

Top Message

Toward the realization of a sustainable society, we will continue to fulfill our mission as a regional financial institution.

President

Hidefumi Kobayashi



Looking back on FY2022

It has been two years since the management plan “Vision 2030” was developed and launched in April 2021. In “Vision 2030” we defined “our target form” to aim for over the long term to be a “leading company creating a path to the future” and promoted and reinforced various initiatives. In our financial results for FY2022, we attained a record high for two consecutive

terms, and so we feel that we are steadily approaching “our target form.”

We identified the “77 Bank Group’s important issues (materiality)” in April 2023, and would like to continue to resolve these important issues and reinforce our initiatives to achieve a sustainable society through “Vision 2030.”

Spread of “Vision 2030”

“Vision 2030” serves as the guiding principles for all officers and employees of the 77 Bank Group to come together and work toward “our target form.” For each employee to understand and practice “Vision 2030,” we focused on having them get a better grasp of it and having it take root. Responsible Directors provided briefings at branches, and I also visited every branch

and directly explained it to employees. Recently, we started receiving customers’ positive comments such as “The 77 Bank has changed. It started actively tackling new challenges.” It made me realize that employees’ understanding has been deepening and started showing in their behavior.

Main achievements in FY2022

I would like now to explain the main achievements in FY2022.

The first achievement is that consulting services have been put into practice through cooperation among branches, headquarters and group companies, which started resulting in the increase in loans and bills discounted as well as fees and commissions.

The second achievement is the effect of branches within branches, which is becoming evident in various areas such as reduced expenses, efficient sales with centralized information and human resources development. The third achievement is the initiatives for “digital transformation.”

To support the digitalization of local companies, we decided to establish an IT consulting company, 77 Digital Solutions Co., Ltd. In addition, we carried out internal measures such as reinforcing structures by setting up the Data Analysis Team and developing digital technology human resources.

The fourth achievement is the initiatives for “new businesses and sectors.” “Vision 2030” sets KPI to establish 10 projects in new businesses or sectors with the potential to become viable businesses in the future

by FY2023. In FY2022, we decided to launch five projects including a new company. The number of such projects since April 2021 amounts to six.

The fifth achievement is return to our shareholders.

In January 2022, the Bank announced the policy of return of profits to shareholders, which states that “The basic policy of the Bank in this regard is to continue to distribute steady dividends while taking factors such as its public character as a bank business and the preservation of the soundness of its management into consideration. Additionally, based on the premise of strengthening its financial foundation, the Bank will proceed to gradually elevate its dividend ratio relative to net income attributable to owners of the parent with a target of 30% by FY2023 as it aims to improve shareholder returns and capital efficiency.” As for FY2022, we increased the term-end dividends per share to ¥50, up ¥10 from the forecast. As a result, the dividend payout ratio for FY2022 including interim dividends was 26.5%. As for FY2023, we disclosed our dividend forecast of achieving a 30% dividend payout ratio.

Initiatives to realize “Vision 2030”

As the basic strategies to achieve “our target form,” “Vision 2030” defines four strategies of “top customer satisfaction strategy,” “double productivity strategy,” “regional growth strategy” and “corporate culture reform strategy.”

Top customer satisfaction strategy

I believe that “Finance × Consulting” is a very compatible business model for banks, where a lot of information and companies’ challenges come together. Providing financial and various other solutions to our customers’ challenges leads to a higher corporate value for customers and boosts the profitability of the 77 Bank Group as well. We are aware that local companies face the challenge of a lack of human resources, equity, digital utilization, and know-how, and established four companies to respond to them. The 77 Bank Group as a whole would like to expand the range of consulting and provide the best solutions.

Moreover, we established the Aomori Branch in September 2022 and Utsunomiya Corporate Sales Office in August 2023. Having transportation infrastructure including the Tohoku Shinkansen and Tohoku Expressway as its backdrop, Sendai and Utsunomiya are mutually willing to expand to each other’s areas and have high matching needs. Therefore, we would like to play the role of a bridge between the Tohoku and North Kanto economic zones.

As for retail sales, with one of our group companies, 77 Securities, we set out the goal of “We will continue to be the best partner to realize the ‘target form’ of individual customers” as the Retail Sales Policy. We will ensure we conduct customer-centric business operations taking an approach based on customers’ dreams, purposes and goals and providing proposals from a medium- to long-term viewpoint. In April 2023, the Bank itself entered trust services and established the Customers’ Asset Formation Promotion Committee to strengthen the structure. As our customers’ best partner, we will serve better their needs for asset formation and management, and inheritance, etc.

As for one of the key factors of “Vision 2030,” “new businesses and sectors,” in addition to strengthening Group governance and having coordination with the Bank and promoting human interactions, we shall also start working on a review of the long-term strategies of Group companies and set forth a new future for the 77 Bank Group.

Double productivity strategy

In Japan, a country with an aging society, low birthrate and falling population, improving productivity is a challenge for any company, and the Bank acknowledges as the highest priority. While headquarters and branches work together to promote paperwork-free operations and accelerate initiatives such as utilizing digital tools, we will shift management resources including human resources and capital to strategical areas to improve productivity. For example, we have introduced the “77 Business Portal,” the first business portal website from a regional bank in the Tohoku, which is a one-stop service enabling corporate and sole proprietorship customers to carry out various transactions online, such as confirming deposits and withdrawals. We also renewed the top screen of the 77 Bank App and extended the period for which deposits and withdrawals records can be viewed. In September 2023, we plan to introduce “branch tablets” that enable users to complete many transactions through “paperless,” “seal-less” method, to all branches. Through our DX initiatives that release our members from paperwork, we would like to keep trying to convert our branches into a place that can concentrate on consulting services.

As for the optimization of our branch network, we are shifting management resources through branches within branches. This is resulting in not only expense reductions but also efficient sales and human resources development due to centralization. By June 2023, we made branches within branches at 30 branches. We will keep reviewing the network to make it the most appropriate one considering matters such as the characteristics of markets and actual situation at local communities.



(“Vision 2030” briefing held by President Kobayashi)

Regional growth strategy

Regional banks support the local economy and exist based on an economic foundation. Therefore, we need to think about and implement what we can do to create attractive communities. Since 2016 for regional revitalization, the 77 Bank Group has been working on four key items of implementation: Support for founding and new businesses; support and development of regional core companies; promotion of urban development; and support for promotion of tourism, etc.

The Bank is acting as the secretariat of the “Miyagi Wide-area PPP Platform” (nickname: MAPP), which was established in January 2020. Through MAPP, under a comprehensive cooperation agreement, etc. with parties including all regional public bodies, government-affiliated financial institutions and local universities in Miyagi Prefecture, we have been consolidating the expertise of each domain of specialization in liaison with private companies in the area of real estate, construction, trading company, leases, IT services, consulting, communication, media, etc. to implement various revitalization projects to improve sustainability in local communities.

In FY2022, we held a matching event for regional revitalization aiming to promote the utilization of corporate Furusato Nozei (Hometown Tax Donation). People including 13 heads of regional public bodies in Miyagi Prefecture gave a presentation on the attractiveness of the region to about 130 private companies and successfully sealed more than 10 corporate Furusato Nozei contracts. Moreover, we held the “IPO Management Human Resource Development Program TOHOKU – 77 Bank × Tohoku University × JPX –” based on a three-party partnership agreement signed by the Bank, Tohoku University, National University Corporation, and Tokyo Stock Exchange, Inc. for the development of human resources that are serving as the management of companies aiming to be listed. We will continue to help create an attractive region by working on regional revitalization through MAPP, etc.

Corporate culture reform strategy

“Culture eats strategy for breakfast” is a famous quote. Even if we develop good strategies, unless our corporate culture changes, it will be difficult to realize the strategies. We believe that the workplace culture changes as each person grows and encourages and competes with others to improve. As for the corporate culture reform strategy, we endeavor to promote diversity and create a virtuous cycle where all officers and employees take on new challenges, leading to confidence and cheerfulness.

As a part of the initiative, we implemented personnel system reform in April 2023. It has been 57 years since we conducted drastic review of salary system last time. Moreover, from the viewpoint of improving employees’ awareness of the need to participate in management and strengthen their morale, we provided a special incentive through the

Employee Stock Ownership Association in March 2023. As the Stock Ownership Association participation ratio increased to 97%, we believe that our employees’ awareness of their need to participate in management is improving.

The financial business is part of the service industry, and the source of corporate value is human resources. Therefore, the importance of human capital management is high compared to other businesses. As measures for human capital management, in addition to the personnel system reform, we developed the Human Resources Development Policy and the Internal Environment Development Policy for the 77 Bank Group in April 2023. By implementing a human resources strategy that is linked to the management strategy, we would like to practice human capital management and improve our corporate value.



Measures aimed at enhancing corporate value

On March 31, 2023, Tokyo Stock Exchange, Inc. sent a request to listed companies to take “action to implement management that is conscious of the cost of capital and stock price.” I would like to explain the 77 Bank Group’s idea and future direction.

To improve corporate value, we believe that it is important to try to enhance profitability while maintaining soundness and share the growth of the 77

Bank Group with our shareholders who are our stakeholders by providing a return. Based on the growth strategy stated in “Vision 2030” we will aim to raise the income level and increase corporate value by improving management efficiency.

In due course, we would like to present specific goals based on further consideration and the discussion at the Board of Directors.

Progress of sustainability management

Since we acknowledge that it is the role of regional financial institutions to spread the idea of sustainability among local communities, we are trying to raise awareness by holding workshops and seminars for customers and providing sustainable finance. In April 2023, we concluded the Cooperation Agreement for the Promotion of Carbon Neutrality with Tohoku Electric Power Co., Inc. In May 2023, with Tohoku Energy Service Co., Inc., which is a 100% subsidiary of Tohoku Electric Power Co., Inc., we concluded an agreement regarding an off-site corporate PPA [self-consignment system] service as the first regional bank to do so. This agreement allows us to supply

renewable energy generated with the solar power plant installed on the Bank’s unused land to the Bank’s head office building, etc. It is estimated it will cut our CO₂ emissions by about 1,237 t-CO₂, which is equivalent to 13% of the annual volume emitted by the entire Bank.

Furthermore, we upgraded the KPI regarding the 77 Bank Group’s CO₂ emissions in FY2030 from a 46% reduction (compared with FY2013) to the realization of carbon neutrality by FY2030. We will definitely continue our efforts to achieve carbon neutrality and continuously support our customers’ decarbonization initiatives for the long term.

In closing

The spread of COVID-19, which began in 2020, drastically changed people’s lifestyles and how corporate activities should be and resulted in a downturn in economic activities. Moreover, disruption of the world has been accelerating due to the manifestation of geopolitical risk such as the situation in Ukraine. Raw material and energy prices are rising,

and the environment surrounding the regional economy remains severe.

Under such harsh conditions, we are expected to support the local economy as a regional financial institution. We would like to steadily implement “Vision 2030” and fulfill the missions of the 77 Bank Group.

We ask for your continued support and patronage.