

## Our Path of Continuous Growth

### Passing on the spirit of Eiichi Shibusawa to the next generation

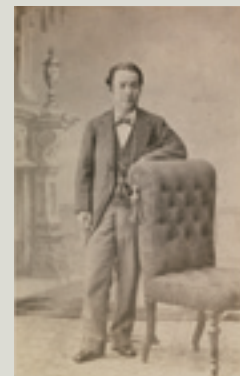
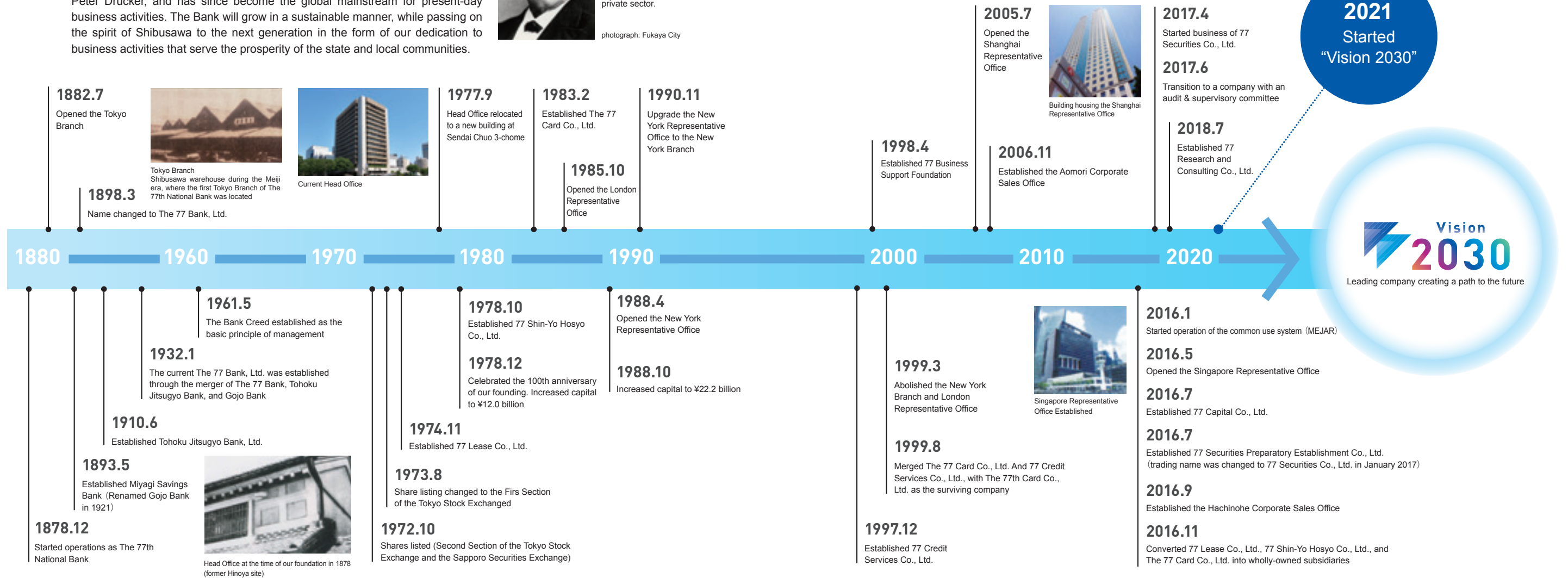
The Bank was founded in 1878 as The 77th National Bank. Through the tremendous efforts of Eiichi Shibusawa, the core of our bank was created, and we embarked upon the path we have followed to this day. The theory of corporate social responsibility that Shibusawa advocated around the late 19th and early 20th centuries became the focus of renewed attention by the American economist Peter Drucker, and has since become the global mainstream for present-day business activities. The Bank will grow in a sustainable manner, while passing on the spirit of Shibusawa to the next generation in the form of our dedication to business activities that serve the prosperity of the state and local communities.



#### Eiichi Shibusawa

1840 - 1931; born in Chiarajima Village, Hanzawa-gun, Musashino Province (present day Fukaya City, Saitama). He exerted all his efforts toward establishing modern companies and created Japanese capitalism with the power of the private sector.

photograph: Fukaya City



The photograph in the possession of the Shibusawa Memorial Museum.

### Eiichi Shibusawa, who supported The 77 Bank at the time of our establishment

Eiichi Shibusawa, a businessman who was known as "the father of Japanese capitalism," had a strong interest in the Tohoku region through Munenari Date, who provided him with the opportunity to enter the Ministry of Finance. At the time, there was no bank based in Miyagi Prefecture and partially for this reason, prior to the opening of The 77th National Bank, Shibusawa provided advice on various matters, such as the nature of the banking business and basic management concepts, and guided the establishment of the Bank. Subsequently, he continued to provide investment as a shareholder, and seconded exceptional talent, including Keishi Endo (the second and fourth President) and Seikei Ono (the fifth President) from The Dai-Ichi Bank Limited. Furthermore, Shibusawa provided both mental and practical support to the Bank over many years, including his transfer of The Dai-Ichi Bank Limited's banking business in Miyagi Prefecture to The 77th National Bank and his appointment as Advisor in 1909.

Eiichi Shibusawa's spirit of "harmony of morality and the economy" lives on today in the line from the Bank Creed, which describes the Bank's management philosophy, that states "the Bank's progress goes hand in hand with prosperity in the local community."

### Bank Creed

The Bank's mission is to absorb funds and create credit by exercising its own creativity based on the principle of self-responsibility, in a spirit of maintaining orderly credit conditions and protecting depositors, and thereby contribute to the growth of the national economy.

In light of such public mission, the Bank shall contribute to the local community while seeking a harmonious balance between self-interest and public interest as a regional bank.

Based on the aforementioned principles, the code of conduct to be observed by any and all persons employed by the Bank is set forth as follows.

#### 1. Elevate the Spirit of Voluntary Service

Acknowledge that the Bank's progress goes hand in hand with prosperity in the local community, and seek to elevate the spirit of voluntary service at all times.

#### 2. Improve Creditworthiness

Bear in mind that credit is the Bank's lifeblood, and endeavor to improve credit at all times.

#### 3. Nurture the Spirit of Harmony

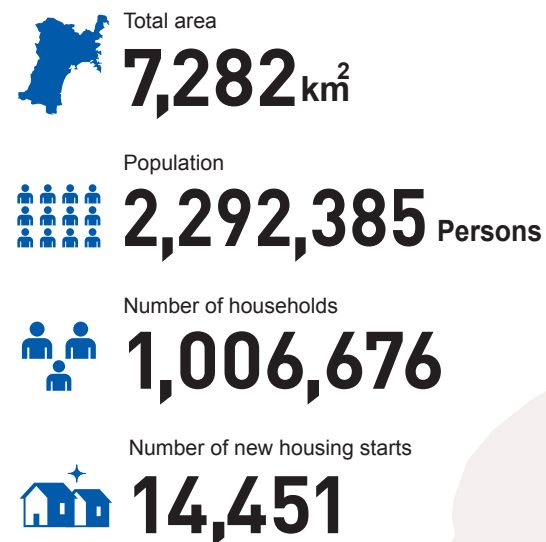
Recognize that the spirit of harmony is fundamental to the execution of duties, and strive to nurture such spirit at all times.

# The Economy and Potential of Miyagi Prefecture

Miyagi Prefecture, which is our main business base, is located in the southeast area of the Tohoku region, and is a key transport hub connecting the Greater Tokyo Area with the Tohoku region. Additionally, the prefectural capital, Sendai, which became the 11th city designated by government ordinance in Japan in 1989, is home to the branches of many major companies from across Japan, and functions as a core city in the Tohoku region. Miyagi Prefecture generally ranks around 15th among the prefectures in terms of population and key economic indicators such as the Gross Prefectural Product and total retail sales. It generally accounts for a share of just under 2% of the national totals of such indicators.

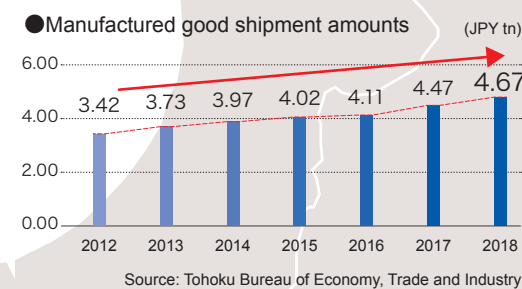
Although Miyagi Prefecture experienced significant damage due to the Great East Japan Earthquake, particularly in coastal areas, it has made steady progress thanks to joint efforts by the public and private sectors. In addition, with the expansion of major automotive and electronics companies, the manufacturing industry is expected to become a driver for post-recovery economic growth while economic concentration is advancing owing to active construction investment related to redevelopment projects in Sendai.

## ►►The potential of Miyagi Prefecture, in numbers



Manufactured goods shipment amount  
**¥ 4,665.6 billion**

**Increasing for seven consecutive years since the Great East Japan Earthquake**



Agricultural output  
**¥ 193.9 billion**

Wholesale/retail annual product sales  
**¥ 11,554.9 billion**

Gross Prefectural Product (nominal)  
**¥ 9,463.9 billion**

Ranking among prefectures in terms of Gross Prefectural Product (nominal)  
**Second highest growth rate (21.0%) during the period FY2010, immediately after the financial crisis of 2007-2008, through FY2018**

Fisheries and aquaculture production amount  
**¥ 78.9 billion**

**Fourth in Japan**

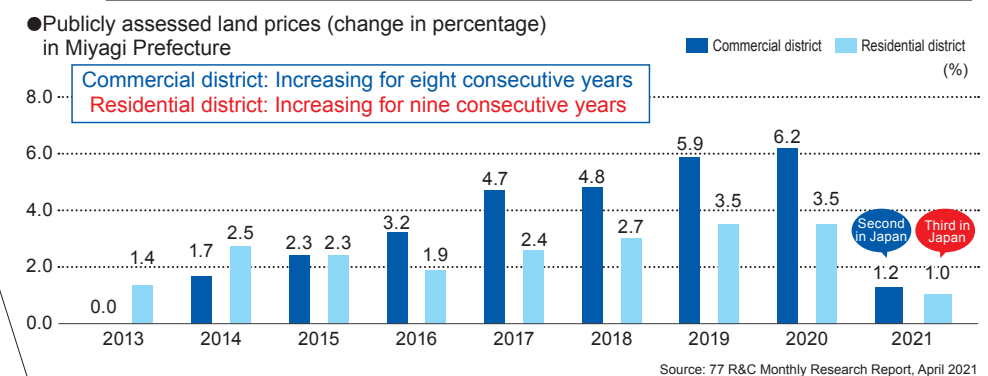
Publicly assessed land prices in Miyagi Prefecture (change in percentage)

**Commercial district 1.2%**

First Fukuoka Prefecture  
**Second Miyagi Prefecture**  
Third Hokkaido Prefecture

**Residential district 1.0%**

First Hokkaido Prefecture  
First Fukuoka Prefecture  
**Third Miyagi Prefecture**



Number of private sector offices  
**102,026 Offices**

**No. 1 in Japan in terms of the growth rate since the last survey (2012)**

Source: "2021 Shape of Miyagi (Miyagi Prefectural Handbook)" "Excluding publicly assessed land prices (change in percentage) in Miyagi Prefecture

## Regional Development Project (1)

### Sendai Urban Restructuring Project

(project launched by Sendai City in October 2019, to continue through FY2031)

- ◆ Reconstruction of obsolete buildings and promotion of corporate relocation into the city
- Establishment of "Subsidy System for Promoting Building Reconstruction in Sendai City Center"
- Relaxation of floor-area ratio with a view toward "developing highly functional office"
- Enhancement of business attraction framework and subsidy systems, etc.



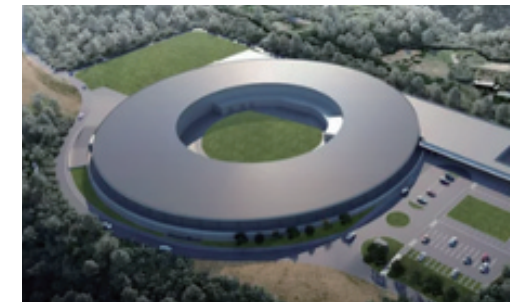
Image of Urban Restructuring Project (Sendai Station area) Provided by: Sendai City

## Regional Development Project (2)

### Next-generation Synchrotron Radiation Facility Maintenance Project

(Scheduled to begin operation in FY2025)

- ◆ Economic ripple effects (estimated by Tohoku Economic Federation)
- JPY 1,901.7 billion over the first 10 years of operation
- Local ripple effects within Miyagi Prefecture is JPY 277.7 billion
- The project is believed to contribute particularly in the areas such as fuel cell, gene drugs and nanocarbon materials



Next-generation synchrotron radiation facility (image) Provided by: Photon Science Innovation Center



## Value Creation Processes

With the market expected to shrink as a result of the aging society and low birthrate, falling population, and other factors, the 77 Bank Group will work to ensure the prosperity of local communities by inspiring and accumulating trust with the optimal solutions. At the same time, we will also aim to become a leading company tapping new areas of opportunity in Miyagi and Tohoku together with our stakeholders.



1 Top customer satisfaction strategy

2 Double productivity strategy

3 Regional growth strategy

4 Corporate culture reform strategy

2030

Becoming a leading company creating a path to the future

### Social issues we aim to solve through our businesses

#### 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

### The 77 Bank Group's source of value creation

#### Financial capital

- ◆Capital adequacy ratio (domestic standards, consolidated): 10.39%
- ◆Ratings: JCR: AA, R&I: A, Moody's: A3 (as of July 31, 2021)
- ◆Deposits and certificates of deposits: ¥8.5 trillion (ninth among regional banks)

#### Manufactured capital

- ◆Number of branches: 143 (128 in Miyagi, as well as Sapporo, Morioka, Kitakami, Akita, Yamagata, Fukushima, Koriyama, Soma, Haramachi, Taira, Onahama, Nihonbashi, Tokyo, Nagoya, and Osaka)
- ◆Corporate sales offices: 2 (Aomori and Hachinohe)
- ◆Overseas representative offices: 2 (Shanghai and Singapore)

#### Intellectual capital

- ◆Group companies: 6 companies (77 Lease, 77 Shin-Yo Hosyo, 77 Card, 77 Securities, 77 Research and Consulting, 77 Capital)
- ◆MEJAR system (Shared with Bank of Yokohama, Hokuriku Bank, Hokkaido Bank, and Higashi-Nippon Bank)
- ◆Know-how on business reform and corporate rehabilitation support through the recovery from the Great East Japan Earthquake

#### Human capital

- ◆Number of employees (consolidated): 2,812
- ◆Number of employees with qualifications: 141 1st grade Certified Financial Planner, CFP, 32 Small and Medium enterprise Management Consultants, 20 Movable Valuation Advisors, 21 Agricultural Management Advisors, 2 In-house attorneys, 1 In-house certified public accountant

#### Social capital

- ◆Deposit share in Miyagi Prefecture: 57.3% Ranked No. 1 in Japan for 24 consecutive years in terms of the share of deposits in the prefecture (FY3/1997-FY3/2020) (Source: KINYU JOURNAL)
- ◆Loans and bills discounted share in Miyagi Prefecture: 43.1%
- ◆Number of comprehensive cooperation agreements signed with regional public bodies for regional revitalization: 38 (Miyagi Prefecture and 35 municipalities in the prefecture, as well as 2 municipalities in Fukushima Prefecture)
- ◆Certified "Platinum Kurumin," "Gold Certified Company," "Eruboshi (Grade 3)," and "Health and Productivity Management Organization 2021 (White 500)"
- ◆Chosen as a constituent of MSCI Japan Empowering Women Index
- ◆Management Philosophy that inherits the spirit of Eiichi Shibusawa's "harmony of morality and the economy"

\* As of March 31, 2021, for those without a date

Creating value with solutions to social issues

### Provide the optimal solutions

Financial

Consulting

Non-financial

### Expand our fields of activity

Elevate the spirit of voluntary service

Improve creditworthiness

Nurture the spirit of harmony

Bank creed

Enhance corporate value

### Creation value

#### Customers

- Improve customer happiness through problem solving and enhance corporate value

#### Local communities

- Create abundant local communities

#### Employees

- Offer workstyles based on diverse values

#### Shareholders

- Offer growth and returns together with the 77 Bank Group

Mission

Vision

Value

Strategy

Company Information

Financial Section