



The 77 Bank Group will design a new “target form” as it aims to drive the continuous growth of local communities

President **Hidefumi Kobayashi**

► Sharing Our Targets

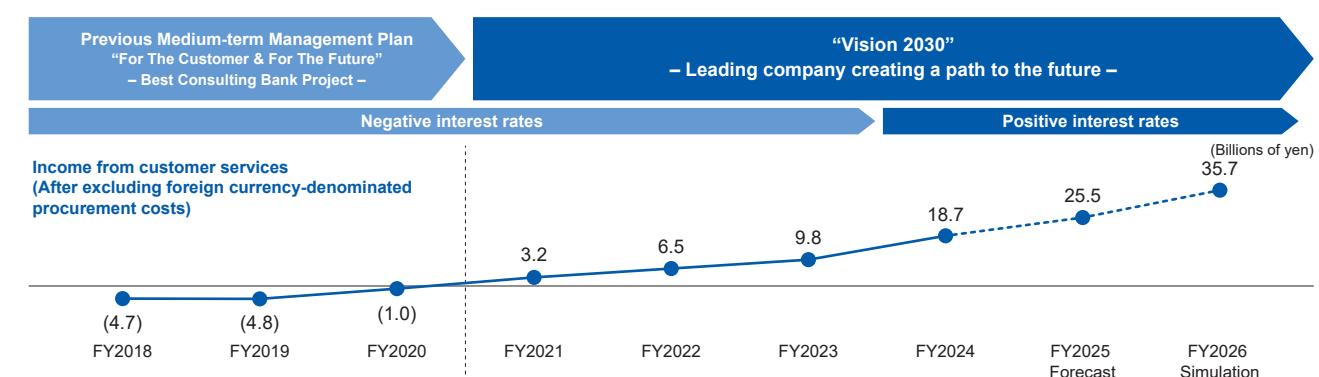
This year marks the fifth year since we formulated “Vision 2030,” in which we aim to become a leading company creating a path to the future. Following global economic stagnation caused by the COVID-19 pandemic, we have experienced a period of major change marked by inflation and the transition to a world of interest rates. During this time, there has been a greater understanding of the significance of “Vision 2030” within the Group that has generated a steady stream of results. This can be attributed to clear and

specific plans and targets, as well as various briefings that served to boost understanding, agreement, and embracement. The fact that there is greater understanding of the significance of the vision is proof that we have been able to share our organizational targets among our officers and employees. In FY2025 we will conduct an interim review of “Vision 2030,” designing an upgraded target form for the 77 Bank Group while anticipating future trends.

► “Vision 2030”: Achievements to Date

“Vision 2030” has already led to several successes. First, the level of our Finance & Consulting business model has steadily improved mainly in the corporate domain. Customers’ management challenges are becoming increasingly sophisticated and complex, and solutions to these challenges require a higher level of expertise than before. We have been focusing on our consulting functions since the previous Medium-term Management Plan, and thanks to our development of specialist human resources, such as through the

proactive dispatch of trainees to external institutions and other industries, we have gradually improved our ability to provide solutions that meet customers’ needs. Moreover, in our efforts to reinforce initiatives for new businesses and sectors, we have increased the range of consulting services provided by the Bank and our Group companies, which in turn has increased the number of opportunities for us to serve our local communities and customers. These achievements have been reflected in our performance and have led to



*Income from customer services = (Average balance of loans and bills discounted × Loan to deposit spread) + Fees and commissions - Expenses (including retirement benefit costs)

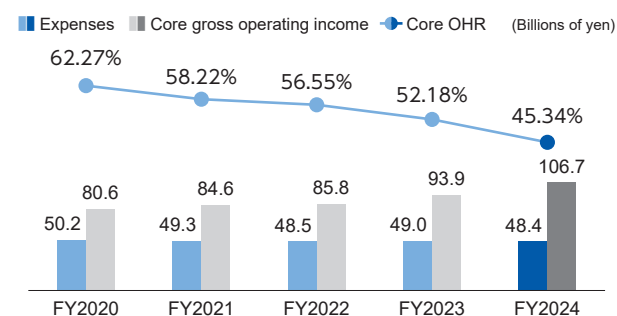
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improvements in income from customer services, which had been one of our weak points to date. We anticipate that the combination of finance and consulting functions, which serve to supply funds and address challenges, will remain in demand at an even higher level. In response, we will continue working to enhance our expertise and differentiate ourselves from the competition.

We have also made dramatic productivity improvements. While one of the Group's issues to date has been its high-cost, low-profit structure, we have set out a clear path for improvement through various initiatives in "Vision 2030." We thoroughly reinforced initiatives aimed at improving productivity, progressing with our branches within branches initiatives in line with the reduction in the number of customers visiting branches, and also reviewing our branch management. In addition, we have used digital technologies to enhance non-face-to-face transactions and promote paperwork-free operations. Alongside top-line growth, we have improved labor productivity as a result of various initiatives that have freed-up extra personnel. As a result, our core OHR is of a leading standard among regional banks and we have transitioned to a more robust structure. Moving forward, we believe that generative AI and other technologies will be turning points that determine a company's growth and future, and we will continue working to enhance our management efficiency and productivity using these technologies.

A Time of Change and Uncertainty

In FY2024, Japan was hit by numerous natural disasters including heavy rains and other extreme weather, as well as earthquakes. Overseas, as well, we saw major volcanic eruptions, major earthquakes, and other global-level changes. In response, it is essential that we enhance our disaster preparedness. We are not only seeing changes in nature and the environment, but also major transformations in politics and economies. Whether it is reciprocal tariff policies stemming from the Trump administration or rising geopolitical risks from war and conflict, moving forward we could see major change in the world order. Following the so-called lost decades, the Japanese economy has transitioned to a world of interest rates and is undergoing a gradual recovery. However, with a lack of clarity in global economies, there is rising uncertainty regarding the Bank of Japan's future monetary policies.



This point also relates to the enhancement of our Finance & Consulting business model and productivity improvements, and the organization as a whole has become more proactive and ambitious as a result of reforms to our corporate culture, which underpins our various activities. While it is still a work in progress, the organization has gotten stronger through the growth of officers and employees, mutual encouragement, and changes to our workplace and corporate culture. To become an even stronger organization, we believe it is essential for every officer and employee to adopt a managerial mindset. Specifically, we must enhance our ability to think, to understand the essence of matters, to take action, to create networks, and to manage risks. We must also be ambitious. Adopting a slightly broader perspective will change the way we view matters, and so I look forward to levelling up and achieving both individual and organizational growth.

In our main base of operations in Miyagi Prefecture, however, there have been several bits of positive news to boost the prefectural economy, such as Tohoku University's designation as a University for International Research Excellence, and record-high numbers of foreign visitors to the prefecture. While it was unfortunate to see the Taiwanese semiconductor manufacturer pull out of its plan to establish a base in Miyagi Prefecture, it did present an opportunity to showcase the potential of the region's significant water resources and strengths in electricity. There are major business opportunities not just in Miyagi Prefecture but in the entire Tohoku region for various companies and industries, not only semiconductor manufacturers. As such, at the 77 Bank Group we will do everything we can to help the region flourish. In terms of our corporate activities, soaring raw material prices, labor shortages, and rising personnel expenses

are leading to an increase in corporate bankruptcies, and so moving forward it will be essential for us to pay closer attention to impacts from tariff policies in the US, for example. Moreover, with falling populations, low birthrates, and aging societies causing labor shortages and shrinking economies, we will also face challenges in maintaining regional economies. Thus, we are in a period of major transformation internationally, domestically, and more locally in Miyagi Prefecture, and uncertainties surrounding the future continue to rise. We must therefore be stronger against both macro and micro changes, stay one step ahead in our business activities, and contribute to the sustainable growth of both the 77 Bank Group and our local communities.

Recognizing Risk and Ensuring Sustainable Management

For us to ensure sound and sustainable business management in an increasingly uncertain socioeconomic environment, we have identified events that could have a particularly significant impact on our operations as top risks. Through periodic stress tests, we will examine the potential impacts these top risks could have on our operations, set up countermeasures in advance, and do everything we can to mitigate them.

Timeline	Top risks
Short	Increasing difficulty of ALM
Short to medium term	Intensifying competition within the industry and with other industries
Short to ultra-long term	Increasing complexity of Group governance
	Deterioration of sales base
Accidental	Occurrence of large-scale disasters
	Emergence of system risks

One short-term risk we have identified is the increasing difficulty of asset liability management (ALM). In a world of interest rates, the importance of deposits as a source of funds is growing. In addition to loans, we also manage approximately ¥3 trillion in securities. Flexible response to changes in the interest rate environment and funding position is therefore essential. Alongside the use of stress tests to examine the sufficiency and soundness of our capital, we will aim for risk-resistant management through collaboration between sales, which has direct touchpoints with customers, and the headquarters, which is responsible for risk management. One short- to medium-term risk is the intensifying competition within the industry and with other industries. In

response, to help find solutions to challenges facing our communities and customers, we will seek to differentiate ourselves from companies both inside and outside the industry by making further enhancements to our Finance & Consulting business model.

Meanwhile, the increasing complexity of corporate governance and our deteriorating sales base present short- to ultra-long-term risks. As we reinforce efforts in new businesses and sectors, our number of Group companies and business domains is increasing. This has also increased the scope of risk management, and so through the Group Business Strategy Division that was newly established in November 2024, we are working to sophisticate Group governance from both offensive and defensive perspectives. Fundamental to this Group management is our Groupwide human resource strategy. In this area, we will seek to optimize our human resource portfolio and provide Groupwide development opportunities to equip employees with the necessary expertise and skills.

In our sales base, there is a risk that the cost of credit could increase due to the deterioration of the prefectural economy. We will therefore work to revitalize local economies by creating regional employment opportunities through our support for the growth of SMEs. Moreover, we will aim for the smooth handover of local company traditions through business succession and M&A support, including for the transfer and suspension of businesses. In terms of our support for business owners, which includes business revitalization and management improvement support, we will utilize the expertise and know-how we gained through the revival of companies affected by the Great East Japan Earthquake.

Elsewhere we have identified the occurrence of large-scale disasters and emergence of system risks as



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accidental risks. As the location and timing of disasters are unpredictable, constant preparedness in times of normality is essential. Through regular drills and other means, we will work to enhance awareness of the importance of disaster preparedness and reinforce our BCP. Further, due

to the growing risks surrounding cyber security, including at our external partners, we will work to enhance the IT literacy of our officers and employees and further augment our risk management initiatives.

Enhancing Corporate Value

The request from the Tokyo Stock Exchange for “action to implement management that is conscious of cost of capital and stock price” calls for efforts to improve PBR. Although we have made improvements across all indicators since the start of “Vision 2030,” our PBR is still below 1. To improve in this area we will aim to enhance the value of our shares through proactive engagement with our shareholders. In our engagement activities, in January 2025 we

hosted a discussion with CEO Hiroyasu Koike of Nomura Asset Management Co., Ltd., a leading institutional investor, and engaged in dialogue on various matters including the mission of regional financial institutions and growth strategies. Based on the growth strategies set out in “Vision 2030,” we will aim to increase profitability, improve management efficiency, and enhance our corporate value.

		FY2020 Results	FY2024 Results	“Vision 2030” Financial targets, etc.
PBR improvement	PBR	0.22x	0.61x	Greater than 1.0x
ROE improvement	ROE (consolidated)	3.42%	6.68%	7% or more
RORA improvement	Net income (consolidated)	JPY 16.5 bn	JPY 39.3 bn	JPY 45.0 bn
Cost control	Core OHR	62.27%	45.34%	40% or less
Optimal distribution of capital	Capital adequacy ratio (consolidated)	10.39%	10.60%	Roughly 10% (10.0%–10.5%)
Reduction of cross-shareholdings	Ratio of cross-shareholdings to net assets (consolidated)	14.0%	9.4%	Continuous reduction (less than 10%)
Enhancement of shareholder returns	Dividend payout ratio (consolidated)	22.4%	33.0%	35% or more (end-Mar. 2026)
PER improvement	PER	7.00x	8.97x	14.3x or more (theoretical value)

To be revised in FY2025

Direction of the Review of “Vision 2030”

In line with the end of the COVID-19 pandemic, changes to the Bank of Japan's monetary policies, and other socioeconomic factors, we conducted a review of the financial targets in “Vision 2030” in November 2023. However, with further developments expected in the world of interest rates, the Group's performance is steadily improving and there are signs that we will achieve the targets in “Vision 2030” ahead of schedule. In FY2025, the midpoint of “Vision 2030,” as initially planned we will conduct an interim review of our targets in consideration of global economic trends and the direction of the Bank of Japan's monetary policies. While retaining the core approaches and course of

action set forth when formulating “our target form” that the 77 Bank Group aims for over the long term, we will strive for significant growth and promote prosperity in our local communities as we aim to help our communities flourish as per the Bank Creed. While considering external changes and future trends, we will work to further enhance the strengths we have built to date, create new growth opportunities, and become a leading company that enriches the region. For the interim review, while improving on our four current basic strategies, we will aim to execute the strategies outlined below.

Achievements to date



- Strengthened Finance & Consulting
- Expanded the 77 economic zone
- Dramatically improved productivity
- Thoroughly instilled an ambitious corporate culture
- Provided stakeholder returns through growth

FY2021

Direction of the review

Develop our strengths

“Our target form”
A leading company that
enriches the region

Create new growth
opportunities

Keywords to achieve “our target form”

- Address declining population
- Utilize AI and DX
- Uncover new areas for inorganic growth
- Develop local industries
- Operate high-productivity stores
- Strengthen Group business
- Strengthen networks overseas and in other regions
- Further increase customer satisfaction
- Enhance human capital investment
- Provide multi-stakeholder returns

(1) Addressing the falling population and other social challenges

In addition to a declining population, we are also seeing the ongoing outflow of young people and women and their concentration in Tokyo, and as a result the region is continuing to struggle. As Japan works to revitalize its communities, people, and jobs, we will first focus on our expertise in creating jobs to help develop regional industries. Alongside our provision of startup support to increase the number of entrepreneurs and new companies, we will aim to sustain companies, jobs, and employment through our business succession support for long-standing companies. In doing so, we will focus on the development and support of attractive local companies. However, to keep young people and women

in the region, in addition to providing attractive jobs and companies, there must be transport convenience, quality living environments, and appealing areas. As such, to boost quality of life and enhance the attractiveness of towns as places to live and work, we will also focus on the development of enjoyable experiential content, such as animation, entertainment, sport, culture, art, and local specialties. We understand that the development of the region is the source of the 77 Bank Group's growth and development. To drive this growth in a sustainable manner, we will confront the various issues facing the region and work with the relevant institutions to proactively create attractive towns and communities.

(2) Strengthening networks overseas and in other regions

To date, we have strengthened our networks while opening up new markets. Through the opening of the Aomori Branch and the Utsunomiya Corporate Office,

we have not only increased the number of clients, but also facilitated connections between companies in Tohoku and Miyagi and supported growth in the respective regions and businesses.

Feature: Engagement with investors

We spoke with Representative Director, President & CEO Hiroyasu Koike of Nomura Asset Management Co., Ltd. about the competitive advantages of regional financial institutions, their business outlook, and other matters. The details of the conversation can be found on Nomura Asset Management's website.

Main topics of discussion

- The role of the 77 Bank
- Progress and challenges in “Vision 2030”
- Economic situation in Miyagi Prefecture and Sendai City
- Share valuations



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Moving forward, we will also expand our perspective overseas. In April 2025, the 77 Bank Group's first overseas subsidiary, 77 NEXT CONSULTING PTE. LTD., began operations in Singapore. By creating a local subsidiary, we will be able to go about our overseas business without any of the previous operational restrictions at our overseas representative office. Specifically, we will seek to provide a broad range of support for customers' overseas businesses, including the expansion of overseas sales and

(3) Sophisticating the banking business through use of digital technologies

In line with the decline in the working-age population, we expect a medium- to long-term decrease in the number of human resources who can run our operations. It is therefore essential that we act in advance. Specifically, we will utilize AI, robotics, and other digital technologies to enhance the efficiency of operations and increase productivity per employee. The use of AI will be of particular importance. At the headquarters, we are currently using AI to create documents, collect information, and compile and analyze data. Elsewhere, in mortgage approval processes we are using an AI

(4) Rebuilding branch strategies in line with customer trends and regional characteristics

The number of customers visiting bank branches has fallen by more than 50% compared to 10 years ago, and the number is expected to continue to fall. Moreover, with the ongoing enhancement in functionality of apps and other non-face-to-face channels, and an increasingly cashless society, financial services that are available anytime, anywhere will continue to evolve. At the 77 Bank Group, we must continue to enhance levels of customer satisfaction to ensure we do not lose out to online banks and other industries.

(5) Reinforcing Group management, including in new businesses and sectors

Since the start of "Vision 2030," we have ventured into numerous uncharted fields and set up 10 new projects in new businesses and sectors. While our aim has been to address regional challenges while diversifying the future income streams of the 77 Bank Group, we will continue working to uncover new areas for inorganic growth to develop a third income pillar after the customer sales department and marketable securities

(6) Providing multi-stakeholder returns

By providing appropriate returns to all our stakeholders including customers, regions, shareholders, and employees, we will work alongside them to create a prosperous future.

Two of the strategies within "Vision 2030" are the top

suppliers, support for establishing local hubs, and overseas sales representation. At the same time, by attracting investors and human resources from ASEAN, India, and other emerging areas, we will utilize overseas growth to drive the advancement of local economies. Whether domestically or overseas, we will strive to expand the scope of operations of the 77 Bank Group. Moreover, while enhancing our Finance & Consulting business model, we will broaden our business prospects and create new growth opportunities.

screening service, which has helped to shorten the entire process. The use of digital technologies is not only about streamlining operations. Rather, the key is to examine how to use the time saved to create added value. Our ultimate aim is to become an organization for which AI is a regular partner. In the future, it will become increasingly important for the headquarters to consider higher-quality plans and for our branches to offer higher-quality proposals to our customers. Through the proactive use of AI and other technologies, we will maximize the capabilities of our personnel and work to advance our banking business.

On the other hand, the importance of face-to-face consulting remains unchanged in the acquisition of deposits and retail sales. To date, we have consolidated our branch functions mainly through our branches within branches initiatives, but moving forward we will review our branch functions while reinforcing our channel strategies using digital technologies. Our banking business is at a turning point. While constantly looking at the quality of our financial services and cost burden, we will examine our future course of action as a bank and build branch strategies in line with customer needs and regional characteristics.

trading department. To ensure the Groupwide provision of high-level expertise and high-quality services, the optimal distribution of Group resources, including human resources, will be key. We will therefore build an optimal human resource portfolio for the headquarters, our branches, and Group companies in line with social conditions and market environments. While broadening our business domains and contributing to the development of the regional economy, we will expand consolidated Group profit.

customer satisfaction strategy and the regional growth strategy. While further boosting the level of these strategies for our customers and regions, we will aim to drive the sustainable growth of both the 77 Bank Group and our local communities.

For our shareholders, we will promote the growth of the 77 Bank Group and ensure appropriate returns through stable profit growth and sound business management, always aiming to improve our corporate value. For our employees, the 77 Bank Group's most important capital, we will proactively invest in the creation of environments that facilitate individual growth, with the goal of developing an organization where they can work

with pride and in comfort. Through individual development and growth, we will aim to create strategic human resources who can help us become a leading company.

► Progress of Sustainability Management

Since its founding, the 77 Bank Group has worked as one to address its important issues (materiality) in line with the philosophy of the Bank Creed: Desiring communal prosperity and serving local communities. One of our important issues is addressing climate change. In terms of initiatives for decarbonization, which is closely related to climate change, mainly in the US we are seeing companies changing their policies and withdrawing from international frameworks. However, when considering global abnormal weather events and the increasing severity of natural disasters, as well as the depletion of energy resources, the importance of

measures to promote decarbonization and counter climate change remains unchanged. At the 77 Bank Group, we will continue to support the decarbonization initiatives of our local communities and customers. In other areas, whether it is the protection of natural capital and biodiversity or initiatives for a circular economy, the sustainability domain covers many different areas. At the 77 Bank Group, it is important that we carefully examine our resources, strengths, and individuality, engage closely with our local communities and customers, and work to achieve a sustainable society.

► In Closing

The socioeconomic environment both in Japan and overseas is undergoing drastic change that is leading to increasing uncertainty surrounding the future. As a regional financial institution, it is precisely in situations like these that we must provide financial services in a stable manner and continue to demonstrate our financial intermediary functions. At the same time, we must reinforce our consulting functions and drive growth in the regional economy. While steadily executing the strategies in "Vision 2030," we will augment our strengths and fulfill the mission of the 77 Bank Group. Moreover, through the interim review of "Vision 2030," we will design an upgraded target form to ensure that all officers and employees can work together to help our communities flourish. We ask for your continued support and patronage.

