



Leading company creating a path to the future



**Results for the Fiscal Year
Ended March 31, 2023
IR Presentation**

77 BANK

Materials were prepared for the Bank's presentation of its results for the fiscal year ended March 31, 2023 held on June 6, 2023.

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01



Financial Summary

Summary of profits and losses

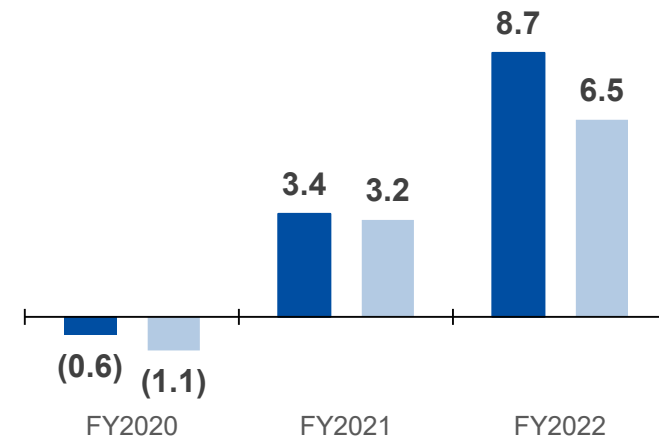
Non-consolidated (Unit: JPY bn, %)	FY2021	FY2022	YoY change	
			Amount	%
Gross operating income	75.8	78.9	3.1	4.0
Interest income	72.3	78.6	6.3	8.6
Fees and commissions	11.8	12.2	0.4	3.2
Other operating income	(8.3)	(11.9)	(3.6)	
Expenses	49.3	48.5	(0.8)	(1.5)
Substantial operating income	26.5	30.4	3.9	14.3
[Core operating income]	[35.3]	[37.3]	[2.0]	[5.4]
[Core operating income (excl. gains (losses) on cancellation of investment trusts)]	[25.7]	[29.6]	[3.9]	[15.0]
Provision of general reserve for loan losses	3.5	(3.0)	(6.5)	
Operating income	23.0	33.4	10.4	44.9
Special income and losses	7.5	1.0	(6.5)	
Ordinary income	30.5	34.4	3.9	12.8
Extraordinary income	-	-	-	
Extraordinary loss	0.5	0.4	(0.1)	
Income taxes (incl. deferred taxes)	9.2	9.6	0.4	
Net income	20.8	24.4	3.6	17.3
Credit-related expenses	4.6	1.2	(3.4)	
Total gains (losses) from securities	30.1	31.3	1.2	
After excluding foreign currency-denominated procurement costs	29.7	26.6	(3.1)	
Consolidated				
Ordinary income	33.0	35.8	2.8	8.4
Net income attributable to owners of the parent	22.2	25.1	2.9	12.6

FY2022 results

In addition to an increase in interest income, factors such as decreases in expenses and credit-related expenses resulted in a record high for both ordinary income and net income.

Income from customer services*

- Income from customer services
 - Income from customer services (after excluding foreign currency-denominated procurement costs)
- (Unit: JPY bn)

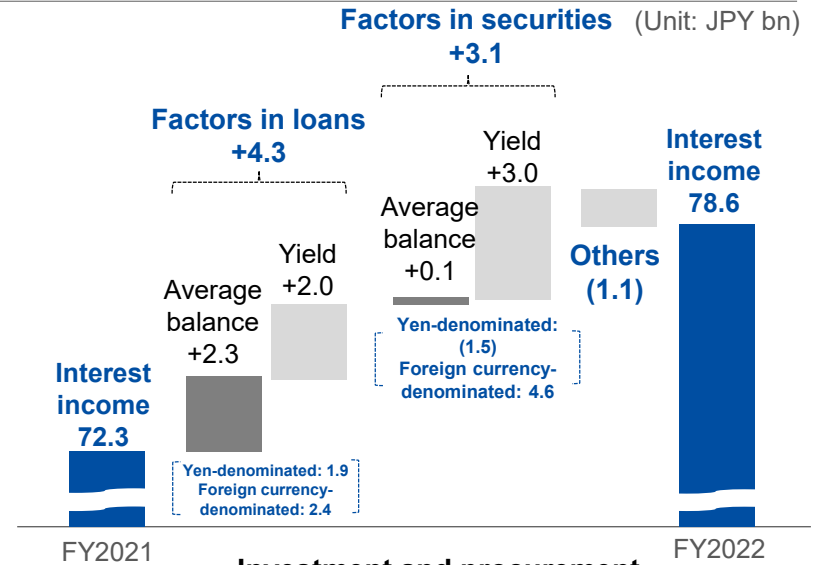


*Operating income from services for customers =
(Average balance of loans and bills discounted × Loan to deposit spread)
+ Fees and commissions - Expenses (Retirement benefit costs incl.)

Interest income

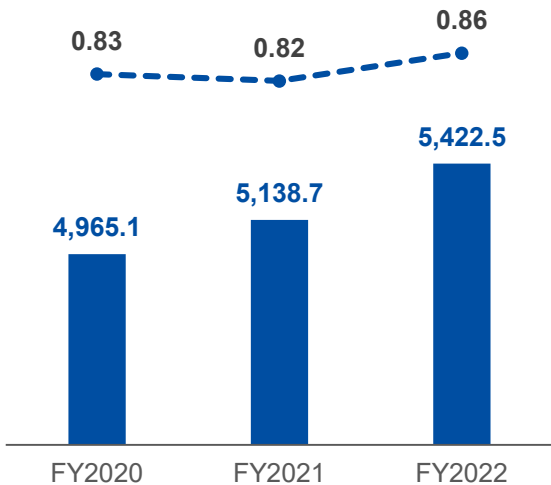
(Unit: JPY bn, %)	FY2021	FY2022	YoY change	
			Amount	%
Interest income	72.3	78.6	6.3	8.6
Investment income	72.9	79.8	6.9	9.4
(Interest on loans and bills discounted)	42.3	46.6	4.3	10.2
(Interest and dividends on securities)	28.9	32.0	3.1	10.6
Fund procurement costs	0.6	1.2	0.6	109.5
(Interest on deposits)	0.2	0.4	0.2	132.7

Change factors in interest income



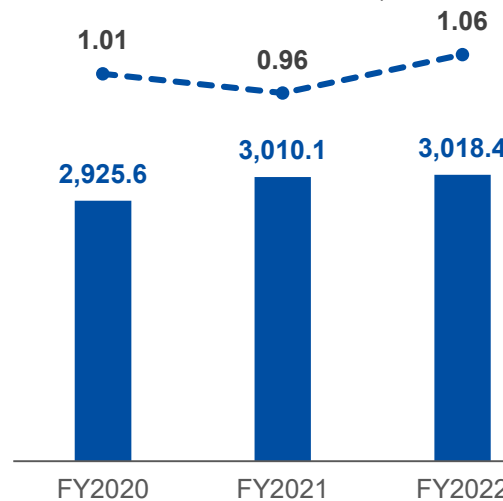
Average balances and yields of loans and bills discounted

(Unit: JPY bn, %)



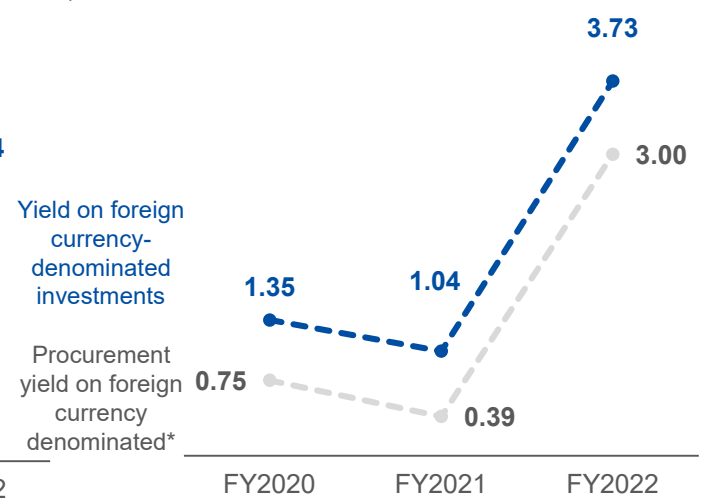
Average balances and yields of securities

(Unit: JPY bn, %)



Investment and procurement denominated in foreign currencies

(Unit: %)



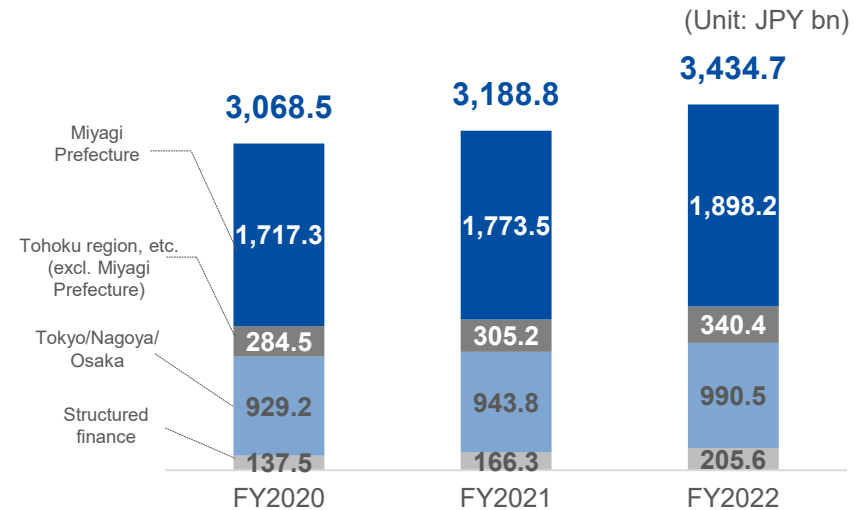
*Including foreign currency-denominated procurement recorded in other operating income

Deposits/Loans and bills discounted

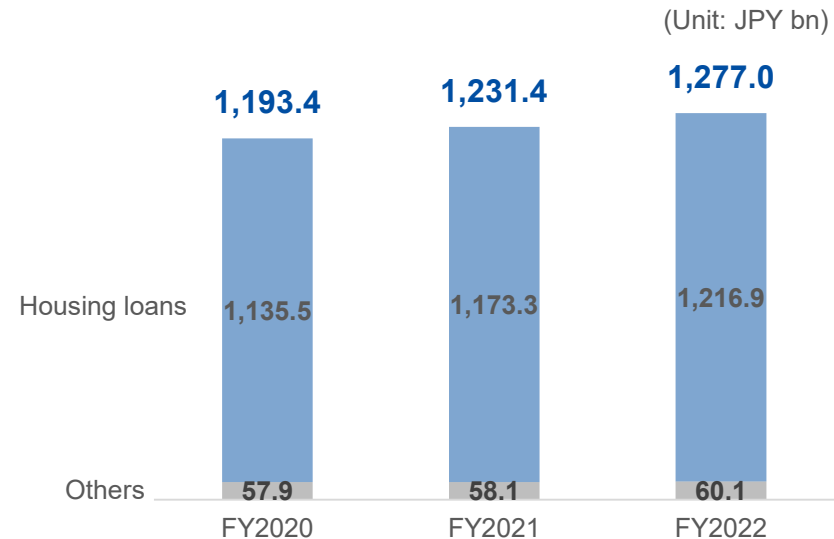
	FY2021	FY2022	YoY change	
			Amount	%
(Unit: JPY bn, %)				
Deposits and certificates of deposits (average balances)	8,624.8	8,842.8	218.0	2.5
(Retail deposits)	5,643.1	5,869.3	226.2	4.0
(Corporate deposits)	2,179.5	2,193.9	14.4	0.6
(Public deposits)	778.2	756.4	(21.8)	(2.8)

	FY2021	FY2022	YoY change	
			Amount	%
(Unit: JPY bn, %)				
Loans and bills discounted (average balances)	5,138.7	5,422.5	283.8	5.5
Corporate	3,252.3	3,515.0	262.7	8.0
(of which yen-denominated)	3,188.8	3,434.7	245.9	7.7
(of which foreign currency-denominated)	63.5	80.3	16.8	26.4
retail loans	1,231.4	1,277.0	45.6	3.7
Loans for local governments	655.0	630.5	(24.5)	(3.7)

Corporate loans (yen-denominated/average balances)



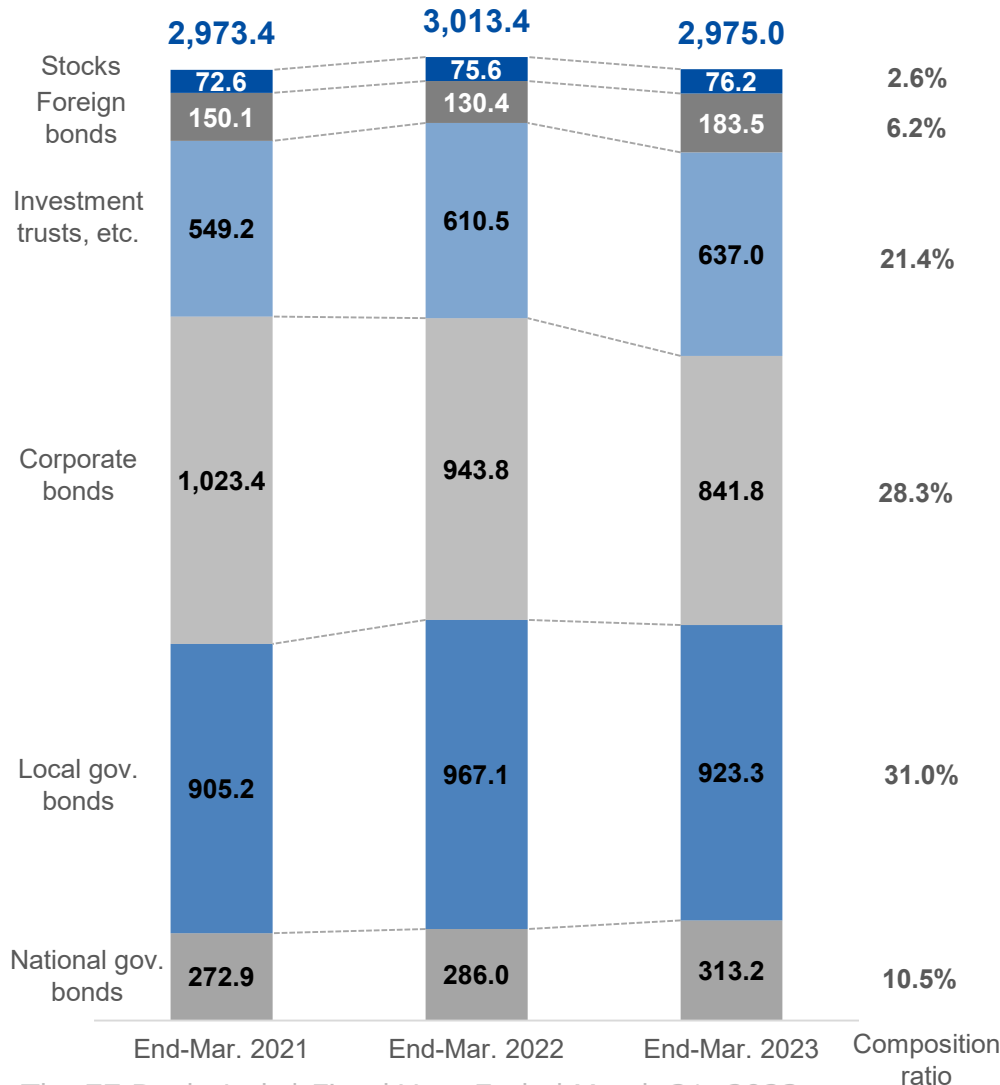
Retail loans (average balances)



Securities (1)

Balance of marketable securities (on an amortized cost base)

(Unit: JPY bn)



Total gains (losses) from securities

(Unit: JPY bn)

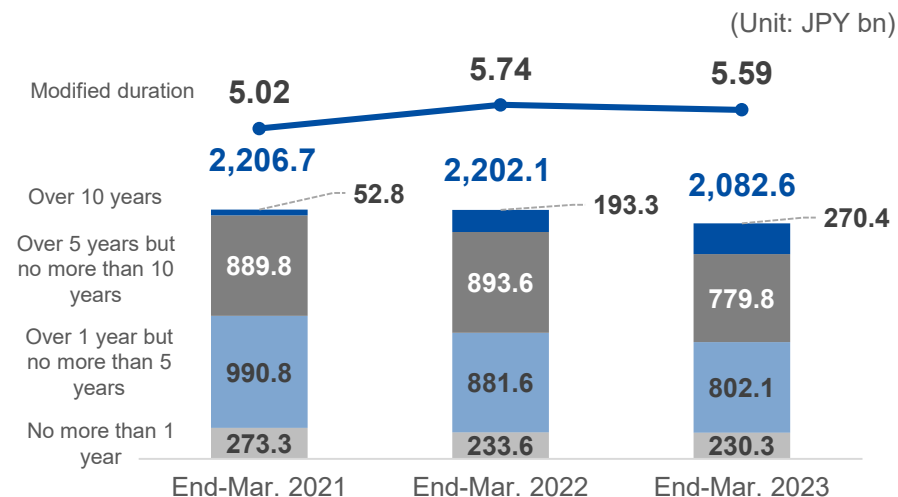
	FY2021	FY2022	YoY change (amount)
Interest and dividends on securities [A]	28.9	32.0	3.1
Interest on yen-denominated bonds	4.9	4.8	(0.1)
Interest on foreign currency-denominated bonds	1.2	5.9	4.7
Stock dividends	5.3	6.0	0.7
Distributions from investment trusts	7.9	7.6	(0.3)
Gains on cancellation of investment trusts	9.6	7.7	(1.9)
Gain (losses) on bonds [B]	(8.8)	(6.9)	1.9
Gain on sales of bonds	0.4	0.8	0.4
Gain on redemption of bonds	-	0.0	0.0
Losses on sales of bonds	2.0	1.5	(0.5)
Losses on redemption of bonds	7.2	6.1	(1.1)
(Losses on cancellation of investment trusts)	7.0	5.8	(1.2)
Amortization of stocks	0.0	0.1	0.1
Gain (losses) on stocks [C]	7.3	5.5	(1.8)
Gain on sales of bonds	9.0	6.0	(3.0)
Losses on sales of bonds	1.2	0.5	(0.7)
Amortization of stocks	0.5	-	(0.5)
Gains (losses) on investments in money held in trust [D]	2.7	0.7	(2.0)
Total gains (losses) from securities [A+B+C+D]	30.1	31.3	1.2
After excluding foreign currency-denominated procurement costs	29.7	26.6	(3.1)

Securities (2)

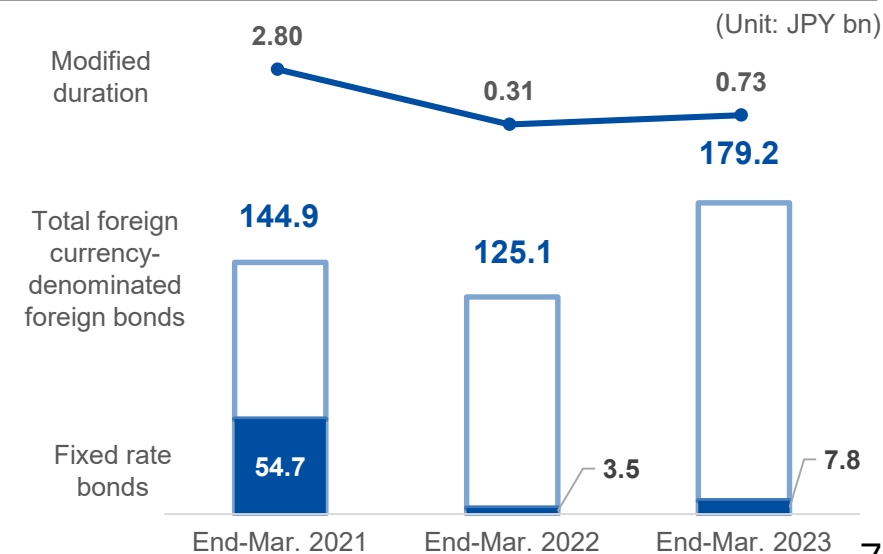
Gains (losses) from evaluation of securities

(Unit: JPY bn)	End-Mar. 2021	End-Mar. 2022	End-Mar. 2023
Bonds	4.4	(11.7)	(27.5)
National gov. bonds	1.5	(5.8)	(12.9)
Local gov. bonds	2.9	(2.6)	(8.0)
Corporate bonds	(0.0)	(3.3)	(6.6)
Others	62.4	54.1	30.0
Investment trusts, etc.	65.1	54.5	31.7
Foreign bonds	(2.7)	(0.4)	(1.7)
Stocks	75.8	76.0	78.7
Investment securities total	142.6	118.4	81.2
Money held in trusts	7.9	5.3	3.2
(Reference)			
(Unit: JPY, %)			
Nikkei Average	29,179	27,821	28,041
10-year JGBs	0.12	0.21	0.32

Yen-denominated bonds balance by remaining period/modified duration



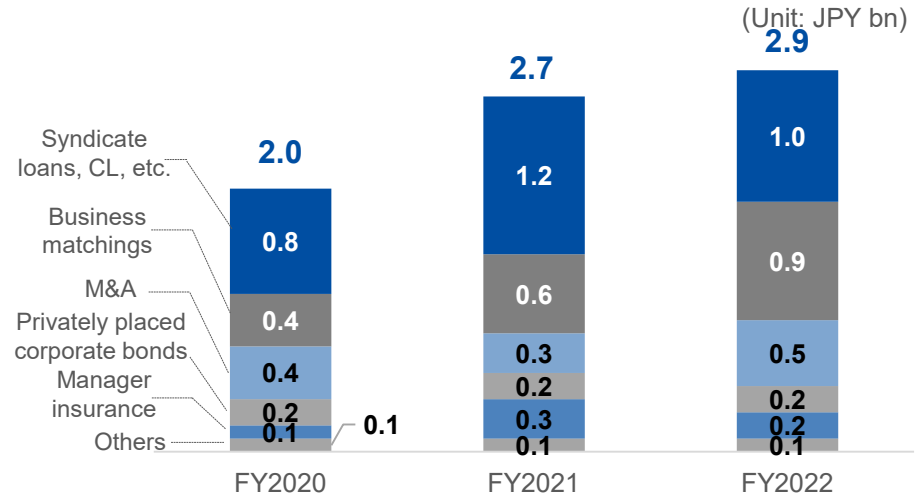
Foreign currency-denominated foreign bonds balance/modified duration



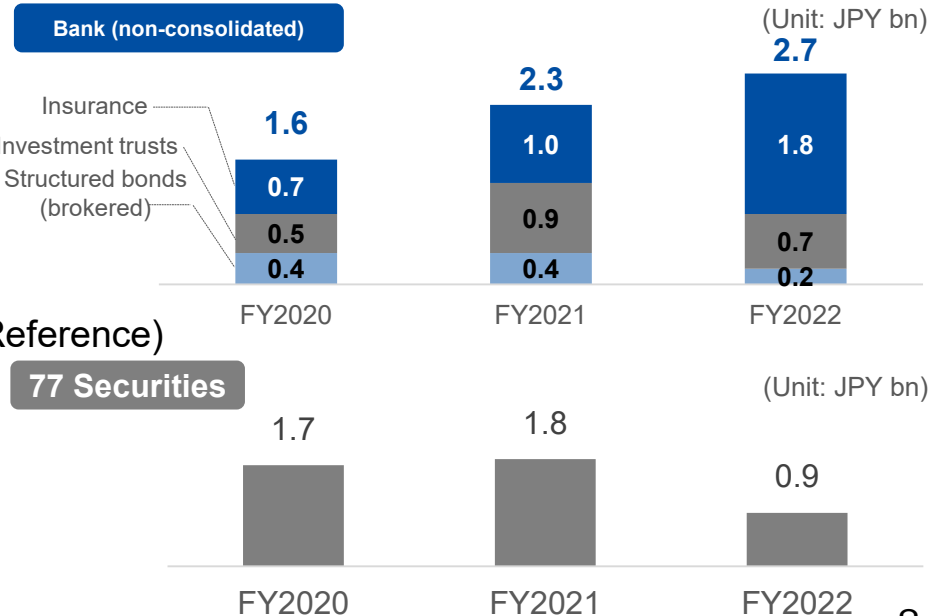
Fees and commissions

(Unit: JPY bn)	FY2021	FY2022	YoY change (amount)
Fees and commissions A	18.3	18.9	0.6
Fees and commissions from payments	8.6	8.2	(0.4)
(of which remittance-related)	5.6	5.2	(0.4)
Fees and commissions from corporate clients	2.7	2.9	0.2
Sales commissions of assets in custody	2.3	2.7	0.4
Fees and commissions payments B	6.5	6.7	0.2
Fees and commissions from payments	0.6	0.4	(0.2)
Loan repayment guarantee fees and insurance premiums	4.4	4.7	0.3
Fees and commissions (A-B)	11.8	12.2	0.4

Fees and commissions from corporate clients



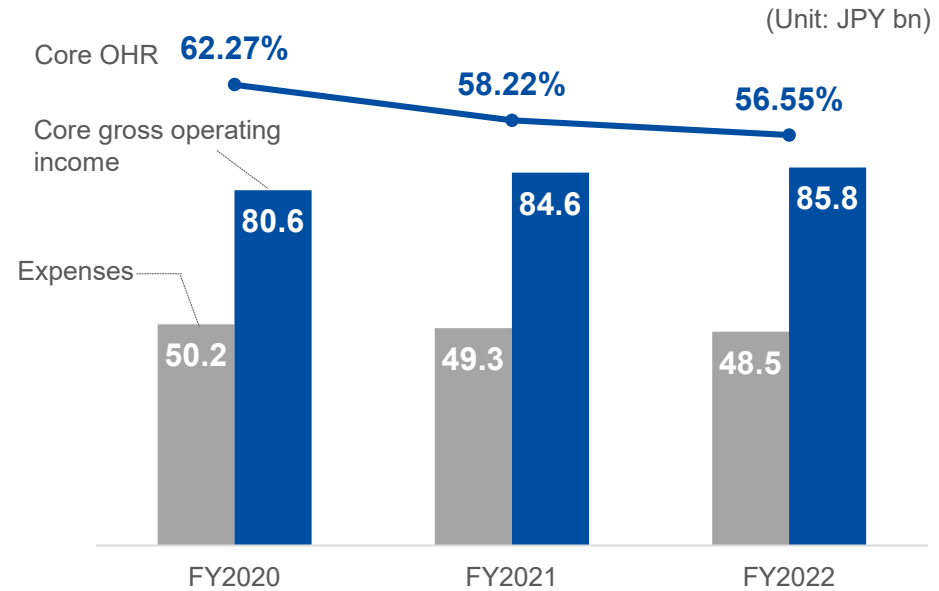
Sales commissions of assets in custody



Expenses

(Unit: JPY bn)	FY2021	FY2022	YoY change (amount)
Expenses	49.3	48.5	(0.8)
Personnel expenses	26.2	25.5	(0.7)
Non-personnel expenses	19.9	19.8	(0.1)
(of which system-related expenses)	8.2	8.6	0.4
(of which deposit insurance premiums)	2.4	1.2	(1.2)
Tax	3.2	3.2	0.0

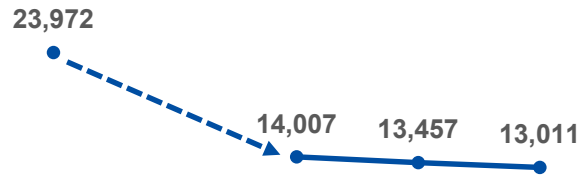
Core OHR



Number of uses of contact points

(in Miyagi Prefecture/daily average)

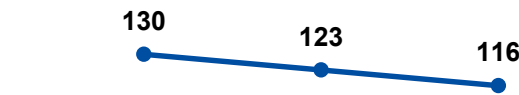
(Unit: cases)



Number of bases

(Unit: bases, branches)

Number of bases



Number of branches within branches



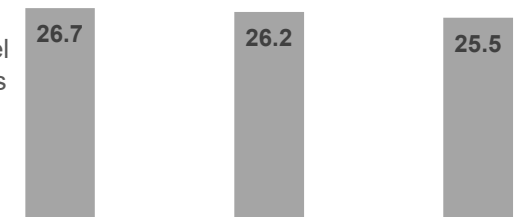
Personnel expenses and number of employees

(Unit: JPY bn, people)

Number of employees



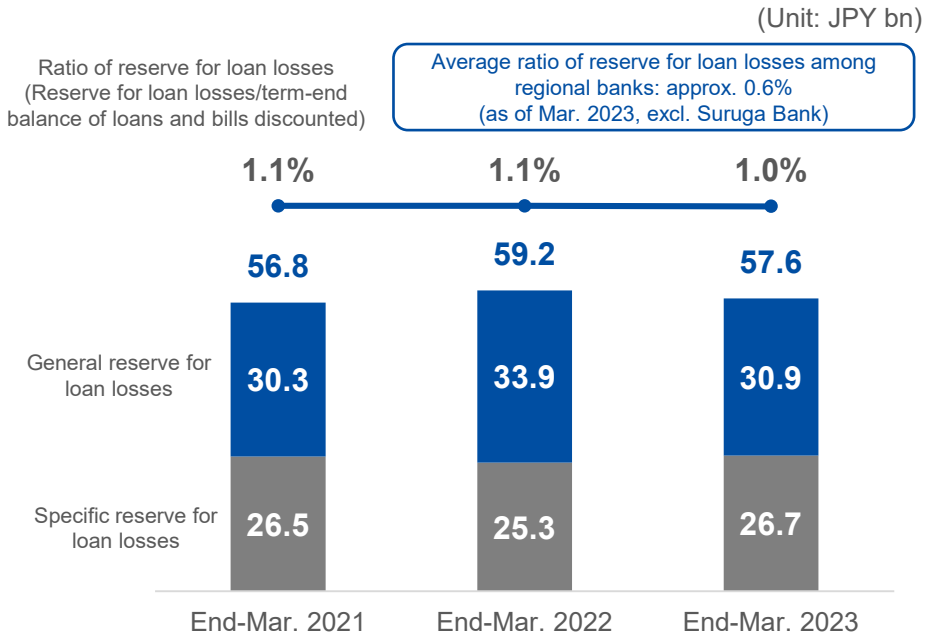
Personnel expenses



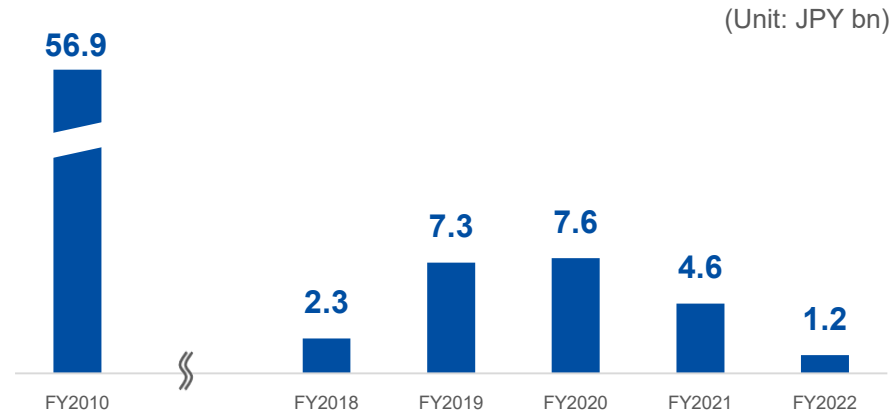
Credit-related expenses

(Unit: JPY bn)	FY2021	FY2022	YoY change (amount)
Credit-related expenses	4.6	1.2	(3.4)
Provision of general reserve for loan losses	3.5	(3.0)	(6.5)
Bad debt disposals	1.1	4.2	3.1
of which provision of specific reserve for loan losses	0.9	3.7	2.8
Gains on reversal of reserve for loan loss	0.0	0.0	0.0

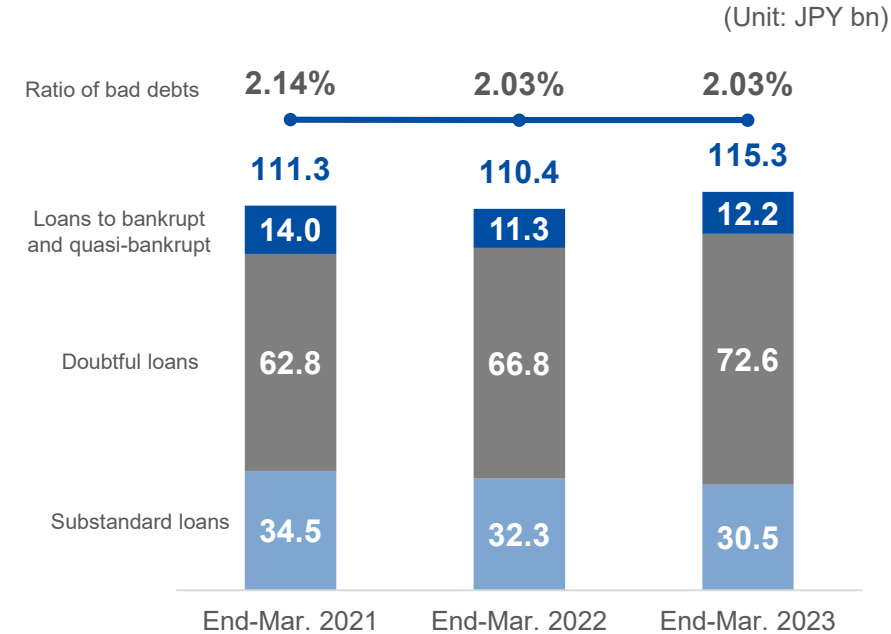
Reserve for loan losses



Credit-related expenses



Credits disclosed under the Financial Reconstruction Law



02

| Projected
Performance

Summary of profits and losses

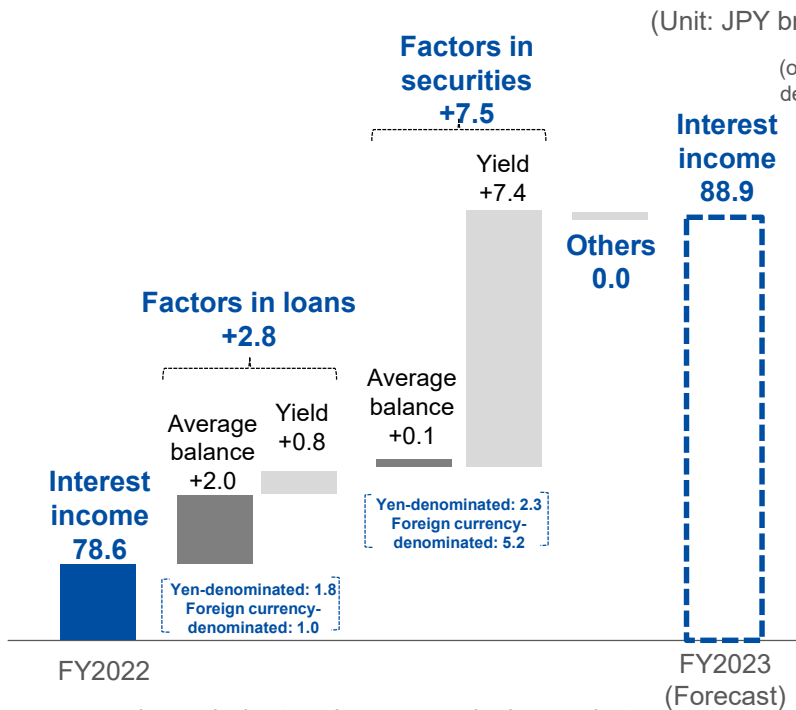
Non-consolidated (Unit: JPY bn, %)	FY2022	FY2023 (Forecast)	YoY change		FY2024 (Simulation)
			Amount	%	
Gross operating income	78.9	83.8	4.9	6.1	86.4
Interest income	78.6	88.9	10.3	13.1	88.6
Fees and commissions	12.2	11.3	(0.9)	(7.9)	11.5
Other operating income	(11.9)	(16.4)	(4.5)		(13.7)
Expenses	48.5	49.4	0.9	1.7	49.5
Substantial operating income	30.4	34.4	4.0	13.1	36.9
[Core operating income]	[37.3]	[38.1]	[0.8]	[2.2]	[41.2]
[Core operating income (excl. gains (losses) on cancellation of investment trusts)]	[29.6]	[29.5]	[(0.1)]	[(0.2)]	[33.2]
Provision of general reserve for loan losses	(3.0)	(2.2)	0.8		(0.8)
Operating income	33.4	36.6	3.2	9.7	37.7
Special income and losses	1.0	(1.1)	(2.1)		(0.7)
Ordinary income	34.4	35.5	1.1	3.1	37.0
Extraordinary income	-	-	-		-
Extraordinary loss	0.4	0.1	(0.3)		0.1
Income taxes (incl. deferred taxes)	9.6	10.4	0.8		10.9
Net income	24.4	25.0	0.6	2.5	26.0
Credit-related expenses	1.2	1.5	0.3		2.5
Total gains (losses) from securities	31.3	40.4	9.1		38.8
After excluding foreign currency-denominated procurement costs	26.6	30.5	3.9		31.0
Consolidated					
Ordinary income	35.8	36.5	0.7	2.0	37.5
Net income attributable to owners of the parent	25.1	25.5	0.4	1.7	26.5

Interest income

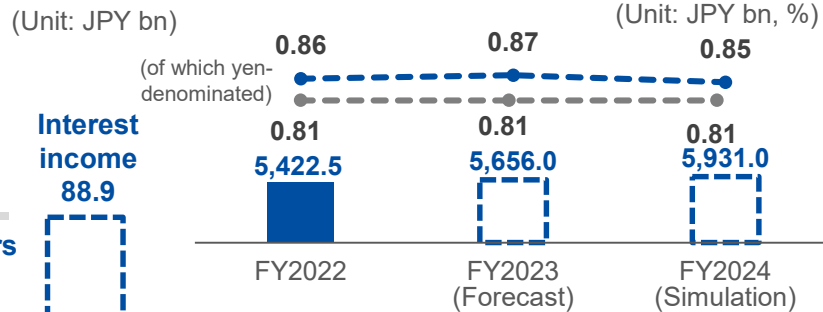
(Unit: JPY bn, %)

	FY2022	FY2023 (Forecast)	YoY change		FY2024 (Simulation)
			Amount	%	
Interest income	78.6	88.9	10.3	13.1	88.6
Investment income	79.8	89.6	9.8	12.2	89.5
(Interest on loans and bills discounted)	46.6	49.4	2.8	5.9	50.4
(Interest and dividends on securities)	32.0	39.5	7.5	23.4	38.7
Fund procurement costs	1.2	0.7	(0.5)	(43.3)	0.9
(Interest on deposits)	0.4	0.2	(0.2)	(46.9)	0.2

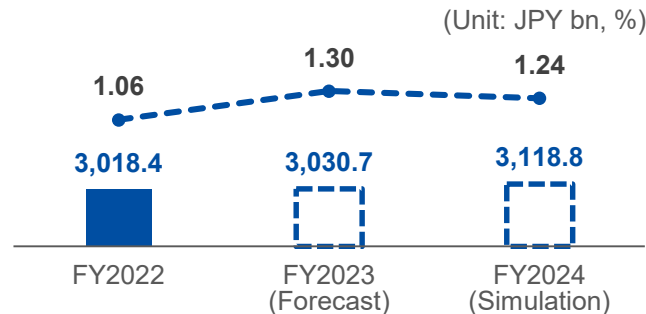
Change factors in interest income



Average balances and yields of loans and bills discounted



Average balances and yields of securities



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

- [FY2023 (Forecast)]**
- Unsecured call rate O/N 0.00%
 - TIBOR 3 months 0.10%
 - SOFR 3 months 5.00%
 - 10-year JGBs 0.50%
 - 10-year US treasury bonds 3.70%
- [FY2024 (Simulation)]**
- Unsecured call rate O/N 0.00%
 - TIBOR 3 months 0.10%
 - SOFR 3 months 3.50%
 - 10-year JGBs 0.50%
 - 10-year US treasury bonds 3.05%

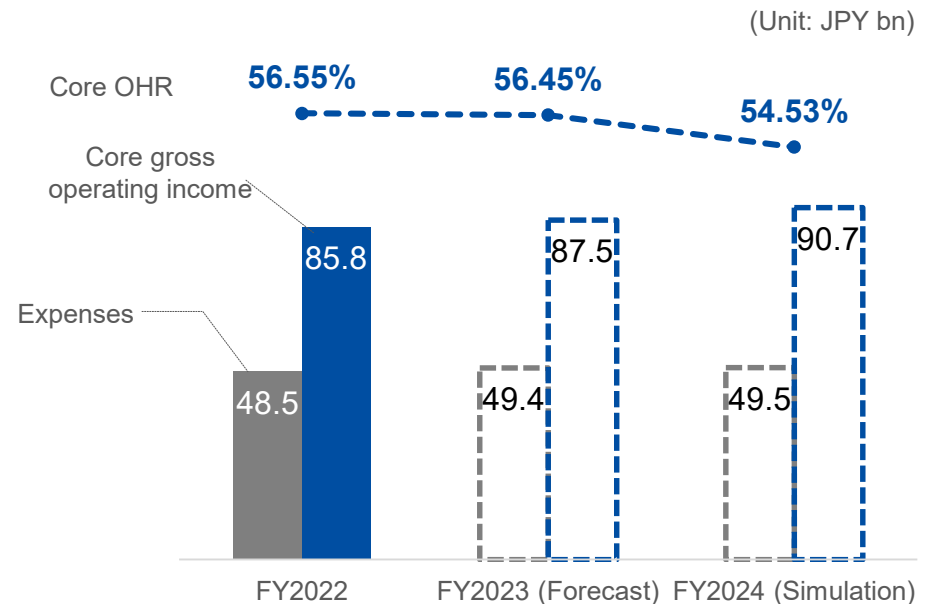
Expenses

(Unit: JPY bn)	FY2022	FY2023 (Forecast)	YoY change (amount)	FY2024 (Simulation)
Expenses	48.5	49.4	0.9	49.5
Personnel expenses	25.5	25.7	0.2	25.2
Non-personnel expenses	19.8	20.6	0.8	21.2
Tax	3.2	3.1	(0.1)	3.1

Key change factors in FY2023 (Forecast)

(Unit: JPY bn)	Change factor	Amount
Personnel expenses	Increase due to personnel system reform	0.5
	Response to system renewal	0.1
	Reduction in employees	(0.4)
Non-personnel expenses	Response to system renewal	0.9
	Water supply, fuel and light expenses	0.1
	Others	(0.2)

Core OHR



03



Business Strategy

“Vision 2030”

“Vision 2030” sets forth our ideal image for the future of the 77 Bank Group and provides guiding principles for all officers and employees of the Group to come together and work toward, as we look to achieve the management philosophy (Mission) stated in the Bank Creed.



“Vision 2030” measures for penetration

- ✓ Holding of “Vision 2030” briefings to branches by the President and officers with executive responsibilities (as of end-May 2023)
President: 95 branches
Officers with executive responsibilities: all branches
- ✓ Holding of President’s Cram School (Twice in total)
- ✓ Holding of “Short-term Management Plan” briefings by branch managers, HQ section managers, etc.



Holding of President’s Cram School (March 2022)

“Vision 2030” – Purpose of Formulation and Background –

A future based on maintaining the status quo will result in “contracting equilibrium.”
 For the 77 Bank Group to continue fulfilling its mission...

Future based on current circumstances

Market contraction

- ◆ Aging society with low birthrate
- ◆ Falling population
- ◆ Concentration in Tokyo
- ◆ Lack of corporate successors

Social diversification

- ◆ Lifestyle changes
- ◆ Digital transformation
- ◆ Ongoing financial easing
- ◆ More regulatory easing

Response to disasters, etc.

- ◆ Disasters, COVID-19
- ◆ Climate change

What is our vision?



How do we get there?

The 77 Bank Group mission



“Vision 2030” – Our Target Form –

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)



“Vision 2030” – The 77 Bank Group Direction –

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



Key factors

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

Digital transformation

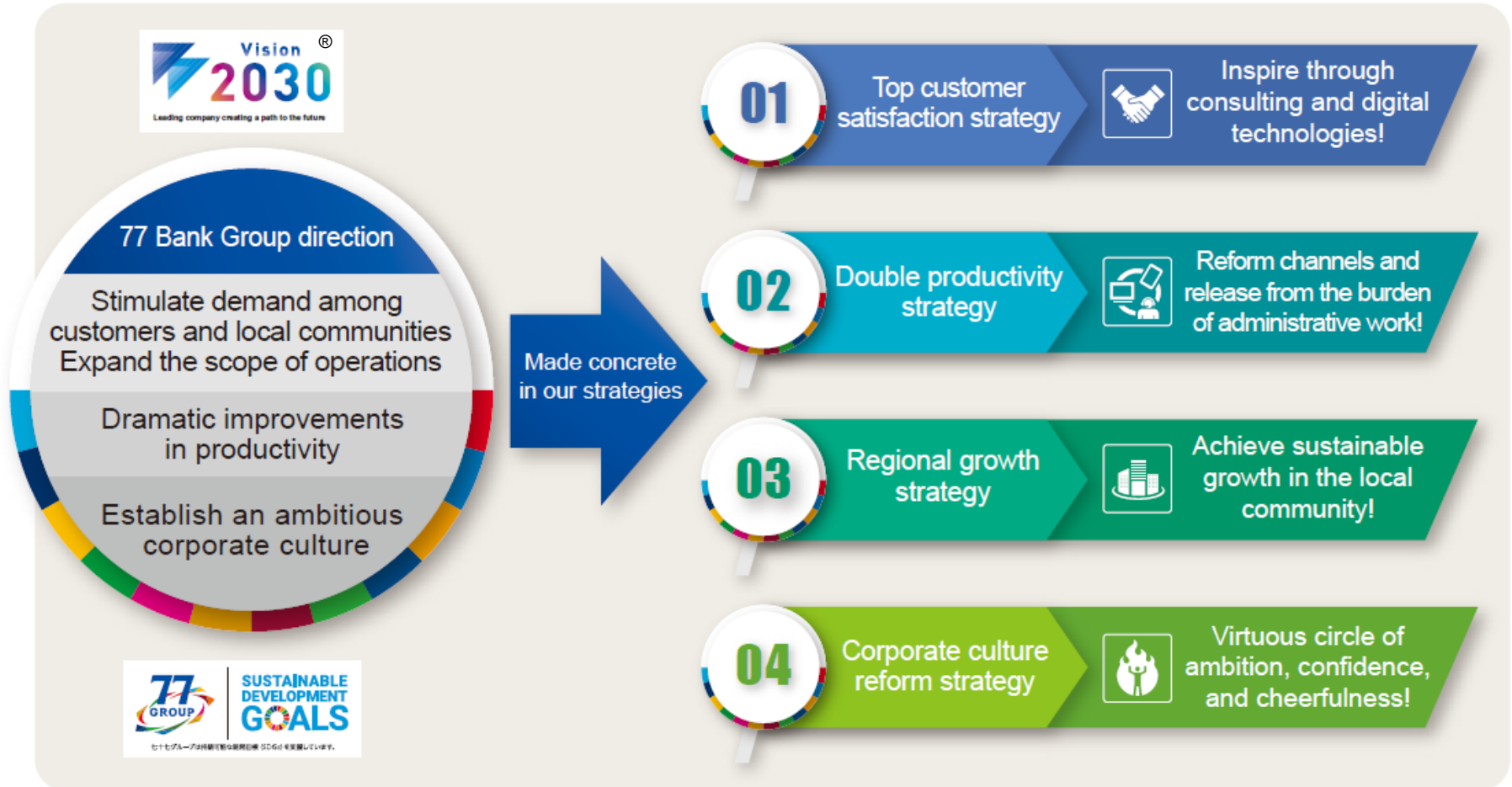
New businesses and sectors

Human resources

Financial foundations

“Vision 2030” – Basic Strategies to Achieve “Our Target Form” –

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



Consulting Initiative (1)

Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

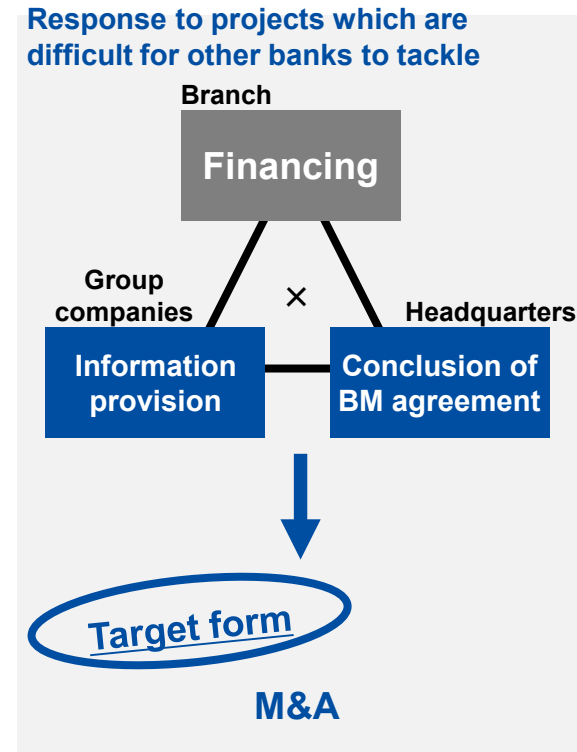
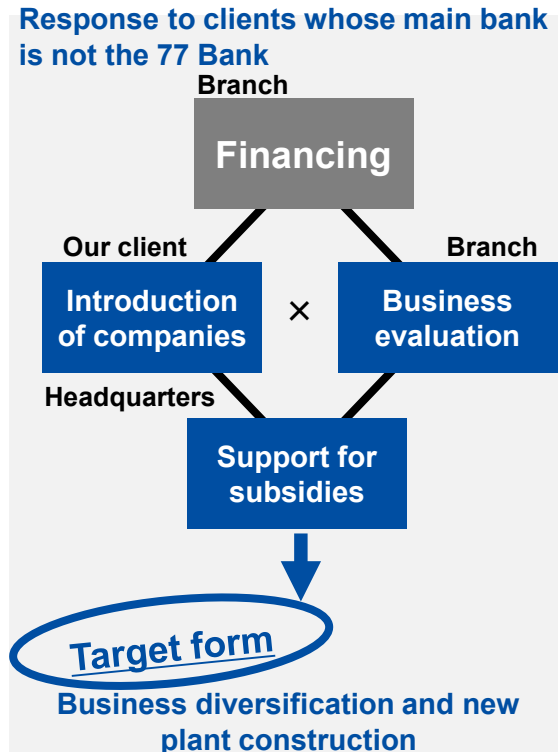
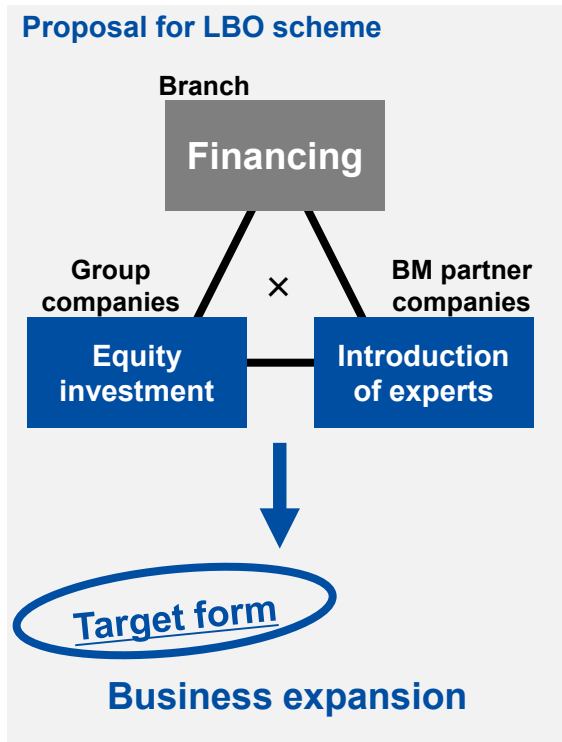
Corporate culture reform strategy

“Finance & Consulting”

- Deal with diversified needs of customers by consulting
- Leverage our unique customer base to grow with local companies through companionship and support



- Real-life examples of consulting to corporations with the 77 Bank Group working together

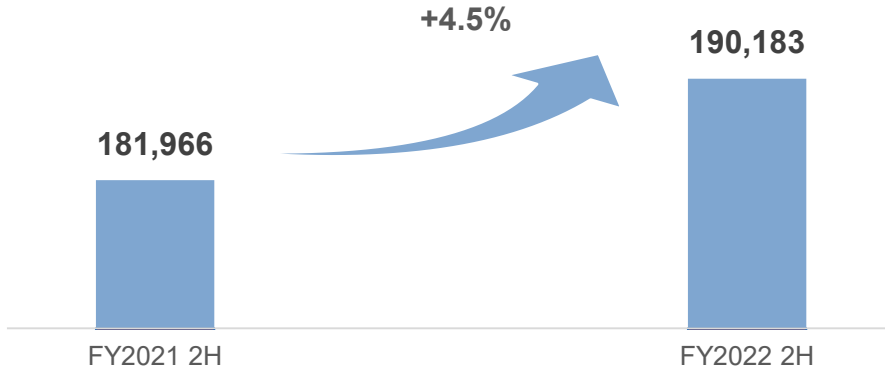


Consulting Initiative (2)

Creation of opportunities for consultation, increase in activities

- Number of visits to clients

(Unit: cases)



Spread of consulting sales

- Consulting sales awards

“Consulting sales awards” have been held since FY2019 in order to evaluate medium- to long-term measures geared towards consulting sales by sales offices.

In FY2022, “Regional Vitalization Category” was created in addition to the “Corporate Category” and “Retail Category.” Through these awards, the Bank aims to improve the ability of individual employees, while trying to spread consulting sales internally.



Top customer satisfaction strategy

Double productivity strategy

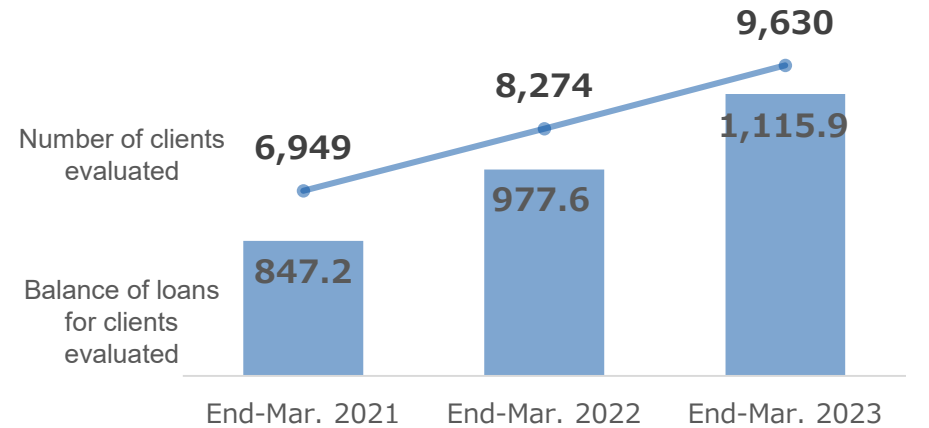
Regional growth strategy

Corporate culture reform strategy

Utilization of business evaluation

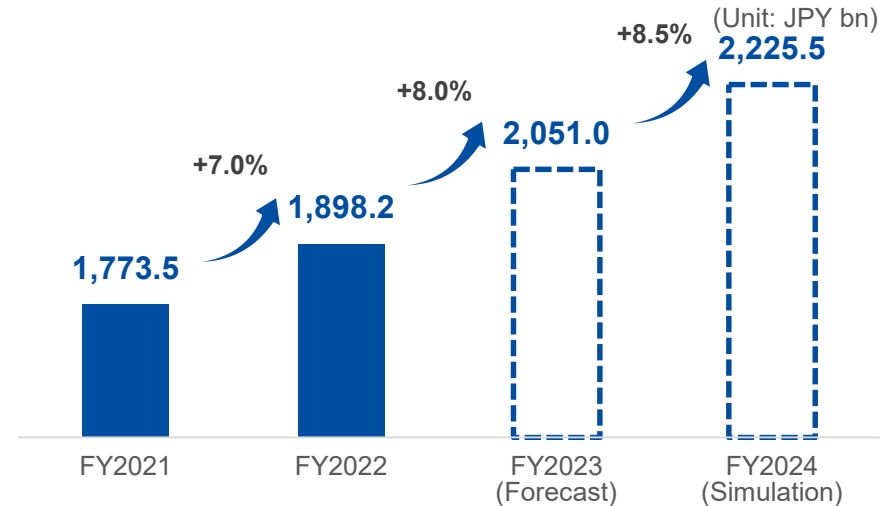
- Change in number of business evaluation clients (cumulative)

(Unit: clients, JPY bn)



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

(Unit: JPY bn)



Consulting Initiative (3)

Top customer satisfaction strategy

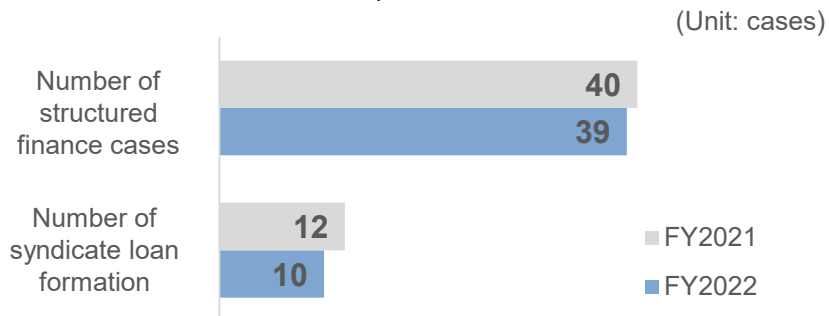
Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

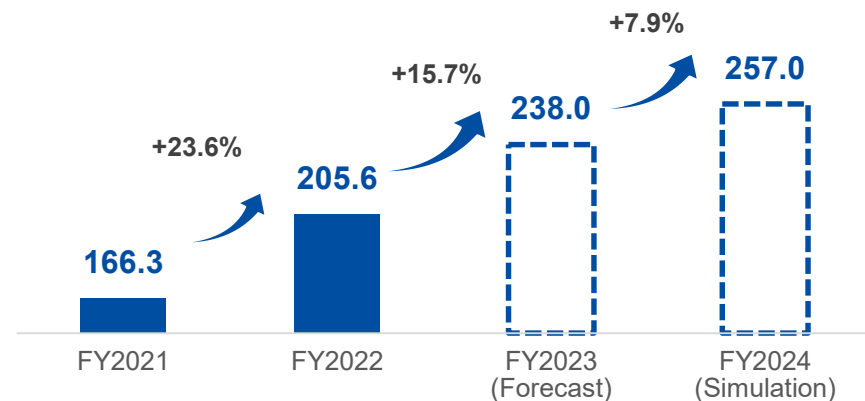
Structured finance

- Number of cases, etc. (since the establishment of the Structured Finance Section in June 2021)



- Structured finance (average balances)

(Unit: JPY bn)



Fees and commissions from corporate clients

- Number of paid business matching contracts

FY2020	FY2021	FY2022
1,058 cases	1,674 cases	1,739 cases

- Number of M&A contracts

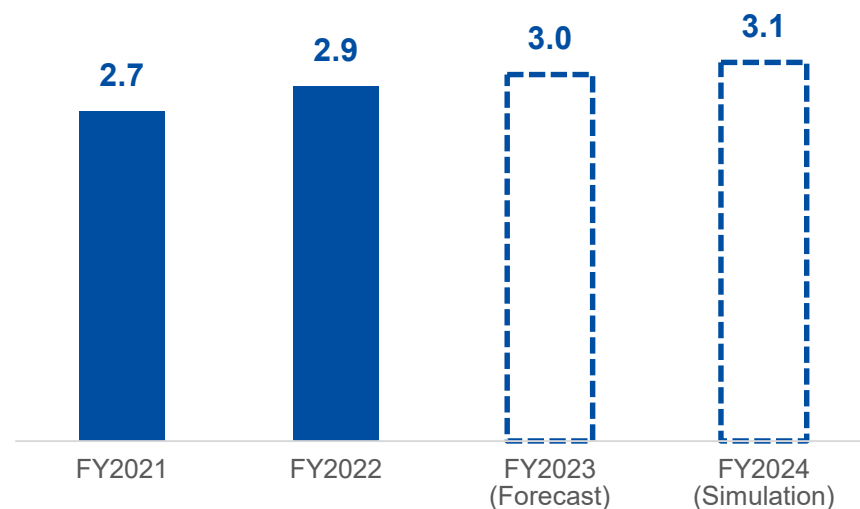
FY2020	FY2021	FY2022
10 cases	11 cases	17 cases

- Number of business succession support clients

FY2020	FY2021	FY2022
624 cases	731 cases	804 cases

- Fees and commissions from corporate clients

(Unit: JPY bn)



Support for clients' issue-solving (1)

Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

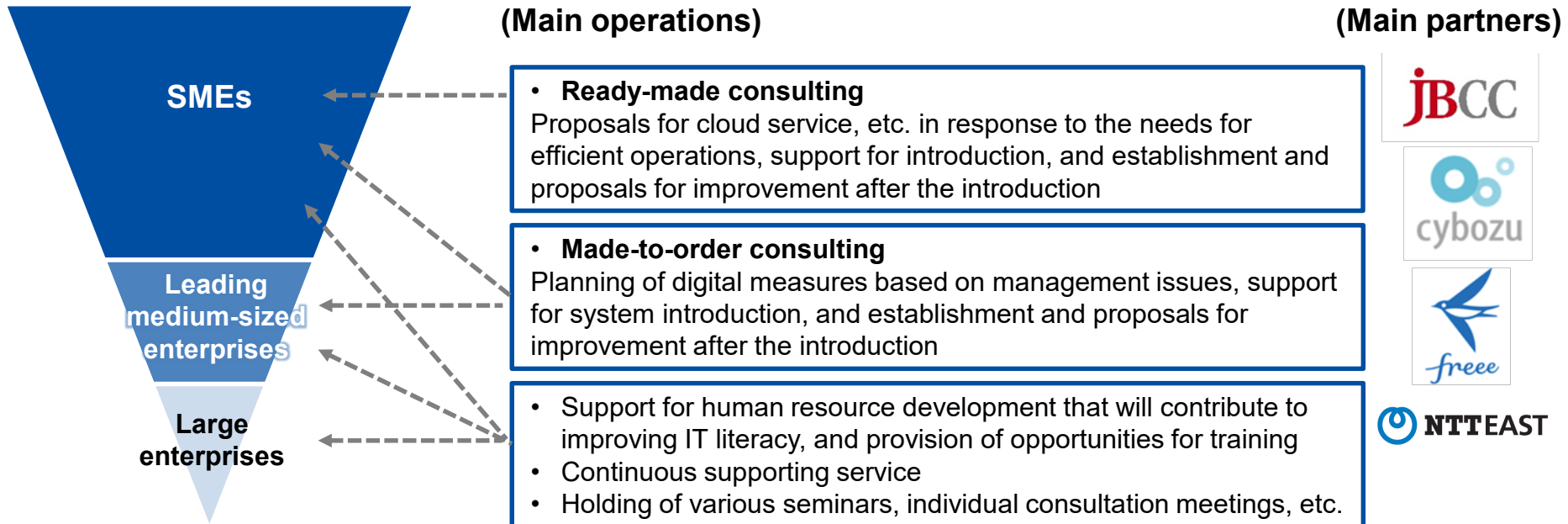
Establishment of a subsidiary to support digitalization

July 2023
scheduled to open

- Company name: **77 Digital Solutions Co., Ltd.**
- Ownership: Wholly-owned by the 77 Bank
- Number of employees: 20 (planned)
- Sales volume: About 500 million yen in five years from opening (estimate)
- Purpose of establishment

In Tohoku which is facing social issues such as falling population and aging society, initiatives for digitalization and DX by local companies have become important from the perspective of business growth. The Bank will establish a subsidiary to provide full-scale digitalization support for sustainable growth of regional economy.

77 Digital Solutions



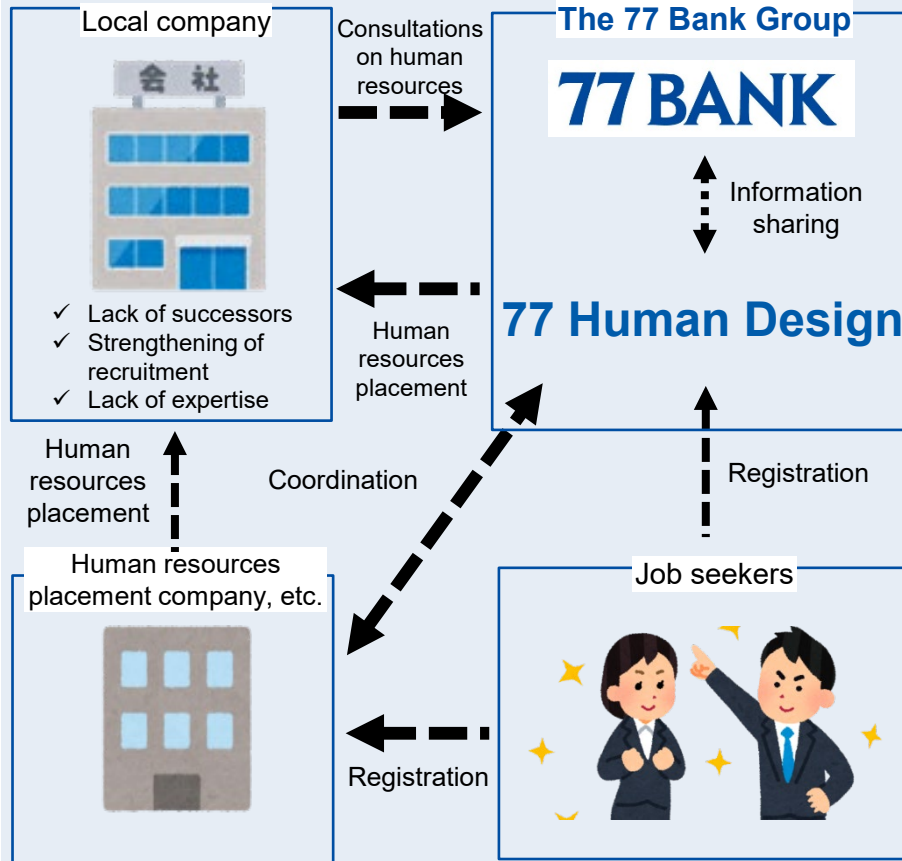
Support for clients' issue-solving (2)

Establishment of subsidiary that operates human resource-related businesses

- Company name : **77 Human Design Co., Ltd.**
- Ownership: Wholly-owned by the 77 Bank
- Contracts closed: 59 cases (From opening to end-April 2023)

Opened in January 2023

(Image of business overview)



Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

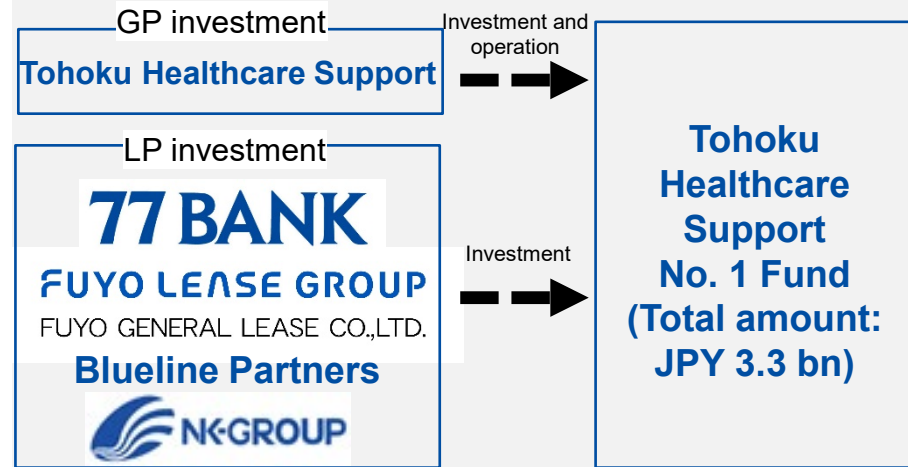
Establishment of a management company for a healthcare fund specialized in local communities

- Company name: **Tohoku Healthcare Support Co., Ltd.**
- Shareholder composition: the 77 Bank, Fuyo General Lease, Blueline Partners (wholly-owned by Nihonkeiei Group)
- Purpose of establishment

Established in April 2023

It was established to form a healthcare fund specialized in local communities to provide optimal solutions, including hands-on support, by combining know-how of companies, as well as to provide flexible funds to medical and nursing care businesses in the Tohoku region which have various management issues.

Formation of a fund specialized in local communities covering the healthcare area is the first in Japan!



Support for clients' issue-solving (3)

Group companies

- Non-financial Group companies were established to support clients' issue-solving, in addition to finance-related Group companies

77 Lease (Lease operations)
77 Shin-Yo Hosyo (Credit guarantee operations)
77 Card (Credit card operations)
77 Capital (Fund management operations, investment operations)
77 Securities (Financial instruments transaction operations)
77 Research and Consulting (Survey and research, and consulting operations)
Established December 2021
77 Partners (Fund management operations, investment operations)
Established August 2022
77 Human Design (Staffing services, offering opportunities for human resources education, etc.)
Established May 2023
77 Digital Solutions (IT consulting operations, etc.)

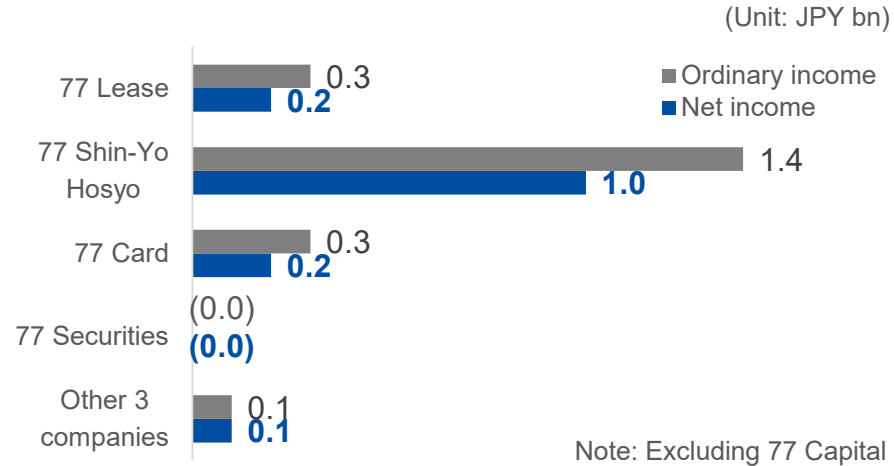
Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

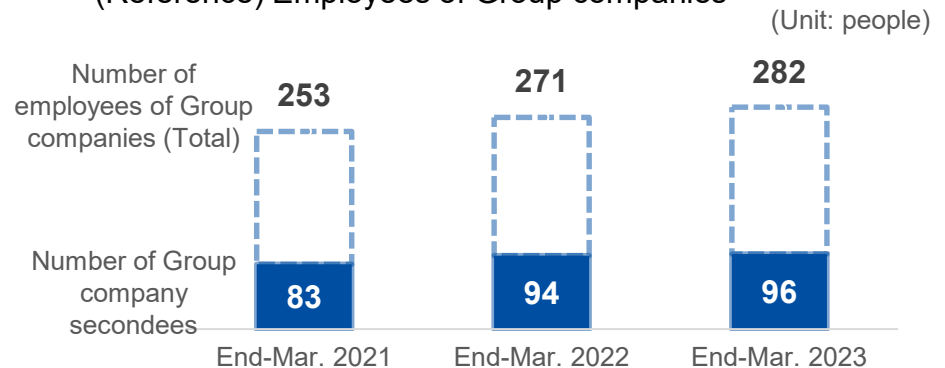
Earnings position of Group companies (FY2022)



Group companies strategy

- Strengthening of Group governance
- Strengthening of coordination with the Bank
- Enhancement of human interactions

(Reference) Employees of Group companies



Expansion of customer networks

Establishment of Utsunomiya Corporate Sales Office

The 77 Bank will respond to wider needs of customers than before, with the new office playing a role of a bridge between the Tohoku economic zone centered on its main business base of Miyagi Prefecture, and the neighboring North Kanto economic zone.

(Reference) Sales bases in Japan
(Blue indicates locations of branches and sales offices)

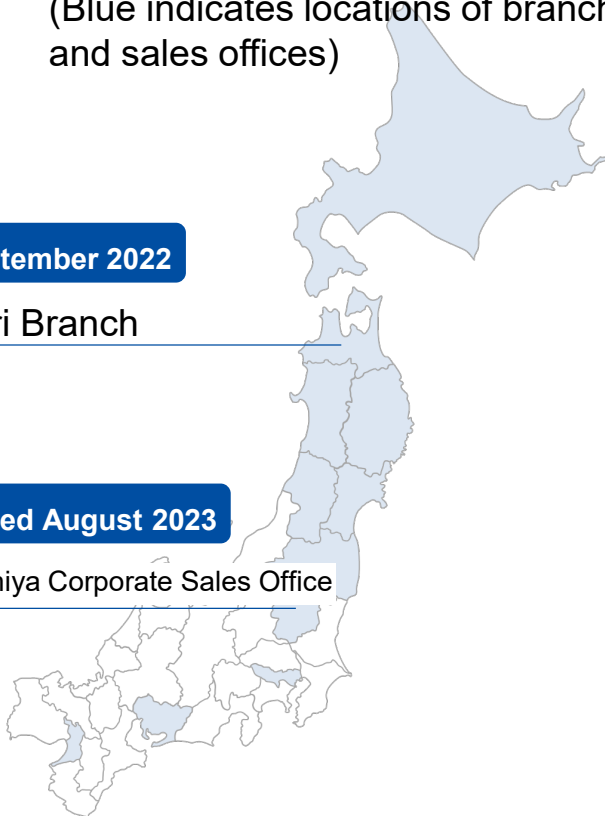
Opened September 2022

Aomori Branch

New!

To be opened August 2023

Utsunomiya Corporate Sales Office



Top customer satisfaction strategy

Double productivity strategy

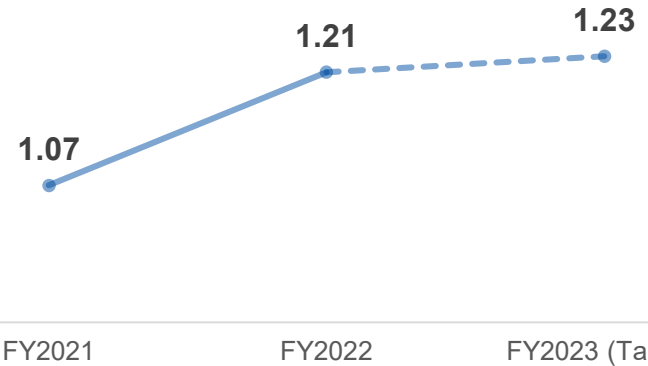
Regional growth strategy

Corporate culture reform strategy

Number of corporate lending clients outside Miyagi Prefecture (Vs. FY2020)

KPI (Let's Try!)

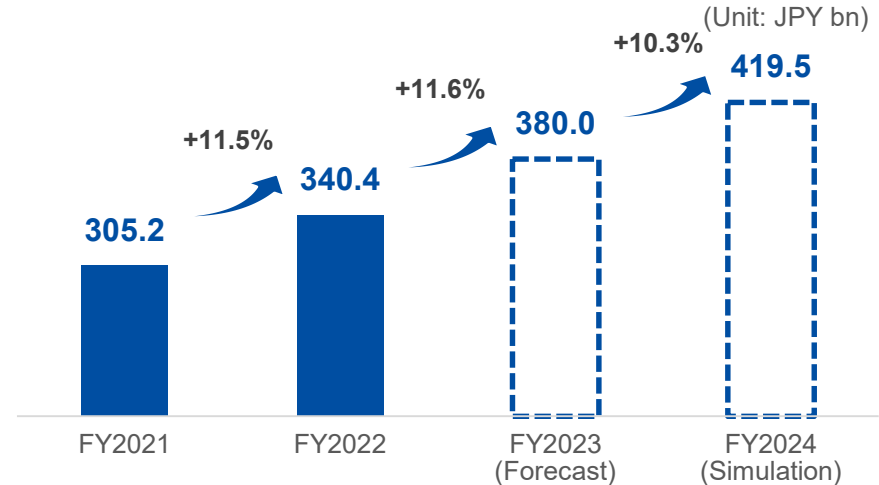
(Unit: times)



Corporate loans in Tohoku region, etc.

(excluding Miyagi Prefecture) (Yen-denominated/average balances)

(Unit: JPY bn)



Retail sales (1)

Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

Formulation of Retail Sales Policy

- The Retail Sales Policy is formulated, as it is necessary for officers and employees to tackle retail sales with the same perspective in order for the 77 Bank Group to become companies that continue to be selected by customers and to maintain and expand the individual customer base which is an important financing source.

Retail Sales Policy

We will continue to be the best partner to realize the “target form” of individual customers

We will sincerely stay close to wishes of individual customers to contribute to the realization of the “customers’ target form” through the provision of optimal solutions which will lead to satisfaction, happiness and peace of mind.

Actions based on the Retail Sales Policy

- Pursuing the “customers’ target form” by providing optimal solutions for asset formation according to life plans, smooth asset succession, financing, etc. to support living with peace of mind
- Responding to issues of local communities and society, such as an era where people live for 100 years, aging, and increased risk of dementia, by backing up over the medium- to long-term the living of customers through various careful and empathic proposals for formation, management, succession, administration and procurement of assets

Sales strategy based on customers

- Sales strategy based on customers for the realization of “customers’ target form”

Use

Provide added value by combining digitalization

Borrow

Capture funding needs centered on holiday sales bases and non-face-to-face channels

Save

Implement life plan consulting

Increase

Support medium- to long-term management taking into an era where people live for 100 years

Pass down

Highly professional consulting in anticipation of next generation transactions

Retail sales (2)

Development of support programs and promotion/management systems

- Enhancement and strengthening of support programs in “an era where people live for 100 years”
 - Began offering “77 fund wrap service” (from January 2023)
 - Began offering a trust service (from April 2023)
- Development of promotion/management systems
 - Established the Customers’ Asset Formation Promotion Committee (April 2023)

The Customers’ Asset Formation Promotion Committee chaired by the President was established to further promote the formulation of customers’ assets and the improvement of financial literacy.

 - Revision of the 77 Basic Policy on Operations that Put Customer First

Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

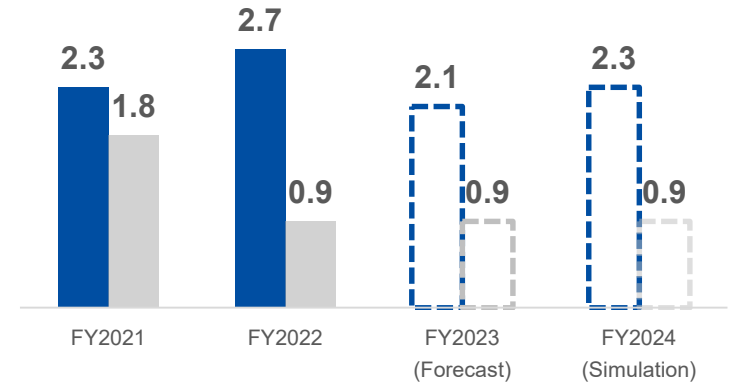
Corporate culture reform strategy

Sales commissions of assets in custody

Bank (non-consolidated)

77 Securities

(Unit: JPY bn)

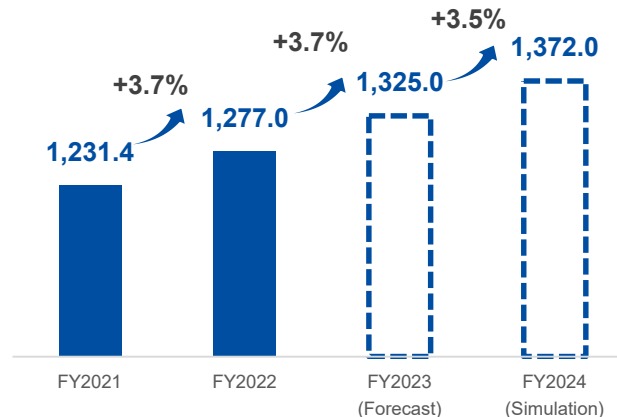


Promotion of retail loans

- Housing loans
 - Enhancing non-face-to-face transactions
- Unsecured loans
 - Expanding non-face-to-face transaction channels
 - Enhancing contact points with customers through contact centers

Retail loans (average balances)

(Unit: JPY bn)



Commencement of a commercial for the mass market

- Using SANDWICHMAN born in Miyagi



Initiatives for digitalization (1)

Digital technology reforms for the banking business

- Status of initiatives for digital strategy (from FY2022)

Non-face-to-face channel reforms: Change customer contact points

- ✓ Development of the 77 Business Portal (from October 2022)
- ✓ Improvement of application UI and UX (from November 2022)
- ✓ Participation in the Cotra Project (from November 2022)
- ✓ Website renewal (from March 2023)

Paperwork-free reforms: Reduce physical transactions and paperwork

Bank branch reform: Change face-to-face sales

- ✓ Introduction of branch tablets (from January 2023)

Data utilization reforms: Utilize data

- ✓ Enabling of in-house development of AI models (from May 2022)
- ✓ Establishment of Data Analysis Team (from November 2022)

Digital reforms for employees: Maximize the capabilities of our workforce

- ✓ Development of digital technology human resources (from April 2022)

Top customer satisfaction strategy

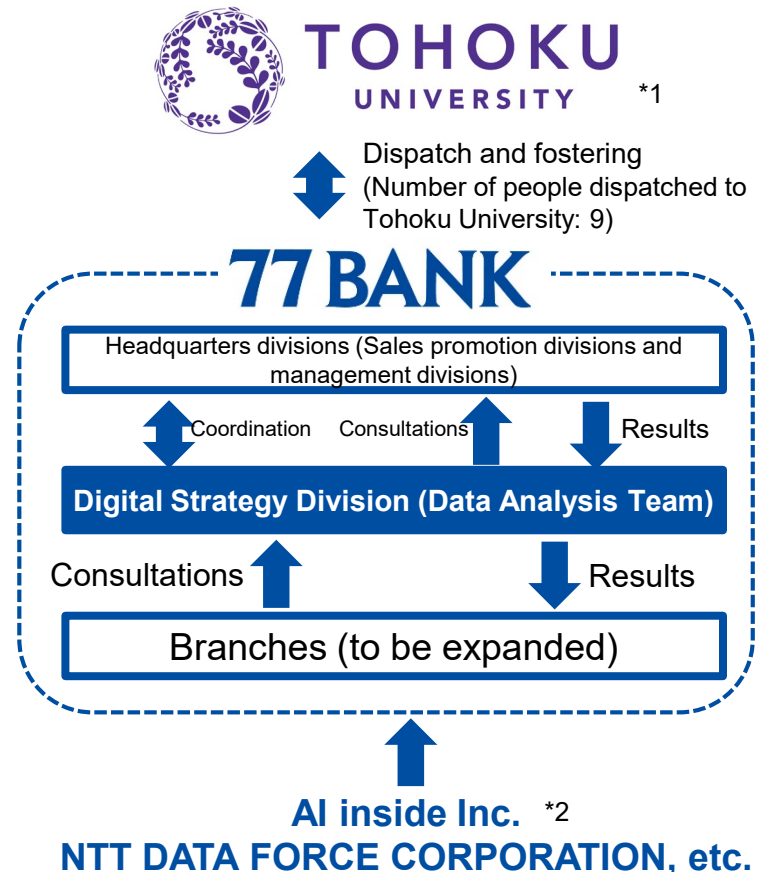
Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

Strengthening of initiatives for areas using data

- Establishment of Data Analysis Team (November 2022)
- Planning measures and making decisions on implementation based on collected and analyzed data



*1 Dispatching the Bank employees to the Data Science College of Tohoku University since October 2022

*2 Full-scale introduction of AI model building tools offered by the company since May 2022

Initiatives for digitalization (2)

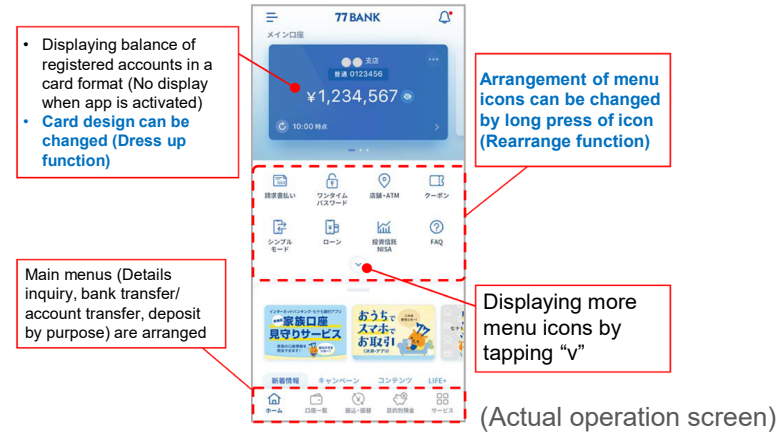
Top customer satisfaction strategy | **Double productivity strategy** | Regional growth strategy | Corporate culture reform strategy

Expand non-face-to-face channels

- Start of the 77 Business Portal operations
 - Creating new non-face-to-face contact points with customers as a comprehensive platform for corporate clients
 - Aiming for one-stop financial services to be completed in non-face-to-face without visiting stores for operations related to corporate clients with many procedures at the counter remaining

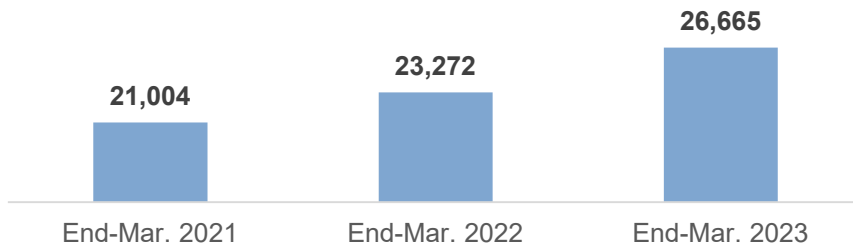
Service	Contents
Account information display service	Inquiry of balance, deposit/withdrawal details, etc. of the Bank's deposit account
Various corporate e-banking functions	Procedures for bank transfer, transfer of funds, etc.
Notification system	Timely information provision, according to themes of interest
External tie-up services	Use of coordination with 77 Big Advance and 77 WEB Relation

- Renewal of the top screen of the 77 Bank app
 - Using designs that customers can image intuitively
 - Simple designs by giving consistency to functions and designs
 - Placing mainly functions with high needs based on the frequency of use

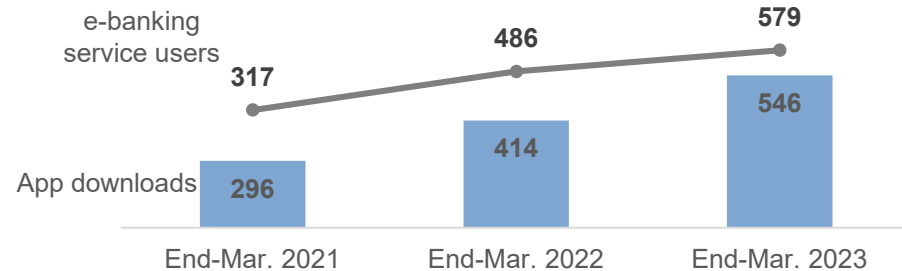


Usage of e-banking, etc.

- Companies with e-banking service contracts (cumulative) (Unit: cases)



- Number of e-banking service users and app downloads (cumulative) (Unit: thousand cases)



Initiatives for paperwork-free

Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

Effects of paperwork-free

➤ Status of initiatives for promoting paperwork-free

Operations Group

- Expansion of services subject to HQ centralization
 - ✓ Expansion in number of branches using support office
 - ✓ Installation of a dedicated telephone number for inheritance consulting
- Reduction of inefficient administration specific to individual companies
- Reduction and simplification of counter administration
 - ✓ Introduction of branch tablets
 - ✓ Expansion of seal-less transactions

FY2022 Man-hours created

99 thousand hours

FY2023 Man-hours creation target

100 thousand hours

Loan Group

- Expansion of services subject to HQ centralization
- Promotion of non-face-to-face-channel usage
- Reduction and simplification of financing administration

33 thousand hours

40 thousand hours

Others

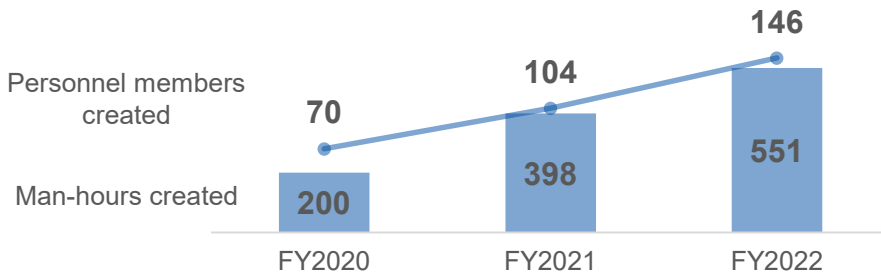
- Paperwork-free for other operations and HQ administration
- Collection of appropriate compensation according to administrative costs

21 thousand hours

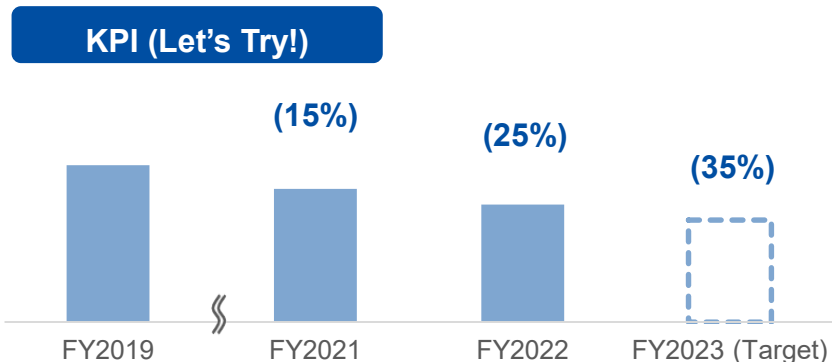
40 thousand hours

➤ Personnel members and man-hours created through paperwork-free (cumulative)

(Unit: thousand hours, people)



➤ Administrative work at bank branches (Vs. FY2019)



Rebalancing of management resources

Top customer satisfaction strategy

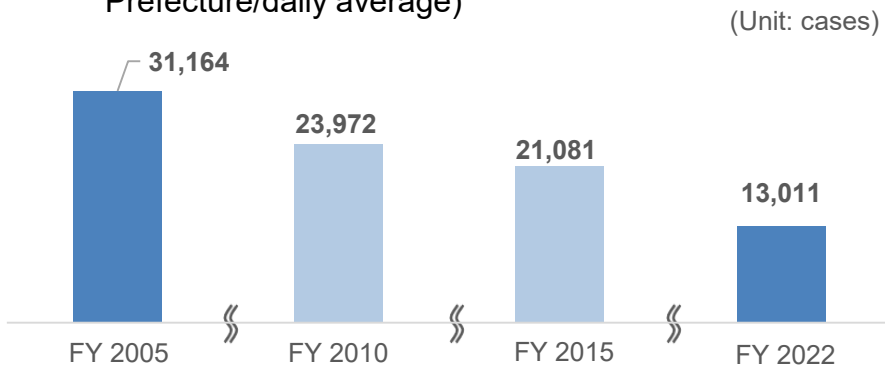
Double productivity strategy

Regional growth strategy

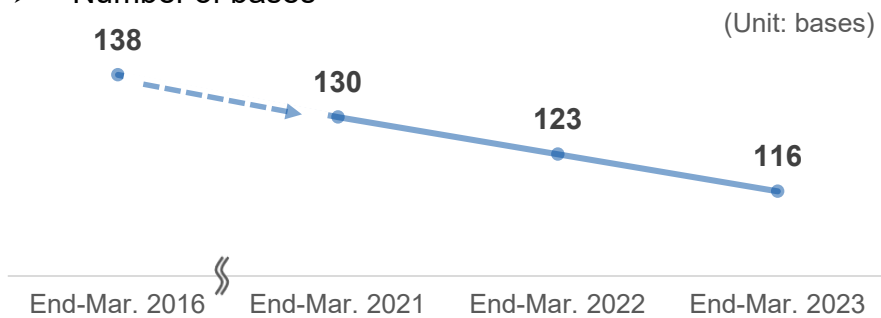
Corporate culture reform strategy

Branch strategy

- Number of uses of contact points (in Miyagi Prefecture/daily average)

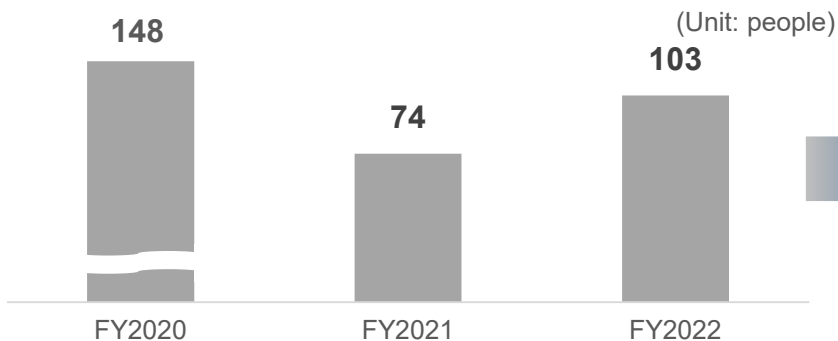


- Characteristics of markets and actual situation of local communities are taken into account
- Number of bases

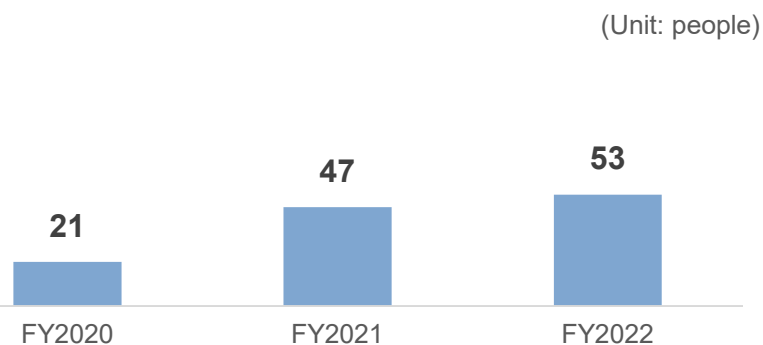


Utilization of personnel members created

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



Education and redistribution of workforce to strengthen consulting, etc.



Rebalancing of management resources

- Enhancement of non-face-to-face channels and adjustment of branch network according to the needs of customers
- Education, redistribution and reduction (natural attrition) of workforce to strengthen consulting capabilities

Regional vitalization

Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

Regional vitalization mission

➤ Four key items of implementation

Support for founding and new businesses

- Support for founding and new businesses
- Assistance with funding
- Cooperation for various events
- 77 New Business Subsidies



[<77> Founding Support Package]



[NanoTerasu (conceptual drawing)]

Promotion of urban development projects

- Participation in regional development projects
- Promotion of public-private partnership projects
- Support in collaboration with external institutions



[Sendai Urban Restructuring Project]



Support for and development of regional core businesses

- Support for growth of local enterprises
- Business matching and sales channel cultivation
- Support for industry-academia cooperation
- IPO assistance
- Assistance with utilization of subsidies, etc.
- Staffing



Revitalizing regional industry, economy and living!!



Business restructuring challenge seminar (held August 2022)

Assistance with promotion of tourism, etc.

- Support for feasibility and growth of the tourism industry
- Assistance with promotion of inbound travel
- Assistance with preparation of tourist intake framework



[Ogawara Town] Hitome Senbon Zakura (One thousand cherry trees in one view)



[Sendai City and Natori City] Teizan Canal

Image source: Sendai City, Photon Science Innovation Center, Financial Network of TOHOKU Tourism, Teizanunga Association

Support for growth of regional businesses

Top customer satisfaction strategy | Double productivity strategy | **Regional growth strategy** | Corporate culture reform strategy

Support for founding and new businesses

- Founding of 77 Startup Members
 - Events and seminars for founders, and provision of information on subsidies, etc.
 - Periodical dissemination of measures, etc. implemented by parties supporting founding
 - Fostering of momentum for IPO (Implementation of programs aimed at sharing knowledge of those with IPO experience), etc.

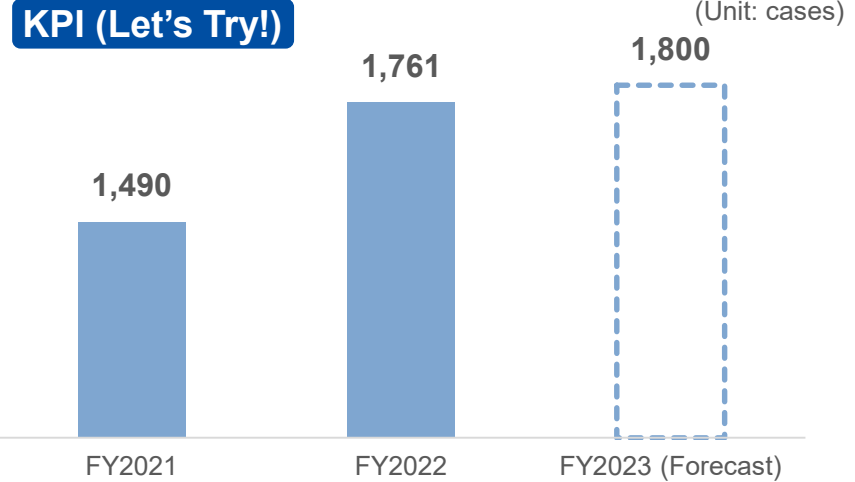


<77> Startup Growth Support Seminar (August 2022)



IPO Management Human Resource Development Program TOHOKU – 77 BK x Tohoku University x JPX – (December 2022)

Cases of growth support for founders



Support for and development of regional core businesses

- Conclusion of “Agreement on Revitalization of the Manufacturing Industry” with ALPS ALPINE (September 2022)

ALPSALPINE

Matters for cooperation

- ✓ Support for growth of regional businesses and industries
- ✓ Sophistication of support by industry-academia-public sector-finance cooperation for revitalization of industries
- ✓ Addressing of regional challenges, vitalization of regions, etc.

77 BANK



Ceremony for conclusion of agreement with ALPS ALPINE (September 2022)

Promotion of urban development projects

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

- ✓ Huge microscope capable of seeing the nano level
- ✓ To begin operation in FY2024
- ✓ Economic ripple effects to be about JPY 1.9 tn in ten years (estimated by Tohoku Economic Federation)



Donation presentation ceremony (January 2022)

Collaboration with local governments

Top customer satisfaction strategy

Double productivity strategy

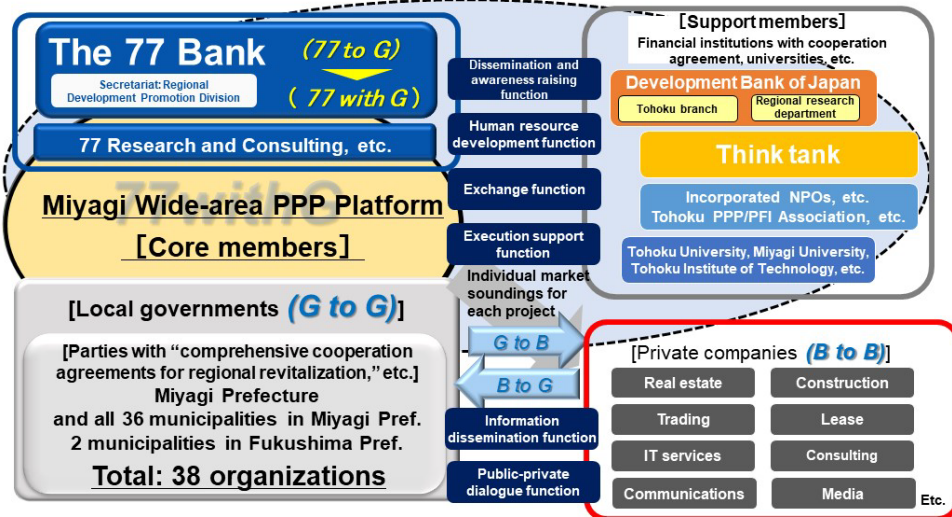
Regional growth strategy

Corporate culture reform strategy

Miyagi Wide-area PPP Platform

- Formation of the Miyagi Wide-area PPP Platform (MAPP) (Established January 31, 2020)

As a part of our efforts based on the “Agreement on Comprehensive Cooperation Aimed at Regional Revitalization” with local governments and other agreements, we have formed the Miyagi Wide-area PPP Platform as a space for continual information sharing and encouraging dialogue between the public and private sectors for the utilization of private-sector funds and know-how.



Major MAPP activities in FY2022

- Holding of PPP/PFI seminar (April 2022)
- Holding of SDGs promotion seminar (May 2022)
- Holding of DX at local governments seminar (August 2022)
- Holding of Regional Development Human Resource Development Program (August - November 2022)

Holding of Regional Vitalization Matching Event (January 2023)

- ✓ Held to promote the utilization of taxation for supporting regional vitalization.
- ✓ Presentations made by heads of local governments, etc. to private companies (participated by 110 people from local governments and 260 people from private companies).
- ✓ Through this event, besides SHIMIZU CORPORATION made donations to Kami Town and Watari Town, the 77 Bank concluded a contract for the promotion of taxation for supporting regional vitalization with Rifu Town (second case following Sendai City).



<77> Regional Vitalization Matching Event (January 2023)



Appreciation letter presentation ceremony (Watari Town and SHIMIZU CORPORATION) (March 2023)

Increased value of human capital

Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

Corporate culture reform strategy

Establishment of challenging corporate culture

- Key words for establishment of challenging corporate culture



Establish an ambitious corporate culture, and develop human resources who will be assets of the 77 Bank in the future

Implementation of personnel system reform

- Implementing as part of corporate culture reform strategy

(Main contents)

Challenges	<ul style="list-style-type: none"> • Change salary system from occupational ability type to job duty type • Abolish minimum service years • Review treatment of senior bank employees, etc.
Selection (diversity)	<ul style="list-style-type: none"> • Introduction of professional system • Extension of employment period to 70 years old • Introduction of second/side job systems, etc.
Engagement (Communication)	<ul style="list-style-type: none"> • Revision of personnel evaluation systems • Introduction of 1on1 meetings • Introduction of skill check sheet, etc.

Promotion of human capital management

Toward the realization of “our target form” described in



Leading company creating a path to the future

New policy established in April 2023

Human Resources Development Policy	Internal Environment Development Policy
Human resources that serve a purpose for customers and local communities Human resources that contribute to corporate reform	Employee-friendly work environment Rewarding work environment

Development of human resources

Top customer satisfaction strategy

Double productivity strategy

Regional growth strategy

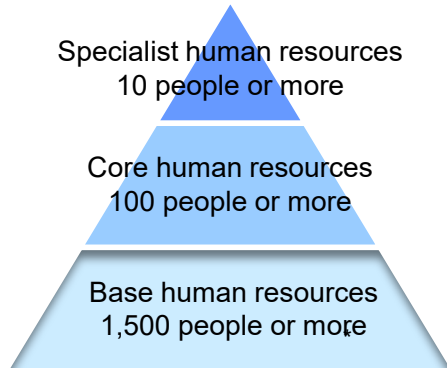
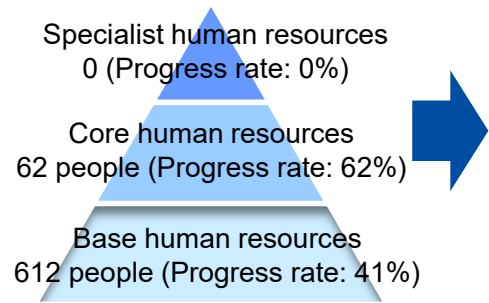
Corporate culture reform strategy

Development of human resources with expertise

➤ Development of digital technology human resources

(Results as of end-March 2023)

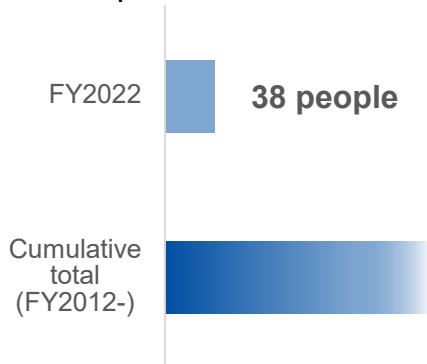
(Target for end-March 2025)



(Reference)
Cumulative total of people with an "IT Passport" as of end-March 2023: 664 people

* Target number of base human resources raised from 1,200 to 1,500 people from April 2023

➤ Number of dispatched trainees, etc. in Japan and abroad



Main institutions accepting dispatched people (FY2022)

- Management consulting
- Healthcare
- Real estate
- DX
- Sustainability

Development of human resources that contribute to corporate reform

- Holding of business contest
 - Held for the second time, following the previous year
 - Outside officers also participated as final jury
 - Commercialization of part of ideas (Healthcare fund specialized in local communities)
 - To be continuously held this fiscal year



Holding of business contest (December 2022)

- Training for reskilling and career development support
 - Training for reskilling (New)
Training for bank employees who wish for reskilling to sales
 - Challenge training (New)
Training to learn roles and management required of employees in senior positions
 - Women's College (Enhancement)
Training for career development support for women

Marketable securities trading

FY2023 marketable securities trading policy

- Restructuring of yen-denominated bond portfolio capturing changes in interest rate levels
- Reinforcement of interest and dividend revenue by diversified investment in investment trusts, etc.
- Acquisition of trading profits by strengthening management with higher flexibility and accumulation of valuation gains
- Strengthening of foreign currency procurement stance based on the promotion of overseas loans and investments

Composition ratio by type (on an amortized cost base)

(Unit: %)	End-Mar. 2023	End-Mar. 2024 (Forecast)
National gov. bonds	10.5	15.0
Local gov. bonds	31.0	29.9
Corporate bonds	28.3	22.9
Investment trusts, etc.	21.4	23.1
Foreign bonds	6.2	6.6
Stocks	2.6	2.5

Structure for trading

Treasury Div. (31 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. (15 members) (Middle department)

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

Total gains (losses) from securities

(Unit: JPY bn, %)	FY2022	FY2023 (Forecast)	YoY change (Rate)
Interest and dividends on securities	32.0	39.5	7.5
Gain (losses) on bonds	(6.9)	(3.7)	3.2
Gain (losses) on stocks	5.5	3.1	(2.4)
Gains (losses) on investments in money held in trust	0.7	1.5	(0.8)
Total gains (losses) from securities	31.3	40.4	(9.1)
After excluding foreign currency-denominated procurement costs	26.6	30.5	(3.9)
(Reference) Total yield across all securities (After excluding foreign currency-denominated procurement costs)	0.84	0.96	0.12

Strengthen financial foundation (key factors)

	FY2021 Results	FY2022 Results	FY2023 Target	FY2030 Vision
Net income (consolidated) (of which credit-related expenses)	JPY 22.2 bn (JPY 4.6 bn)	JPY 25.1 bn (JPY 1.2 bn)	JPY 25.5 bn (JPY 1.5 bn)	JPY 28.0 bn (JPY 8.0 bn)
Capital adequacy ratio (consolidated)	10.27%	11.23%	10.49%	10% or more
Core OHR	58.22%	56.55%	56.45%	50%-59%

(Early application of finalized Basel III from FY2022)

(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

Progress status of KPI (Let's Try!)

	FY2021 Results	FY2022 Results	FY2023 Target	FY2030 Vision
Proportion of companies in Miyagi Prefecture whose main bank is the 77 Bank	56%	56%	57%	62%
Number of corporate lending clients outside Miyagi Prefecture (vs. FY2020)	1.07x	1.21x	1.23x	1.5x
Proportion of households in Miyagi Prefecture holding assets *	-	-	-	21% or more
Proportion of individuals in Miyagi Prefecture using loans from the 77 Bank	12.7%	14.9%	16.0%	20.0%
Group companies net income	JPY 2.2 bn	JPY 1.4 bn	JPY 1.2 bn	JPY 3.0 bn
Labor productivity in core operations	JPY 11 mn	JPY 12 mn	JPY 13 mn	JPY 16 mn
Administrative work at bank branches (vs. FY2019)	(15%)	(25%)	(35%)	(50%)
Usage of non-face-to-face channels	(Corporate) 13% (Retail) 15%	(Corporate) 15% (Retail) 20%	(Corporate) 17% (Retail) 25%	(Corporate) 30% (Retail) 30%
Cases of growth support for founders	1,490 cases	1,761 cases	1,800 cases	3,000 cases
CO ₂ emissions	10,331t-CO ₂	9,264t-CO₂	9,100t-CO ₂	0t-CO ₂
Proportion of woman managers	14.2%	16.0%	17.0%	30.0%

Other items

- ◆ Establish 10 projects in new businesses or sectors (by FY2023) (as of end-May 2023: 6)
- ◆ 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

*National Survey of Family Income and Expenditure

Measures aimed at enhancing corporate value (1)

Approach aimed at enhancing corporate value

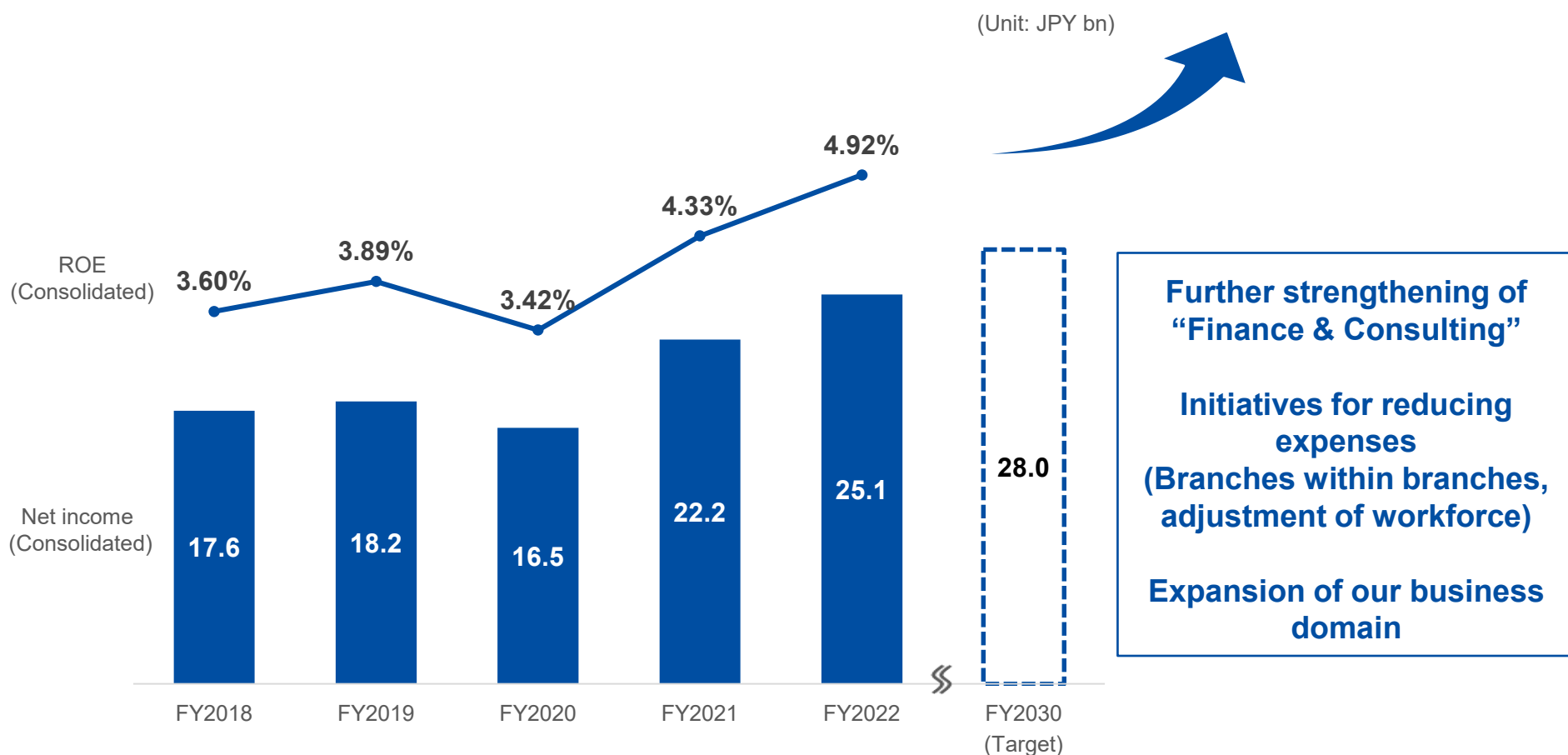
- Enhance corporate value through “Vision 2030” measures
- Implement approaches from both P/L and B/S sides to improve the levels of ROE and PBR (Price Book-value Ratio)



Measures aimed at enhancing corporate value (2)

Enhanced profitability

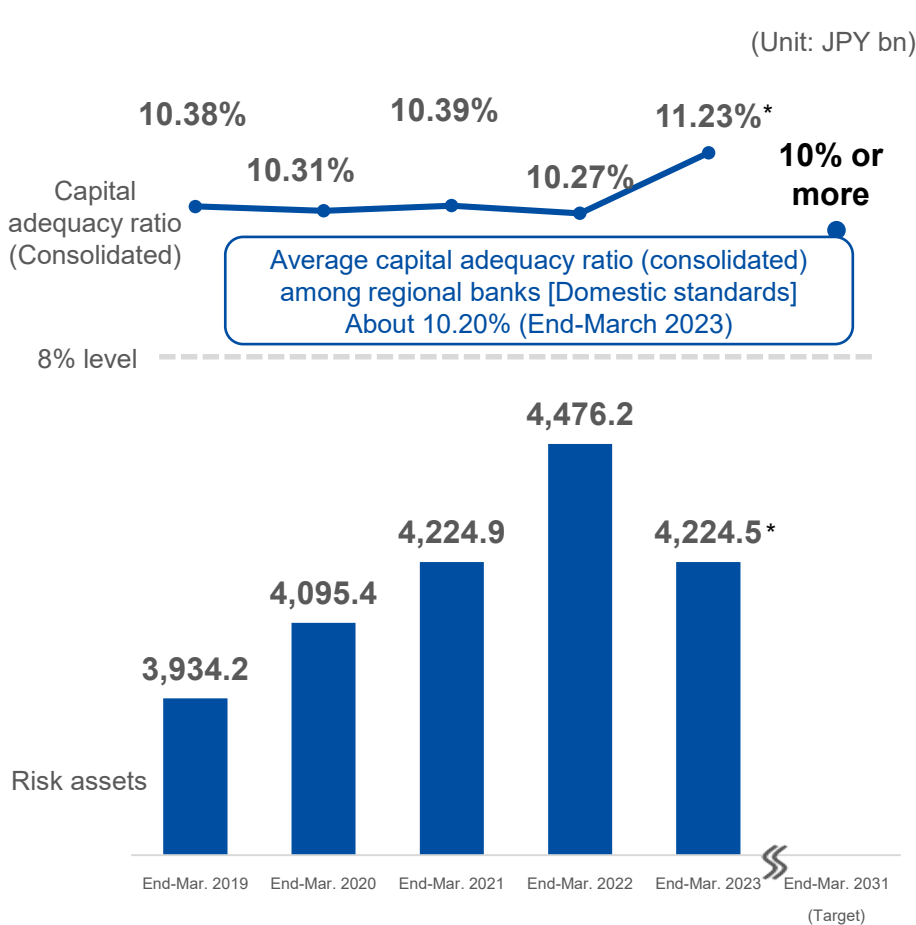
- “Vision 2030” has set such targets as “capital adequacy ratio (consolidated),” “net income (consolidated)” and “core OHR” based on the balance between soundness and efficiency among others.
- Policy to improve the ROE level through the increase in top line (growth) and reduction of expenses (improved productivity)



Measures aimed at enhancing corporate value (3)

Preservation of soundness

- Preserve the soundness from normal times in order to fully fulfill social infrastructure functions
- Effectively use capital for shareholder returns and growth investment presupposing strengthened financial foundations



* Capital adequacy ratio is calculated through the early application of finalized Basel III from end-March 2023

Recognition of capital adequacy ratio

- ✓ For the capital adequacy ratio of banks, a certain perspective on soundness is 8% or more to be achieved by banks operating under a uniform international standard
- ✓ At the time of the Great East Japan Earthquake, the 77 Bank supplied risk money for regional recovery and reconstruction, after provisioning enough reserves (lowering capital adequacy ratio by about 1.6%).
- ✓ **Target for capital adequacy ratio (consolidated) is set at 10% or more**, under the recognition that it is necessary to have sufficient capital adequacy ratio from normal times to support local communities in emergencies

Utilization of risk assets

- Increase loans and bills discounted with consciousness about profitability
 - Structured finance, sustainable finance, renewable energy, regional development projects, etc.
- Implement appropriate risk asset control

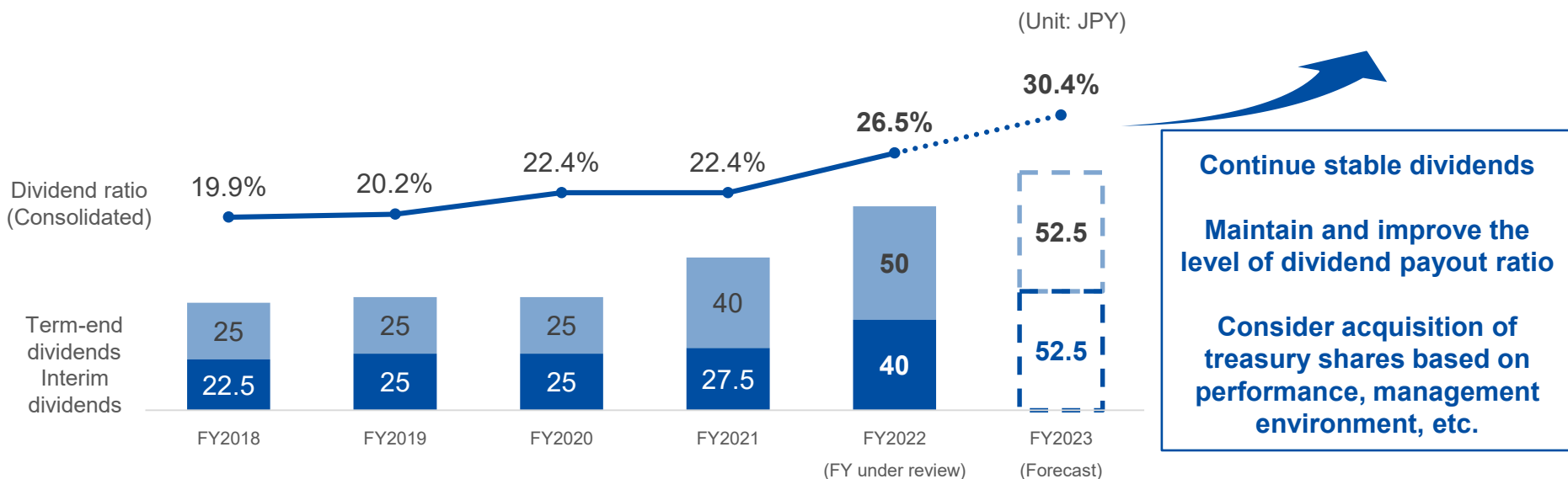
Measures aimed at enhancing corporate value (4)

Return of profits to shareholders

- Dividend payout ratio has been gradually improved through increased dividends based on the Policy of Return of Profits to Shareholders formulated in January 2022
- Shareholder returns will continue to be strengthened with the basic policy of continued stable dividends

Policy of Return of Profits to Shareholders (announced in January 2022)

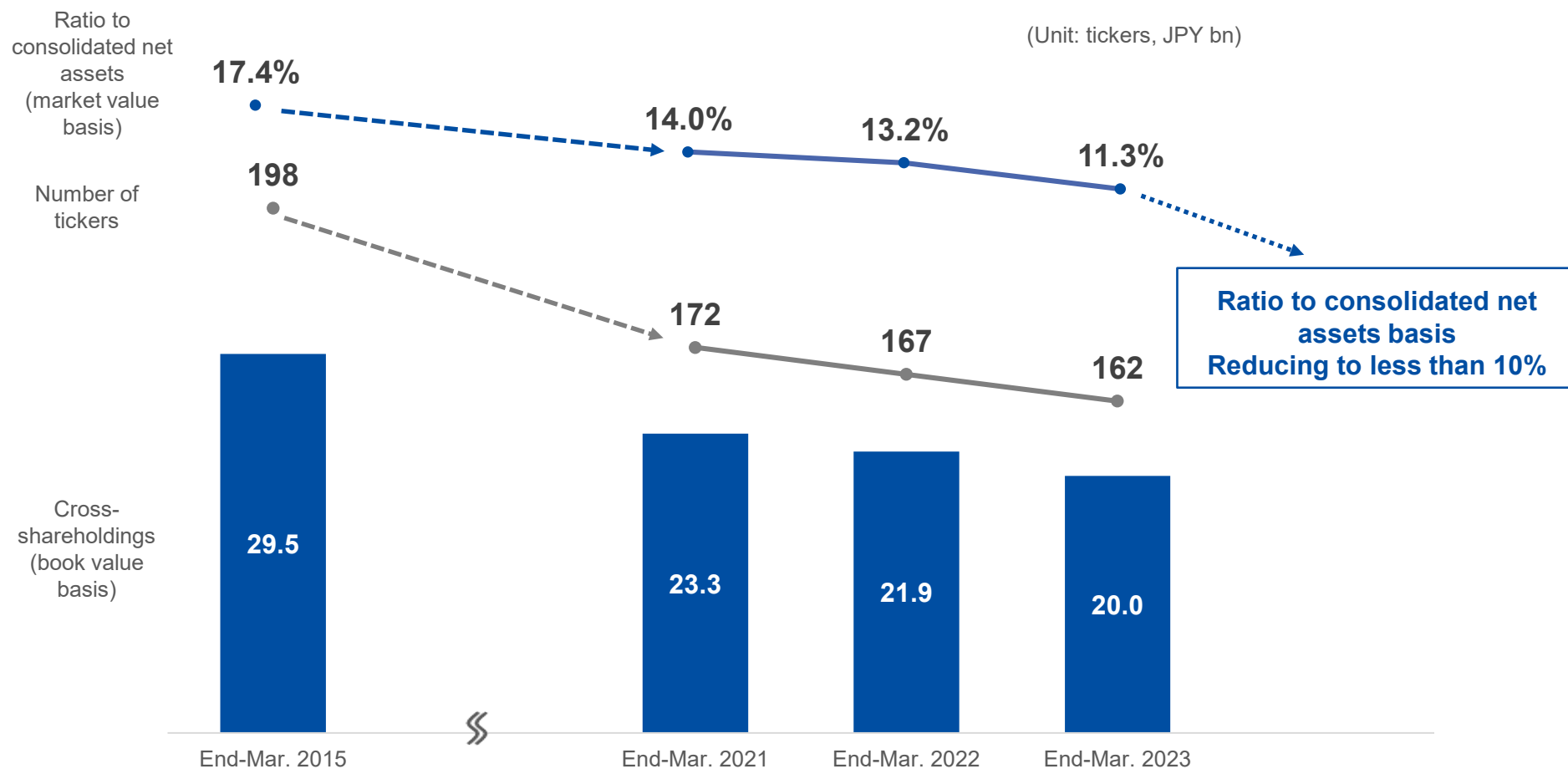
The basic policy of the Bank in this regard is to continue to distribute steady dividends while taking factors such as its public mission as a bank business and the preservation of the soundness of its management into consideration. Additionally, based on the premise of strengthening its financial foundation, the Bank will proceed to gradually elevate its dividend payout ratio relative to net income attributable to owners of the parent with a target of 30% by FY2023 as it aims to improve shareholder returns and capital efficiency.



Measures aimed at enhancing corporate value (5)

Measures to address cross-shareholdings

- Policy of reducing cross-shareholdings, as a general rule
- Continuation of measures based on the standards for judging appropriateness of reduction such as capital costs



04



Sustainability

Identification of materiality

77 Bank Group's materiality and 77 Bank Group SDG Declaration

From the perspective of strengthening sustainability initiatives, the 77 Bank Group has identified materiality based on the implementation of internal questionnaire surveys, discussions at the Sustainability Committee, exchange of opinions with Outside Directors, etc. In addition, the "77 Bank Group SDG Declaration" has been revised to align with the contents of the materiality.

77 Bank Group SDG Declaration

1. Revitalization of Miyagi and Tohoku

We will lead the revitalization of Miyagi and Tohoku through building regional economic ecosystems by multi-faceted industry-academia-public sector-finance coordination and co-creation.



2. Solving issues of customers in the region

We will tackle solving issues of customers in the region through the practice of consulting sales, promotion of DX and development of new businesses/new sectors among others.



3. Returns to stakeholders

We will strive to make returns to stakeholders including customers, local communities, shareholders and employees, through the development of strong financial foundations by improving productivity and the like.



4. Response to climate change and disasters

We will strengthen response to climate change and disasters through lessons and learning from the Great East Japan Earthquake, storm and flood damage.



5. Provision of reliable financial services

We will provide reliable financial services to customers in the region through the strengthening of corporate governance.



6. Creation of work environment where people can work with enthusiasm

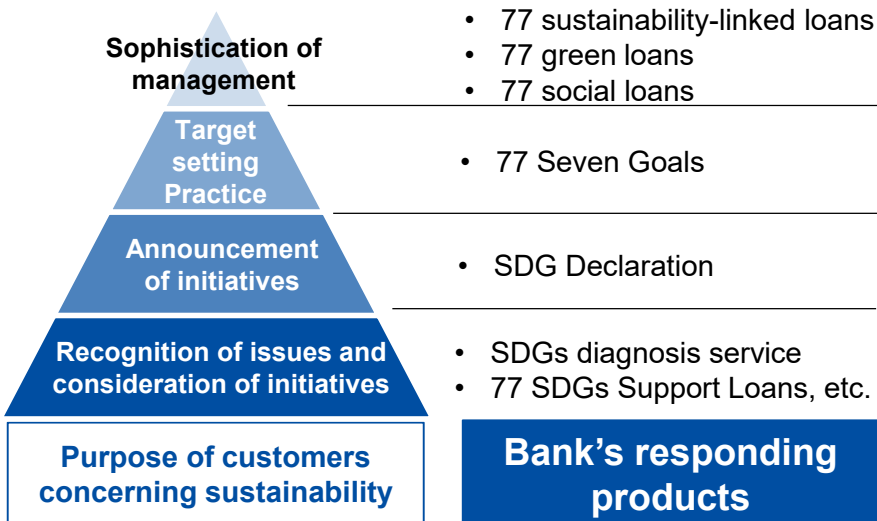
We will strive to create work environment where all officers and employees can work with enthusiasm through the promotion of human resource development and diversity as well as the establishment of challenging corporate culture.



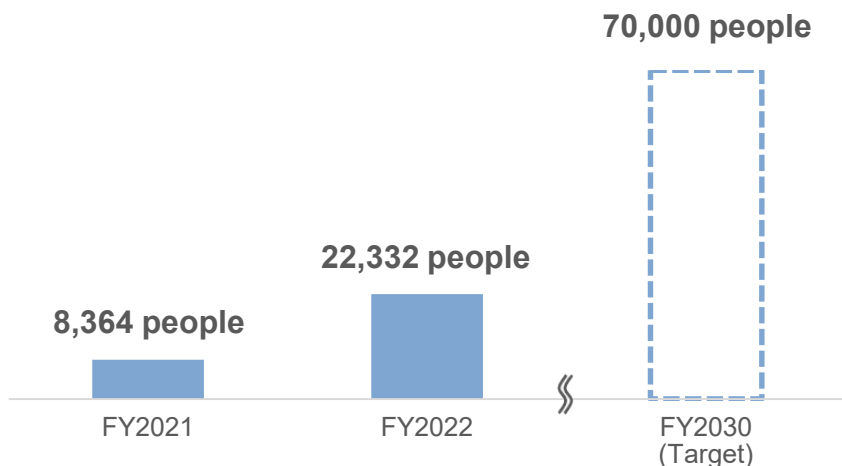
Spread of sustainability

Promotion of sustainable finance

➤ Enhancement of sustainability-related products

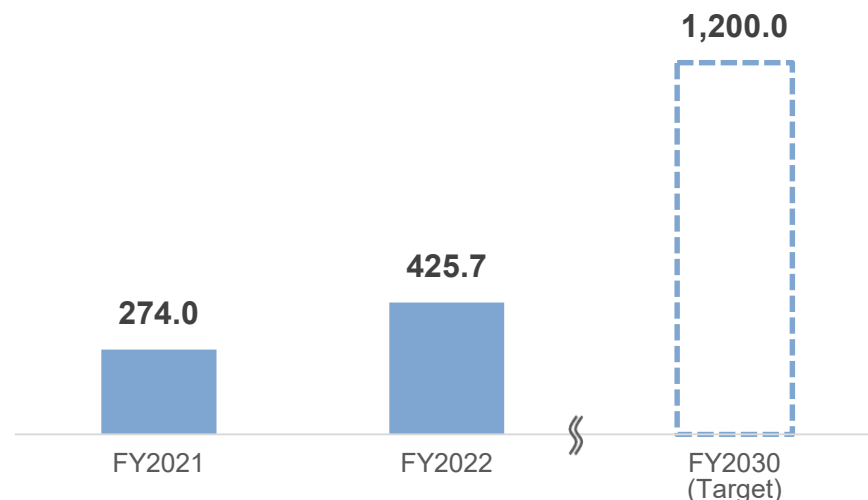


People receiving financial education (cumulative)

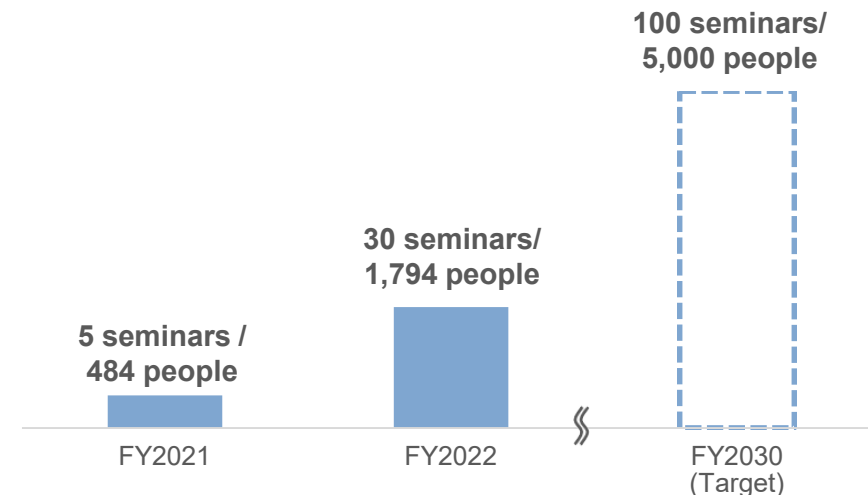


Total cumulative sustainable finance executed

(Unit: JPY bn)



Seminars held in relation to SDGs/participants (cumulative)

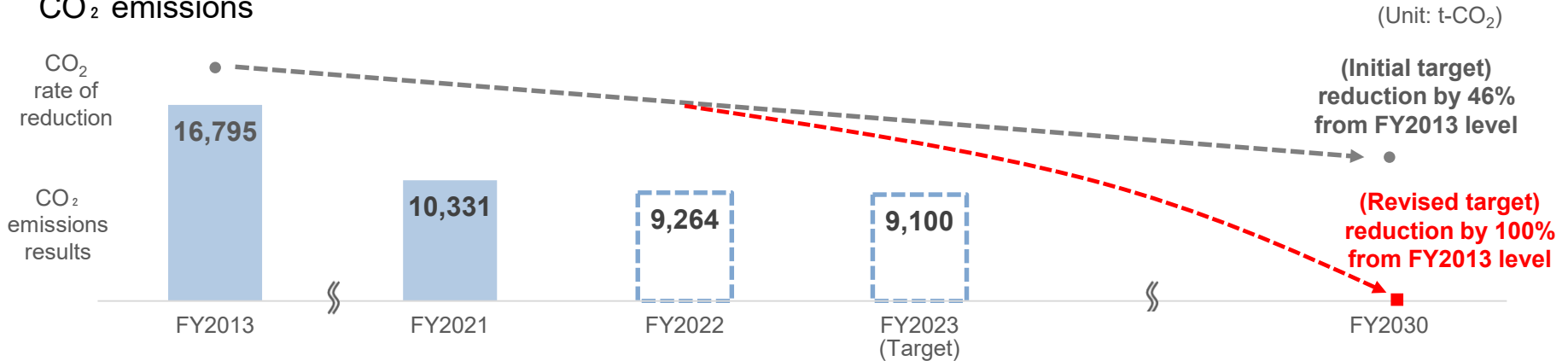


Response to environmental issues

Initiatives for carbon neutrality

- Aiming to realize carbon neutrality by FY2030
 - Revised reduction targets

CO₂ emissions



Coordination with Tohoku Electric Power Group

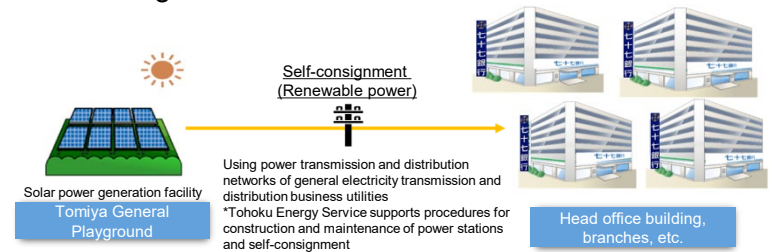
- Conclusion of “Cooperation Agreement for the Promotion of Carbon Neutrality” with Tohoku Electric Power (April 2023)
- Introduction of off-site corporate PPA [Self-consignment system] (aiming to complete construction and start power supply by 2024)
 - Installing solar power generation facilities in the Bank’s unused lands
 - Supplying generated renewable energy to the Bank’s head office building and some branches

Tohoku Electric Power Co., Inc.

Matters for cooperation

- ✓ Activities for promoting carbon neutrality
- ✓ Activities for raising awareness about carbon neutrality, etc.

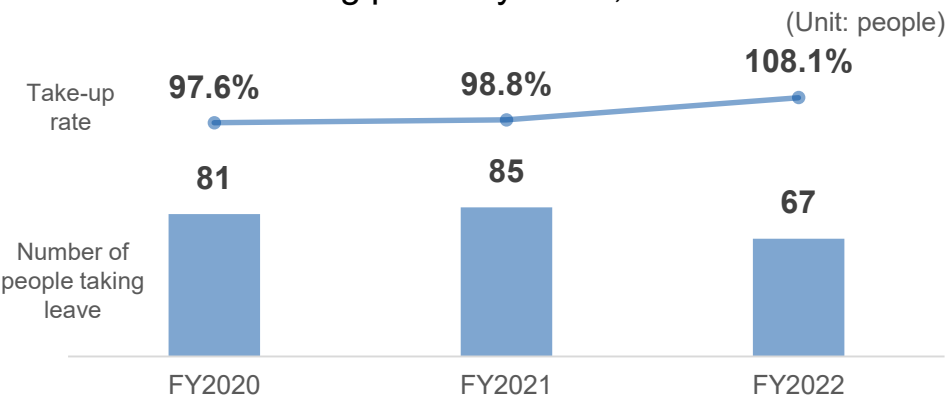
77 BANK



Development of work environment

Support for balancing work and childrearing

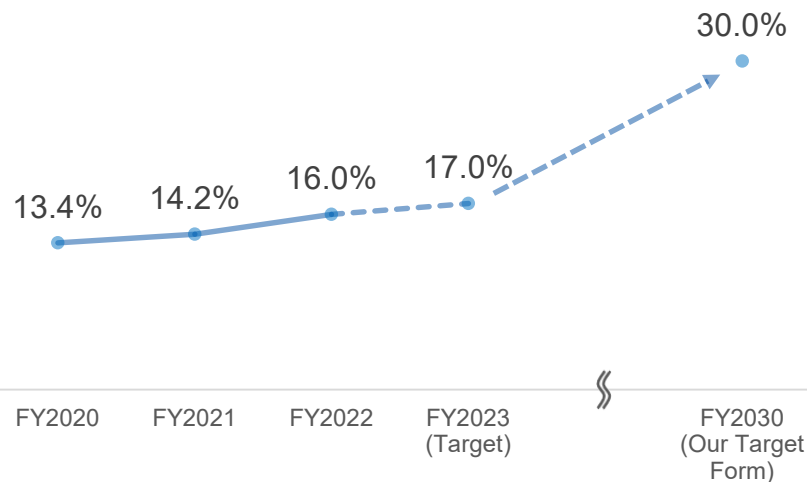
➤ Rate of taking paternity leave, etc.



- *1 Based on the calculation method set forth by the Ministry of Health, Labour and Welfare, it is calculated by dividing "number of male employees who took paternity leave" by "number of male employees whose spouse gave birth" for each fiscal year.
- *2 While the ratio became around 100% as it was sometimes taken over two fiscal years, all eligible employees took paternity leave for each fiscal year.

Promotion of the active participation of women

➤ 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 December 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



Advancing corporate governance

Diversity of the Board of Directors

➤ Skills matrix

		In-house	Outside	Management strategy/ Corporate management/ Sustainability	Compliance/ Risk management	Sales/Regional revitalization	International/ Market operation	DX	Human resource development
Directors not Serving as Audit & Supervisory Committee Members	Teruhiko Ujiie	○		◎	●	●	●		●
	Hidefumi Kobayashi	○		◎	●	●	●	●	●
	Yoshikazu Onodera	○		●	◎	●	●	●	
	Masanori Muranushi	○		●	●	●	●	◎	
	Shuichi Ibuka	○				◎	●	●	
	Takashi Kuroda	○				●	◎	●	●
	Hiroshi Kobayashi	○		●	◎	●	●		◎
	Emiko Okuyama		○			◎			●
	Seiichi Ohtaki		○	◎		●			
	Shigenori Oyama		○	◎			●	●	
	Kazuo Fukuda		○	◎	●		●		
Directors Serving as Audit & Supervisory Committee Members	Koichi Suzuki	○			●	●	●		●
	Masai Yamaura		○	●	●	●			
	Yoko Ushio		○	●					●
	Naoto Miura		○	●				●	
	Shinya Endo		○	●		●			

Note: “◎” is marked for the skills and other qualities especially expected from Directors not Serving as Audit & Supervisory Committee Members.

(Reference)

Ratio of Outside Directors: 50% (8 people/16 people), Ratio of Female Directors: 12.5% (2 people /16 people)

05



References

Management environment

Potential of Miyagi Prefecture

	(Unit)	Miyagi Prefecture	(Reference) Tohoku region total
Total area	(km ²)	7,282	66,948
Population	(thousand people)	2,268	8,519
Number of households	(thousand households)	1,023	3,501
Gross prefectural product (nominal)	(JPY bn)	9,829.4	35,158.7
Number of private companies	(companies)	102,026	408,785
Manufactured goods shipment amount	(JPY bn)	4,358.0	17,435.9

*Source: "2023 Shape of Miyagi (Miyagi Prefectural Handbook)," "ECONOMIC OVERVIEW OF TOHOKU REGION"

Regional development projects

- Sendai Urban Restructuring Project
 - Reconstruction of obsolete buildings and promotion of corporate relocation into the city
- Next-generation synchrotron radiation facility
 - (Huge microscope capable of seeing the nano level)
 - Improving the quality of research and development in Japan



Image source: Sendai City

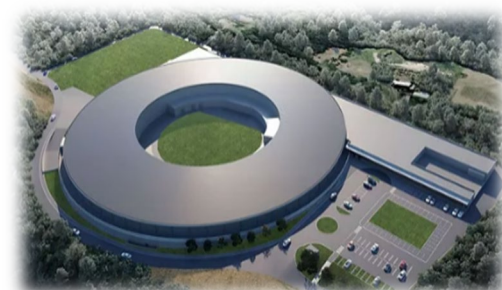
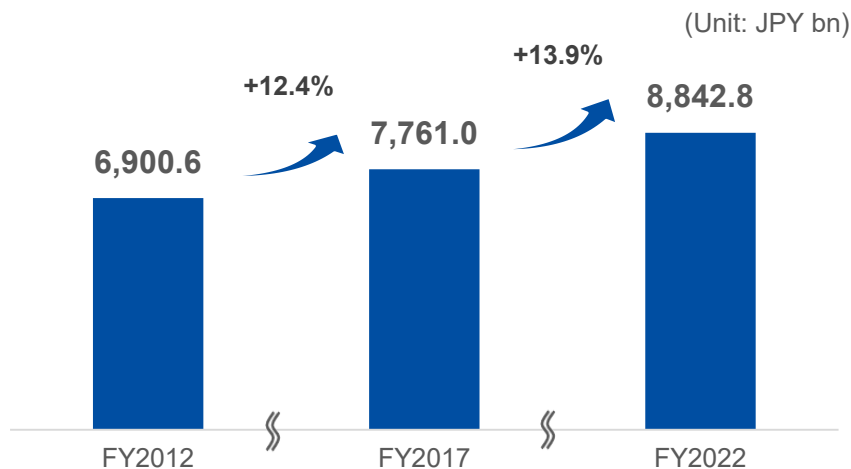


Image source: Photon Science Innovation Center

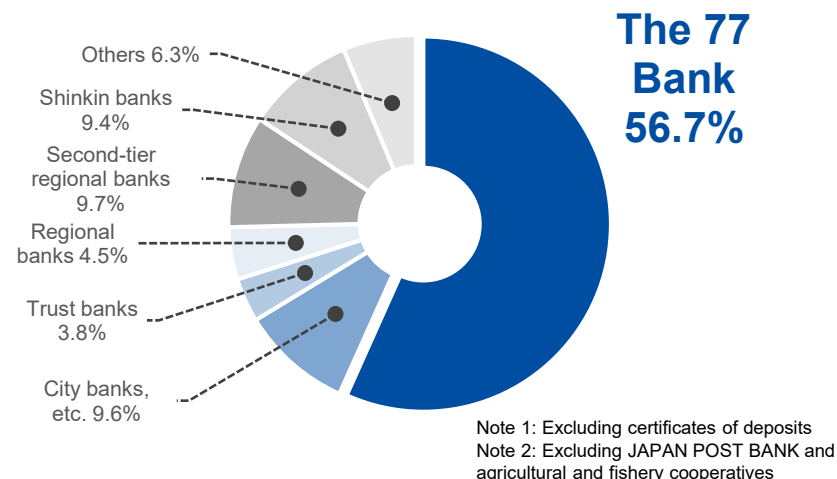
Deposits and loans and bills discounted

Deposits

➤ Average balances of deposits

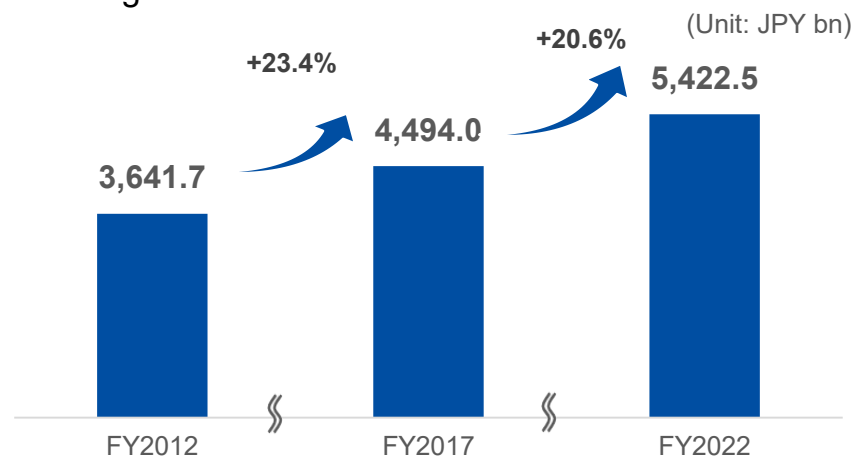


➤ Share within Miyagi Prefecture (End-Sept. 2022)

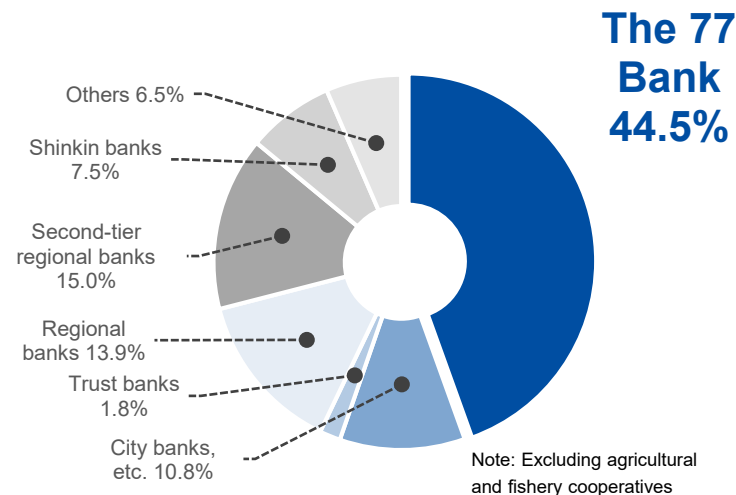


Loans and bills discounted

➤ Average balances of loans and bills discounted



➤ Share within Miyagi Prefecture (End-Sept. 2022)



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