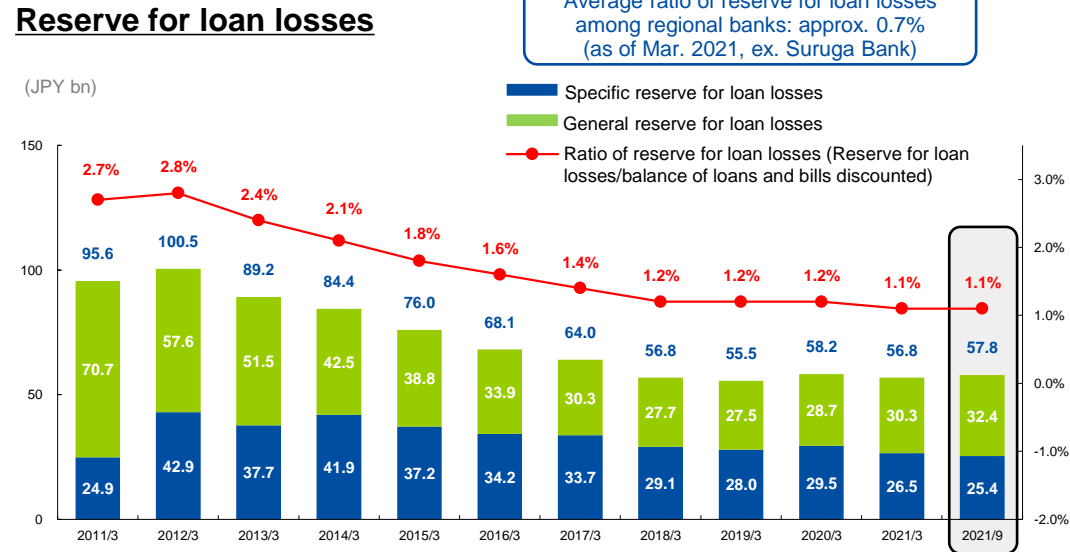
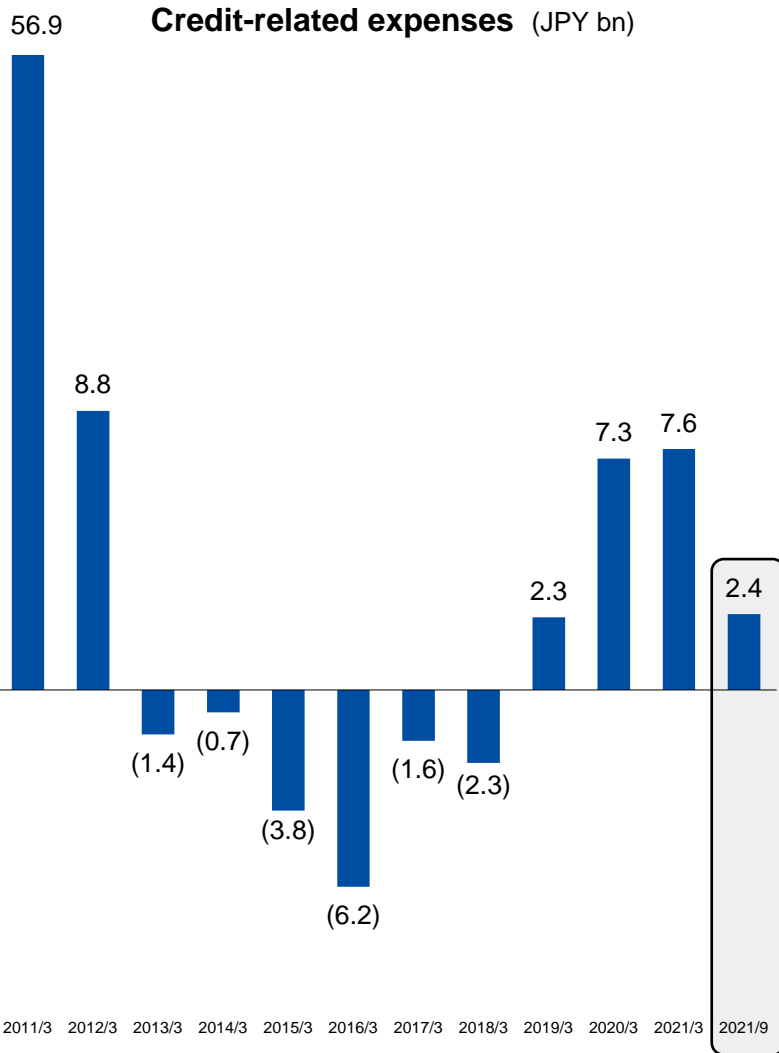
	(JPY bn)		
	1H FY2021	1H FY2022	YoY change
Expenses	25.3	24.8	(0.5)
Personnel expenses	13.5	13.1	(0.4)
Non-personnel expenses	9.8	10.0	0.2
Tax	2.0	1.7	(0.3)

	(JPY bn)	
	Key change factors in expenses (1H FY2022)	
Personnel expenses	Decrease in the number of employees, overtime hours, etc.	(0.3)
Non-personnel expenses	System-related expenses	0.4
	Reduction from change to branches within branches, etc.	(0.1)



	(branches, bases, machines, people)				
	FY2020	1H FY2021 (A)	FY2021	1H FY2022 (B)	Difference (B - A)
Number of manned branches (at term-end)	142	142	142	142	—
Number of bases (at term-end)	136	135	130	127	(8)
Number of branches within branches (at term-end)	6	7	12	15	8
Number of ATMs installed (at term-end)	800	783	743	728	(55)
Average number of employees (excl. secondees)	2,772	2,775	2,732	2,708	(67)

Despite factors such as credit downgrades caused by the prolonging of the COVID-19 pandemic, etc., credit-related expenses decreased as the impact on business performance was smaller than FY2021, when COVID-19 spread rapidly.



02



Projected Performance

2. Projected Performance (Summary of profits and losses)

Summary of profits and losses (Non-consolidated)	FY2021 (Results)	FY2022 (Forecast)	YoY change Increase/decrease	FY2023 (Simulation)
Gross operating income	67.8	74.8	7.0	77.1
[Core gross operating income]	[80.6]	[82.4]	[1.8]	[81.7]
Interest income	70.5	71.4	0.9	71.7
Interest on loans and bills discounted	41.6	42.1	0.5	42.8
Interest and dividends on securities A	29.8	28.1	(1.7)	28.3
Fees and commissions	9.8	11.1	1.3	10.7
Other operating income	(12.5)	(7.7)	4.8	(5.3)
Gains (losses) on bonds B	(12.8)	(7.6)	5.2	(4.6)
Gains (losses) on forex transactions	0.8	(0.5)	(1.3)	(0.7)
Expenses	50.2	49.5	(0.7)	49.3
Substantial operating income (Operating income before provision of general reserve for loan losses)	17.6	25.3	7.7	27.8
[Core operating income]	[30.4]	[32.9]	[2.5]	[32.4]
[Core operating income (excl. gains (losses) on cancellation of investment trusts)]	[18.7]	[23.0]	[4.3]	[22.1]
Provision of general reserve for loan losses [1]	1.7	3.6	1.9	1.6
Operating income	15.9	21.7	5.8	26.2
Special income and losses	6.8	6.3	(0.5)	2.8
Bad debt disposals (-) [2]	6.0	2.5	(3.5)	3.1
Gains on reversal of reserve for loan loss [3]	0.1	0.1	0.0	0.2
Gains (losses) on stocks C	10.8	7.8	(3.0)	3.0
Gains (losses) on investments in money held in trust D	3.0	2.7	(0.3)	4.3
Ordinary income	22.7	28.0	5.3	29.0
Extraordinary income	—	—	—	—
Extraordinary loss	0.3	0.5	0.2	0.2
Income taxes (incl. deferred taxes)	7.5	8.5	1.0	8.8
Net income	14.9	19.0	4.1	20.0
Credit-related expenses [1] + [2] - [3]	7.6	6.0	(1.6)	4.5
Total gains (losses) from securities [A + B + C + D]	30.8	31.0	0.2	31.0
Summary of profits and losses (Consolidated)				
Ordinary income	25.1	29.5	4.4	30.5
Net income attributable to owners of the parent	16.5	20.0	3.5	21.0

2. Projected Performance (Yields, interest margin, interest rates, etc.)

(JPY bn)

	FY2021 (Results)	FY2022 (Forecast)	YoY change	FY2022 (Simulation)
Interest income	70.5	71.4	0.9	71.7
Investment income	71.8	71.9	0.1	72.0
[Interest on loans and bills discounted]	[41.6]	[42.1]	[0.5]	[42.8]
[Interest and dividends on securities]	[29.8]	[28.1]	[(1.7)]	[28.3]
Fund procurement costs	1.3	0.5	(0.8)	0.3
[Interest on deposits]	[0.3]	[0.2]	[(0.1)]	[0.2]

Fees and commissions	9.8	11.1	1.3	10.7
[Fees and commissions from corporate clients]	[2.0]	[2.4]	[0.4]	[2.5]
[Sales commissions of assets in custody]	[1.6]	[2.0]	[0.4]	[1.9]

Expenses	50.2	49.5	(0.7)	49.3
Personnel expenses	26.7	25.9	(0.8)	25.4
Non-personnel expenses	20.1	20.3	0.2	20.6
Tax	3.4	3.3	(0.1)	3.3

(Reference) Level of yields, interest rates, etc. used as the basis for projected performance and simulations

	FY2021 (Results)	FY2022 (Forecast)	YoY change	FY2023 (Simulation)
Interest rates/interest margin				
Loans and bills discounted interest rate	0.83	0.82	(0.01)	0.81
Securities interest rate	1.01	0.93	(0.08)	0.93
Interest rate on deposits	0.00	0.00	0.00	0.00
Interest rate spread	0.79	0.74	(0.05)	0.75
Net interest margin	0.21	0.21	0.00	0.22

(%)

	FY2021 (Results)	FY2022 (Forecast)	FY2023 (Simulation)
Unsecured call rate O/N	(0.04)	(0.05)	(0.05)
JPY TIBOR (3 months)	0.07	0.07	0.07
USD LIBOR (3 months)	0.27	0.15	0.15
10-year JGBs	0.04	0.05	0.05
10-year US treasury bonds	0.89	1.47	1.50
Exchange rate (JPY/USD)	106	111	111
Nikkei Average (at term-end)	29,178	29,000	29,000

(%, JPY)

We will continue to maintain a stable dividend, while also endeavoring to enhance internal reserves and maintain and improve the soundness of our management.

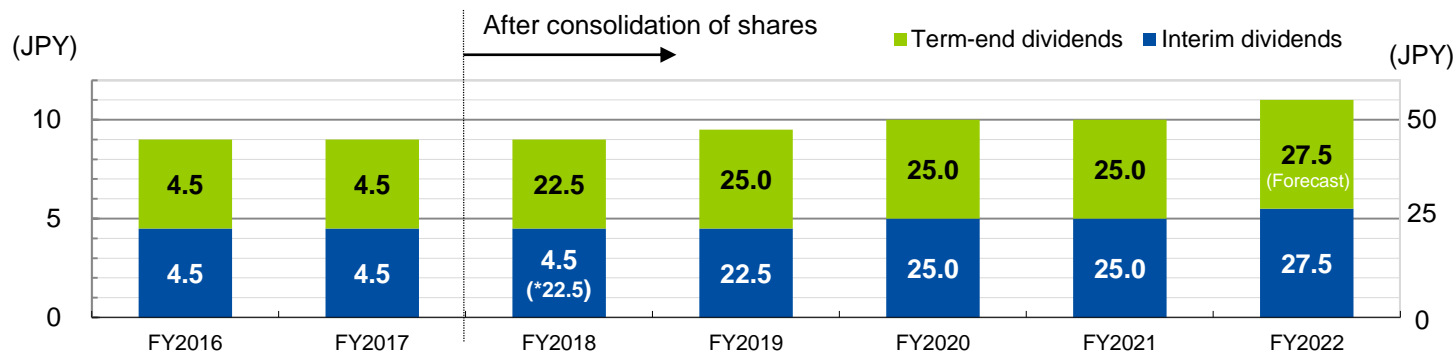
		FY2017	FY2018	FY2019	FY2020	FY2021	1H FY2022
ROE (consolidated)	(%)	3.56	3.82	3.60	3.89	3.42	4.66

		End-Mar. 2017	End-Mar. 2018	End-Mar. 2019	End-Mar. 2020	End-Mar. 2021	End-Sep. 2021
Capital adequacy ratio (consolidated) [domestic standards] (a) / (b)	(%)	10.73	10.43	10.38	10.31	10.39	10.38
Capital (a)	(JPY bn)	385.1	396.0	408.5	422.3	439.0	451.7
Risk-adjusted assets (b)	(JPY bn)	3,587.9	3,796.3	3,934.2	4,095.4	4,224.9	4,349.8
Credit-risk assets	(JPY bn)	3,442.5	3,653.4	3,796.4	3,957.1	4,083.9	4,204.2

		FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (forecast)
Dividend ratio	(%)	20.8	18.2	19.9	20.2	22.4	20.3
Total sum paid out	(JPY mn)	3,353	3,364	3,550	3,713	3,713	4,108
Net income (consolidated)	(JPY bn)	16.1	18.3	17.6	18.2	16.5	20.0

		FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (forecast)
Acquisition amount of treasury stock	(JPY mn)	2,999	—	—	799	—	—

* The Bank conducted a 1-for-5 consolidation of shares on October 1, 2017. If calculated based on the number of shares after the consolidation, the interim dividend for the fiscal year 2018 is JPY 22.50 per share and therefore the annual dividend equals JPY 45 per share.



03



Business Strategy

What is our vision for the 77 Bank Group? We set forth our ideas in a new management plan



“Our target form”
to aim for over
the long-term

The 77 Bank Group aims to be a leading company that works to achieve prosperity in the local community, by continuing to offer the optimal solutions, which inspire and build trust, and at the same time working with our stakeholders to tap new areas of opportunity in Miyagi and Tohoku.

Stimulate demand among customers and local communities
Expand the scope of operations

Dramatic improvements in productivity

Establish an ambitious corporate culture

Enhance!



77 Bank Group strengths

Customer base
Consulting system
Trust from customers and local community

Improve!



77 Bank Group weaknesses

Profitability (low-profitability structure)
Cost consciousness (high-cost structure)
Competitiveness with other companies

Establish!



Revitalization points

Appetite for new challenges
Speed and flexibility
Cross-organization (vertical, horizontal, diagonal)

In “Vision 2030,” we set forth the direction the 77 Bank Group should take to grow sustainably together with local communities, based on our SDG Declaration, i.e., stimulating the regional economy and promoting active participation by a diverse range of personnel



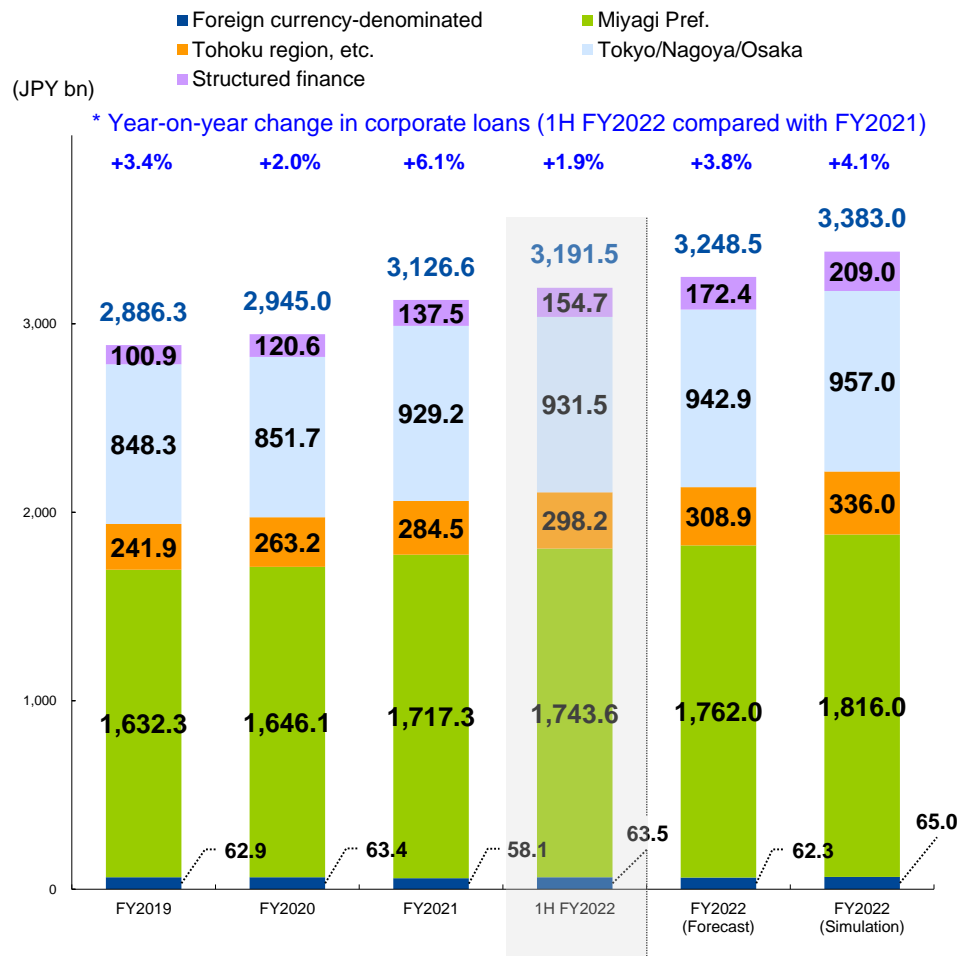
3. Business Strategy (Corporate sales)

I Top customer satisfaction strategy

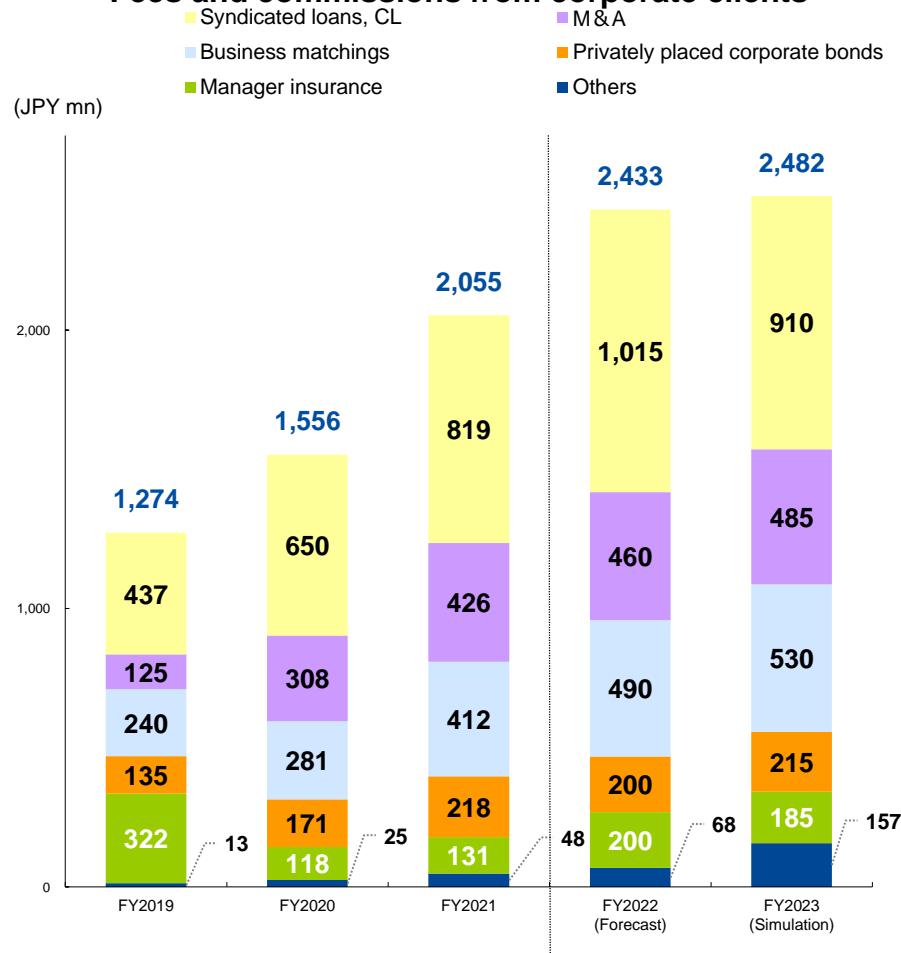
Inspire through consulting and digital technologies!

◆ Consulting-based sales based on customer needs

Corporate loans (average balances)

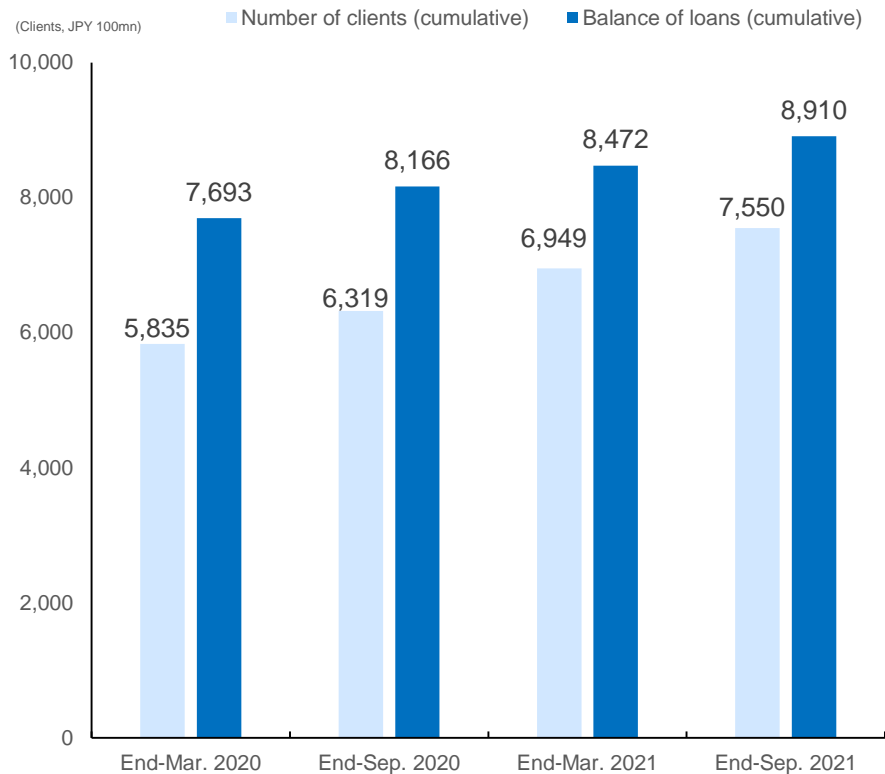


Fees and commissions from corporate clients



I Top customer satisfaction strategy

Implementation of business evaluations



Number of business evaluation clients, mainly by dedicated headquarters employees, etc.

Apr. 2021 to end-Sep. 2021 (actual)	Apr. 2021 to end-Mar. 2022 (target)
143 clients	250 clients

Inspire through consulting and digital technologies!

■ Continuation of business evaluations

- Capture and stimulate customer needs with “quality enhancements”
- Consulting proposals mainly from dedicated headquarters employees, etc.

Number of issue solutions shared and contracts as a result of business evaluations * Cumulative total from October 2016

Issue solution	Number of solutions shared	Number of contracts
Execution of financing	12,085	8,673
Paid business matching	7,793	1,219
Sales information services	4,353	1,034
Business succession, inheritance, etc.	2,872	184
External support organizations	2,008	198
Business meetings	1,468	166
Manager insurance	1,327	254
M&A	958	46
Investment trusts, structured bonds, etc.	930	162
Others	9,827	2,056
Total	43,621	13,992
(Number of clients basis)	7,550	5,188

* Where multiple solutions to issues have been shared and contracts formed with a single client, each issue has been counted separately

3. Business Strategy (Corporate sales)

I Top customer satisfaction strategy

External support organizations

- Development Bank of Japan
- Japan Finance Corporation
- The Shoko Chukin Bank
- Nihon M&A Center
- Miyagi Organization for Industry Promotion
- Tokyo Stock Exchange
- Sendai Chamber of Commerce and Industry
- REVIC
- Tohoku University
- Miyagi University, etc.



The 77 Bank Group

77 Bank	77 Lease
77 Shin-Yo Hosyo	77 Card
77 Securities	77 R&C
77 Partners	77 Capital



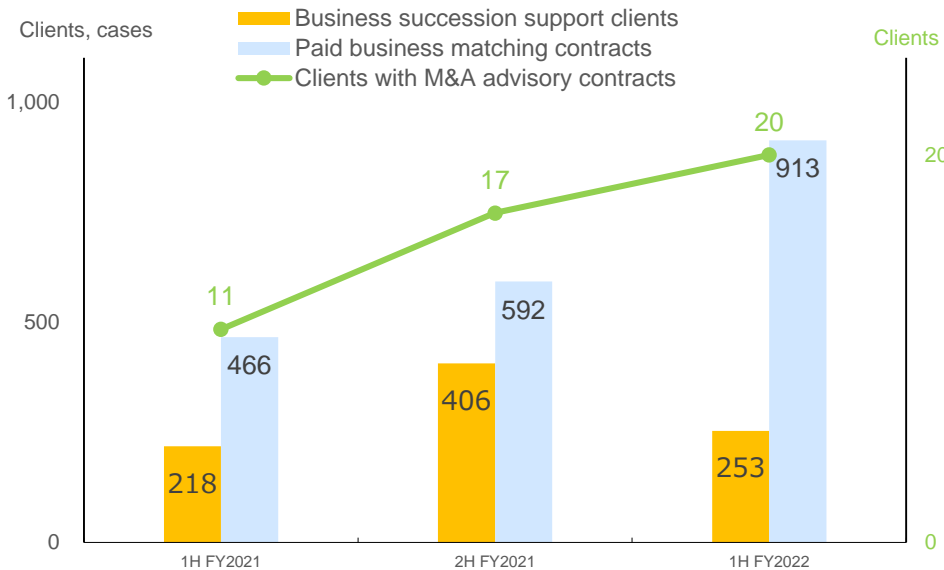
Inspire through consulting and digital technologies!

Clients

Issues for enhancement of corporate value

Business plan formulation	Financial position improvement	Funding
Securing of HR	Business succession	M&A
Broader marketing channels	Overseas development	Productivity enhancement

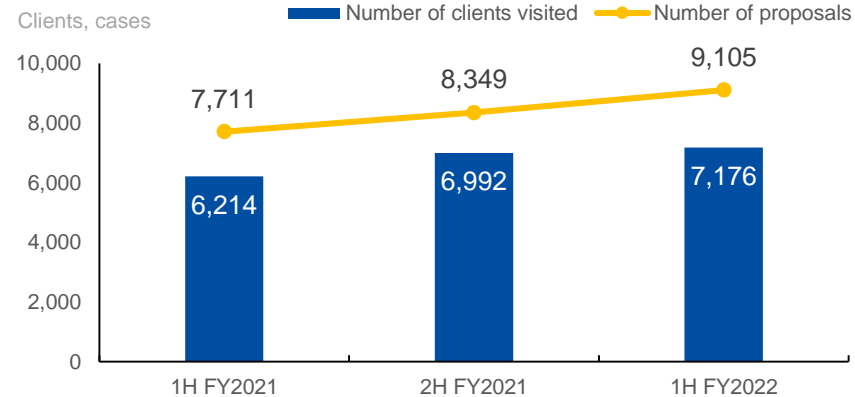
Consulting-related contracts



Provision of solutions from headquarters and Group companies

- We make various proposals utilizing our headquarters, Group companies, and external specialist organizations
- Accurately identifying customer needs

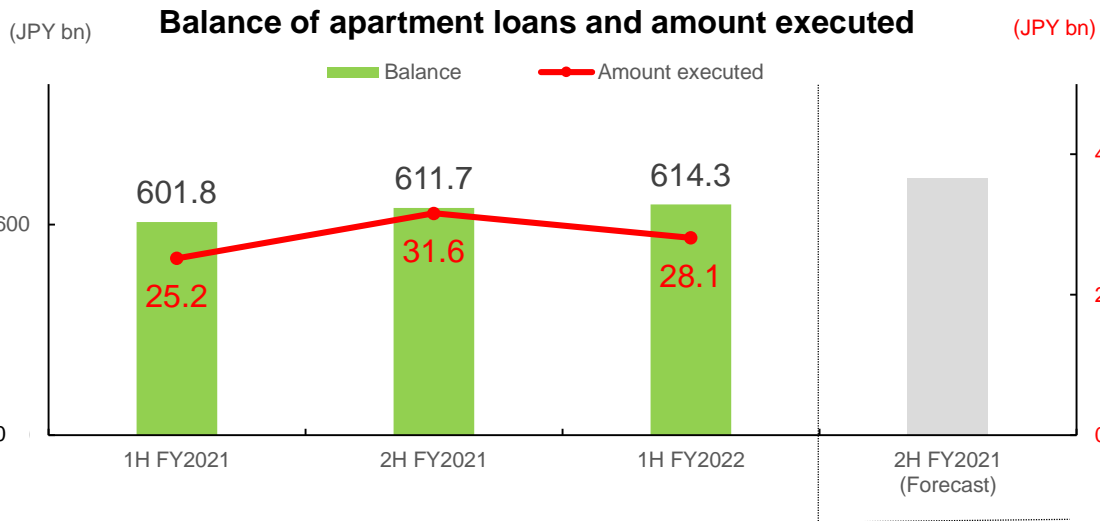
Initiatives by regional support teams



3. Business Strategy (Corporate sales)

I Top customer satisfaction strategy

Inspire through consulting and digital technologies!



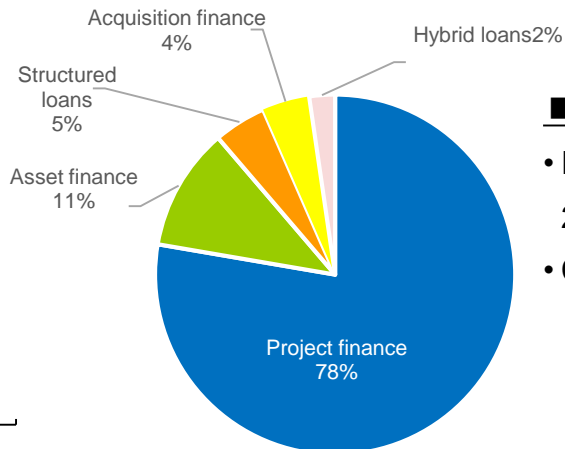
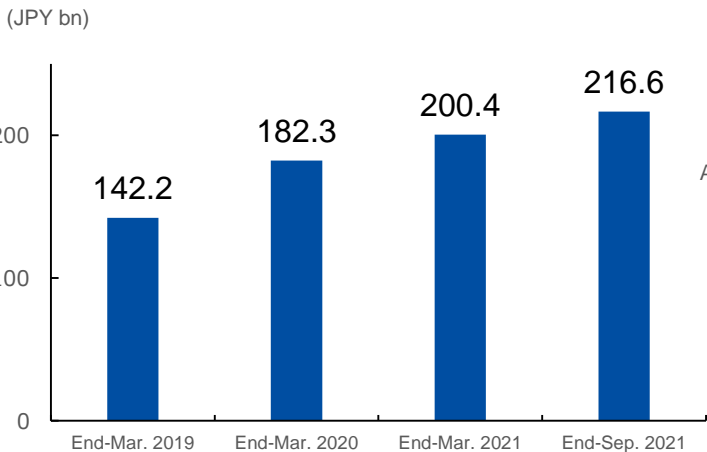
Strengthening promotion of apartment loans

- Revise product design, inspection standards, etc.
- Ensure we capture real estate utilization needs

Balance of structured finance lending

* The balance of lending includes unused balance

(Reference) Breakdown of balance as of end-September 2021



Strengthening structured finance

- Established Structured Finance Section (June 2021)
- Capture opportunities for asset finance deals

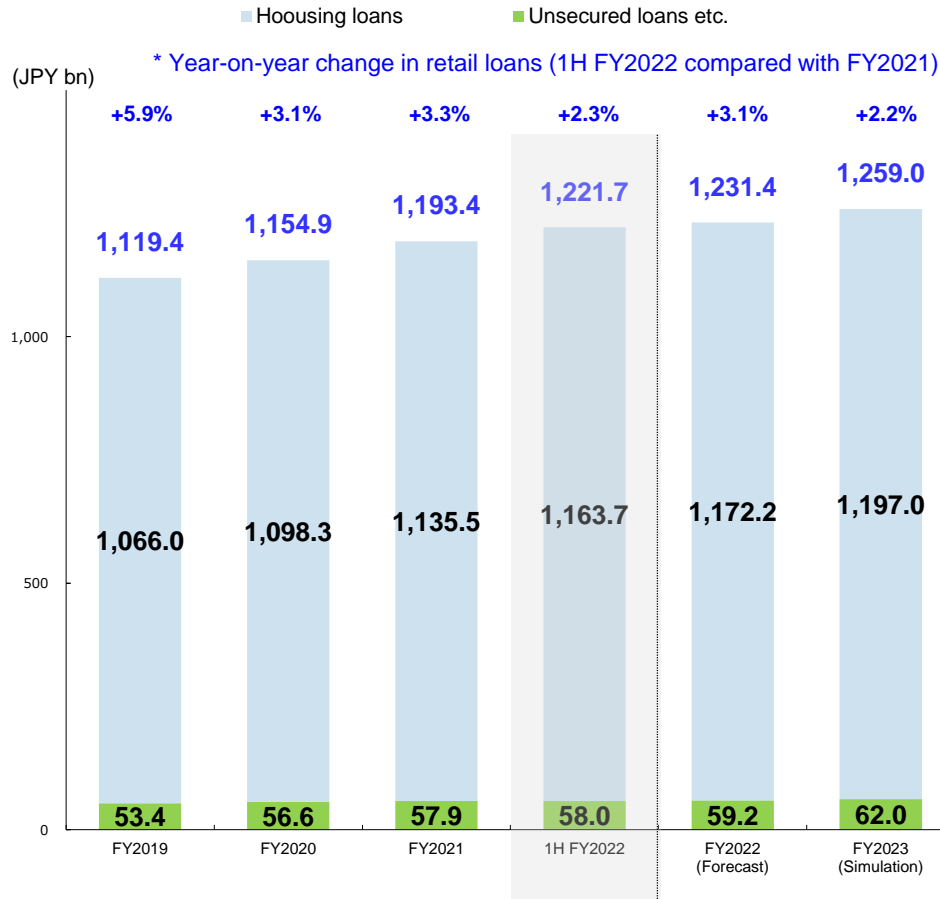
3. Business Strategy (Retail sales)

I Top customer satisfaction strategy

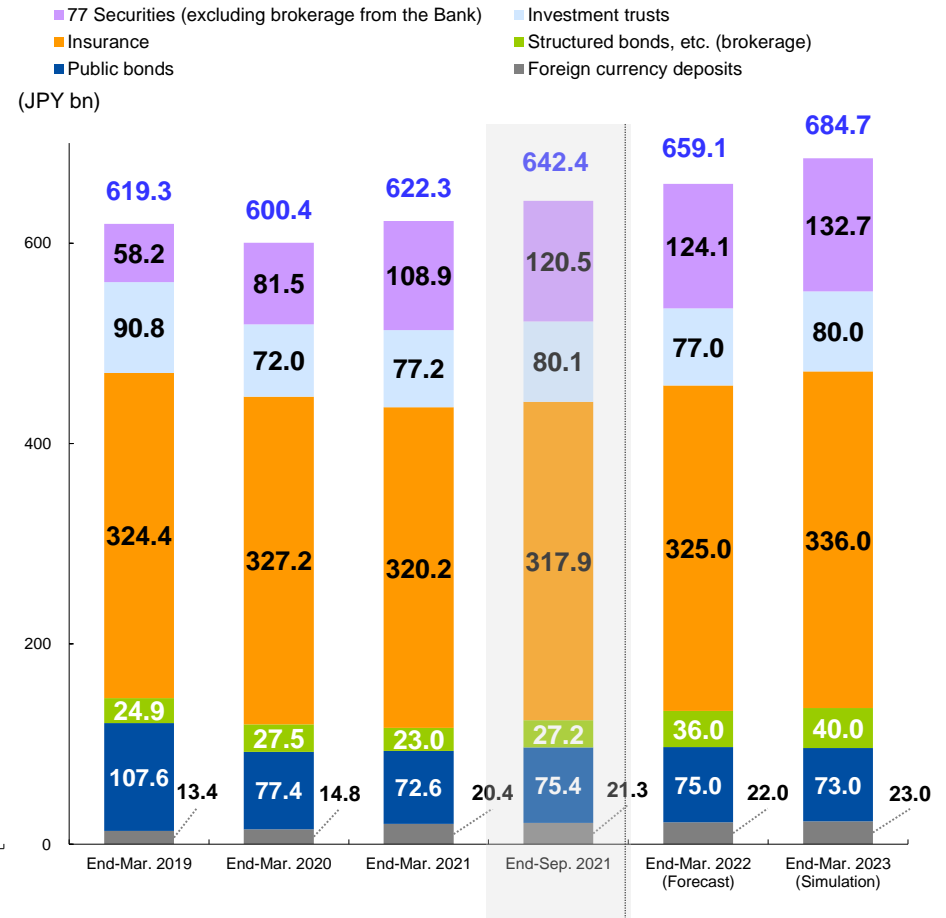
Inspire through consulting and digital technologies!

◆ Proposals that match customers' lifestyles

Retail loans (average balances)



Balance of assets in custody

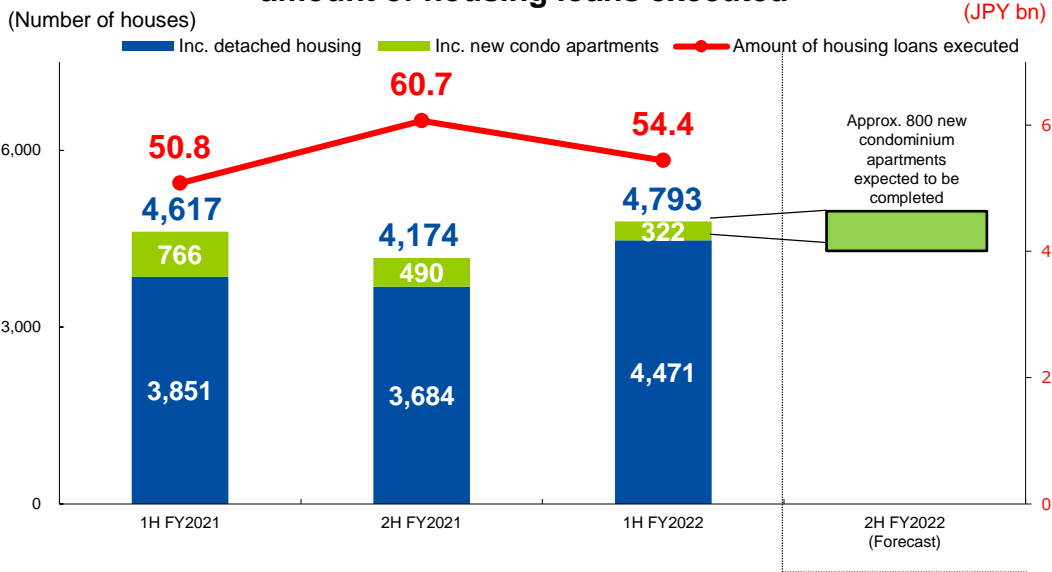


3. Business Strategy (Retail sales)

I Top customer satisfaction strategy

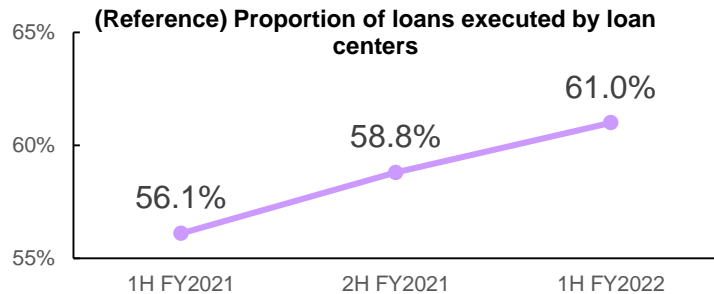
Inspire through consulting and digital technologies!

Number of new housing starts in Miyagi Pref. and amount of housing loans executed

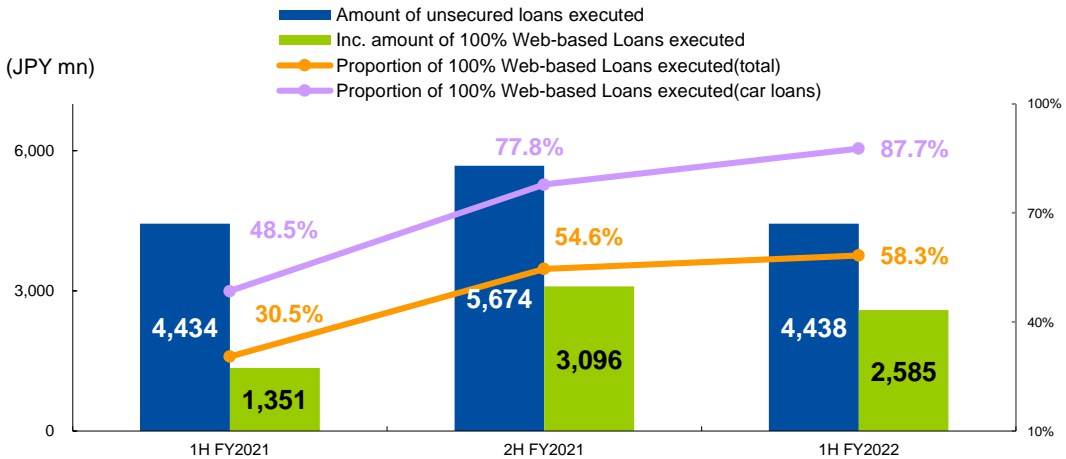


Steadily capturing accommodation purchasing needs

- Strengthen relations with housing companies
- Strengthen promotion, centered on retail consultation centers
- 7 loan centers (Oct. 2021)



100% Web-based Loan actual results



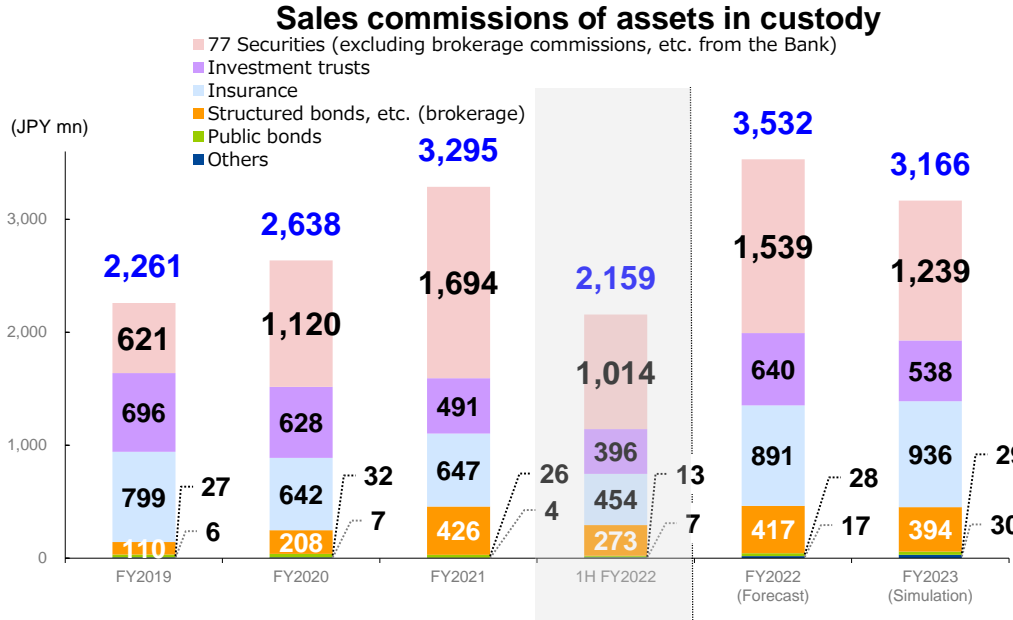
Strengthening initiatives targeting unsecured loans by enhancing non-face-to-face channels

- Non-face-to-face sales tailored to customer attributes (age, gender, etc.) and transactions
- Provide information on promotional campaigns through 77 Web Relation

3. Business Strategy (Retail sales)

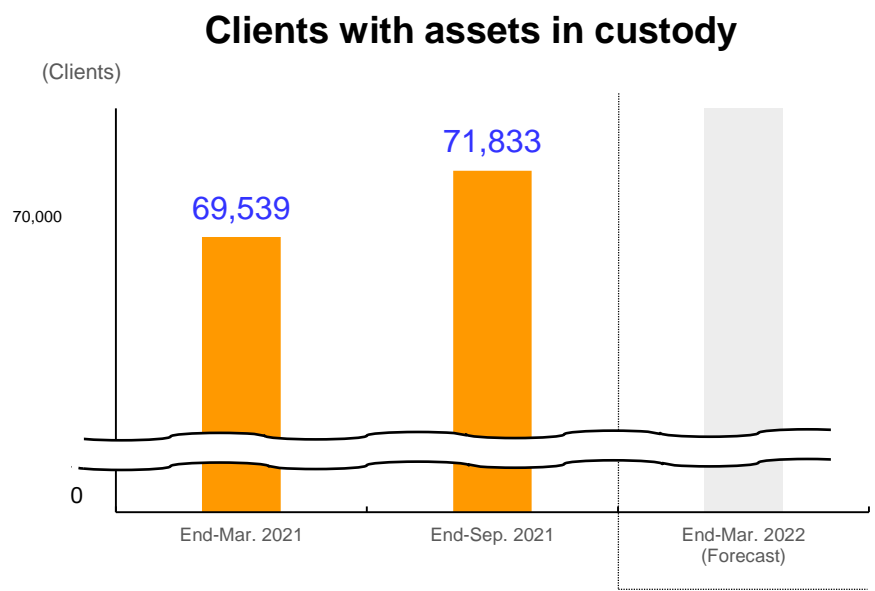
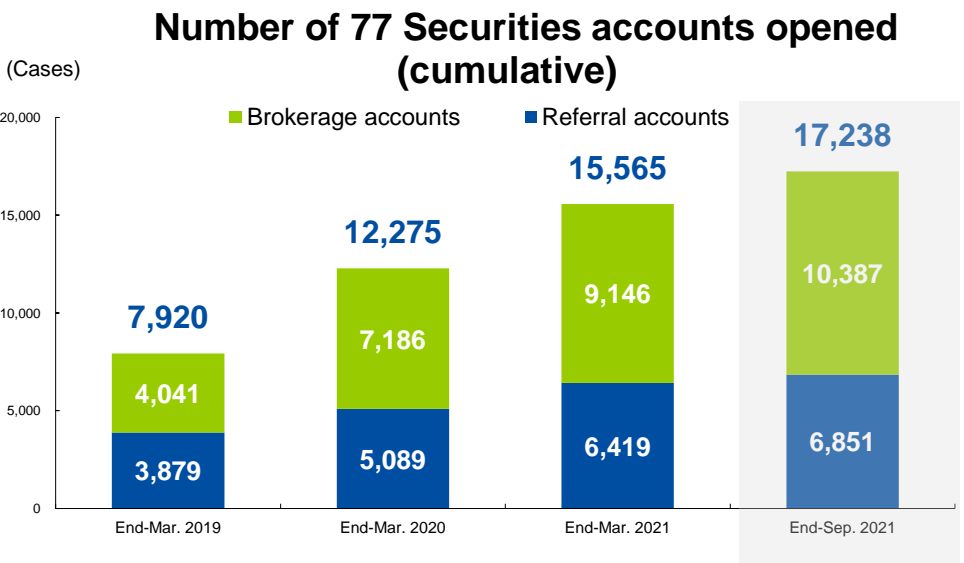
I Top customer satisfaction strategy

Inspire through consulting and digital technologies!



Product proposals tailored to different life event needs

- Proposal-based sales in collaboration with headquarters and 77 Securities
- Established Wealth Management Office (June 2021~)
- One-stop sales at dedicated insurance counters, etc.
- Strengthen human resource development in order to enhance proposal capabilities
- Develop systems for selling asset management products utilizing tablets

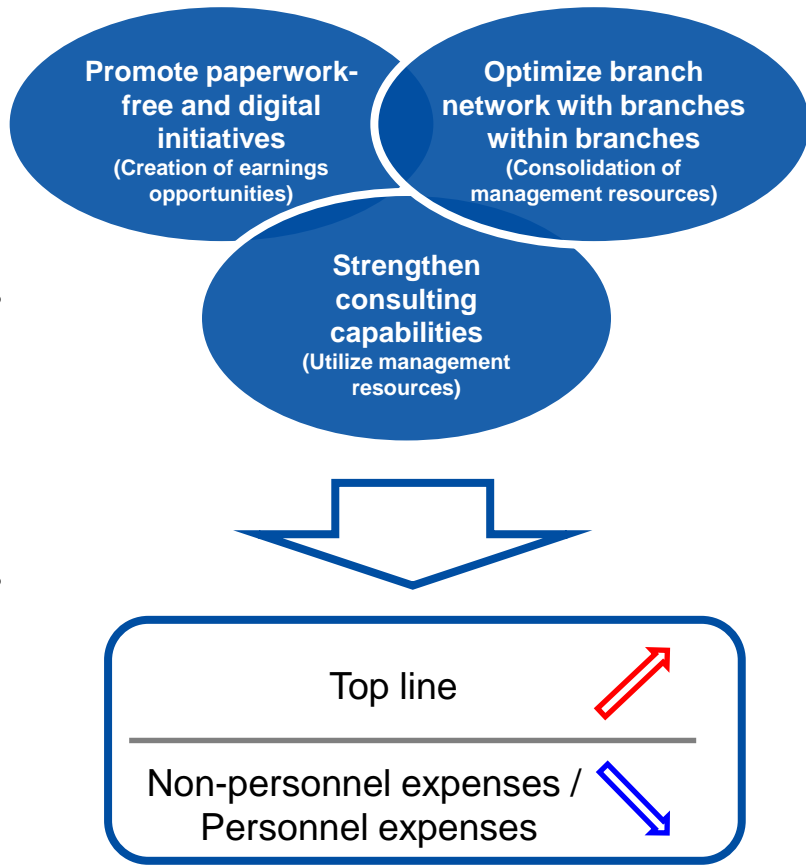
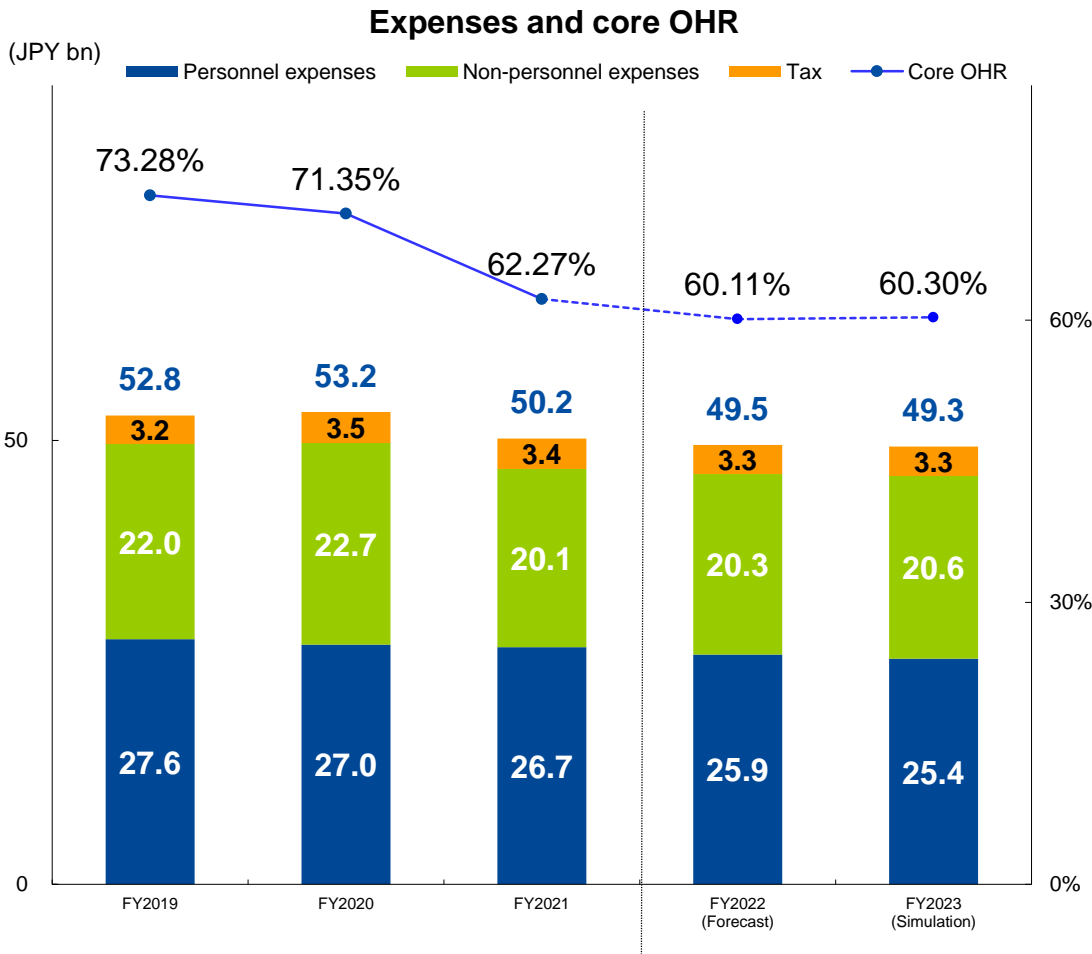


3. Business Strategy (Productivity enhancement)

II Double productivity strategy

Reform channels and release from the burden of administrative work!

◆ Improve productivity through paperwork-free reform, digital initiatives, and the rebalancing of management resources



3. Business Strategy (Productivity enhancement)

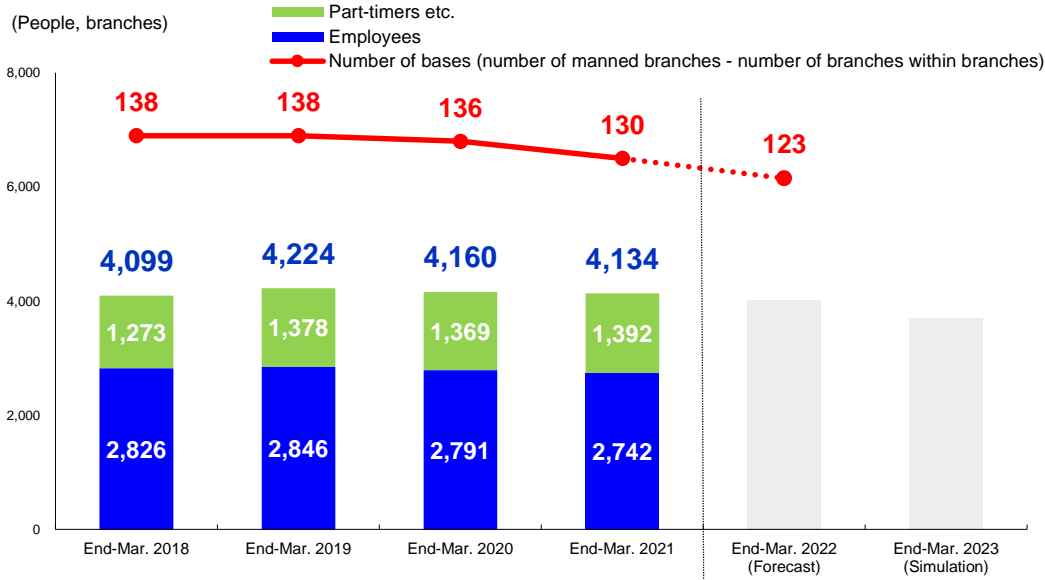
II Double productivity strategy

Reform channels and release from the burden of administrative work!

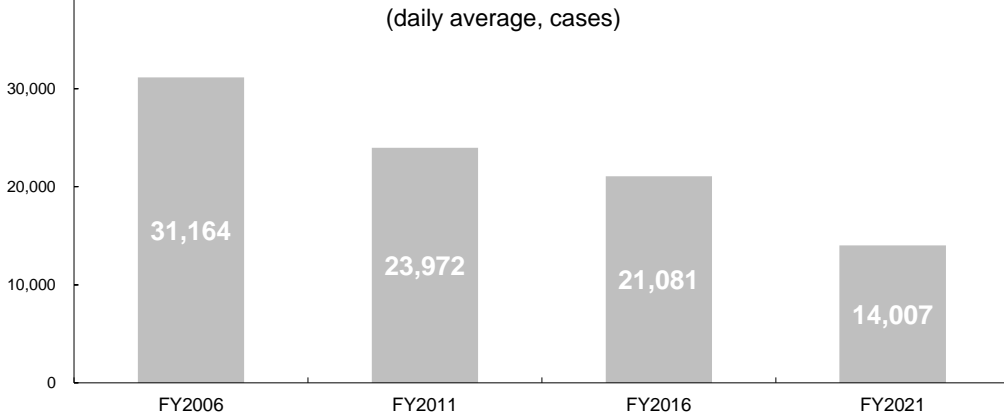
Measures to promote paperwork-free reform, etc.

- Ensure appropriate allocation of personnel by optimizing branch network
- Increase concentration of paperwork at headquarters
 - Expansion in number of branches using support office: 22 sites/26 branches
 - Expansion of concentration of financing operations at headquarters
 - Expansion of concentration of paperwork related to international remittances at headquarters
- Electronic versions of payment collection agency slips (August 2021~)
- Introduction of “SurFIN,” an advance overseas remittance registration function (November 2021~)

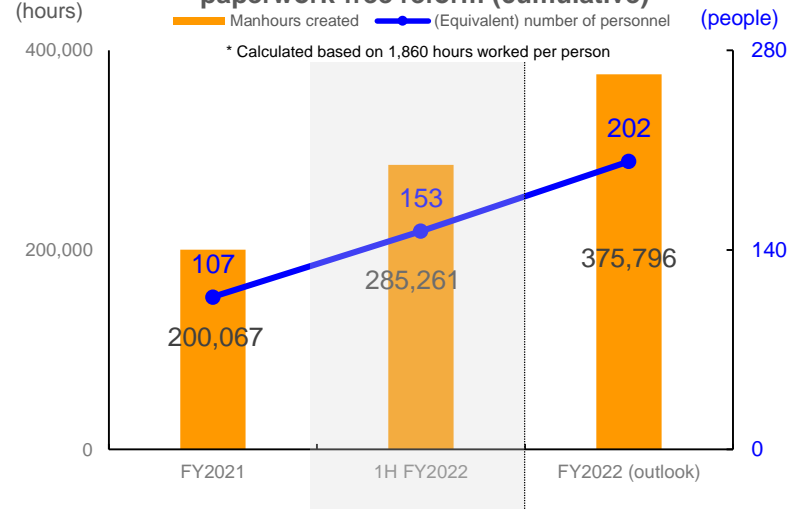
Total number of personnel and number of bases



Number of uses of contact points in Miyagi Prefecture



(Reference) Manhours saved by promoting paperwork-free reform (cumulative)

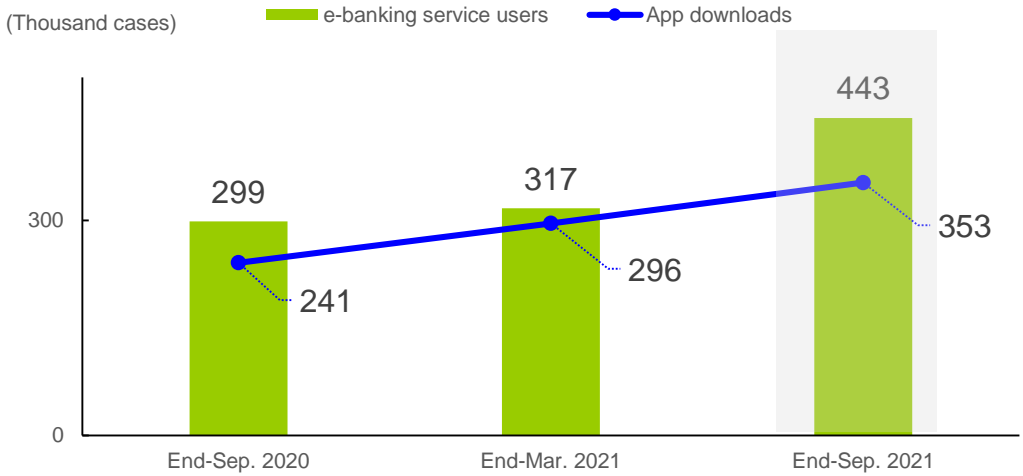


3. Business Strategy (Utilization of digitalization)

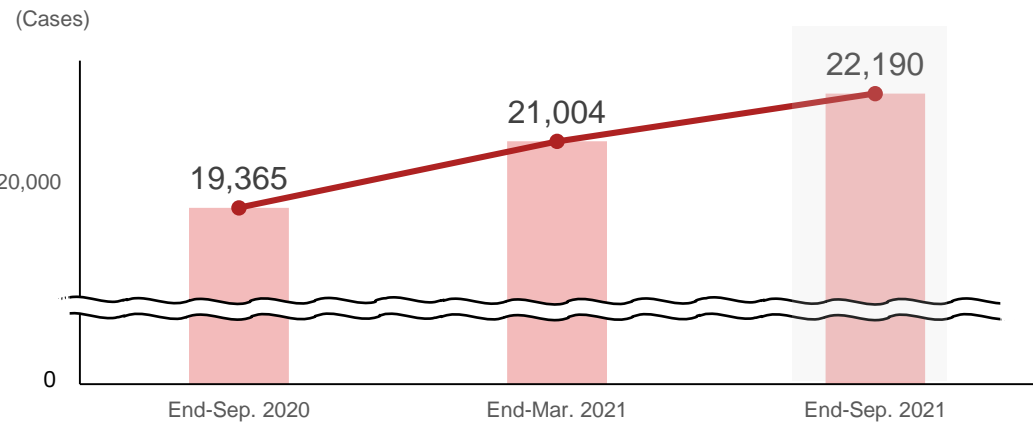
II Double productivity strategy

Reform channels and release from the burden of administrative work!

Number of users of e-banking services and app downloads



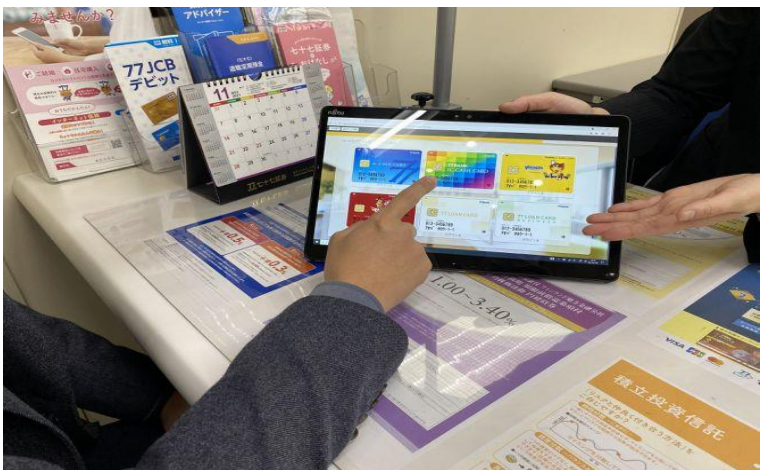
Companies with e-banking service contracts



Enhancement of non-face-to-face channels and initiatives targeting digital reform

- Renewal of the 77 Bank app (August 2021)
- Promote use of 77 Web Relation
- Introduction of “77 Big Advance” (May 2021)
- Introduction of branch tablets for consultations at bank branch counters (gradually, from January 2023)
- Strengthen efforts to improve IT literacy
 - Holding internal seminars for management employees
 - Promote acquisition of “IT Passport”

(Reference) Image of use of branch tablets

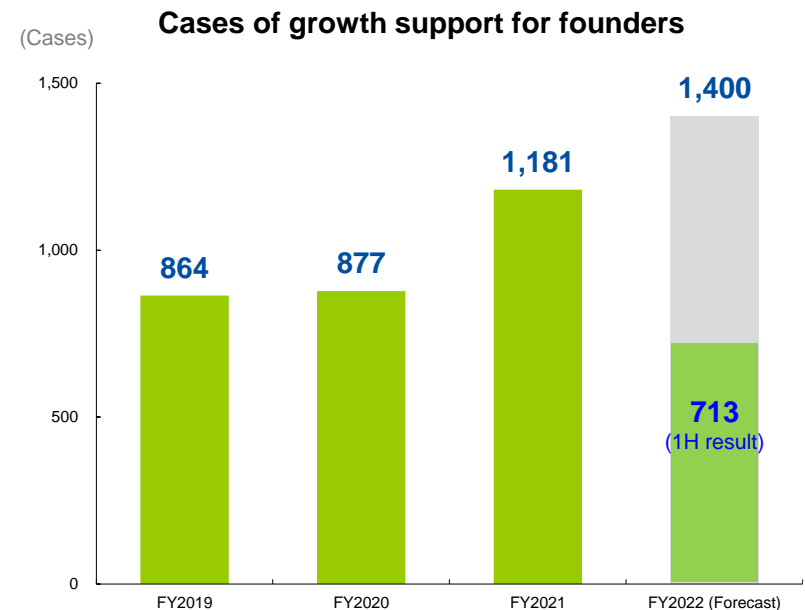


◆ Create an attractive region and support the growth of inspirational companies

Establishment of <77> Startup Support Desk

(Details of support measures, etc., shown below)

Main types of support	Specific content of support
Financing consultations	Information about founding-related financing and support for business planning
Utilization of “founding support package”	A package of useful business services for corporate clients within two years of establishment
Business matching consultations	Coordinating business matching to find solutions to various management issues and explore new sales channels
Consultations about the use of public support systems	Support for the utilization of various subsidies, grants, and support from public institutions
Crowdfunding consultations	Introduction of the Bank’s partner crowdfunding service operators and support for the dissemination of information
Consultations about joint funding with Japan Finance Corporation	Support to raise funds without issue utilizing joint financing systems



Track Record of Funds Based on Collaboration Between the Bank and 77 Capital

Name	Fund amount
77 New Business Fund	JPY 1.0 bn
77 Strategic Investment Fund	JPY 2.0 bn
77 Capital Fund II	JPY 2.0 bn

■ Enhancement of support systems for startup companies, etc.

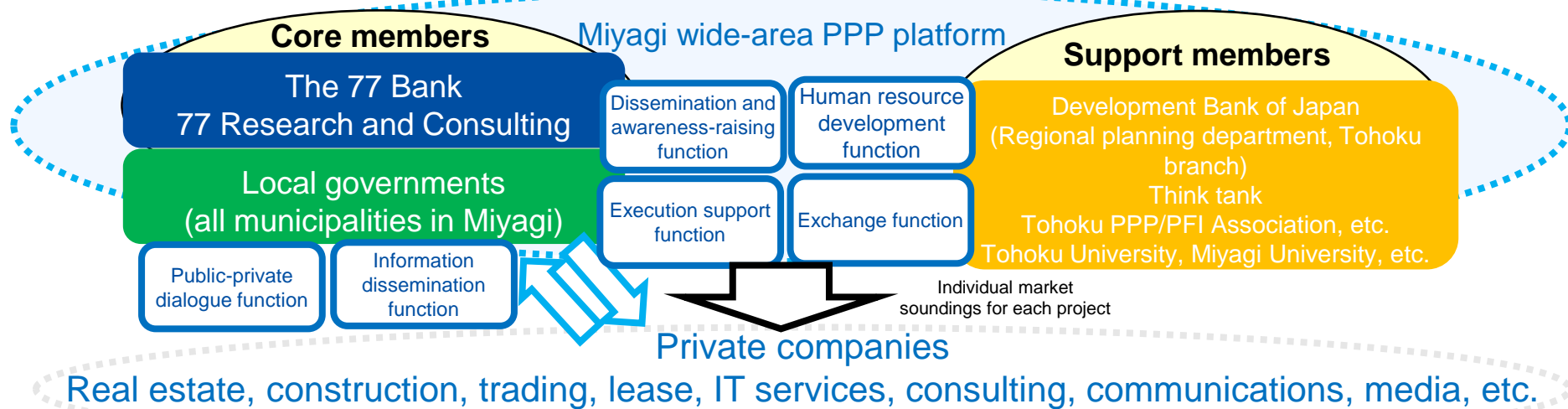
- Established <77> Startup Support Desk (Sep. 2021)
- Held “<77> TOKYO PRO Market listing Support Seminar”
- Support for provision of funds through venture capital funds, etc.

III Regional growth strategy

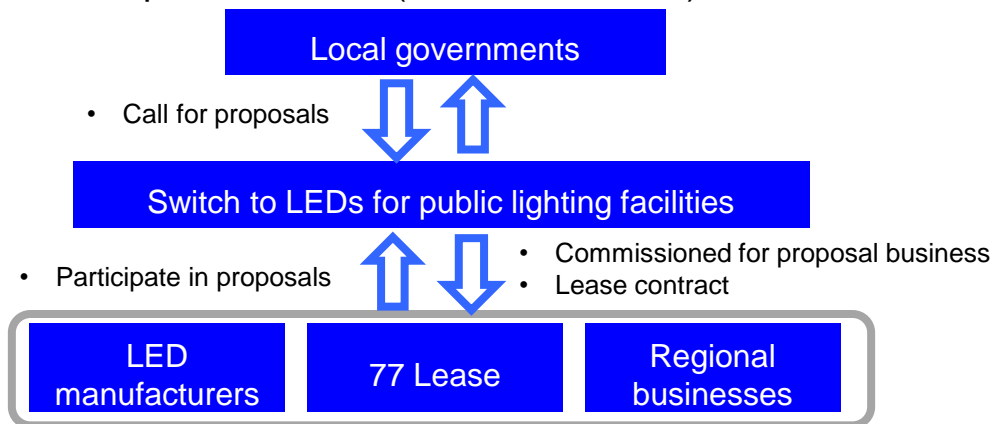
Achieve sustainable growth in the local community!

Creation of “Miyagi wide-area PPP platform (MAPP)” (established January 2020)

~Promoting Public Private Partnerships~



Example initiative: Support for switch to LEDs for public facilities (Tome and Watari)



Example initiative: Raising funds utilizing government crowdfunding (Ogawara)



(Image source: Ogawara Town website)

IV Corporate culture reform strategy

Virtuous circle of ambition, confidence, and cheerfulness!

◆ Promote diversity and foster an ambitious spirit

Persons dispatched externally to develop specialist human resources (as of Sep.30, 2021)

Field	Number of persons dispatched	Main institutions accepting dispatched persons
Digital technology	2	Japan Digital Design, Inc. MEJAR Digital Innovation Hub
Solutions	12	Domestic offices of Japanese financial institutions Local private sector companies Domestic graduate schools Regional Economy Vitalization Corporation of Japan, etc.
International networks	7	Overseas offices of Japanese financial institutions Japan External Trade Organization Miyagi Prefecture's Dalian office Overseas financial institutions, etc.
Regional vitalization	2	Miyagi Prefecture Tohoku Tourism Promotion Organization
Others	101	Group companies, etc.
Total	124	

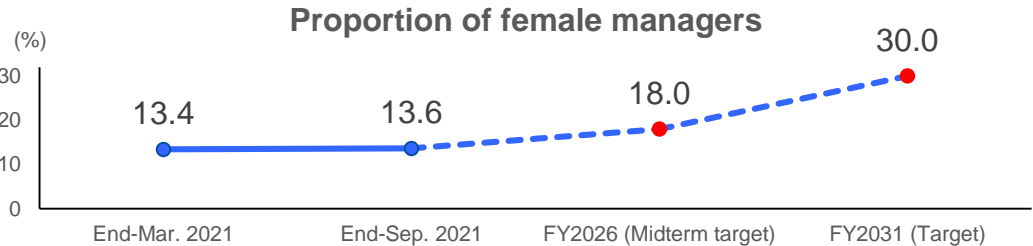
■ Development of specialist personnel

In order to “increase the number of “specialist personnel” that serve a purpose for customers and local communities,” we are taking measures including dispatching employees outside the Bank. We will continue to focus on developing specialist personnel in each field and address our clients’ needs.

■ Promoting the further participation and advancement of women

Based on the idea “the Bank will not develop without the active participation of women,” we will endeavor to further enhance corporate value with active measures to support women’s career development, enhance systems to support the combination of work and childbirth/childcare, etc.

(Example initiative) Held women’s career advancement program



3. Business Strategy (Ambitious spirit)

IV Corporate culture reform strategy

Virtuous circle of ambition, confidence, and cheerfulness!

“Vision 2030” briefings by managers Number of times held: 164 times (President and officers with executive responsibilities) (as of end-October 2021)

In order to enhance understanding of the new management plan “Vision 2030,” which began in the current fiscal year, and reform corporate culture, the President and officers with executive responsibilities (Senior Managing Directors and Managing Directors) held briefings, where a lively exchange of views took place.

<Survey from employees who participated in briefings>

* Surveys were conducted anonymously

- The morale of our bank branch improved because the President gave a message directly to employees.
- As a young employee, I want to take on various challenges, always focus on my work with an “active” rather than “defensive” stance and grow day-by-day.
- I felt that we must reform the views of each woman in order to increase the number of women in management positions



Holding of business contest within the bank

In order to foster an ambitious spirit and an awareness of reform, we held a business contest. There were many applications from young employees, and employees’ understanding of corporate culture reforms was enhanced.



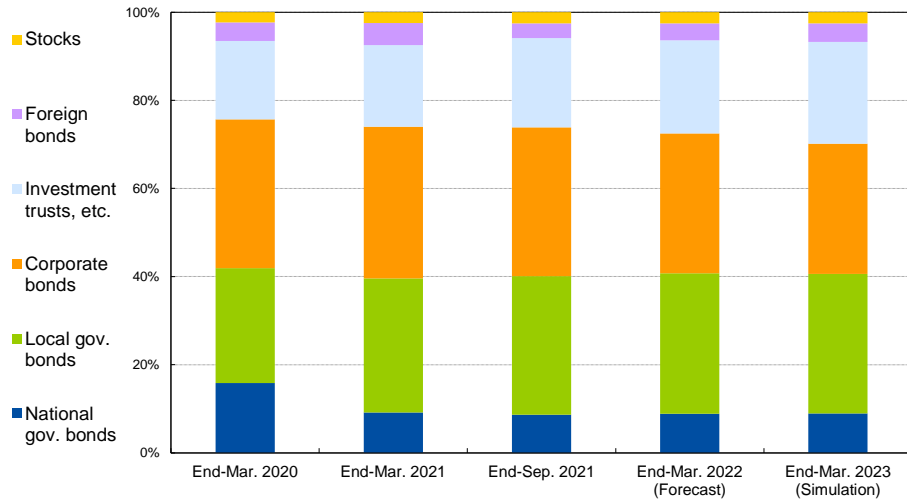
(Reference)

Total business contest applications	170 applications
Number of business contest prizes won	7 prizes

* Proportion of applications by employees within the first five years of joining the Bank: approx. 20%

3. Business Strategy (Marketable securities trading)

Composition ratio by type (on an amortized cost base)



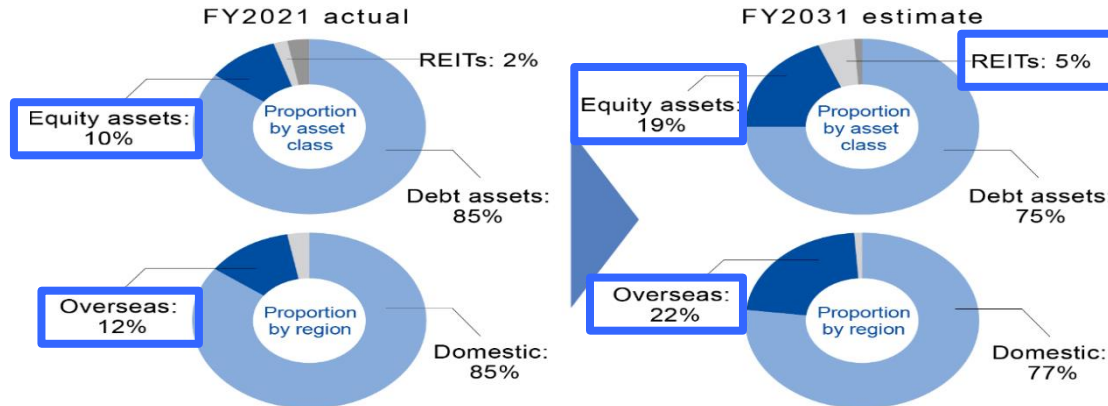
	End-Mar. 2020	End-Mar. 2021	End-Sep. 2021	End-Mar. 2022 (Forecast)	End-Mar. 2023 (Simulation)
National gov. bonds	15.9%	9.2%	8.6%	8.9%	9.0%
Local gov. bonds	26.1%	30.4%	31.5%	31.9%	31.6%
Corporate bonds	33.8%	34.4%	33.7%	31.7%	29.6%
Investment trusts, etc.	17.8%	18.5%	20.3%	21.1%	23.1%
Foreign bonds	4.2%	5.0%	3.4%	3.9%	4.2%
Stocks	2.3%	2.4%	2.5%	2.5%	2.6%

10-year portfolio concept

- ◆ Securities portfolio: JPY 3 tn
- ◆ Total yield across all securities*: 1.00%
- * Income-based yield calculated by aggregating interest and dividends, gains on cancellation of investment trusts, gains on government and other bonds, gains related to equity securities, etc., and monetary gains from management of investment trusts.
- ◆ Portfolio weightings of equities and REITs, as well as overseas assets: Approx. 2x vs. FY2021

■ Strengthening marketable securities trading structure

- Increase profit opportunities through diversified investment, promote initiatives related to growth fields and ESG investment, and strengthen risk management
- Develop personnel by dispatching employees outside the Bank, to Japan and overseas
- Promote the acquisition of securities analyst qualifications
Number of qualification holders: 11



3. Business Strategy (Group strategy)

Establishment of new company

In December 2021, the Bank established “77 Partners Co., Ltd.” as a subsidiary specializing in investments. In addition to utilizing the “strengths” that we have developed to date, we will also focus on initiatives to diversify our sources of earnings, while keeping the banking business at our core.

Name: **77 Partners Co., Ltd.**
 Address: 3-3-20 Chuo, Aoba, Sendai
 (5F of the Bank’s head branch)
 Capital: JPY 100 mn
 Ownership: 100% owned by the Bank
 Planned date of establishment: December 9, 2021

Purpose of establishment

In order to solve the increasingly diversified issues faced by regional companies, the 77 Bank Group will utilize its consulting functions to a greater level than before, by making majority investments accompanied by the acquisition of control over management. Additionally, we will also build a platform to support sustainable regional development with “regional people, things, and money.”



77 Lease

Balance of lease and installment claims
 JPY 27.0 bn
 (End-Mar. 2021)

77 Capital

Cumulative amount of investment
 JPY 2,485 mn
 (End-Mar. 2021)

77 Shin-Yo Hosyo

Balance of housing loan guarantees
 JPY 868.7 bn
 (End-Mar. 2021)

77 Card

Total purchase transaction volume
 JPY 86.6 bn
 (FY2021)

77 Securities

Balance of assets in custody
 (excluding brokerage from the 77 Bank)
 JPY 108.9 bn
 (End-Mar. 2021)

77 R&C

Number of consulting and contracted survey cases
 94 cases
 (FY2021)

1. Strengthening of financial foundation (key factors)

	FY2021 Results	Sep. 2021 Results	FY2022 Estimate	FY2026 Midterm Targets	FY2031 Our Target Form
Net income (consolidated)	JPY 16.5 bn	JPY 12.2 bn	JPY 20.0 bn	JPY 21.0 bn	JPY 28.0 bn
Capital adequacy ratio (consolidated)	10.39%	10.38%	10.10%	Over 10%	Over 10%
Core OHR	62.27%	55.80%	60.11%	55-60%	50-60%

2. KPIs

	FY2021 Results	Sep. 2021 Results	FY2022 Target	FY2026 Midterm Targets	FY2031 Our Target Form
Proportion of companies in Miyagi for whom we are their main bank [Main bank trend surveys ⁽¹⁾]	- [56%]	- -	- -	+5% [59%]	+10% [62%]
Number of corporate lending clients outside Miyagi	-	1.02x	1.03x	1.20x	1.50x
Proportion of households in Miyagi holding assets	14%	-	-	17%	Over 21%
Proportion of individuals in Miyagi using loans from the 77 Bank	12.6%	12.6%	-	17.0%	20.0%
Group companies net income	(FY2020) JPY 1.6 bn	JPY 0.9 bn	JPY 1.6 bn	JPY 2.0 bn	JPY 3.0 bn
Labor productivity in core operations ⁽²⁾	(FY2020) JPY 8 mn	-	-	JPY 13 mn	JPY 16 mn
Administrative work at bank branches	-	-	(20%)	(50%)	(50%)
Usage of non-face-to-face channels	(Corporate) 11% (Retail) 11%	(Corporate) 12% (Retail) 13%	(Corporate) 12% (Retail) 13%	(Corporate) 20% (Retail) 20%	(Corporate) 30% (Retail) 30%
Cases of growth support for founders	1,181	713	1,400	2,000	3,000
CO2 emissions	12,197t	5,402t	11,500t	10,000t	9,069t
Proportion of female managers	13.4%	13.6%	14.0%	18.0%	30.0%
Other items	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Establish 10 projects in new businesses or sectors (by FY2024) <input checked="" type="checkbox"/> Support increased rate of economic growth in Miyagi <input checked="" type="checkbox"/> Aim for 100% participation in regional development projects in Miyagi <input checked="" type="checkbox"/> Implement various initiatives to "foster an ambitious spirit" <input checked="" type="checkbox"/> Increase the number of "specialist personnel" that serve a purpose for customers and local communities 				

⁽¹⁾ TEIKOKU DATABANK, Ltd. research

⁽²⁾ (Interest on loans and bills discounted + fees and commissions - interest on deposits - expenses + personnel expenses + depreciation) / number of employees (part-time employees counted as 0.4)

04 | ESG and SDGs

The 77 Bank Group, in keeping with the philosophy of the Bank Creed passed down from our founders- “desiring communal prosperity and serving local communities.”-aims to contribute to the future of the region and the realization of a sustainable society by working toward the achievement of the Sustainable Development Goals (SDGs) on a Group-wide basis.

77 Bank Group SDG Declaration

~More than ever, and forever,
with our region.~

Published
July 2020

1. Revitalization of the regional economy
2. Responding to global warming and climate change
3. Encouraging and supporting the activities of our employees
4. Advancing corporate governance

Lending Policies for Specific Businesses

■ Environmental issues

1. Environmental protection
2. Transition to a low-carbon society

■ Societal issues

1. Prevention of human rights violations
2. Elimination of inhumane weapons

Support for the TCFD recommendations

Declared
July 2021

■ Governance

Consider measures such as the establishment of a committee to engage in active deliberations, etc.

■ Strategy

Support the transition to a low-carbon society from a financing perspective

■ Risk management

Build risk management systems related to climate change

■ Indicators and targets (FY2031 Target)

Reduce 77 Bank Group CO2 emissions by 46% compared with FY2014

Establishment of “Sustainability Promotion Office”

Established
December 2021

The Bank has established a “Sustainability Promotion Office” within the General Planning & Coordination Division, from the perspective of strengthening systems for planning and proposing sustainability initiatives to achieve the sustainable growth of the 77 Bank Group, as described in “Vision 2030.”

We position the four items set forth in the “77 Bank Group SDG Declaration” as materialities, and we will focus on enhancing economic and social value for the Bank, local communities, and our customers.

4. ESG and SDGs

As we look to achieve “Our Target Form” set forth in “Vision 2030,” we have formulated an “SDGs Action Plan,” as well as KPIs for related items, based on the “77 Bank Group SDG Declaration,” in order to strengthen our initiatives targeting the “Sustainable Development Goals (SDGs)” (October 2021).

FY2022 “SDGs Action Plan”

1. Revitalization of the regional economy



Content
(1) Support implementation of SDGs by clients
(2) Support the founding and growth of startup companies
(3) Build regional economic ecosystems
(4) Develop new businesses and sectors
(5) Contribute to society through interaction with the local community
(6) Make financial services more convenient through non-face-to-face channels, etc.

2. Responding to global warming and climate change



Content
(1) Environmental conservation activities
(2) Continue to provide financing in accordance with the “Lending Policies for Businesses Requiring Consideration for the Environment or Society, etc.”
(3) Support clients’ disaster countermeasures
(4) Enhance investment and lending to environmental and social sectors

3. Encouraging and supporting the activities of our employees



Content
(1) Revise personnel systems with the aim of establishing an ambitious corporate culture
(2) Introduce flexible workstyles tailored to increasingly diverse values
(3) Educate and spread awareness of diversity and inclusion
(4) Invest in human capital and intellectual property

4. Advancing corporate governance



Content
(1) Build internal systems that comply with the TCFD recommendations
(2) Enhance awareness of initiatives targeting the SDGs within the Bank
(3) Strengthen the participation of the Board of Directors in the response to issues surrounding sustainability
(4) Strengthen systems for complying with laws and regulations, etc.
(5) Strengthen our stance to respond to antisocial forces
(6) Strengthen our stance to prevent money laundering, etc.

<KPIs (~FY2031)>

Item	KPI	Item	KPI
Total cumulative sustainable finance executed <small>(investment and lending contributing to regional revitalization and the achievement of a sustainable society)</small>	JPY 1.2 tn	Projects established in new businesses or sectors (by FY2024)	10 projects
CO2 emissions (vs. FY2014)	Cut by 46%	Increase in economic growth rate of Miyagi Prefecture	National growth rate + 0.1pt
Proportion of female managers	30.0%	People receiving financial education (cumulative)	70,000 people
Cases of growth support for founders	3,000 cases	Seminars held in related to SDGs/participants (cumulative)	100 seminars / 5,000 people

4. ESG and SDGs

Example of ESG and SDGs-related project and major results

■ Lending to large solar power project



In September 2021, we provided project finance to GK DS Solar Project Miyagi Kurihara in the form of a syndicated loan. This is a solar power project that utilizes approximately 505,000m² of land in Kurihara, Miyagi. All electricity generated is sold via the Feed-In Tariff (FIT) system.

■ The Bank's SDGs-related products

• **Launch of “77 SDGs-related services”**
 In October 2021, the Bank began offering the “77 SDGs Support Service” and “77 SDGs Support Loans,” with the aim of supporting the spread of SDGs among SMEs and supporting related initiatives, etc.

• Launch of “77 SDGs Privately Placed Corporate Bonds”

In December 2021, the Bank began offering “77 SDGs Privately Placed Corporate Bonds,” from the perspective of accelerating support for corporate initiatives related to the “SDGs.”

Clients can choose from two types, the corporate support type, which offers preferential fees, and the donation type, in which donations, etc., are made to areas that contribute to society, etc.

■ Renewable energy-related funding *1	375 cases / JPY 177.5 billion	■ Green bonds 4	45 cases / JPY 39.9 billion
■ 77 ESG Privately Placed Corporate Bonds *2	66 cases / JPY 7.9 billion	■ Sustainability bonds *4	16 cases / JPY 8.5 billion
■ 77 Privately Placed Corporate Bonds for Social Contribution (Donation-Type) *2	439 cases / JPY 36.0 billion	■ Social bonds *4	26 cases / JPY 16.9 billion
■ Support for use of interest subsidies to promote regional ESG financing *3	7 cases / JPY 0.9 billion	■ Sustainability-linked bonds *4	3 cases / JPY 0.6 billion
■ Sustainability-linked loans *4	4 cases / JPY 2.7 billion	■ CO2 emissions (FY2021)	12,197t

*1. Renewable energy-related funding: Cumulative totals from Great East Japan Earthquake through September 30, 2021 *2. Privately placed corporate bonds: Cumulative totals from product launch through September 30, 2021 *3. Support for use of interest subsidies to promote regional ESG financing: Cumulative totals through September 30, 2021 *4. Purchases of green bonds and other bonds, as well as sustainability-linked loans: Cumulative totals from April 2018 through September 30, 2021

Initiatives to promote diversity & inclusion

<Diversity Promotion Policy> (Established April 2018)

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.

<Reference> Numerical results related to diversity

	FY2018	FY2019	FY2020	FY2021
Average number of overtime hours/hours worked on days off per person per month	14 hours 22 minutes	13 hours 59 minutes	13 hours 50 minutes	12 hours 37 minutes
Annual rate of taking paid time off	73.2%	73.8%	73.0%	73.0%
Rate of taking paternity leave	100%	100%	100%	100%
Number of employees taking paternity leave	79 people	76 people	72 people	81 people

External evaluation of our efforts

(1)

2021 CONSTITUENT MSCI日本株
女性活躍指数 (WIN)

Chosen as a constituent of **MSCI Japan Empowering Women Index**, which recognizes companies with outstanding efforts in promoting the participation and advancement of women in the workplace (as of June 2021)

(2)



2021
Certified as **"Health and Productivity Management Organization 2021 (White 500)"**

(3)



Certified **Platinum Kurumin**, a special certification pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children

(4)



Certified **"Gold Certified Company"** for successfully utilizing the potential of female talent in Miyagi Prefecture

(5)



Certified **"Eruboshi (Grade 3)"**, commending general business proprietors for promoting female participation, pursuant to the Act on Promotion of Women's Participation and Advancement in the Workplace

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The 77 Bank Group is taking steps to increase corporate value by further enhancing corporate governance, including strengthening systems for the execution of business operation.

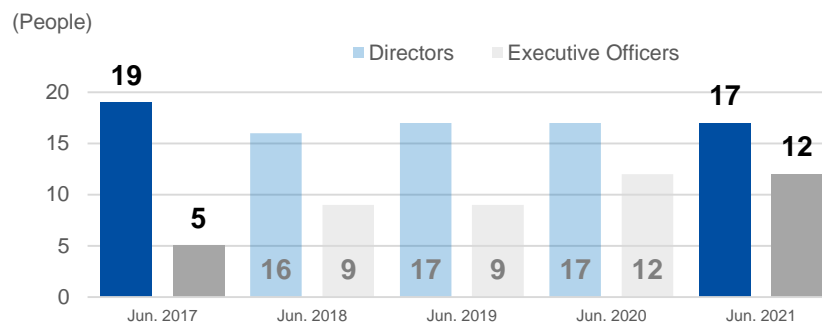
Strengthening systems for the execution of business operations

■ Creation of Operating Officers Committee

Since the introduction of an Executive Officer system in 2014, the 77 Bank has taken steps to strengthen and speed up functions related to the execution of business operations by increasing the number of Executive Officers and other means.

In order to further strengthen systems related to the execution of business execution by Executive Officers, the 77 Bank will establish an “Operating Officers Committee” in June 2021.

< Changes in the number of Directors and Executive Officers >



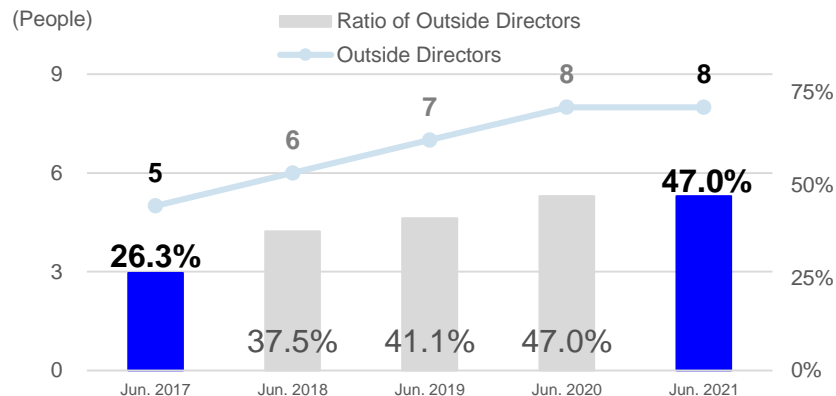
Revitalization of our organization through various committees

In order to strengthen risk management and consider policies that take changes in the times into consideration, the Bank has established various cross-organizational committees consisting of officers and persons responsible for our operations.

- Compliance Committee
- Internal Control Committee
- Operating Officers Committee (June 2021)
- ALM / Earnings Management Committee
- Earthquake Reconstruction and Financial Facilitation Promotion Committee
- Digital Strategy Investigation Committee
- Paperwork-free Promotion Committee
- Senior Service Support Investigation Committee

Changes in the ratio of Outside Directors

Through the election of Outside Directors and other methods, we are creating highly effective corporate governance systems.



4. ESG and SDGs

We aim to 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.

Promoting sports

Promoting sports in regional communities through sports clubs



Supporting financial education

Operating the Currency and Banking Museum



Providing a financial education website for children



Contributions to social welfare

Made donations through the 77 Caring Fund Raising Committee



Responding to environmental issues

Forest conservation activities



Interaction with the region

Regional clean-up activities



Supporting cultural activities

Support for various cultural activities



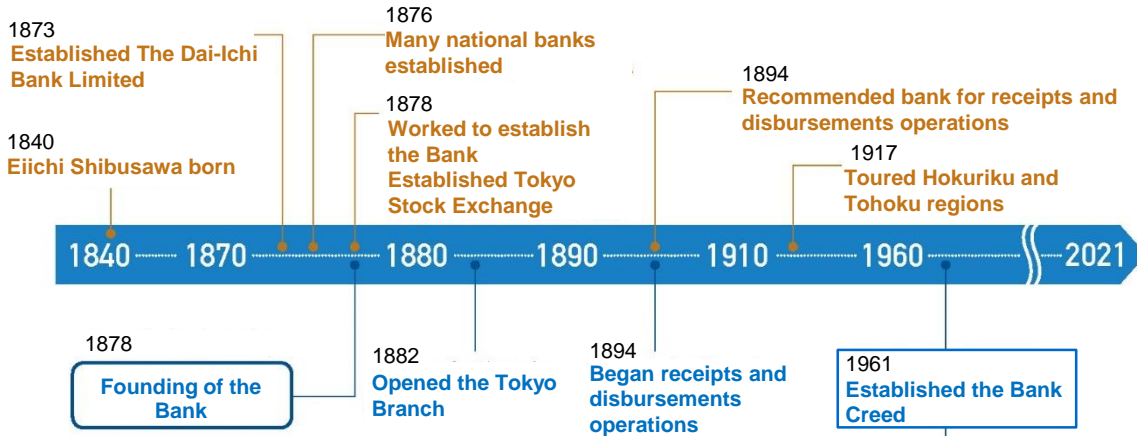
4. ESG and SDGs

Businessman Eiichi Shibusawa, who is often called the “father of Japanese capitalism,” contributed significantly to the establishment of the Bank, and the spirit of “harmony of morality and the economy” that he advocated forms the basis for the Bank Creed of the 77 Bank today.



Eiichi Shibusawa (photograph: Fukaya City)

1840 – 1931
 Born in Chiarajima Village, Hanzawa-gun, Musashino Province (present day Fukaya City, Saitama).
 When the Bank was established, he provided advice regarding such matters as the nature of the banking business and basic management concepts.



■ Letter from Eiichi Shibusawa

(Displayed in the 77 BANK CURRENCY and BANKING MUSEUM)



Following amendments to the “National Bank Ordinance” in 1876, enthusiasm for the establishment of national banks increased across Japan. Cautious of the sudden move to establish banks, in this letter, Eiichi Shibusawa explains the true nature of banking and his fundamental views on management as they relate to the desire to establish national banks. He also cautions against the careless establishment of banks.
 (Extract from letter)

“Banks are not the type of business that prospers when they are busy, like other business. First, we should create the circumstances to ensure that banking can survive over the long term, then we should use banks in a skillful way that enables them to continue moving forward.”

The spirit of “harmony of morality and the economy” that Eiichi Shibusawa advocated survives today in one line of the Bank Creed, which expresses the Bank’s corporate philosophy, namely, “the Bank’s progress goes hand in hand with prosperity in the local community.”

Bank Creed

- 1. Elevate the Spirit of Voluntary Service**
 Acknowledge that the Bank’s progress goes hand in hand with prosperity in the local community, and seek to elevate the spirit of voluntary service at all times.
- 2. Improve Creditworthiness**
 Bear in mind that credit is the Bank’s lifeblood, and endeavor to improve credit at all times.
- 3. Nurture the Spirit of Harmony**
 Recognize that the spirit of harmony is fundamental to the execution of duties, and strive to nurture such spirit at all times.

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