

We will look beyond any difficulties toward hope and set forth a new future for the region, as we embark on continuous initiatives.

President  
**Hidefumi Kobayashi**



**Ten years since the Great East Japan Earthquake**

The Great East Japan Earthquake occurred at 14:46 on Friday, March 11, 2011, with a magnitude of 9.0, the highest ever recorded in Japan. As a tsunami struck that far exceeded all forecasts, Japan suffered unprecedented damage centered on coastal areas such as Miyagi, Iwate, and Fukushima, and over 18,400 people lost their lives. It is estimated that the total damage to homes, factories, and other buildings, as well as roads and other infrastructure, amounted to approximately ¥17 trillion, of which the amount of damage in Miyagi Prefecture exceeded ¥9 trillion.

Many of the Bank's branches were affected in the disaster, and we suffered both physical damage and harm to our personnel. Many of our employees, part-time employees, their families, and others were affected by the disaster, and it was a very difficult, painful time for us.

Despite those circumstances, however, as a regional financial institution in the affected area, we came together as an organization to keep providing financial services and restore our branch network, in order to contribute to recovery in our local area of Miyagi, as well as the Tohoku region as a whole. We also focused all our efforts on supporting applications for subsidies and business rehabilitation support as a means of supporting

recovery. As a result, as of the end of March 2021, we had provided 27,209 loans related to the Great East Japan Earthquake, worth a total amount of ¥763.2 billion.

During this period, total public investment in Miyagi Prefecture amounted to over ¥6.5 trillion, and housing investment created more than 200,000 homes. Almost all social capital was recovered, including railroads, roads, bridges, and river and port facilities, while all roads on the Sanriku Expressway, a reconstruction road, reopened throughout the prefecture. Additionally, new towns gradually opened as centers of life and human activity, with residential areas, commercial areas, etc.

Nominal Gross Prefectural Product bottomed at ¥7.7 trillion immediately after the disaster, but mounted a strong recovery, driven by economic activity related to recovery from the disaster and the redevelopment of Sendai, as well as the start of operations at Toyota Motor East Japan, Inc. and Tokyo Electron Ltd. plants, these two companies having decided to enter the region prior to the disaster. As such, in FY2016, the prefecture once again recorded its highest ever Nominal Gross Prefectural Product, at over ¥9 trillion.

Additionally, recovery work focused not just on the "hard" aspects, but also extended to initiatives targeting the "soft" aspects, in anticipation of the role of the next generation,

including establishing a new medical school for the first time in 37 years in Japan in order to develop personnel to support the healthcare system of the region, the first privatization of a nationally managed airport, and the "Sendai Framework for Disaster Risk Reduction," which was created at the Third United Nations World Conference on Disaster Risk Reduction.

There remain differences between regions and industries, but I believe it is fair to say that we have demonstrated strong resilience in our efforts toward recovery, and are continuing to make steady progress from the damage suffered by this earthquake of never-before-seen scale.

**Picturing a new tomorrow for the region**

While making steady progress toward recovery following the Great East Japan Earthquake, we were once again faced with "unprecedented" circumstances. COVID-19, the first major pandemic faced by the global economy in the post-war era, has restricted accumulation and movement, two basic premises of the global economy, and has caused demand for face-to-face services such as tourism and entertainment to evaporate. Additionally, the pandemic has not only struck a major blow to economies; it has also highlighted various weaknesses that had previously been the subject of concern, such as the risk of

concentration in major urban areas and delays to digitalization in the public and private sectors.

I believe that we must take a determined stance and tackle multiple issues from a long-term perspective, including issues that we have delayed responding to, such as the falling population, super-aging society, decline of regional industry, and outflow of young people, as well as the acceleration of digitalization, etc., and issues related to the economy after recovery from the disaster, the nature of society, and new ways of life after COVID-19 recedes.

As we look to solve these issues, we will work to ensure we continue to fulfill our mission as a regional financial institution, under our management philosophy of "desiring communal prosperity and serving local communities." In order to achieve this aim, we have formulated the "Vision 2030 ~Leading Company Creating a Path to the Future~, " our new management plan covering a period of 10 years, from FY2022 to FY2031.

In "Vision 2030," we aim to offer our customers the optimal solutions by enhancing our financial services and expanding the scope of our businesses in the non-financial sector, while at the same time deepening our capabilities as a "leading company," based on being a corporate group leading the region by creating networks centered on the Miyagi and Sendai areas and expanding the scope of our operations.

— Results and issues of the previous medium-term management plan —

**We accommodated a wide range of customer needs, but were unable to overcome our “high cost and low profit structure”**

I will now review the results and issues of the previous medium-term management plan.

With regard to our foremost key strategy of the previous medium-term management plan, “strengthen consulting-based sales capabilities,” we enhanced awareness of this strategy within the Bank and focused our efforts on supporting the resolution of issues faced by customers based on business evaluations as well as comprehensive transactions with customers. As a result, we achieved our targets both for the balance of corporate loans and fees and commissions from corporate clients.

The various different proposals that we made were often praised by customers, and we also strengthened cooperation within the 77 Bank Group, including the establishment of 77 Research and Consulting Co., Ltd. in July 2018. Based on these factors, I feel that we made significant progress as a group.

Additionally, in terms of our “initiatives to promote regional revitalization,” we focused our efforts on supporting recovery from the Great East Japan Earthquake and typhoon damage, while also making significant progress in terms of cooperation between the public and private sectors, including witnessing increased activity related to the “Miyagi wide-area PPP platform,” started by the conclusion of “Comprehensive Cooperation Agreements for Regional Revitalization” with all municipalities in Miyagi Prefecture in March of this year.

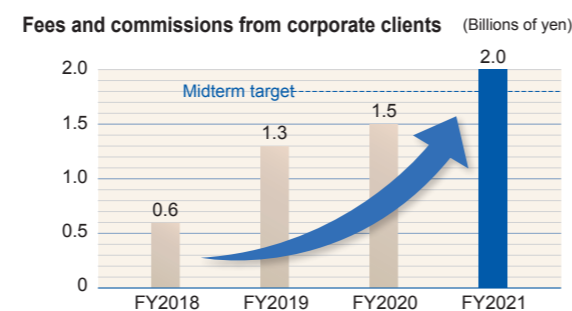
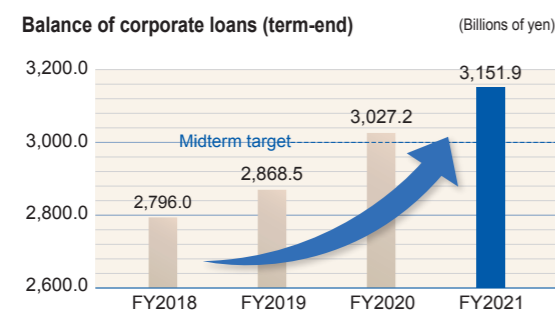
In terms of “initiatives to enhance productivity,” an issue faced

by the Bank, we launched measures to fundamentally reduce administrative work at branch offices, including establishing the “Paperwork-free Promotion Committee” in March 2020, and establishing a support office to concentrate back-office administrative work from branch offices at headquarters. As a result of these measures, we successfully saved labor equivalent to 107 employees per year. In terms of our initiatives targeting digitalization, we have moved to paperless meeting materials via the utilization of tablets, and online meetings have also become established within the Group.

In addition to the above, I believe the Group has made progress as a whole toward responding to changes in the times and reforming corporate culture, including utilizing Shichishika-kun and other characters, relaxing rules on employee clothing during working hours, formulating the “77 Bank Group SDG Declaration,” and strengthening measures to prevent money laundering and the financing of terrorism, as well as stimulating debate by increasing the number of Outside Directors, from a governance perspective.

Although we achieved results such as those described, we also failed to achieve most of our earnings targets, partly owing to ongoing negative interest rate policies and changes in the operating environment as a result of COVID-19. As such, we were regrettably unable to overcome the issue of our “high cost and low profit structure.”

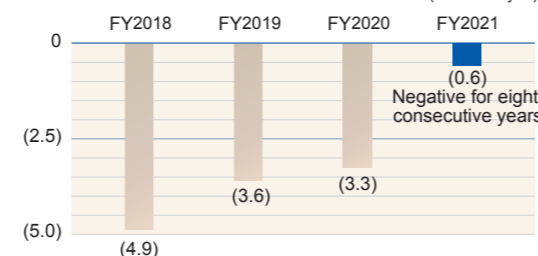
We are still only partway to achieving our goals in relation to consulting in order to differentiate the 77 Bank Group from competitors, including other financial institutions and companies in other industries, digitalization as a means of fundamental transformation, and paperwork-free initiatives, etc.



Status of achievement of key earnings targets (Billions of yen, %)

Item	FY2021 results	FY2021 MTP targets	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 (Billions of yen)



— Objectives and background to the formulation of Vision 2030 —

Given the risk of falling into a contracting equilibrium if we base our strategy on maintaining the status quo, when we started formulating our new medium-term management plan, “Vision 2030,” we asked ourselves, “what does the 77 Bank Group want to become in future?” and “what should we do?” to meet stakeholders’ expectations at the same time as fulfilling our mission, while never forgetting issues such as the shrinking of our market as a result of the aging society and low birthrate, as well as the falling population faced by the region.

“Vision 2030” is the Bank’s first management plan to cover a long-term period of “10 years.” First, I would like to explain the background for this decision.

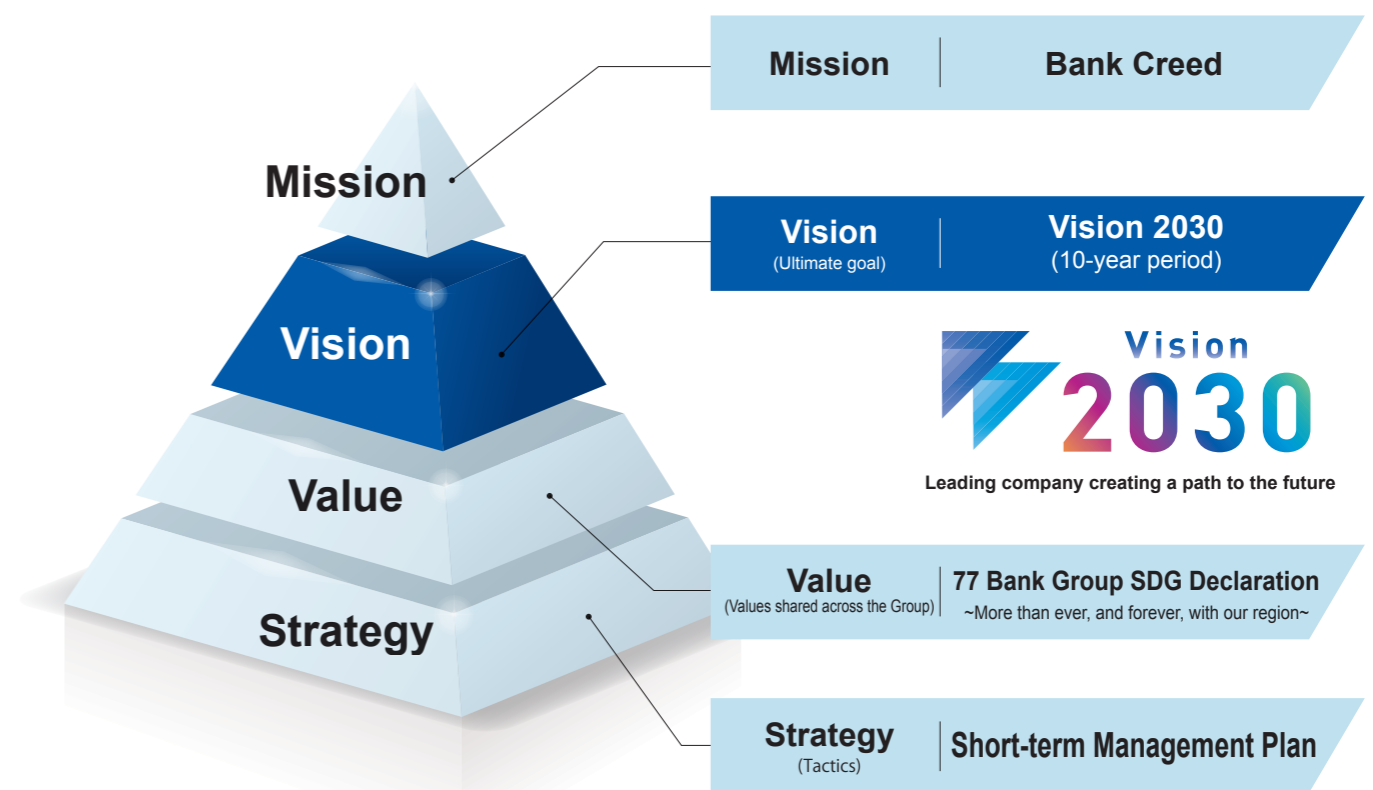
Previously, the Bank has formulated medium-term management plans based on a period of “three years.” However, considering the uncertain outlook and rapid changes affecting the current management environment, a three-year plan would only mean setting “targets and measures that we can probably achieve” by projecting out along our current trajectory. As such, it would not result in any significant reforms, and would consist only of conservatively estimated numerical targets. I felt this would prevent our growth as a company, result in unsatisfactory business development, and mean that we failed to adapt to major changes in society at large.

So, we decided to think about our path to achieving future targets in terms of a “backcasting approach,” starting from what we want to achieve and what we want to become in 10 years’ time, under given assumptions and restrictions.

“SDGs” are an example of a “backcasting approach” that is easy to understand. The “SDGs” attempt to change companies’ actions based on targets, with 17 Goals and 169 Targets having been established in order to make the economy, society, and the environment sustainable, based on the approach that “there can be no sustainable future without change.”

“Vision 2030” sets forth our ideal image for the future of the 77 Bank Group and provides guiding principles and ultimate targets for all officers and employees of the Group to come together and work toward, as we look to achieve the management philosophy of the Bank. While fulfilling our mission as a regional financial institution and meeting the expectations of stakeholders, I intend for us not to accept a state of contracting equilibrium, but instead to aim for further advancement and growth, and to fulfill an even greater mission from a long-term 10-year perspective.

Vision 2030 Positioning



## The 77 Bank Group's "Target Form"

### Tapping new areas of opportunity in Miyagi and Tohoku

In "Vision 2030," we set forth "our target form" for the 77 Bank Group to aim for over the long-term as, "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."

This is our declaration as the 77 Bank Group that: "we want to serve a greater purpose for our customers, and increase our customers," "we want people to feel confident when using the 77 Bank Group," and "we want to act as a corporate group that leads business and the economy and thus enriches the region, even as uncertainty lingers regarding the future of the region."

While further enhancing our "finance and consulting" services, as we have been for several years, we also intend to expand the scope of our businesses in the non-financial sector and offer our customers the optimal solutions. Additionally, even as the regional market is expected to shrink, we intend to build networks that combine the potential of the Miyagi and Sendai area with influential customers in the Tohoku region as a whole and elsewhere, and thereby tap new areas of opportunity. In doing so, while expanding the scope of our businesses, we will take steps to enhance our customer base, starting from "digital technologies and people" rather than bank branches. At the same time, we intend to deepen our capabilities as a "leading company," namely, moving from being a "leading bank" to being a "corporate group leading groups and local communities with the same aspirations."



### Three directions and four key factors ~Enhancing our strengths, improving our weaknesses, and revitalizing our organization~

In "Vision 2030," we have set forth three directions and four key factors for the "77 Bank Group" to pursue in order to achieve our target form for the Group.

The first direction is "stimulate demand among customers and local communities, and expand the scope of our operations." This refers to efforts to further expand our business sectors while sufficiently utilizing our "customer base," one of the strengths of the 77 Bank Group.

The second direction is "dramatically improve productivity." This refers to efforts to make fundamental improvements to our "high cost and low profit structure," a major issue for the Bank, enabling us to prevail over other banks and companies.

The third direction is "establish a corporate culture of taking on new challenges." This refers to thinking about things from the customer's perspective, even more than we have done previously, and aiming to become a lively organization filled with an appetite for new challenges, an appetite for growth, and an ambitious spirit.

Now, I would like to introduce some specific examples of our initiatives to establish a corporate culture of taking on new challenges.

In order to make "Vision 2030" a reality, it is key that every employee thinks for themselves and acts proactively. In order to communicate this concept from the senior management of the Bank to the employees, we are holding briefings aimed at the realization of "Vision 2030" where the President, Senior Managing Director, and Managing Directors visit all bank branches, as well as lively and open exchanges of views, including Q&A sessions. In these briefings, we reinforce the concept that "Vision 2030" lays out the future direction to be taken by the 77 Bank Group and the essence of our long-term strategy, while also restating the importance of every employee thinking for themselves and acting proactively, not passively. Additionally, we also hold an "essay contest" in order to increase employees' sense of ownership and promote a shift toward independent and active behavior, through their thinking about and expressing "the actions they should take at this time." As such, I feel that this is a good opportunity to reform the mindset of our employees, as we look to "establish a corporate culture of taking on new challenges."

### Capitalizing on the digital transformation

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

The first such key factor is the "digital transformation."

As the digital transformation makes dramatic leaps forward in future, there can be no doubt that the content of services, systems for working, and peoples' workstyles will all change. Amid these conditions, while placing the utmost priority on "safety and peace of mind," we will also capitalize on the advancing digital transformation, which accelerated as a result of COVID-19, and work with companies in other industries to respond to customers' increasingly diversified needs, in addition to promoting fundamental reforms across our banking operations as a whole.

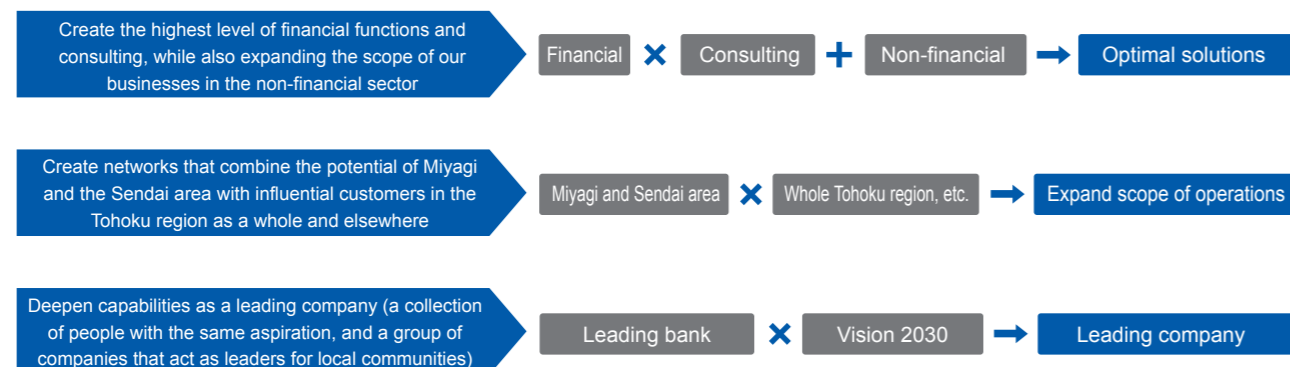
Specifically, in anticipation of dramatic advances in digital technologies over the next 10 years, we will focus on "creating new businesses" and promoting digital reforms, in line with "digital reforms in the banking business" as a whole.

In terms of "digital reforms in the banking business," our initiatives will be based around five pillars of reform, namely, "non-face-to-face channel reform" to change our contact points with customers, "bank branch reform" to change face-to-face sales, "paperwork-free reform" to reduce physical transactions and paperwork, "data utilization reform" to utilize data, and "digital reforms for employees" to maximize the capabilities of our workforce. At the same time, we intend to invest ¥5.0 billion to ensure we achieve the "best mix of face-to-face and non-face-to-face services."

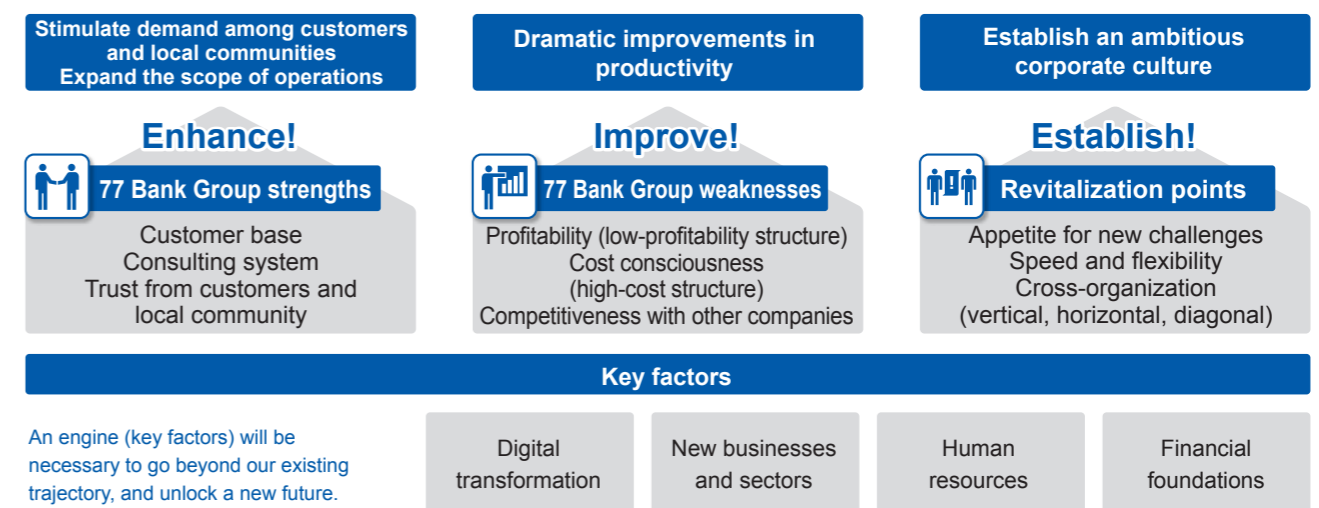
Additionally, with regard to "creating new businesses," we will establish new businesses to revitalize the regional economy, including offering new banking services and a new regional ecosystem centered on the "digital native" generation.

"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.



"Vision 2030" outline ~77 Bank Group direction



## Develop new businesses and sectors

Our second key factor is to “develop new businesses and sectors.”

Although we will maintain banking operations at our core, we will utilize our customer base, one of the strengths of the 77 Bank Group, to enter new business domains with the aim of solving the issues faced by our customers and local communities.

While closely following changes in customer needs and moves to ease regulations surrounding business operations and banking, we have also set forth a KPI of utilizing our Group companies, alliances, etc., to establish 10 projects in new businesses or sectors by FY2024 with the potential to become viable businesses in future, as part of our efforts to cover a diverse range of business domains.

We will also hold a business planning contest in order to foster creative capabilities unbounded by conventional ideas and a spirit of taking on new challenges among the officers and employees of the Group as we look to establish these projects. In order to encourage active participation in this contest, the winners will be appointed members of a project team aimed at turning the ideas into businesses.

## Develop human resources

The third key factor is to “develop human resources.”

Even as the times change and digitalization advances at an accelerated pace, there will be no change to the fact that people form the core of any company.

There are many tasks that must be performed by people, including customer sales, planning, and marketing. As such, the quality and level of our employees differentiates us from our competitors.

The 77 Bank Group aims to develop human resources with the following qualities: “unending ambition,” “filled with ability to take on new challenges,” “ability to act independently,” “rich human potential,” and a “strong sense of ethics.” Going forward, we will utilize the qualities of each individual to develop “human resources that serve a purpose for customers and local communities” and “human resources that contribute to corporate reform,” while also utilizing diversity to transform into a group of professionals that acts with life and vigor, based on the idea that human resources are the most important asset of the 77 Bank Group.

Education will be essential for us to achieve this goal. As such, in order to further strengthen our specialist expertise, we will actively enhance our opportunities for external training, etc., to enable employees to increase their knowledge and experience, including training seminars to contribute to strengthen consulting capabilities in both corporate and retail operations, as well as the dispatching of employees to other banks and private companies for training purposes.

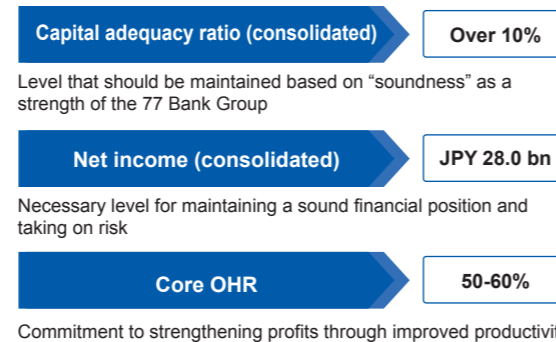
Furthermore, the “77 President’s School” is an initiative that we established in the previous fiscal year for this purpose. The school is aimed at fostering an understanding of management among midlevel employees in their thirties by deepening their understanding of changes in the environment surrounding the Bank, the management issues facing the Bank, and other factors.

## Strengthen financial foundations

The fourth key factor is “strengthen financial foundations.”

As a regional financial institution, we must generate sustainable earnings and build strong financial foundations in order to continue to support the future of our customers and local communities, while also growing as a company and meeting the expectations of our shareholders.

We will target a “(consolidated) capital adequacy ratio of at over 10%,” as a level that must be firmly maintained for “soundness” to remain a strength of the 77 Bank Group; “(consolidated) net income of ¥28.0 billion,” as the level necessary to both maintain a sound financial position and take adequate risk; and a “core OHR of 50-60%,” as a commitment to bolstering earnings through improved productivity.



## Four basic strategies

Next, I would like to explain our four basic strategies. These represent a concrete expression of the three directions mentioned above as strategies.

### ~Top customer satisfaction strategy~

The first basic strategy is our “top customer satisfaction strategy.”

By offering an amazing customer experience and inspiration that competitors cannot match, we aim to be the top bank for customer satisfaction. We will utilize our strengths, including our overseas network centered on Asia and our information network in Miyagi and the Tohoku region, to offer services that only we can provide as a regional financial institution, based on the combination of face-to-face consulting services and digital technologies.

We have set four strategic targets: “increase the proportion of companies in Miyagi Prefecture for whom we are their main bank by 10%,” “increase the number of corporate lending clients outside Miyagi Prefecture by 1.5 times,” “increase the proportion of households in Miyagi Prefecture holding assets to 21% or higher,” and “ensure that 20% of the population of Miyagi Prefecture use loans from the 77 Bank.”

Additionally, we will also utilize the “strengths” developed by the 77 Bank Group, in combination with the digital transformation

and our alliances, to expand the breadth of our solutions and solve the issues faced by our customers and local communities.

As I mentioned above, we have two strategic targets: “to establish 10 projects in new businesses or sectors by FY2024,” and “to double the net income of Group companies by entering new businesses and sectors and expanding existing businesses.”

### ~Double productivity strategy~

The second basic strategy is our “double productivity strategy.”

In this strategy, we will double productivity by releasing bank branches from the burden of administrative work and strengthening our consulting systems, and enhancing the abilities of each individual. Additionally, the reduction of administrative work at bank branches through paperwork cuts, the concentration of administrative work, etc., together with our efforts to enhance and promote the usage of non-face-to-face transactions, will enable us to spend more time on consulting with customers.

We have set three strategic targets: “double labor productivity in core operations,” “cut amount of administrative work at bank branches by 50%,” and “triple rate to usage of non-face-to-face channels.” Through these initiatives, we will rebalance our management resources in a way tailored to the needs of our customers, including enhancing our non-face-to-face channels and optimizing our network of contact points, educating and reallocating our workforce to strengthen our consulting capabilities, and reducing the size of our workforce through natural attrition.

### ~Regional growth strategy~

The third basic strategy is our “regional growth strategy.”

In this strategy, we will work to achieve sustainable growth together with the local community by making the region attractive and supporting the growth of inspirational local companies. We aim to achieve sustainable growth and ensure abundant local communities by promoting public-private cooperation between regional public bodies, external institutions, private companies, and universities, while also promoting recovery and regional revitalization.

We have set four strategic targets: “to support increased economic growth rate in Miyagi Prefecture,” “to triple the number of growth support cases for business founders,” “to aim for 100% participation in regional development projects in Miyagi Prefecture,” and “to cut 77 Bank Group CO2 emissions by 46% compared with FY2014 and support cuts to greenhouse gas emissions in Miyagi Prefecture,” as a means of responding to issues related to climate change.

### ~Corporate culture reform strategy~

The fourth basic strategy is our “corporate culture reform strategy.”

We will endeavor to promote diversity, and create a virtuous circle where all officers and employees take on new challenges, leading to confidence and cheerfulness.

We will move from a “defensive” stance to an “offensive” stance, through measures such as accommodating a diverse range of values and fundamentally overhauling personnel and organizational systems to increase motivation, and creating an environment that permits trial and error and values the act of taking on new challenges. Additionally, we will also endeavor to strengthen compliance and risk management, and build internal control systems that provide firm support to reforms.

We have set forth three strategic targets: “to implement various initiatives to ‘foster an ambitious spirit,’” “to increase the proportion of women in management positions to 30% or more,” and “to increase the number of ‘specialist personnel’ that serve a purpose for customers and local communities.”

## Four basic strategies



— Toward Achieving “Our Target Form” —

77 Bank Group profit increase concept

In terms of the specific figures and our concept of how profit will increase, we are targeting consolidated net income, which was ¥16.5 billion in FY2021, of ¥28.0 billion in FY2031. In this target, we have factored in a decline in interest on yen-denominated bonds from Japanese government bonds, etc., and fees and commissions on remittances, together with increases in profit from reduced expenses via paperwork-free initiatives, etc., and increases in interest on loans and bills discounted, fees and commissions from corporate clients, and other items.

On the other hand, we expect credit-related expenses to continue for 10 years at a level of ¥8.0 billion - the level of our reserves during the COVID-19 pandemic - and this target therefore also anticipates an increase in bad debts in future and investment in digitalization.

Furthermore, our “expected portfolio after 10 years” consists of ¥5.7 trillion in loans, ¥8.5 trillion in deposits (including certificates of deposits), ¥3 trillion in securities, and ¥1 trillion in Group assets in custody.

PDCA cycle based on “our target form”

In order to implement fundamental reforms over a medium- to long-term timeframe, we will set midterm targets to achieve in five years. At the same time, we will also formulate short-term management plans to clarify the sectors we must focus on

depending on changes in the management environment and the status of progress in our various measures, and ensure that we make progress each year. In this way, we will steadily progress toward “our target form.” Additionally, we will commit to this progress by disclosing our targets for the relevant fiscal years at corporate briefings, etc., as well as forecasts for the next fiscal year.

Through these initiatives, we intend to ensure the flexibility of specific initiatives while also making progress toward major targets. In addition, we will also anticipate changes in the environment and revise “our 10-year target form” every five years, as we continuously implement the PDCA cycle.

Midterm targets to achieve “our target form”

In order to achieve “our target form” for FY2031, it will first be vital that we achieve our midterm targets for FY2026. Key points in this regard will be the strengthening of our profitability through our top customer satisfaction strategy and management of progress toward cost reductions through our double productivity strategy. We will also bolster our efforts to achieve KPIs related to the “proportion of companies in Miyagi Prefecture for whom we are their main bank,” the “number of corporate lending clients outside Miyagi Prefecture,” etc., which are linked to financial targets, by managing progress toward these targets in short-term management plans.

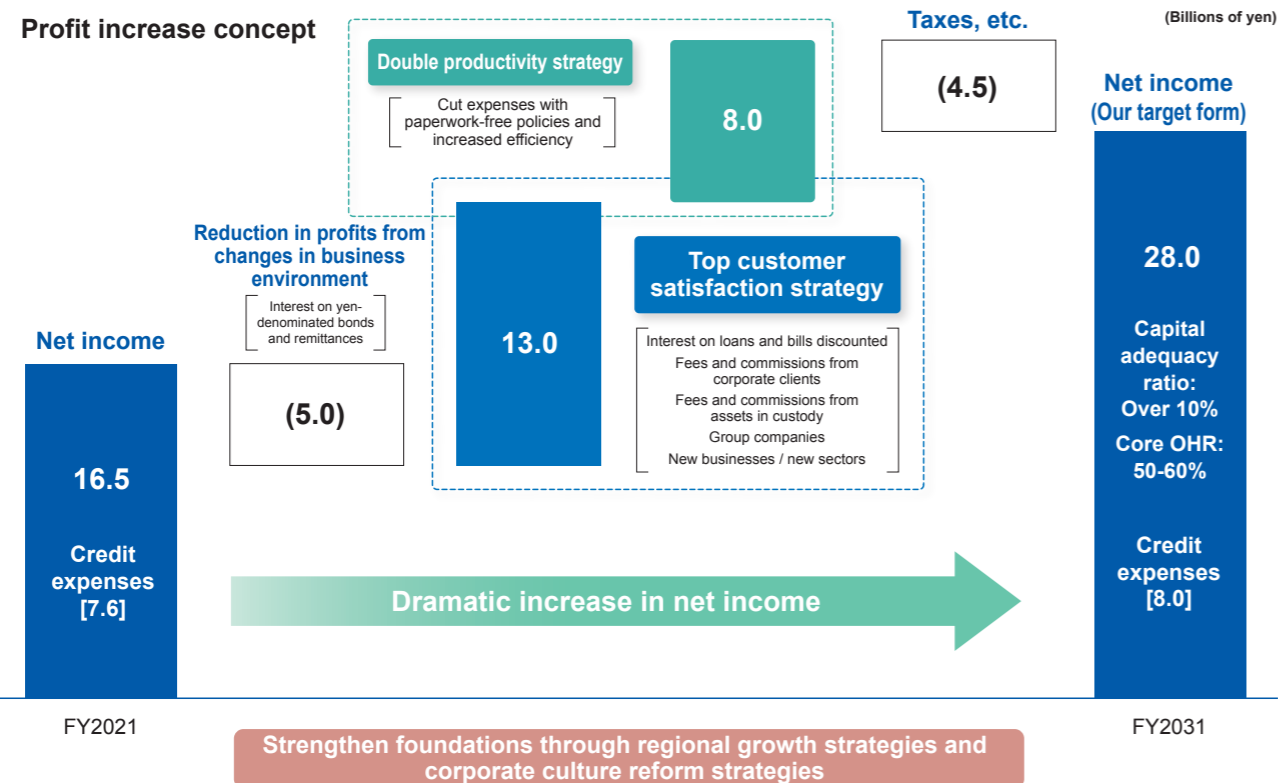
Midterm targets to achieve “our target form”

1. Strengthen financial foundations (key factor)

	FY2021	FY2026	FY2031 (Our target form)	(Reference: Expected portfolio after 10 years)	
Net income (consolidated)	JPY16.5 bn	JPY21.0 bn	JPY28.0 bn	Loans and bills discounted	JPY 5.7 tn
Capital adequacy ratio (consolidated)	10.39%	Over 10%	Over 10%	Deposits + NCD	JPY 8.5 tn
Core OHR	62.27%	55-60%	50-60%	Securities	JPY 3 tn
				Group balance of assets in custody	JPY 1 tn

2. KPI

	FY2021	FY2026	FY2031 (Our target form)	Notes
Proportion of companies in Miyagi Prefecture for whom we are their main bank [main bank trends 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 Prefecture	—	1.2x	1.5x	
Proportion of households in Miyagi Prefecture 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 Prefecture 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, etc. - 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%)	“Rebalancing of management assets” <ul style="list-style-type: none"> <li>Enhance non-face-to-face channels and optimize branch network in accordance with customers’ needs</li> <li>Educate, redistribute, and streamline (natural attrition) workforce in order to strengthen consulting capabilities</li> </ul>
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"> <li>Establish 10 projects in new businesses or sectors (by FY2024)</li> <li>Support increased rate of economic growth in Miyagi Prefecture</li> <li>Aim for 100% participation in regional development projects in Miyagi Prefecture</li> </ul>	<ul style="list-style-type: none"> <li>Implement various initiatives to “foster an ambitious spirit”</li> <li>Increase the number of “specialist personnel” that serve a purpose for customers and local communities</li> </ul>	



To Our Stakeholders

Eiichi Shibusawa has recently been the focus of significant attention, including his image being featured on the new ¥10,000 banknote to be issued in 2024, as well as his story being taken up in Reach Beyond the Blue Sky, the popular Taiga drama shown on NHK. In fact, Shibusawa has a strong connection with The 77 Bank, including providing the Bank with both tangible and intangible support at the time of our founding.

Shibusawa advocated for the “harmony of morality and the economy,” in which he cautioned against the monopolization of profits and promoted the “coexistence of both profits and public interests” through the return of profits to society. Indeed, this philosophy has taken root in the hearts of all the Bank’s officers and employees, and is reflected in one line of the Bank’s “Creed,” our management philosophy, which states “the Bank’s progress goes hand in hand with prosperity in the local community.” It is said that Shibusawa’s spirit of coexistence should serve as a reference for corporate managers, and is also reflected in the philosophy of the SDGs (Sustainable Development Goals).

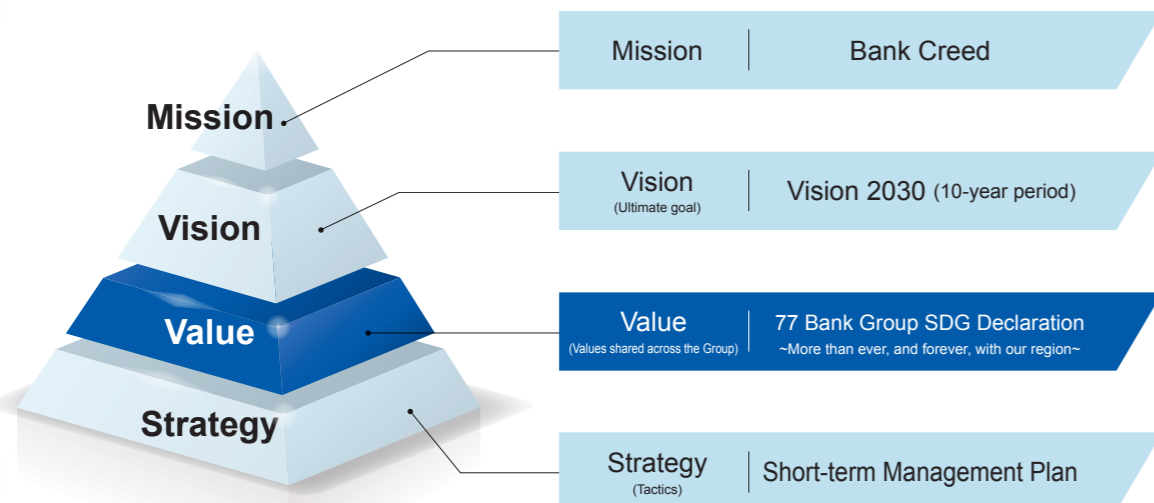
Against this background, as part of our objective of contributing to the sustainable growth of regional society, we announced the “77 Bank Group SDG Declaration” in July 2020, as well as our “Lending Policy” for businesses that pose a risk of negative impact to the environment and society.

Additionally, we have positioned our response to climate change, which poses a significant risk to the sustainability of society, as an important management strategy issue. As such, in July 2021, we expressed our support for the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD)” and have been developing related systems.

The 77 Bank Group aims to ensure the prosperity of local communities by inspiring and accumulating trust with the optimal solutions, and becoming a leading company tapping new areas of opportunity in Miyagi and Tohoku. In doing so, we will fulfill the expectations of our stakeholders, including customers, local communities, employees, and shareholders, and I therefore would like to ask for your continued support.

# 77 Bank Group SDG Declaration

We will work to achieve a sustainable society, even as we directly face issues that may affect the regional economy, including social issues such as the falling population and environmental issues, as well as the spread of COVID-19. As part of our efforts to achieve this goal, we announced the “77 Bank Group SDG Declaration” in July 2020, based on our support for the purpose of the “SDGs (Sustainable Development Goals),” as they are in line with the philosophy of our Bank Creed of “desiring communal prosperity and serving local communities,” which has been in our DNA since our founding. With the SDG Declaration as “values shared across the Group,” the 77 Bank Group is committed to moving forward with our region, growing with our region, and creating the future with our region.



## 77 Bank Group SDG Declaration

~More than ever, and forever, with our region.~

The 77 Bank Group, in keeping with the philosophy of the Bank Creed passed down from our founders—“The Bank’s progress goes hand in hand with prosperity in the local community”—aims to contribute to the future of the region and the realization of a sustainable society by working toward the achievement of the Sustainable Development Goals (SDGs) on a Group-wide basis.



### 1. Revitalization of the regional economy

We aim to contribute to the realization of a sustainable society through consulting with, and building partnerships with, local governments and corporate and individual customers.

### 2. Responding to global warming and climate change

Through our responses to climate change, we will contribute to the protection of Earth from destruction and contribute to urban development that is more in harmony with nature.

### 3. Encouraging and supporting the activities of our employees

We are creating an organization where each and every employee and officer can engage in a diverse range of activities.

### 4. Advancing corporate governance

We will collaborate appropriately with our stakeholders to strengthen and enhance corporate governance.

## | 1 | Revitalization of the Regional Economy



The Bank aims to contribute to the realization of a sustainable society through consulting with, and building partnerships with, regional public bodies and corporate and individual customers.

### Second “77 Regional Revitalization Business Matching Event”

For five days, between January 28 and February 3, 2021, we held the second “77 Regional Revitalization Business Matching Event.”

The purpose of this event is to promote collaboration between regional public bodies and private companies as a means of finding solutions to the challenges faced by regional public bodies. This initiative has attracted significant attention from around Japan, including receiving an award from the Minister in charge of Regional Revitalization in FY2020 as a “unique initiative” by a financial institution, etc. that contributes to regional revitalization.

Looking ahead, the Bank will continue to cooperate with regional public bodies as we actively promote initiatives aimed at improving community value.



### Response to the COVID-19 pandemic

In order to respond quickly to management consultations from customers affected by the spread of COVID-19, in March 2020 we established a “COVID-19 Emergency Support Team” consisting of employees responsible for sales and credit supervision from headquarters with expert knowledge, experience, and experience, and have since been consulted about various different topics.

Going forward, the Bank will continue to provide finely tuned support aimed at solving the issues faced by regional customers through the smooth provision of funds and consulting services.



Activities of the COVID-19 Emergency Support Team

- Consulting Promotion Division employees were stationed at core branches in Miyagi Prefecture and supported clients
- Credit Supervision Division employees visited each branch for credit supervision

●COVID-19 related loan performance (including changes in loan conditions)

**7,510 cases / JPY 368.8 billion**

●Status of loans with effectively nil interest rate, involving no collateral (in Miyagi Prefecture)

**5,137 cases / JPY 104.6 billion**

●Consultations concerning matters other than loans related to COVID-19, by the COVID-19 Emergency Support Team

**8,348 cases**

Business matching: 1,515 cases, Business succession and M&A: 1,065 cases, Asset management: 787 cases, Real estate: 502 cases, Subsidies: 378 cases, Privately placed corporate bonds: 164 cases, Funds: 75 cases, Various lending consultations, etc.: 2,668 cases, Other: 1,194 cases

\* The data above is as of March 31, 2021

## | 2 | Responding to Global Warming and Climate Change



Taking into consideration the fact that climate change has become an issue shared by the whole global community, including unusual global weather phenomena and increasing damage from natural disasters, the Bank announced its support for the recommendations of the TCFD\* in July 2021. In order to contribute to the protection of Earth from destruction and contribute to urban development that is more in harmony with nature, the Bank will actively implement initiatives that target issues such as climate change.

Our responses to four items proposed in the TCFD recommendations are described below.

\*TCFD (Task Force on Climate-related Financial Disclosures)  
A taskforce established in December 2015 by the Financial Stability Board (FSB) and led by private-sector companies with the aim of promoting the disclosure of climate-related financial information by companies

### Response to TCFD recommendations

Item	Details of response
Governance	In future, we will consider measures such as the establishment of a committee to actively deliberate a response to issues related to climate change, etc.
Strategy	<p>Based on the understanding that responding to sustainability issues, including climate change, is a key management issue, we have positioned the “77 Bank Group SDG Declaration” as values shared across the Group within our new management plan “Vision 2030.” In addition to the “77 Bank Group SDG Declaration,” which focuses on “responding to global warming and climate change” as a priority issue, we will also actively support businesses, etc. that contribute to solving environmental and social issues, determine “Lending Policies for Specific Businesses” based around not financing businesses that pose a risk of negative impact to the environment and society, and actively engage in initiatives related to financing for renewable energy, etc.</p> <p>■Opportunities We understand that there are business opportunities in businesses and innovation that contribute to easing or adapting to climate change, such as renewable energy, and that are necessary for the transition to the “decarbonized society” targeted by the Paris Agreement and the SDGs. Based on this understanding, we are supporting the transition to a low-carbon society from a financial perspective through project financing related to relevant projects, arranging financing, and other means. ●Renewable energy-related funding: 354 cases / ¥162.7 billion (as of March 31, 2021)</p> <p>■Risks and scenario analyses We are aware of both physical and transitional risks related to climate change, and will consider such matters as methods of scenario analysis related to climate change in future. ●In terms of physical risks, we envision credit risk caused by climate change affecting the business activities and changing the businesses circumstances of the Bank’s clients, etc., as well as operational risks associated with damage to bank branches, etc. ●In terms of transitional risks, we envision risks such as increased credit risk related to clients receiving financing that are affected by the transition to a low-carbon society, such as those that must respond to stronger climate-related regulation, etc.</p>
Risk management	We are aware that physical and transitional risk associated with climate change may have a major financial impact on the 77 Bank Group in future. As such, in future, we will take steps to build risk management systems related to climate change, within the context of an integrated risk management framework.
Indicators and targets	Based on the “Environmental Policy” that we established in 2012, we are promoting activities aimed at conserving the environment, and we have set a target in our new management plan, “Vision 2030,” of reducing CO <sub>2</sub> emissions across the 77 Bank Group by 46% by FY2031 compared with FY2014. Furthermore, in FY2020, we succeeded in reducing CO <sub>2</sub> emissions by 26.6% compared with FY2014.

### Lending to solar sharing project

In January 2021, the 77 Bank Group provided financing to a large-scale agricultural power business (solar sharing) operated by Nihommatsu Agricultural Solar Co., Ltd. in Nihommatsu City, Fukushima, which will generate solar power while also operating an agricultural business.

This solar sharing business is a large-scale power generation business that will utilize approximately 68,000 m<sup>2</sup> of farmland in Nihommatsu City, Fukushima. Sunlight is shared between agricultural production and power generation, and the business has attracted attention as a model for the next-generation utilization of farmland.

The Bank will continue to contribute to achieving the SDGs by supporting the introduction of power generated from renewable energy and other means.



Concept image of completed facility (actual facility will be approximately 40 times larger)

### Lending policies for specific businesses

In order to contribute to achieving a sustainable society, the Bank will actively support businesses, etc. that work to solve environmental and social issues, and has also set forth the following Lending Policy related to businesses that pose a risk of negative impact to the environment and society.

Lending policies for specific businesses	
Environmental issues	<p>1. Environmental protection We will not support projects that may have a significant negative impact on the environment, such as illegal deforestation or the development of palm oil plantations that damage biodiversity.</p> <p>2. Transition to a low-carbon society As a general rule, we will not finance the construction of new coal-fired power plants. In the case of replacement projects, we will consider lending only to projects that employ eco-friendly high-efficiency power generation technologies (ultra-supercritical pressure technology or technologies providing equivalent power generation performance), with final decisions to be made carefully based on comprehensive analysis of the project’s impact on the environment, etc.</p>
Societal issues	<p>1. Prevention of human rights violations We will not finance business operators involved in human trafficking, child labor, or forced labor, regardless of the purpose for the loan.</p> <p>2. Elimination of inhumane weapons We will not finance business operators involved in the development and manufacturing of inhumane weapons, such as cluster munitions, regardless of the purpose for the loan.</p>

### Environmental Policy

In 2012, the Bank established an “Environmental Policy,” and we are promoting activities aimed at conserving the environment, in order to create a sustainable society.

#### Basic Principle

The 77 Bank believes that it has a social responsibility to protect the beautiful and abundant natural environment and to pass it down to the next generation in an improved state as a good corporate citizen. Based on the mindset to “Elevate the Spirit of Voluntary Service,” which is the first item in the Bank Creed, our basic principle of management, the Bank aims to be a company that coexists with regional society, and for this reason the Bank is actively and continuously engaged in environmental conservation activities aimed at creation of a sustainable society.

#### Action Guidelines

1. We will comply with laws and regulations, agreements, and other matters related to the environment to which the Bank has agreed.
2. We will promote energy conservation, resource conservation and recycling activities, and work to reduce our environmental burden.
3. We will support customers involved in environmental conservation through the provision of environmentally-friendly financial products and services.
4. We will conduct awareness raising activities to deepen the awareness of each and every officer and employee regarding the environment and promote environmental conservation activities in regional society.

#### CO<sub>2</sub> emissions from the Bank’s facilities

(t-CO<sub>2</sub>)

FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
16,795	15,903	15,341	13,823	13,289	12,476	12,327

### | 3 | Encouraging and Supporting the Activities of Our Employees



The Bank is committed to creating a highly productive organization where each and every officer and employee can participate in a diverse range of activities in a healthy state of mind and body, and with a sense of “job accomplishment” and “fulfillment” toward their work.



#### External evaluation of our efforts

<p>2021 健康経営優良法人 Health and productivity ホワイト500</p> <p>Certified as “Health and productivity Management Organization 2021 (White 500)”</p>	<p>プラチナくみん 子育てサポートしています</p> <p>Certified Platinum Kurumin, a special certification pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children</p>	<p>女性の力が活かされています 2020～2021 宮城県認証企業 ゴールド認証企業</p> <p>Certified “Gold Certified Company” for successfully utilizing the potential of female talent in Miyagi Prefecture</p>	<p>女性が活躍しています！</p> <p>Certified “Eruboshi (Grade 3),” commending general business proprietors for promoting female participation, pursuant to the Act on Promotion of Women’s Participation and Advancement in the Workplace</p>	<p>2021 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)</p> <p>Chosen as a constituent of MSCI Japan Empowering Women Index, which recognizes companies with outstanding efforts in promoting the participation and advancement of women in the workplace* (as of June 2021)</p>	<p>Selected as company to receive “Commendation for a Model Business Committed to Creating Attractive Workplace” from Miyagi Prefecture and Miyagi Labour Bureau</p>	<p>Won top award in Miyagi Prefecture FY2021 awards for “Companies Supporting Active Participation by Men and Women and Cheerful Child-raising”</p>
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\*Notes on MSCI indexes and logos, etc. THE INCLUSION OF The 77 Bank, Ltd., IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF The 77 Bank, Ltd., BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

#### Promote health and productivity management ~A healthy body is capital~

1. Formulation of the Health and Productivity Management Declaration
2. Strengthening health management measures
3. Improving the work environment
4. Raising employee awareness of health management

#### Certified as “Health and productivity Management Organization 2021 (White 500)”

The Bank is implementing initiatives aimed at conserving and promoting the health of employees, such as making all Bank sites completely non-smoking. On March 4, 2021, the Bank was certified as a “Health and Productivity Management Organization 2021 (White 500)” for the second consecutive year, under the “Health and Productivity Management Organization Certification System” implemented by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

#### Develop promising human capital ~People make companies~

1. Fostering an organizational culture of self-education
2. Enhancement of consulting capabilities through human resources development programs, etc.
3. Initiatives aimed at career development support
4. Initiatives aimed at improving abundant personal capabilities



#### Training of specialist personnel through external secondments

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

#### Main organizations accepting secondments

Digital technology	Japan Digital Design, Inc., MEJAR Digital Innovation Hub	2 persons
International business and markets	Japan External Trade Organization (UK), Bangkok Bank (Thailand), Miyagi Prefecture’s Dalian Office (China), etc.	9 persons
Solutions business field	Mizuho Bank, MUFG Bank, Development Bank of Japan, etc.	11 persons
Regional revitalization field	Regional public bodies (Miyagi Prefecture and Sendai City) , (General Incorporated Association)Tohoku Tourism Promotion Organization	3 persons

As of May 31, 2021 25 persons

#### Establish an environment where diverse human resources can demonstrate their full potential

~Rewarding working environments~

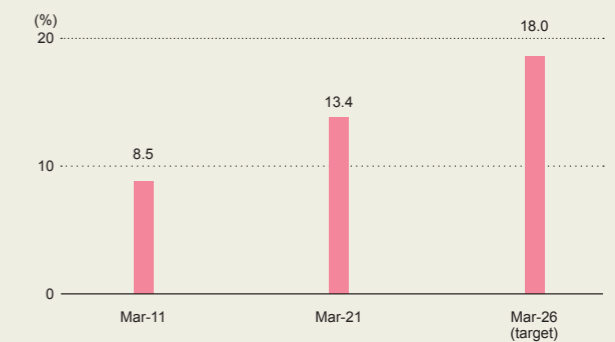
1. Strengthening initiatives to promote the active participation of women
2. Utilizing seniors, part-timers, etc.
3. Revision of personnel evaluation systems
4. Introduction of Business Casual Day

#### Formulation of action plan

From the perspective of creating a working environment that enables women to heighten their awareness of advancing in their career and tackle their work with a positive attitude, while also maximizing the abilities of each individual and enabling them to play an active role at work, the Bank formulated the “Action Plan for General Businesses (Third),” based on the “Act on Promotion of Women’s Participation and Advancement in the Workplace.”

- Period of plan: April 1, 2021 to March 31, 2026 (five years)
- Target: (1) Increase the percentage of women in management positions to 18% or more
- (2) Reduce the average number of hours worked on days off to less than 10 hours per person per month
- (3) Maintain an annual rate of taking paid time off of 70% or more

Proportion of female managers

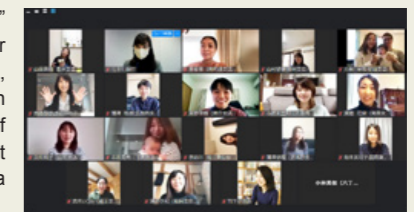


#### Realize work-life balance ~From work-work to work-life~

1. Strengthen efforts aimed at reducing total working hours
2. Supporting employees to balance work and childcare/nursing, etc.

#### “Diversity Promotion Course” day-off seminar

We held a “Work Work Sukoyaka (Healthy) Club” seminar online for employees taking time off for childcare, etc., and a total of 32 employees took part, including people participating as married couples. On the day, Sayuri Takeshita, Representative Director of Fathering Japan TOHOKU, an NPO, spoke about balancing childcare, housework, and work with a view to making a smooth return to the workplace.





## 4 | Advancing corporate governance

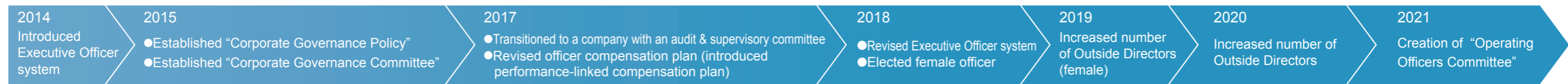


The Bank endeavors to strengthen and enhance corporate governance in accordance with the following basic approach, while appropriately cooperating with stakeholders.

- In accordance with the Bank Creed, which is our basic principle of management, we will operate business that give constant consideration to the public mission of a regional bank — contributing to the development of the regional economy and society — through banking operations.
- We will improve the transparency of management and the appropriateness of processes and work together appropriately with stakeholders including the regional society, clients, and shareholders for the Bank's sustained growth and improvements in corporate value over the medium- to long-term.



### Steps to enhance and strengthen governance



### Improvements in governance

The Bank transitioned in June 2017 from a company with the Board of Corporate Auditors to a company with an Audit & Supervisory Committee to improve corporate value through further enhancement of corporate governance, which was followed by initiatives for developing further effective corporate governance structure through appointing Outside Directors and female Directors.

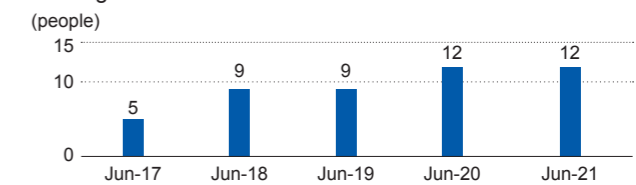


	Director	Outside Director	Total number of Directors	Ratio of Outside Directors	Ratio of female Directors
Jun-17	12 persons	2 persons	19 persons	26.3% (5/19 persons)	
	Audit & Supervisory Committee Member: 2 persons	3 persons			
Jun-18	8 persons	3 persons	16 persons	37.5% (6/16 persons)	6.2% (1/16 persons)
	Audit & Supervisory Committee Member: 2 persons	3 persons			
Jun-19	8 persons	3 persons	17 persons	41.1% (7/17 persons)	11.7% (2/17 persons)
	Audit & Supervisory Committee Member: 2 persons	4 persons			
From Jun-20	7 persons	4 persons	17 persons	47.0% (8/17 persons)	11.7% (2/17 persons)
	Audit & Supervisory Committee Member: 2 persons	4 persons			

### Creation of operating officers committee

Since the introduction of an Executive Officer system in 2014, The 77 Bank has taken steps to strengthen and speed up functions related to the execution of business operations by increasing the number of Executive Officers and other means. In order to further strengthen systems related to the execution of business execution by Executive Officers, The 77 Bank established an "Operating Officer Committee" in June 2021.

Changes in the number of Executive Officers (people)



### Revitalization of our organization through various committees

In order to strengthen risk management and consider policies that take changes in the times into consideration, the Bank has established various cross-organizational committees consisting of officers and persons responsible for our operations.

- Compliance Committee
- Internal Control Committee
- Operating Officers Committee
- ALM / Earnings Management Committee
- Earthquake Reconstruction and Financial Facilitation Promotion Committee
- Digital Strategy Investigation Committee
- Paperwork-free Promotion Committee
- Senior Service Support Investigation Committee

### Enhancement of IR and SR activities

The Bank is actively involved in IR and SR activities including the holding of corporate briefings for institutional investors and individual investors (IR), and engaging in dialogue to build relationships of trust with shareholders (SR), so that stakeholders can understand the management conditions of the Bank.

Recent holding of corporate briefings (year and month held / number of participants)

Corporate briefings for institutional investors (Conference calls)	12 in 2020: 92 participants 6 in 2021: 80 participants
Corporate briefings for individual investors (Online briefings)	1 in 2021: 848 participants 7 in 2021: 907 participants

### Evaluating the effectiveness of the board of directors

The Bank's "Corporate Governance Policy" stipulates that the effectiveness of the Board of Directors as a whole is analyzed and evaluated at the end of each fiscal year, and a summary of the results is disclosed.

After deliberation by the Corporate Governance Committee, the Board of Directors conducted an analysis and evaluation of the overall effectiveness of the Board of Directors for FY2021 at its annual meeting on May 14, 2021.

In this context, we have confirmed that the effectiveness of the Board of Directors as a whole has been ensured.

On the other hand, with the aim of further improving the effectiveness of the Board of Directors, the following matters have been confirmed and shared, and we intend to make improvements in the future.

- To endeavor to strengthen supervisory functions in anticipation of the advancement of the digital transformation, etc.
- To review the management of the Board of Directors to further invigorate discussions.

### Communication of message to employees

In order to deepen employees' understanding of changes in the environment surrounding the Bank, the management issues facing the Bank, and other issues, the Bank has been holding the "77 President's School," led by the President of the Bank.

Additionally, in order to promote an understanding of "Vision 2030" and communicate the concept that it is key that every employee thinks for themselves and acts proactively as a message from senior management, we are also holding "Vision 2030 Briefings" at headquarters and bank branches, with speakers including the President, Senior Managing Director, and Managing Directors. At these briefings, we ensure there is a lively exchange of opinions, including Q&A sessions, as part of our aim to "establish a corporate culture of taking on new challenges."

