



Leading company creating a path to the future



Results for the First Half of Fiscal
Year Ending March 31, 2023

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, 2023 held on December 6, 2022.

December 6, 2022

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01

First Half Financial Summary

(Unit: JPY bn, %)

Summary of profits and losses (Non-consolidated)

| | FY2021 1H | FY2022 1H | YoY change | |
|--|--------------|--------------|-------------------|------------------|
| | | | Increase/decrease | Rate of change % |
| Gross operating income | 38.5 | 42.6 | 4.1 | 10.6 |
| [Core operating income] | [44.4] | [44.4] | [0.0] | [(0.1)] |
| Interest income | 37.7 | 39.0 | 1.3 | 3.4 |
| Interest on loans and bills discounted | 20.9 | 22.5 | 1.6 | 7.3 |
| Interest and dividends on securities A | 16.7 | 16.2 | (0.5) | (3.1) |
| Fees and commissions | 6.4 | 6.3 | (0.1) | (1.4) |
| Other operating income | (5.6) | (2.7) | 2.9 | |
| Gain (losses) on bonds B | (5.9) | (1.8) | 4.1 | |
| Gain (losses) on forex transactions | (0.1) | (0.8) | (0.7) | |
| Expenses | 24.8 | 23.5 | (1.3) | (5.2) |
| Substantial operating income | 13.7 | 19.1 | 5.4 | 39.4 |
| [Core operating income] | [19.6] | [20.9] | [1.3] | [6.3] |
| [Core operating income (excl. gains (losses) on cancellation of investment trusts)] | [13.1] | [16.5] | [3.4] | [25.8] |
| Provision of general reserve for loan losses [1] | 2.1 | (1.0) | (3.1) | |
| Operating income | 11.6 | 20.1 | 8.5 | 72.4 |
| Special income and losses | 5.9 | (0.6) | (6.5) | |
| Bad debt disposals (-) [2] | 0.3 | 3.6 | 3.3 | |
| Gains on reversal of reserve for loan loss [3] | 0.0 | 0.0 | 0.0 | |
| Gain (losses) on stocks C | 5.5 | 3.4 | (2.1) | |
| Gains (losses) on investments in money held in trust D | 1.3 | 0.2 | (1.1) | |
| Ordinary income | 17.5 | 19.5 | 2.0 | 11.2 |
| Extraordinary income | - | - | - | |
| Extraordinary loss | 0.4 | 0.3 | (0.1) | |
| Income taxes (incl. deferred taxes) | 5.3 | 6.2 | 0.9 | |
| Net income | 11.8 | 13.0 | 1.2 | 10.1 |
| Credit-related expenses [1] + [2] - [3] | 2.4 | 2.6 | 0.2 | |
| Total gains (losses) from securities [A + B + C + D] | 17.6 | 18.0 | 0.4 | |
| After excluding foreign currency-denominated procurement costs | 17.3 | 16.8 | (0.5) | |

Summary of profits and losses (Consolidated)

| | | | | |
|---|------|------|-----|-----|
| Ordinary income | 18.4 | 19.8 | 1.4 | 7.4 |
| Net income attributable to owners of the parent | 12.2 | 13.0 | 0.8 | 6.4 |

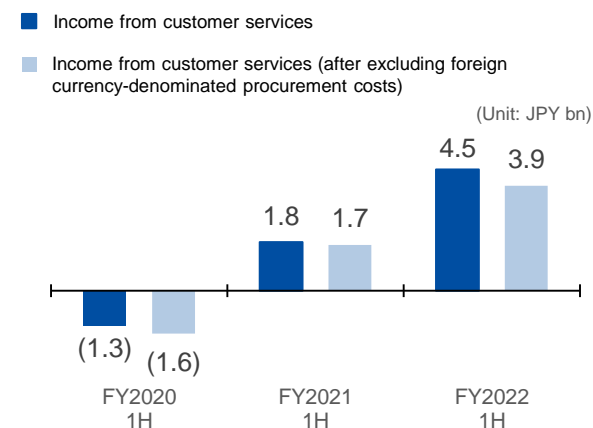
< Core operating income >

In addition to an increase in interest income, factors such as a decrease in expenses resulted in an increase in income of JPY 1.3 billion year-on-year.

< Ordinary Income and net Income >

Although credit-related expenses increased slightly, ordinary income and net income increased JPY 2.0 billion and JPY 1.2 billion year-on-year respectively, thanks partly to an improvement in gain (losses) on bonds.

Income from customer services*



*Operating income from services for customers= (Average balance of loans and bills discounted × Loan to deposit spread) + Fees and commissions - Expenses (Retirement benefit costs incl.)

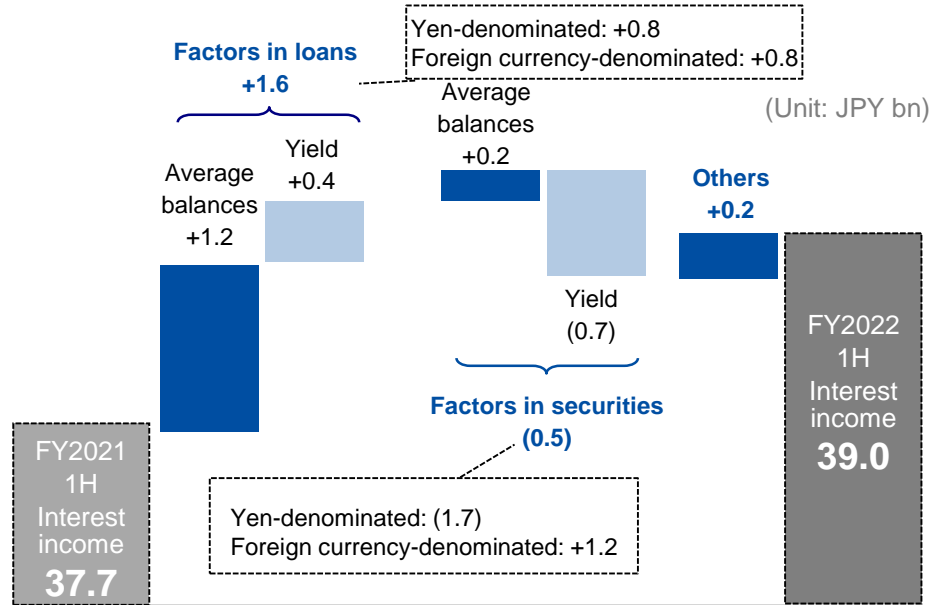
1. First Half Financial Summary (Interest income)

(Unit: JPY bn)

| | FY2021 1H | FY2022 1H | YoY change |
|--|--------------|-----------------|------------|
| Interest income | 37.7 | 39.0 | 1.3 |
| Investment income | 38.0 | 39.4 | 1.4 |
| [Interest on loans and bills discounted] | [20.9] | [22.5] | [1.6] |
| [Interest and dividends on securities] | [16.7] | [16.2] | [(0.5)] |
| Fund procurement costs | 0.3 | 0.4 | 0.1 |
| [Interest on deposits] | [0.1] | [0.1] | [0.0] |

Interest income increased JPY 1.3 billion year-on-year as a result of an increase in interest on loans and bills discounted thanks to an increase in yen-denominated loans and bills discounted and an increase in yield on foreign currency-denominated loans and bills discounted.

Change factors in interest income



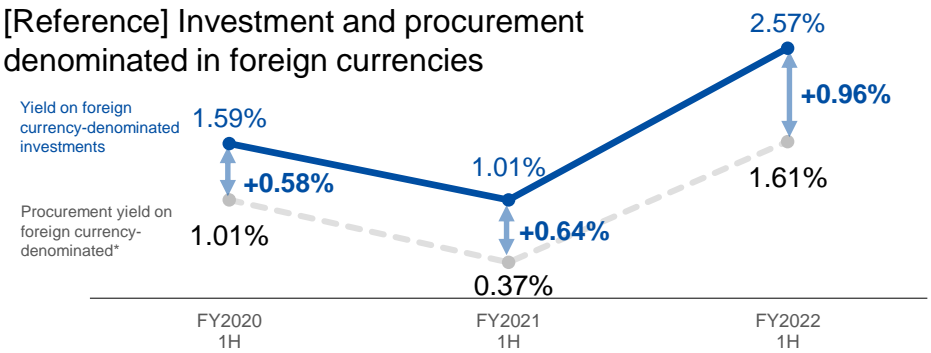
(Unit: JPY bn)

| Major accounts (average balances) | FY2021 1H | FY2022 1H | YoY change |
|---------------------------------------|--------------|----------------|------------|
| Loans and bills discounted | 5,071.6 | 5,346.6 | 275.0 |
| Securities | 2,995.8 | 3,025.4 | 29.6 |
| Deposits and certificates of deposits | 8,636.9 | 8,864.3 | 227.4 |

(Unit: %)

| Interest rates | FY2021 1H | FY2022 1H | YoY |
|--|--------------|--------------|--------|
| Loans and bills discounted interest rate | 0.82 | 0.83 | 0.01 |
| Securities interest rate | 1.11 | 1.06 | (0.05) |
| Interest rate on deposits | 0.00 | 0.00 | 0.00 |

[Reference] Investment and procurement denominated in foreign currencies



*Foreign currency-denominated procurement yield includes foreign currency-denominated procurement recorded in other operating income

(Unit: JPY bn, %)

| | FY2021 1H | FY2022 1H | YoY change | |
|--|--------------|----------------|-------------------|------------------|
| | | | Increase/decrease | Rate of change % |
| Loans and bills discounted (average balances) | 5,071.6 | 5,346.6 | 275.0 | 5.4 |
| Corporate loans | 3,191.5 | 3,439.6 | 248.1 | 7.7 |
| Retail loans | 1,221.7 | 1,267.0 | 45.3 | 3.7 |
| Loans for local governments | 658.4 | 640.0 | (18.4) | (2.7) |

(Unit: JPY bn, %)

| | FY2021 1H | FY2022 1H | YoY change | |
|---|--------------|----------------|-------------------|------------------|
| | | | Increase/decrease | Rate of change % |
| Deposits and certificates of deposits (average balances) | 8,636.9 | 8,864.3 | 227.4 | 2.6 |
| Retail deposits | 5,593.8 | 5,838.2 | 244.4 | 4.3 |
| Corporate deposits | 2,207.6 | 2,201.2 | (6.4) | (0.2) |
| Public deposits | 810.0 | 799.6 | (10.4) | (1.2) |

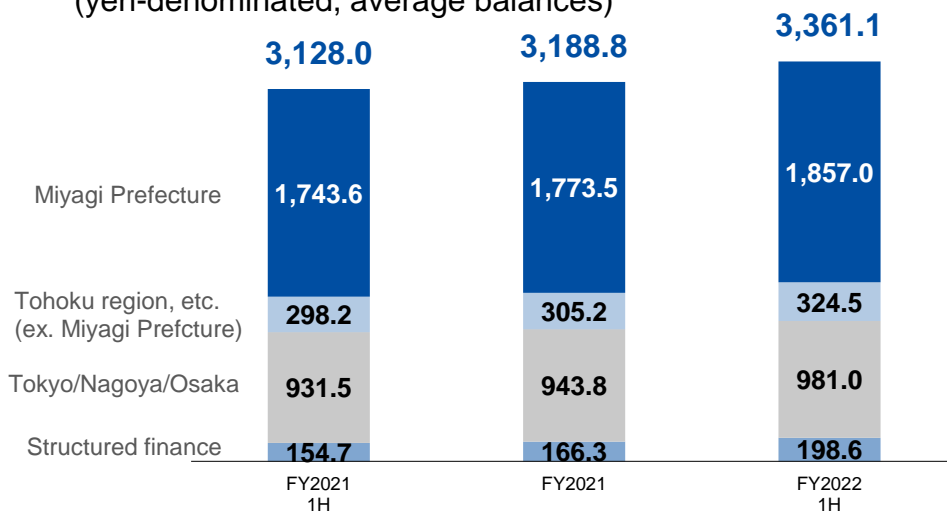
Loans and bills discounted increased 5.4% year-on-year due to factors such as an increase in corporate loans thanks to efforts to aggressively provide funding based on the appropriate targeting of customers, particularly within Miyagi Pref., and an increase in retail loans, particularly housing loans.

Despite decreases in corporate and public deposits, total deposits and certificates of deposits increased 2.6% year-on-year because of an increase in retail deposits.

Corporate loans

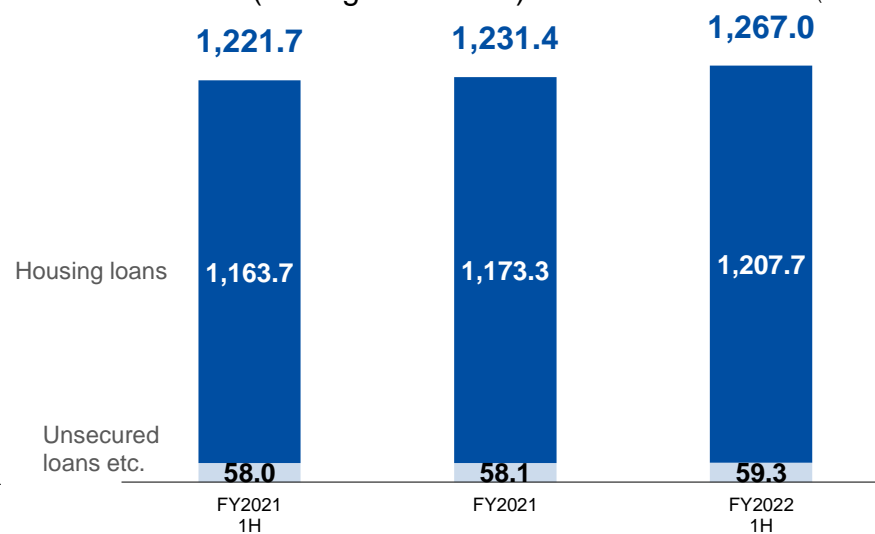
(yen-denominated, average balances)

(Unit: JPY bn)



Retail loans (average balances)

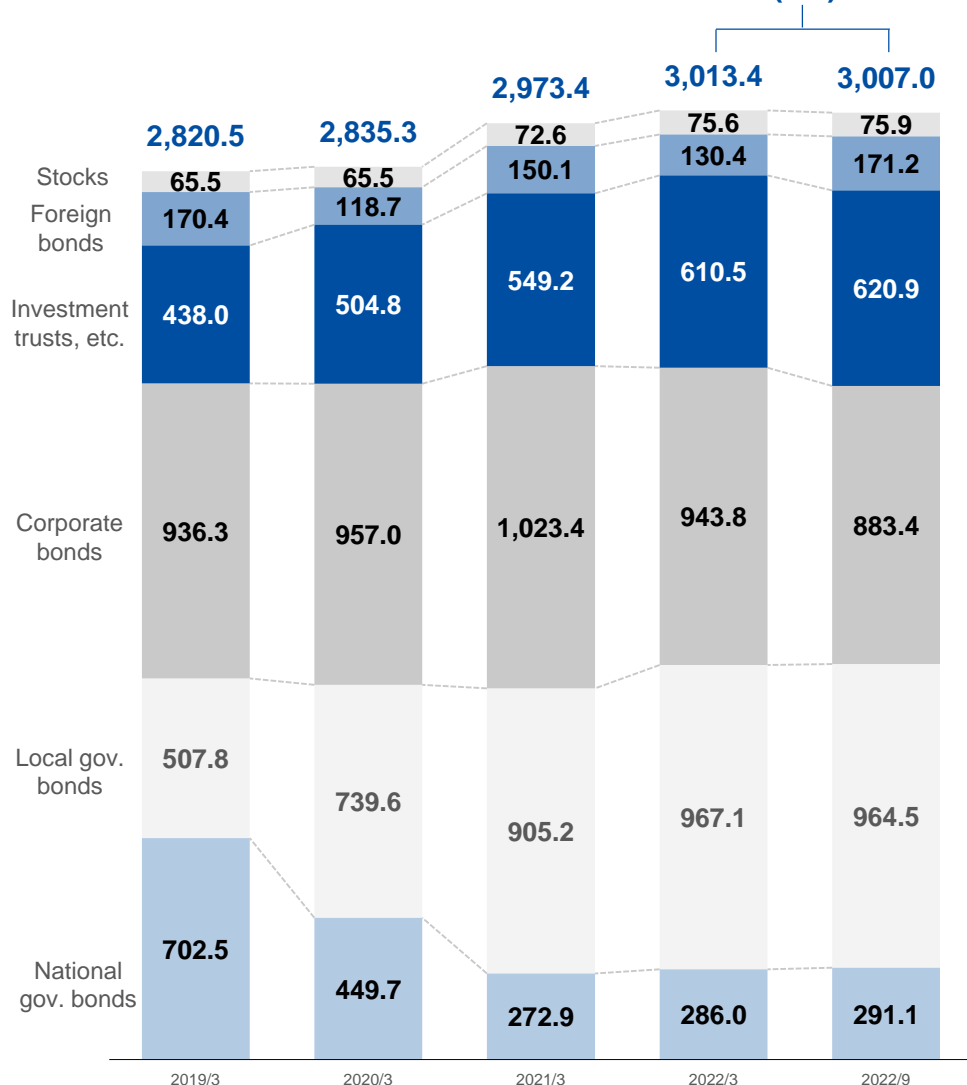
(Unit: JPY bn)



Balance of marketable securities (on an amortized cost base)

(Unit: JPY bn)

(6.4)



(Reference) Modified duration (as of end-Sept. 2022): yen-denominated bonds: 5.66; foreign currency-denominated foreign bonds: 0.62

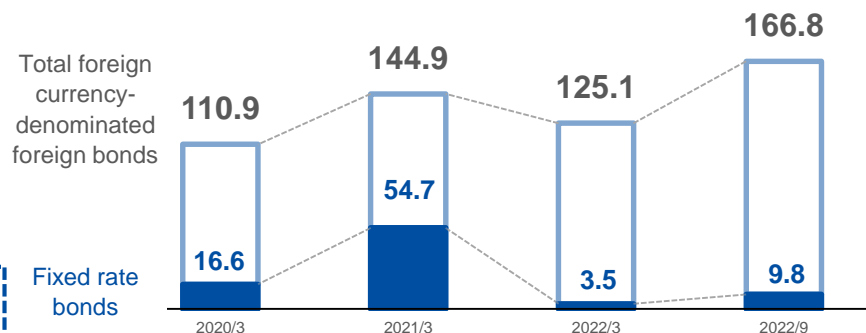
Despite an increase in the trading amount, particularly for floating rate bonds denominated in foreign currencies, the balance of marketable securities decreased JPY 6.4 billion from the end of March 2022, partly owing to controls on reinvestment of maturing corporate bonds.

Composition ratio by type (on an amortized cost base)

| | End-Mar. 2021 | End-Mar. 2022 | End-Sept. 2022 |
|---------------------|---------------|---------------|----------------|
| National gov. bonds | 9.2% | 9.5% | 9.7% |
| Local gov. bonds | 30.5% | 32.1% | 32.1% |
| Corporate bonds | 34.4% | 31.3% | 29.4% |
| Others | 23.5% | 24.6% | 26.3% |
| Investment trusts | 18.5% | 20.3% | 20.6% |
| Foreign bonds | 5.0% | 4.3% | 5.7% |
| Stocks | 2.4% | 2.5% | 2.5% |

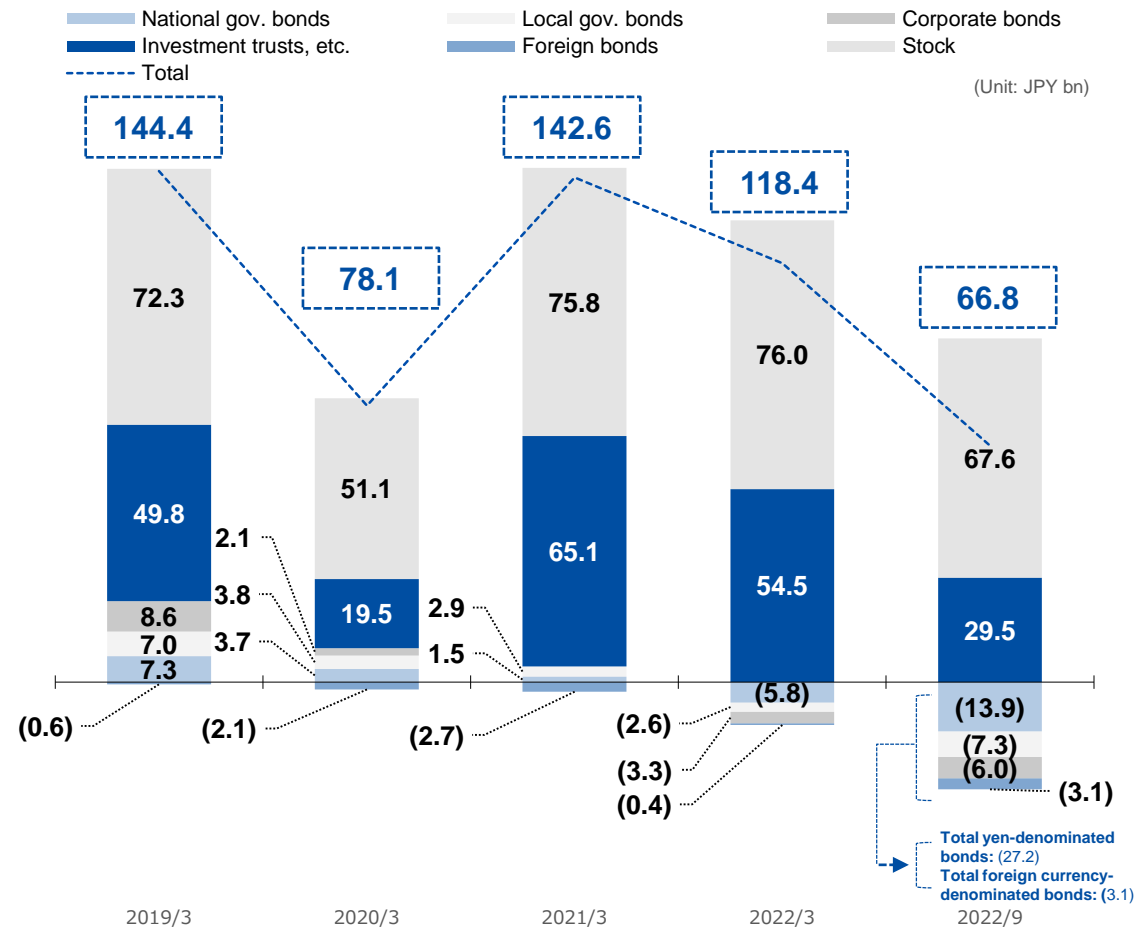
Foreign currency-denominated foreign bonds (on an amortized cost base)

(Unit: JPY bn)



1. First Half Financial Summary (Securities)

Gains (losses) from evaluation of securities



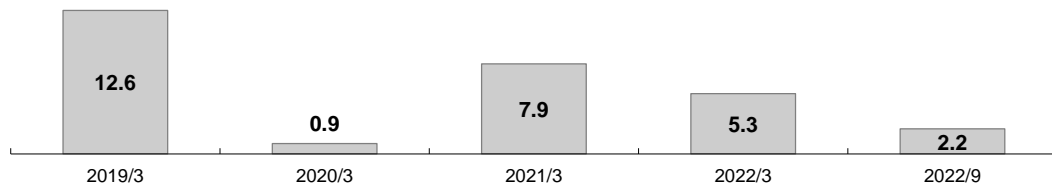
Although evaluation gains on domestic bonds, investment trusts, etc., worsened amid factors such as rising bond yields and falling share prices, gains from the evaluation of securities amounted to JPY 66.8 billion.

Total gains (losses) from securities

(Unit: JPY bn)

| | FY2021 1H | FY2022 1H | YoY change |
|--|-----------|-----------|------------|
| Interest and dividends on securities [A] | 16.7 | 16.2 | (0.5) |
| Interest on yen-denominated bonds | 2.5 | 2.5 | 0.0 |
| Interest on foreign currency-denominated bonds | 0.6 | 1.8 | 1.2 |
| Stock dividends | 3.2 | 3.8 | 0.6 |
| Distributions from investment trusts | 3.9 | 3.7 | (0.2) |
| Gains on cancellation of investment trusts | 6.5 | 4.4 | (2.1) |
| Gain (losses) on bonds [B] | (5.9) | (1.8) | 4.1 |
| Gain on sales of bonds | 0.1 | 0.3 | 0.2 |
| Gain on redemption of bonds | - | 0.0 | 0.0 |
| Losses on sales of bonds | 1.6 | 0.0 | (1.6) |
| Losses on redemption of bonds | 4.4 | 2.1 | (2.3) |
| Losses on cancellation of investment trusts | 4.2 | 1.9 | (2.3) |
| Amortization of stocks | 0.0 | 0.0 | 0.0 |
| Gain (losses) on stocks [C] | 5.5 | 3.4 | (2.1) |
| Gain on sales of bonds | 5.5 | 3.9 | (1.6) |
| Losses on sales of bonds | - | 0.5 | 0.5 |
| Amortization of stocks | 0.0 | - | 0.0 |
| Gains (losses) on investments in money held in trust [D] | 1.3 | 0.2 | (1.1) |
| Total gains (losses) from securities [A+B+C+D] | 17.6 | 18.0 | 0.4 |
| After excluding foreign currency-denominated procurement costs | 17.3 | 16.8 | (0.5) |

[Reference] Money held in trusts

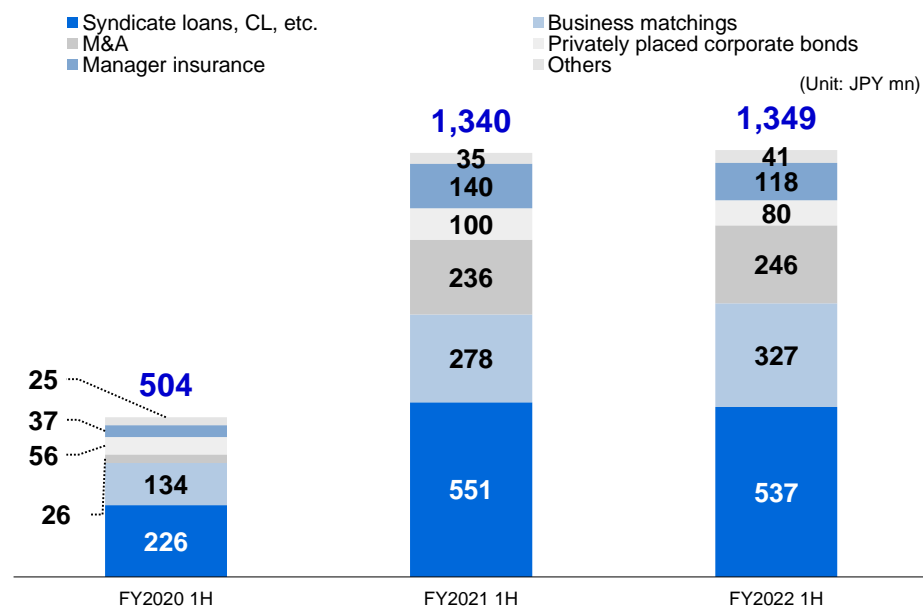


(Unit: JPY mn)

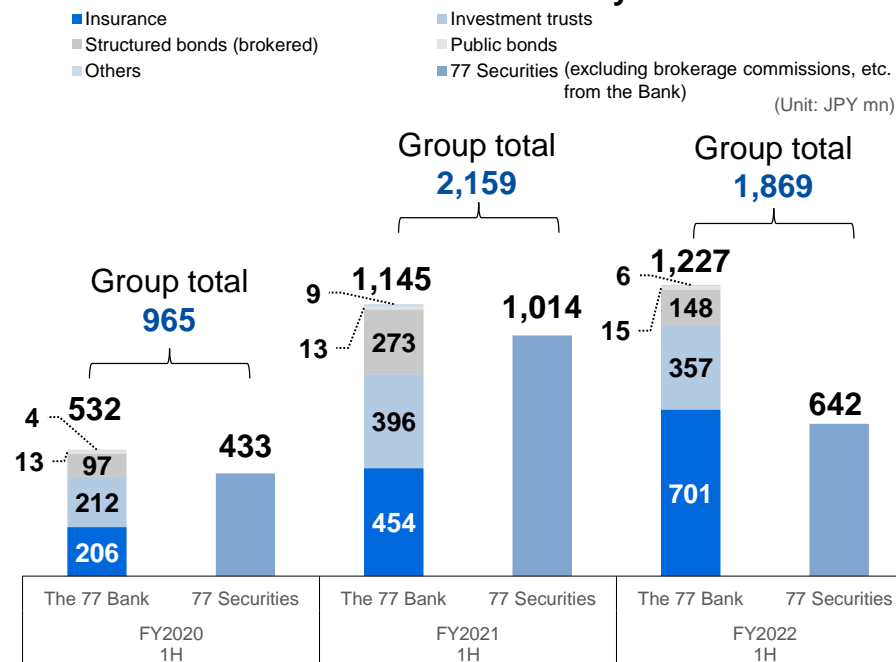
| | FY2021 1H | FY2022 1H | YoY change |
|--|--------------|--------------|------------|
| Fees and commissions A | 9,930 | 9,241 | (89) |
| Fees and commissions from payments | 4,536 | 4,100 | (436) |
| Fees and commissions from corporate clients | 1,340 | 1,349 | 9 |
| Sales commissions of assets in custody | 1,145 | 1,227 | 82 |
| Fees and commissions payments B | 2,953 | 2,957 | 4 |
| Fees and commissions from payments | 456 | 206 | (250) |
| Loan repayment guarantee fees and insurance premiums | 1,762 | 1,956 | 194 |
| Fees and commissions (A-B) | 6,377 | 6,284 | (93) |

Despite an increase in sales commissions of assets in custody as a result of an increase in insurance sales, fees and commissions decreased JPY 93 million year-on-year owing to a decrease in fees and commissions from payments, partly due to revisions to transfer fees.

Fees and commissions from corporate clients



Sales commissions of assets in custody



1. First Half Financial Summary (Expenses)

(Unit: JPY bn)

| | FY2021 1H | FY2022 1H | YoY change |
|------------------------|--------------|--------------|------------|
| Expenses | 24.8 | 23.5 | (1.3) |
| Personnel expenses | 13.1 | 12.8 | (0.3) |
| Non-personnel expenses | 10.0 | 9.1 | (0.9) |
| Tax | 1.7 | 1.6 | (0.1) |

Expenses decreased JPY 1.3 billion year-on-year, largely thanks to a decrease in deposit insurance premiums and a lower number of employees, due partly to employees retiring at the statutory retirement age.

(Unit: JPY bn)

| Key change factors in expenses | | |
|--------------------------------|---|-------|
| Personnel expenses | Reduction in employees, etc. | (0.3) |
| Non-personnel expenses | Lower deposit premium rates | (0.6) |
| | Downward rebound in depreciation as a result of sales office device renewal | (0.2) |

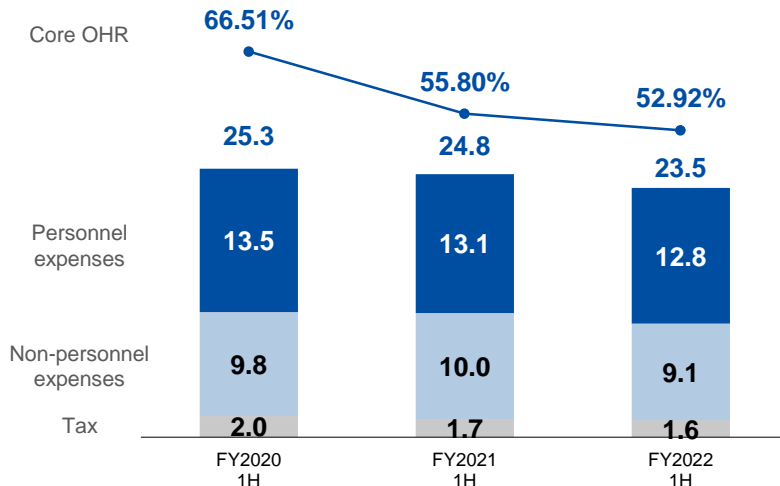
[Reference]

Reduction in non-personnel expenses from branches within branches up to end-Mar.2022

Annual reduction: JPY 500 million

Expenses and core OHR

(Unit: JPY bn)



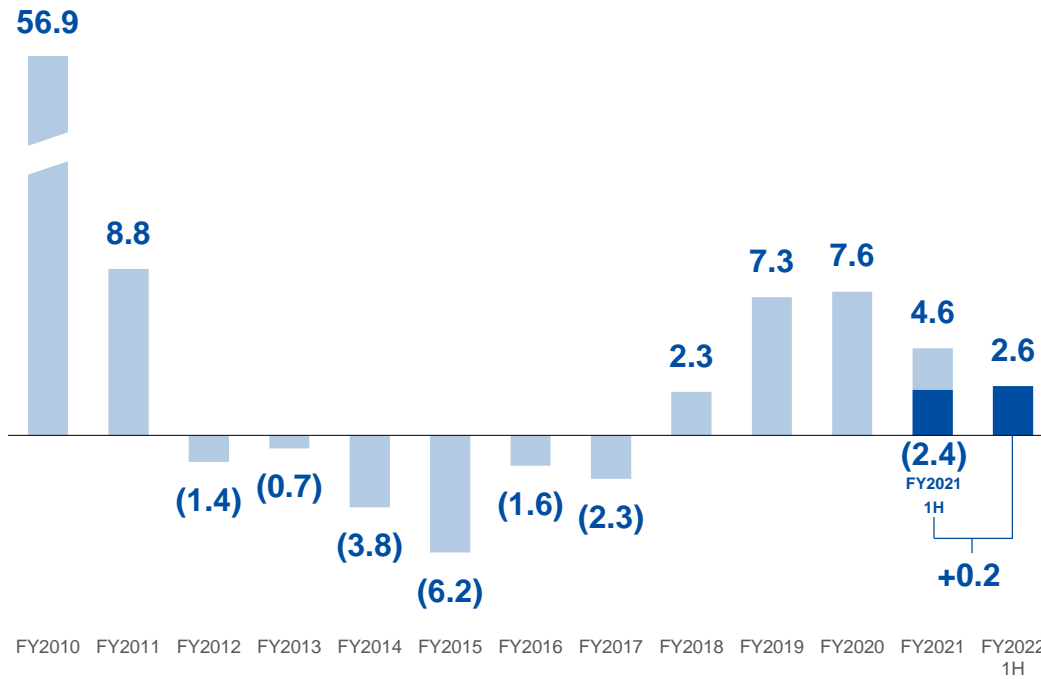
Number of manned branches, number of ATMs installed, and average number of employees

(Unit: branches, bases, machines, people)

| | FY2020 (A) | FY2021 1H | FY2021 | FY2022 1H (B) | (B) - (A) |
|--|---------------|--------------|--------|------------------|-----------|
| Number of manned branches (at term-end) | 142 | 142 | 142 | 143 | 1 |
| Number of bases (at term-end) | 130 | 127 | 123 | 120 | (10) |
| Number of branches within branches (at term-end) | 12 | 15 | 19 | 23 | 11 |
| Number of ATMs installed (at term-end) | 743 | 728 | 718 | 714 | (29) |
| Average number of employees (excl. secondees) | 2,732 | 2,708 | 2,659 | 2,602 | (130) |

Credit-related expenses

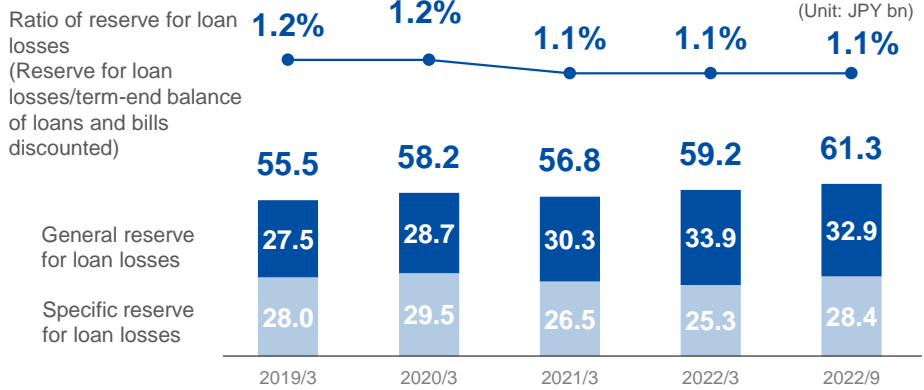
(Unit: JPY bn)



The Bank reversed some general reserve for loan losses partly owing to a decline in provision rates, but made provisions for the specific reserve for loan losses as a result of credit downgrades at major borrowers and other factors, meaning that in terms of overall credit expenses, the Bank made provisions of JPY 2.6 billion, a year-on-year increase of JPY 0.2 billion.

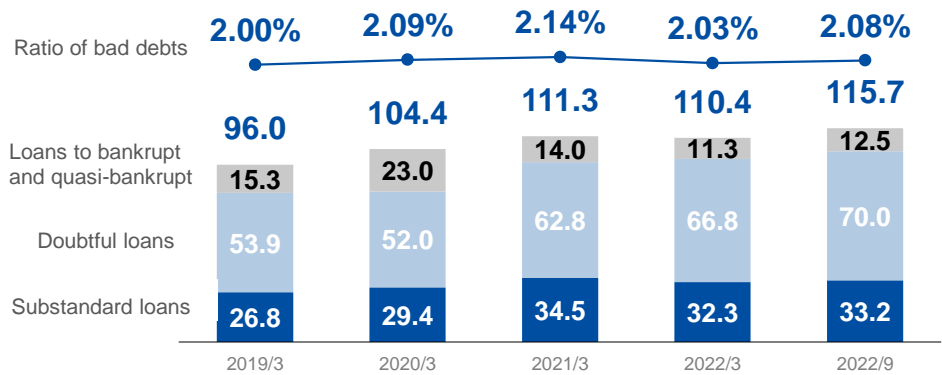
Reserve for loan losses

Average ratio of reserve for loan losses among regional banks: approx. 0.7% (as of Mar. 2022, excl. Suruga Bank)



Credits disclosed under the Financial Reconstruction Law

(Unit: JPY bn)



02



Projected
Performance

(Unit: JPY bn)

Summary of profits and losses (Non-consolidated)

| | FY2021 | FY2022 (Forecast) | YoY change Increase/decrease | FY2023 (Simulation) |
|--|----------|----------------------|---------------------------------|------------------------|
| Gross operating income | 75.8 | 78.3 | 2.5 | 81.2 |
| [Core operating income] | [84.6] | [84.3] | [(0.3)] | [82.8] |
| Interest income | 72.3 | 78.0 | 5.7 | 83.2 |
| Interest on loans and bills discounted | 42.3 | 45.7 | 3.4 | 47.8 |
| Interest and dividends on securities A | 28.9 | 31.9 | 3.0 | 35.2 |
| Fees and commissions | 11.8 | 11.6 | (0.2) | 11.5 |
| Other operating income | (8.3) | (11.3) | (3.0) | (13.5) |
| Gain (losses) on bonds B | (8.8) | (6.0) | 2.8 | (1.6) |
| Gain (losses) on forex transactions | 0.2 | (5.3) | (5.5) | (12.1) |
| Expenses | 49.3 | 49.0 | (0.3) | 49.1 |
| Substantial operating income | 26.5 | 29.3 | 2.8 | 32.1 |
| [Core operating income] | [35.3] | [35.3] | [0.0] | [33.7] |
| [Core operating income (excl. gains (losses) on cancellation of investment trusts)] | [25.7] | [27.0] | [1.3] | [26.3] |
| Provision of general reserve for loan losses [1] | 3.5 | (1.4) | (4.9) | (1.0) |
| Operating income | 23.0 | 30.7 | 7.7 | 33.1 |
| Special income and losses | 7.5 | 1.8 | (5.7) | 0.4 |
| Bad debt disposals (-) [2] | 1.1 | 4.6 | 3.5 | 3.6 |
| Gains on reversal of reserve for loan loss [3] | 0.0 | 0.2 | 0.2 | 0.1 |
| Gain (losses) on stocks C | 7.3 | 4.8 | (2.5) | 2.7 |
| Gains (losses) on investments in money held in trust D | 2.7 | 2.7 | 0.0 | 3.0 |
| Ordinary income | 30.5 | 32.5 | 2.0 | 33.5 |
| Extraordinary income | - | - | - | - |
| Extraordinary loss | 0.5 | 0.4 | (0.1) | (0.2) |
| Income taxes (incl. deferred taxes) | 9.2 | 10.1 | 0.9 | 10.3 |
| Net income | 20.8 | 22.0 | 1.2 | 23.0 |
| Credit-related expenses [1] + [2] - [3] | 4.6 | 3.0 | (1.6) | 2.5 |
| Total gains (losses) from securities [A + B + C + D] | 30.1 | 33.4 | 3.3 | 39.3 |
| After excluding foreign currency-denominated procurement costs | 29.7 | 29.2 | (0.5) | 30.1 |

Summary of profits and losses (Consolidated)

| | | | | |
|---|------|-------------|-----|------|
| Ordinary income | 33.0 | 34.0 | 1.0 | 35.5 |
| Net income attributable to owners of the parent | 22.2 | 22.5 | 0.3 | 24.0 |

2. Projected Performance (Summary of profits and losses)

(Unit: JPY bn)

| | FY2021 | FY2022 (Forecast) | | YoY change | FY2023 (Simulation) |
|---|----------|----------------------|---------|------------|------------------------|
| | | | | | |
| Interest income | 72.3 | 78.0 | 5.7 | | 83.2 |
| Investment income | 72.9 | 78.7 | 5.8 | | 83.7 |
| [Interest on loans and bills discounted] | [42.3] | [45.7] | [3.4] | | [47.8] |
| [Interest and dividends on securities] | [28.9] | [31.9] | [3.0] | | [35.2] |
| Fund procurement costs | 0.6 | 0.7 | 0.1 | | 0.5 |
| [Interest on deposits] | [0.2] | [0.3] | [0.1] | | [0.3] |
| Fees and commissions | 11.8 | 11.6 | (0.2) | | 11.5 |
| [Fees and commissions from corporate clients] | [2.7] | [2.7] | [0.0] | | [2.9] |
| [Sales commissions of assets in custody] | [2.3] | [2.3] | [0.0] | | [2.2] |
| Expenses | 49.3 | 49.0 | (0.3) | | 49.1 |
| Personnel expenses | 26.2 | 25.5 | (0.7) | | 25.0 |
| Non-personnel expenses | 19.9 | 20.3 | 0.4 | | 20.8 |
| Tax | 3.2 | 3.2 | 0.0 | | 3.3 |

(Reference)

Level of yields, interest rates, etc. used as the basis for FY2022 forecast and FY2023 simulations

(Unit: %)

| | FY2021 | FY2022 (Forecast) | | YoY change | FY2023 (Simulation) |
|--|--------|----------------------|------|------------|------------------------|
| | | | | | |
| Interest rates/interest margin | | | | | |
| Loans and bills discounted interest rate | 0.82 | 0.84 | 0.02 | | 0.85 |
| Securities interest rate | 0.96 | 1.05 | 0.09 | | 1.15 |
| Interest rate on deposits | 0.00 | 0.00 | 0.00 | | 0.00 |
| Interest rate spread | 0.75 | 0.79 | 0.04 | | 0.87 |
| Net interest margin | 0.22 | 0.28 | 0.06 | | 0.34 |

(Unit: %, JPY)

| | FY2021 | FY2022 (Forecast) | FY2023 (Simulation) |
|------------------------------|--------|----------------------|------------------------|
| Unsecured call rate O/N | (0.03) | (0.05) | (0.05) |
| JPY TIBOR (3 months) | 0.06 | 0.07 | 0.07 |
| USD LIBOR (3 months) | 0.26 | 3.59 | 3.63 |
| 10-year JGBs | 0.09 | 0.25 | 0.25 |
| 10-year US treasury bonds | 1.60 | 3.43 | 3.35 |
| Exchange rate (JPY/USD) | 113 | 138 | 138 |
| Nikkei Average (at term-end) | 27,821 | 27,000 | 27,000 |

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.

- ◆ Create the highest level of financial functions and consulting, while also expanding the scope of our businesses in the non-financial sector



- ◆ Create networks that combine the potential of Miyagi and the Sendai area with influential customers in the Tohoku region as a whole and elsewhere



- ◆ Deepen capabilities as a leading company (a collection of people with the same aspiration, and a group of companies that act as leaders for local communities)



The 77 Bank Group will take steps to move beyond our existing trajectory, by establishing a “Our target form,” enhancing our strengths, improving our weaknesses, and revitalizing our organization

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)

Key factors

An engine (key factors) will be necessary to go beyond our existing trajectory, and unlock a new future

Digital transformation

New businesses and sectors

Human resources

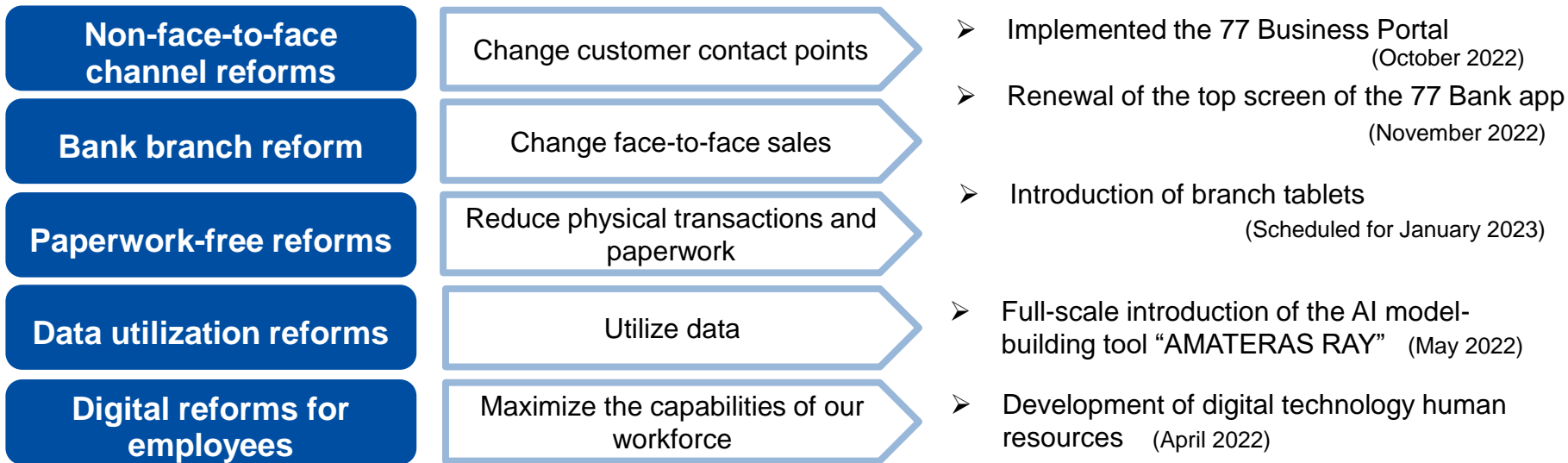
Financial foundations

3. Business Strategy (Digital transformation)

Digital transformation (Key factors)

While placing the utmost priority on “peace of mind and safety,” the 77 Bank Group will capitalize on the digital transformation, which accelerated as a result of COVID-19, and take actions including responding to the increasingly diversified needs of our customers, coordinating with services in different industries, and fundamental reforms across the Group’s banking operations as a whole

Digital technology reforms for the banking business

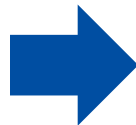


Development of digital technology human resources

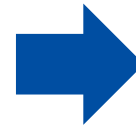
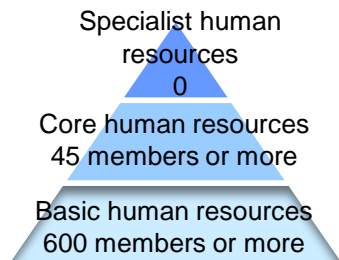
Number of people with an “IT Passport”

369 (as of end-October 2022)

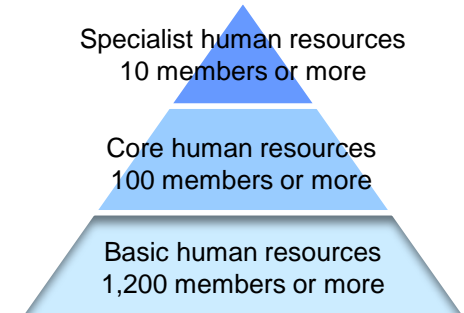
(As of the first half of FY2022)



(FY2022 Target)



(FY2024 Target)



New businesses and sectors (Key factors)

The 77 Bank Group aims to enter new business domains in order to solve the issues of customers and the local communities, and become a leading company that operates a diverse range of businesses with the banking business at our core

Develop new businesses and sectors

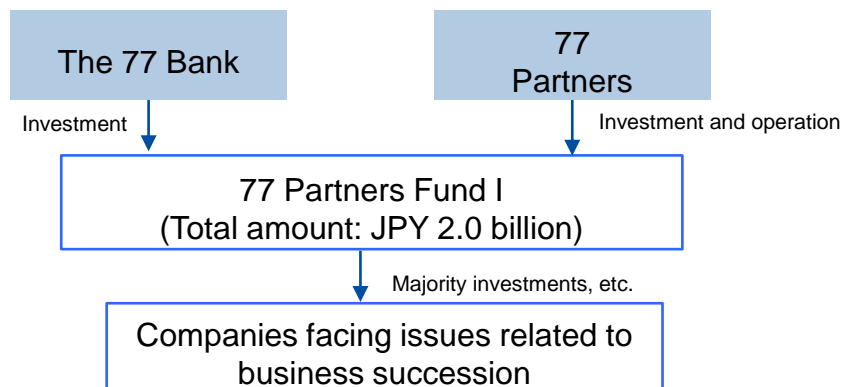
Established December 2021

Shichipato-kun



77 Partners

- Formed “77 Partners Fund I”



Announced in May 2022

Considering launching trust services

- Beginning to consider launching trust services, which the Bank has offered as an agent, assuming that approval will be obtained from the relevant authorities
- Enhancement and strengthening of support programs in “an era where people live for 100 years”

Established August 2022

Shichineko-chan



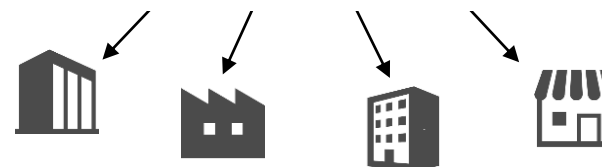
77 Human Design

- Scheduled to begin operating in January 2023



- ✓ Staffing services
- ✓ Employee education
- ✓ Offering training opportunities, etc.

Providing advanced specialized solutions pertaining to “human resources” to clients, etc.



Announced in November 2022

Effective utilization of real estate held

- Rebuilding branches that are due for rebuilding as multipurpose buildings with residential complexes attached (Scheduled to complete construction in April 2025)

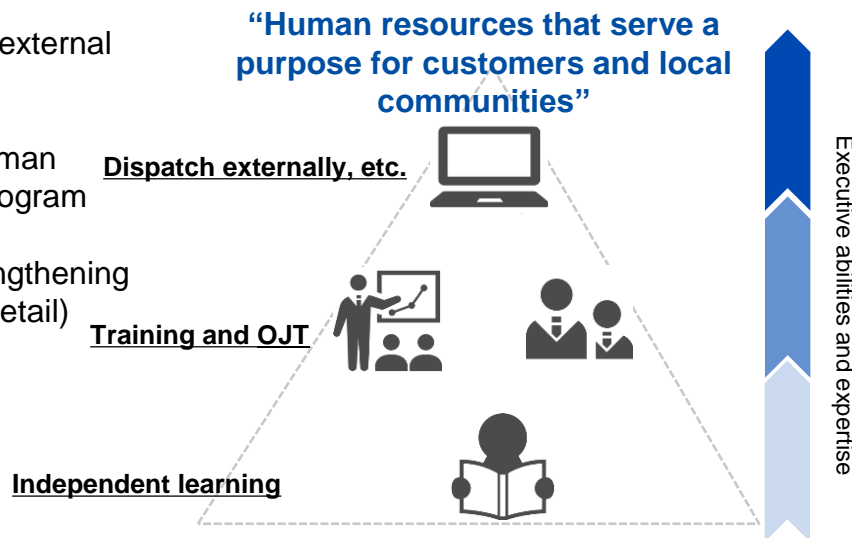


Human resources (Key factors)

The 77 bank Group will utilize the aptitude of each individual and develop “human resources that serve a purpose for customers and local communities” and “human resources that contribute to corporate reform,” which will serve as an asset for the Bank into the future

Development of specialized human resources

- Continuous dispatching to external specialist institutions
- Regional Development Human Resource Development Program
- Consulting Capability Strengthening Program (Corporate and Retail)



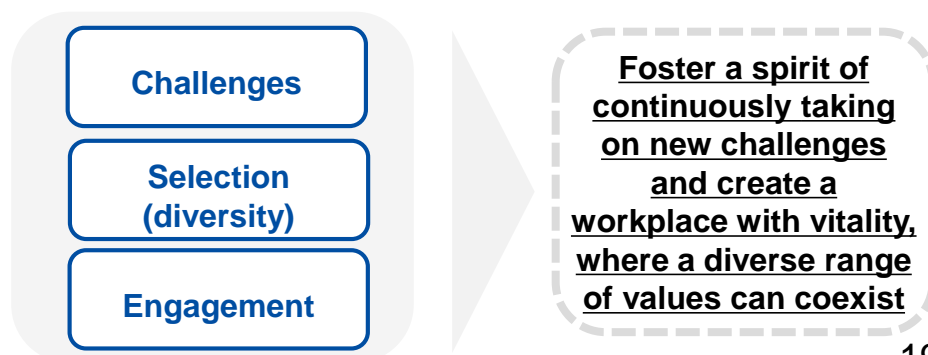
Number of persons dispatched externally
26
(FY2021 Results)

Training-related expenses
JPY 304 mn
(FY2021 Results)

Establishment of challenging corporate culture

- Revisions to personnel systems (scheduled for implementation in April 2023)
- Strengthening the management capabilities of employees in management positions
- Educate and spread awareness of diversity and inclusion

Three policies for reforming personnel systems



Strengthen financial foundation (key factors)

| | FY2021 results | FY2022 1H | FY2022 target | FY2030 Vision |
|--|--|---|--|--|
| Net income (consolidated) <small>(Credit-related expenses)</small> | JPY 22.2 bn <small>(JPY 4.6 bn)</small> | JPY 13.0 bn <small>(JPY 2.6 bn)</small> | JPY 22.5 bn <small>(JPY 3.0 bn)</small> | JPY 28.0 bn <small>(JPY 8.0 bn)</small> |
| Capital adequacy ratio (consolidated) | 10.27% | 10.22% | 11.11% <small>(Basel III finalization standard)</small> | Over 10% |
| Core OHR | 58.22% | 52.92% | 58.07% | 50%-60% |

(Reference: Expected FY2030 portfolio)

| | | | |
|-----------------------------------|------------|---|------------|
| Loans and bills discounted | JPY 5.7 tn | Deposits + NCD | JPY 8.5 tn |
| Securities | JPY 3 tn | Group balance of assets in custody | JPY 1 tn |

| KPI (Let's Try!) | FY2021 Results | FY2022 1H | FY2022 Target | FY2030 Vision |
|--|---------------------------------|--|---------------------------------|---------------------------------|
| Proportion of companies in Miyagi Prefecture for whom we are their main bank | 56% | 56% | 57% | 62% |
| Number of corporate lending clients outside Miyagi Prefecture (Vs. FY2020) | 1.07x | 1.14x | 1.13x | 1.5x |
| Proportion of households in Miyagi Prefecture holding assets *1 | - | - | - | Over 21% |
| Proportion of individuals in Miyagi Prefecture using loans from the 77 Bank | 12.8% | 14.9% | 14.7% | 20.0% |
| Group companies net income | JPY 2.2 bn | JPY 0.7 bn | JPY 1.5 bn | JPY 3.0 bn |
| Labor productivity in core operations | JPY 11 mn | JPY 6 mn | JPY 12 mn | JPY 16 mn |
| Administrative work at bank branches (Vs. FY2019) | (15%) | (23%) | (25%) | (50%) |
| Usage of non-face-to-face channels | (Corporate) 13% (Retail) 15% | (Corporate) 14% (Retail) 18% | (Corporate) 15% (Retail) 17% | (Corporate) 30% (Retail) 30% |
| Cases of growth support for founders | 1,490 cases | 879 cases | 1,550 cases | 3,000 cases |
| CO ₂ emissions | 10,331t - CO ₂ | 4,491t-CO₂ ^{*2} | 10,200t-CO ₂ | 9,069t-CO ₂ |
| Proportion of woman managers | 14.2% | 15.0% | 15.0% | 30.0% |

| | |
|-------------|--|
| Other items | <ul style="list-style-type: none"> ◆ Establish 10 projects in new businesses or sectors (by FY2023) (as of end-November 2022: 4) ◆ Support increased rate of economic growth in Miyagi Prefecture ◆ Aim for 100% participation in regional development projects in Miyagi Prefecture ◆ Implement various initiatives to “foster an ambitious spirit” ◆ Increase the number of “specialist personnel” that serve a purpose for customers and local communities |
|-------------|--|

*1. National Survey of Family Income and Expenditure

*2. Calculated using emissions coefficients for FY2021

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)

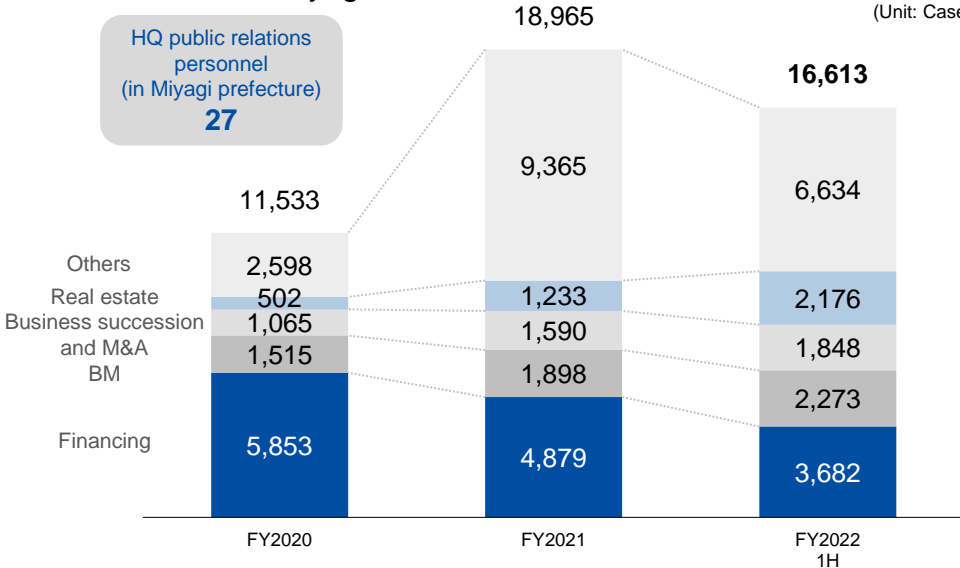
Provision of finance & consulting

Implementation of consulting sales

Number of proposals by HQ public relations personnel stationed in Miyagi Prefecture

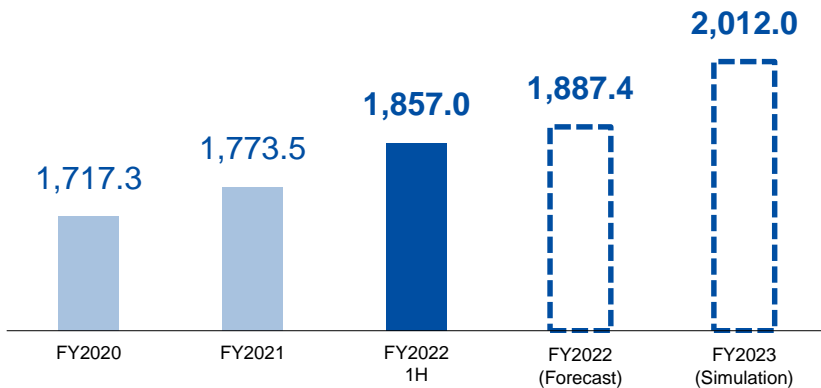
(Unit: Cases)

HQ public relations personnel (in Miyagi prefecture) **27**



Corporate loans in Miyagi Pref. (Yen-denominated, average balances)

(Unit: JPY bn)



Top customer satisfaction strategy

Double productivity strategy

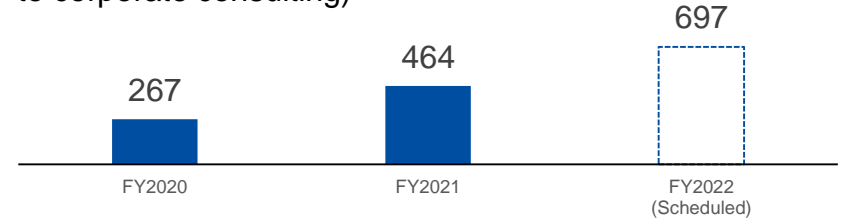
Regional growth strategy

Corporate culture reform strategy

Measures to strengthen consulting capabilities

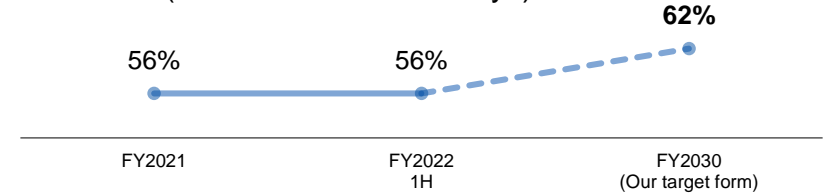
Number of participants in in-house training (related to corporate consulting)

(Unit: Persons)



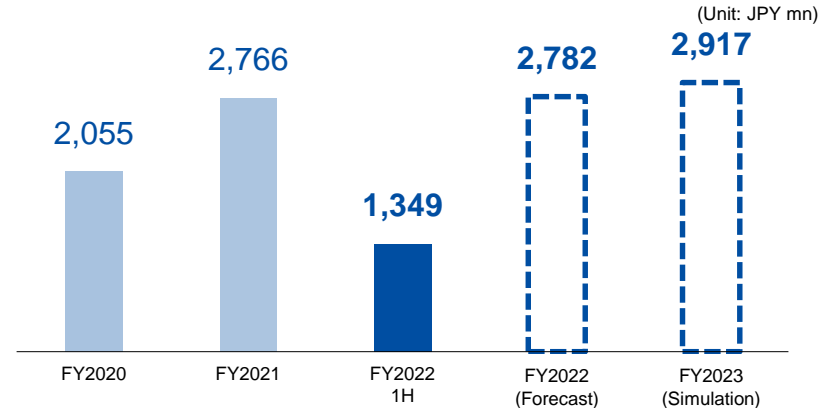
KPI (Let's Try!)

Proportion of companies in Miyagi for whom we are their main bank (Main bank trend surveys) *TEIKOKU DATABANK, Ltd. Research



Fees and commissions from corporate clients

(Unit: JPY mn)

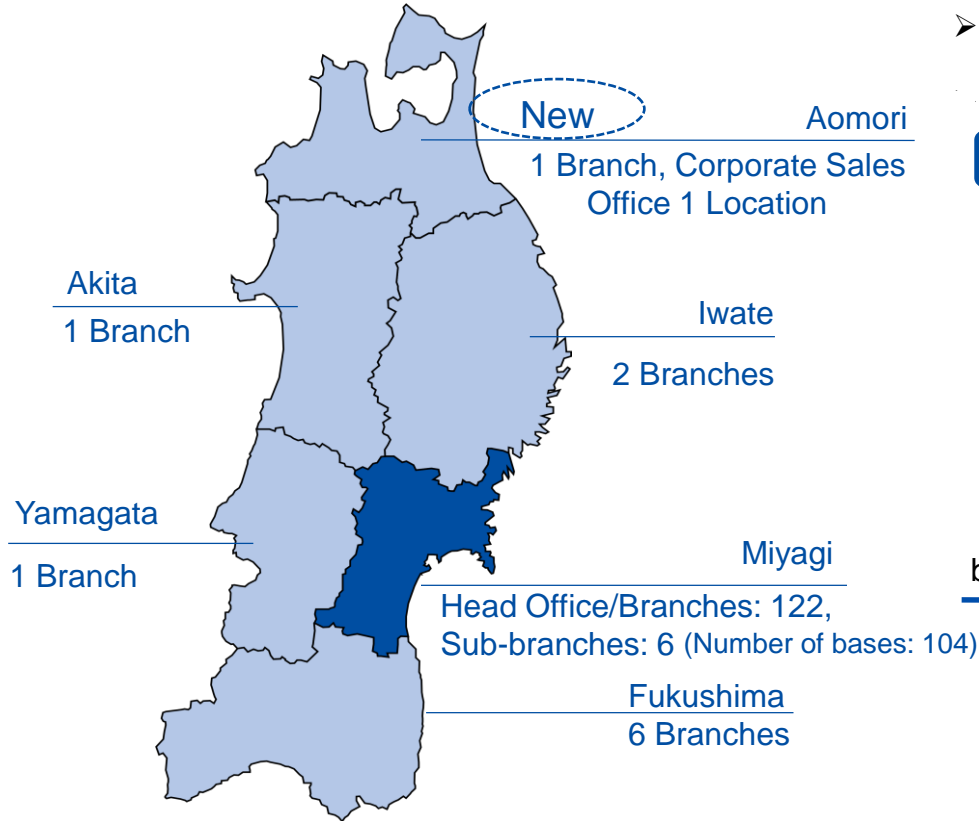


3. Business Strategy (Corporate sales)

Strengthen the promotion of sales the Tohoku region, etc.

Opening of Aomori Branch (opened September 5, 2022)

- Established branches in all six prefectures in Tohoku (as of November 30, 2022)



Other regions

< Outside the Tohoku Region: 5 branches >
 Hokkaido: Sapporo Branch
 Tokyo: Tokyo Branch, Nihonbashi Branch
 Aichi: Nagoya Branch
 Osaka: Osaka Branch

< Overseas >
 Shanghai Representative Office
 Singapore Representative Office

Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

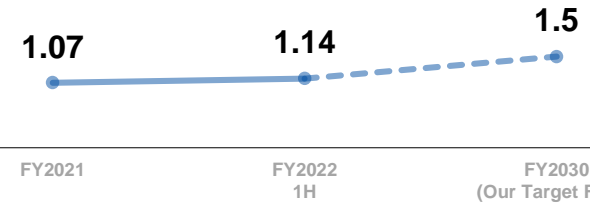
Corporate culture reform strategy

Measures aimed at strengthening the promotion of sales

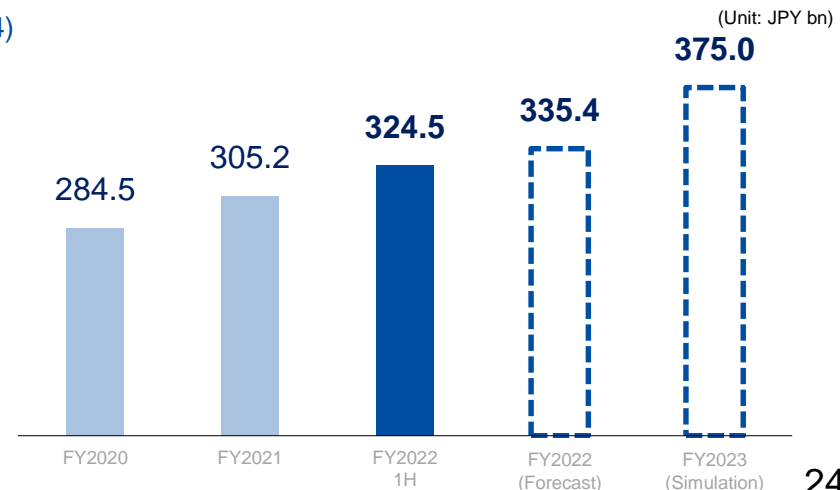
- Assign HQ public relations personnel to branches, etc., outside Miyagi prefecture
- Support the expansion of sales routes utilizing our networks of clients and information
- Enhance systems for supporting overseas businesses

KPI (Let's Try!)

Number of corporate lending clients outside Miyagi prefecture (Vs. FY2020) (Unit: Times)



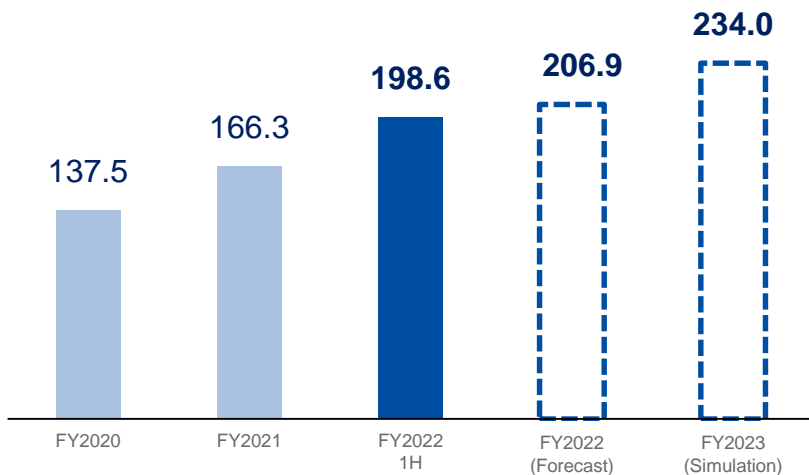
Corporate loans in Tohoku region, etc. (excluding Miyagi prefecture) (Yen-denominated, average balances)



Strengthening of structured finance measures

Structured finance (Yen-denominated, average balances)

(Unit: JPY bn)



Top customer satisfaction strategy

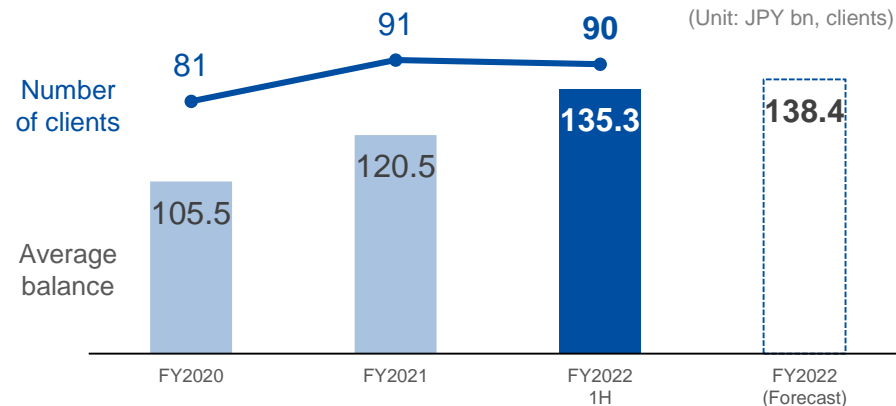
Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

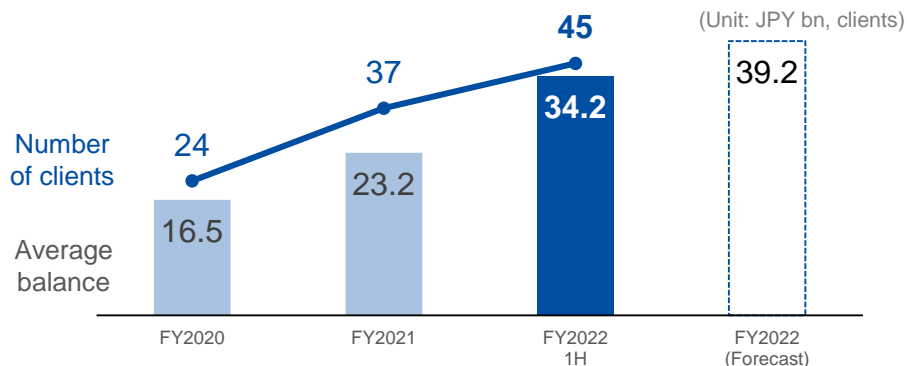
Project finance

- Accumulation of renewable energy projects
- Acquisition of arranger status for PJs related to the local area, including PFI



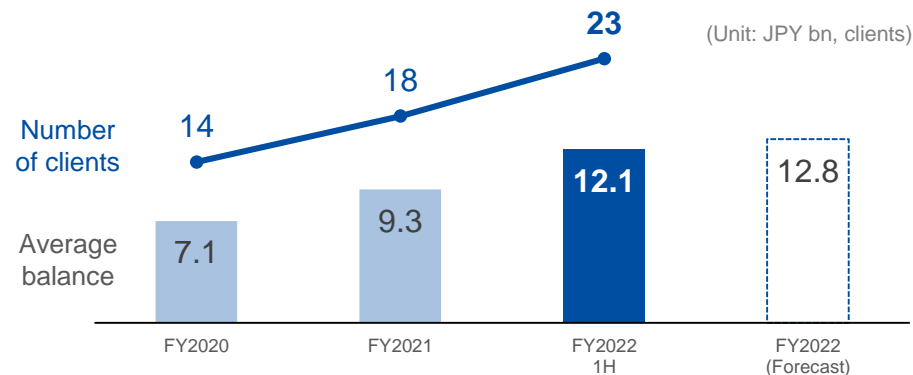
Asset finance

- Create projects in Sendai City and the three major urban areas of Tokyo, Osaka, and Nagoya, etc.
- Expansion/dispersion of projects eligible for examination



Acquisition finance

- Strengthen sourcing of projects for PE fund investment partners
- Create local projects using the 77 Bank Group's total power



3. Business Strategy (Retail sales)

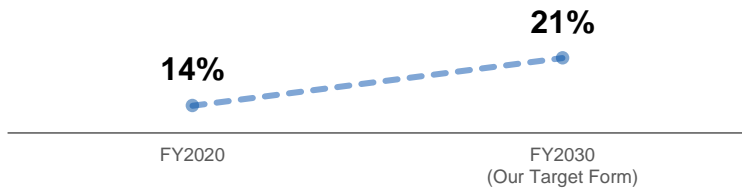
Promotion of asset-holding based on customers' life plans

Strengthening of retail sales

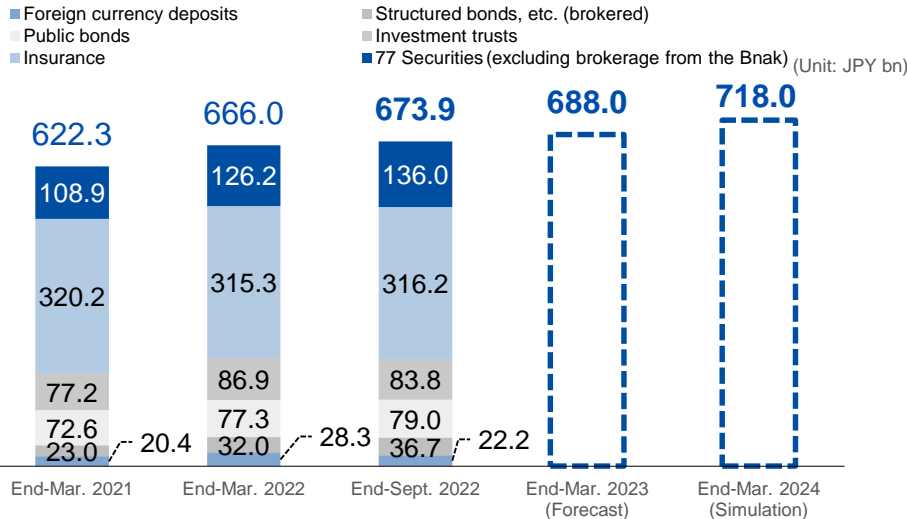
- Strengthen support systems through the Wealth Management Office
- Further deepening of cooperation between the Bank and securities companies
- Considering launching trust services
- Begin offering a fund wrap service (January 2023)
- Implement programs to develop specialized human resources

KPI (Let's Try!)

Proportion of households in Miyagi prefecture holding assets



Balance of assets in custody



Top customer satisfaction strategy

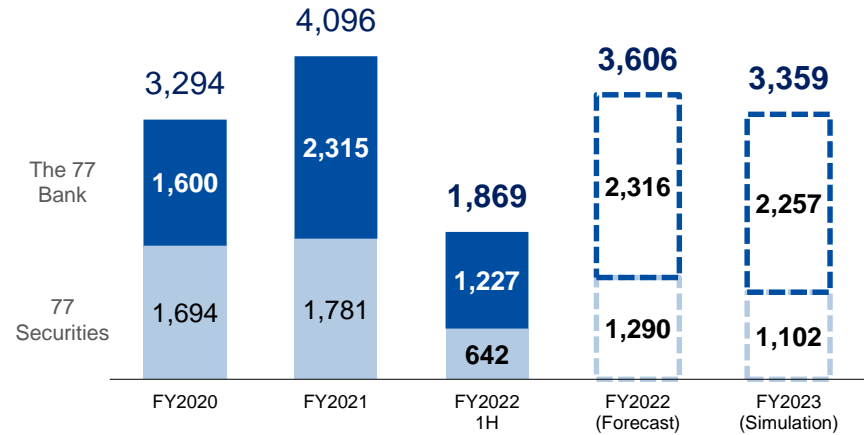
Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

Sales commissions of assets in custody

(Unit: JPY mn)

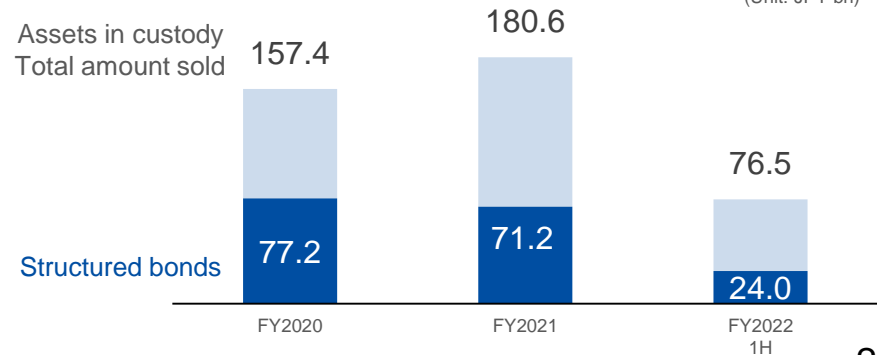


Measures aimed at operations that put customers first

- Provide services based on the 77 Basic Policy on Operations that Put Customers First
- Conduct inspections, such as sales systems for structured bonds

Sales of assets in custody (including 77 Securities)

(Unit: JPY bn)



3. Business Strategy (Retail sales)

Strengthening promotion of retail loans

Top customer satisfaction strategy

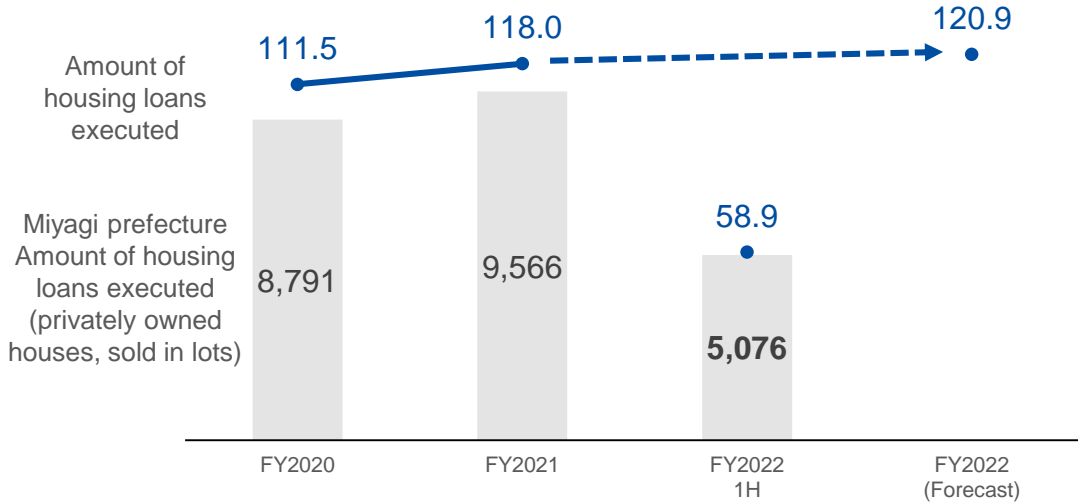
Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

Strengthening promotion of housing loans

(Unit: JPY bn, houses)



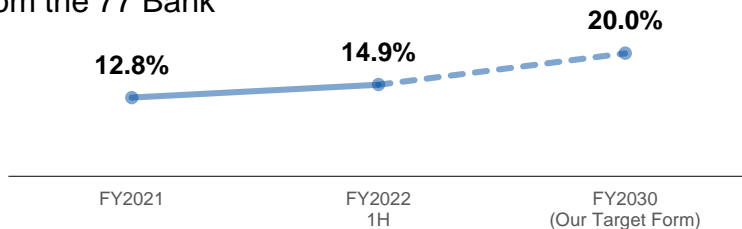
- Strengthen promotion with sales offices and loan centers working together
- Strengthen relations with housing companies
- Enhance products aimed at acquiring new customers
- Consider enhancing non-face-to-face transactions

Strengthen promotion of unsecured loans

- Enhance online marketing
- Enhance contact points with customers through contact centers
- Promotion via dedicated websites for the employees of clients

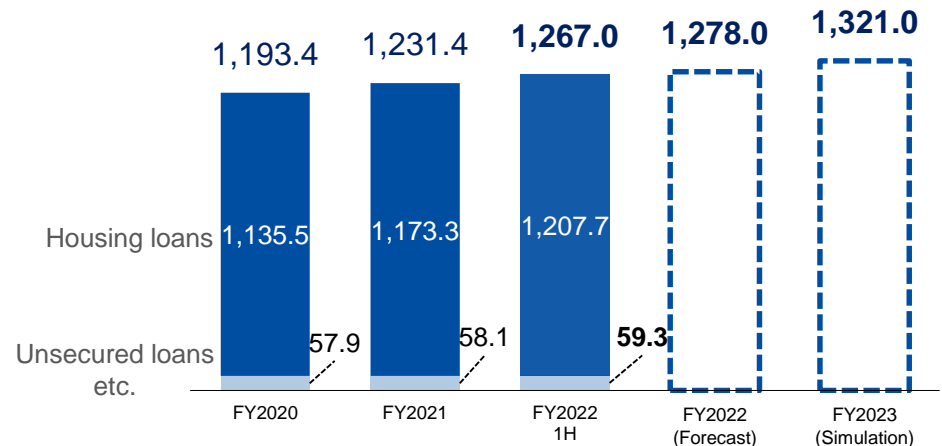
KPI (Let's Try!)

Proportion of individuals in Miyagi prefecture using loans from the 77 Bank



Retail loans (average balances)

(Unit: JPY bn)



3. Business Strategy (Non-face-to-face channels)

Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

Guiding to non-face-to-face channels

Promotion and enhancement of non-face-to-face channels

First regional bank in Tohoku!

- Introduction of “77 Business Portal” (October 2022)
 - Information sharing and offering of solutions aimed at solving management issues
 - Facilitate the use of various procedures online in a one-stop manner
- UI and UX improvements, such as a renewal of the top screen of the 77 Bank app (November 2022)

Main services offered on the “77 Business Portal”

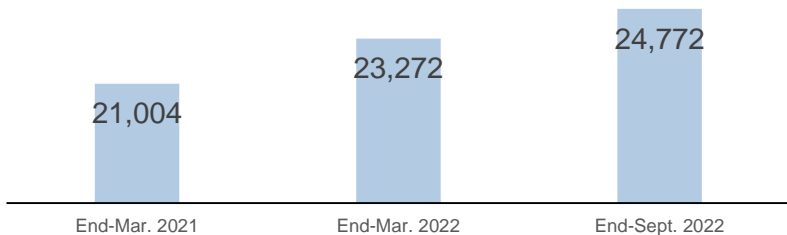
- Account information display service
- Various corporate e-banking functions
- Notification system
- External tie-up services



Usage of e-banking, etc.

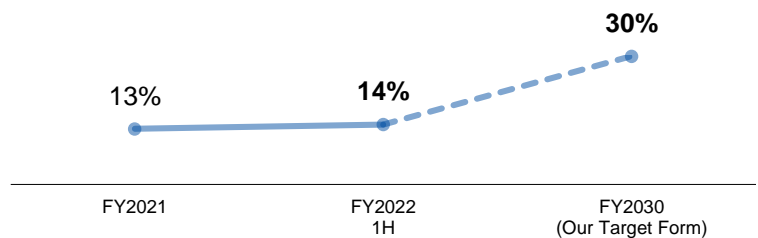
Companies with e-banking service contracts (cumulative)

(Unit: Cases)



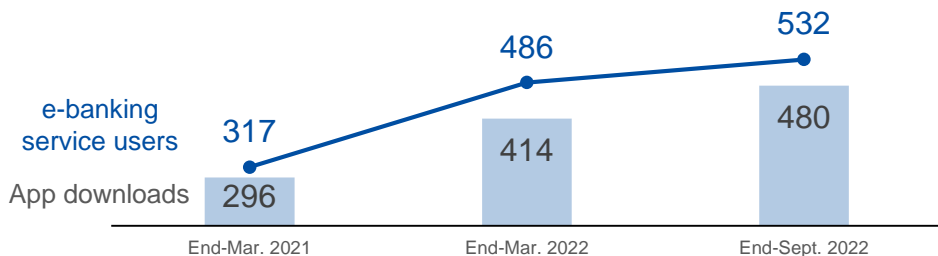
KPI (Let's Try!)

Usage of non-face-to-face channels (Corporate)

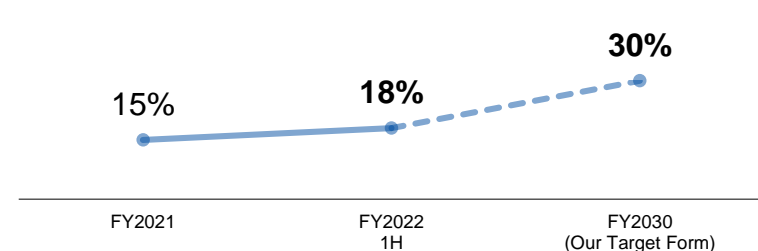


Number of users of e-banking services and app downloads (cumulative)

(Unit: Thousand cases)



Usage of non-face-to-face channels (Retail)



3. Business Strategy (Paperwork-free and branch strategy)

Reduction/simplification of administrative processes

Improvements to administrative processes

Top customer satisfaction strategy

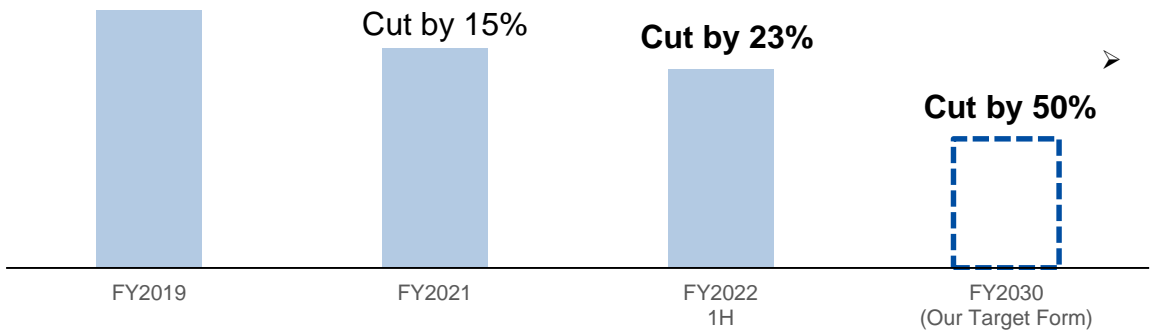
Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

KPI (Let's Try!)

Administrative work at bank branches (Vs. FY2019)



- Introduction of branch tablets (from January 2023)
- Expansion in number of branches using support office
- Concentration of financing administration at headquarters
- Concentration of retail loan operations at headquarters

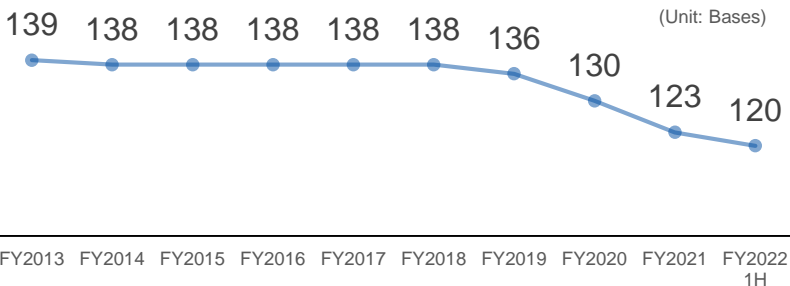


Branch strategy

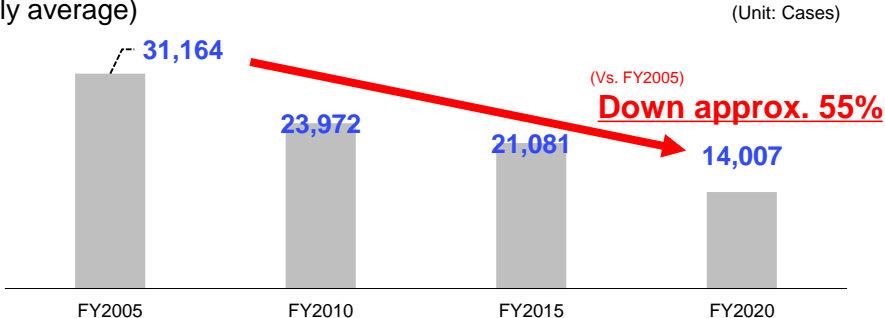
Revisions to branch network

- Consolidate bases based on market characteristics and actual circumstances in the region
- Rebuild into multipurpose buildings with residential complexes attached (Aramachi Branch and Yagiyama Branch) (scheduled to complete construction in April 2025)

Number of bases



Number of uses of contact points in Miyagi prefecture (daily average)



3. Business Strategy (Productivity enhancement)

Measures aimed at enhancing productivity

Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

Rebalancing of management resources

Promote paperwork-free and digital initiatives

Optimize branch network with branches within branches

Personnel members created through branches within branches, paperwork-free, etc.

KPI (Let's Try!)

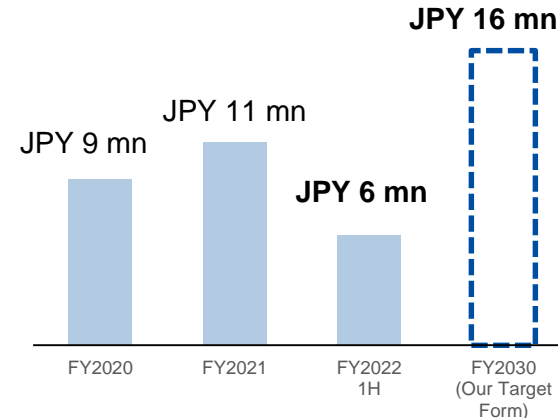
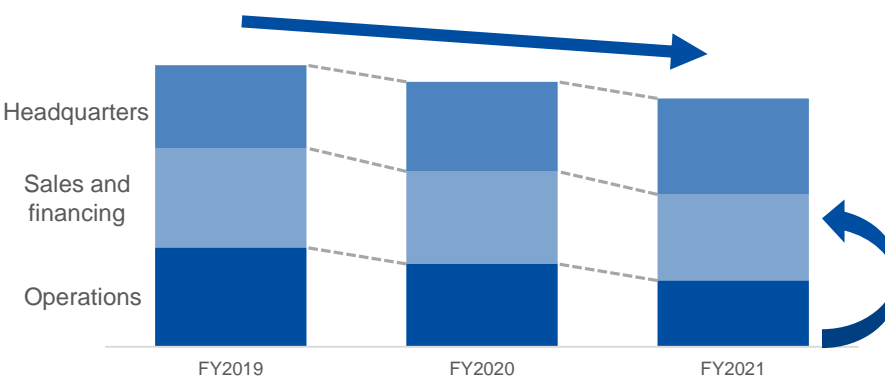
Labor productivity in core operations*

222 members
(cumulative since April 2020)

Strengthen consulting, etc.

Enhancement of HQ public relations personnel and development of specialized human resources through dispatch of external trainees, etc.

68 members
(cumulative since April 2020)

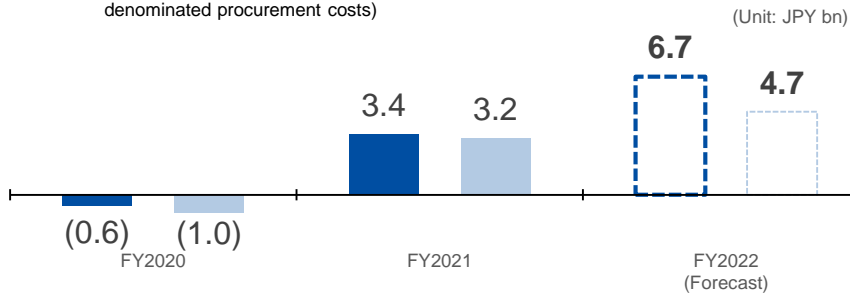


*Labor productivity
(Interest on loans and bills discounted + fees and commissions - interest on deposits - expenses + personnel expenses + depreciation) / number of employees (part-time employees counted as 0.4)

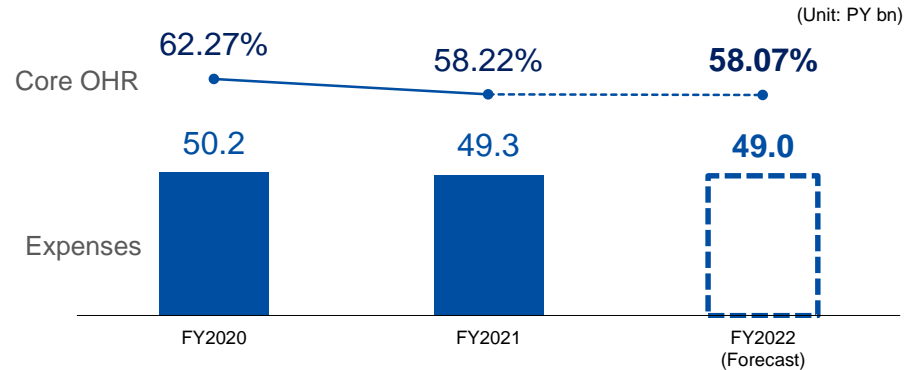
Income from customer services*

Income from customer services

Income from customer services (after excluding foreign currency-denominated procurement costs)



Expenses and core OHR



*Income from customer services =(Average balance of loans and bills discounted × difference between yields on deposits) + Fees and commissions - Expenses (Retirement benefit costs incl.)

Support for growth of inspirational local companies

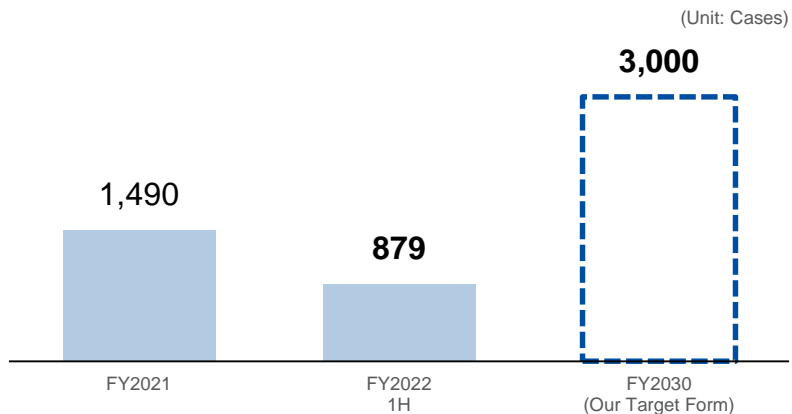
Enhancement of support programs for founders and startups

- Founding of 77 Startup Members
- Creation of <77> Startup Support Desk
- Enhancement of <77> Founding Support Package



KPI (Let's Try!)

Cases of growth support for founders



Support for and development of regional core businesses

- New establishment of “Management Improvement Advisors”
 - Assignment of four employees with experience as branch General Managers
- Strengthening of cooperation aimed at supporting the growth of manufacturing companies
 - Conclusion of collaborative agreement with ALPS ALPINE aimed at revitalizing the manufacturing industry
- Strengthening of cooperation aimed at supporting DX
 - NTT East employees have been stationed at the Bank’s “IT Support Desk” and “Regional Vitalization Promotion Desk.”



Strengthening of support for industrial and corporate relocation

- Participation in “NanoTerasu” development project for a next-generation synchrotron radiation facility



Left: Chief Director Takata of the Photon Science Innovation Center
Right: President Kobayashi of The 77 Bank



Image source: Photon Science Innovation Center

3. Business Strategy (Regional vitalization)

Collaboration with local governments

Top customer satisfaction strategy

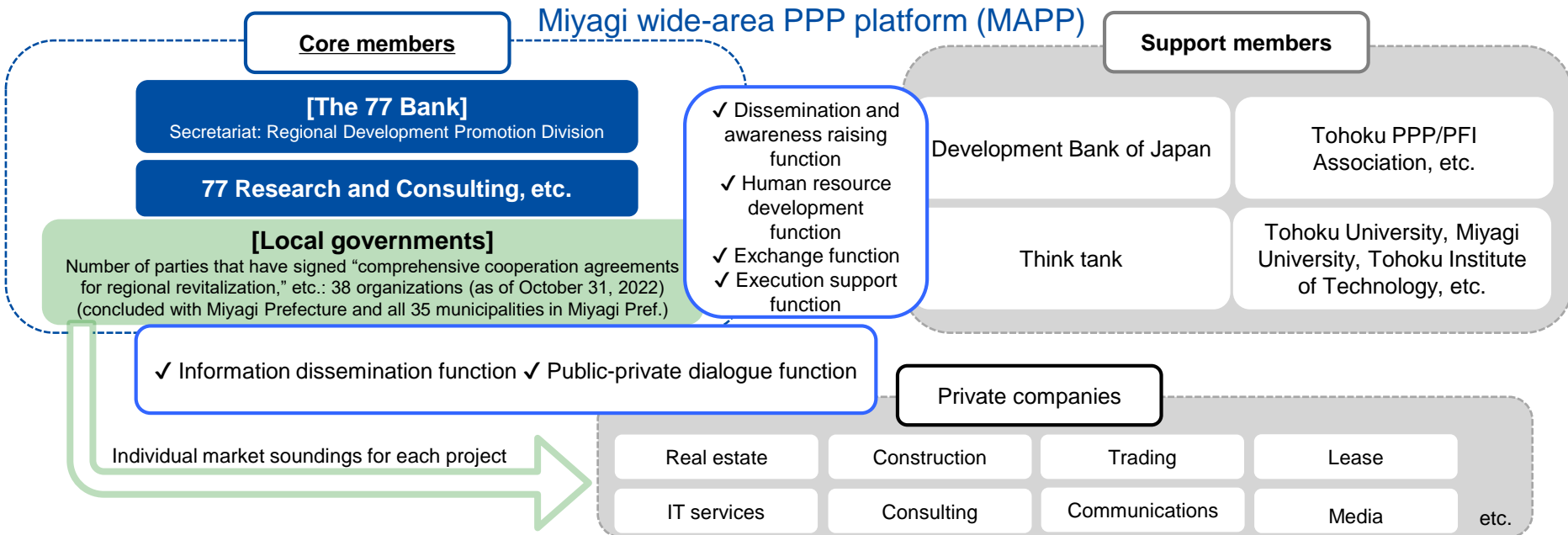
Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

Measures related to the Miyagi wide-area PPP platform (MAPP) (established Jan. 2020)

- Aim to create specific projects by sharing issues related to public-private partnerships (PPPs), acquiring expertise, etc.



FY2021

FY2022

- Main activities
 - Holding of Regional Vitalization Matching Event
 - Holding of theme-specific workshops
- Individual collaboration
 - Regional Development Human Resource Development Program (public-private cooperation workshop) (Miyagi prefecture)
 - Participation in regional revitalization telework promotion plan (Kami, Miyagi prefecture)
 - Supporting the revitalization of tourism utilizing government crowdfunding (Ogawara, Miyagi prefecture)

- Main activities
 - Holding of SDGs promotion seminar (May 2022)
 - Holding of theme-specific workshops (carbon neutrality, DX at local governments) (August 2022)
 - Holding of Regional Vitalization Matching Event (corporate Furusato Nozei (Hometown Tax Donation)) (Scheduled for January 2023)
- Individual collaboration
 - Holding of Regional Development Human Resource Development Program (industry-academia-public sector-finance ideathon)

3. Business Strategy (Corporate culture reform)

Fostering of ambitious spirit

Enhancement of internal communication

- Vitalization of communication by managers, etc.
- Holding of briefings aimed at developing digital human resources
- Trial implementation of 1on1 meetings aimed at supporting the independent growth of employees



Number of “Vision 2030” briefings by the President and officers with executive responsibilities: 204
(as of end-November 2022)

Development of human resources

Development of human resources who serve a purpose for customers and local communities

- State of dispatch outside of the Bank, etc. (as of end-September 2022)

| Field | Number of persons dispatched | Main institutions accepting dispatched persons |
|---------------------------|------------------------------|---|
| Digital technology | 3 | Bank of Yokohama, FinTech companies, etc. |
| International and markets | 9 | Overseas offices of Japanese financial institutions, Japan External Trade Organization, Miyagi prefecture’s Dalian office, etc. |
| Solution | 14 | Domestic offices of Japanese financial institutions, Regional Economy Vitalization Corporation of Japan, etc. |
| Regional vitalization | 5 | Miyagi prefecture, Tohoku Tourism Promotion Organization, etc. |
| Total | 31 | |

Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

Penetration of ambitious spirit

- Implementation of Job Entry system
- Implementation of HQ duty trials
- Holding of business contest



Held for the second time, following the previous year. Broadly gathered ideas for new businesses and sectors from all officers and employees.

Spreading an awareness of diversity and inclusion

Promotion of activity by diverse human resources

- Midcareer and non-Japanese hires (As of November 1, 2022)
 - Registered non-Japanese employees: 3
 - Registered midcareer hire employees: 18
- Holding of internal seminars to support women’s career development



3. Business Strategy (Marketable securities trading)

Portfolio management suited to changes in the investment environment

2H FY2022 Trading policy

- Increase income from interest and dividends based on changes in the investment environment
- Accumulation and realization of valuation gains and acquisition of periodic profit based on market trends and risk balance
- Promotion of measures aimed at achieving SDGs through ESG investments and financing, etc.
- Strengthening of foreign currency procurement stance
- Cultivation of new investment targets and domains

Trading posture

Treasury Div. (32 members) (Front department)

Market Planning Sec.

Planning, devising, etc. of trading policy

Securities Sec.

Trading, etc. of investment securities

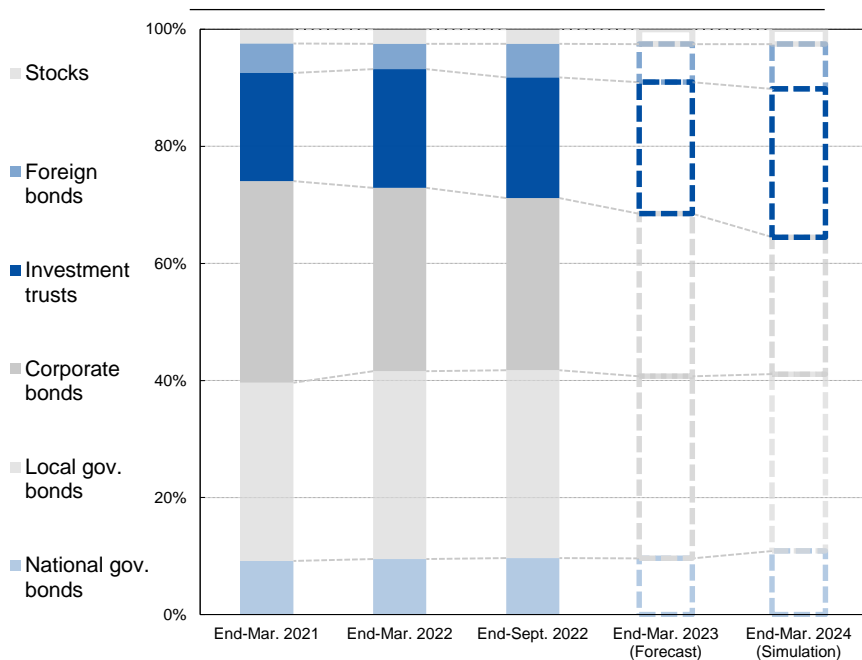
Market Sales Sec.

Procurement, management, etc. of market-based funds

Risk Management Div. (17 members) (Middle department)

Treasury Administration & International Div. (Treasury Administration Sec.) (8 members) (Back department)

Composition ratio by type (on an amortized cost base) and total gains (losses) from securities



| | End Mar.2021 | End Mar.2022 | End Sept.2022 | End Mar.2023 (Forecast) | End Mar.2024 (Simulation) |
|-------------------------|--------------|--------------|---------------|-------------------------|---------------------------|
| National gov. bonds | 9.2% | 9.5% | 9.7% | 9.6% | 10.9% |
| Local gov. bonds | 30.5% | 32.1% | 32.1% | 31.1% | 30.2% |
| Corporate bonds | 34.4% | 31.3% | 29.4% | 27.8% | 23.4% |
| Investment trusts, etc. | 18.5% | 20.3% | 20.6% | 22.5% | 25.4% |
| Foreign bonds | 5.0% | 4.3% | 5.7% | 6.5% | 7.6% |
| Stocks | 2.4% | 2.5% | 2.5% | 2.5% | 2.5% |

(Unit: JPY bn)

| | FY2021 | FY2022 1H | FY2023 (Forecast) | FY2023 (Simulation) |
|--|-------------|-------------|-------------------|---------------------|
| Interest and dividends on securities | 28.9 | 16.2 | 31.9 | 35.2 |
| Gain (losses) on bonds | (8.8) | (1.8) | (6.0) | (1.6) |
| Gain (losses) on stocks | 7.3 | 3.4 | 4.8 | 2.7 |
| Gains (losses) on investments in money held in trust | 2.7 | 0.2 | 2.7 | 3.0 |
| Total gains (losses) from securities | 30.1 | 18.0 | 33.4 | 39.3 |
| After excluding foreign currency-denominated procurement costs | 29.7 | 16.8 | 29.2 | 30.1 |

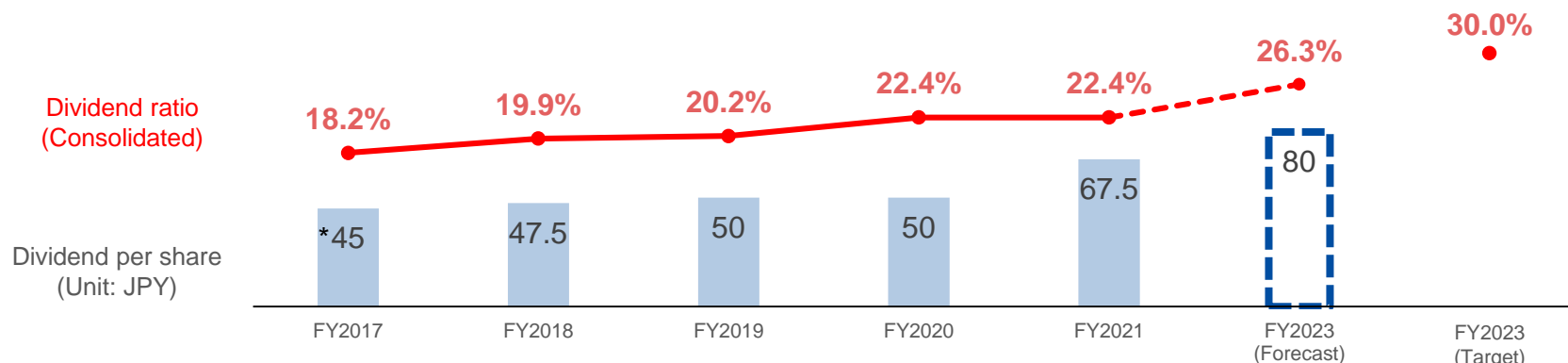
Measures targeting shareholder returns

Formulation of policy of return of profits to shareholders

From the standpoint of establishing a solid financial foundation through elevating customer satisfaction and improving productivity based on the “Vision 2030” that it initiated in April 2021 while simultaneously realizing at an early stage “the growth of The 77 Bank Group and the provision of returns” that it has espoused as its mission to shareholders, in January 2022, the Bank formulated its Policy of Return of Profits to Shareholders that cites the ongoing distribution of stable dividends and specific targets.

Policy of Return of Profits to Shareholders

The basic policy of the Bank in this regard is to continue to distribute steady dividends while taking factors such as its public character as a bank business and the preservation of the soundness of its management into consideration. Additionally, based on the premise of strengthening its financial foundation, the Bank will proceed to gradually elevate its dividend ratio relative to net income attributable to owners of the parent with a target of 30% by FY2030 as it aims to improve shareholder returns and capital efficiency.

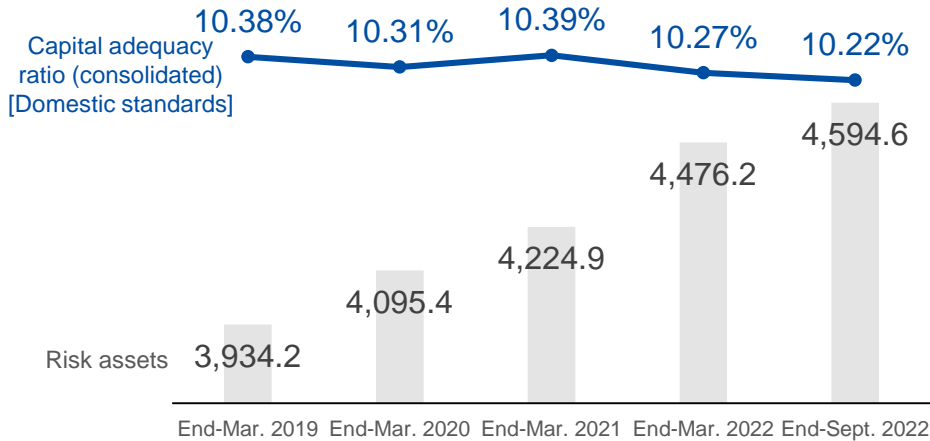


*The Bank conducted a 1-for-5 consolidation of shares on October 1, 2017. If calculated based on the number of shares after the consolidation, the interim dividend for FY2017 is JPY 22.50 per share. Therefore, the annual dividend equals JPY 45 per share.

Financial foundation

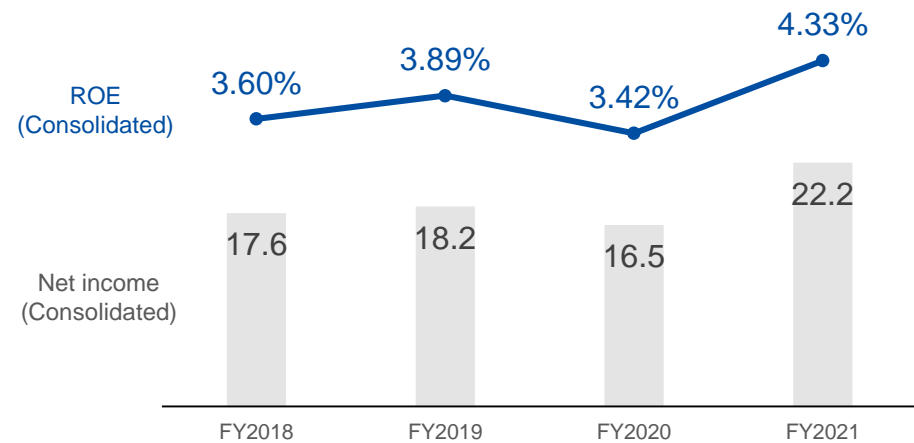
Capital adequacy ratio (consolidated) and risk assets

(Unit: JPY bn)



Trends in ROE

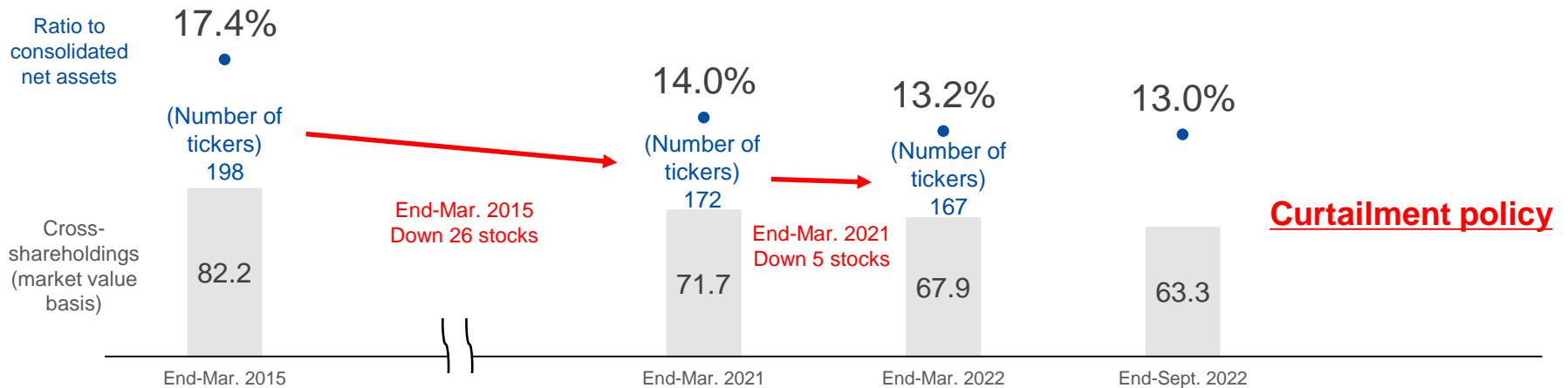
(Unit: JPY bn)



Measures to address cross-shareholdings

Policy of reducing cross-shareholdings, as a general rule

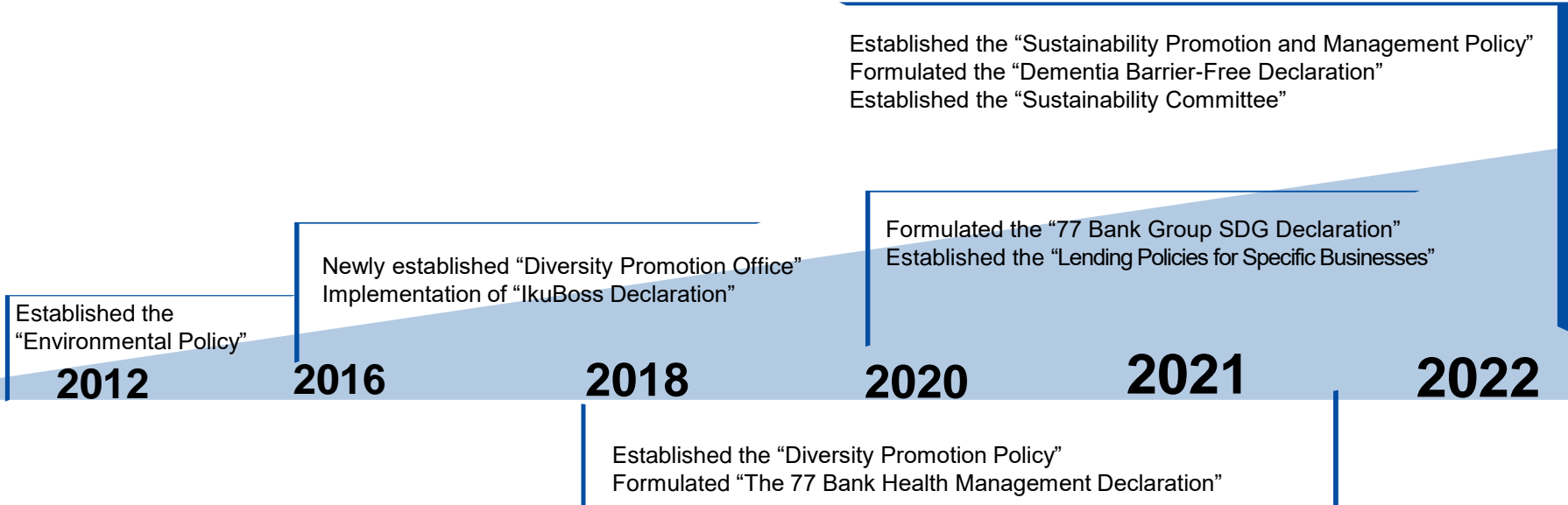
(Unit: JPY bn)



04 | Sustainability

4. Sustainability (Measures up to this point)

Sustainability measures up to this point



Formulated the "Vision 2030," agreement with "TCFD Recommendations," and formulated the "SDGs Action Plan"
Formulated the "Policy on Human Resources Development to Ensure Diversity," formulated the "Policy on the Development of an Internal Environment to Ensure Diversity," and newly established the "Sustainability Promotion Office"

77 Bank Group SDG Declaration ~More than ever, and forever, with our region~

| | |
|--|---|
| <p><u>Revitalization of the regional economy</u></p> | <p><u>Responding to global warming and climate change</u></p> |
| <p><u>Encouraging and supporting the activities of our employees</u></p> | <p><u>Advancing corporate governance</u></p> |

(Realization and strengthening of initiatives)

- Formulated the "SDGs Action Plan"
- Setting of KPIs

Spread of sustainability

Support for sustainability at clients

- e-dash business partnership (support for decarbonization by clients)
- Partnership related to products and services in the sustainability sector with banks participating in MEJAR
- Enhancement of lineup of products related to the SDGs (Began offering sustainability-linked loans and social loans)



Towa Keisetsu School Building Provided by: SENDAI IKUEI GAKUEN Incorporated Educational Institution

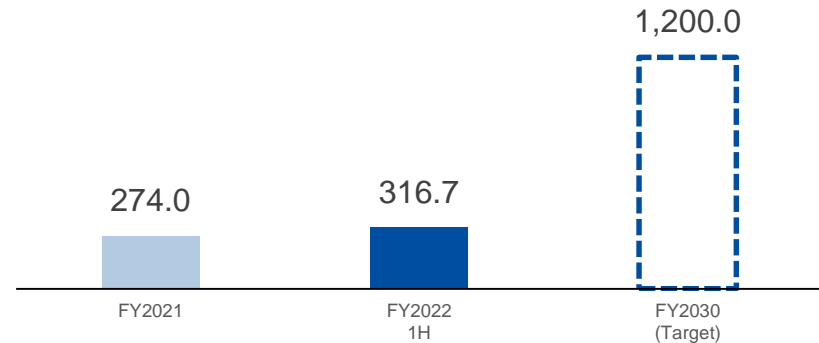


Hokushu Housing Residences Provided by: HOKUSHU Co., Ltd.

KPI

Total cumulative sustainable finance executed*

(Unit: JPY bn)



*Cumulative amount of investments and financing provided that contribute to regional vitalization and a sustainable society (Investments and financing pertaining to the support and promotion of measures aimed at the environment, medical care, founding, business succession, etc.)

Measures for financial literacy seminars

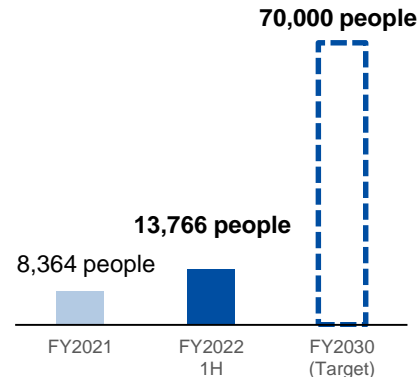
- Offering financial education (offering financial education classes for high-school students, etc.)
- Holding seminars in collaboration with local authorities



<77> SDGs seminar

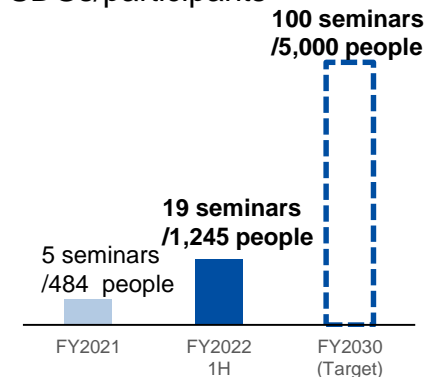
KPI

People receiving financial education



KPI

Seminars held in related to SDGs/participants



Response to environmental issues

Reduction of environmental burden

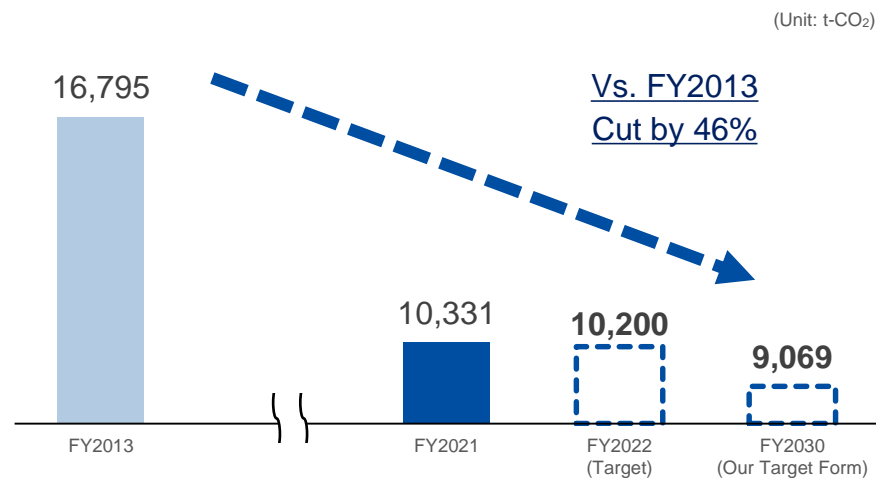
- Reduction of electric and other power consumption through branches within branches
- Installation of solar power generation systems at newly established branches



Shiroishi Branch newly built in November 2022

KPI

CO₂ emissions



Response to the TCFD recommendations

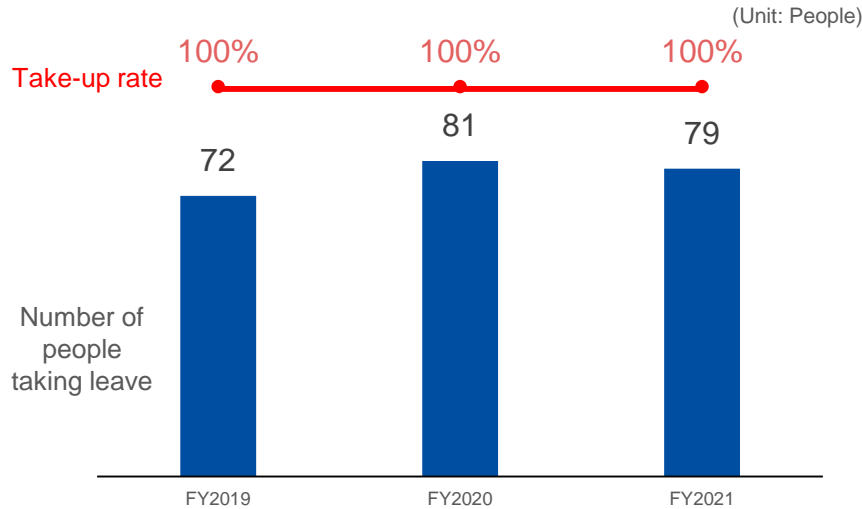
- Governance
 - Creation of Sustainability Committee (July 2022)
- Strategy
 - ◆ Opportunity: Renewable energy-related funding amount provided: 426 / JPY 202.3 billion
 - ◆ Risk and scenario analysis: Be aware of physical and transitional risk and announce after scenario analysis
- Risk management
 - Create systems through revising regulations related to risk management, etc.
- Indicators and Targets
 - Consider calculation methods for Scope 3 emissions, etc.

4. Sustainability (Support for individual employee activities)

Measures to create an organization that enables employees to engage in a diverse range of activities

Support for balancing work and childrearing

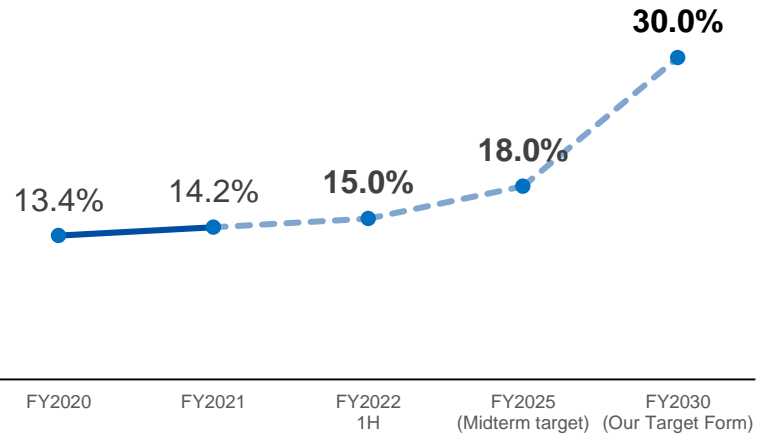
Rate of taking paternity leave



Promotion of the active participation of women

KPI

Proportion of female managers



External evaluations

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 2022)

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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



Certified “Gold Certified Company” for successfully utilizing the potential of female talent in Miyagi Prefecture



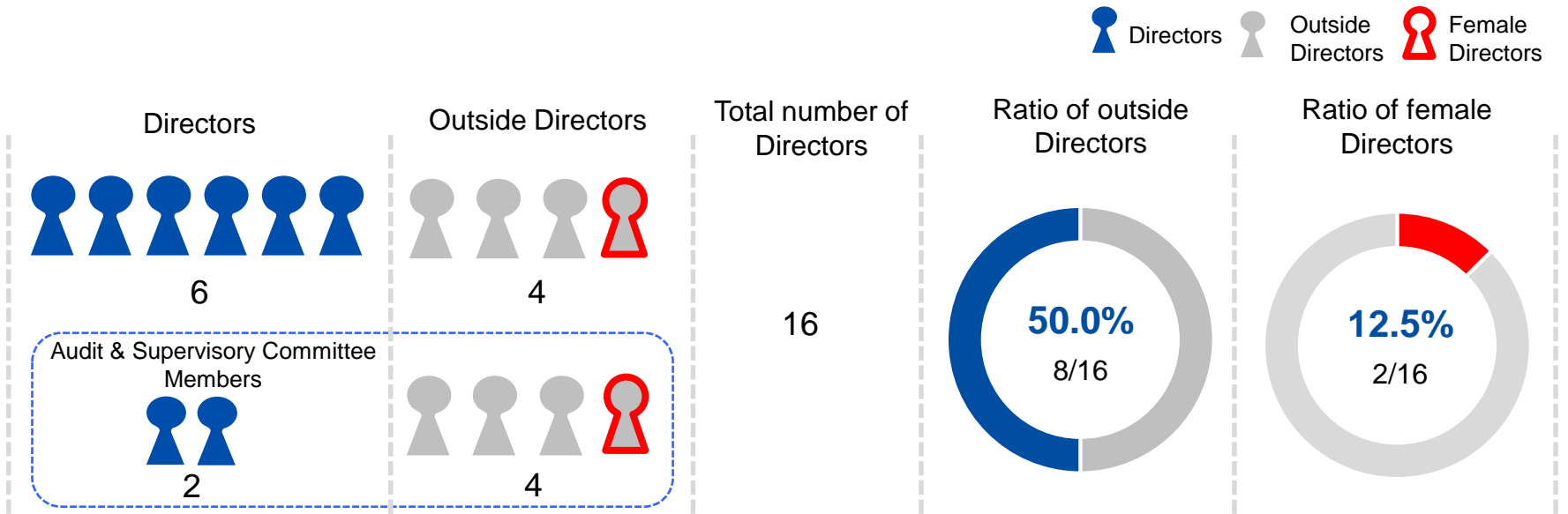
2022~2023 宮城県認証企業
ゴールド認証企業

Certified “Eruboshi (Grade 3),” commending general business proprietors for promoting woman participation, pursuant to the Act on Promotion of Women’s Participation and Advancement in the Workplace



Measures aimed at enhancing and strengthening governance

Composition of the Board of Directors



Strengthening and speeding up functions related to the execution of business operations

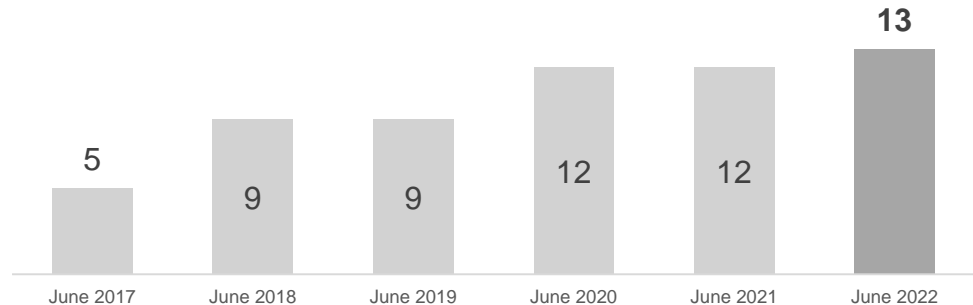
- Introduction of Executive Officer system (from 2014)
- Creation of “Operating Officers Committee” (from 2021)

(Duties of executive officers)

- General Managers of Divisions, General Managers of Main Branches, and special assignments
- Promotion of sales in areas overseen, etc.

Executive officers

(Unit: People)



This is a Japanese-English translation of the presentation material for your convenience. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct. Please note that the projections described in this document do not guarantee future performance. Future performance projections may differ from actual results due to uncertainty caused by factors such as changes in the business environment.