

77 BANK

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IR Presentation

Results for First Half of Fiscal Year Ending March 31, 2017

December 6, 2016

Materials were prepared for the Bank's presentation of its results for the first half of fiscal year ending March 31, 2017 held on December 6, 2016.



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1. Financial Summary

Summary of Profits and Losses

(JPY bn, %)

Summary of profits and losses (Non-consolidated)	First half FY2016	First half FY2017	YoY change	
			Increase/ decrease	Rate of change %
Gross operating income	39.6	35.1	(4.5)	(11.3)
[Core gross operating income]	[40.5]	[39.3]	[(1.2)]	[(2.9)]
Interest income	35.8	36.0	0.2	0.4
Fees and commissions	5.0	4.7	(0.3)	(5.6)
Other operating income	(1.2)	(5.6)	(4.4)	
Gains (losses) on bonds	(0.9)	(4.2)	(3.3)	
Gains (losses) on forex transactions	(0.4)	(1.9)	(1.5)	
Expenses	27.2	26.7	(0.5)	(2.0)
Operating income before provision of general reserve for possible loan losses	12.4	8.4	(4.0)	(31.8)
[Core operating income]	[13.3]	[12.6]	[(0.7)]	[(4.8)]
Provision of general reserve for possible loan losses	—	—	—	
Operating income	12.4	8.4	(4.0)	(31.8)
Special income and losses	4.9	5.4	0.5	
Bad debt disposals (-)	0.2	0.1	(0.1)	
Gains on reversal of reserve for possible loan losses	4.2	4.4	0.2	
Gains (losses) on stocks	0.1	0.6	0.5	
Gains (losses) on investments in money held in trust	0.3	0.2	(0.1)	
Ordinary income	17.3	13.8	(3.5)	(20.3)
Extraordinary income	—	—	—	
Extraordinary loss	0.4	0.2	(0.2)	
Income taxes (incl. deferred taxes)	6.1	2.3	(3.8)	
Net income	10.8	11.3	0.5	5.4
Credit-related expenses	(4.0)	(4.3)	(0.3)	

<Core operating income>

Decreased due to a decrease in other operating income mainly in losses on forex transactions, despite an increase in interest income mainly on interest and dividends on securities.

<Ordinary income>

Decreased mainly due to reported losses on the redemption of government and other bonds, despite a decrease in credit-related expenses.

<Net income>

Increased because corporate and other taxes decreased after the reversal of reserve for possible loan losses that had previously provided tax payment.

1. Financial Summary

Interest Income

	First half FY2016	First half FY2017	YoY change
Interest income	35.8	36.0	0.2
Investment income	37.9	37.2	(0.7)
(Interest on loans and bills discounted)	22.1	20.6	(1.5)
(Interest and dividends on securities)	15.6	16.5	0.9
Fund procurement costs	2.1	1.2	(0.9)
(Interest on deposits)	1.5	0.7	(0.8)

(JPY bn)

FY2017 (Plan)	YoY change
67.1	(3.7)

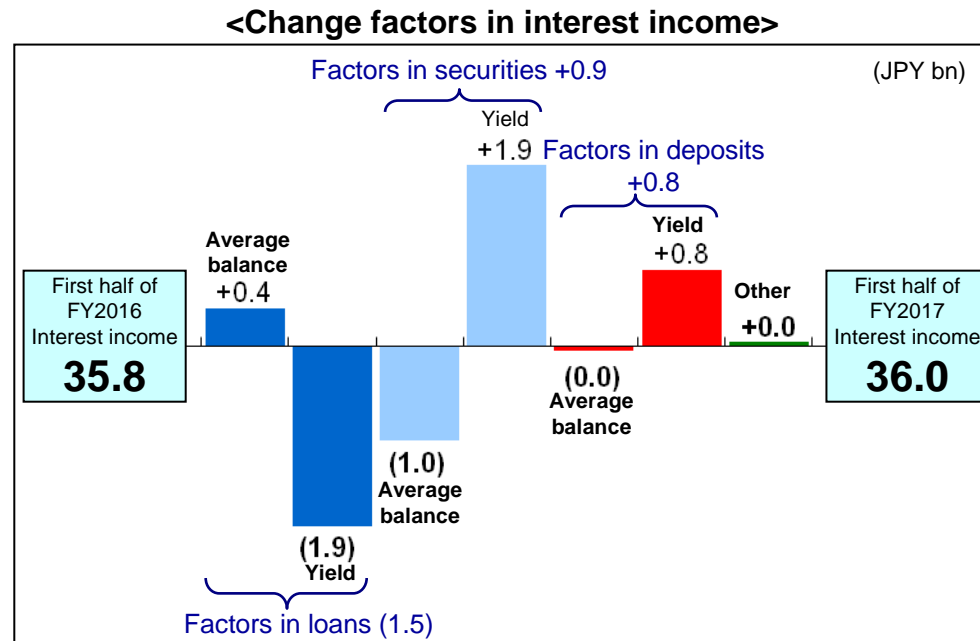
<First half of FY2017 summary>
 Despite a decrease in interest on loans due to falling yields resulting from negative interest rates, interest income increased JPY 200 million YoY due to an increase in interest and dividends on securities and a decrease in interest on deposits, etc.

(JPY bn)

Major accounts (average balances)	First half FY2016	First half FY2017	YoY change
Loans and bills discounted	4,232.5	4,316.2	83.7
Securities	3,521.9	3,270.1	(251.8)
Deposits and certificates of deposits	7,675.9	7,771.2	95.3

(%)

Interest rates/ Interest margin	First half FY2016	First half FY2017	YoY change
Loans and bills discounted interest rate	1.04	0.95	(0.09)
Securities interest rate	0.88	1.00	0.12
Interest rate on deposits	0.03	0.01	(0.02)
Interest rate spread	0.88	0.89	0.01
Net interest margin	0.19	0.21	0.02



<Reference> Trends of market interest rates (%)

	First half of FY2016	First half of FY2017	YoY change
JPY TIBOR (3 months)	0.17	0.07	(0.10)
5-year JGBs	0.09	(0.24)	(0.33)
10-year JGBs	0.40	(0.13)	(0.53)

1. Financial Summary

Loans and Bills Discounted

(JPY bn, %)

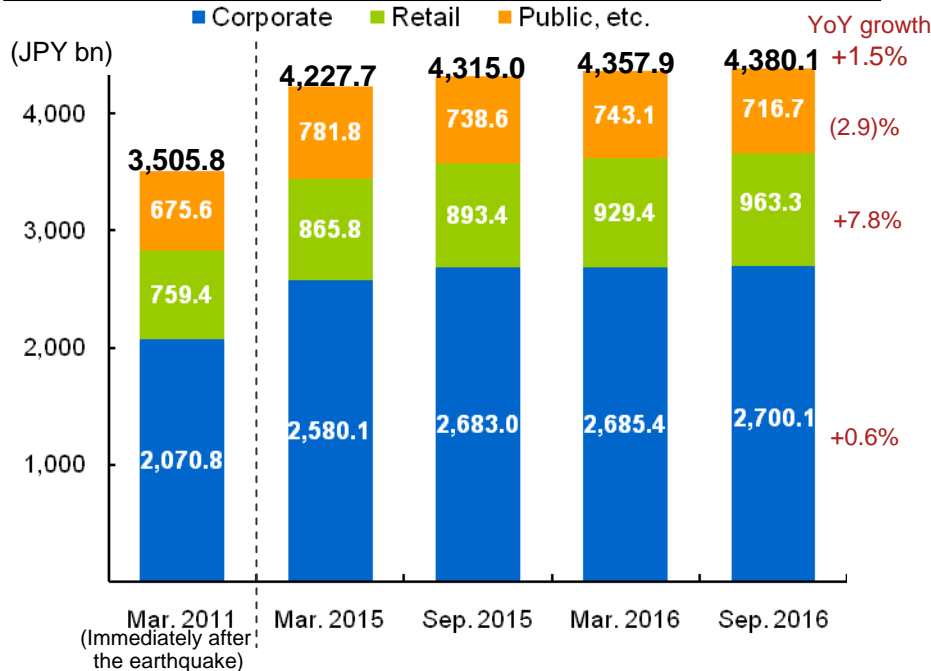
Loans and bills discounted (average balances)	First half FY2016	First half FY2017	YoY change
Loans and bills discounted	4,232.5	4,316.2	1.9
Corporate loans	2,601.0	2,644.4	1.6
[Excl. spread loans]	1,312.0	1,455.0	10.8
[Spread loans]	1,289.0	1,189.4	(7.7)
Retail loans	875.7	942.9	7.6
[Housing loans]	837.6	904.1	7.9
Loans for local governments	755.8	728.9	(3.5)

FY2017 (Plan)	YoY change
4,333.0	1.5

<First half of FY2017 summary>

While loans to large corporations, local governments, and the like decreased, the rebalancing of loan assets progressed due to increased efforts for SME and consumer loans.

Loans and bills discounted balances

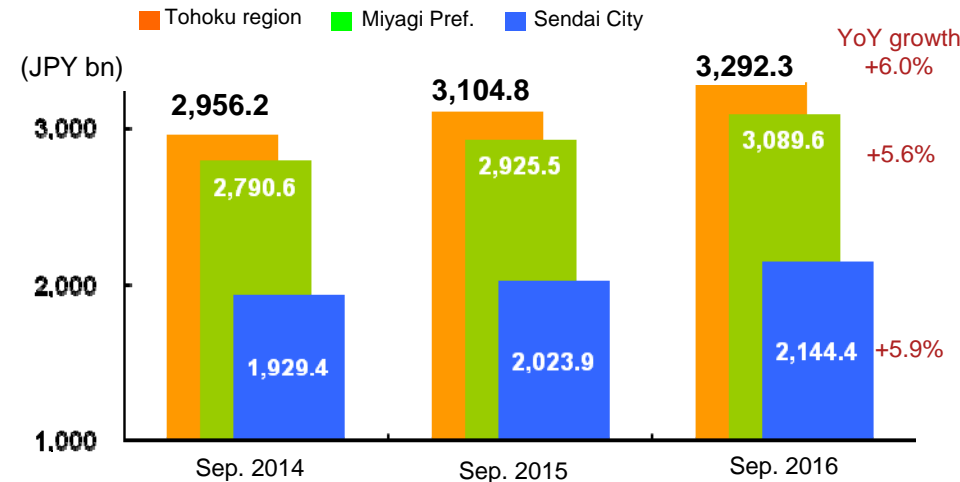


Share in the loans in Miyagi Pref. (end of Sep. 2016)



* Excludes agricultural and fishery cooperatives

Changes in the term-end balance of loans by region



Deposits and certificates of deposits (average balances)	First half FY2016	First half FY2017	YoY change
Deposits and certificates of deposits	7,675.9	7,771.2	1.2
Retail deposits	4,598.2	4,665.9	1.4
Corporate deposits	1,661.2	1,754.3	5.6
Public deposits	1,389.2	1,325.1	(4.6)

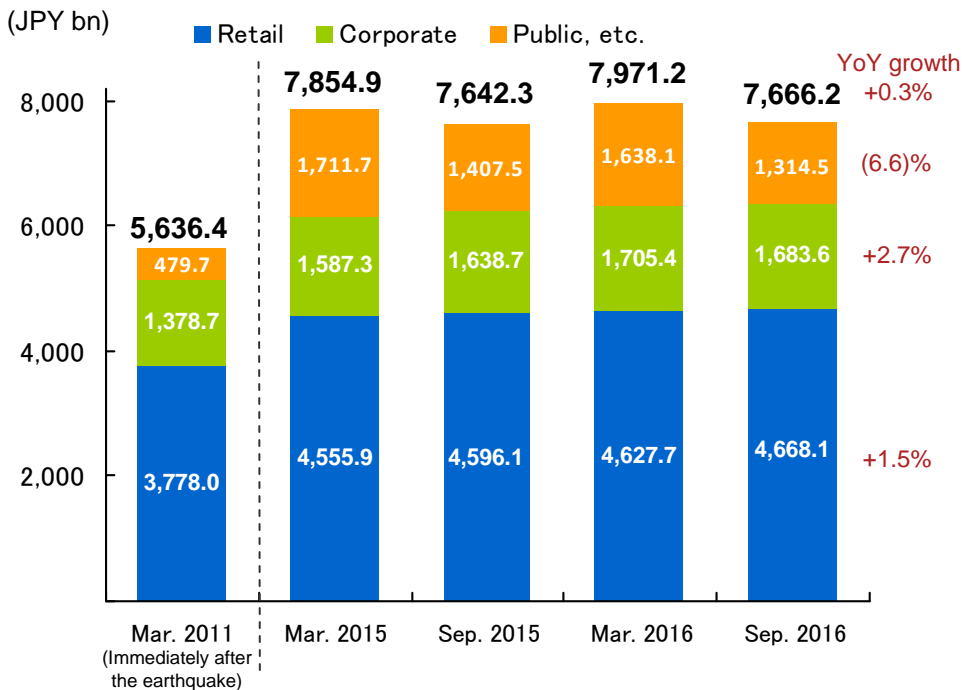
(JPY bn, %)

FY2017 (Plan)	YoY change
7,722.7	0.8

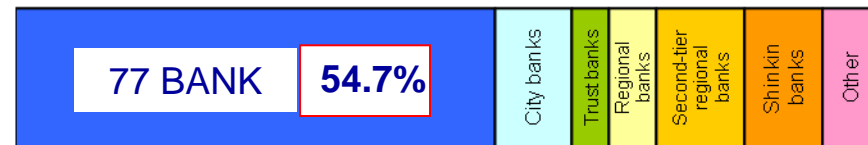
<First half of FY2017 summary>

- Public deposits continued to decrease as reconstruction progressed.
- Due to an increase in individual and corporate deposits, the overall balance of deposits remained steady.

● Deposits and certificates of deposits balances



● Share in deposits in Miyagi Pref. (end of Sep. 2016)



* Excludes Japan Post Bank and agricultural and fishery cooperatives

● Providing convenience to expand customer base

- Response to FinTech **Establishment of the IT Strategy Office (Jun. 2016)**

Participating in the **Consortium for Considering Using Blockchain Technology to Centrally Provide Domestic and Foreign Exchange Services**, established by SBI Holdings, Inc. and its partners (Oct. 2016)

- Enhancement of ATM functionality

Extension of operating hours: **7:00 to 22:00** (Oct. 2016)

- Expanded online banking services

24-hours instant money transfer to the head office and branches (Jul. 2016)

Automatic transfer of fixed amounts of money, registration of investment trust accounts, and opening of installment-deposit savings accounts (Nov. 2016)

- Participating in the "Contact for Banking Procedures" run by ATM Japan, Ltd. (Jul. 2016)

First for a regional bank in Tohoku

1. Financial Summary

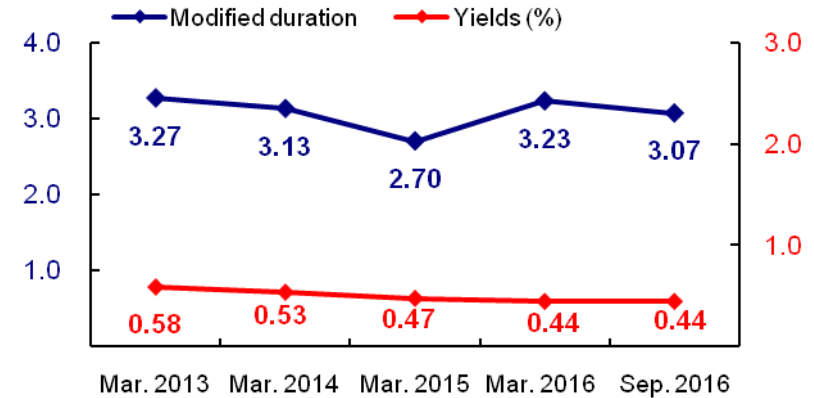
Securities

<First half of FY2017 summary>

- The balance of marketable securities decreased as public deposits decreased due to factors such as the progress in post-earthquake reconstruction
- Bolstered rebalancing of the securities portfolio in response to the negative interest rate environment
 - Increasingly shifted from yen-denominated bonds to other assets such as investment trusts
 - Increasingly shifted from domestic to international assets through investment trusts
 - Secured spread by increasing investment in corporate bonds, etc.
- Secured revenues by flexible trading
- Continued management of bonds in foreign currencies with foreign currency procurement costs in mind

● Yields and modified duration of yen-denominated bonds

*Yen-denominated bonds other than investment trusts



● Balance of securities (based on market value)

● Composition ratio by type (on an amortized cost base)

(JPY bn)

	End-Mar. 2015	End-Mar. 2016	End-Sep. 2016	YoY change	Gains (losses) from evaluation end-Sep. 2016	Change from end-Mar. 2016
Securities	3,683.6	3,478.9	3,271.8	(207.1)	137.7	(14.4)
Bonds	3,541.1	3,353.7	3,148.5	(205.2)	78.8	(9.5)
National gov. bonds	2,003.3	1,560.9	1,341.9	(219.0)	23.3	(1.7)
Local gov. bonds	75.6	229.0	228.6	(0.4)	6.4	0.9
Corporate bonds	950.7	997.2	1,016.0	18.8	18.6	(0.3)
Others	511.5	566.6	562.0	(4.6)	30.5	(8.4)
Investment trusts, etc.	274.7	327.8	350.9	23.1	30.4	(8.9)
Foreign bonds	236.8	238.8	211.1	(27.7)	0.1	0.5
Stocks	142.5	125.2	123.3	(1.9)	58.9	(4.9)

	Mar. 2015	Mar. 2016	Sep. 2016	Mar. 2017 Plan
National gov. bonds	56.6%	46.2%	↓ 42.1%	↓ 40.0%
Local gov. bonds	2.1%	6.7%	7.1%	7.5%
Corporate bonds	26.7%	29.4%	31.8%	31.6%
Others	12.8%	15.8%	↑ 16.9%	↑ 18.8%
Investment trusts, etc.	6.0%	8.6%	↑ 10.2%	↑ 11.9%
Foreign bonds	6.8%	7.2%	6.7%	6.9%
Stocks	1.8%	1.9%	2.1%	2.1%

Sales of assets in custody	First half FY2016	First half FY2017	YoY change
Investment trusts and insurance	51.9	36.7	(29.2)
Investment trusts	29.8	19.7	(33.8)
Insurance	22.1	17.0	(23.0)
Public bonds	7.3	2.2	(69.8)
Total	59.2	38.9	(34.2)

(Reference)

Structured bonds	1.2	13.3	1,008.3
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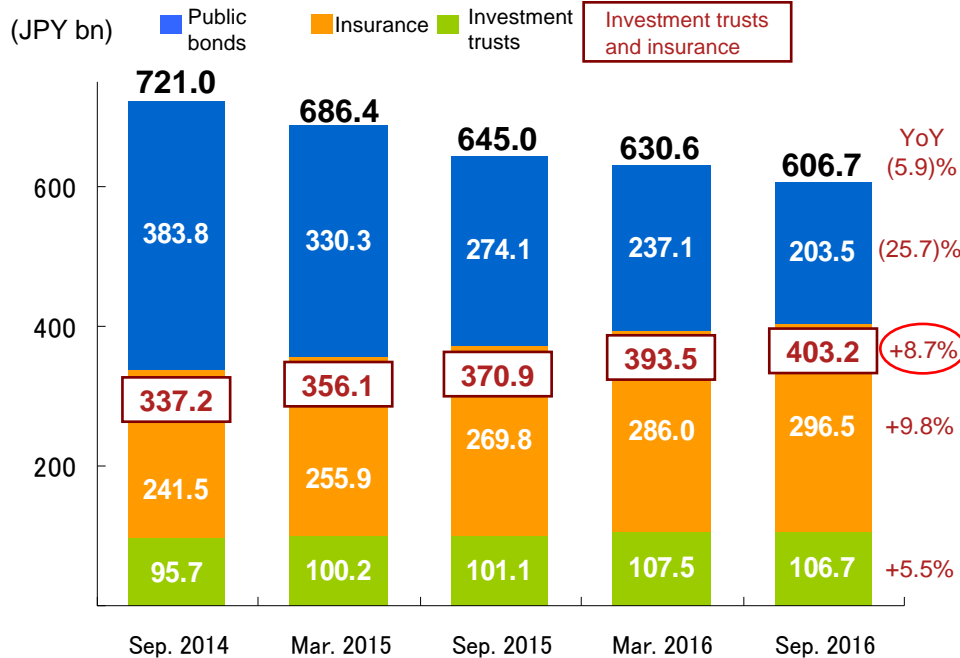
(JPY bn, %)

FY2017 (Plan)	YoY change
86.0	(10.4)

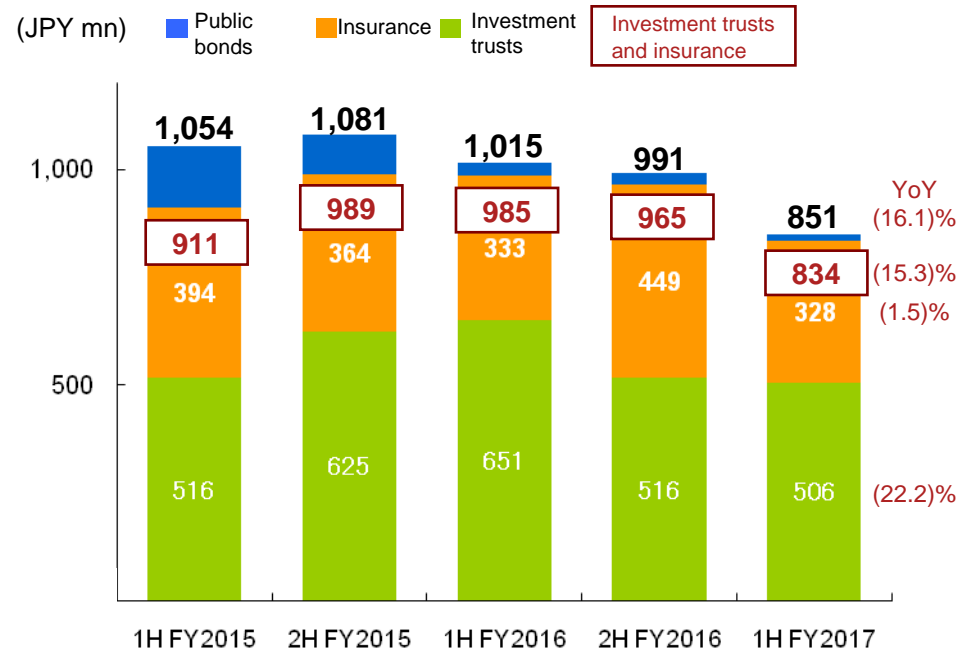
<First half of FY2017 summary>

- The amount of asset-in-custody marketed decreased mainly due to falling market interest rates and unstable market prices, but the balance of investment trusts and insurance remained steady.
- The amount of structured bonds marketed increased substantially to meet diversifying asset management needs.

Balance of assets in custody



Sales commissions of assets in custody

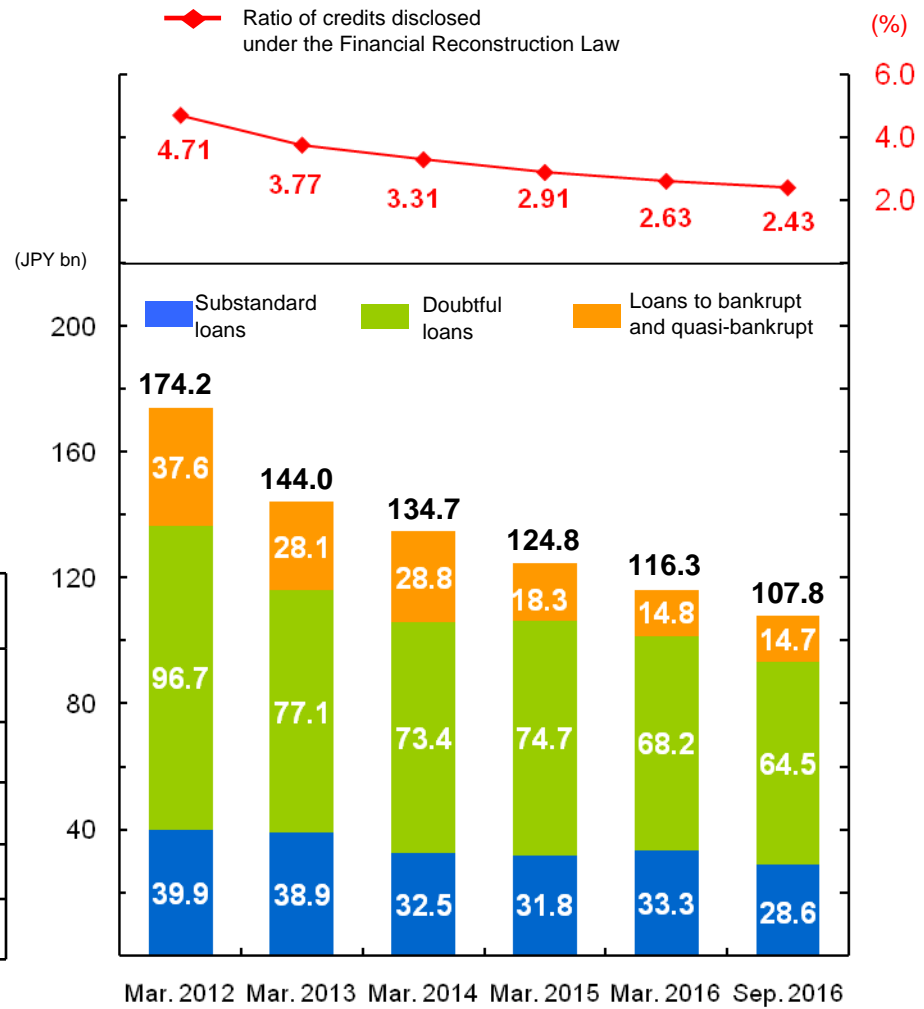
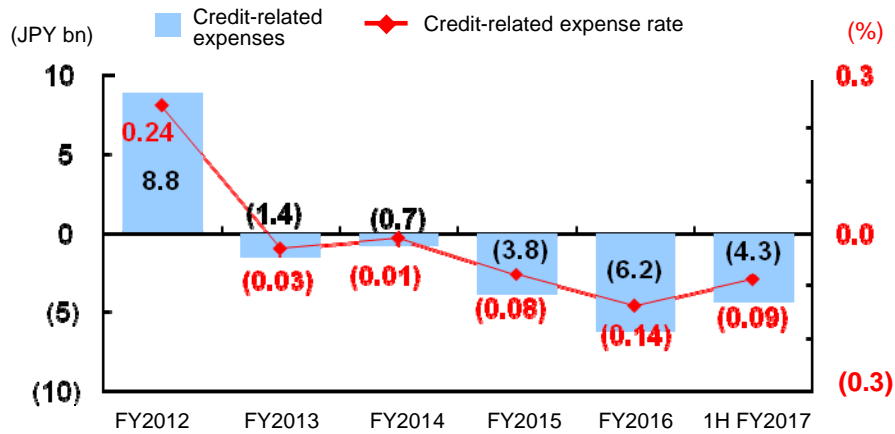


Credit-related expenses

Credits disclosed under the Financial Reconstruction Law

Credit-related expenses and credit-related expense rate trends

Credits disclosed under the Financial Reconstruction Law



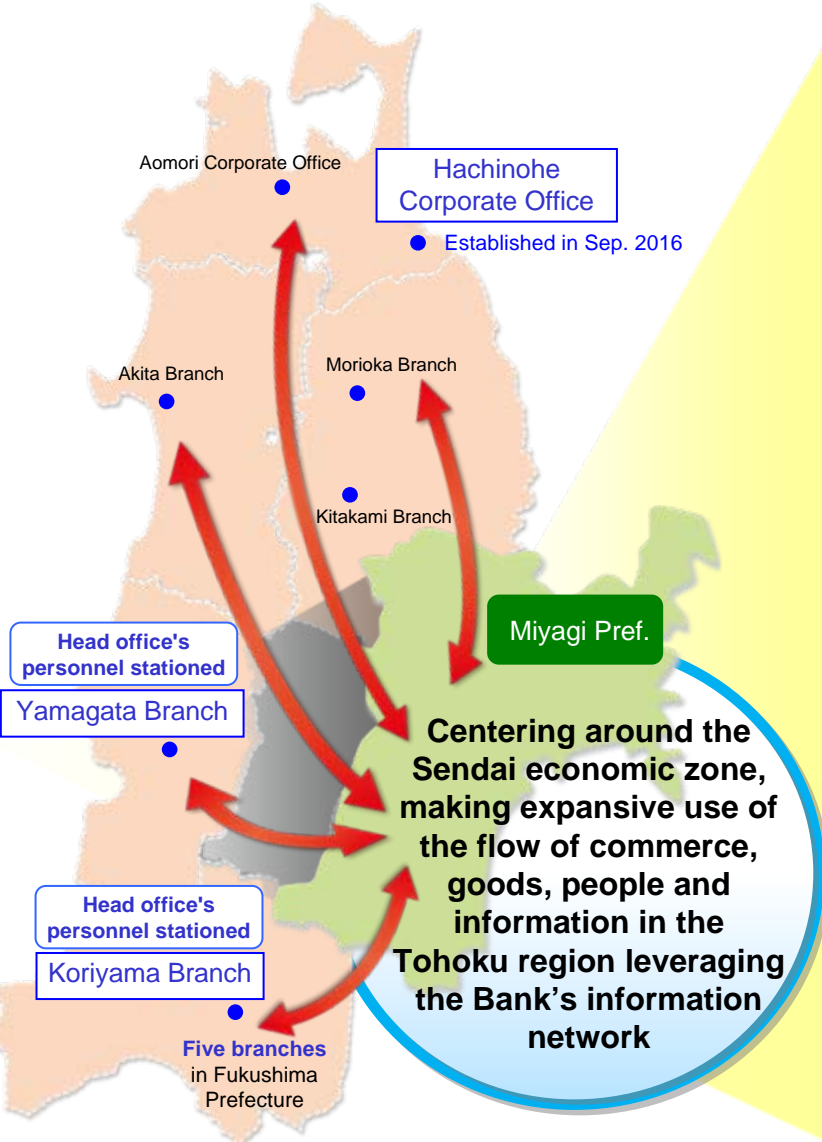
Capital adequacy ratio

	(JPY bn, %)		
	End-Mar. 2016	End-Sep. 2016	Increase/decrease
Capital adequacy ratio (non-consolidated/ domestic standards) (a/b)	10.90	10.66	(0.24)
Capital (a)	364.2	370.3	6.1
(Core capital: instruments and reserves)	364.3	370.4	6.1
(Core capital: regulatory adjustments)	0.1	0.1	0.0
Risk assets (b)	3,340.4	3,472.9	132.5

- Effective use of information and branch networks
- Building a greater presence in the Tohoku region

Creation of new value

- High level of economic activities in Miyagi Prefecture, 77 Bank's operational base
- Making maximum use of the region's strengths



Earthquake reconstruction

- Economic activities remain at high levels due to reconstruction needs (Source: Miyagi Prefecture, Ministry of Land, Infrastructure, Transport and Tourism, and East Japan Construction Security Co., Ltd.)

Estimated population (Sendai City)

	Oct. 2011	Oct. 2016	Increase/decrease
	1,049,000	1,085,000	+36,000

Benchmark land values (Rising for four consecutive years)

	Commercial district	Residential area	
Miyagi Prefecture	+3.4%	Miyagi Prefecture	+0.6%
Sendai City	+7.6%	Sendai City	+4.5%

Value of public works undertaken on contract

	2011	2015	Rate of increase
JPY	330.9 billion	824.7 billion	Up 149.2%

Number of new houses built

	2011	2015	Rate of increase
	12,700 units	23,719 units	Up 86.7%

Industrial transformation

- Employment is created and peripheral industries are developed as **manufacturing industries**, including Toyota Motor, advance to the Tohoku region
- Local procurement progresses as local enterprises enter the market



Toyota Motor East Japan

Bolstering of urban functions

- Attracting **international conferences** to emphasize recovery from the earthquake in Japan and abroad
- It has been decided that the World Bosai Forum will be held in Sendai once every two years from 2017
<Ripple effects on economy>
U.N. World Bosai Forum in Mar. 2015: JPY 1.7 billion
G7 Finance Ministers and Central Bank Governors' Meeting in May 2016: JPY 500 million
- Creating employment and industry through industry-academia-government partnership, making the most of the appeal of **Academic City Sendai**, which has many students (about 70,000) and young people



G7-related meetings (Source: Ministry of Finance Japan)

Progress of the Regional Development Project

- Revitalizing the tourism industry and human movement through **privatization of Sendai airport** (Jul. 2016 Japan's first privatization of a state-run local airport)
- Development of local economy as a result of transport infrastructure development
Extension and broadening of Sanriku Expressway, launch operation of Hokkaido Shinkansen, etc.



Sendai Airport

Meeting money needs in line with reconstruction stages

Earthquake disaster-related loan performance

(after the earthquake to end-Sep. 2016)

**23,268 cases/
JPY 604.2 billion**

Corporate (cases, JPY bn)

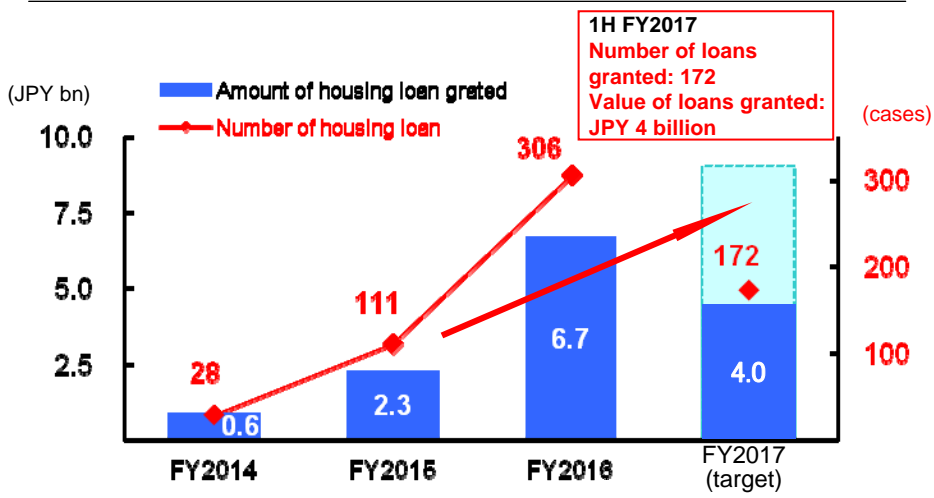
	Operating	Capital expenditure	Total
Cases	5,519	2,133	7,652
Amount	228.1	129.3	357.4

Retail (cases, JPY bn)

	Unsecured	Housing	Total
Cases	4,141	11,505	15,646
Amount	7.2	239.6	246.8

Active support for housing reconstruction needs

Performance of the handling of The 77 Bank Earthquake Reconstruction Support Housing Loans (for mass relocation/leased land)



Using a greater variety of financing methods

Asset-based loans (ABL)

(after the earthquake to the end-Sep. 2016)

**137 cases/JPY 23.9 billion
(including 22 cases/JPY 4.4 billion for 1H FY2017)**

Using 17 advisors for assessing movable property effectively (at the end-Sep. 2016)

Effective use of funds

(after the earthquake to the end-Sep. 2016)

17 fund users/JPY 5.1 billion

Effective use of reconstruction support funds (total for three funds: JPY 15.1 billion, including 77 Bank's investment of JPY 5.4 billion)

Cloud funding

The first project invites applications for funds totaling JPY 31.5 million

Working with Music Securities, Inc. to support local processors of marine products

Project to help step up introduction of horticulture using next-generation facilities

De Liefde KITAKAMI (Ishinomaki City, Miyagi Prefecture)

- Established by four local farmers as an agricultural corporation in Apr. 2014
- Horticulture using next-generation large facilities to produce tomatoes and paprika

Japan's only model project adopted in the Tohoku region

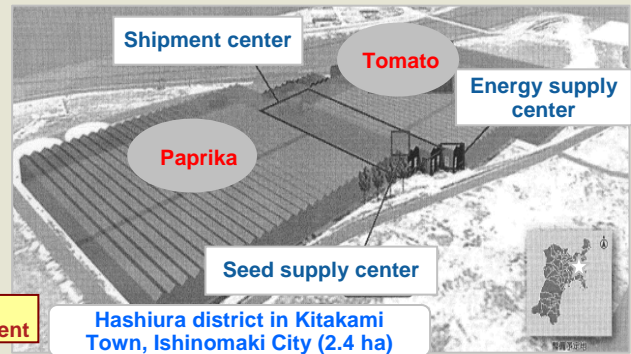
- Utilizing local energy resources such as wood biomass
- Environmental control through consolidation of facilities from production to shipment and effective use of ICT

Support

- Business planning
- Fund procurement
- Sales channel development

Effect

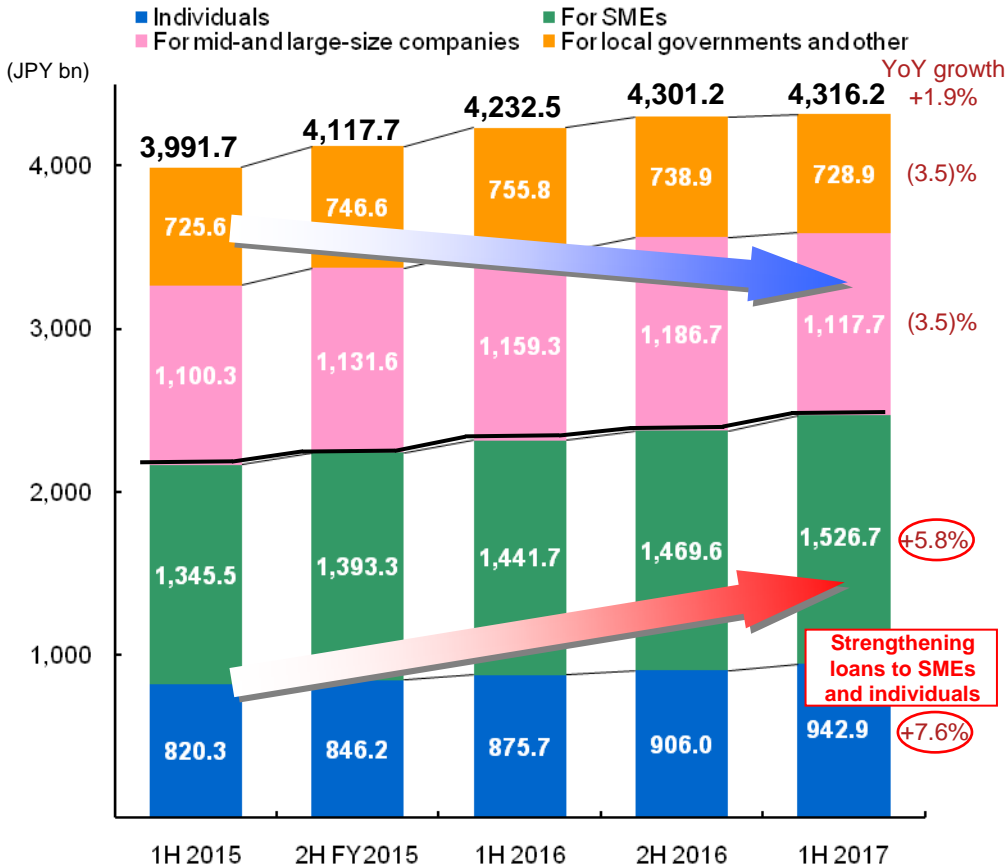
- Agricultural reconstruction
- New employment



Rebalancing loan customers

- Shifting to higher-margin SME and individual loans
- Promoting loans to customers that require attention by evaluating their business potential and displaying excellent judgment
- Setting interest rates with returns in mind

Loan outstanding balance by type of borrowers (Average balance for the first half)



Rebalancing loan areas

- Shifting from Tokyo, Nagoya and Osaka to the local market
- Wide-area marketing based on extensive information
- Stepping up sales promotion through **expansion of sales networks and personnel assignment**
 Assigning the head office's personnel to the Hachinohe Corporate Office (Sep. 2016) and Koriyama and Yamagata areas (Mar. 2016)

Changes in balances by region (year-end)

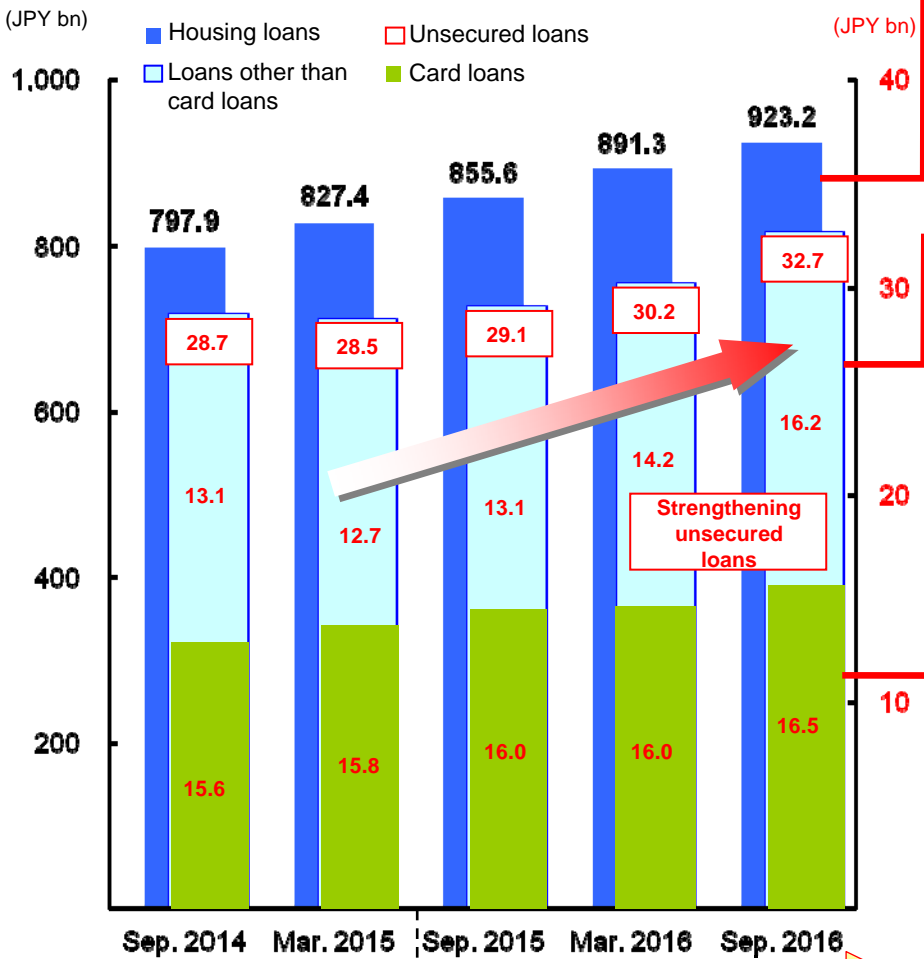
(JPY bn, %)

	Sep. 2014	Sep. 2015		Sep. 2016			
	Balance	Balance	Increase (decrease)	YoY change %	Balance	Increase (decrease)	YoY change %
Miyagi	2,790.6	2,925.5	134.9	4.8	3,089.6	164.1	5.6
Inside Sendai City	1,929.4	2,023.9	94.5	4.8	2,144.4	120.5	5.9
Outside Sendai City	861.2	901.6	40.4	4.6	945.2	43.6	4.8
Other areas	1,270.3	1,389.5	119.2	9.3	1,290.5	(99.0)	(7.1)
Tohoku	165.6	179.3	13.7	8.2	202.7	23.4	13.0
Sapporo	39.6	43.1	3.5	8.8	51.3	8.2	19.0
Tokyo, Nagoya, Osaka	1,065.1	1,167.1	102.0	9.5	1,036.5	(130.6)	(11.1)
Total	4,060.9	4,315.0	254.1	6.2	4,380.1	65.1	1.5

The medium-term management plan started in FY2016.
Rebalancing with emphasis on profitability

Increasing consumer loans

- Outstanding balance of housing and unsecured loans (year-end)



Housing loans

- Unearthing projects through closer relationships with housing developers
- Corraling new condominium projects through the head office's dedicated staff members
- Advancing into markets with population growth and housing development progresses
- **Strengthening holiday business and consulting systems**
 - 7 loan centers** in the prefecture: Quick examination and reply to encourage prospective customers to seek advice
 - 6 consultation plazas** in the prefecture: **3 new consultation plazas were established** in July 2016.
 - Holiday loan consultation: The service was provided at a total of **542** branches during the first half of 2016.

Unsecured loans

- Making all-out efforts to cross-sell unsecured loans to housing loan users
- **Offering a wider range of free loan products**
 - Offering loans to a wider range of consumers: Starting to offer loans to **women and elderly people**
 - Product development by a working group to encourage women to play an active role
 - Allowing loans to be used for a wider range of purposes: Refinancing, dismantling empty houses, and remodeling
- **Meeting diversifying needs for loans**
 - Educational loans for medical university students
 - Reverse mortgage loans
 - Responding to needs for large educational loans
 - Encouraging elderly people to settle in the prefecture

Card loans

- Establishing a system to accept more loan applications using non-face-to-face sales channels effectively
- Start **"77 Smart Next" Internet-based loan agreements** (Sep. 2016)
- Start **"77 ATM card loans"** (Oct. 2016)

	Mar. 2014	Mar. 2015	Mar. 2016	Sep. 2016
Number of card loan agreements concluded	112,000	115,000	119,000	121,000

The medium-term management plan started in FY2016.
Rebalancing with emphasis on profitability

Increasing fees and commissions received

Displaying the strengths of customer base and relations to the full

Increasing income from various fees and commissions

(JPY mn)

	First half FY2016	First half FY2017	Increase/decrease
Fees and commissions	4,960	4,682	(278)
Fees and commissions received	8,050	8,018	(32)
Fees and commissions paid	3,090	3,336	246

<Breakdown of major fees and commissions received>

Commissions received on exchange	3,395	3,359	(36)
Account transfer fees	1,301	1,314	13
Investment trust sales commissions	651	506	(145)
Insurance sales commissions	333	328	(5)
Financial product brokerage commissions	10	92	82
M&A commissions	3	16	13
Business matching commissions	29	40	11

<Breakdown of major fees and commissions paid>

Creditor group insurance premiums	1,040	1,155	115
Loan repayment guarantee fees	623	703	80

Strengthening assets in custody and securities business

Support asset buildup through the performance of fiduciary duties

- Promotion of brokerage for financial instruments

	2H FY2015	1H FY2016	2H FY2016	1H FY2017
Number of financial instruments sold	151	91	493	1,361
Sales value	JPY 1.5 billion	JPY 1.2 billion	JPY 6.1 billion	JPY 13.3 billion
Commissions	JPY 17 million	JPY 10 million	JPY 60 million	JPY 92 million

Meeting all asset management needs on a group-wide basis

77 Securities Co., Ltd. (Operation to start in Apr. 2017)

- Offering a wider range of financial instrument lineups than banks
- Providing more specialized services through dedicated staff members

FY2020 goal (three years later)
Outstanding assets in custody: **JPY 100 billion** with a profit for FY2020 alone

- NISA accounts opened

	End-Sep. 2014	End-Sep. 2015	End-Sep. 2016
NISA accounts	13,000	20,000	23,000
Percent of accounts with NISA contract	29.7%	39.8%	49.4%
Usage	JPY 2.4 billion.	JPY 6.7 billion	JPY 9.8 billion

- Promotion of employee installment NISA
- Identification of asset buildup needs in cooperation with the head office's money advisers

Increasing commission income

M&A commissions

- Creating profit opportunities by making the most of customer relations

M&A Integrated support by dedicated staff members until the conclusion of contracts

Business succession
Inheritance management Effective use of external experts (tax accountants' corporations, etc.)
Cooperation with the Miyagi Prefecture Business Takeover Support Center

Business matching commissions

- Providing the optimal solution to solve clients' problems

Partners of 77 business matching service: **54 partners** (as of the end of Sep. 2016)

Construction, Consulting, Security, Temporary staffing, Welfare, etc.

(JPY mn)

	FY2013	FY2014	FY2015	FY2016	1H FY2017
Cases	31	60	106	188	119
Commissions	13	57	16	76	40

Exchange-related commissions

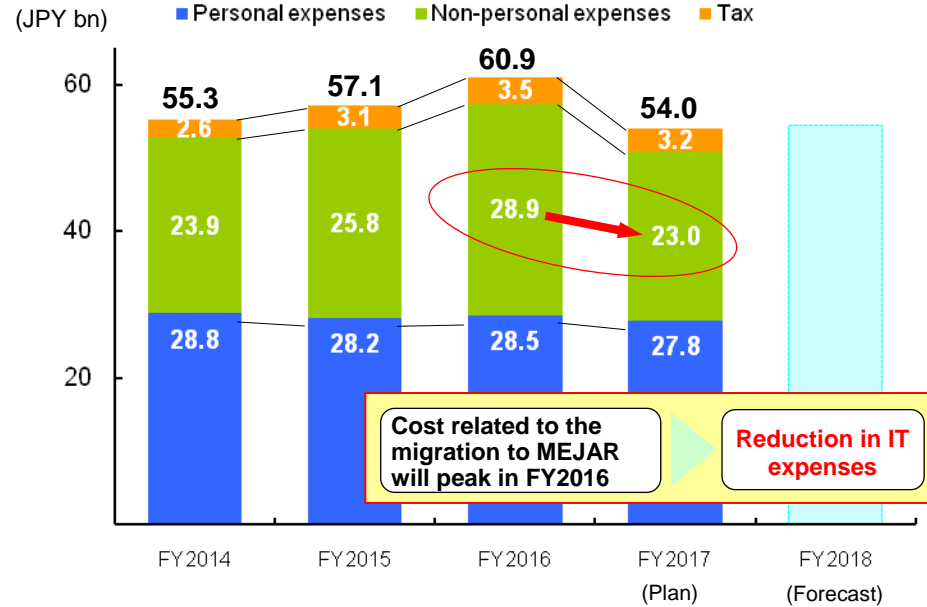
- Promoting efforts to review and increase exchange commissions received, account transfer fees, etc., for local governments and major receiving agencies

<Undertaking services as a financial institution designated by local governments>

Entrusted by **35** of the **36** local governments in Miyagi Prefecture

Seeking productivity growth

Expenses



Promotion of BPR

- Promotion of centralized operations

Verification processing for incoming money transfer

Inheritance management service

- Promotion of efforts to achieve greater operational efficiency

Promotion of paperless operations by utilizing tablet computers

- Organization of project teams for business reform

Freeing up time for sales promotion

Strengthening sales efforts to boost profit

Efforts for regional revitalization

4 priority implementation items

Capitalizing on regional network and contributing to the growth and development of the local economy

Regional value

VALUE UP

77 Bank's value

Support for starting a new company or business

- Help in making up a new business plan
- Beefing up loan products for starting a new company or business (loan terms, amounts, etc.)
- Effective use of cloud funding
- Financing through funds, etc.



Seminar to follow up on starting new businesses

Supplying growth money to businesses in various stages of development

77 Capital Co., Ltd. (Established in Jul. 2016)

Fund No. 1 "77 New Business Fund"

Total fund: **JPY 1 billion** (Built in Aug. 2016)

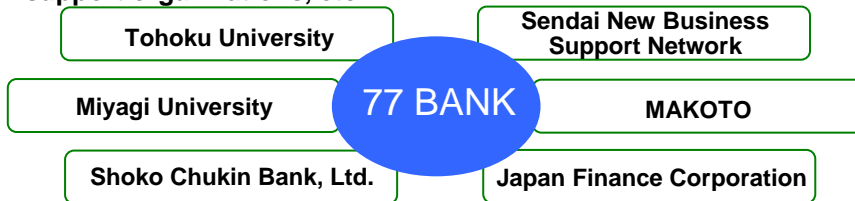
First investment project: **JPY 20 million**

(implemented in Sep. 2016)

- Project to develop a meter to measure small amounts of water using Tohoku University's patented technology, etc.

Tie-up with external support organizations, etc.

Supporting new businesses in cooperation with external support organizations, etc.



Promotion of urban development (Use of PPP/PFI)

Use of PPP/PFI

Participation in PFI-backed projects in Miyagi Pref.: **11 cases**
Participating in design, construction, maintenance, and operation of public facilities
(School lunch catering centers, educational and welfare complexes, wastewater treatment facilities, etc.)



Sendai City Minamiyoshinari School Lunch Catering Center



Sendai Astronomical Observatory

- Promoting public-private initiatives (e.g., privatization of Sendai Airport)
- Taking part in urban development projects
- Identifying and supporting redevelopment plans for deteriorating public infrastructure

"Community-building college"

Providing local governments and private enterprises with information on deteriorating public infrastructure and ways to utilize PFIs in order to solve such problems



Support and develop regional core companies (Evaluation of business feasibility)

Evaluation of business potential
(Appropriate evaluation of client companies)

Proposition of solutions
(Displaying consulting functions)

Analysis of local economy and industry

<Important points in evaluating business potential>

- Growth and development of clients
- Invigoration of local economic and industrial activities

Evaluation of business operations and growth potential
Identification of management tasks

Financial support

- Financing (loans based on the evaluation of business potential and loans that do not rely on excessive security or guarantee)

Support for core businesses

- Business matching and business negotiation meetings
- Support for overseas business, business succession, M&A, etc.

Realization of a favorable cycle of growth

Growth and development of client companies

Growth and development of local economy

Regional revitalization
(invigoration of local economy, etc.)

● Manager guarantee guidelines

Stepping up efforts to promote loans that do not rely on manager guarantee

Results of utilization (Jan. 2014 to Sep. 2016)	
Number of new loans granted without guarantee	1,498
Number of guarantee contracts cancelled	1,057
Number of guarantee contracts revised	90

Hosting the Business Negotiation Meetings in Miyagi—Land of Food Ingredients

Supporting the development and expansion of sales channels and creating business opportunities

A total of 58 local businesses participated in 426 business negotiations.

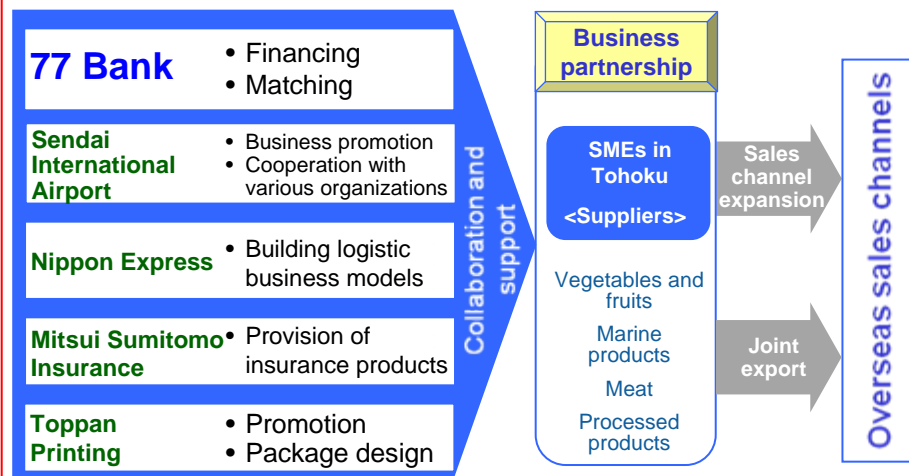


Promotion of tourism, job creation

- Supporting and developing tourism promotion projects
- Initiatives in concert with regional industry, academia and government

Tohoku Shoku no Soramichi Council (Established in Jun. 2016)

- Comprehensive platform to export Tohoku foods



Installation of ATMs that support credit cards issued overseas (Nov. 2016)

These ATMs enable holders of credit and other cards issued overseas to withdraw Japanese yen.

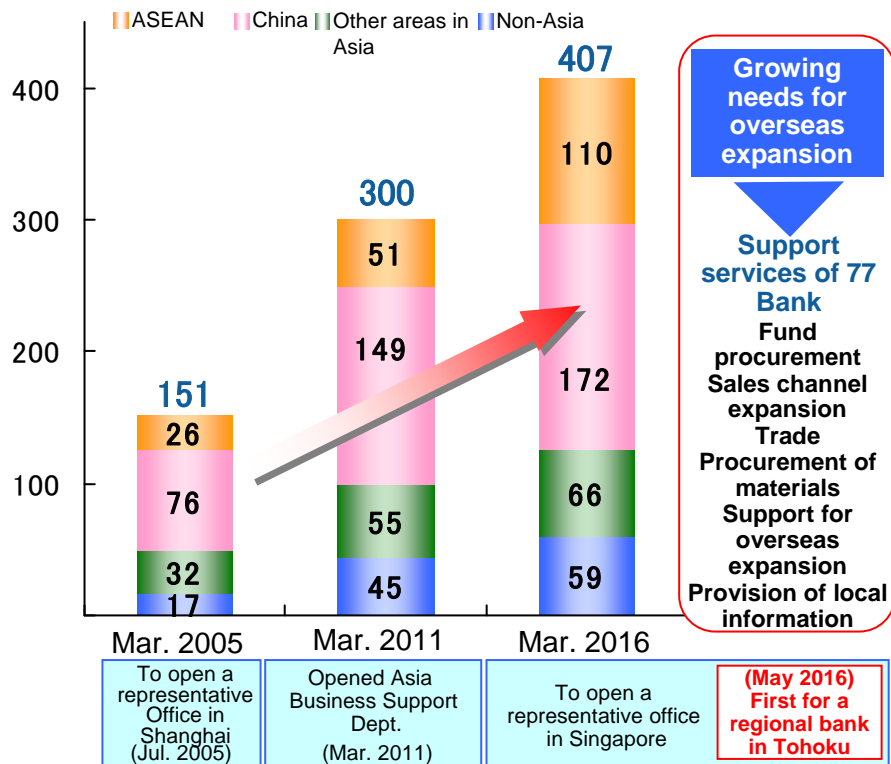
Places where ATM is installed: 77 Bank head office, Sendai Airport office, and Sendai Station



- Step up efforts to attract inbound tourists as Japan strives to make itself a country built on tourism
- Strengthen the gateway functions of the Tohoku region

Support for overseas expansion

- Changes in the number of business sites set up by local companies



- Employees dispatched abroad

Bank employees dispatched abroad: 13

Region	City	No.	Region	City	No.
China	Shanghai	4	ASEAN	Singapore	3
	Dalian	1		Bangkok	2
	Hong Kong	1	West	New York	1
		London		1	

Overseas offices: 2
(Shanghai and Singapore Representative Offices)

Overseas partner financial institutions: 9,
Other partners
(both Japanese and overseas): 16

Hired one foreign student who graduated from Japan

Assigned to the Asia Business Support Dept. (Apr. 2016)



- Expansion in overseas network



● Support for overseas sales channel expansion and materials procurement

Overseas business negotiation meetings held (FY2017)

Number of meetings held: **7**; total number of participating companies: **61**; number of business negotiations held: **691**

Meeting period	Country	Name of business negotiation meeting
May 2016	Vietnam	National joint business negotiation meeting for regional banks in Ho Chi Minh
Jun. 2016	Thailand	Mfair Bangkok 2016 manufacturing business negotiation meeting
Jul. 2016	China	2016 China Qingdao business negotiation mission
Sep. 2016	China	Regional banks-CTBC joint business negotiation meeting in Shanghai
Sep. 2016	China	FBC Shanghai 2016 manufacturing business negotiation meeting
Nov. 2016	Taiwan	Business matching in Taipei and Hsinchu
Nov. 2016	China	2016 Dalian joint business negotiation meeting for regional banks

<Example of a partner institution being used effectively>

Support for business partners through business matching

Partner institution: **CTBC Holding [Taiwan]**

- Responding to needs for sales channel development and materials procurement in Taiwan
- Providing matching opportunities with individual local buyers



● Provision of information on overseas business

Asia business exchange (The meeting has been held each year since 2014, and a total of **440 people** have participated in the event.)

- Provision by experts on the latest information on Asian business
- Creation of opportunities for information exchange among business partners



● Support for fund procurement

Overseas business-related loans granted (1H FY2017)

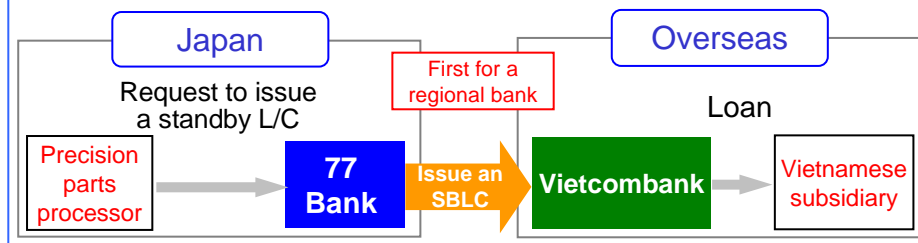
Number and value of loans granted: **44 cases worth approximately JPY 3.8 billion**

<Example of a partner institution being used effectively>

Support for fund procurement by a Vietnamese subsidiary

Partner institution: **Vietcombank [Vietnam]**

- Issuing a standby L/C to Vietcombank, a partner institution, to support a client's subsidiary in Vietnam in procuring funds
- 77 Bank became the **first regional bank** to issue a standby L/C to Vietcombank



Establishing closer cooperation among 77 Bank Group companies and expanding business domains for higher profitability

Company	Main business
77 Leasing	Leasing
77 Credit Guarantee	Credit guarantee
77 Computer Services	Outsourced computing operations
77 Card	Credit card operations
77 Business Services	Examination and adjustment of cash
77 Outsourcing	Assessment of collateral properties
Preparing to Establish The 77 Securities Co., Ltd. (77 Securities will start operation in Apr. 2017)	Handling of financial instruments
77 Capital (established in Jul. 2016)	Management of investment funds
Fund No. 1 → 77 New Business Investment Limited Partnership (Aug. 2016; total fund: JPY 1 billion)	

[Enhancement of capital relationship]

- Making these companies **wholly owned subsidiaries** (100%) in Nov. 2016
- Provides **comprehensive financial services** as a group
- Speeding up of management, enhancement of efficiency, strengthening of governance
- Boosting consolidated profits
- Effective shareholder return by agile dividend policy

- Promoting BPR through the streamlining and centralization of operations

[Expansion of business domains]

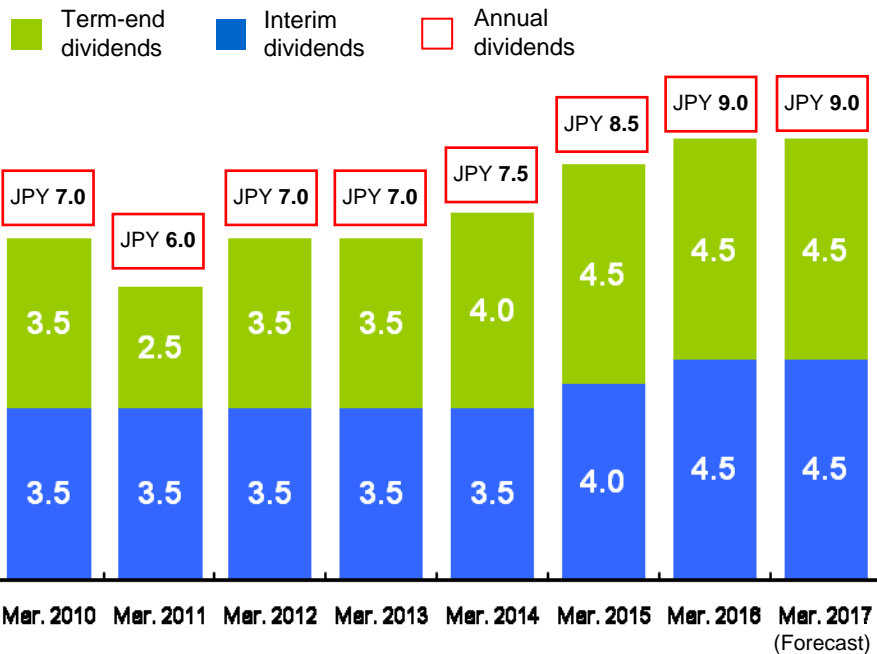
77 Securities (Starting operation in Apr. 2017)

- Supporting clients in building up assets by meeting diversifying asset management needs **on a group-wide basis**
- The goal for outstanding assets in custody in the third year of operation is **JPY 100 billion**

77 Capital (Established in Jul. 2016)

- **Actively provides growth money** to companies at various life stages
- The first investment project implemented in Sep. 2016 was worth JPY 20 million

Dividend



	Mar. 2010	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015	Mar. 2016	Mar. 2017 (Forecast)
Total sum paid out (JPY mn)	2,655	2,264	2,616	2,617	2,805	3,180	3,368	3,348
Net income (JPY bn)	11.6	(30.6)	10.6	12.1	14.7	16.9	15.7	17.0
Dividend ratio	22.7%	—	24.6%	21.5%	19.0%	18.8%	21.5%	19.6%

Share buybacks

- Returning profits to shareholders
- Implementing capital policy flexibly in response to changes in the business environment

Total volume of treasury stock to be acquired

6 million shares (upper limit)

* 1.6% of the total number of shares issued (excluding treasury stock)

Total acquisition price

JPY 3,000 million (upper limit)

Acquisition period

Nov. 14, 2016 to Jan. 31, 2017

Prospects for the term ending Mar. 2017

Total dividends

JPY 3,348 million

Amount of treasury stock acquired

JPY 3,000 million

Amount of profits returned to shareholders

JPY 6,348 million

Overall payout ratio: 37.3%

Medium-Term Management Plan: Basic objectives

- I. Strengthen earthquake recovery support II. Reinforce the earnings base
 III. Enhance the value of the region IV. Smooth migration to and utilization of MEJAR

Medium-Term Management Plan: Progress

Basic objectives		FY2016 Results	1H FY2017 results	FY2017 plan	Final target (FY2018)
Enhancement of profitability	Net income	JPY 15.7 billion	JPY 11.3 billion	JPY 17.0 billion	JPY 20.0 billion or more
	Increase of interest on loans and discounted [FY2015] [compared with FY2015] (JPY 45.4 billion)	JPY (1.5) billion (JPY 43.9 billion)	— (JPY 20.6 billion)	JPY (4.2) billion (JPY 41.2 billion)	JPY 1.5 billion or more (JPY 47.0 billion or more)
	Fees and commissions	JPY 10.0 billion	JPY 4.7 billion	JPY 9.5 billion	JPY 10.5 billion or more
Pursuit of efficiency	Core OHR	76.48%	67.80%	73.50%	Less than 65%
Increase of the market share	Increase of loans and bills discounted in Miyagi Pref. [As of Mar. 31, 2015] (balance as of March 31, 2018) [compared with the balance as of March 31, 2015] (JPY 2,917.7 billion)	JPY 109.5 billion (JPY 3,027.2 billion)	JPY 171.9 billion (JPY 3,089.6 billion)	JPY 127.3 billion (JPY 3,045.0 billion)	JPY 250.0 billion or more (JPY 3,170.0 billion)
	Increase of loans and bills discounted in Sendai [As of Mar. 31, 2015] (balance as of March 31, 2018) [compared with the balance as of March 31, 2015] (JPY 2,031.2 billion)	JPY 66.2 billion (JPY 2,097.4 billion)	JPY 113.2 billion (JPY 2,144.4 billion)	JPY 53.8 billion (JPY 2,085.0 billion)	JPY 150.0 billion or more (JPY 2,185.0 billion)

(JPY bn)

(JPY bn, %)

Projected performance (non-consolidated)	FY2016 (Results)	FY2017 (Plan)	
			YoY change
Gross operating income	75.1	69.0	(6.1)
[Core gross operating income]	[79.6]	[73.4]	[(6.2)]
Interest income	70.8	67.1	(3.7)
Fees and commissions	10.0	9.5	(0.5)
Other operating income	(5.7)	(7.6)	(1.9)
Gains (losses) on bonds	(4.5)	(4.4)	0.1
Gains (losses) on forex transactions	(1.2)	(3.5)	(2.3)
Expenses	60.9	54.0	(6.9)
Operating income before provision of general reserve for possible loan losses	14.2	15.0	0.8
[Core operating income]	[18.7]	[19.4]	[0.7]
Provision of general reserve for possible loan losses	—	—	—
Operating income	14.2	15.0	0.8
Special income (losses)	10.1	6.0	(4.1)
Bad debt disposals (-)	0.4	0.4	0.0
Gains on reversal of reserve for possible loan losses	6.6	3.9	(2.7)
Gains (losses) on stocks	1.5	1.3	(0.2)
Gains (losses) on investments in money held in trust	1.8	1.4	(0.4)
Ordinary income	24.3	21.0	(3.3)
Extraordinary losses	(0.4)	(0.2)	0.2
Income taxes (incl. deferred taxes)	8.2	3.8	(4.4)
Net income	15.7	17.0	1.3
Credit-related expenses	(6.2)	(3.5)	2.7

Major accounts (average balances)	FY2016 (Results)	FY2017 (Plan)	YoY change
Loans and bills discounted	4,266.8	4,333.0	1.5
Securities	3,469.0	3,191.1	(8.0)
Deposits and certificates of deposits	7,655.7	7,722.7	0.8

(Ref.)

Investment trusts and insurance (term-end balances)	393.5	429.0	9.0
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(%)

Interest rates/Interest margin	FY2016 (Results)	FY2017 (Plan)	YoY change
Loans and bills discounted interest rate	1.02	0.95	(0.07)
Securities interest rate	0.88	0.88	0.00
Interest rate on deposits	0.03	0.01	(0.02)
Interest rate spread	0.88	0.84	(0.04)
Net interest margin	0.10	0.14	0.04

Note: Figures in YoY change shows percentage points

<Interest rates and other assumptions underlying the projection>

	FY2016 (Results)	FY2017 (Forecast)
Unsecured call rate O/N	0.06%	(0.06)%
JPY TIBOR (3 months)	0.16%	0.06%
5-year JGBs	0.02%	(0.35)%
10-year JGBs	0.28%	(0.25)%
Exchange rate (JPY/USD)	¥121	¥102
Nikkei Average (At the term-end)	¥16,758	¥16,000

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七十七銀行