

**77 BANK**

**77 BANK**

# IR Presentation

Results for Fiscal Year Ended March 31, 2015

**June 2, 2015**

Materials were prepared for the Bank's presentation of its results for the fiscal year ended March 31, 2015 held on June 2, 2015.



## 1. Financial Results for FY2015

Summary of profits and losses	1
Interest income	2
Loans and bills discounted	3
Deposits and certificates of deposits	4
Securities	5
Assets in custody	6
Credit-related expenses/capital adequacy ratio/ credits disclosed under the Financial Reconstruction Law	7

## 2. Outline of the Medium-term Management Plan

Summary of the previous Medium-term Management Plan "POWER for the Future"	8
Business environment and management issues	9
Outline of the Medium-term Management Plan "VALUE UP: Challenge Value Creation"	10
Basic objectives and long-term vision	11
Priorities 1: Strengthen earthquake recovery support	12
Priorities 2: Reinforce the earnings base	14
Priorities 3: Enhance the value of the region	17
Priorities 4: Smooth migration to and utilization of MEJAR	20
<For reference> Numerical targets	21

## 3. Projected Performance

Projected performance for FY2016	23
----------------------------------	----

(JPY bn, %)

Summary of profits and losses (Non-consolidated)	FY2014	FY2015	YoY change	
			Increase/ decrease	Rate of change %
<b>Gross operating income</b>	77.9	80.1	2.2	2.9
<b>[Core gross operating income]</b>	[ 80.3 ]	[ 80.3 ]	[ 0.0 ]	[ 0.0 ]
Interest income	70.0	70.2	0.2	0.2
Fees and commissions	10.2	10.3	0.1	1.1
Other operating income	(2.3)	(0.4)	1.9	
Gains (losses) on bonds	(2.4)	(0.2)	2.2	
Expenses	55.3	57.1	1.8	3.2
Operating income before provision of general reserve for possible loan losses	22.6	23.0	0.4	1.9
<b>[Core operating income]</b>	[ 25.0 ]	[ 23.2 ]	[ (1.8) ]	[ (7.0) ]
Provision of general reserve for possible loan losses	—	—	—	
<b>Operating income</b>	22.6	23.0	0.4	1.9
Special income and losses	2.9	7.5	4.6	
Bad debt disposals (-)	1.3	0.8	(0.5)	
Gains on reversal of reserve for possible loan loss	2.0	4.6	2.6	
Gains (losses) on stocks	0.6	1.0	0.4	
Gains (losses) on investments in money held in trust	1.2	2.9	1.7	
<b>Ordinary income</b>	25.5	30.5	5.0	19.6
Extraordinary income	0.2	—	(0.2)	
Extraordinary loss	0.1	0.2	0.1	
Income taxes (incl. deferred taxes)	10.9	13.4	2.5	
<b>Net income</b>	14.7	16.9	2.2	14.4
<b>Credit-related expenses</b>	(0.7)	(3.8)	(3.1)	

**<Core operating income>**

Interest income was basically unchanged YoY owing to the increase in interest and dividends on securities, but core operating income declined, mainly due to the higher IT expenses following the migration to MEJAR.

**<Ordinary income/Net income>**

Both ordinary and net incomes rose, mainly due to the decline in credit-related expenses and gains on money held in trust, mainly due to the rise in stock prices, etc.

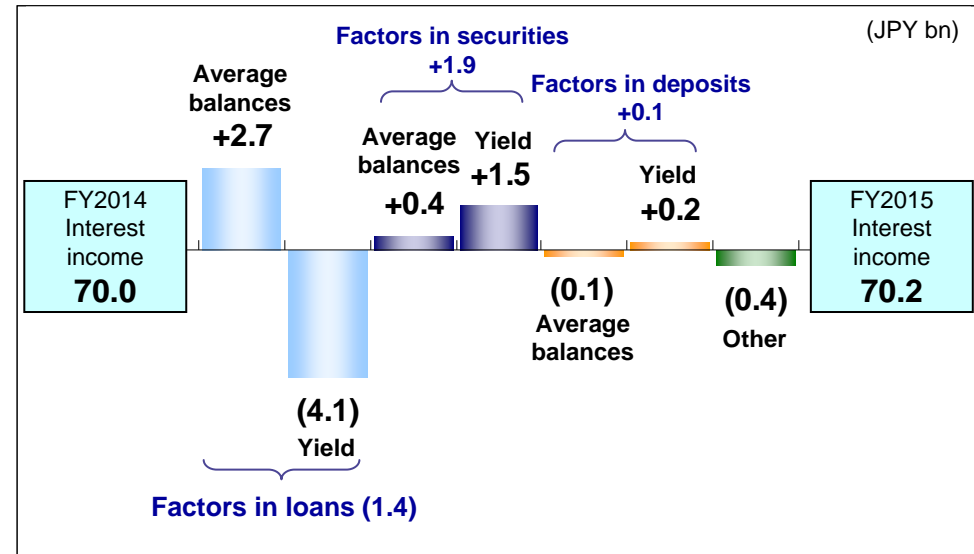
	FY2014	FY2015	YoY change
<b>Interest income</b>	<b>70.0</b>	<b>70.2</b>	0.2
<b>Investment income</b>	<b>73.5</b>	<b>73.9</b>	0.4
(Interest on loans and bills discounted)	46.8	45.4	(1.4)
(Interest and dividends on securities)	26.3	28.2	1.9
<b>Fund procurement costs</b>	<b>3.5</b>	<b>3.7</b>	0.2
(Interest on deposits)	3.0	2.9	(0.1)

(JPY bn)

FY2016 (Plan)	YoY change
69.5	(0.7)

**<FY2015 summary>**  
 Interest income was basically unchanged YoY, as the increase in interest and dividends on securities offset the decrease in interest on loans and bills discounted due to lower yields.

**<Change factors in interest income>**



(JPY bn)

Major accounts (average balances)	FY2014	FY2015	YoY change
<b>Loans and bills discounted</b>	<b>3,835.4</b>	<b>4,054.5</b>	219.1
<b>Securities</b>	<b>3,554.4</b>	<b>3,616.9</b>	62.5
<b>Deposits and certificates of deposits</b>	<b>7,431.2</b>	<b>7,544.6</b>	113.4

(%)

Interest rates/ Interest margin	FY2014	FY2015	YoY change
<b>Loans and bills discounted interest rate</b>	<b>1.21</b>	<b>1.11</b>	(0.10)
<b>Securities interest rate</b>	<b>0.73</b>	<b>0.78</b>	0.05
<b>Interest rate on deposits</b>	<b>0.04</b>	<b>0.03</b>	(0.01)
<b>Interest rate spread</b>	<b>0.90</b>	<b>0.88</b>	(0.02)
<b>Net interest margin</b>	<b>0.17</b>	<b>0.13</b>	(0.04)

\* Figures in YoY change (increase/decrease) show percentage points.

**<Reference> Trends of market interest rates**

	FY2014	FY2015	YoY change
JPY TIBOR (3 months)	0.22%	0.20%	(0.02) %
5-year JGBs	0.24%	0.13%	(0.11) %
10-year JGBs	0.69%	0.48%	(0.21) %

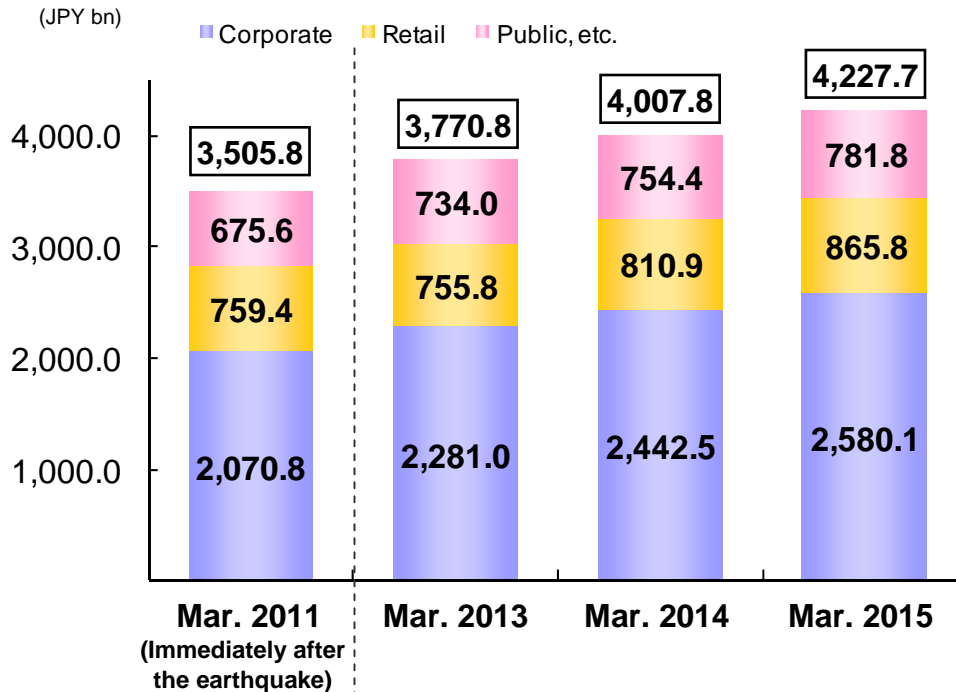
(JPY bn, %)

Loans and bills discounted (average balances)	FY2014	FY2015	YoY change
Loans and bills discounted	3,835.4	4,054.5	5.7
Corporate loans	2,372.6	2,485.2	4.7
[Excl. spread loans]	1,227.0	1,266.9	3.2
[Spread loans]	1,145.6	1,218.3	6.3
Retail loans	774.9	833.2	7.5
[Housing loans]	734.5	794.3	8.1
Loans for local governments	687.9	736.1	7.0

FY2016 (Plan)	YoY change
4,117.5	1.5

**<FY2015 summary>**  
 Average balance of loans and bills discounted increased 5.7% YoY, as housing loans and loans to SMEs and loans to large corporations each increased.

**<Loans and bills discounted balances>**



**<Earthquake disaster-related loan performance>**

**Cumulative total of earthquake disaster-related loans**

(after the earthquake to end-Mar. 2015)

19,981 cases / JPY 498.2 billion

**○ Corporate**

(cases, JPY bn)

	Operating	Capital expenditure	Total
Cases	5,265	1,870	7,135
Amount	205.6	102.7	308.3

**○ Retail**

(cases, JPY bn)

	Unsecured	Housing	Total
Cases	3,790	9,056	12,846
Amount	6.6	183.3	189.9

Deposits and certificates of deposits (average balances)	FY2014	FY2015	YoY change
Deposits and certificates of deposits	7,431.2	7,544.6	1.5
Retail deposits	4,429.8	4,517.9	1.9
Corporate deposits	1,561.8	1,594.9	2.1
Public deposits	1,415.5	1,407.8	(0.5)

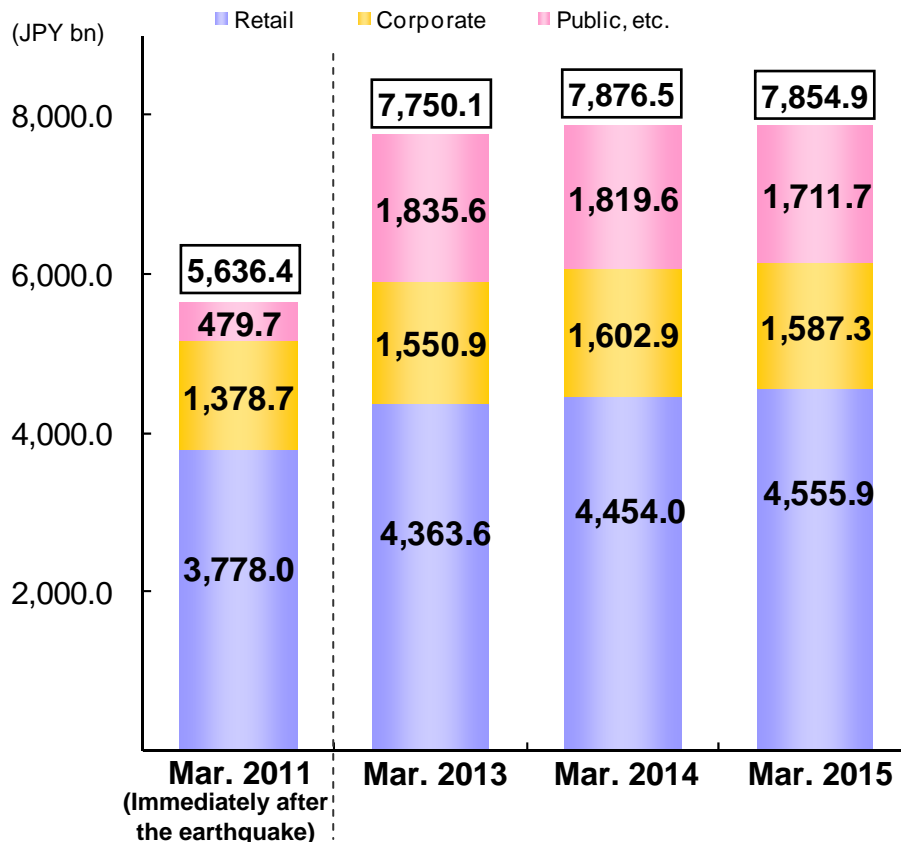
(JPY bn, %)

FY2016 (Plan)	YoY change
7,327.0	(2.8)

**<FY2015 summary>**

- Average balance of deposits rose 1.5% YoY, as retail deposits and corporate deposits increased.
- Term-end balance decreased 0.2% YoY, mainly due to the decline in public deposits, etc.

**<Deposits and certificates of deposits balances>**



**<Background of an increase in deposits after the earthquake>**

- Recovery grants from the government (Miyagi Pref. portion) (as of end-Mar. 2015)
  - Recovery grants ..... Approx. JPY 1,500.0 billion (Source: Reconstruction Agency HP)
  - Special local allocation tax grants for recovery from earthquake disaster ..... Approx. JPY 1,070.0 billion (Source: Ministry of Internal Affairs and Communications HP)
- Insurance payouts, etc. (Miyagi Pref. portion)
  - Earthquake insurance payouts ..... Approx. JPY 560.0 billion (Source: The General Insurance Association of Japan HP) (as of May 31, 2012)
  - Relief funds ..... Approx. JPY 182.0 billion (Source: Japanese Red Cross Society HP) (as of Jul. 7, 2014)

<FY2015 summary>

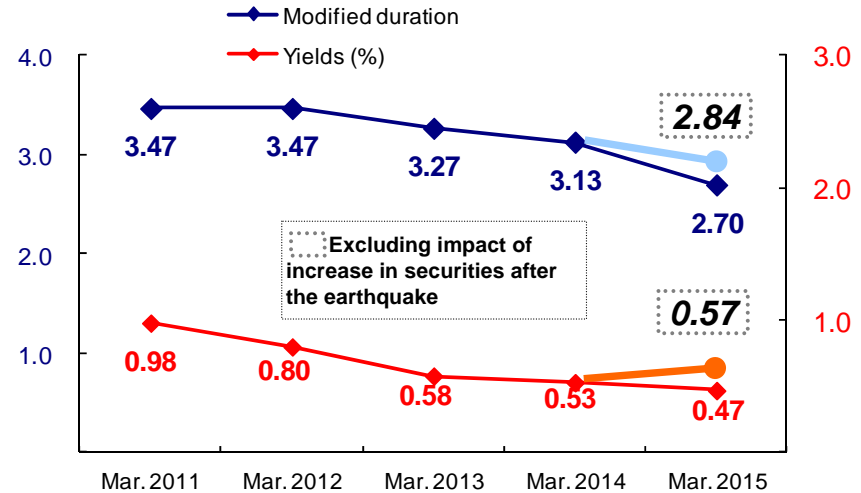
- Continued investments mainly in short- and medium-term public bonds in light of the decrease in public deposits and the interest rate risk.
- Increase in valuation gains on stocks and investment trusts, mainly due to the rise in stock prices, etc.

<Additional investment accompanying the significant increase in deposits following the earthquake>

	End-Mar. 2014	End-Mar. 2015
Investment balance	Approx. JPY 940.0 billion	Approx. JPY 810.0 billion
Yield	0.30%	0.31%
Modified duration	2.48	2.35

<Yields and modified duration of yen-denominated bonds>

\* Yen-dominated bonds other than investment trusts



<Balance of securities (based on market value)>

(JPY bn)

	End-Mar. 2011	End-Mar. 2012	End-Mar. 2013	End-Mar. 2014	End-Mar. 2015	YoY change	YoY change, %	Gains (losses) from revaluation end-Mar. 2015	Change from end-Mar. 2014
<b>Securities</b>	2,118.0	2,849.4	3,402.9	3,716.5	3,683.6	(32.9)	(0.9) %	183.6	69.0
<b>Bonds</b>	2,024.1	2,764.3	3,304.6	3,603.7	3,541.1	(62.6)	(1.7) %	103.3	39.3
<b>(Yen-denominated bonds)</b>	1,780.9	2,552.6	2,966.0	3,177.0	3,036.4	(140.6)	(4.4) %	39.1	(0.2)
National gov. bonds	864.8	1,577.1	1,993.1	2,152.4	2,003.3	(149.1)	(6.9) %	22.5	(0.2)
Floating-rate national gov. bonds	365.5	319.6	315.5	318.1	317.4	(0.7)	(0.2) %	5.0	(0.7)
Local gov. bonds	107.9	82.2	87.9	76.5	75.6	(0.9)	(1.2) %	0.9	0.3
Corporate bonds	760.7	865.7	865.7	933.9	950.7	16.8	1.8%	15.7	(0.2)
Others	290.7	239.3	357.9	440.9	511.5	70.6	16.0%	64.2	39.4
Investment trusts, etc.	125.1	129.2	190.3	214.6	274.7	60.1	28.0%	63.8	36.5
Foreign bonds	165.6	110.1	167.6	226.3	236.8	10.5	4.6%	0.4	2.9
<b>Stocks</b>	93.9	85.1	98.3	112.8	142.5	29.7	26.3%	80.3	29.7

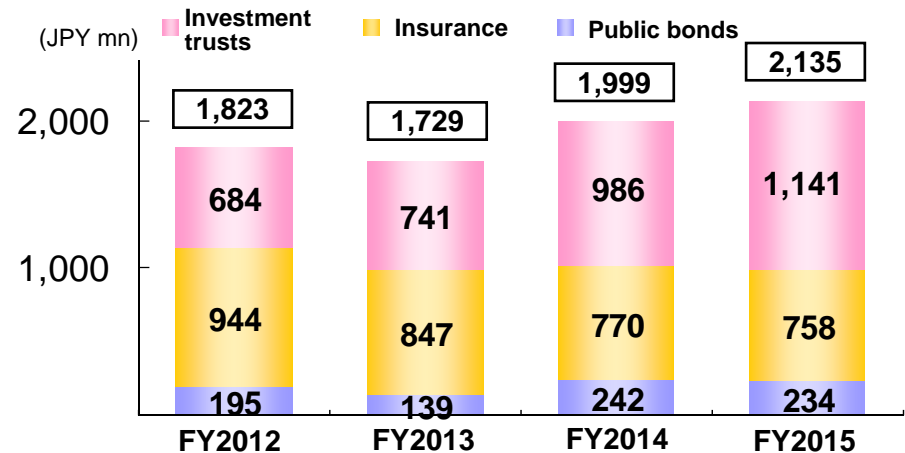
(JPY bn, %)

Sales of assets in custody	FY2014	FY2015	
			YoY change
<b>Total</b>	185.4	180.7	(2.5)
Investment trusts	32.6	44.1	35.2
Insurance	46.3	47.6	2.8
Public bonds	106.5	89.0	(16.4)

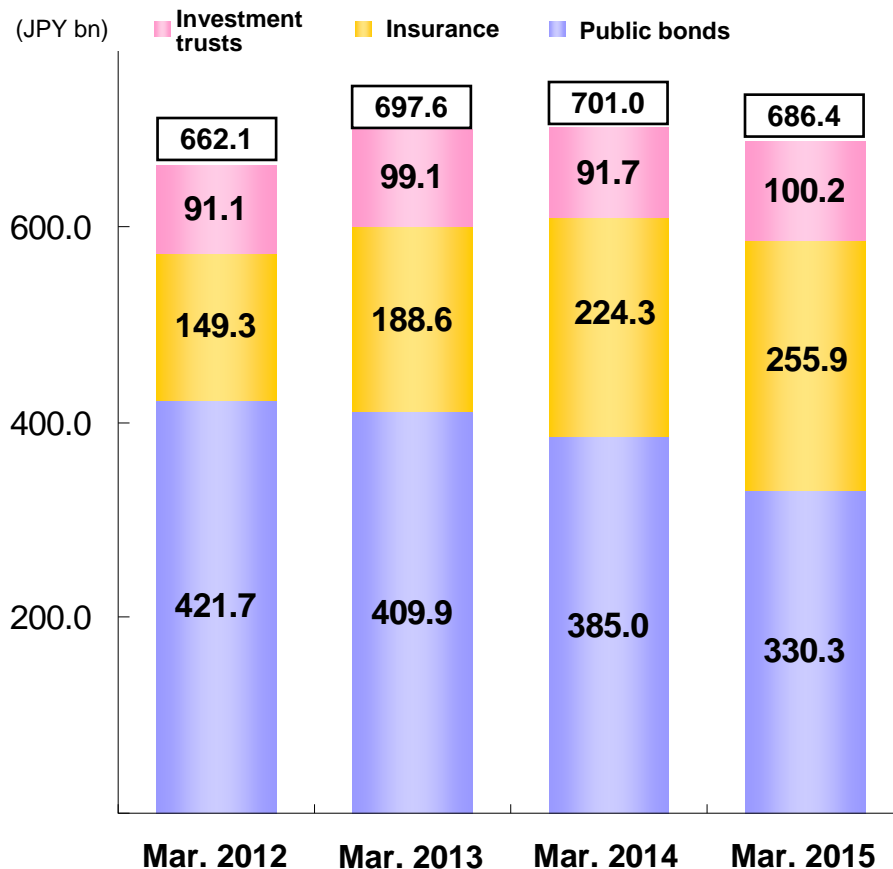
<FY2015 summary>

Fees and commissions increased due to the steady sales of investment trusts and insurance that offset the decline in sales of public bonds owing to lower yields.

<Sales commissions of assets in custody>



<Balance of assets in custody>



<Current status of assets in custody>

■ Strengthened sales of investment trusts and insurance

○ Sales structure

- Cooperation between HQ money advisors and branch representatives, visiting customers together
- Expansion of counters dedicated to insurance (Jun. 2014, Opening of the 77 Nagamachi Minami Insurance Plaza)

○ Responding to NISA

- Obtaining resident cards on behalf of customers (heightened customer convenience)

Number of tax-exempt accounts opened: 16,943

○ Expansion of product line-up

- Introduction of wrap funds (Jan. 2015, cultivating inexperienced investors)

Funds sold: 463 /approx. JPY 700 million

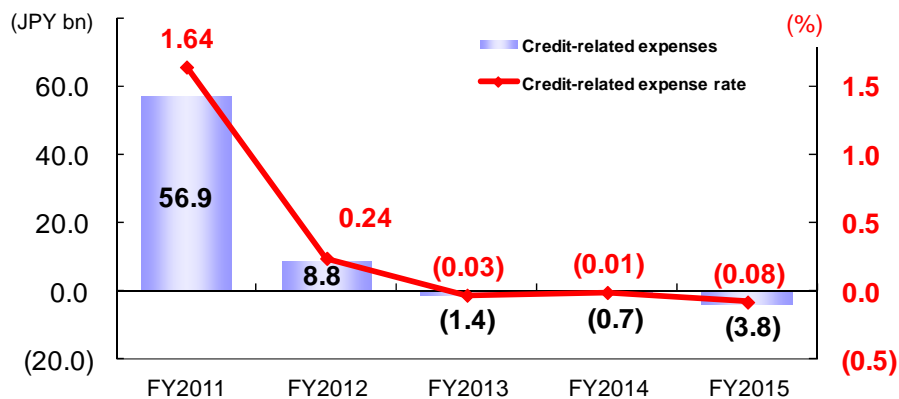


# Credit-related expenses/capital adequacy ratio/ credits disclosed under the Financial Reconstruction Law

## 1. Financial Results for FY2015

### ■ Credit-related expenses

#### ■ Credit-related expenses and credit-related expense rate trends



### ■ Capital adequacy ratio

#### ■ Capital adequacy ratio

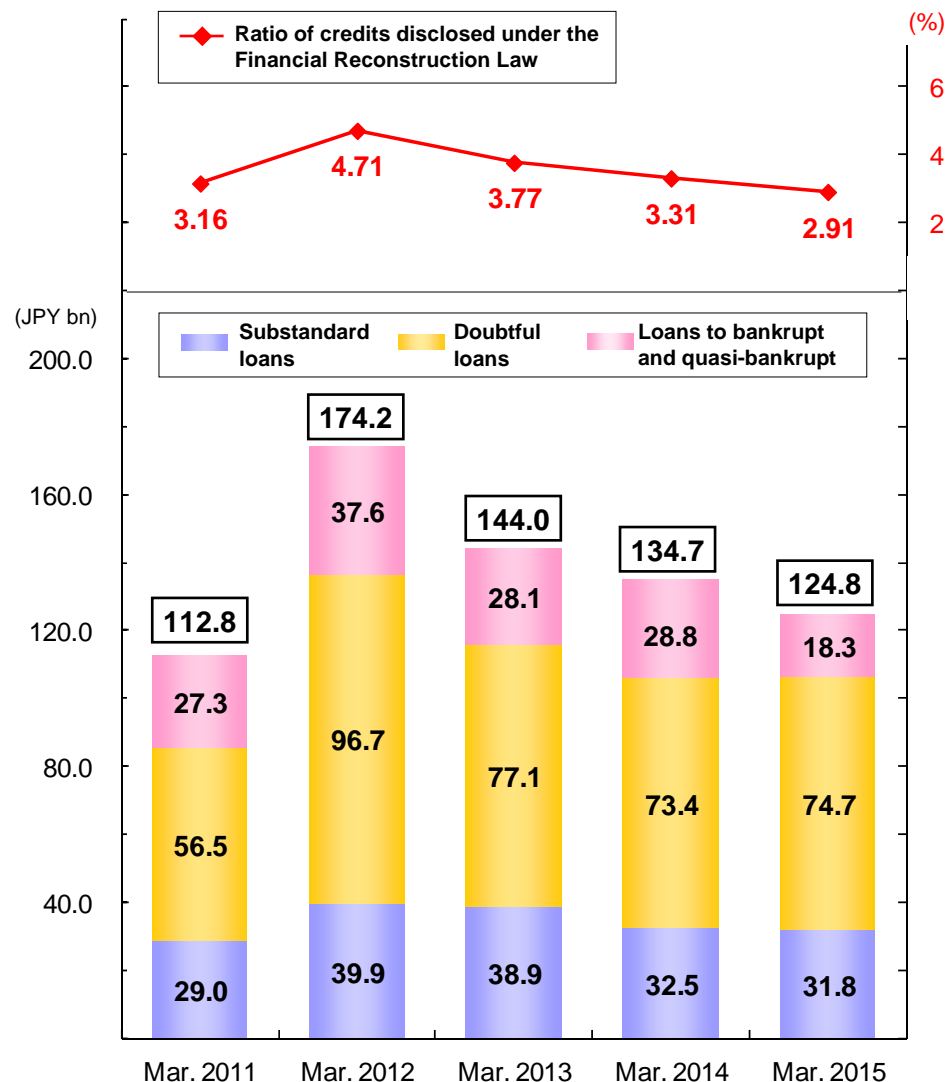
(JPY bn, %)

	End-Mar. 2014	End-Mar. 2015
Capital adequacy ratio (non-consolidated/ domestic standards) (a/c)	12.33	12.19
Capital (a)	359.6	373.8
[Core capital: instruments and reserves]	359.6	373.8
[Subordinated loans] * (b)	20.0	20.0
[Core capital: regulatory adjustments]	—	0.0
Risk assets (c)	2,916.1	3,065.9
(Ref.) Capital adequacy ratio [excluding subordinated loans] (a - b) / c	11.64	11.53

\* We are looking to discuss the subordinated loans (public funds) with the authorities around the end of June 2015 to discuss a repayment schedule.

### ■ Credits disclosed under the Financial Reconstruction Law

#### ■ Credits disclosed under the Financial Reconstruction Law



\* The balance of credits disclosed under the Financial Reconstruction Law as of Mar. 2011 shown above indicates the balance before we carried out self-assessments in consideration of the effect of the earthquake.

# 2. Outline of the Medium-term Management Plan Summary of the previous Medium-term Management Plan "POWER for the Future"

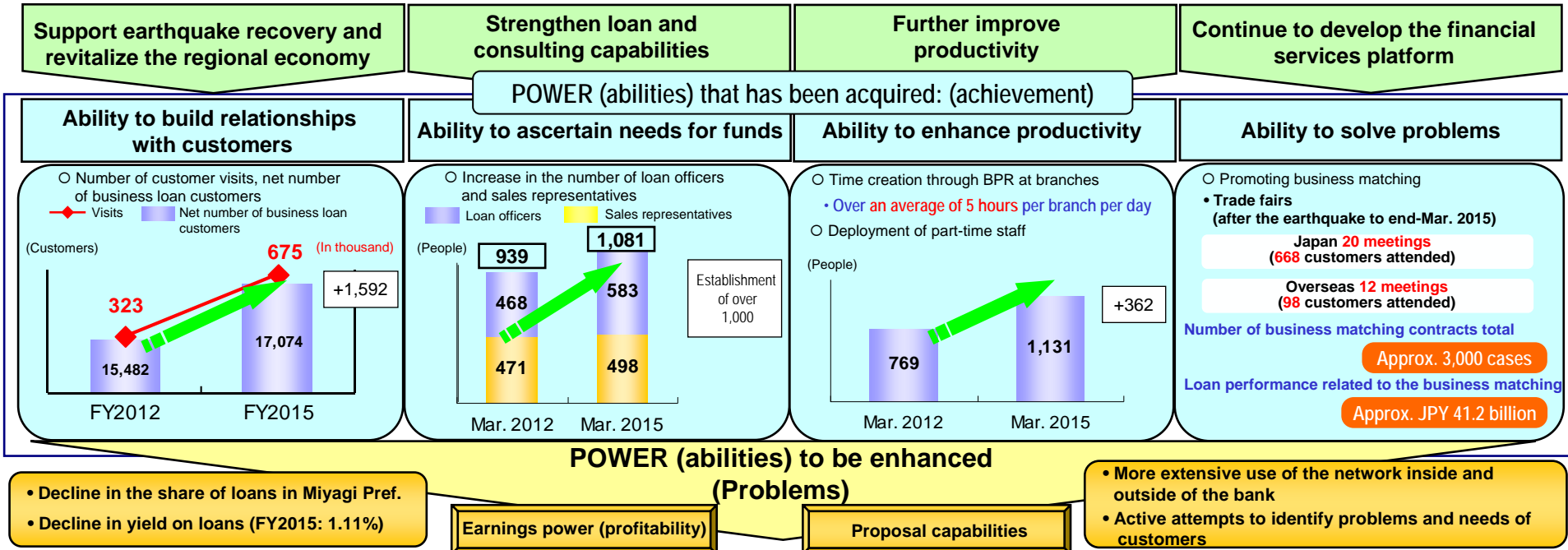
## Outcome and assessment of basic objectives

(JPY bn)

Basic targets		FY2012	FY2013	FY2014	FY2015	vs. Basic targets
Balance of retail loans and bills discounted (at the end of FY2015)	JPY 2,150 billion or more	2,093.3	2,138.3	2,261.3	2,410.3	<b>Achieved</b> +260.3
Balance of retail loans and bills discounted in Miyagi Pref. (at the end of FY2015)	JPY 2,000 billion or more	1,931.1	1,969.9	2,086.3	2,214.6	<b>Achieved</b> +214.6
Sales of investment trust, insurance, and public bond (total during Medium-term Management Plan)	JPY 450 billion or more	—	144.5	329.9	510.6	<b>Achieved</b> +60.6
Net income	In mid-years: JPY 11 billion or more Final year: JPY 13 billion or more	10.6	12.1	14.7	16.9	<b>Achieved every year</b>
Core OHR (core gross operating income expense ratio) (FY2015)	Less than 67%	67.18%	68.52%	68.87%	71.07%	Unachieved +4.07%

Note: Balance of loans and bills discounted excluding local government and other public authority, Tokyo, Osaka, and Nagoya areas branches as well as head office accounts

## Outcome and assessment of priority measures

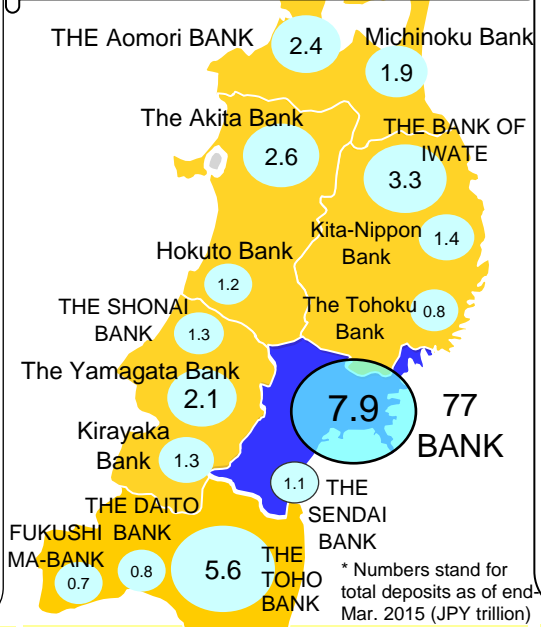


1. Socioeconomic environment

Miyagi Pref.

- Two developments
  - Progressing earthquake reconstruction (A new approach to town planning)
  - Industrial transformation through agglomeration of manufacturing industries (Ex. TOYOTA MOTOR EAST JAPAN, INC.)
- Progress of the regional development project in the Sendai Economic Zone
  - Sendai Umino-mori Aquarium (to open in Jul. 2015)
  - Sendai Subway Tozai Line (to open in Dec. 2015)
  - Privatization of Sendai Airport etc.
- Aging and decreasing population
- Globalization and hollowing-out of domestic industry

Distribution of regional banks in Tohoku and total deposits



2. Financial environment

Regional banks

- Intensifying competition due to more banks entering the market in expectation of loan demand
- Ongoing management integration and wide-area alliances for survival
- Ultra-low rates to continue on the back of monetary easing
- Rise of online and retailer-affiliated banks
- Move away from deposits toward investments
- Uncertainty in the international financial markets



- Disaster prevention mass relocation business, etc.
- 195 planned zones
- Approx. 15,500 houses are planned to be built as public housing for victims
- Approx. 10,500 housing lots planned to be developed as land lease/lots for sale



- Trends in infrastructure improvements accompanying the reconstruction and regional developments, etc.

Infrastructure improvements in the reconstruction	Complete opening of JOBAN EXPRESSWAY (Mar. 2015)
	Reopening of JR Senseki Line (May 2015)
Trends in regional developments, etc.	Extension of SANRIKU EXPRESSWAY (as far as Hachinohe)
	Redevelopment of Sendai Station East Exit
	Relocation of the campus of TOHOKU UNIVERSITY

Eight management issues that need to be resolved in light of the achievements and reflection of the previous Medium-term Management Plan and changes to the business environment

Accelerating earthquake reconstruction	Growth and development of the region (regional revitalization)	Strengthening profitability	Maintaining and improving financial soundness
Differentiation from competitors	Activating intra-bank communications	Training of personnel and raising motivation	Migration to and effective use of MEJAR

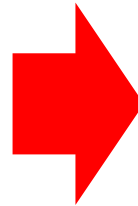
■ Bank Image Sought by The 77 Bank

“Value-creating bank that grows together with and is the most trusted by the region”

■ Name

Medium-term Management Plan “VALUE UP: Challenge Value Creation”

- Vitality
- Activity (Action)
- Low-cost (Improved productivity)
- Utility (Contribution)
- Effort



Code of Conduct of Officers and Employees

We will take action with vitality, undeterred by changes, and further improve productivity. At the same time, in order to contribute to the region, we will make our best efforts and unceasingly take on challenges of value creation.

■ Period

Three years (from April 1, 2015 to March 31, 2018)

■ Basic policies

1. Strengthen earthquake recovery support
2. Reinforce the earnings base
3. Enhance the value of the region
4. Smooth migration to and utilization of MEJAR



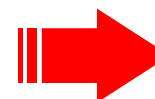
## Basic objectives

Targets for the final year of the Plan (FY2018)

Earnings power	Enhancement of profitability	<ul style="list-style-type: none"> <li>• Net income (*) JPY 20.0 billion or more</li> <li>• Increase of interest on loans and discounted [compared with FY2015] JPY 1.5 billion or more</li> <li>• Fees and commissions JPY 10.5 billion or more</li> </ul>
	Pursuit of efficiency	<ul style="list-style-type: none"> <li>• Core OHR (core gross operating income expense ratio) Less than 65%</li> </ul>
Proposal capabilities	Increase of the market shares	<ul style="list-style-type: none"> <li>• Increase of loans and bills discounted in Miyagi Prefecture JPY 250.0 billion or more (balance as of March 31,2018) [compared with the balance as of March 31,2015]</li> <li>• Increase of loans and bills discounted in Sendai JPY 150.0 billion or more (balance as of March 31,2018) [compared with the balance as of March 31,2015]</li> </ul>

\*When net income of JPY20.0 billion or more is achieved, ROE (net income basis) is expected to be around 5%.  
(JPY bn)

	FY2005 (10 years ago)	FY2012 (3 years ago)	FY2015
Net income	8.9	10.6	16.9
Interest on loans and bills discounted	54.9	52.7	45.4
Fees and commissions	10.4	9.5	10.3
Core OHR	66.20%	67.18%	71.07%
Loan balance in Miyagi Pref.	2,425.7	2,657.5	2,917.7
(ref.) ROE	2.71%	3.51%	4.00%
(ref.) Market capitalization	297.8	139.9	260.6



FY2018 Target
JPY 20.0 billion or more
JPY 47.0 billion or more
JPY 10.5 billion or more
Less than 65%
JPY 3,170.0 billion
(ref.) around 5%
—

## The Bank's Configuration in 10 Years (Long-term vision)

“Leading bank in the Tohoku region with scale and earnings power ranked within the top 10 regional banks based on the established earnings base capable of coping with any change in the business environment through creation of new value in the region”

1. Total of deposits, loans and assets in custody: around JPY 15 trillion (as of March 31,2015: JPY 12.8 trillion)  
—Achieve deposits of JPY 8 trillion and loans of JPY 5 trillion—
2. ROE (net income basis): around 7% (FY2015: 4.0%)

With reconstruction support according to the stage, we will support the reconstruction from the earthquake.

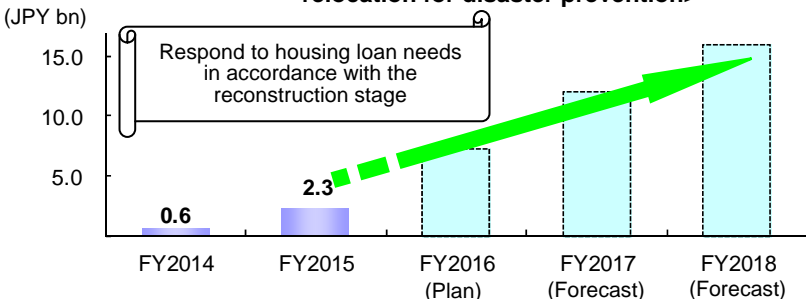
■ Active provision of risk money

- **Earthquake disaster-related loan** (after the earthquake to end-Mar. 2015) 19,981 cases / JPY 498.2 billion
- **ABL performance** (after the earthquake to end-Mar. 2015) 90 cases / JPY 15.0 billion
- **Recovery development assistance projects for SME group facilities**
  - Related loans** (after the earthquake to end-Mar. 2015)
    - Bridging finance performance 637 cases / JPY 45.7 billion
    - Portion of own funds performance 144 cases / JPY 10.9 billion

Redoubled efforts to provide more funds

- **Assessment by resident credit officer (presence of locally-based credit officer)**
  - Swift credit response in earthquake-affected areas (trial in Apr. 2015)
- **Use of reconstruction support fund**
  - **Miyagi Reconstruction and Regional Revitalization Support Fund** (established in Dec. 2014 with REVIC and DBJ)
    - ⇒ Executed the first loan in Mar. 2015
- **Housing loans dedicated for borrowers subject to mass relocation for disaster prevention**
  - Aiming to accelerate mass relocation for disaster prevention

<Plans for housing loans dedicated for borrowers subject to mass relocation for disaster prevention>



■ Strengthening support for business reconstruction and for operations improvement

- **Use of credit purchase corporations**

(The Great East Japan Earthquake SME Reconstruction Support Fund, Organization for Industry Promotion)

(after the earthquake to end-Mar. 2015) Support (to be) provided: 219 cases
- **Use of guidelines for Individual Debtor Out-of-Court Workouts** (\*)

(after the earthquake to end-Mar. 2015) Agreements :192 cases

(\*) No cases of disagreement so far

- **Business operations improvement support (FY2015)**
  - Number of business operations improvement support plans developed 2,709 customers
  - Of which, upgraded to higher borrower category 294 customers

We will continue to deal squarely with business reconstruction and operations improvement

- **External specialists in the Credit Supervision Division (Mar. 2015: six experts) (on an on-going basis)**
  - Specialized support in coordination with the Enterprise Assistance Dept (12 members)
  - Honing of bank employee skills by visiting customers together with external specialists
- **Cooperation with the Regional Economy Vitalization Corporation of Japan (REVIC)**
  - Dispatching specified experts (on contracts dated Aug. 2014)
  - Learning expertise through personnel exchanges (From Mar. 2015, one employee dispatched to REVIC)
- **Follow-ups for businesses that used credit purchase corporations**
  - Provision of funds, business matching, introduction of public support schemes, etc.



■ Contribution to the reconstruction and development of the region

■ Support for the growth of local industry

○ Support for start-ups and new operations

• Cooperation with other support organizations

- Sendai Startup Support Network (Jul. 2014)
- Japan Finance Corporation (Jul. 2014)
- General Incorporated Association MAKOTO (Aug. 2014)
- SHOKO CHUKIN BANK (Dec. 2014)

Entrepreneurial seminar for women (Oct. 2014)



Accumulation and use of support expertise

○ Help in applications for start-up subsidies and promotion of related loan schemes

○ Industry-academia-government cooperation and use of other organizations

○ Focus on growth fields

• Dedicated staff in the Regional Development Dept.

Renewable energies

Agriculture, the sixth industrialization

Medical and nursing care

Manufacturing



Refining support expertise through cooperation with outside experts

○ Use of the sixth industrialization fund

○ Expansion of loan product line-up for growth fields

○ Helping local manufacturers expand into new operations

■ Promoting regional revitalization

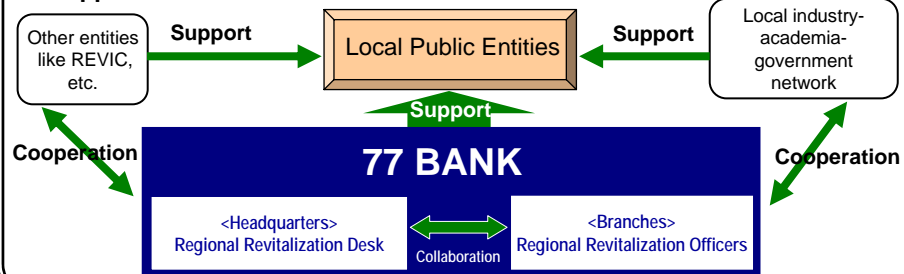
○ Comprehensive strategy for revitalizing the community, people, and work

- Realizing self-supportive and sustainable local communities
- Using local resources, creating jobs, revitalizing the regional economy

Active involvement as a regional bank

○ Organizational structure for support (Apr. 2015)

- Establishment of the “Regional Revitalization Desk” (Three members of the Regional Development Dept.)
- Thirty-three branch managers dealing with local public entities assigned as regional revitalization officers
- Creation of regional comprehensive strategy, active involvement for promotion
- Approach to PPP/ PFI



<77>

Community-building College

- Providing local government workers with information on problems relating to the aging public infrastructure and the use of PFI for solutions.



Concerted efforts to address low profitability

■ Rebalancing of loan assets—Aiming to increase interest income by shifting to high-profitability assets

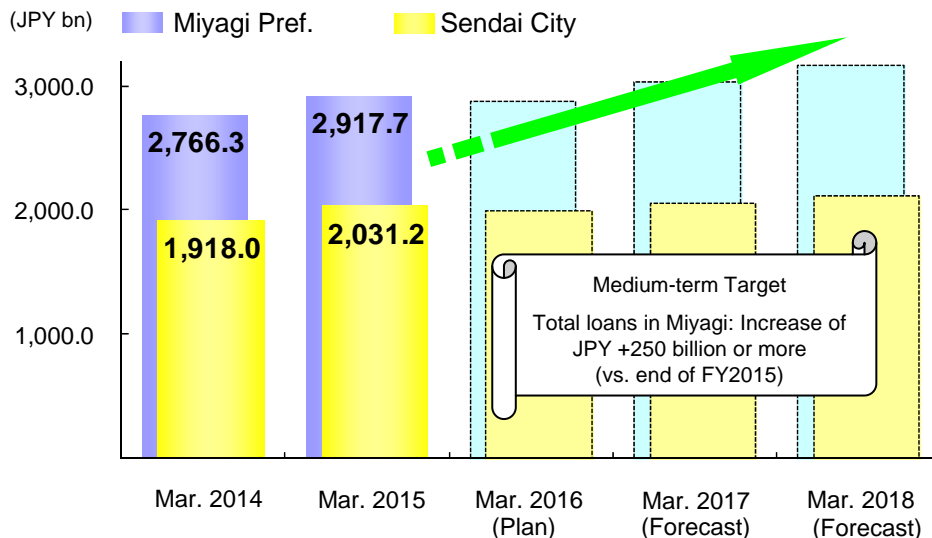
○ Corporate loans

- **Strengthening SME lending in the region**
  - Redoubling efforts to deal with sub-performing loans
  - Closer cooperation between HQ public relations, Credit, and branch offices
  - Region-wide marketing targeting prime customers
  - Information-based marketing tailored to customer needs
- **Identifying high-yielding loan deals**
  - Proposal-based marketing from the perspective of experts
  - Promoting cross-border loans and structured financing, etc.

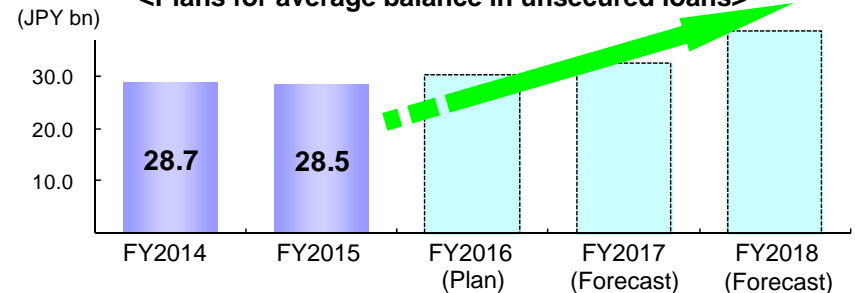
○ Retail loans

- **Promoting unsecured loans**
  - Enhancing sales and contract response capabilities
  - Ensuring that cross-sale opportunities are taken
- **Promoting housing loans**
  - Targeting housing manufacturers through closer cooperation with loan centers (seven in the prefecture) and branch offices
  - Ascertaining fund needs with an eye on community building developments, such as the promotion of mass relocation for disaster prevention and the opening of the Tozai subway line
  - Capturing renovation deals

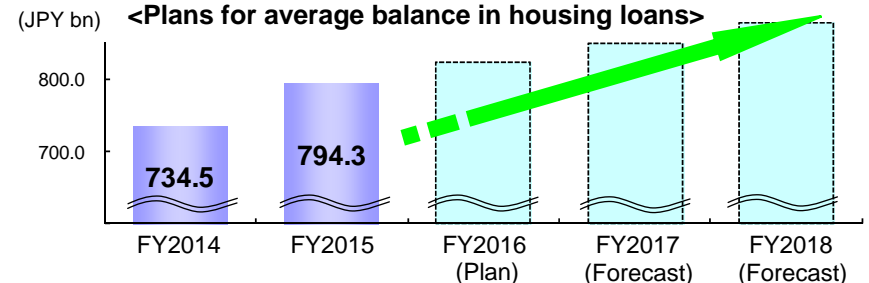
<Plans for year-end loan balance in Miyagi Pref. and Sendai City>



<Plans for average balance in unsecured loans>



<Plans for average balance in housing loans>





■ Rebalancing securities portfolio

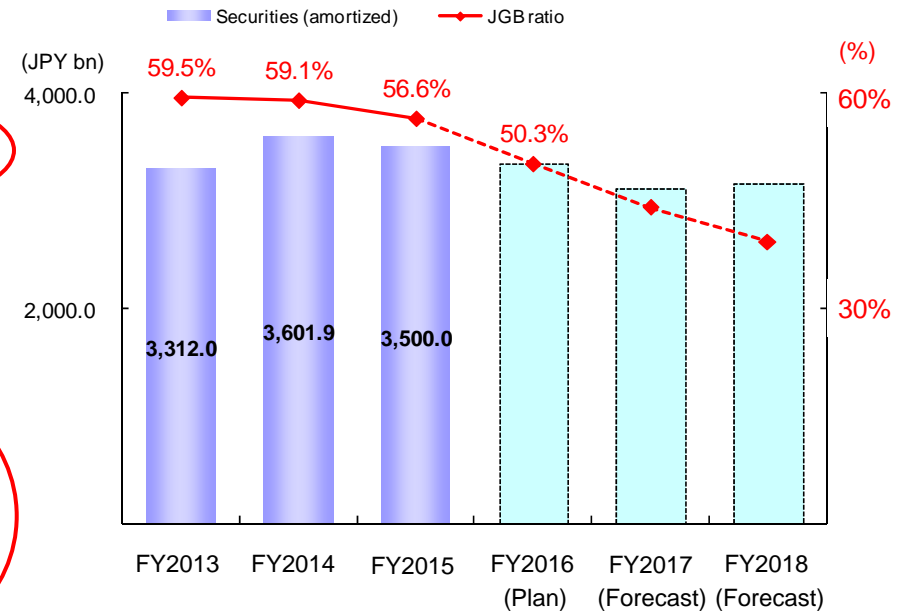
—Rebalancing the portfolio response to changes in the investment environment and reinforcing income sources

- Shift from a JGB-centered portfolio
- Reinforcing income sources through diversification of investment targets
- Securing income through responsive trading
- Efficient use of securities holdings through repo and other transactions
- Continuing to invest and source yen and foreign currencies in a stable and efficient manner
- Sophistication of risk management (Proactive management of the risk of rising interest rates)

<Composition ratio by type >  
(on an amortized cost base)

	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015	Mar. 2016 Plan
National gov. bonds	40.6%	55.4%	59.5%	59.1%	56.6%	50.3%
Local gov. bonds	5.1%	2.8%	2.6%	2.1%	2.1%	3.7%
Corporate bonds	36.0%	30.3%	25.5%	25.5%	26.7%	28.0%
Stocks	3.4%	2.4%	1.9%	1.7%	1.8%	1.8%
Others	14.9%	9.1%	10.5%	11.6%	12.8%	16.2%
Investment trusts, etc.	6.9%	5.2%	5.4%	5.2%	6.0%	7.6%
Foreign bonds	8.0%	3.9%	5.1%	6.4%	6.8%	8.6%

<Plans for balance of securities and JGB ratio>



■ Boosting non-interest income

■ Reinforcing efforts to market assets-in-custody services

- Achievement of the previous medium-term target: investment trusts, insurance, public bonds sales JPY 450 billion

JPY 510.6 billion sold

Ascertaining customer needs, responding to cuts in market interest rates

○ Target for investment trusts and insurance sales (during the mid-term plan): JPY 270 billion

- Opening of NISA accounts (17,000 (Mar. 2015) ⇒ 35,000 (Mar. 2018 target))
- Proposal-based marketing for the wealthy through cooperation between the HQ and branches (JPY bn, %)

Sales of assets in custody	Previous mid-term 3 years	New mid-term 3 years	Change
<b>Total</b>	<b>236.2</b>	<b>270.0</b>	<b>14.3</b>
Investment trusts	97.9	120.0	22.6
Insurance	138.3	150.0	8.5

■ Diversification of sources of income

- Reinforced measures for business succession
- Identifying latent needs for M&A

355 proposals during FY2015

Cultivation of new business fields

○ Reinforcement of the securities business

- All branches in Tohoku and Hokkaido now handle securities (public structured bonds) (Mar. 2015)

○ Creation of new business opportunities through measures for business succession and inheritance

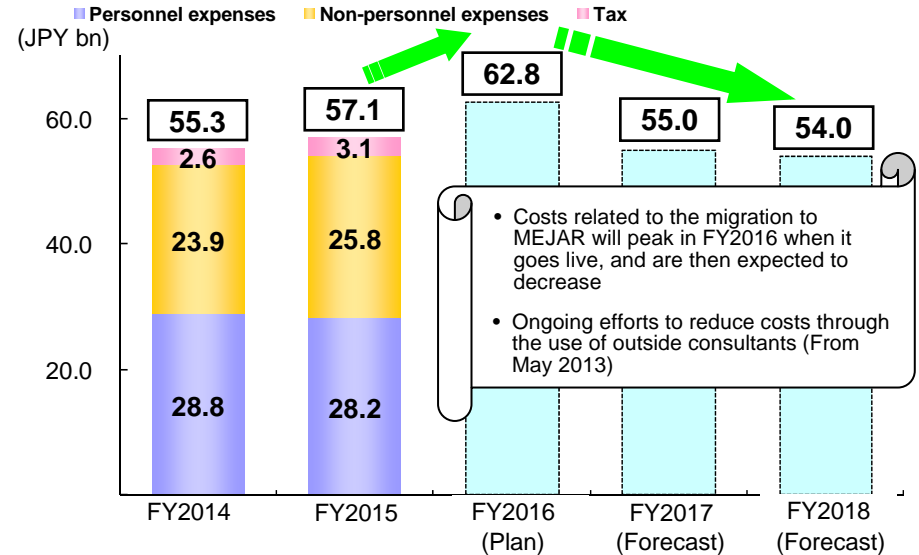
- Ascertaining fund needs and promoting assets in custody services through proposal-based marketing

○ Boosting the M&A business

- Cooperation with Nihon M&A Center (one employee dispatched)

■ Pursuit of further productivity

■ Expenses



○ Targets for Core OHR (FY2018): Less than 65%

FY2014	FY2015	FY2016 (Plan)	FY2017 (Forecast)	FY2018 (Forecast)
68.8	71.0	79.5	68.6	64.9

■ Further pursuit of operating efficiency

- BPR applied to more operations
  - ⇒ Loan operation BPR: Electronic credit application
  - ⇒ HQ operation BPR: Review day-to-day operations

Decrease in hours during previous mid-term plan  
Over 5 hours (Average of per day per branch)

Use of MEJAR

Strengthening the sales organization, creating more time for dealing with customers

Realizing sustainable growth through enhancing of the values of the region and 77 bank

■ Demonstrating a marked presence in the region

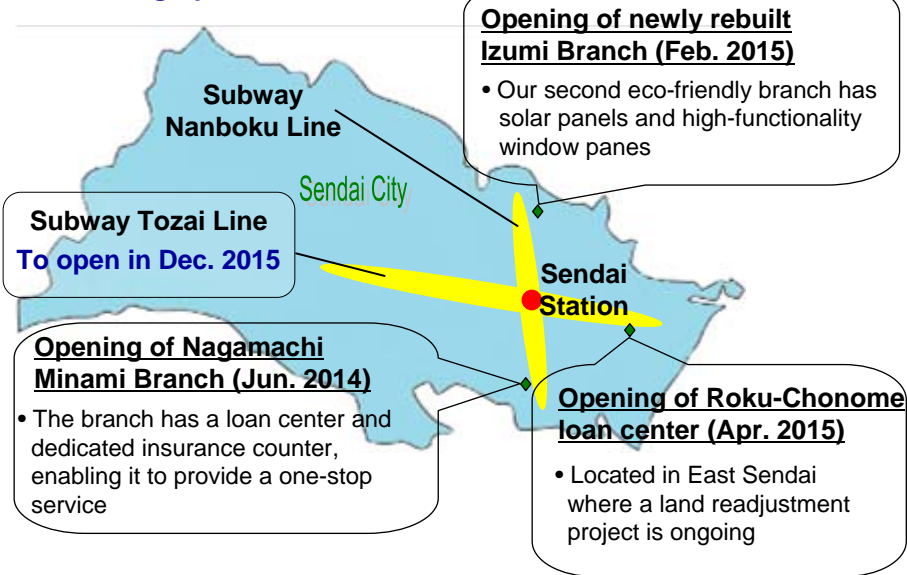
■ Reinforcing the customer base and sales power

- Increasing the number of effective meetings (improving the quality of meetings)

➔ Identifying customer issues and needs and proposing solutions

- Closer cooperation between HQ public relations and branches

- Branch and ATM network that reflects regional development and demographics

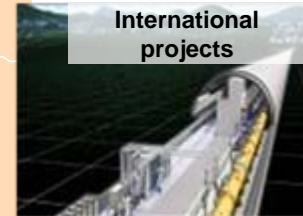


- Expansion of non-face-to-face channels

- Enhanced functionality of ATMs and online banking
- Measures to attract younger customers
- Effective use of MEJAR, a shared system

■ Reinforcing and utilizing the information network

- Expansive use of the flow of commerce, goods, people and information, centered around the Sendai Economic Zone
- Effectively utilizing the network with outside organizations, experts, and other banks



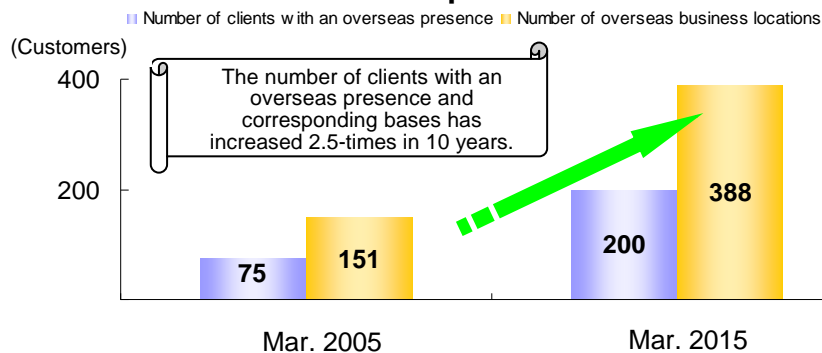
Reinforced support for overseas business

- Providing specialized help through the "Asia Business Support Dept."
  - Promoting new and comprehensive deals prompted by overseas business
  - Expanding the overseas network
- \*10 years since the opening of the Shanghai Representative Office (Jul. 2015)

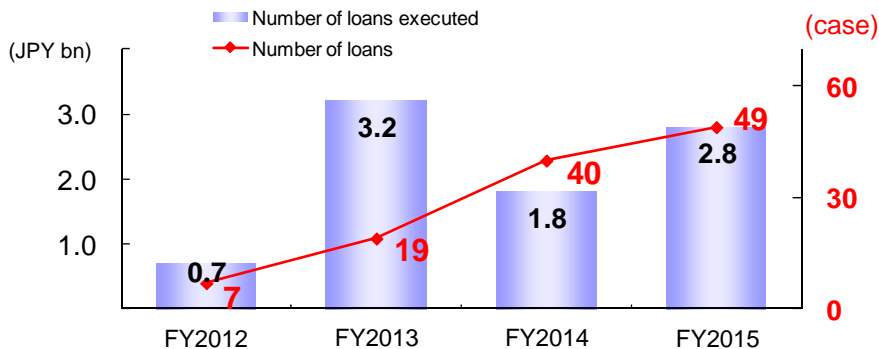
ASIA Business Exchange 2015 (Feb. 2015)



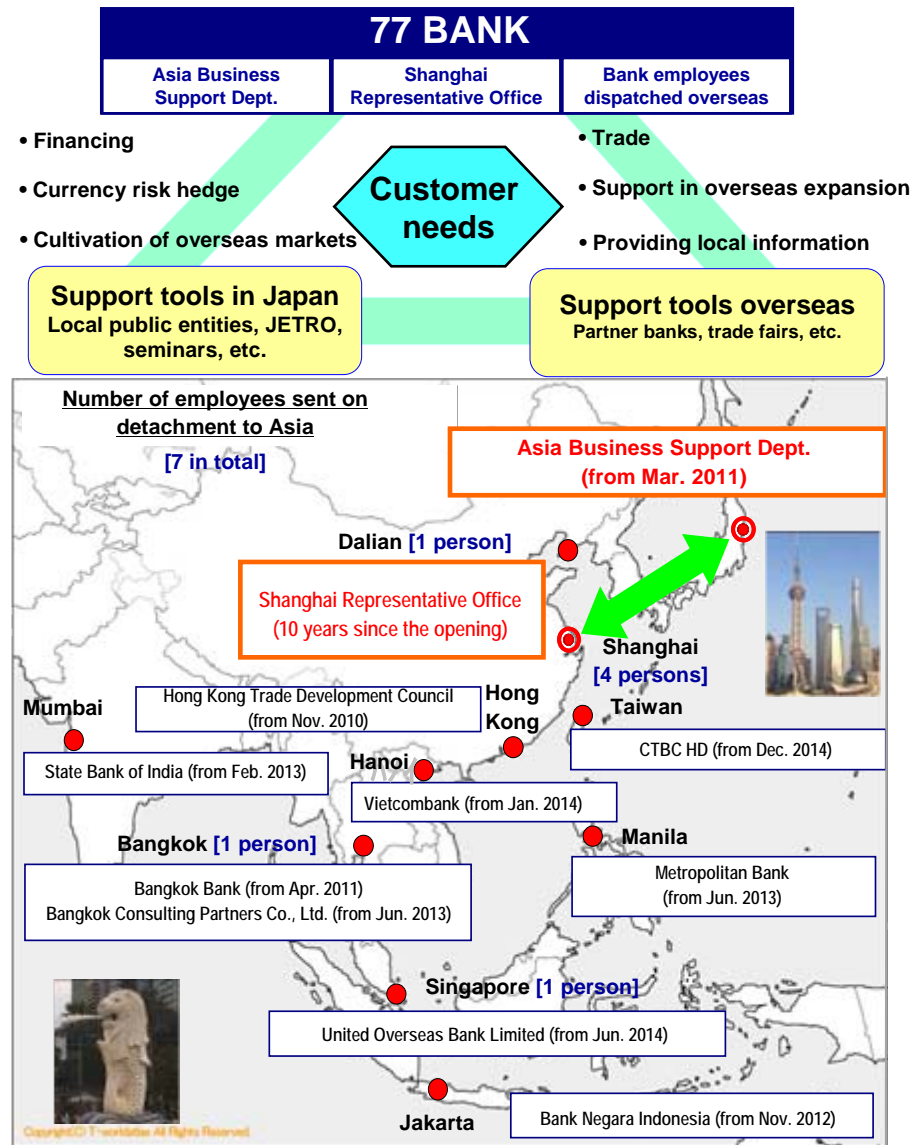
<The overseas expansion of our clients >



<Loans related to overseas business support>



<Overseas business support tools>



■ Enhance the 77 Bank Brand

■ Improving customer convenience

- Increase in paperless, non-seal-based transactions
- Streamlining document requirements
- Decreasing waiting time
- Providing “heartwarming,” customer services

Wheelchairs at the ready in all branches in Miyagi Pref. (Dec. 2014)



■ Increasing the value of human resources

○ Enhancing loan and consulting abilities

- Now that we have over 1,000 employees in loan and sales, we are continuing with the focus points of the previous medium-term plan.

○ Developing personnel with specialized knowledge

- Overseas trainees (investment, supporting overseas business), studying overseas for short periods, dispatching to REVIC, etc.

■ Boosting organizational and employee motivation

○ Promoting diversity (promoting the activities of women employees, etc.)

○ Individual commendation in the area of sales

\* Promoting female employees

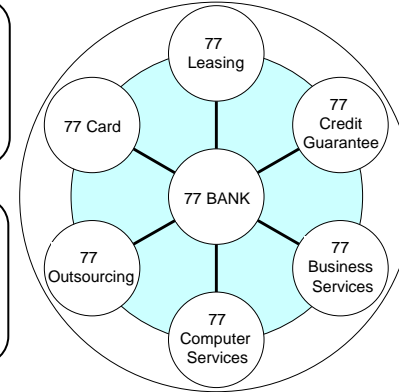
Ratio of female employees	End-Mar. 2009	End-Mar. 2015	Increase from end-Mar. 2009
Managerial position	7%	10%	Approx. 40
Loan officers/sales rep.	9%	24%	Approx. 190

■ Boosting of the value of the 77 BANK Group

○ Provision of comprehensive financial services

Realizing synergies through cross-introduction of deals

Providing solutions through the use of group functions



Reinforcing retail loans through closer cooperation with credit guarantee companies

Promoting BPR through streamlining and the centralization of operations

■ Improving shareholder value

○ Increased IR events (during previous medium-term plan)

**7 occasions for individuals (835 people attended),  
25 occasions by region (1,526 people attended)**

○ Responding properly to the corporate governance code

○ Continuing to provide stable dividend payouts

(JPY)

	Mar. 2010	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015 (Estimate)	Mar. 2016 (Forecast)
Annual dividends	7.0	6.0	7.0	7.0	7.5	8.5	9.0
Dividend ratio	22.7%	—	24.6%	21.5%	19.0%	18.8%	23.2%

<Ref.> Recent case of a share buy-back

- Period: Feb.–Apr. 2011
- Number of shares acquired: 5,563,000
- Total value of shares acquired: Approx. JPY 2.5 billion

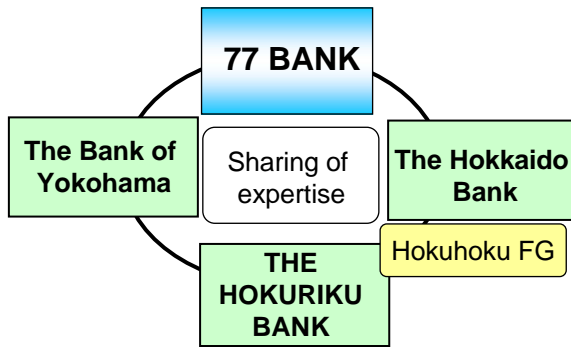
\* Apr. 2011: Suspended due to the effects of the earthquake



With the concerted efforts of the bank and the group, we are aiming to realize a smooth migration to MEJAR on Jan. 4, 2016

**MEJAR**

Most Efficient Joint Advanced Regional banking-system



**<Systems to be shared>**

- Core systems (including deposits, exchange, loans, etc.)
- ATM, online banking
- Divisional system, other

**○ Our handling of the migration to MEJAR**

- 46 dedicated employees were deployed and are preparing for the migration (conducting tests, etc.)
- Training at all branches (testing at all branches starting in Jun. 2015)
- Working to explain to customers the changes in products and services, etc. due to the migration

Approx. 7 months to go

Expected effects of migration

**■ Rapid presentation of attractive new products and services**

**○ Cooperation between different channels (counter, ATM, online banking)**

- Boosting ability to provide proposals tailored to customer attributes
- Presenting optimal products and promotional messages through direct channels

**■ Enhanced functionality in non-face-to-face channels**

- Improvement of customer convenience and marketing targeted at younger customers through enhancing online banking functions
- Improved profit opportunities through enhancing the functions of ATMs

**■ Creation of sales power through operational efficiency**

- Electronic handling of loan operations with a loan support system
- Further centralization of operations

**■ Reduction and leveling out of system expenses**

- Reducing system-related expenses through the joint development and operation of systems and the joint procurement of equipment, etc.

1. Average balances of major accounts

(JPY bn, %)

	FY2015 results	FY2016 plan	FY2017 forecast	FY2018 forecast	Change vs. FY2015	
					Change	Change
Loans and bills discounted	4,054.5	4,117.5	4,250.5	4,397.0	342.5	8.4
Corporate loans	2,485.2	2,541.0	2,626.0	2,710.0	224.8	9.0
Retail loans	833.2	863.5	891.5	927.0	93.8	11.2
Deposits and certificates of deposits (notes)	7,538.9	7,322.0	7,220.0	7,159.0	(379.9)	(5.0)
Retail deposits	4,507.5	4,577.0	4,645.0	4,708.0	200.5	4.4

2. Term-end balances

(JPY bn, %)

	FY2015 results	FY2016 plan	FY2017 forecast	FY2018 forecast	Change vs. FY2015	
					Change	Change
Loans and bills discounted	4,227.7	4,193.0	4,375.0	4,551.0	323.3	7.6
Balance of loans in Miyagi Pref.	2,917.7	2,880.0	3,030.0	3,170.0	252.3	8.6
Deposits and certificates of deposits (notes)	7,851.0	7,321.0	7,259.0	7,195.0	(656.0)	(8.3)
Sales of investment trusts and insurance	91.7	74.0	96.0	100.0	8.3	9.0
Balance of investment trusts and insurance	356.1	384.5	430.5	485.0	128.9	36.1

Note: We are expecting a decrease in the amount of deposits, mainly due to the outflow of public deposits in conjunction with the progress of the earthquake reconstruction.

3. Incomes and losses

(JPY bn, %)

	FY2015 results	FY2016 plan	FY2017 forecast	FY2018 forecast	Change vs. FY2015
Core gross operating income	80.3	79.0	80.1	83.1	2.8
Interest income	70.2	69.5	71.1	74.5	4.3
Interest on loans and bills discounted	45.4	44.1	45.0	47.1	1.7
Fees and commissions	10.3	9.9	10.2	10.6	0.3
Expenses	57.1	62.8	55.0	54.0	(3.1)
Core operating income	23.2	16.2	25.1	29.1	5.9
Net income	16.9	14.5	Target for the final year of the medium-term plan: JPY 20 billion or more		
Core OHR	71.0	79.5	68.6	64.9	(6.1)
Capital adequacy ratio (domestic standard)	12.2	12.2	12.2	12.3	0.1

(Forecasts for main interest rates)

(%, JPY)

	FY2015 (results)	FY2016	FY2017	FY2018
Unsecured call rate O/N	0.07	0.07	0.07	0.07
JPY TIBOR (3 months)	0.20	0.18	0.18	0.18
5-year JGBs	0.13	0.08	0.18	0.28
10-year JGBs	0.48	0.45	0.65	0.85
Exchange rate (JPY/USD)	110	123	127	131
Nikkei Average (At the term-end)	19,206	18,000	18,500	19,000



(JPY bn)

Projected performance (non-consolidated)	FY2015 (Results)	FY2016 (Plan)	YoY change
<b>Gross operating income</b> [Core gross operating income]	80.1 [ 80.3]	78.0 [ 79.0]	(2.1) [ (1.3)]
Interest income	70.2	69.5	(0.7)
Fees and commissions	10.3	9.9	(0.4)
Other operating income	(0.4)	(1.4)	(1.0)
Gains (losses) on bonds	(0.2)	(1.0)	(0.8)
<b>Expenses</b>	57.1	62.8	5.7
<b>Operating income before provision of general reserve for possible loan losses</b>	23.0	15.2	(7.8)
<b>[Core operating income]</b>	[ 23.2]	[ 16.2]	[ (7.0)]
Provision of general reserve for possible loan losses	—	—	—
Operating income	23.0	15.2	(7.8)
<b>Special income (losses)</b>	7.5	6.8	(0.7)
Bad debt disposals (-)	0.8	0.5	(0.3)
Gains on reversal of reserve for possible loan losses	4.6	5.5	0.9
Gains (losses) on stocks	1.0	1.3	0.3
<b>Ordinary income</b>	30.5	22.0	(8.5)
Extraordinary losses	(0.2)	(0.2)	0.0
Income taxes (incl. deferred taxes)	13.4	7.3	(6.1)
<b>Net income</b>	16.9	14.5	(2.4)
<b>Credit-related expenses</b>	(3.8)	(5.0)	(1.2)

## &lt;Annual dividends&gt;

FY2010 (Results)	FY2011 (Results)	FY2012 (Results)	FY2013 (Results)	FY2014 (Results)	FY2015 (Estimate)	FY2016 (Forecast)
7.0	6.0	7.0	7.0	7.5	8.5	9.0

(JPY)

(JPY bn, %)

Major accounts (average balances)	FY2015 (Results)	FY2016 (Plan)	YoY change
Loans and bills discounted	4,054.5	4,117.5	1.5
Securities	3,616.9	3,434.6	(5.0)
Deposits and certificates of deposits	7,544.6	7,327.0	(2.8)

Ref.

Investment trusts and insurance (term-end balances)	356.1	384.5	7.9
---	-------	-------	-----

(%)

Interest rates/ Interest margin	FY2015 (Results)	FY2016 (Plan)	YoY change
Loans and bills discounted interest rate	1.11	1.07	(0.04)
Securities interest rate	0.78	0.85	0.07
Interest rate on deposits	0.03	0.03	0.00
Interest rate spread	0.88	0.90	0.02
Net interest margin	0.13	0.05	(0.08)

Note: Figures in YoY change shows percentage points.

<Interest rates and other assumptions  
underlying the projection>

	FY2015 (Results)	FY2016 (Forecast)
Unsecured call rate O/N	0.07%	0.07%
JPY TIBOR (3 months)	0.20%	0.18%
5-year JGBs	0.13%	0.08%
10-year JGBs	0.48%	0.45%
Exchange rate (JPY/USD)	¥110	¥123
Nikkei Average (At the term-end)	¥19,206	¥18,000

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.

七十七銀行