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January 26, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)



Company name: The 77 Bank, Ltd.
 Listing: Tokyo Stock Exchange / Sapporo Securities Exchange
 Securities code: 8341
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 Scheduled date to file quarterly securities report: February 2, 2024
 Establishment of specified transaction account: None
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts and percentages are rounded down to the nearest unit, unless otherwise noted.)

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Ordinary income		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended						
December 31, 2023	106,340	14.5	36,027	23.0	25,065	22.9
December 31, 2022	92,828	3.7	29,275	10.8	20,392	14.1

Note: Comprehensive income For the nine months ended December 31, 2023: ¥55,735 million [—%]
 For the nine months ended December 31, 2022: ¥(32,510) million [—%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	338.49	—
December 31, 2022	275.71	—

(2) Consolidated financial position

	Total assets	Total net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	10,256,758	552,562	5.3
March 31, 2023	10,200,848	504,487	4.9

Reference: Total capital
 As of December 31, 2023: ¥552,562 million
 As of March 31, 2023: ¥504,487 million

Note: “Capital adequacy ratio” is calculated by dividing total net assets at the end of the period by total assets at the end of the period.

“Capital adequacy ratio” stated above is not calculated based on the public notice of capital adequacy ratio.

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year	Yen	Yen	Yen	Yen	Yen
ended March 31, 2023	—	40.00	—	50.00	90.00
ending March 31, 2024	—	55.00	—		
ending March 31, 2024 (Forecast)				55.00	110.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial result forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	39,500	10.4	27,000	7.7	364.57

Note: Revisions to the financial result forecast most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	76,655,746 shares
As of March 31, 2023	76,655,746 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2023	2,568,752 shares
As of March 31, 2023	2,668,854 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023	74,050,567 shares
Nine months ended December 31, 2022	73,963,898 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Explanation on proper use of earnings forecasts and other special matters

The financial result forecasts herein are based on information available to the Company as of the date of the announcement. Actual results may differ significantly from these forecasts due to a wide range of factors.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Consolidated Financial Results	2
(1) Qualitative Information on Consolidated Operating Results	2
(2) Qualitative Information on Consolidated Financial Position	2
(3) Qualitative Information on Consolidated Financial Result Forecasts	2
2. Quarterly Consolidated Financial Statements	3
(1) Quarterly Consolidated Balance Sheets	3
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	4
(3) Notes on Going Concern Assumption	5
(4) Notes on Significant Changes in the Amount of Shareholders' Equity	5
 [Explanatory Materials]	
Financial Figures for the Nine Months Ended December 31, 2023 [Non-consolidated].....	6

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Qualitative Information on Consolidated Operating Results

As for the consolidated operating results of The 77 Bank, Ltd. and its consolidated subsidiaries for the nine months under review, ordinary income increased by ¥13,512 million year-on-year to ¥106,340 million mainly due to an increase in interest income resulting from increases in interest on loans and discounts and interest and dividends on securities as well as an increase in fees and commissions.

On the other hand, ordinary expenses increased by ¥6,760 million year-on-year to ¥70,312 million mainly due to an increase in other ordinary expenses resulting from increases in loss on foreign exchange transactions and loss on sales of bonds.

As a result, ordinary profit increased by ¥6,752 million year-on-year to ¥36,027 million.

Profit attributable to owners of parent increased by ¥4,673 million year-on-year to ¥25,065 million.

(2) Qualitative Information on Consolidated Financial Position

As for the consolidated financial position as of December 31, 2023, deposits (including negotiable certificates of deposit) increased by ¥41.4 billion from the end of the previous fiscal year to ¥8,927.2 billion mainly due to increases in retail and corporate deposits, despite a decrease in public deposits.

On the other hand, loans and bills discounted increased by ¥251.0 billion from the end of the previous fiscal year to ¥5,808.4 billion mainly due to an increase in loans to large companies and increases in loans to small and medium-sized companies and loans to individuals, mainly for housing loans. Securities increased by ¥37.3 billion from the end of the previous fiscal year to ¥3,084.1 billion mainly due to increases in national government bonds and investment trusts, despite a decrease in corporate bonds.

Total assets increased by ¥55.9 billion from the end of the previous fiscal year to ¥10,256.7 billion as of December 31, 2023.

(3) Qualitative Information on Consolidated Financial Result Forecasts

At this point of time, our financial result forecasts remain unchanged from those announced on November 10, 2023.

2. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Cash and due from banks	1,322,376	1,080,429
Call loans and bills bought	–	2,513
Monetary claims bought	4,000	4,000
Trading securities	20,210	18,027
Money held in trust	114,557	117,668
Securities	3,046,780	3,084,167
Loans and bills discounted	5,557,388	5,808,450
Foreign exchanges	12,206	6,728
Lease receivables and investments in leases	20,948	22,371
Other assets	104,953	111,922
Tangible fixed assets	30,672	30,677
Intangible fixed assets	134	118
Deferred tax assets	852	781
Customers' liabilities for acceptances and guarantees	27,155	29,667
Allowance for loan losses	(61,388)	(60,767)
Total assets	10,200,848	10,256,758
Liabilities		
Deposits	8,649,291	8,645,344
Negotiable certificates of deposit	236,500	281,940
Call money and bills sold	27,026	12,410
Cash collateral received for securities lent	1,293	15,510
Borrowed money	642,303	618,393
Foreign exchanges	338	189
Borrowed money from trust account	–	727
Other liabilities	90,063	65,567
Provision for bonuses for directors (and other officers)	77	–
Retirement benefit liability	15,960	14,597
Provision for retirement benefits for directors (and other officers)	38	32
Provision for stocks payment	941	877
Provision for reimbursement of deposits	186	144
Provision for contingent loss	739	836
Reserves under special laws	0	1
Deferred tax liabilities	4,443	17,957
Acceptances and guarantees	27,155	29,667
Total liabilities	9,696,360	9,704,196
Net assets		
Share capital	24,658	24,658
Capital surplus	20,075	20,076
Retained earnings	411,622	428,843
Treasury shares	(6,325)	(6,142)
Total shareholders' equity	450,030	467,435
Valuation difference on available-for-sale securities	59,919	89,633
Deferred gains or losses on hedges	(66)	6
Remeasurements of defined benefit plans	(5,396)	(4,512)
Total accumulated other comprehensive income	54,457	85,127
Total net assets	504,487	552,562
Total liabilities and net assets	10,200,848	10,256,758

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income
Nine Months Ended December 31

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Ordinary income	92,828	106,340
Interest income	59,854	71,196
Interest on loans and discounts	34,487	38,535
Interest and dividends on securities	24,405	32,039
Trust fees	–	13
Fees and commissions	14,592	15,626
Other ordinary income	10,708	10,954
Other income	7,672	8,549
Ordinary expenses	63,552	70,312
Interest expenses	700	1,718
Interest on deposits	187	527
Fees and commissions payments	4,071	4,028
Other ordinary expenses	14,066	21,787
General and administrative expenses	38,953	39,701
Other expenses	5,760	3,076
Ordinary profit	29,275	36,027
Extraordinary income	–	–
Extraordinary losses	326	10
Impairment losses	326	9
Provision of reserve for financial instruments transaction liabilities	0	0
Profit before income taxes	28,949	36,017
Income taxes - current	8,895	9,906
Income taxes - deferred	(338)	1,045
Total income taxes	8,556	10,951
Profit	20,392	25,065
Profit attributable to owners of parent	20,392	25,065

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended December 31

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	20,392	25,065
Other comprehensive income	(52,903)	30,670
Valuation difference on available-for-sale securities	(53,963)	29,714
Deferred gains or losses on hedges	325	72
Remeasurements of defined benefit plans, net of tax	734	883
Comprehensive income	(32,510)	55,735
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(32,510)	55,735

(3) Notes on Going Concern Assumption

Not applicable.

(4) Notes on Significant Changes in the Amount of Shareholders' Equity

Not applicable.

Financial Figures for the Nine Months Ended December 31, 2023 [Non-consolidated]

1. Profit and Loss

For the nine months ended December 31, 2023, core net operating income increased by ¥4,225 million year-on-year to ¥34,950 million, mainly due to increases in net interest income and net fees and commissions income, despite a deterioration in gains (losses) on foreign exchange transactions, and ordinary profits increased by ¥6,463 million year-on-year to ¥35,018 million, mainly due to a decrease in credit-related expenses. Net income increased by ¥4,439 million to ¥24,620 million.

At this point of time, our financial result forecasts remain unchanged from those announced on November 10, 2023, as our business performance is generally in line with the forecasts.

(Millions of Yen)

	For the nine months ended Dec. 31, 2023	YoY change	For the nine months ended Dec. 31, 2022	Financial result forecasts for the fiscal year ending Mar. 31, 2024
Ordinary income	95,415	12,650	82,765	
Gross net operating income	66,631	3,782	62,849	
[Core gross net operating income]	[70,740]	[4,709]	[66,031]	
Net interest income	70,183	10,284	59,899	
Net fees and commissions income	9,523	453	9,070	
Net other operating income	(13,075)	(6,956)	(6,119)	
Gains (losses) on debt securities	(4,109)	(928)	(3,181)	
Gains (losses) on foreign exchange transactions	(9,059)	(6,322)	(2,737)	
Expenses	35,790	484	35,306	
Personnel expenses	19,107	52	19,055	
Non-personnel expenses	14,263	487	13,776	
Substantial net operating income	30,840	3,297	27,543	
[Core net operating income]	[34,950]	[4,225]	[30,725]	[41,100]
[Core net operating income (excluding gains (losses) on cancellation of investment trusts)]	[26,877]	[3,085]	[23,792]	
Provision of general reserve for loan losses (a)	-	452	(452)	
Net operating income	30,840	2,844	27,996	
Special income and losses	4,178	3,617	561	
Bad debt disposals (losses) (b)	214	(3,835)	4,049	
Gains on reversal of reserve for loan losses (c)	158	158	-	
Recoveries of written off receivables (d)	5	5	-	
Gain (losses) on equity securities	4,916	(40)	4,956	
Gains (losses) on investments in money held in trust	498	167	331	
Ordinary profits	35,018	6,463	28,555	38,000
Extraordinary income (loss)	(9)	317	(326)	
Impairment losses (losses)	9	(317)	326	
Total income taxes	10,388	2,340	8,048	
Net income	24,620	4,439	20,181	26,500
Credit-related expenses [(a)+(b)-(c)-(d)]	50	(3,547)	3,597	

- (Notes) 1. Core gross net operating income = Gross net operating income - Gains (losses) on debt securities
2. Substantial net operating income = Net operating income + Provision of general reserve for loan losses
3. Core net operating income = Net operating income + Provision of general reserve for loan losses - Gains (losses) on debt securities
4. Core net operating income (excluding gains (losses) on cancellation of investment trusts)
= Core net operating income - Gains on cancellation of investment trusts
Gains on cancellation of investment trusts are recorded in net interest income. Losses on cancellation of investment trusts are recorded in gains (losses) on debt securities.

(Reference-1) Details of credit-related expenses

For the nine months ended December 31, 2023, since the total amount of provision of general reserve for loan losses and provision of specific reserve for loan losses was reversed, the excess amount over the reversal was recorded as gains on reversal of reserve for loan losses.

Before the reversal of reserve for loan losses, the amounts were as shown in the chart on the right below.

		(Millions of Yen)		
		For the nine months ended Dec. 31, 2023		For the nine months ended Dec. 31, 2022
		(Before adjustment)	YoY change Amount	
Substantial net operating income	30,840	30,840	3,297	27,543
[Core net operating income]	[34,950]	[34,950]	[4,225]	[30,725]
Provision of general reserve for loan losses (a)	-	617	1,069	(452)
Net operating income	30,840	30,223	2,227	27,996
Special income and losses	4,178	4,795	4,234	561
Bad debt disposals (losses) (b)	214	(560)	(4,609)	4,049
Provision of specific reserve for loan losses	-	(775)	(4,636)	3,861
Losses on sale of receivables	11	11	9	2
Provision of reserve for contingent losses	96	96	78	18
Burden money to the Credit Guarantee Corporations	106	106	(62)	168
Gains on reversal of reserve for loan losses (c)	158	-	-	-
Recoveries of written off receivables (d)	5	5	5	-
Ordinary profits	35,018	35,018	6,463	28,555
Credit-related expenses [(a)+(b)-(c)-(d)]	50	50	(3,547)	3,597

(Reference-2) Details of (investment) securities-related gains and losses

(Millions of Yen)

	For the nine months ended Dec. 31, 2023	For the nine months ended Dec. 31, 2022	
		YoY change Amount	
Gains (losses) on debt securities	(4,109)	(928)	(3,181)
Gains on sale	390	(120)	510
Gains on redemption	29	9	20
Losses on sale	1,038	977	61
Losses on redemption	3,394	(214)	3,608
Write-offs (a)	97	55	42
Gains (losses) on equity securities	4,916	(40)	4,956
Gains on sale	5,089	(398)	5,487
Losses on sale	172	(359)	531
Write-offs (b)	-	-	-
Gains (losses) on investments in money held in trust	498	167	331
The total amount of write-offs	97	55	42

2. Major Accounts, etc. (Based on term-end balances)

(1) Loans and bills discounted

Loans and bills discounted increased by ¥172.6 billion from September 30, 2023, mainly due to increases in loans to SMEs and loans to large corporations. Compared to the same period last year, they increased by 5.6% or ¥310.5 billion.

	As of Dec. 31, 2023			Sep. 30, 2023	Dec. 31, 2022
	(A)	(A)-(B)	(A)-(C)	(B)	(C)
Loans and bills discounted	5,820.6	172.6	310.5	5,648.0	5,510.1
Loans to SMEs, etc.	3,794.0	82.2	263.6	3,711.8	3,530.4
Loans to SMEs	2,475.3	73.0	224.4	2,402.3	2,250.9
Loans to individuals	1,318.7	9.2	39.2	1,309.5	1,279.5
Housing loans	1,262.9	9.1	33.4	1,253.8	1,229.5
Loans to local governments, etc.	567.6	1.6	(55.7)	566.0	623.3
Ratio of loans to SMEs, etc.	65.1	(0.6)	1.1	65.7	64.0

(Of which, in Miyagi Prefecture)

Loans and bills discounted	4,121.1	77.0	164.8	4,044.1	3,956.3
Loans to SMEs, etc.	3,120.2	56.9	168.3	3,063.3	2,951.9
Loans to SMEs	1,844.4	48.0	129.1	1,796.4	1,715.3
Loans to individuals	1,275.8	8.9	39.2	1,266.9	1,236.6
Housing loans	1,222.5	8.7	33.6	1,213.8	1,188.9
Loans to local governments, etc.	482.2	6.8	(35.0)	475.4	517.2
Ratio of loans to SMEs, etc.	75.7	0.0	1.1	75.7	74.6

(2) (Investment) securities

Investment securities increased by ¥22.7 billion from September 30, 2023, mainly due to increases in equity securities and investment trusts. Compared to the same period last year, investment securities increased by 1.3% or ¥42.1 billion.

	As of Dec. 31, 2023			Sep. 30, 2023	Dec. 31, 2022
	(A)	(A)-(B)	(A)-(C)	(B)	(C)
Investment securities	3,093.4	22.7	42.1	3,070.7	3,051.3
Equity securities	187.5	4.5	39.6	183.0	147.9
Debt securities	1,988.3	1.8	(103.0)	1,986.5	2,091.3
National government bonds	350.5	1.1	51.3	349.4	299.2
Local government bonds	887.7	(1.6)	(49.1)	889.3	936.8
Corporate bonds	750.1	2.3	(105.2)	747.8	855.3
Other	917.6	16.4	105.5	901.2	812.1

(Ref.) Money held in trust	117.7	1.0	4.0	116.7	113.7
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(Valuation differences on investment securities)

Investment securities	120.2	24.9	75.6	95.3	44.6
Equity securities	111.8	2.8	39.9	109.0	71.9
Debt securities	(39.0)	15.9	14.9	(54.9)	(53.9)
Other	47.4	6.2	20.8	41.2	26.6

(Ref.) Money held in trust	5.7	1.0	3.9	4.7	1.8
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(3) Deposits (including negotiable certificates of deposit)

The total amount of deposits and negotiable certificates of deposit increased by ¥36.5 billion from September 30, 2023, mainly due to an increase in retail deposits, despite a decrease in public deposits. Compared to the same period last year, the total amount increased by 0.7% or ¥65.4 billion.

(Billions of Yen)

	As of Dec. 31, 2023			Sep. 30, 2023 (B)	Dec. 31, 2022 (C)
	(A)	(A)-(B)	(A)-(C)		
Total of deposits and negotiable certificates of deposit	8,952.9	36.5	65.4	8,916.4	8,887.5
Retail deposits	6,061.4	86.4	91.7	5,975.0	5,969.7
Corporate deposits	2,212.5	(21.3)	15.7	2,233.8	2,196.8
Public deposits	661.0	(23.5)	(46.8)	684.5	707.8

(Of which, in Miyagi Prefecture)

Total of deposits and negotiable certificates of deposit	8,407.6	41.7	76.9	8,365.9	8,330.7
Retail deposits	5,807.9	82.9	90.6	5,725.0	5,717.3
Corporate deposits	1,953.3	(16.8)	27.4	1,970.1	1,925.9
Public deposits	630.3	(19.3)	(45.1)	649.6	675.4

(4) Balance of assets in custody

Balance of assets in custody increased by ¥10.8 billion from September 30, 2023, mainly due to increases in government bonds and investment trusts. Compared to the same period last year, the balance decreased by ¥0.4 billion.

(Billions of Yen)

	As of Dec. 31, 2023			Sep. 30, 2023 (B)	Dec. 31, 2022 (C)
	(A)	(A)-(B)	(A)-(C)		
Balance of assets in custody	552.4	10.8	(0.4)	541.6	552.8
Investment trusts	106.7	4.8	22.6	101.9	84.1
Insurance	335.4	2.4	15.4	333.0	320.0
Government bonds	86.6	5.3	7.9	81.3	78.7
Foreign currency deposits	19.4	(1.7)	(14.4)	21.1	33.8
Structured bonds (brokered)	4.3	0	(31.9)	4.3	36.2

(Note) Foreign currency deposits do not include financial deposits and offshore accounts.

(Reference) Group balance of assets in custody

(Billions of Yen)

	As of Dec. 31, 2023			Sep. 30, 2023 (B)	Dec. 31, 2022 (C)
	(A)	(A)-(B)	(A)-(C)		
Group balance of assets in custody	699.4	10.9	8.7	688.5	690.7

(Note) Group balance of assets in custody is the sum of assets in custody of The 77 Bank, Ltd. and assets in custody of 77 Securities Co., Ltd.

3. Disclosed Claims under the Financial Reconstruction Law

Sub-total (Substandard loans or below) was ¥117.3 billion, an increase of ¥0.7 billion from September 30, 2023. Non-performing loans ratio was 1.98%, down 0.05 percentage points from September 30, 2023.

		As of Dec. 31, 2023		Sep. 30, 2023
		(A)	(A)-(B)	(B)
Sub-total (Substandard loans or below) A		117.3	0.7	116.6
Loans to bankrupt and quasi-bankrupt borrowers		12.3	0.4	11.9
Doubtful loans		73.6	0.3	73.3
Substandard loans		31.4	0.0	31.4
Normal loans B		5,794.2	171.1	5,623.1
Total (A+B) C		5,911.5	171.8	5,739.7
Non-performing loans ratio (A/C)		1.98 %	(0.05) %	2.03 %

(Reference) In case of applying partial direct write-offs

The 77 Bank, Ltd. does not apply partly direct write-off, but if it did, the non-performing loans ratio would be 1.85%.

		As of Dec. 31, 2023		Sep. 30, 2023
		(A)	(A)-(B)	(B)
Sub-total (Substandard loans or below)		109.3	0.3	109.0
Non-performing loans ratio		1.85 %	(0.05) %	1.90 %

4. Capital adequacy ratio

Although total capital increased by ¥7.7 billion, risk-weighted assets increased by ¥145.9 billion, resulting in capital adequacy ratio [domestic standard] of 11.00%, down 0.20 percentage points from September 30, 2023.

		As of Dec. 31, 2023		Sep. 30, 2023
		(A)	(A)-(B)	(B)
Capital adequacy ratio [domestic standard] a/b		11.00	(0.20)	11.20
Total capital a		480.4	7.7	472.7
(Basic items related to core capital)		(480.9)	(7.7)	(473.2)
(Adjustments related to core capital)		(0.5)	(0.0)	(0.5)
Risk-weighted assets b		4,363.9	145.9	4,218.0

(Note) Figures as of December 31, 2023 are tentative.