



Leading company creating a path to the future

May 14, 2021

77 BANK

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“Vision 2030” Outline ~“Vision 2030” Positioning~

“Vision 2030” sets forth a vision for the future of the 77 Bank Group as we look to achieve the management philosophy (mission) expressed in the Bank Creed, with all Group officers and employees coming together to provide direction for the Bank’s progress

Mission

Mission

Bank Creed

Vision

Vision
(Ultimate goal)

Vision 2030 (10-year period)

Value

Value
(Values shared
across the Group)

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

Strategy

Strategy
(Tactics)

Short-term Management Plan



七十七グループは持続可能な開発目標 (SDGs) を支援しています。



- 1.Revitalization of the regional economy
- 2.Responding to global warming and climate change
- 3.Encouraging and supporting the activities of our employees
- 4.Advancing corporate governance

A future based on maintaining the status quo will result in “contracting equilibrium.”

For the 77 Bank Group to continue fulfilling its mission...

Future based on
current circumstances

Market contraction

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

Social diversification

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

Response to disasters, etc.

- ◆ Disasters, COVID-19
- ◆ Climate change

What is our vision?



How do we get there?

77 Bank Group mission



1 “Vision 2030” Outline ~Our Target Form~

What is our vision for the 77 Bank Group? We set forth our ideas in a new management plan



“Our target form”
to aim for over
the long-term

The 77 Bank Group aims to be a leading company that works to achieve prosperity in the local community, by continuing to offer the optimal solutions, which inspire and build trust, and at the same time working with our stakeholders to tap new areas of opportunity in Miyagi and Tohoku.

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



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



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



1 “Vision 2030” Outline ~77 Bank Group Direction~

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

Stimulate demand among customers and local communities
Expand the scope of operations

Dramatic improvements in productivity

Establish an ambitious corporate culture

Enhance!



77 Bank Group strengths

Customer base
Consulting system
Trust from customers and local community

Improve!



77 Bank Group weaknesses

Profitability (low-profitability structure)
Cost consciousness (high-cost structure)
Competitiveness with other companies

Establish!



Revitalization points

Appetite for new challenges
Speed and flexibility
Cross-organization (vertical, horizontal, diagonal)

Key factors

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

Digital transformation

New businesses and sectors

Human resources

Financial foundations

2 Key Factors to Achieve “Our Target Form”

Digital transformation

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

Target business model amid the digital shift

Best mix of face-to-face and non-face-to-face services

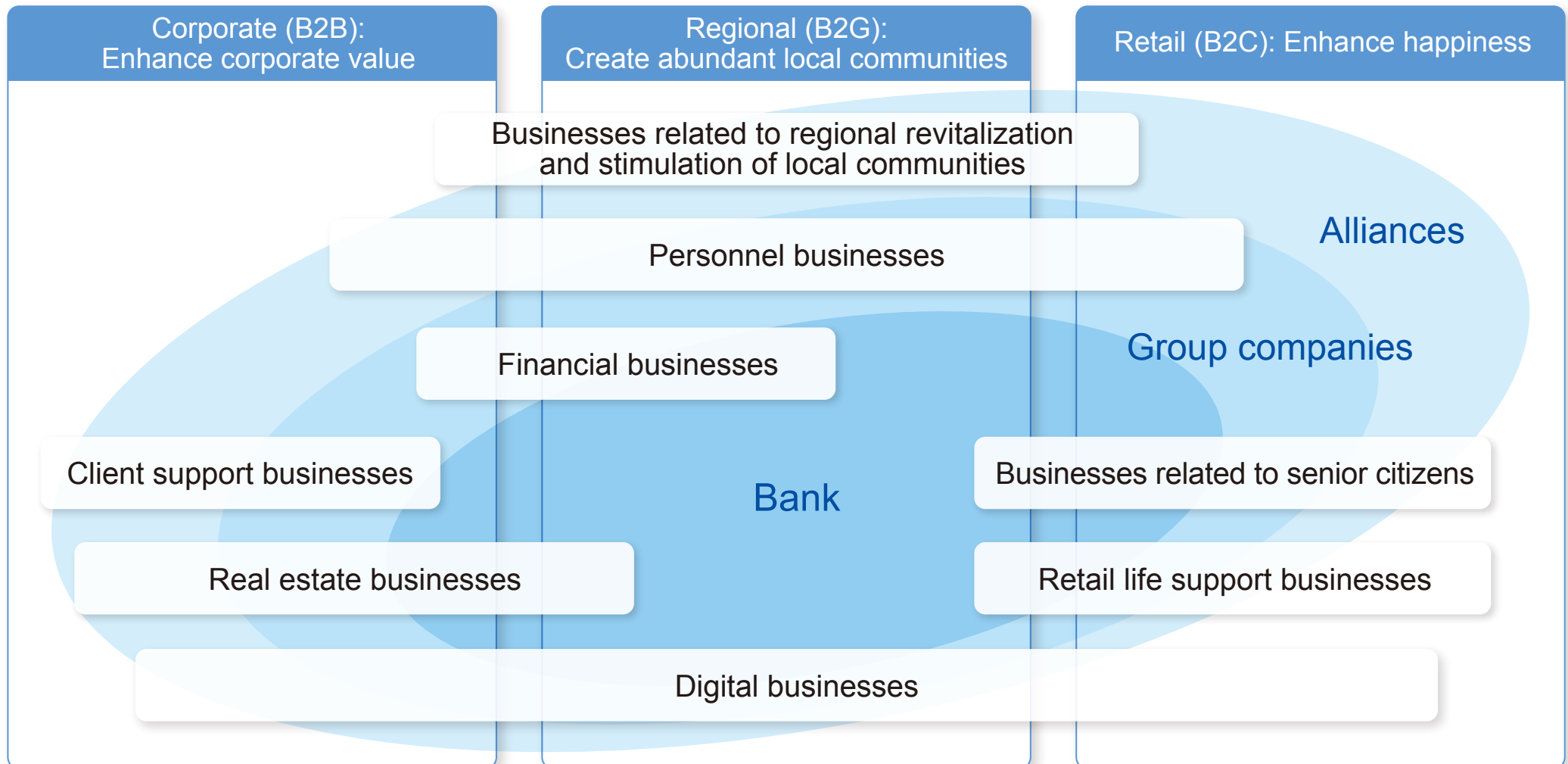
New businesses that combine regional finance and digital technologies



2 Key Factors to Achieve “Our Target Form”

Develop new businesses and sectors

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



2 Key Factors to Achieve “Our Target Form”

Develop human resources

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

Type of human resources that 77 Bank Group develops

Unending ambition

Filled with ability to take on new challenges

Ability to act independently

Rich human potential

Strong sense of ethics

Human resources that serve a purpose for customers and local communities

Expertise in consulting and other areas, as well as human potential capable of frank communication with customers and local regions

Human resources that contribute to corporate reform

Creativity unrestricted by conventional ideas, and unique, irreplaceable personnel

Strengthen financial foundations

- ◆ The 77 Bank Group will continue to support the future of the region, while also building firm financial foundations able to meet the expectations of shareholders and other stakeholders

Capital adequacy ratio (consolidated)

Over 10%

Level that should be maintained based on “soundness” as a strength of the 77 Bank Group

Net income (consolidated)

JPY 28.0 bn

Necessary level for maintaining a sound financial position and taking on risk

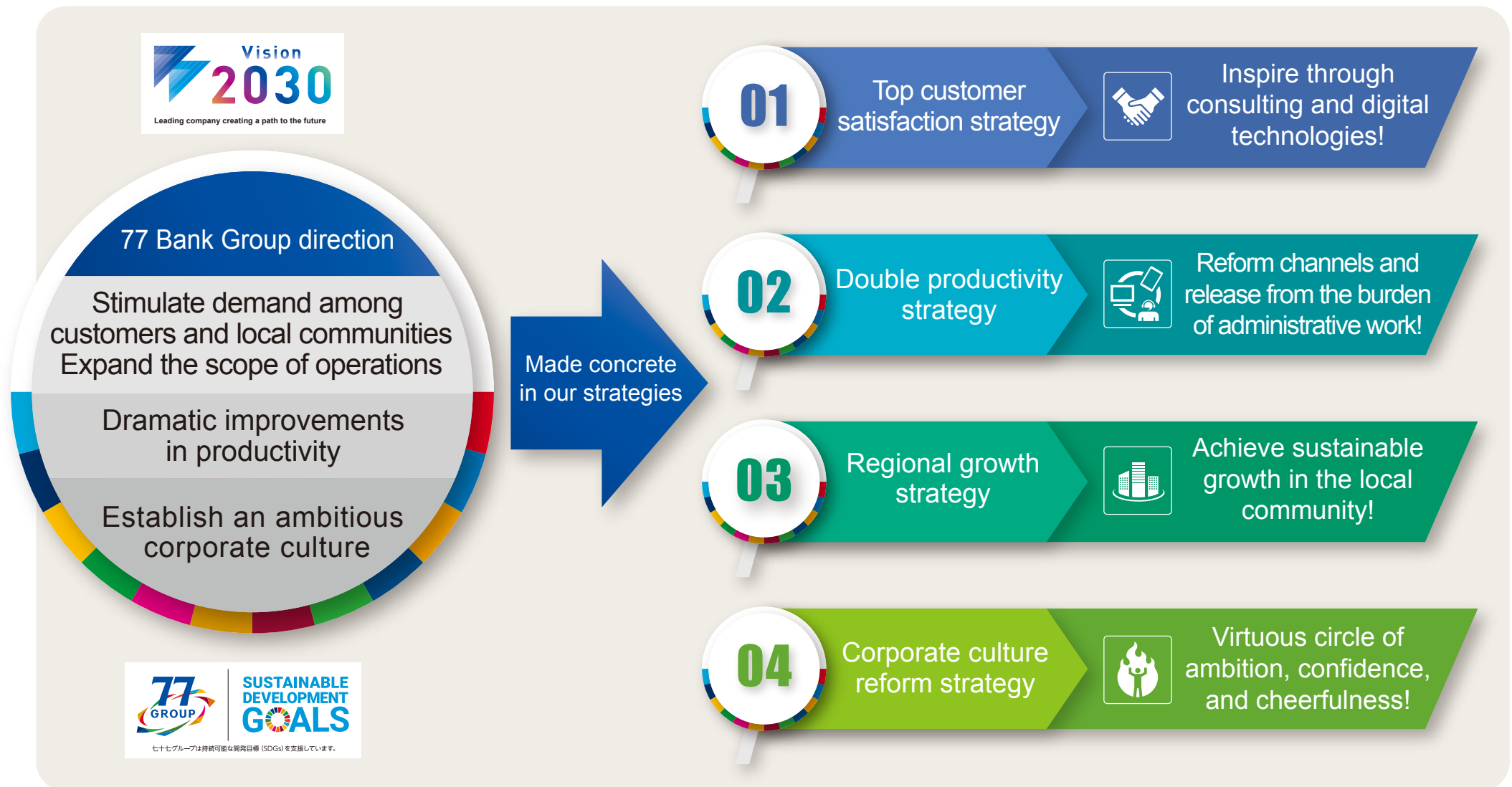
Core OHR

50-60%

Commitment to strengthening profits through improved productivity

3 Basic Strategies to Achieve “Our Target Form”

In “Vision 2030,” we set forth the direction the 77 Bank Group should take to grow sustainably together with local communities, based on our SDG Declaration, i.e., stimulating the regional economy and promoting active participation by a diverse range of personnel



3 Basic Strategies to Achieve “Our Target Form”

01

Top customer satisfaction strategy



The 77 Bank Group aims to be the leading bank for customer satisfaction by offering an amazing customer experience (inspiration) that competitors cannot match

- ✓ Combine consulting (face-to-face) and digital technologies to offer a level of service that only regional financial institutions can provide
- ✓ Utilize our strengths, including our overseas network and regional information network
- ✓ Amaze and inspire our customers with performance that exceeds expectations



Increase corporate value

Increase customer satisfaction
(Increase 77 Bank Group profits)

Increase happiness

Strengthen relations with corporate customers

Let's Try!



Increase proportion of companies in Miyagi for whom we are their main bank by 10%

Let's Try!



Increase number of corporate lending clients outside Miyagi by 1.5x

Support life-planning for individuals

Let's Try!



Increase proportion of households in Miyagi “holding assets” to the national average or higher

Let's Try!



Ensure that 20% of the population of Miyagi (aged 20-74) use loans from the 77 Bank

3 Basic Strategies to Achieve “Our Target Form”

01

Top customer satisfaction strategy



The 77 Bank Group will utilize the “strengths” we have developed to date to take advantage of the digital transformation and our alliances, thereby enabling us to expand the scope of our operations

Solutions to issues faced by customers and the local community



Let's Try!



Establish 10 projects in new businesses or sectors, with the potential to become viable businesses in future
(to be completed by FY2024)

Let's Try!



Double net income of Group companies by entering new businesses and new sectors and expanding existing businesses

3 Basic Strategies to Achieve “Our Target Form”

02

Double
productivity
strategy



The 77 Bank Group will double productivity by releasing bank branches from the burden of administrative work, strengthening our consulting systems, and enhancing the abilities of each individual

- ✓ Improve administrative processes (reduce, consolidate, etc.) and promote the enhancement and increased use of non-face-to-face transactions as a means of saving labor
- ✓ Optimize sales channels based on customer needs



Becoming a lean corporate group able to continually meet the expectations of customers and local communities

Let's Try!



Double “labor productivity in core operations”

Let's Try!



Cut amount of administrative work at bank branches by 50%

Let's Try!



Triple rate of usage of non-face-to-face channels

“Rebalancing of management assets”

- Enhance non-face-to-face channels and optimize branch network in accordance with customers’ needs
- Educate, redistribute, and streamline (natural attrition) workforce in order to strengthen consulting capabilities

3 Basic Strategies to Achieve “Our Target Form”

03

Regional
growth
strategy



The 77 Bank Group will work to achieve sustainable growth together with the local community by making the region attractive and supporting the growth of inspirational local companies

- ✓ Build true partnerships aimed at achieving the vision for the future that we have created in partnership with local public bodies
- ✓ Strengthen and utilize alliances with external partner institutions and private companies, etc. that offer consulting services



Sustainable growth of the 77 Bank Group
together with the local community

Creating abundant local communities
(achieving regional revitalization)

Let's Try!



Support increased economic growth rate in Miyagi

Let's Try!



Triple number of growth support cases for business founders

Let's Try!



Aim for 100% participation in regional development projects in Miyagi such as the “Sendai Urban Restructuring Project” and the “Next-generation synchrotron radiation facility”

Let's Try!



Cut 77 Bank Group CO2 emissions by 46% compared with FY2014, and support cuts to greenhouse gas emissions in Miyagi

3 Basic Strategies to Achieve “Our Target Form”

04

Corporate culture reform strategy



The 77 Bank Group will endeavor to promote diversity, and create a virtuous circle where all officers and employees take on new challenges, leading to confidence and cheerfulness

- ✓ Accommodate a diverse range of values and fundamentally overhaul personnel and organizational systems to increase motivation
- ✓ Create an environment that permits trial and error and values the act of taking on new challenges
- ✓ Enhance capabilities as an organization by increasing specialism, and stimulate communication
- ✓ Build complete internal management systems to support reform



Stimulate innovation by moving from a “defensive” to an “offensive” stance

Let's Try!



Implement various initiatives to “foster an ambitious spirit”

Let's Try!



Increase the number of “specialist personnel” that serve a purpose for customers and local communities

Let's Try!



Increase the proportion of women in management positions to 30% or more

4 Long-term Strategies related to Management of Investment Securities

Aim to secure sustainable profits while responding flexibly to various changes in the environment

Increase profit opportunities and diversify risk through diversified investment

- ◆ Enhance diversified investment
- ◆ Strengthen in-house asset management
- ◆ Strengthen risk identification and analysis

Strengthen initiatives targeting investment areas where growth is expected

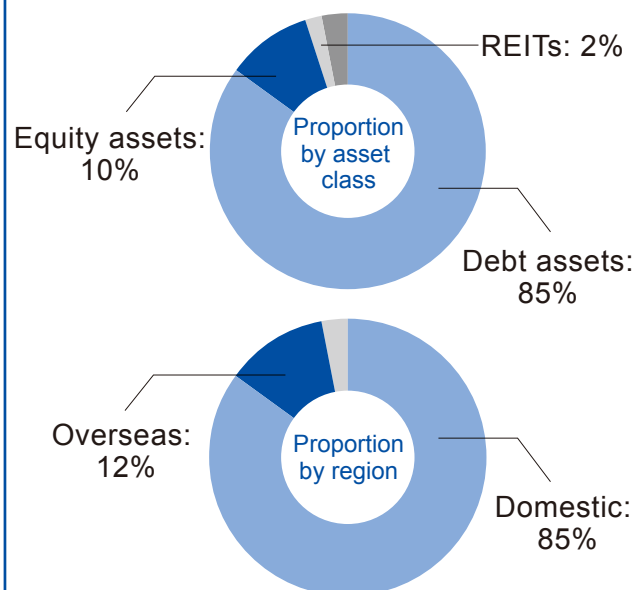
- ◆ Strengthen initiatives targeting growth overseas
- ◆ Increase profits from real estate (REITs)
- ◆ Promote initiatives targeting domestic growth sectors

Promote initiatives aimed at achieving SDGs through ESG investment, etc.

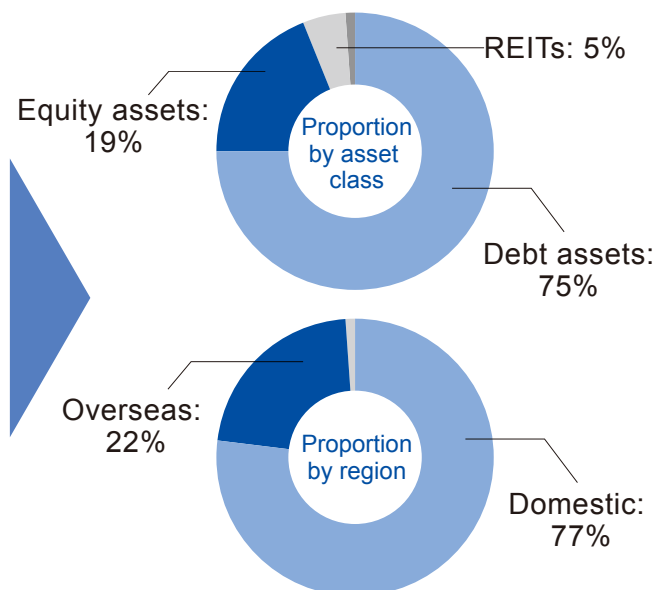
- ◆ Promote investment in growth areas focused on global and social initiatives, etc.

10-year portfolio concept

FY2021 actual



FY2031 estimate

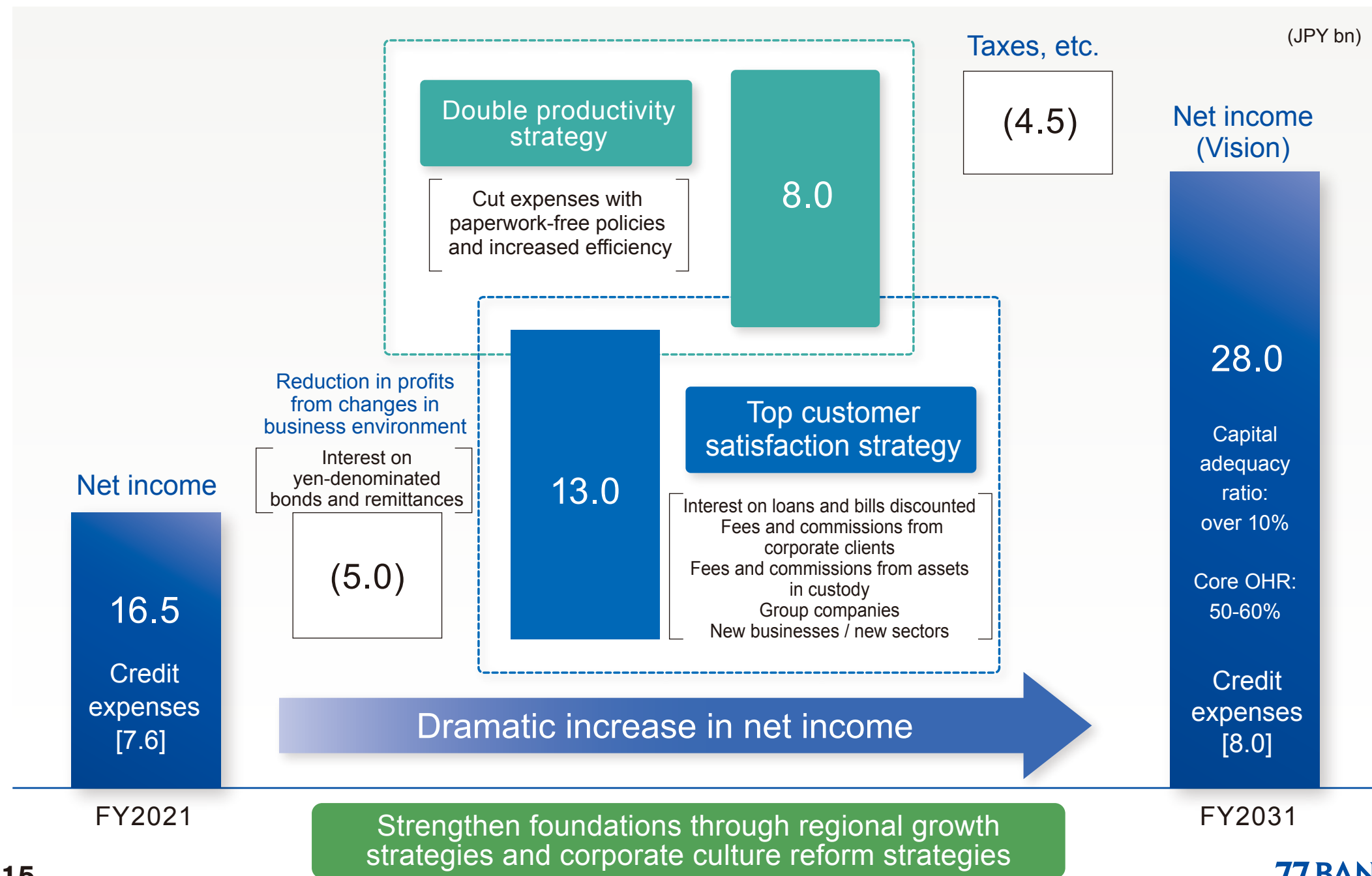


- ◆ Securities portfolio: JPY 3 tn
- ◆ Total yield across all securities*: 1.00%
- ◆ Portfolio weightings of equities and REITs, as well as overseas assets: Approx. 2x vs. FY2021

Securing sustainable profits

* Income-based yield calculated by aggregating interest and dividends, gains on cancellation of investment trusts, gains on government and other bonds, gains related to equity securities, etc., and monetary gains from management of investment trusts.

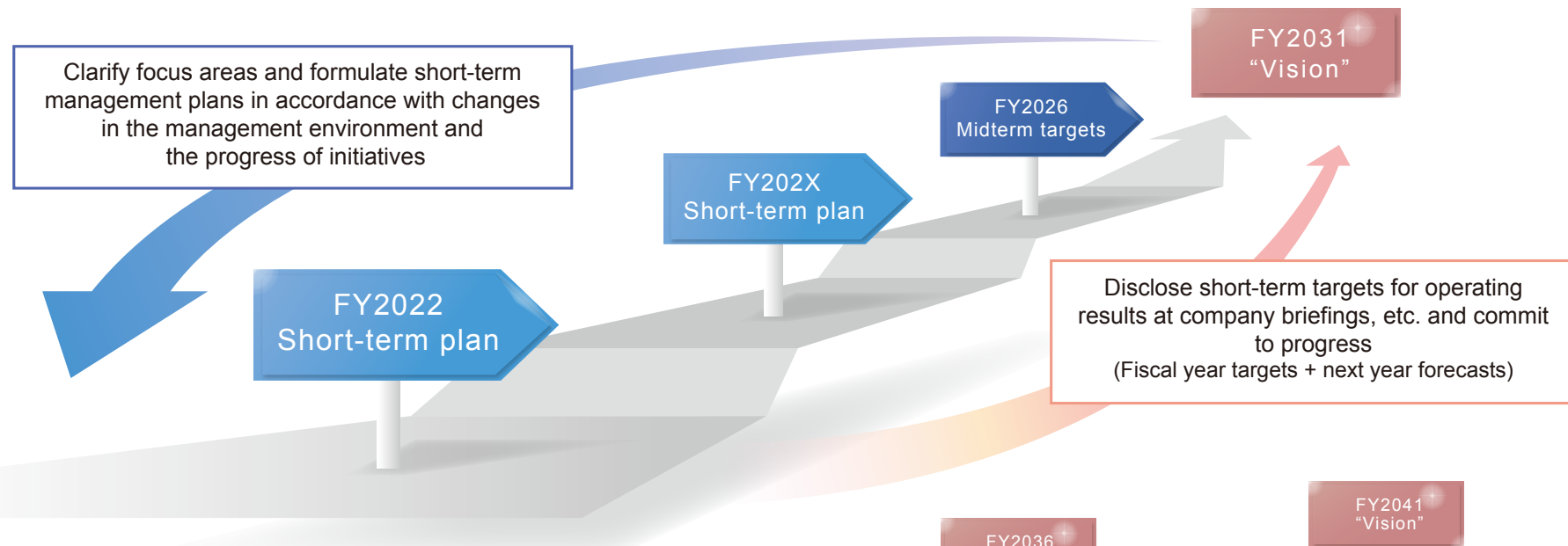
5 Profit Increase Concept of Vision 2030



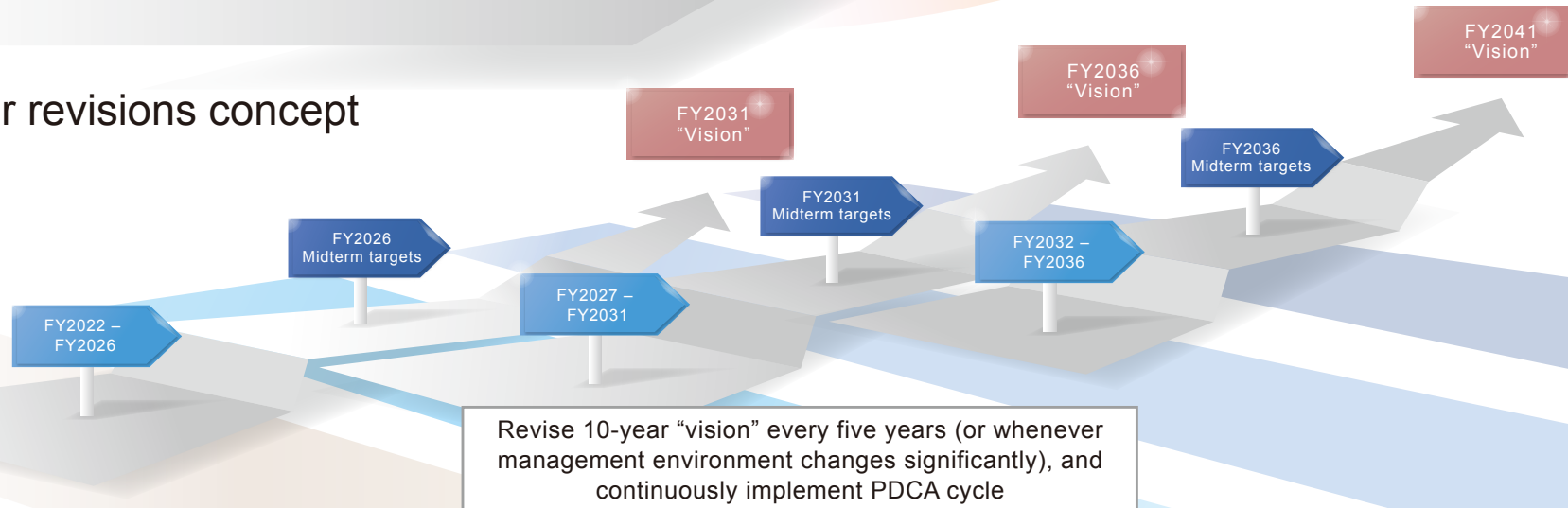
6 PDCA Cycle of Vision 2030

◆PDCA cycle based on our “vision”

Three-year midterm plans formulated from a bottom-up perspective incorporate such perspectives as: [1] setting targets based on existing growth trajectories, [2] formulation of all-encompassing measures, and [3] deferment of shifts in direction until the next midterm plan, even if the management environment changes significantly during the period of the midterm plan. For that reason, we will first formulate a 10-year management plan, then focus on fundamental reform over a mid- to long-term timeframe, while also making steady progress toward our “vision” based on (short-term) management plans that take the current management environment into consideration



◆Regular revisions concept



7 Midterm Targets to Achieve “Our Target Form”


Strengthen financial foundations (key factors)

	FY2021 Results	FY2026 Midterm targets	FY2031 Vision
Net income (consolidated)	JPY 16.5 bn	JPY 21.0 bn	JPY 28.0 bn
Capital adequacy ratio (consolidated)	10.39%	Over 10%	Over 10%
Core OHR	62.27%	55-60%	50-60%

(Reference: Expected portfolio after 10 years)

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

7 Midterm Targets to Achieve “Our Target Form”

KPIs (Let's Try!)	FY2021	FY2026	Vision	Notes
Proportion of companies in Miyagi for whom we are their main bank [Main bank trend surveys*]	- [56%]	Vs. FY2021 +5% [59%]	Vs. FY2021 +10% [62%]	Comprehensive assessment utilizing customer surveys and various indicators *TEIKOKU DATABANK, Ltd. research
Number of corporate lending clients outside Miyagi	-	1.2x	1.5x	
Proportion of households in Miyagi holding assets	14%	17%	Over 21%	“2014 Nationwide Consumption Trends Survey,” Statistics Bureau of Japan (proportion of households holding shares or equity investment trusts)
Proportion of individuals in Miyagi using loans from the 77 Bank	12.6%	17.0%	20.0%	
Group companies net income	(FY2020) JPY 1.6 bn	JPY 2.0 bn	JPY 3.0 bn	
Labor productivity in core operations(*)	(FY2020) JPY 8 mn	JPY 13 mn	JPY 16 mn	* (Interest on loans and bills discounted + fees and commissions – interest on deposits – expenses + personnel expenses + depreciation) / number of employees (part-time employees counted as 0.4)
Administrative work at bank branches	-	Vs. FY2021 (50%)	Vs. FY2021 (50%)	 <div> “Rebalancing of management assets” <ul style="list-style-type: none"> ● Enhance non-face-to-face channels and optimize branch network in accordance with customers' needs ● Educate, redistribute, and streamline (natural attrition) workforce in order to strengthen consulting capabilities </div>
Usage of non-face-to-face channels	(Corporate) 11% (Retail) 11%	(Corporate) 20% (Retail) 20%	(Corporate) 30% (Retail) 30%	
Cases of growth support for founders	1,181	2,000	3,000	
CO2 emissions	(FY2020) 12,327t	10,000t	9,069t	
Proportion of female managers	13.4%	18.0%	30.0%	
Other items	<ul style="list-style-type: none"> ✓ Establish 10 projects in new businesses or sectors (by FY2024) ✓ Support increased rate of economic growth in Miyagi ✓ Aim for 100% participation in regional development projects in Miyagi ✓ Implement various initiatives to “foster an ambitious spirit” ✓ Increase the number of “specialist personnel” that serve a purpose for customers and local communities 			

(Reference 1) Results and Issues of Previous Medium-term Management Plan

- ◆ Results of the “For The Customer & For The Future’
–Best Consulting Bank Project–” medium-term management plan (April 1, 2018 – March 31, 2021)

We became able to accommodate a wide range of customer needs,
and disseminated awareness of consulting-based sales

Growth strategies

- ◆ Strengthened consulting-based sales systems (established liaison officer system with 80 employees from headquarters, formed regional support teams, established 77 Securities and 77 R&C, etc.)
- ◆ Strengthened digital and non-face-to-face channels (organizational reforms)

Regional economy vitalization strategy

- ◆ Supported recovery from Great East Japan Earthquake and typhoon damage
- ◆ Entered into comprehensive alliance partnership with 38 local public bodies
- ◆ Established “Miyagi wide-area PPP platform”

Productivity enhancement strategy

- ◆ Created sales personnel through operational reform and cuts to administrative work
- ◆ Revised branch network (promoted move toward branches within branches)
- ◆ Utilized digital functions (RPA, electronic operations, etc.)

Governance strategy

- ◆ Increased diversity of Board of Directors
- ◆ Enhanced shareholder returns (increased dividend, share buybacks)
- ◆ Strengthened risk management systems (measures to counter money laundering, etc.)

Balance of corporate loans (term-end, JPY bn)



Fees and commissions from corporate clients (JPY bn)



(Reference 1) Results and Issues of Previous Medium-term Management Plan

◆ Issues that were not solved

We were unable to overcome the most significant issue for the 77 Bank, our “high cost and low profit structure”

External factors

Continuation of negative interest rate policies and spread of COVID-19

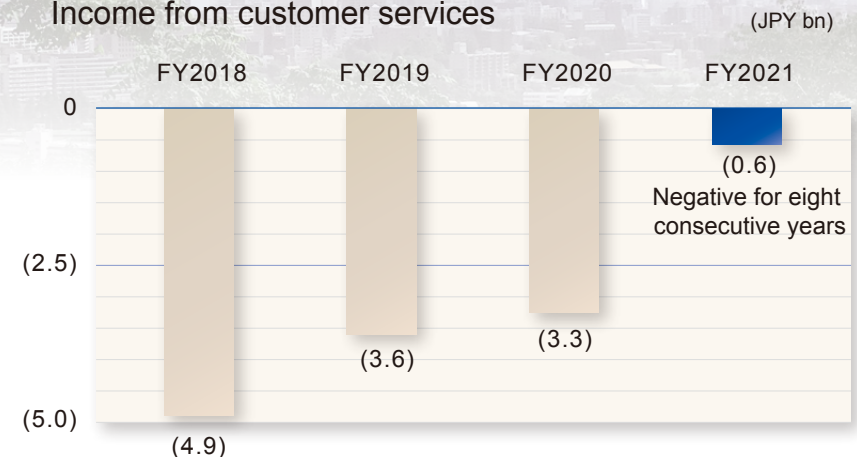
Internal factors

Incomplete initiatives in areas such as enhancing consulting capabilities to differentiate the 77 Bank Group from competitors and the digital transformation as a means of contributing to fundamental reforms

Status of achievement of key earnings targets

(JPY bn, %)			
Item	FY2021 results	FY2021 MTP target	Difference
Net income [consolidated]	16.5	19.0	(2.5)
Interest on loans and bills discounted	41.6	45.0	(3.4)
Fees and commissions	9.8	11.5	(1.7)
ROE [consolidated]	3.4	3.7	(0.3)

Income from customer services



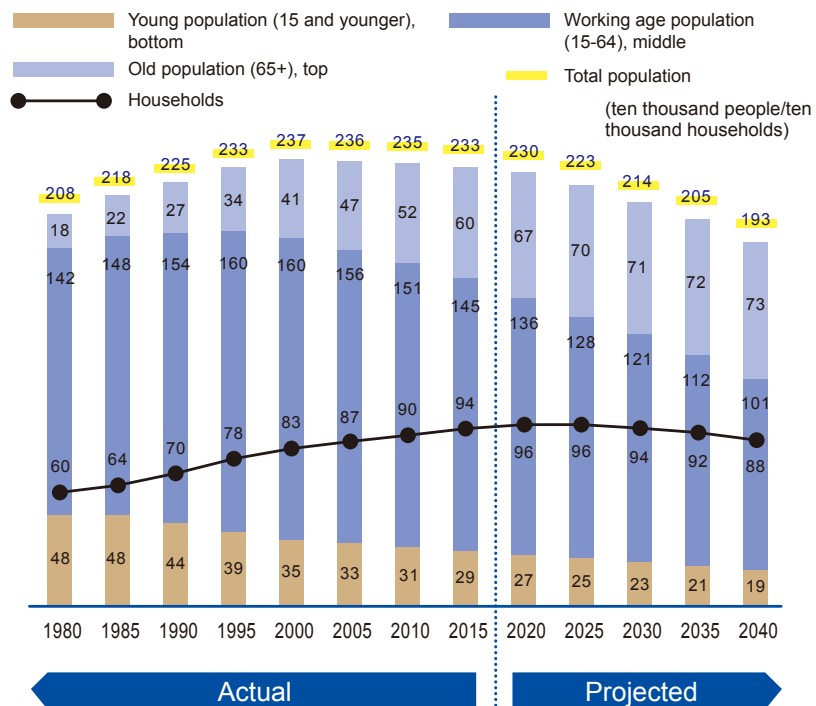
(Reference 2) Management Environment

Looking ahead to 2030, Miyagi Prefecture aims to achieve sustainable growth even as the population falls and society ages, while also ensuring that high-quality employment opportunities exist, that young people stay in the prefecture, and that the income of residents of the prefecture increases. It plans to do so by promoting a shift to an industrial structure suited to a new vision of society, creating added value with new products, services, etc., and enhancing productivity.

At the 77 Bank Group, we believe that the expectations placed upon us will grow in future, as we actively participate in these structural changes and the creation of new value, and appropriately fulfill the needs of a falling population and aging society.

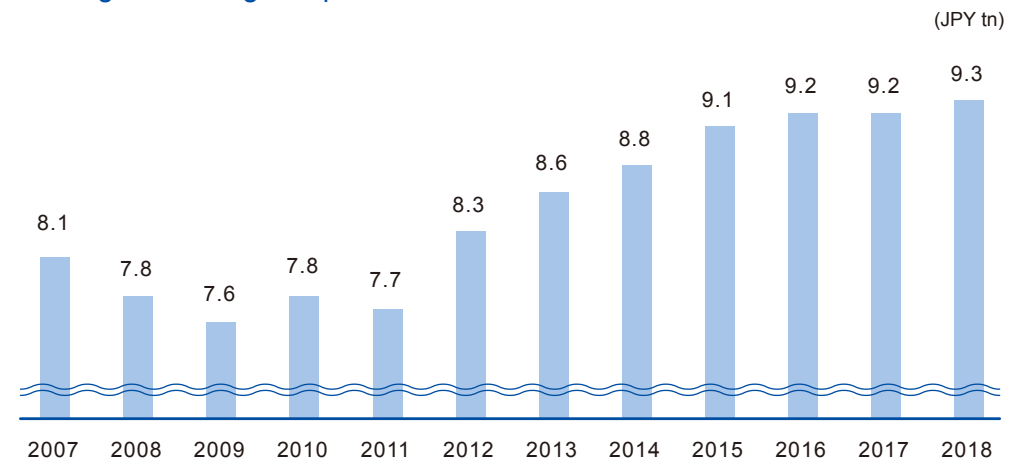
Miyagi population and number of households

- ▶ Population has been declining since peak in 2003
- ▶ In future, elderly population is expected to increase, while people of working age and younger decline



Miyagi gross product (real)

- ▶ Highest ever gross product recorded in 2018 at JPY 9.256 tn





Source: FY2018 Miyagi Residents Annual Economic Statistics

Main regional development projects expected to result in economic ripple effects

- Next-generation synchrotron radiation facility maintenance project
- Sendai Urban Restructuring Project
- Sendai industrial park relocation and maintenance project
- Sendai City east coastal area disaster prevention collective relocation site utilization project
- Miyagi integrated water public-private operation project
- Sendai City gas business privatization

Source: RESAS, National Institute of Population and Social Security Research



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