



77 BANK

IR Presentation

Results for Fiscal Year Ended March 31, 2019

June 4, 2019

Materials were prepared for the Bank's presentation of its results for the fiscal year ended March 31, 2019 held on June 4, 2019.

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I. Financial Summary

I. Financial Summary

Summary of profits and losses

(JPY bn, %)

Summary of profits and losses (Non-consolidated)	FY2018	FY2019	YoY change	
			Increase/ Decrease	Rate of change %
Gross operating income	67.7	69.2	1.5	2.2
[Core gross operating income]	[75.9]	[72.0]	[(3.9)]	[(5.0)]
Interest income	69.6	65.9	(3.7)	(5.2)
Fees and commissions	9.3	9.6	0.3	3.2
Other operating income	(11.2)	(6.3)	4.9	
Gains (losses) on bonds	(8.2)	(2.8)	5.4	
Gains (losses) on forex transactions	(3.6)	(1.8)	1.8	
Gains (losses) on derivatives	0.6	(1.7)	(2.3)	
Expenses	52.8	52.8	0.0	0.0
Operating income before provision of general reserve for possible loan losses	14.9	16.4	1.5	10.0
[Core operating income]	[23.1]	[19.2]	[(3.9)]	[(16.8)]
Provision of general reserve for possible loan losses	—	(0.2)	(0.2)	
Operating income	14.9	16.6	1.7	11.7
Special income and losses	8.4	5.4	(3.0)	
Bad debt disposals (-)	0.5	2.5	2.0	
Gains on reversal of reserve for possible loan loss	2.8	—	(2.8)	
Gains (losses) on stocks	2.7	5.8	3.1	
Gains (losses) on investments in money held in trust	4.0	3.1	(0.9)	
Ordinary income	23.3	22.0	(1.3)	(5.4)
Extraordinary income	—	1.4	1.4	
Extraordinary loss	0.7	0.8	0.1	
Income taxes (incl. deferred taxes)	5.9	4.7	(1.2)	
Net income	16.7	17.9	1.2	7.2
Credit-related expenses	(2.3)	2.3	4.6	

<Core operating income>

Core operating income decreased because of a decrease in interest income due to a decrease in dividends on securities despite an increase in interest on loans.

<Ordinary income>

Ordinary income decreased because of an increase in credit-related expenses, despite a decrease in loss on redemption of bonds.

<Net income>

Net income increased because of gains on liquidation of subsidiaries associated with the liquidation of three consolidated subsidiaries recorded under extraordinary income.

○ Consolidated Performance (JPY bn)

	FY2018	FY2019
Ordinary income	25.7	23.4
Net income attributable to owners of the parent	18.3	17.6

I. Financial Summary

Interest income

	FY2018	FY2019	YoY change
Interest income	69.6	65.9	(3.7)
Investment income	72.7	69.4	(3.3)
[Interest on loans and bills discounted]	41.4	42.0	0.6
[Interest and dividends on securities]	31.0	27.1	(3.9)
Fund procurement costs	3.1	3.5	0.4
[Interest on deposits]	1.5	1.5	0.0

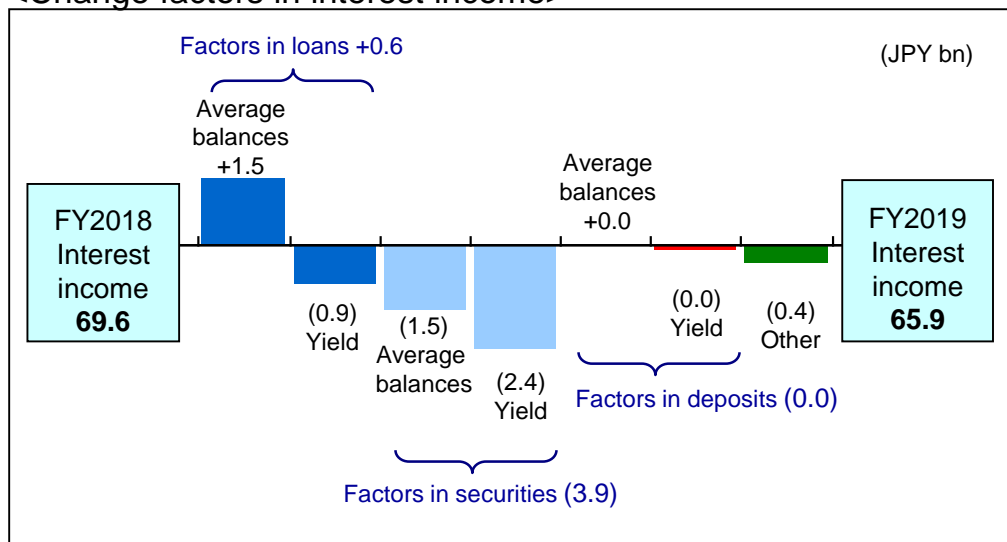
(JPY bn)

FY2020 (Plan)	YoY change
65.3	(0.6)

<FY2019 summary>

Interest income decreased JPY 3.7 billion year-on-year due to decreased dividends on securities as a result of a decrease in gains on cancellation of investment trusts, despite an increase in interest on loans and bills discounted.

<Change factors in interest income>



(JPY bn)

Major accounts (average balances)	FY2018	FY2019	YoY change
Loans and bills discounted	4,494.0	4,662.3	168.3
Securities	3,078.1	2,930.2	(147.9)
Deposits and certificates of deposits	7,761.0	7,766.8	5.8

(%)

Interest rates/Interest margin	FY2018	FY2019	YoY change
Loans and bills discounted interest rate	0.92	0.90	(0.02)
Securities interest rate	1.00	0.92	(0.08)
Interest rate on deposits	0.01	0.01	0.00
Interest rate spread	0.86	0.81	(0.05)
Net interest margin	0.19	0.14	(0.05)

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

<Reference> Trends of market interest rates

(%)

	FY2018	FY2019	YoY change
JPY TIBOR (3 months)	0.06	0.07	0.01
5-year JGBs	(0.10)	(0.11)	(0.01)
10-year JGBs	0.05	0.04	(0.01)

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

Loans and bills discounted (average balances)	FY2018	FY2019	YoY change
Loans and bills discounted	4,494.0	4,662.3	3.7
Corporate loans	2,789.7	2,886.3	3.4
[Excl. spread loans]	1,656.5	1,768.5	6.7
[Spread loans]	1,133.2	1,117.8	(1.3)
Retail loans	1,056.3	1,119.4	5.9
[Housing loans]	1,006.9	1,066.0	5.8
Loans for local governments	648.0	656.6	1.3

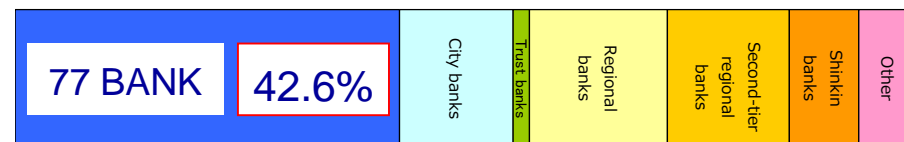
(JPY bn, %)

FY2020 (Plan)	YoY change
4,779.0	2.5

<FY2019 summary>

Average balances increased 3.7% year-on-year on average due to increases in loans to SMEs and to retail customers centered in housing loans, and the term-end balance increased 2.1%.

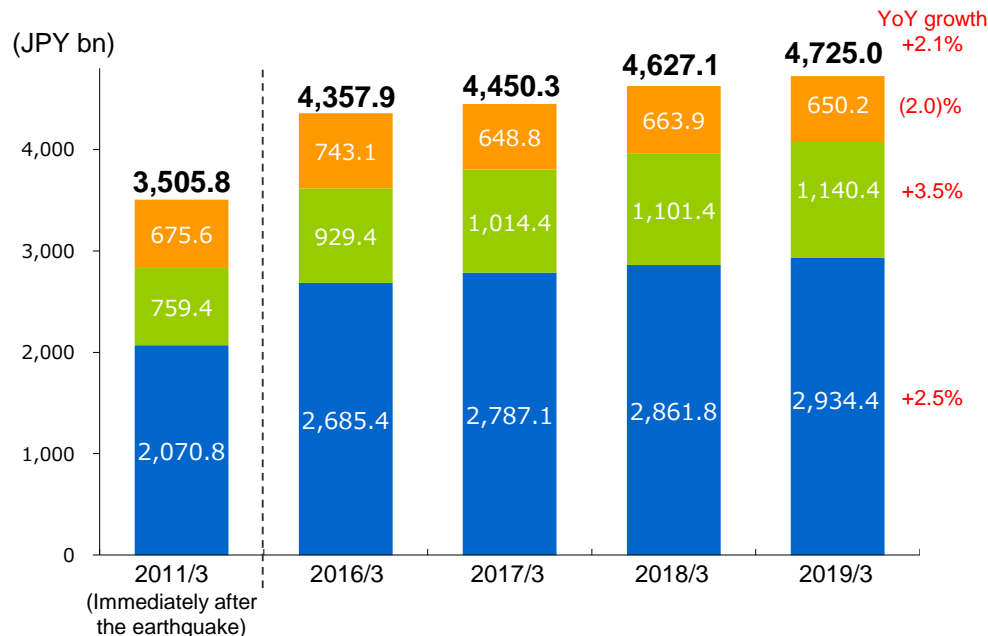
● Share in the loans in Miyagi Pref. (end of Mar. 2019)



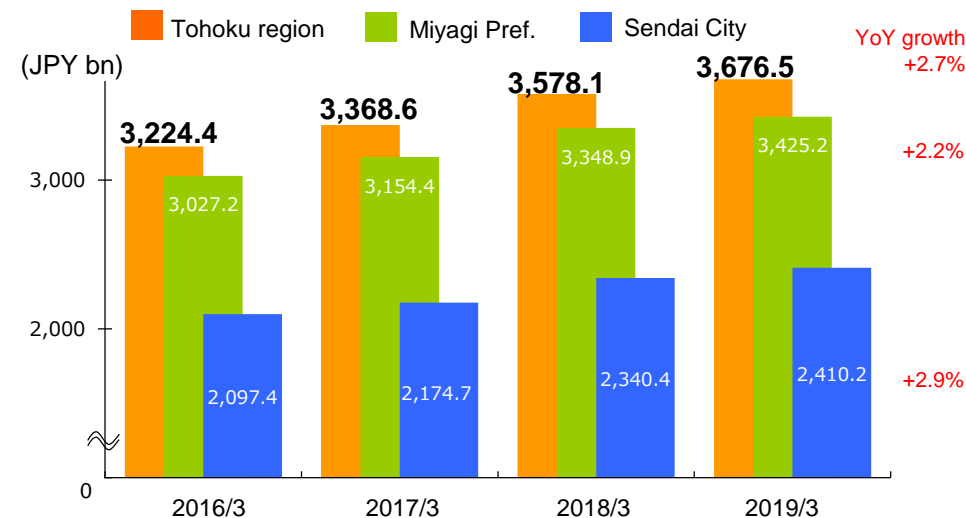
* Excludes agricultural and fishery cooperatives

● Loans and bills discounted balances

■ Corporate ■ Retail ■ Public, etc.



● Loans and bills discounted balances by region



I. Financial Summary

Deposits and certificates of deposits

Deposits and certificates of deposits (average balances)	FY2018	FY2019	YoY change
Deposits and certificates of deposits	7,761.0	7,766.8	0.0
Retail deposits	4,845.4	4,953.7	2.2
Corporate deposits	1,797.2	1,803.9	0.3
Public deposits	1,070.3	957.3	(10.5)

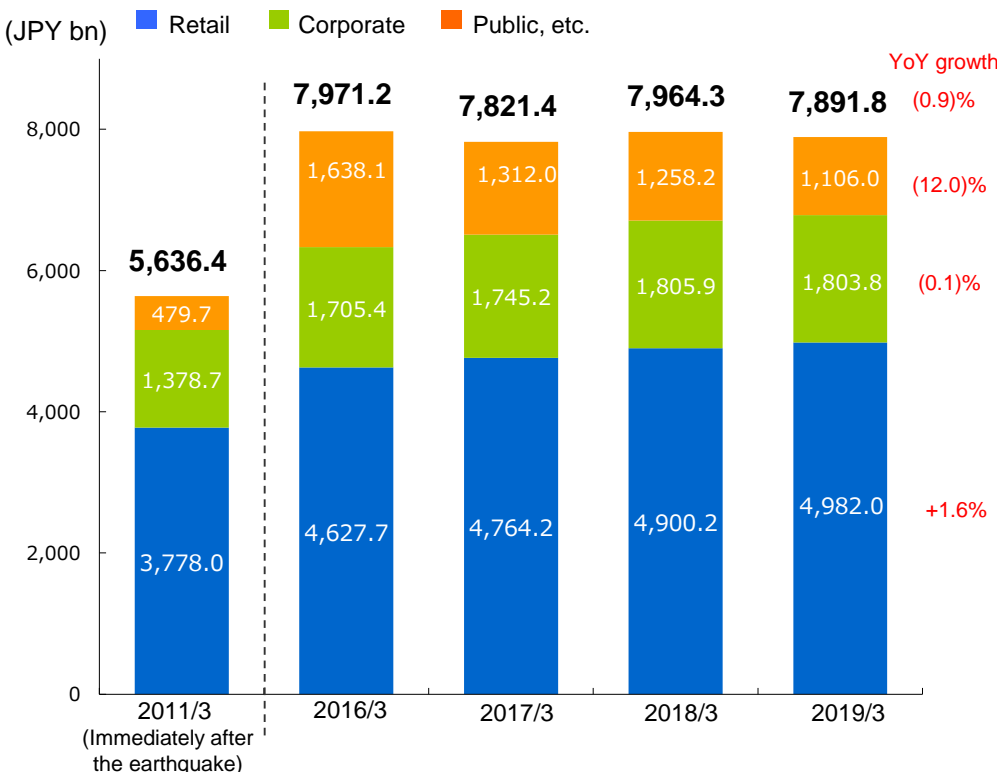
(JPY bn, %)

FY2020 (Plan)	YoY change
7,699.0	(0.8)

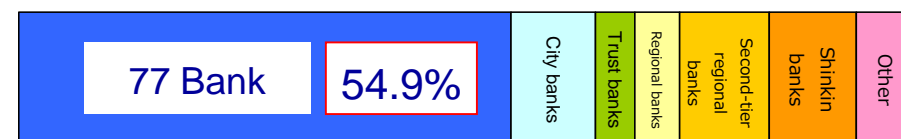
<FY2019 summary>

Average balance remained approximately the same year-on-year, due to a decline in public deposits, etc. despite an increase in retail deposits. The term-end balance decreased 0.9%.

Deposits and certificates of deposits balances



Share in deposits in Miyagi Pref. (end of Mar. 2019)



* Excludes Japan Post Bank and agricultural and fishery cooperatives

Providing convenience to expand the customer base

Launch of deposit accounts based on civil trust agreements

- As the population ages, capital management using civil trusts is becoming more commonplace. Based on this situation, the Bank began handling deposit accounts based on civil trust agreements in October 2018.

Launch of top-up services using ordinary deposit accounts

- The Bank launched a service enabling top-up from the Bank's ordinary deposit accounts, supporting the free fund-transfer app "pring," the smartphone payment service "merpay" and the electronic money service "docomo Kouza."

* Launched support of "pring" in April 2019, and support of "merpay" and "docomo Kouza" in May 2019.

● Balance of securities (based on market value)

(JPY bn)

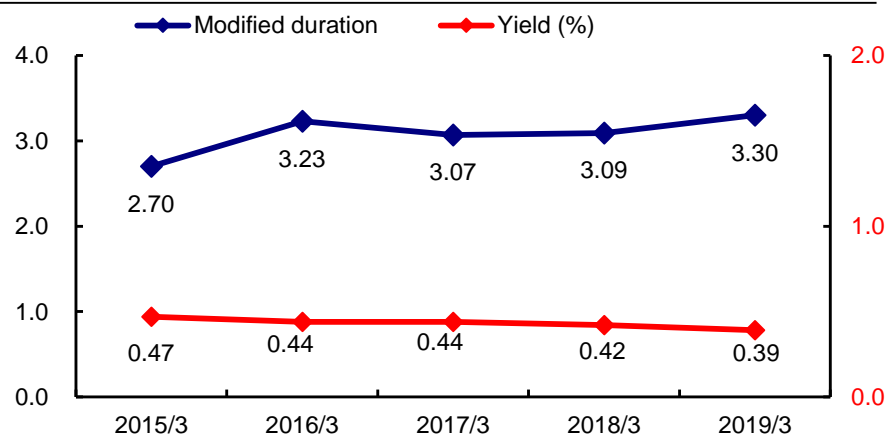
	End-Mar. 2017	End-Mar. 2018	End-Mar. 2019	Change from end- Mar. 2018	Gains (losses) from evaluation end-Mar. 2019	Change from end- Mar. 2018
Securities	3,242.6	3,126.0	2,964.9	(161.1)	144.4	(18.4)
Bonds	3,091.6	2,966.5	2,827.1	(139.4)	72.1	(0.9)
National gov. bonds	1,225.5	988.5	709.8	(278.7)	7.3	(3.6)
Local gov. bonds	246.9	381.9	514.8	132.9	7.0	2.5
Corporate bonds	983.2	960.2	944.9	(15.3)	8.6	(1.3)
Others	636.0	635.9	657.6	21.7	49.2	1.5
Investment trusts, etc.	414.7	461.9	487.7	25.8	49.8	0.4
Foreign bonds	221.3	174.0	169.9	(4.1)	(0.6)	1.1
Stocks	151.0	159.5	137.8	(21.7)	72.3	(17.5)
(Reference) Money held in trust	168.1	171.0	115.6	(55.4)	12.6	(5.0)

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

	End-Mar. 2017	End-Mar. 2018	End-Mar. 2019	End-Mar. 2020 (Plan)
National gov. bonds	39.2%	33.0%	↓ 24.9%	↓ 19.5%
Local gov. bonds	7.9%	12.7%	↑ 18.0%	↑ 22.9%
Corporate bonds	31.4%	32.1%	↑ 33.2%	↓ 32.9%
Other	19.2%	19.9%	↑ 21.6%	↑ 22.3%
Investment trusts, etc.	12.0%	13.9%	↑ 15.5%	↑ 16.0%
Foreign bonds	7.2%	6.0%	6.1%	6.3%
Stocks	2.3%	2.3%	2.3%	2.4%

● Yields and modified duration of yen-denominated bonds

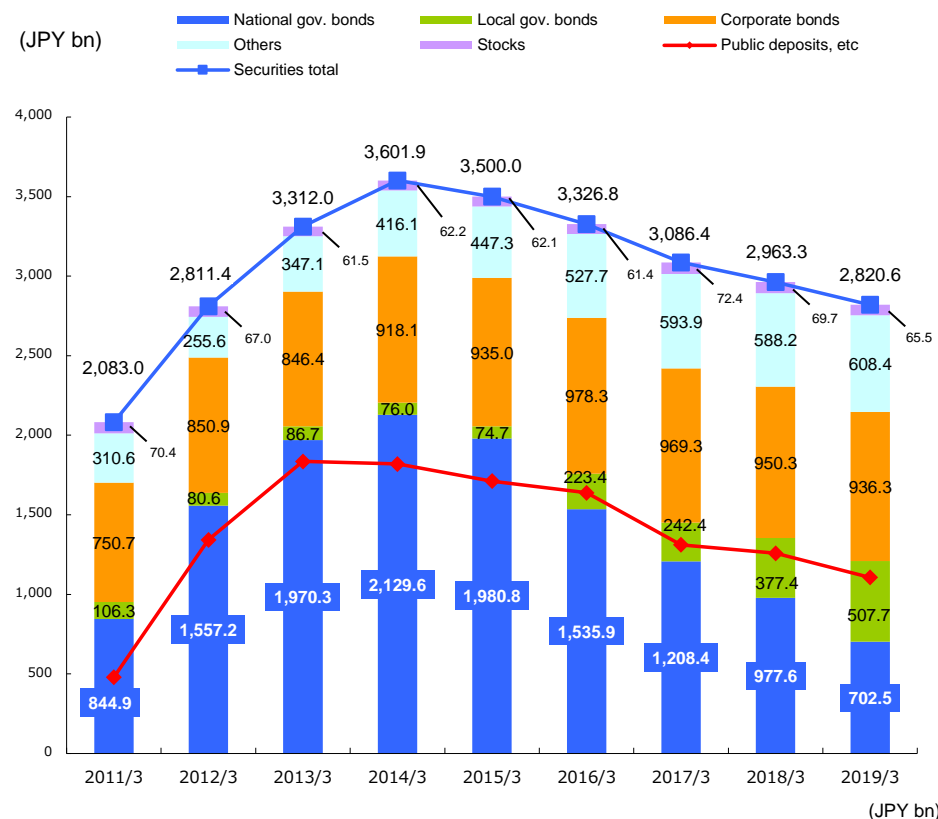
* Yen-dominated bonds other than investment trusts



<FY2019 summary>

- Decrease in balance of marketable securities owing to suppressed reinvestment of yen-bond redemptions, mainly for national gov. bonds
- Continuation of portfolio rebalancing taking market trends into consideration
 - Reinvest in yen-bond management guided by interest-rate risk
 - Expansion of revenue sources through diversified investment using investment trusts
 - Implementation of replacement transactions of foreign bonds and stocks, etc.
- Secured revenue opportunities by flexible trading

Balance of marketable securities (on an amortized cost base)

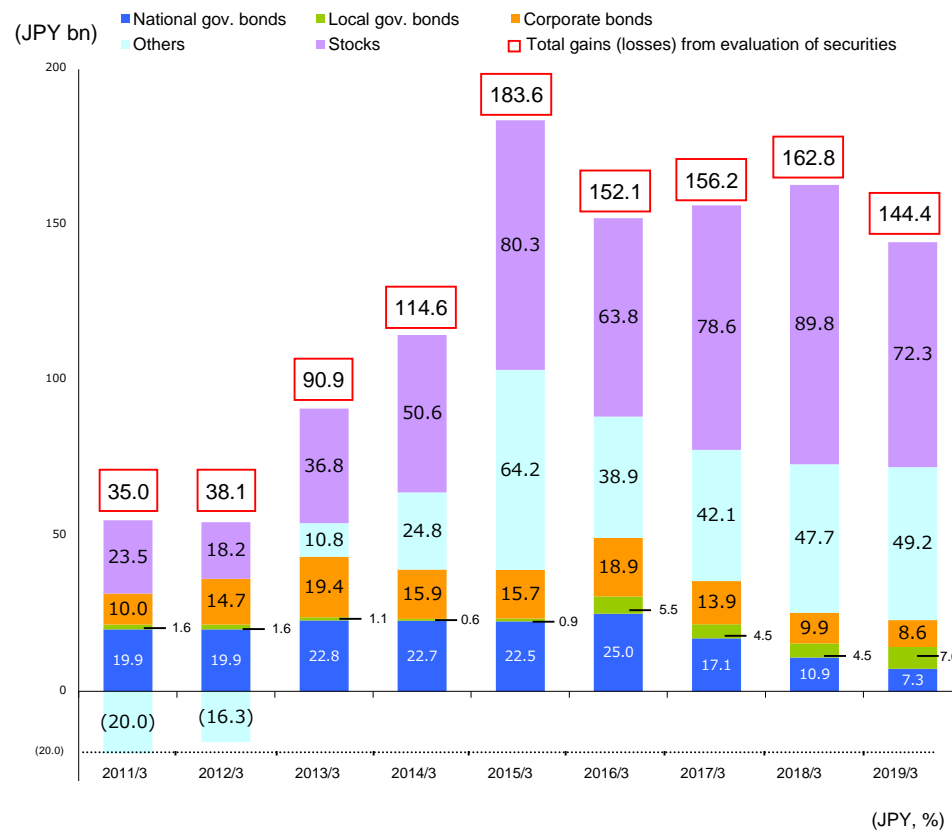


Securities total	2,083.0	2,811.4	3,312.0	3,601.9	3,500.0	3,326.8	3,086.4	2,963.3	2,820.6
Public deposits etc.	479.7	1,342.8	1,835.6	1,819.6	1,711.7	1,638.1	1,312.0	1,258.2	1,106.0

<Balance since the earthquake>

- Increased balance mainly of national gov. bonds while focusing on trends in public deposits together with liquidity and soundness of assets since the earthquake
- Carried out rebalancing through reinvestment of redemptions by suppressing reinvestment of national gov.-bond and other redemptions taking into account trends in fund positions and market trends

Gains (losses) from evaluation of securities



Nikkei Average (at term-end)	9,755	10,083	12,397	14,827	19,206	16,758	18,909	21,454	21,205
10-year JGBs (at term-end)	1.255	0.985	0.560	0.640	0.400	(0.050)	0.065	0.045	(0.095)

<Marketable securities trading structure>

- Strengthen trading and risk management structure through HR development using external institutions, etc.
- Strengthen ability to structure deals and ability to respond to market fluctuations by enhancing research and analysis capabilities

I. Financial Summary

Assets in custody

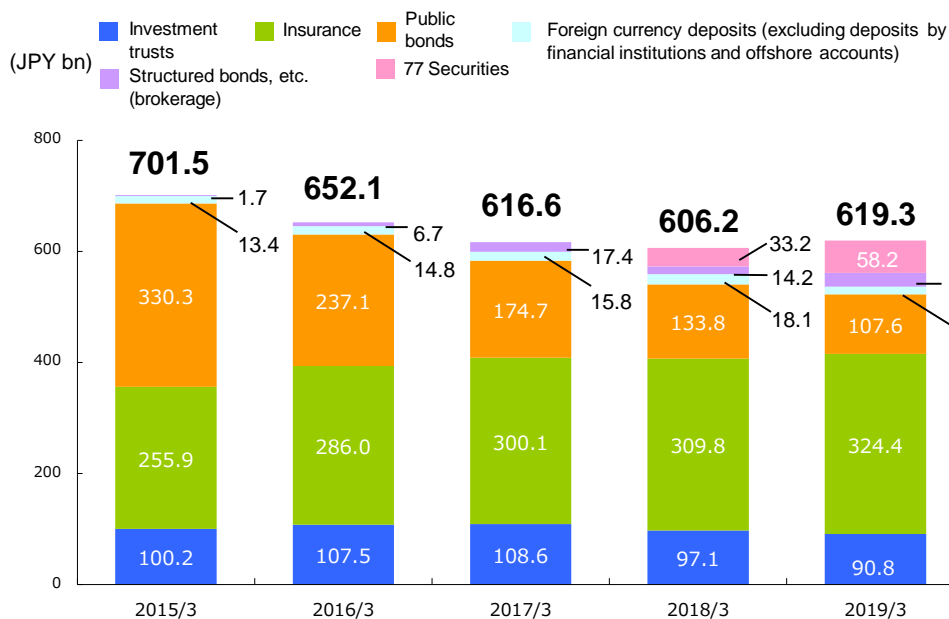
Sales of assets in custody	FY2018	FY2019	YoY change
Sales in 77 Bank	91.4	85.1	(6.8)
Investment trusts	30.9	23.6	(23.6)
Insurance	33.2	34.8	4.8
Structured bonds, etc. (brokerage)	21.9	19.1	(12.7)
Public bonds	5.4	7.6	40.7
Sales in 77 Securities	46.2	39.3	(14.9)
Total	137.6	124.4	(9.5)

(JPY bn, %)			
FY2020 (Plan)	YoY change		
128.0	50.4		
* Plan for the Bank (non-consolidated)			
(JPY bn)			
Sales in 77 Securities (After deduction of sales from bank brokerage)	FY2018	FY2019	
	Stocks, etc.	6.3	7.7
	Investment trusts	5.2	4.7
	Structured bonds, foreign bonds, etc.	34.7	26.9
	Total	46.2	39.3

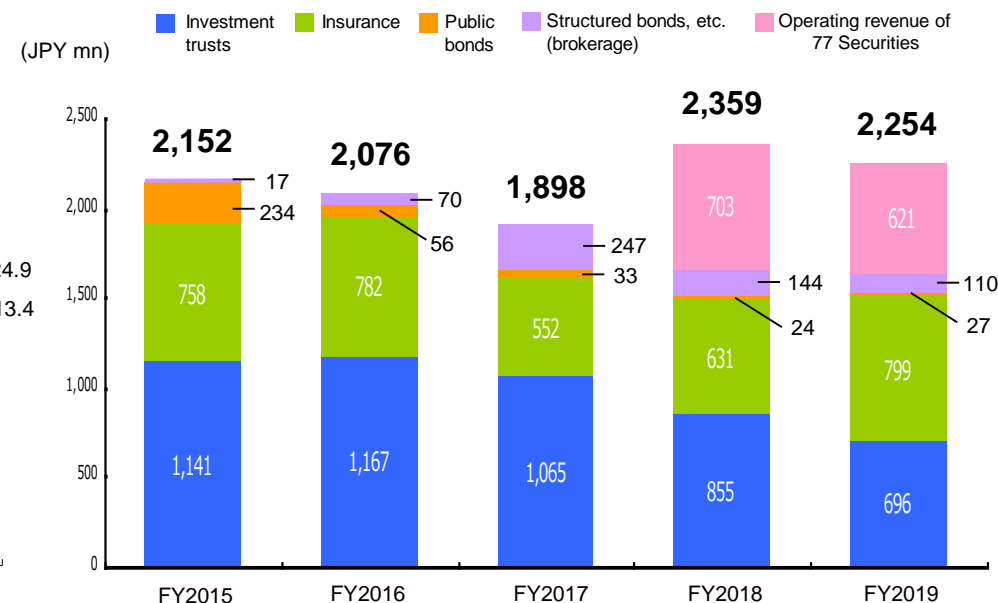
<FY2019 summary>

- Investment trust sales and balance decreased as the net asset values remained high reflecting the bullish market trend.
- Despite persisting scheduled rate reduction, insurance sales and balance increased centering on foreign-currency denominated insurance products.
- 77 Securities' balance increased JPY 25.0 billion year-on-year, due mainly to increases in domestic and structured bonds, despite a decrease in investment trust sales.

Balance of assets in custody

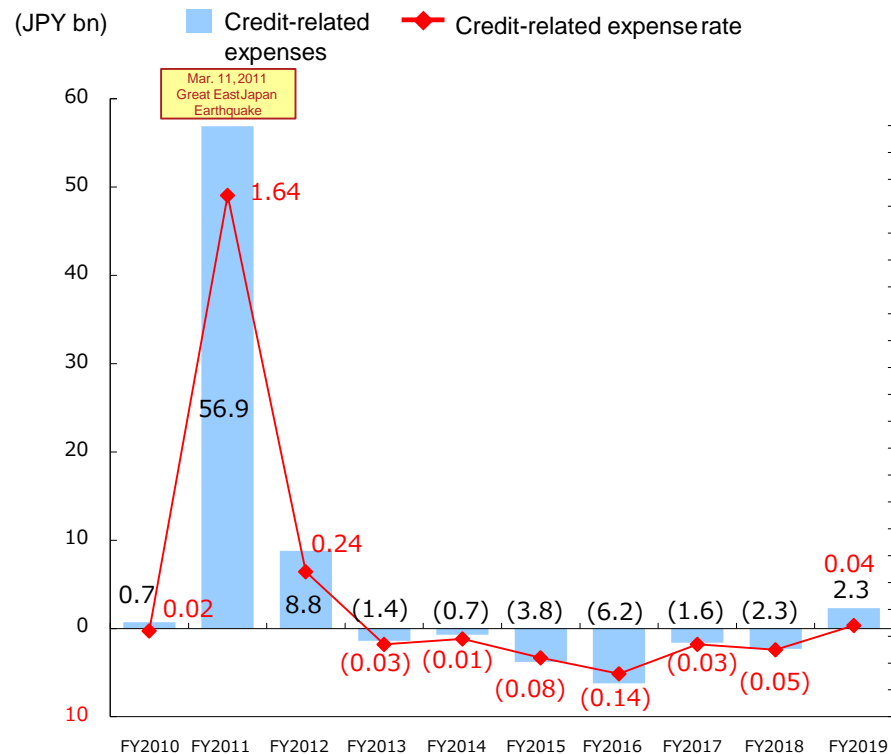


Sales commissions of assets in custody



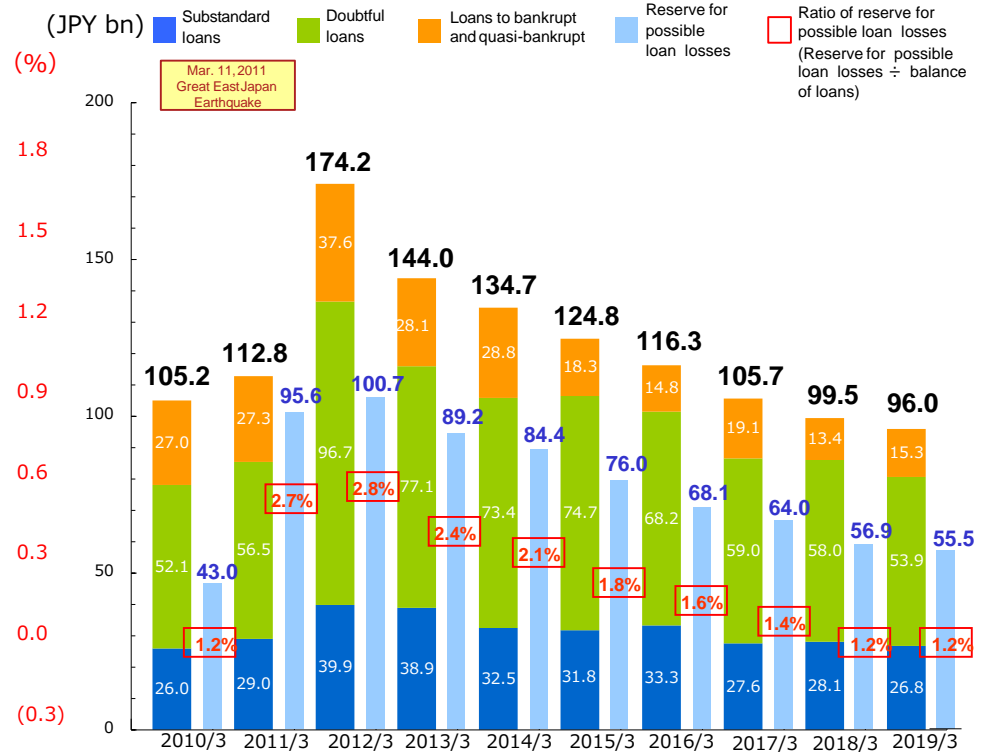
Credit-related expenses

Credit-related expenses and credit-related expense rates trends



Credits disclosed under the Financial Reconstruction Law

Trends of Credits disclosed under the Financial Reconstruction Law and reserve for possible loan losses



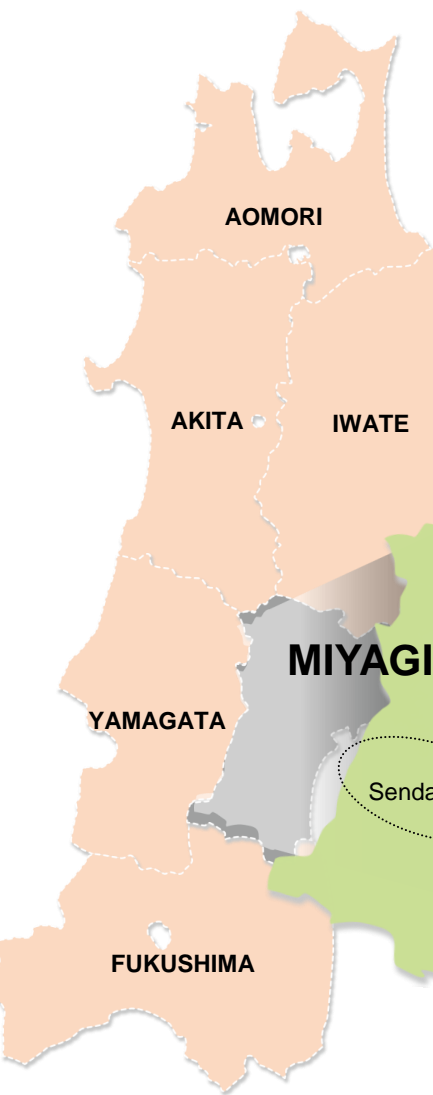
Capital adequacy ratio

	(JPY bn, %)		
	End-Mar. 2017	End-Mar. 2018	End-Mar. 2019
Capital adequacy ratio (non-consolidated/domestic standards) (a/b)	10.48	10.18	10.20
Capital (a)	373.4	383.6	398.1
[Core capital: instruments and reserves]	(373.5)	(383.7)	(398.3)
[Core capital: regulatory adjustments]	(0.1)	(0.1)	(0.2)
Risk assets (b)	3,561.6	3,767.7	3,902.6

<FY2019 summary>

The capital adequacy ratio increased 0.02 points from the end of March 2018 due to an increase of JPY 14.5 billion in capital as a result of accumulating internal reserves, despite an increase in risk assets due to an increase in loans and bills discounted, etc.

II. Measures under the Medium-term Management Plan



Industrial transformation

- Expansion of manufacturing industry has created new jobs and grown peripheral industries (e.g. Toyota Motor East Japan and Tokyo Electron Miyagi).
- Toyota Motor East Japan has concentrated production on compact cars.
- Alps Alpine's new core plant in Japan starts operation.

[Manufactured good shipment amounts] (JPY tn)

2012	2013	2014	2015	2016	2017
3.42	3.73	3.97	4.02	4.11	4.45

Source: Tohoku Bureau of Economy, Trade and Industry

[Number of offices]

2012	2016	Growth rate
98,190	102,026	+ 3.9 %

Source: Statistics Bureau,
Ministry of Internal Affairs and Communications

Six straight years of growth since earthquake

No.1 growth rate in country since last survey (2012)

Increase in visitors

- Building tourism platform
 - Creation of DMO in Sendai/Matsushima (Mar. 2018)
 - Opening of Miyagi Olle (Oct. 2018)
- Privatization of Sendai Airport
 - New routes and increased flights on domestic and international routes

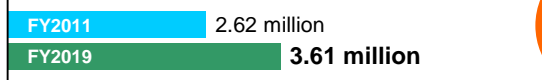
[Cumulative total accommodation nights by foreigners]



Source: Japan Tourism Agency

Approx. 2.2x increase Since 2010

[Number of annual passengers at Miyagi Airport]



Source: Miyagi Prefecture

up 990 thousand since 2010 (record high)

Progress of regional development projects

- Redevelopment progress
 - Remained site of Tohoku University Faculty of Agriculture
 - Asuto Nagamachi City Sub-center
 - Tomizawa Station West Land Readjustment Project
- Regional development projects
 - Creation of new campus for Tohoku Gakuin University
 - Next-generation synchrotron radiation facility Development project
 - Wide-area disaster prevention hub development project (relocation of JR cargo terminal)



Business Model

Further enhance the degree of customer satisfaction and confidence in the Bank through “consulting” offering the optimum solutions by identifying customers’ needs and issues.
Moreover, enhance profitability and employee satisfaction through these initiatives.

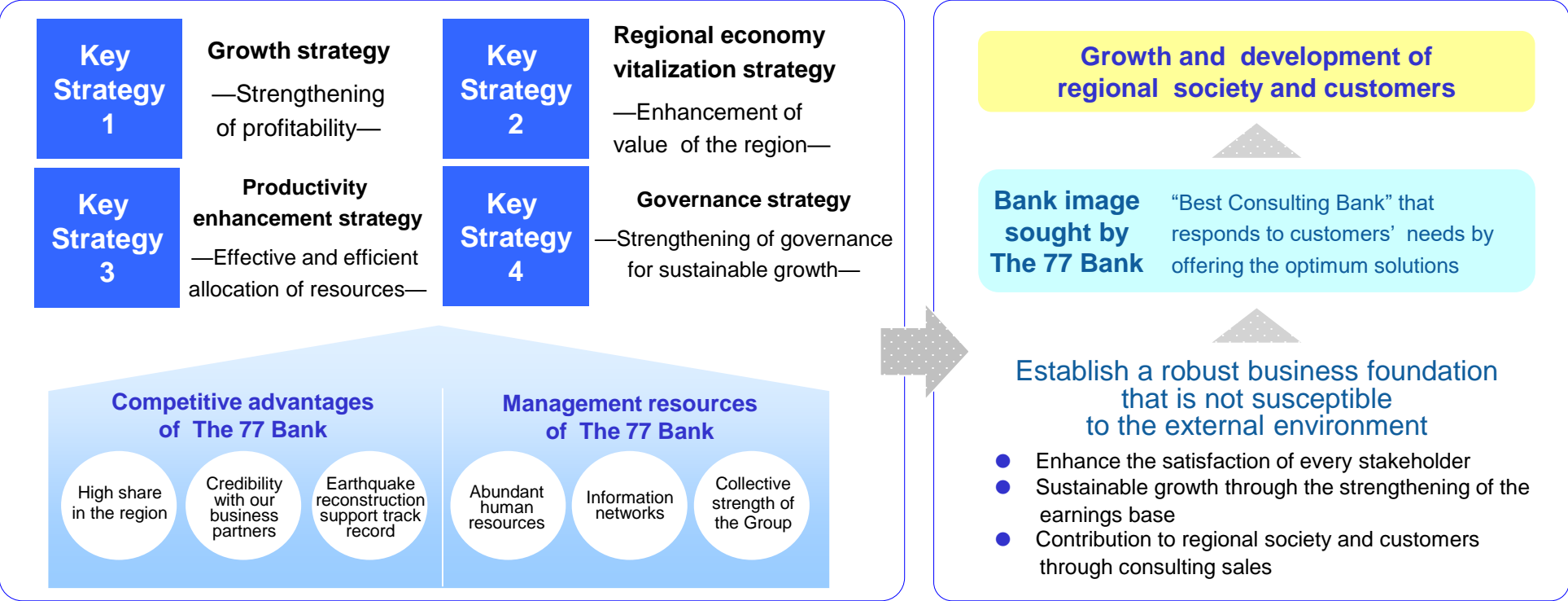
Medium-term
Management Plan

“For The Customer & For The Future”
—Best Consulting Bank Project—
3 years [from April 1, 2018 to March 31, 2021]

For The Customer

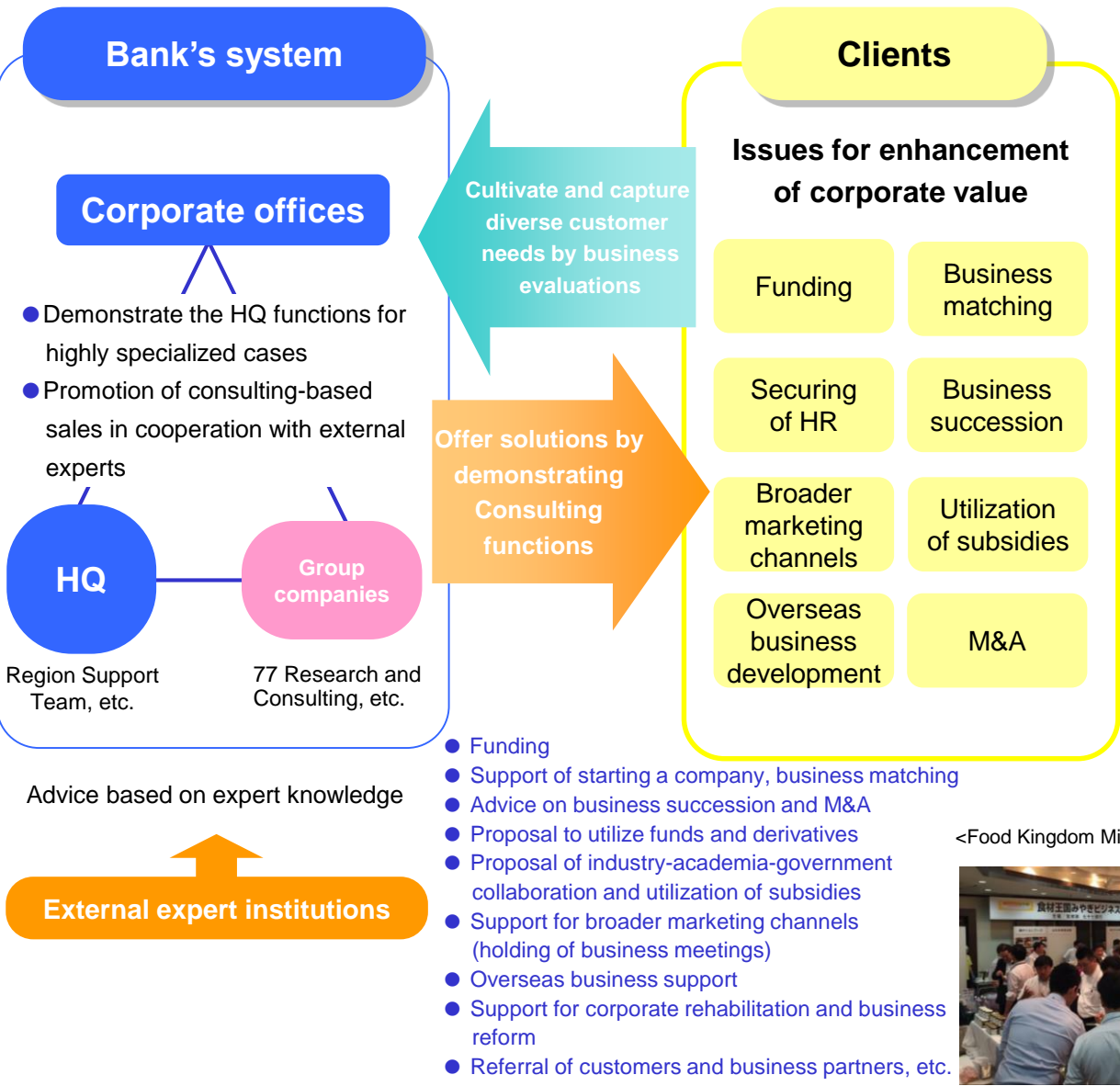
For The Future

ベスト・コンサルティングバンク



<div>Key Strategy 1</div> <div>Growth strategy —Strengthening of profitability—</div> <p>Based on the recognition that the “high-cost, low-profit model” is the largest issue, promote consulting-based sales throughout the Group to enhance customer satisfaction with the Bank and the Bank’s profit.</p> <p>Also, strengthen the channel strategy to expand customer contact points.</p>	<div>Key Strategy 2</div> <div>Regional economy vitalization strategy —Enhancement of value of the region—</div> <ol style="list-style-type: none"> (1) Continue earthquake recovery support (2) Contribute to regional revitalization (3) Strengthen relations with regional public bodies (4) Strengthen support for corporate rehabilitation and business reform
<ol style="list-style-type: none"> (1) Establish systems and structures for strengthening consulting capabilities <ul style="list-style-type: none"> • Revise the HQ’s organizational structure to strengthen support systems for corporate offices • HR development to enhance consulting capabilities (2) Strengthening and demonstrating consulting-based sales capabilities throughout the Group <ul style="list-style-type: none"> • Strengthen corporate sales capabilities <ul style="list-style-type: none"> • Strengthening of corporate sales through initiatives for business evaluation • Continuous efforts to rebalance loan assets • Efforts to increase non-interest income, centering on fees and commissions from corporate clients • Strengthening of overseas business support • Cultivation of opportunities by utilizing information • Strengthen retail sales capabilities <ul style="list-style-type: none"> • Greater promotion of consumer loans • Strengthening of capabilities to sell assets in custody • Increase of assets in custody and consumer loans by corralling mass customers, younger customers, and the asset formation clientele (3) Strengthen the channel strategy utilizing digital technologies <ul style="list-style-type: none"> • Expand transaction channels utilizing digital technologies • Strengthening of collaboration with MEJAR participating banks (4) Promote sophisticated management of securities 	<div>Key Strategy 3</div> <div>Productivity enhancement strategy —Effective and efficient allocation of resources—</div> <ol style="list-style-type: none"> (1) Strategically allocate management resources through enhanced cost-management structure (2) Streamline and increase sophistication of operations using digital technologies (3) Promote working style reform (4) Optimize allocation of human resources and promote strategic utilization <div>Key Strategy 4</div> <div>Governance strategy —Strengthening of governance for sustainable growth—</div> <ol style="list-style-type: none"> (1) Enhance and strengthen governance <ul style="list-style-type: none"> • Vigorously address ESG-related issues (2) Establish brand strategy (3) Enhance shareholder value

Strengthening of Corporate Sales through Business Evaluation Initiatives



(Status of initiative to evaluate business feasibility)

	End-Mar. 2017	End-Mar. 2018	End-Mar. 2019
Number of clients evaluated	1,776	3,255	4,978
Issue resolution measures shared	6,239	16,394	25,543
Issue resolution measure agreements	577	2,473	5,175
Issue resolution measure agreement by entities	355	1,469	2,713
Balance of loans to evaluated borrowers	401.1 JPY bn	543.6 JPY bn	715.5 JPY bn

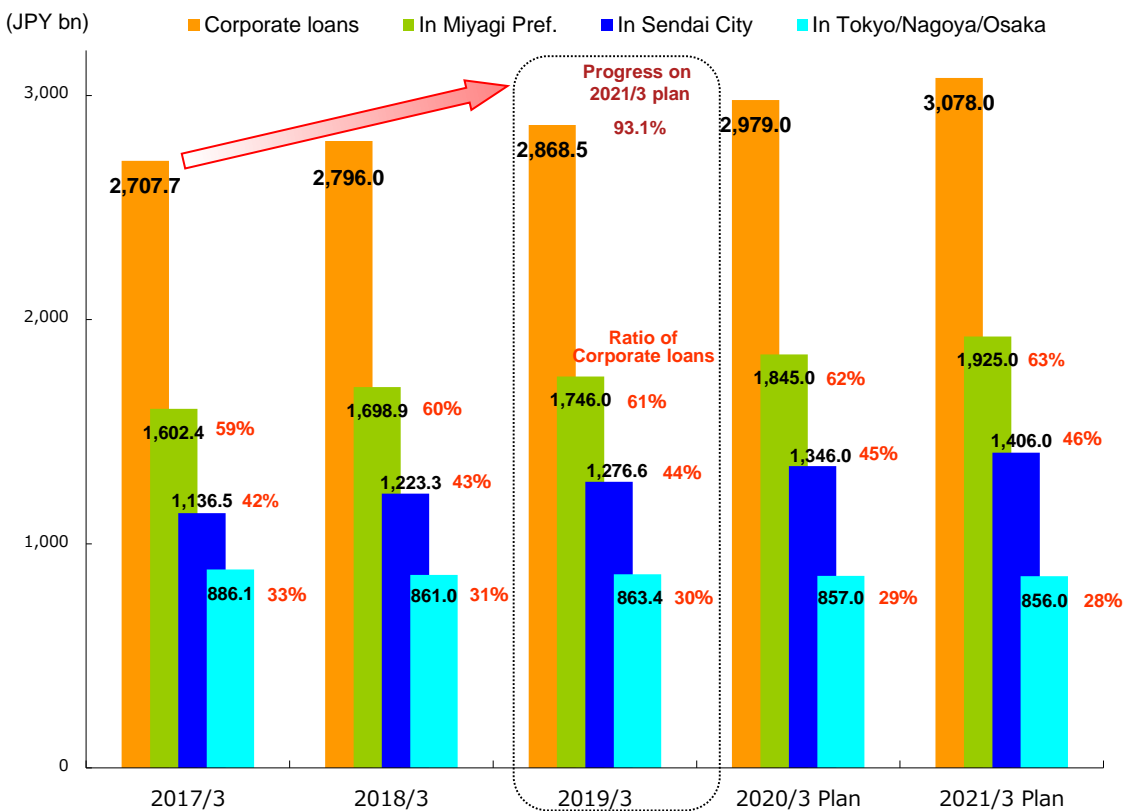
(Number of issue resolution measures shared/agreed as of End-Mar. 2019)

Issue resolution measure	Measures shared	Measure agreements
Provision of financing	5,624	2,896
Sales information mediation	2,033	433
Paid business matching	4,598	415
Business meeting	1,190	145
Support for corporate rehabilitation and business reform	267	114
Business succession, inheritance, etc.	2,121	84
Manager insurance	650	82
Utilization of overseas networks	134	47
M&A	705	16
Other	8,221	943
Total	25,543	5,175



Continue efforts to rebalance loan assets

● Outstanding balance of corporate loans (yen-denominated, at term-end)

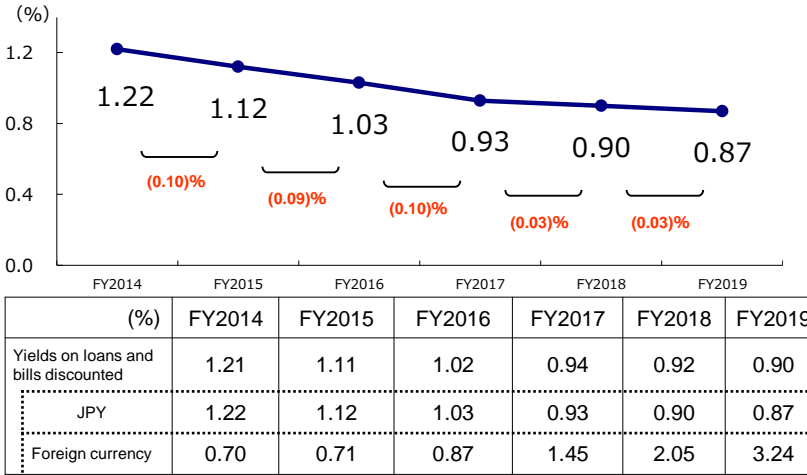


○ Rebalancing of loan customers

- Strengthening loans to SME with higher-margin
- Proactive risk-taking through encouragement of business evaluation and exercise of good judgment

Number of business evaluation customers	End-Mar. 2017	End-Mar. 2018	End-Mar. 2019
	1,776	3,255	4,978

○ Trends in yen loan yields



○ Trends in interest on loans and bills discounted

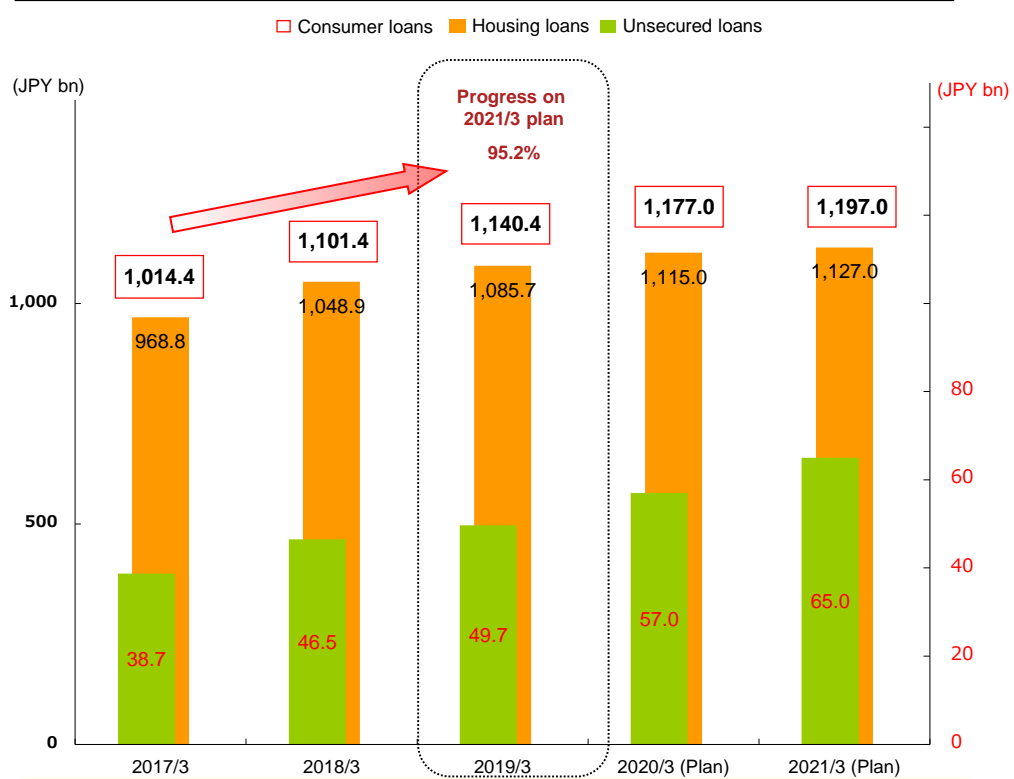
(JPY bn)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Interest on loans and bills discounted	46.7	45.4	43.9	41.2	41.4	42.0
YoY change	(2.6)	(1.3)	(1.5)	(2.7)	+0.2	+0.6
JPY	46.6	45.2	43.4	40.1	39.9	40.0
YoY change	(2.7)	(1.4)	(1.8)	(3.3)	(0.2)	0.1
Foreign currency	0.1	0.2	0.5	1.1	1.5	2.0
YoY change	0.1	0.1	0.3	0.6	0.4	0.5

○ Rebalancing of regions

- Shifting from Tokyo, Nagoya and Osaka to the local market (the whole Tohoku area)
- Promotion of lending throughout Tohoku area, using a wide-area sales networks and information

Continue efforts to rebalance loan assets

Outstanding balance of consumer loans (at term-end)



Housing loans

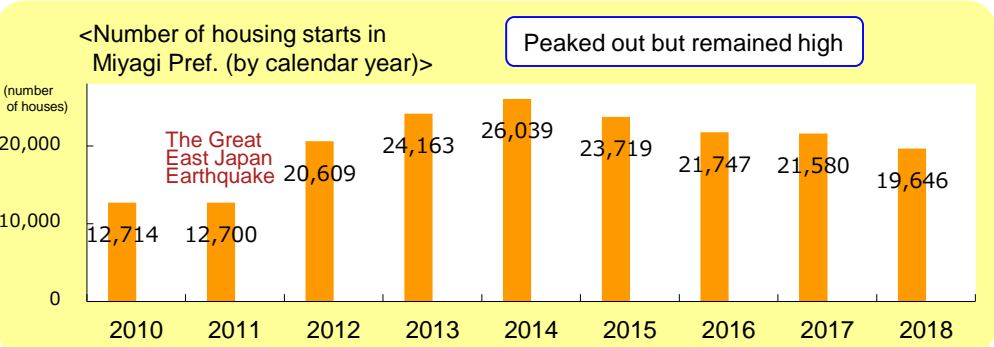
- Increase deals by strengthening good relations with home builders
- Capture new condo deals through collaboration between HQ liaison, loan centers and corporate offices

Unsecured loans

- Strengthen outbound operations
Utilize big-data analysis using artificial intelligence
- Incorporate worker needs
Hold “loan consultation events” on holidays
Create contacts with workers through occupational field promotion
Introduce 100% online collateral-free loan application scheme (Planned for Jun. 2019)
- Implement cross-selling to housing loan users timed to life events
- Proposal-based sales using EBM information

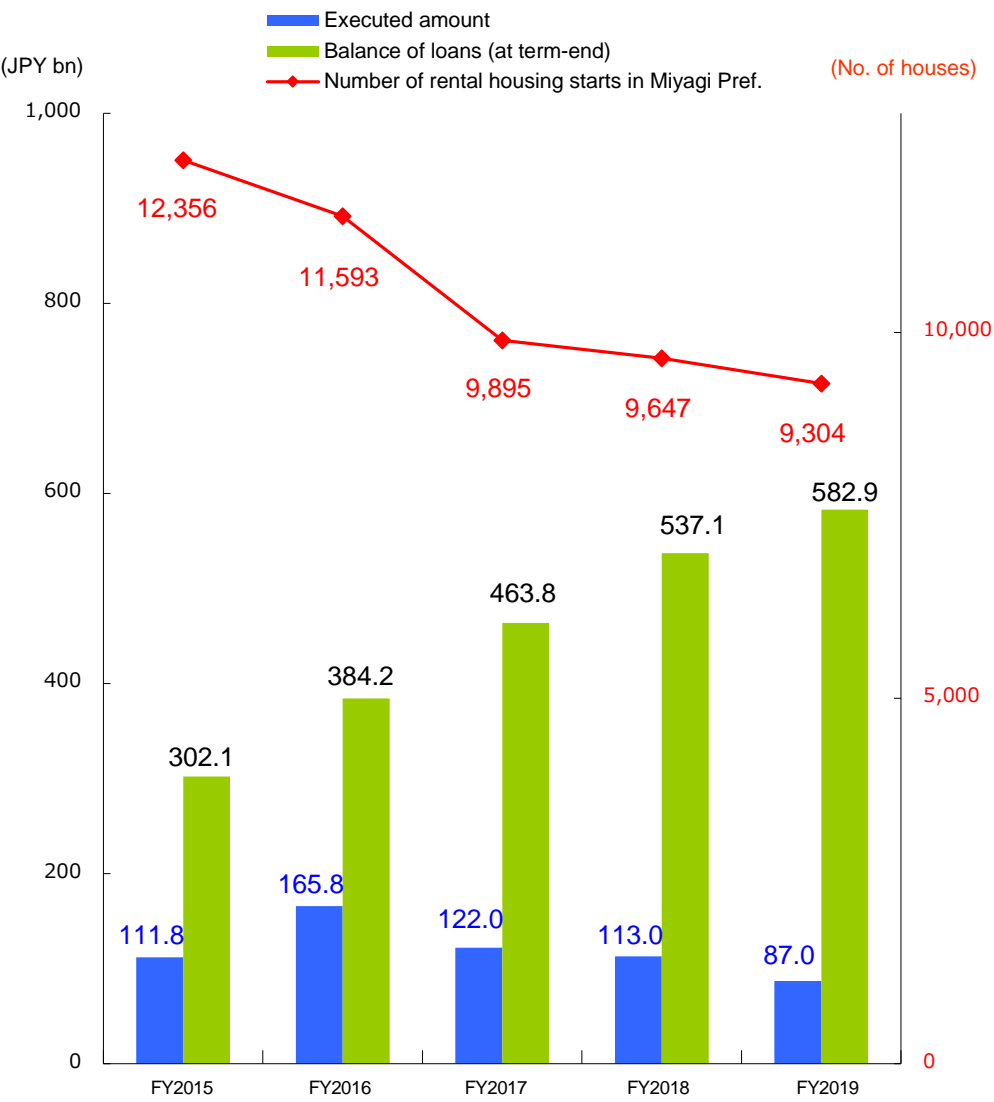
Strengthen consumer loan promotion system

Reorganize Housing Finance Department of Personal Banking & Direct Promotion Division into “Loan Promotion Department,” in order to strengthen support for diverse financing needs of retail customers in accordance with life plans, including acquiring housing as well as buying cars, funding education, etc. (Apr. 2019)



Initiatives for apartment loans

- Executed amount and outstanding balance of apartment loans (at term-end)



Overview of Miyagi Prefecture real estate market

- Rental housing starts based on actual demand backed by earthquake recovery

<Number of rental housing starts in Miyagi Prefecture>

FY2010	FY2011	FY2012	FY2013	FY2014
4,592	4,574	3,965	7,527	12,516
FY2015	FY2016	FY2017	FY2018	FY2019
12,356	11,593	9,895	9,647	9,304

(Source: Miyagi Prefecture)

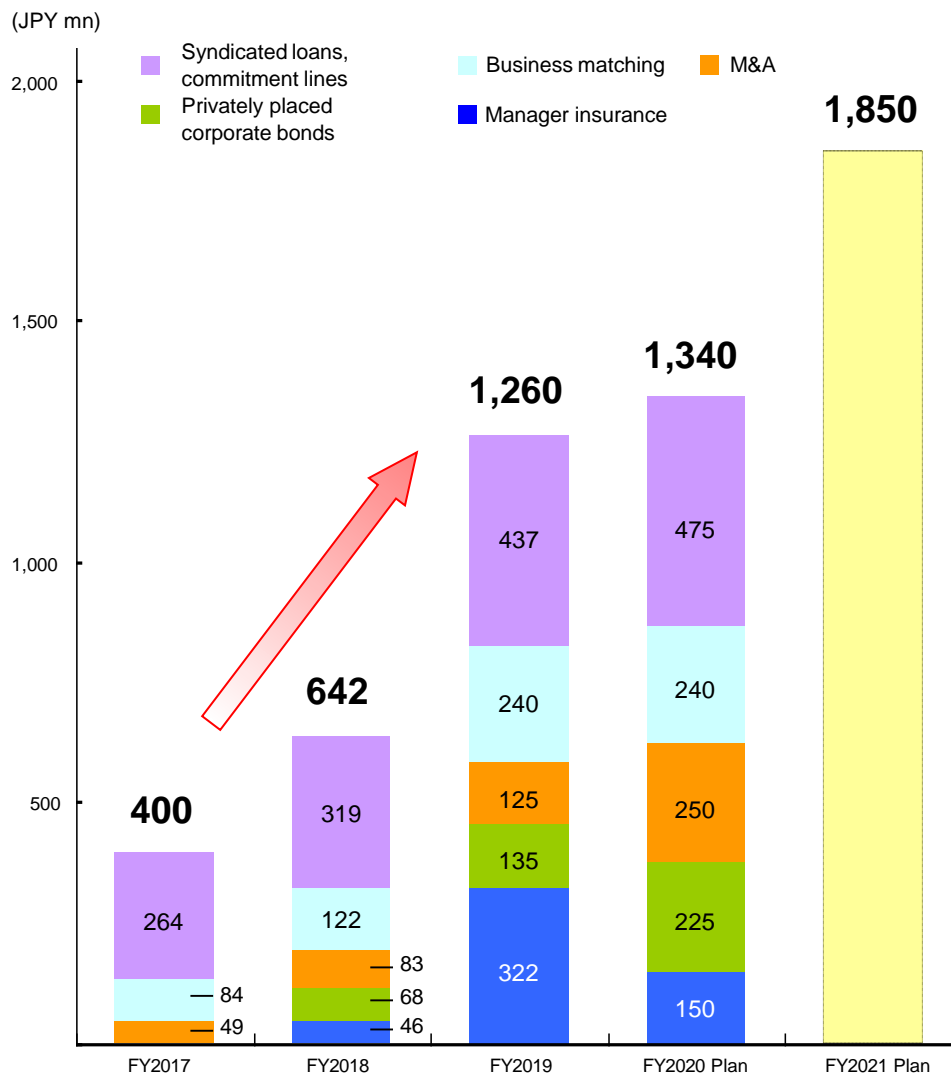
- Land price trends backed by robust real estate transactions
Official land prices for commercial and residential land increased for six and seven consecutive years respectively.
Commercial land: +5.9% YoY Residential land: +3.5% YoY

Measures for apartment loans

- Implementation of appropriate entry screening
Verifying the validity of investment purpose and income estimates (Asset background, investment experience, location, personal funding, etc.)
Appropriate screening with stresses set for each loan (Drop in rent fluctuation rate, decline in occupancy rate, increase in loan interest rate, etc.)
- Initiatives to strengthen risk management
Thorough middle management over operating status, etc.
Strengthening of risk management through consolidation and digitalization of middle management results

Efforts to increase income other than interest income

● Fees and commissions from corporate clients



○ Strengthen sales promotion structure

- The Bank plans to increase the headcount of Consulting Promotion Division sales personnel to **approx. 80** by the end of March 2020 in order to strengthen consulting capabilities.

Before implementation of MTMP	End-Mar. 2019	End-Mar. 2020 (Plan)
42	68	Approx. 80

Syndicated loans and commitment lines

- Establishing sales system by increasing dedicated personnel (to five). Also strengthen structured finance initiative.

Nine syndicated loan deals for JPY 759 million in FY2019
(up four deals, up JPY 480 million YoY)

- Establish 77 Strategic Investment Fund (Mar. 2019)

Business matching

- Accumulation of deals by ascertaining customer needs through business evaluation, and providing paid business matching to more entities, etc.

Paid business matching provided to 109 partners in FY2019 (up 27 YoY)

M&A

- Capturing business expansion and business succession needs by increasing dedicated personnel (four) and collaborating with external specialist institutions.

M&A advisory contracts with 23 partners in FY2019 (up 8 YoY)

Privately placed corporate bonds

- Accumulation of M&As centered on donation-type privately placed corporate bonds by increasing dedicated personnel (two) and revising product lineup.

123 privately placed corporate bond deals for JPY 10.3 billion in FY2019
(up 72 deals, up JPY 5.4 billion YoY)

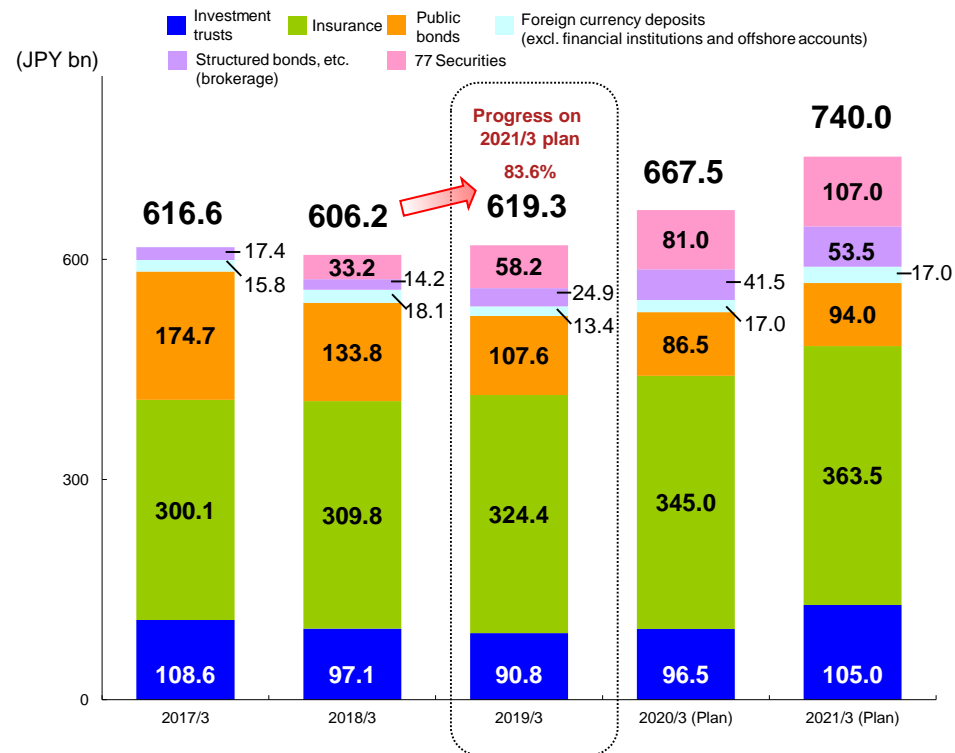
- Launch of 77 Local Professional Sports Support Bond (Donation-Type) and 77 ESG Privately Placed Corporate Bond (Apr. 2019)

Manager insurance

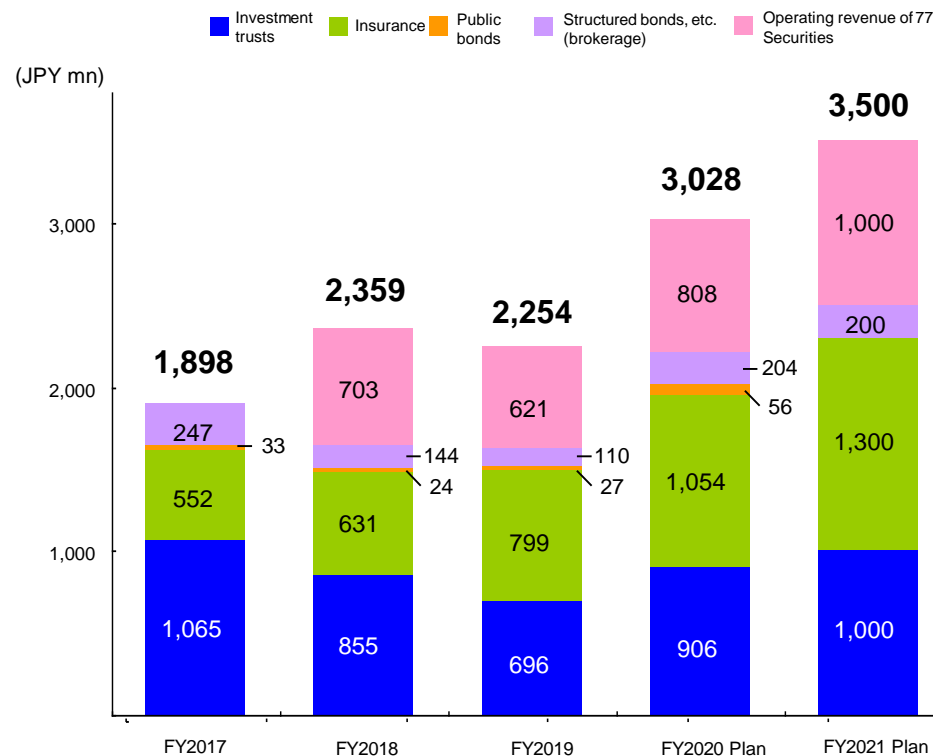
- Accumulation of results by assigning dedicated personnel (six).

Strengthen sales of assets in custody

● Balance of assets in custody of the Group



● Sales commissions of assets in custody, etc.



○ 77 Securities

- Strengthen sales structure for assets in custody through bank-brokerage partnership
<Trends in numbers of accounts opened>

	FY2018 (a)	FY2019 (b)	change (b - a)
Number of accounts opened	4,682	7,920	+3,238
Intermediary accounts	2,017	4,041	+2,024
Introduction accounts	2,665	3,879	+1,214

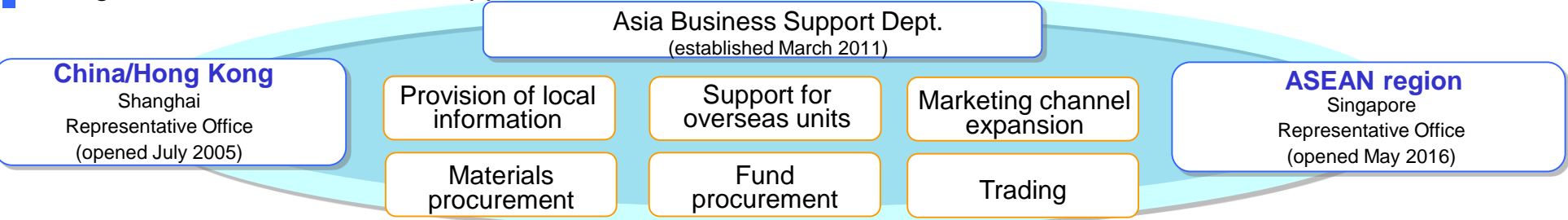
- Introduction of online service (planned for Oct. 2019)

○ Investment trusts

- Strengthen promotion to asset formation clientele
<Trends in number of installment-type NISA, utilization rate and used balance>

Indicator	2018/3 (a)	2019/3 (b)	change (b - a)
Number of accounts (c)	2,297	5,346	+3,049
Number of accounts utilized (d)	1,334	3,738	+2,404
Utilization rate (d/c)	58.1%	69.9%	+11.8%
Used balance (JPY mn)	12	367	+355

Strengthen overseas business support

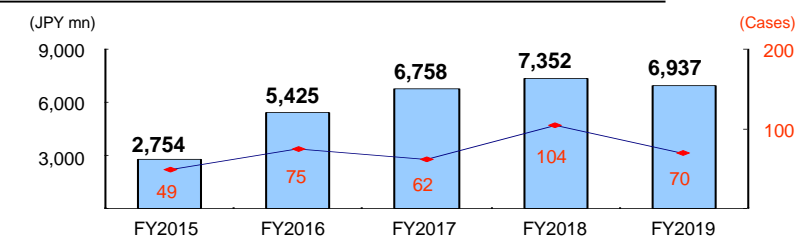


<The Bank's overseas network>

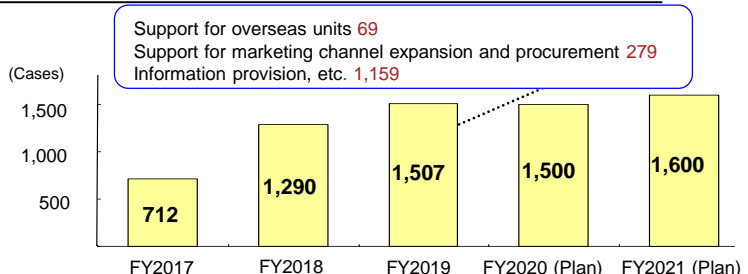


Bank staff deployed overseas: 13 Overseas partner financial institutions: 11
Other partner institutions in Japan and overseas: 23

Overseas business-related financing results



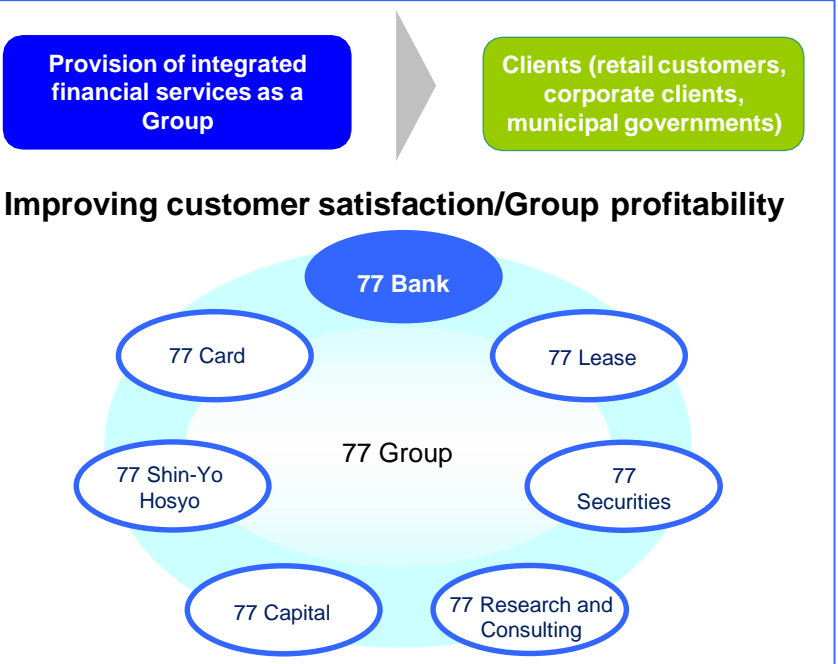
Number of overseas business support cases



Main initiatives for overseas business support (FY2019)

- Signed four-way partnership agreement relating to overseas business support with Sendai City, Toyo Business Service and Toyota Tsusho (Thailand).
- Held **nine** business meetings/business exchange meetings in locations including Shanghai, Singapore and Bangkok. Provided about **700 business negotiation opportunities** to a **cumulative total of 58 companies**.
- Proposals for use of institutions related to technical intern trainees (**42 cases**)

Strengthen the Group's comprehensive capabilities



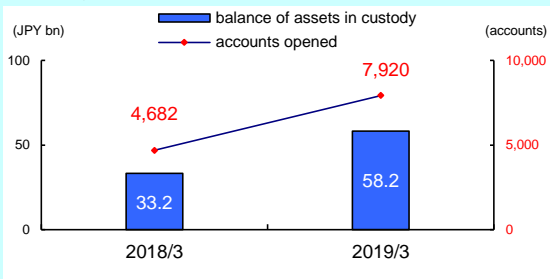
<Past initiatives>

- Jul. 2016 Establishment of 77 Securities Co., Ltd.
(* Started operation in Apr. 2017)
- Jul. 2016 Establishment of 77 Capital Co., Ltd.
- Nov. 2016 Group companies Converted into wholly-owned subsidiaries
 - Accelerate and enhance the efficiency of management and strengthen governance
 - Enhance consolidated profits, return profits effectively through flexible dividends
- Mar. 2018 Dissolution of two administrative subsidiaries
- Jul. 2018 Establishment of 77 Research and Consulting Co., Ltd.
- Sep. 2018 Dissolution of one IT-system subsidiary

<Initiatives to expand business area>

• 77 Securities

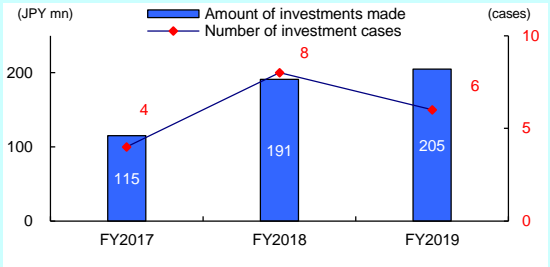
Works together with the entire Group to respond to diversifying asset management needs and support asset building for customers



* The balance of assets in custody of 77 Securities excludes structured bonds and foreign bonds (brokerage) of the Bank.

• 77 Capital

Provides growth money to companies in various life stages



(Details of investments made)

Investment field	Number of customers	Investment amount (JPY mn)
Manufacturing	8	171
Energy	2	85
Drug discovery	2	80
Services	2	40
Hospitals	1	50
Nursing care	1	49.5
Construction	1	20
Marine product processing	1	15
Total	18	510.5

• 77 Research and Consulting

Provides highly specialized research studies and effective consulting services aimed at resolving client issues

<Results for end-March 2019 (8 months of operation)>

- New members: **1,317 (up 317 from plan)**
- Research projects undertaken: **5 (up 2 from plan)**
(Contracted by entities including Ministry of Land, Infrastructure, Transport and Tourism; Reconstruction Agency; City of Sendai; and Tohoku University)
- Consulting cases: **18 (up 15 from plan)**
(9 asset succession support; 4 M&A support operations; 5 HR-related cases, etc.)

Leverage Digital Technology



New products and services	Payment/ remittance	Smartphone payment	Yahoo! Wallet / Rakuten Edy / LINE Pay / PayPay / pring / merpay / docomo Kouza Provide instant top-up to electric wallets
		Debit card payment	77 JCB Debit Provide instant transfer services, support Google Pay
		Fee payments	77 Bank PayB Provide instant payment service via smartphone
	Household finance/ finance management	Smartphone apps	77 BANK app for account opening 77 BANK app (household accounting services, etc.)
	Data analysis	AI/Big data	Select investment trust targets, etc., based on big data analysis
	Financial information	Data provision	Monitoring Information Service (Scheduled for introduction in Jul. 2019) Receiving financial information on TKC Corporation member companies in digital data format
	Enhance business efficiency	RPA	Enhance business efficiency and automation on repetitive routine work Annual hours reduced: 4,977 (110 operations) * As of end-March 2019
	Other Sophisticate the Bank's businesses	Omnichannel	Provide services through information sharing between channels (full-scale operation scheduled to start in Oct. 2019)
		Block chaining	Joined user group of SBI Group and to conducted research on new remittance/payment services
		Cooperation with external organizations	Dispatch Bank employees to Japan Digital Design to do research on enhancement of the Bank's businesses and user-friendliness Aiming to build highly efficient and productive new business model through revision and reform of operations in partnership with MEJAR system member banks

○ Reorganization

- Merged the IT Strategy Office of the General Planning & Coordination Division and the System Development Division into the new Digital Strategy Division to streamline Bank operations utilizing digital technologies, and improve customer convenience.

○ Further expansion of smartphone payments

- J-Coin Pay (Scheduled for introduction in Jun. 2019)
- Bank Pay (Scheduled for introduction in Oct. 2019)

○ Launch of "MEJAR Digital Innovation Hub"

- Launch of digital promotion project promoting measures to reform operational processes, channels and services collaboratively with Bank of Yokohama, Hokuriku Bank and Hokkaido Bank (MEJAR system member banks) utilizing digital technologies (Dec. 2018).

77 Bank PayB

App that enables payments to be made anytime, anywhere without going to an ATM or convenience store, as long as you have a smartphone and payment handling slip.



77 Bank App

App that enables retail customers to use various services whenever they want without visiting a teller, including viewing balances, or having fun saving for preset goals like buying a car or going on a trip



Contribute to regional revitalization

Support for starting a new company or business

- Utilization of the fund in cooperation with 77 Capital
- Fund No. 1: **“77 New Business Fund”**
Total value of fund: **JPY 1.0 billion** (launched Aug. 2016)
Investments made: **18 deals/JPY 511 million** (as of end-Mar. 2019)
- **Launch of 77 Business Startup Support Package**
Creation and development of product and service package, including internet banking and cloud accounting, for corporations and individual business owners that helps streamline accounting, payment, and other back-office operations as business startup support tool (Apr. 2019)

Promotion of urban development

- Strengthening cooperation with municipal governments by concluding Comprehensive Cooperation Agreements
Number of partners increased to **22 municipal governments** due to concluded agreements with Shibata Town, Rifu Town and Kawasaki Town (as of end-Mar. 2019)
- Participation in regional development projects
 - Development of next-generation synchrotron radiation facility
 - Public-private partnership for integrated operation of tap, industrial and black water system in Miyagi Prefecture

Promotion of tourism, job creation

- Supported Abukuma Express Line Revitalization through use of crowdfunding
- Joined capital procurement project to manufacture Honey Beer using crowdfunding, in order to vitalize the area along the rail lines of Abukuma Express.



Support and develop regional core companies

- Strengthen initiatives in healthcare, nursing, environment and energy fields
 - 77 medical and social welfare loans: **172 cases/JPY 14.1 billion**
 - Renewables-related funding: **43 cases/JPY 26.0 billion**
* The above results are for FY2019
- Support for manufacturing industry associated with concentration of compact vehicle production bases in Tohoku by Toyota Motor East Japan, Inc.
 - **About 1,100 employees** are scheduled to relocate to Tohoku plants by Dec. 2020.
- Collaboration with “Sendai Future Generating Company Creation Program”
 - Launched corporate support aimed at stock listing in partnership with Sendai City (May 2019)
- Supported local marine transport companies through business feasibility evaluation
Kyoshomaru Co., Ltd. (Ishinomaki City, Miyagi)
Owns and operates cargo ships on routes linking Tokyo with the islands of Chichijima and Hahajima in the Ogasawara Islands
Conducted business feasibility evaluation of new ship construction and maintenance of shipping business



- Confirmed status of recovery since Great East Japan Earthquake
- Studied current status of Ogasawara Village and overall strategy
- Verified profitability taking into account fluctuations in shipping rates, repair/maintenance costs, etc., and provided advice

Effective and efficient allocation of management resources

○ Initiatives to establish an efficient sales structure

• Introduce next generation branch functions

- Established the Hebita Branch Nozomino Sub-Branch, which leverages IT infrastructure (e.g. 77 Smart Counters, Tablets, and Remote consultation system) (Jun. 2018)
- Adopted tablets and remote consultation system at more branches (Jan. 2019)



77 Smart Counter

A self-service counter with state of the art equipment that can be used with employee assistance

Locations available: 2



Tablets

Reduces the burden of filling out forms by enabling digital signatures on tablets for new account applications, etc.

Locations available: 10 (expanded from 1 location to 10)



Remote consultation system

Established a system enabling mutual communication with dedicated HQ staff members in a fully private consultation booth

Locations available: 4 (expanded from 1 location to 4)

• Development of efficient sales structure

Revised business hours at Ayukawa Branch (closed from 11:30 – 12:30) (Apr. 2018)

• Revised branch network (Operating branches within branches)

Basho no Tsuji Branch converted to branch within Head Office Business Div. (Jul. 2018)

Plan to relocate Sendai Ekimae Branch within Nakakecho Branch (Sep. 2019)

○ Initiatives to streamline operations

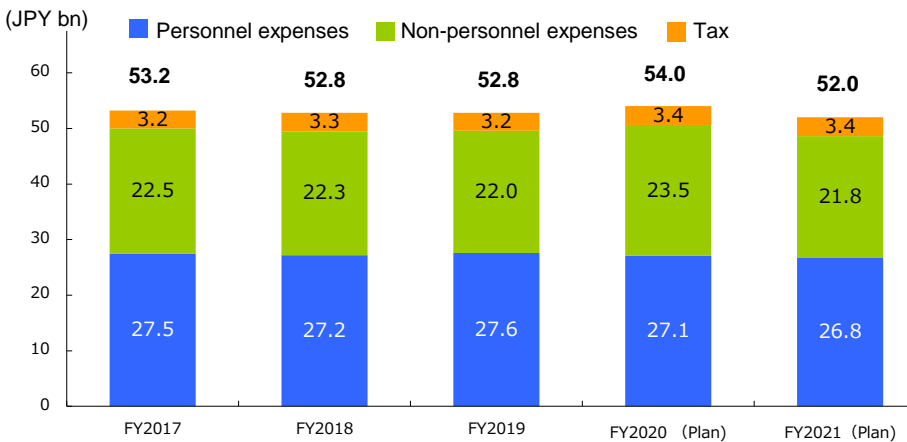
<Reduction of annual hours through operational streamlining in FY2019>

System support	47,893
Of which, update of consumer loan central credit screening system	42,450
Of which, introduction of apartment loan management system	3,271
Of which, feature enhancements of contract auto-generation system	1,626
Operational revisions, etc.	24,145
Of which, deposit related	12,090
Of which, finance related	5,845
Headquarters consolidation	7,465
Of which, posting of mail	3,228
Of which, acquisition of materials for collateral assessment	2,685
RPA (67 Headquarter operations)	2,562
Total	82,065

<Operational streamlining planned in future>

- Automatic preparation of loan execution forms (Jun. 2019)
- Streamline back office works through introduction of forex management system (Oct. 2019)
- Digitalize administration of receipt of insurance sales applications (Nov. 2019)
- Streamline teller operations through introduction of operational navigation (Feb. 2020)

● Expenses



Vigorously address ESG-related issues

E Environment

- Implementation of ESG Investments
 - Actively implemented ESG investments, such as green bonds and social bonds, in order to support enterprise and retail customers working actively to contribute to society, including environmental conservation, through financial products and services.
(Results during medium-term plan)
2 green bonds, 2 social bonds
- Began offering ESG-related investment trusts (Jul. 2018)
 - <Product features>
 - Investment in domestic companies working to resolve ESG issues
 - A portion of the trust fees is donated to the Miyagi Prefecture Greening Promotion Council



S Social

- Initiatives for working style reform
 - **Achieving work-life balance**
 - In March 2019, the Bank formed a utilization partnership with daycare facilities in Miyagi Prefecture, as an enterprise-driven daycare project.
Partner daycare providers: 11
Available daycare facilities: 20



- **Implementation of Health and productivity management declaration**
 - In December 2018, the bank formulated the health and productivity management declaration, and implemented initiatives including a total prohibition of smoking on all Bank property.
- **Use of childcare leave by men**
 - The Bank encourages awareness of participation in the household regardless of gender. Since FY2015, childcare leave has maintained a **utilization rate of 100%**.



- External evaluations on the Bank's initiatives

2018 Constituent
MSCI日本株
女性活躍指数 (WIN)

Chosen as a constituent of **SCI Japan Empowering Women Index**, which recognizes companies with outstanding efforts in promoting the participation and advancement of women in the workplace (as of Dec. 2018)

S Social (140th anniversary project)

One branch, one social contribution campaign

All branches continue to engage with the local community



Participated in local festival and conducted cleanups the following day



Held Japanese drum and Suzume Odori (sparrow dance) performance for children

Organized tree-planting of coastal protection forest



Organized “X-Tech Innovation 2018”

Business contest across industry and business categories



Supported financial education for children



Renovation of the Currency and Banking Museum



Set up “Financial Education Website for Children” (77 Bank website)

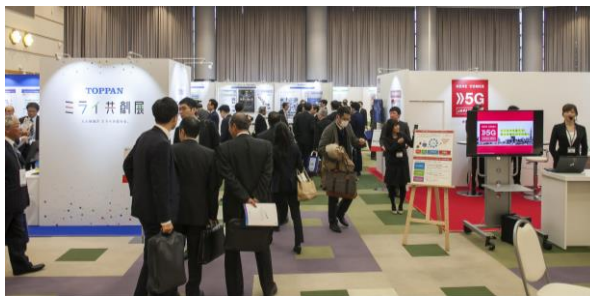


77 Kids Challenge

Joint sports workshops held by three of the Bank’s sports clubs (baseball, track and field, and badminton teams)



Holding
“77 Business Forum
—For the Future—”



G Governance

Milestones for enhancement/strengthening of governance

- Apr. 2014 “Executive officer system” introduced
- Nov. 2015 “Corporate Governance Policy” established
“Corporate Governance Committee” established
- Jun. 2017 Transition to a “Company with an Audit & Supervisory Committee”
“Compensation system for Directors” revised
(Performance-linked compensation system introduced)
- Jun. 2018 Revision of the executive officer system
(Introduction of Senior Executive Officers)
Appointment of a woman as a Director

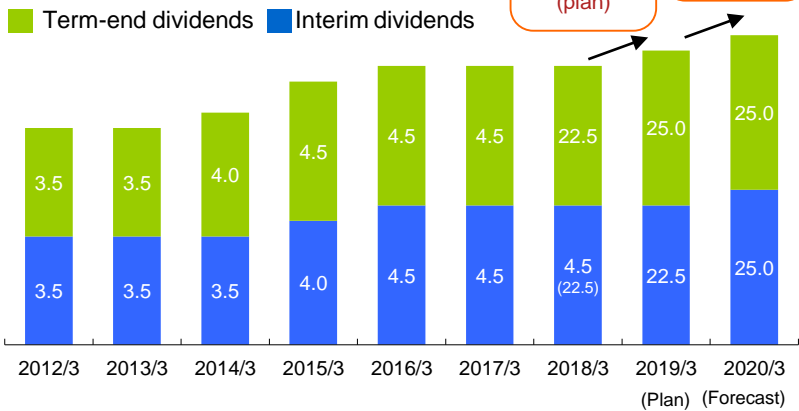
Increase number of Directors who are
Audit & Supervisory Committee members

Increased the maximum number of Directors who are Audit & Supervisory Committee members by one, from five to six.
The Bank plans to appoint a woman as an Outside Director.

- (1) Build more effective corporate governance system by enhancing management oversight functions of Audit & Supervisory Committee
- (2) Increase ratio of Outside Directors
From 37.5% to 41.1%
(7 out of 17 Directors are Outside Directors)
- (3) Increase ratio of female Directors
From 6.2% to 11.7%
(2 out of 17 Directors are women)

Enhance shareholder value

Dividends (JPY)



Total sum paid out (JPY mn)	2,616	2,617	2,805	3,180	3,368	3,353	3,364	3,550	3,737
Net income (JPY bn)	10.6	12.1	14.7	16.9	15.7	16.6	16.7	17.9	17.0
Dividend ratio	24.6%	21.5%	19.0%	18.8%	21.5%	20.2%	19.9%	19.6%	21.7%

<Reference> Acquisitions of treasury stock (partially planned)

Timing	No. of shares acquired	Total cost of acquisition
Oct. 2002 - Jan. 2003	1,770,000 (before consolidation)	JPY 777 mn
Aug. 2003	1,000,000 (before consolidation)	JPY 490 mn
Feb.- Apr. 2011	5,563,000 (before consolidation)	JPY 2,535 mn
Nov. 2016 - Jan. 2017	5,346,000 (before consolidation)	JPY 3,000 mn
May 16, 2019 – Jun. 21, 2019	500,000 (after consolidation)	JPY 800 mn

*Consolidation of shares on Oct. 1, 2017 (1-for-5 consolidation)

○ Targets

	Item	FY2018 results	FY2019 results	FY2021 targets
Enhancement of profitability	<ul style="list-style-type: none"> Net income (consolidated) Interest on loans and bills discounted Fees and commissions 	JPY 18.3 bn JPY 41.4 bn JPY 9.3 bn	JPY 17.6 bn JPY 42.0 bn JPY 9.6 bn	JPY 19.0 bn or more JPY 45.0 bn or more JPY 11.5 bn or more
Pursuit of efficiency	<ul style="list-style-type: none"> Core OHR (core gross operating income expense ratio) ROE (consolidated) 	69.5% 3.8%	73.3% 3.6%	70% or less 3.7% or more
Pursuit of soundness	<ul style="list-style-type: none"> Capital adequacy ratio (consolidated) 	10.4%	10.4%	10% or more
Strengthening of corporate sales capabilities	<ul style="list-style-type: none"> Balance of corporate loans (term-end) (Note 1) Of which Miyagi Prefecture Of which Sendai City 	JPY 2,796.0 bn JPY 1,698.9 bn JPY 1,223.3 bn	JPY 2,868.5 bn JPY 1,746.0 bn JPY 1,276.6 bn	JPY 3,000.0 bn or more JPY 1,900.0 bn or more JPY 1,370.0 bn or more
Strengthening of retail sales capabilities	<ul style="list-style-type: none"> Balance of assets in custody, Group (term-end) (Note 2) Balance of consumer loans (term-end) 	JPY 606.2 bn JPY 1,101.4 bn	JPY 619.3 bn JPY 1,140.4 bn	JPY 740.0 bn or more JPY 1,200.0 bn or more

Note 1: Yen-denominated only

Note 2: Sum of assets in custody of The 77 Bank and those of 77 Securities (Foreign currency deposits exclude deposits by financial institutions and offshore accounts)

○ Key Performance Indicators (KPIs) for strengthening consulting capabilities

	Item	FY2018 results	FY2019 results	FY2021 targets
Enhancement of consulting capabilities	<ul style="list-style-type: none"> No. of employees with qualifications (1st grade Certified Financial Planner, CFP, and Small and Medium enterprise Management Consultant) (final year) 	111 persons	118 persons	700 persons or more
Strengthening of consulting for corporate clients	<ul style="list-style-type: none"> No. of corporate loan borrowers (final year) No. of clients who signed contracts for customized solutions based on business evaluation (cumulative total for 3 years) (Note 2) Fees and commissions from corporate clients (final year) (Note 1) 	12,290 borrowers (1,114 clients) JPY 0.6 bn	12,204 borrowers 1,244 clients JPY 1.3 bn	13,000 borrowers or more 2,000 clients or more JPY 1.8 bn or more
Strengthening of consulting for retail customers	<ul style="list-style-type: none"> No. of business succession, inheritance, and asset succession support recipients (cumulative total for 3 years) (Note 2) No. of increases in contracts for installment-type assets in custody [compared with FY2018 term-end] (Note 2) No. of seminars for customers (cumulative total for 3 years) (Note 2) 	(677 recipients) (10,856 contracts) (80 times)	904 recipients 13,633 contracts 430 times	3,300 recipients or more 40,000 contracts or more 1,100 times or more

Note 1: Fees and commissions for syndicated loans, commitment lines, business matching, M&A, privately placed corporate bonds, manager insurance products, etc.

Note 2: Results indicated for FY2018 are results for the single year.

III. Projected Performance

(JPY bn)

(%)

Summary of profits and losses (Non-consolidated)	FY2019 (Results)	FY2020 (Plan)	YoY change
Gross operating income	69.2	69.3	0.1
[Core gross operating income]	[72.0]	[71.6]	[(0.4)]
Interest income	65.9	65.3	(0.6)
Fees and commissions	9.6	10.2	0.6
Other operating income	(6.3)	(6.2)	0.1
Gains (losses) on bonds	(2.8)	(2.3)	0.5
Gains (losses) on forex transactions	(1.8)	(3.0)	(1.2)
Gains (losses) on derivatives	(1.7)	(0.9)	0.8
Expenses	52.8	54.0	1.2
Operating income before provision of general reserve for possible loan losses	16.4	15.3	(1.1)
[Core operating income]	[19.2]	[17.6]	[(1.6)]
Provision of general reserve for possible loan losses	(0.2)	(1.4)	(1.2)
Operating income	16.6	16.7	0.1
Special income (losses)	5.4	7.3	1.9
Bad debt disposals (-)	2.5	3.4	0.9
Gains on reversal of reserve for possible loan loss	—	—	—
Gains (losses) on stocks	5.8	7.0	1.2
Gains (losses) on investments in money held in trust	3.1	4.9	1.8
Ordinary income	22.0	24.0	2.0
Extraordinary income (loss)	0.6	(0.5)	(1.1)
Income taxes (incl. deferred taxes)	4.7	6.5	1.8
Net income	17.9	17.0	(0.9)
Credit-related expenses	2.3	2.0	(0.3)

Interest rates/ Interest margin	FY2019 (Results)	FY2020 (Plan)	YoY change
Loans and bills discounted interest rate	0.90	0.89	(0.01)
Securities interest rate	0.92	0.94	0.02
Interest rate on deposits	0.01	0.02	0.01
Interest rate spread	0.81	0.81	0.00
Net interest margin	0.14	0.11	(0.03)

(Note) YoY change is a point difference.

○ Consolidated performance

(JPY bn)

	FY2019 (Results)	FY2020 (Plan)
Ordinary income	23.4	25.0
Net income attributable to owners of the parent	17.6	17.5

<Interest rates and other assumptions underlying the projection (average)>

	FY2019 (Results)	FY2020 (Forecast)
Unsecured call rate O/N	(0.06)%	(0.05)%
JPY TIBOR (3 months)	0.07%	0.07%
5-year JGBs	(0.11)%	(0.11)%
10-year JGBs	0.04%	0.07%
Exchange rate (JPY/USD)	¥111	¥111
Nikkei Average (At term-end)	¥21,205	¥23,000

1. Major accounts (average balance)

(JPY bn, %)

	FY2018 (Results)	FY2019			FY2020 (Plan)	FY2021 (Forecast)	Increase/decrease vs FY2018	
		Plan	Results	vs Plan			FY2018	change %
Loans and bills discounted	4,494.0	4,636.1	4,662.3	26.2	4,779.0	4,909.0	415.0	9.2
Corporate loans	2,789.7	2,862.0	2,886.3	24.3	2,991.0	3,094.0	304.3	10.9
Retail loans	1,056.3	1,122.3	1,119.4	(2.9)	1,159.0	1,188.0	131.7	12.5
Housing loans	1,006.9	1,067.2	1,066.0	(1.2)	1,100.0	1,121.0	114.1	11.3
Unsecured loans	43.0	49.4	47.9	(1.5)	54.0	62.0	19.0	44.2
Deposits and certificates of deposits (Note 1)	7,761.0	7,760.5	7,766.8	6.3	7,699.0	7,644.0	(117.0)	(1.5)

2. Term-end balance

(JPY bn, %)

	FY2018 (Results)	FY2019			FY2020 (Plan)	FY2021 (Forecast)	Increase/decrease vs FY2018	
		Plan	Results	vs Plan			FY2018	change %
Loans and bills discounted	4,627.1	4,669.0	4,725.0	56.0	4,824.0	4,943.0	315.9	6.8
Corporate loans (Note 2)	2,796.0	2,861.0	2,868.5	7.5	2,979.0	3,078.0	282.0	10.1
Miyagi Prefecture	1,698.9	1,764.0	1,746.0	(18.0)	1,845.0	1,925.0	226.1	13.3
Sendai City	1,223.3	1,282.0	1,276.6	(5.4)	1,346.0	1,406.0	182.7	14.9
Retail loans	1,101.4	1,144.0	1,140.4	(3.6)	1,177.0	1,197.0	95.6	8.7
Housing loans	1,048.9	1,084.0	1,085.7	1.7	1,115.0	1,127.0	78.1	7.4
Unsecured loans	46.5	54.5	49.7	(4.8)	57.0	65.0	18.5	39.8
Deposits and certificates of deposits (Note 1)	7,964.3	7,846.0	7,891.8	45.8	7,751.0	7,541.0	(423.3)	(5.3)
Balance of assets in custody Group (Note 3)	606.2	640.0	619.3	(20.7)	667.5	740.0	133.8	22.1

Note 1. "Deposits and certificates of deposits" is expected to decrease mainly because of outflow of public deposits in line with the progress of recovery from the earthquake.

Note 2. Term-end balance of "corporate loans" is yen-denominated only.

Note 3. "Balance of assets in custody, Group" is the sum of assets in custody of The 77 Bank and those of 77 Securities (Foreign currency deposits exclude deposits by financial institutions and offshore accounts)

3. Profits and losses

(JPY bn, %)

		FY2018 (Results)	FY2019			FY2020 (Plan)	FY2021 (Forecast)	Increase/decrease vs FY2018
			Plan	Results	vs Plan			
Non-consolidated	Core gross operating income	75.9	71.6	72.0	0.4	71.6	72.7	(3.2)
	Interest income	69.6	65.5	65.9	0.4	65.3	64.6	(5.0)
	Interest on loans	41.4	41.9	42.0	0.1	42.7	44.7	3.3
	Fees and commissions	9.3	9.7	9.6	(0.1)	10.2	11.5	2.2
	Expenses	52.8	53.9	52.8	(1.1)	54.0	52.0	(0.8)
	Core operating income	23.1	17.7	19.2	1.5	17.6	20.7	(2.4)
	Core OHR	69.5	75.2	73.3	(1.9)	75.4	71.5	2.0
	Capital adequacy ratio (domestic standards)	10.1	10.1	10.2	0.1	10.0	10.1	0.0
Consolidated	ROE	3.8	3.6	3.6	0.0	3.5	3.7	(0.1)
	Capital adequacy ratio (domestic standards)	10.4	10.4	10.4	0.0	10.1	10.3	(0.1)

[Interest rates and other assumptions (average)]

(% , JPY)

	FY2018 (Result)	FY2019 (Result)	FY2020	FY2021
Unsecured call rate O/N	(0.05)	(0.06)	(0.05)	0.00
JPY TIBOR (3 months)	0.06	0.07	0.07	0.10
USD LIBOR (3 months)	1.50	2.51	2.75	2.75
10-year JGBs	0.05	0.04	0.07	0.20
10-year US treasury bonds	2.43	2.84	2.84	2.90
Exchange rate (JPY/USD)	110	111	111	111
Nikkei Average (At term-end)	21,454	21,205	23,000	23,000

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.