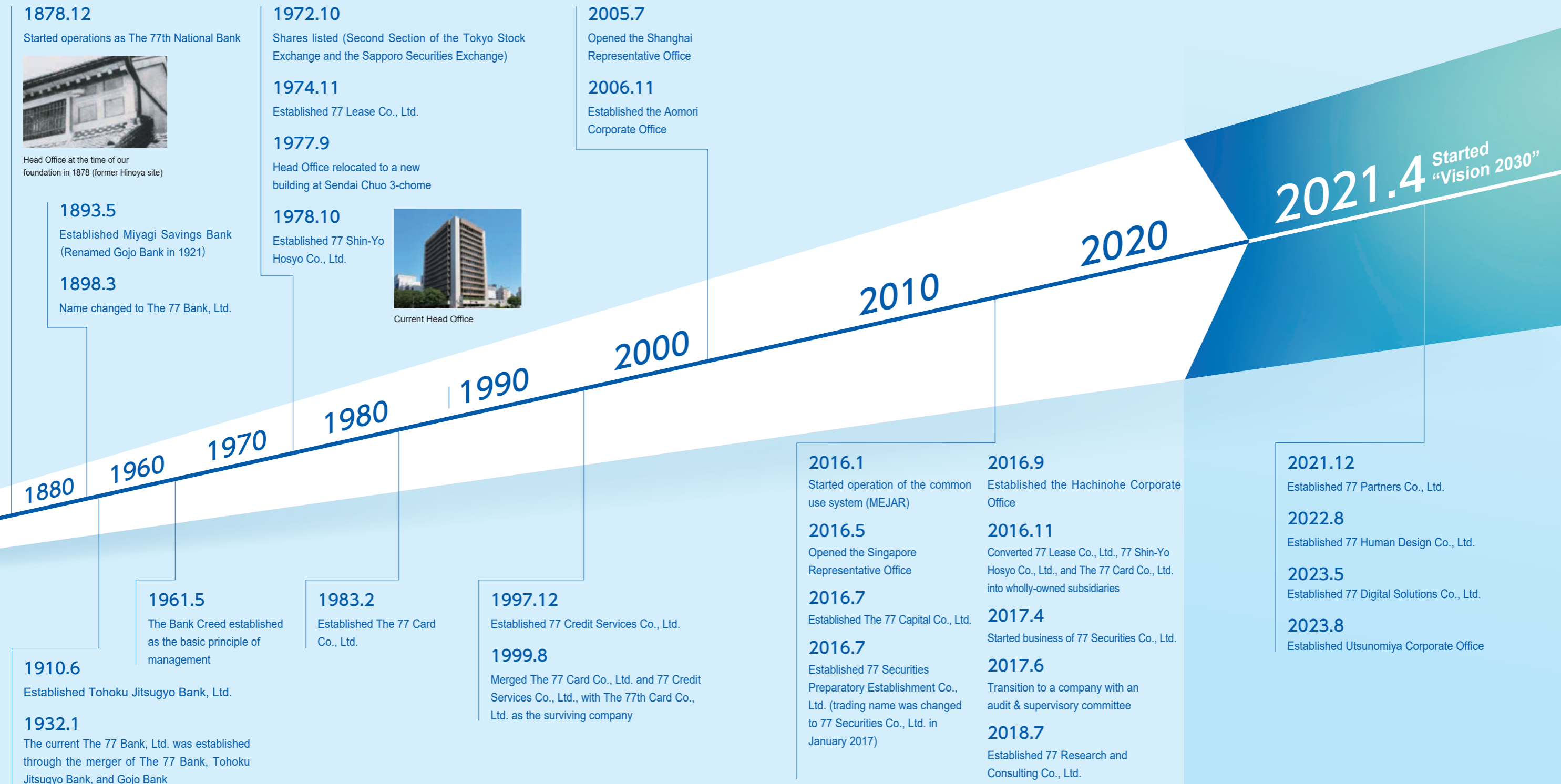


Our Path of Continuous Growth

Since its founding in 1878, The 77 Bank has overcome many difficulties and grown steadily while devoting itself to sound management under the management philosophy of “desiring communal prosperity and serving local communities.” Aiming to be a leading company creating a path to the future, we will continue to move forward together with our region.

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



Tohoku Region—The Economy and Potential of Miyagi

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.

The prefectural capital, Sendai City, 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.

Recently, construction investment that utilizes the Sendai Urban Restructuring Project has been active. In addition, due to the start of operation of NanoTerasu, a next-generation synchrotron radiation facility, economic growth is expected further.

The potential of Miyagi Prefecture, in numbers

Total area

7,282 km²

Population

2,268,355 persons

Number of households

1,023,972

Number of new housing starts

17,604

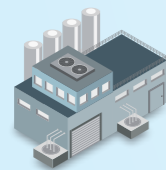
Gross Prefectural Product (nominal)

9,829.4 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

Manufactured goods shipment amount



4,358.0 billion

Agricultural output



190.2 billion

Fisheries and aquaculture production amount



71.8 billion

Source: 2023 Shape of Miyagi (Miyagi Prefectural Handbook)

Regional Development Project

1 Sendai Urban Restructuring Project

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

We wish to help Sendai City attain the position of the “town of choice” by improving its urban characteristics, as a place where both the natural environment with abundant greenery and a city function exist in harmony. To this end, we support the remodeling of obsolete buildings and promote their reconstruction in Sendai’s central business district, where people interact and conduct economic activities the most. In this way, we will create a virtuous economic cycle by supplying highly functional offices that satisfy companies’ needs and attracting enterprises to new offices.



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

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.

2 “NanoTerasu,” the next-generation synchrotron radiation facility development project

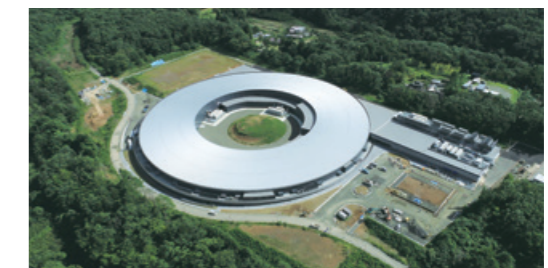
(Scheduled to begin operation in FY2025)

NanoTerasu is a next-generation synchrotron radiation facility located in New Aobayama Campus of Tohoku University, which is about 9 minutes by subway from Sendai Station. It will start operating in FY2024. It is also called “a huge microscope capable of seeing the nano-world” to observe and monitor the function of substances and the reaction of elemental surfaces at the atom/molecule level, something that is impossible with ordinary research facilities. It allows us to precisely analyze various materials and biological tissues. It is expected to create innovation in the area of research and development of various industries including chemistry, food products, medical services, pharmaceutical and energy.

NanoTerasu not only serves as “a huge microscope capable of seeing the nano-world” but also creates nano data that is essential for research and development in various domains in the industrial and academic circles during the DX/GX era. In addition, it is expected to make a considerable contribution to boosting enterprise competitiveness by developing a new dimension of industry-academia cooperation.

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

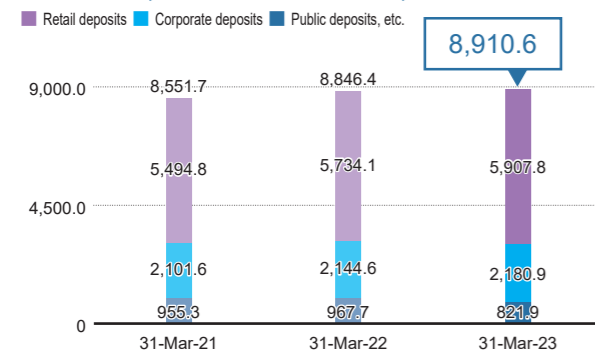


Next-generation synchrotron radiation facility (image)
 Provided by: Photon Science Innovation Center

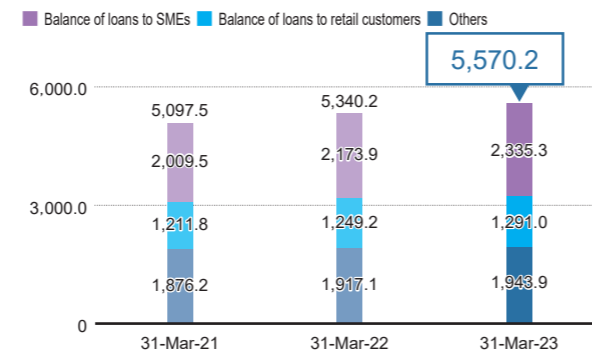
Financial and Non-financial Highlights

Financial information

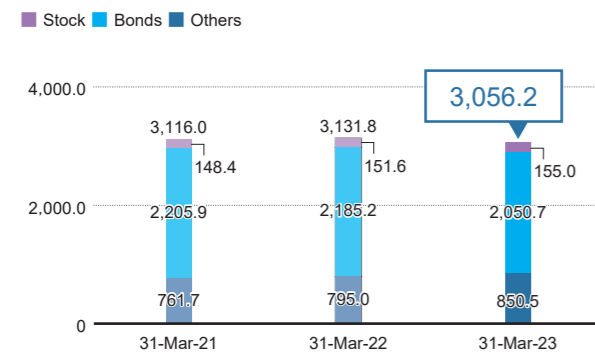
Balance of deposits and certificates of deposit (Billions of yen)



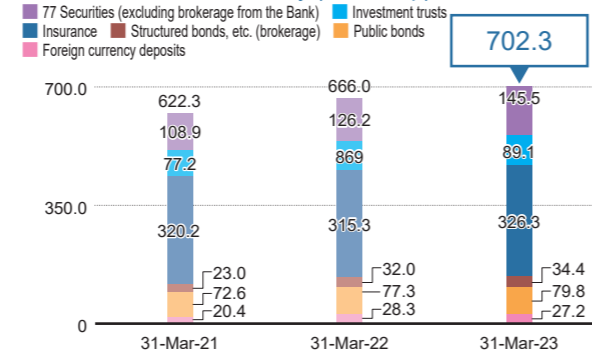
Balance of loans and bills discounted (Billions of yen)



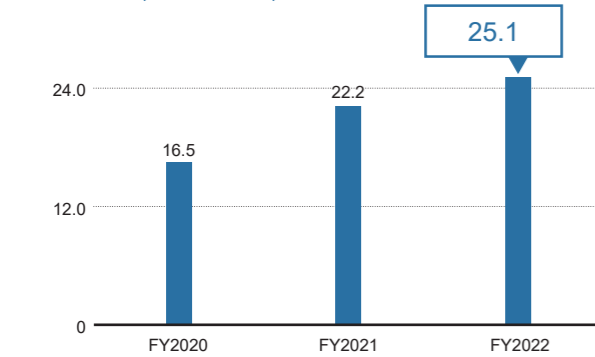
Securities balance (Billions of yen)



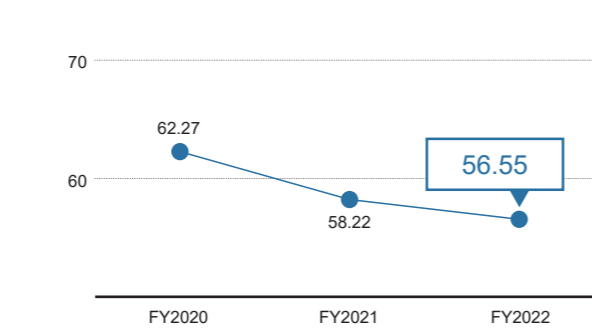
Balance of assets in custody (the Group) (Billions of yen)



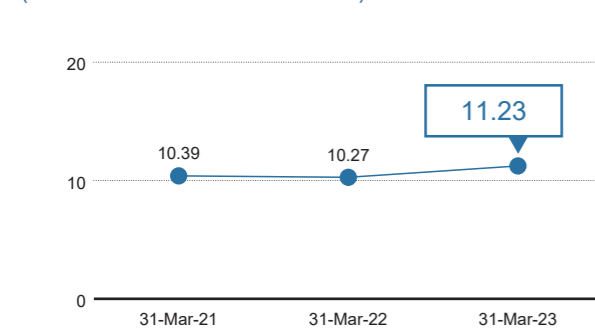
Net income (consolidated) (Billions of yen)



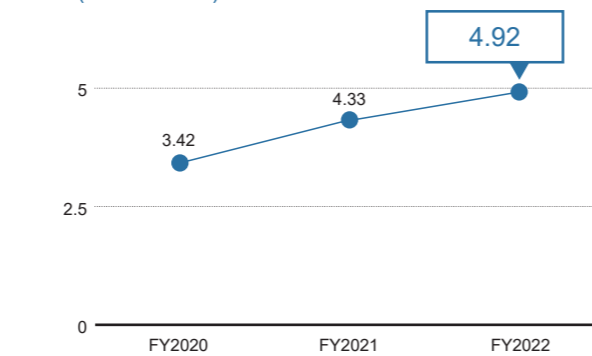
Core OHR (core gross operating income expense ratio) (%)



Capital adequacy ratio (domestic standards/consolidated) (%)

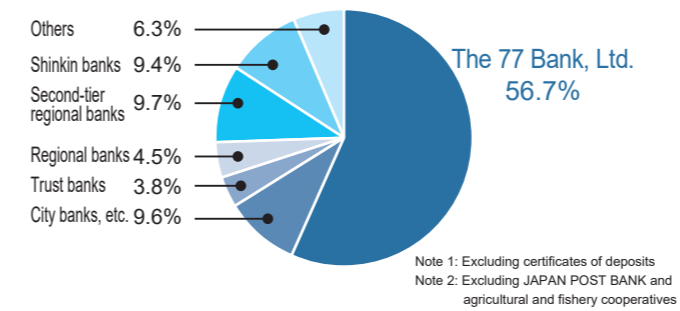


ROE (consolidated) (%)

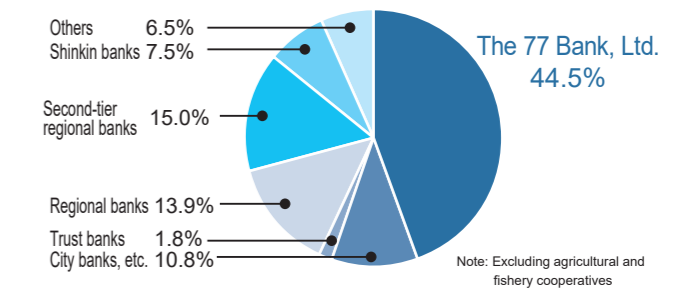


Non-financial information

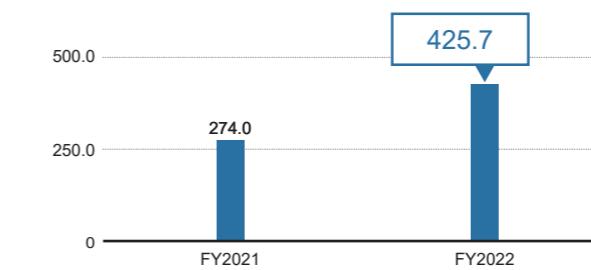
Deposit share within Miyagi Prefecture (end of Sept. 2022)



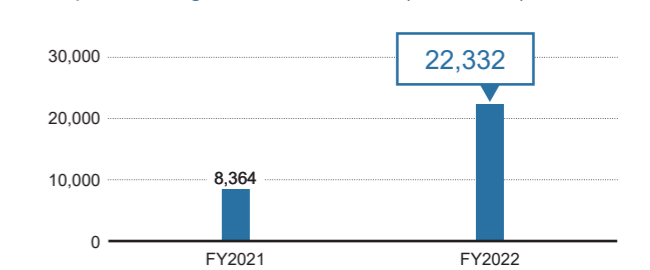
Loans and bills discounted share within Miyagi Prefecture (end of Sept. 2022)



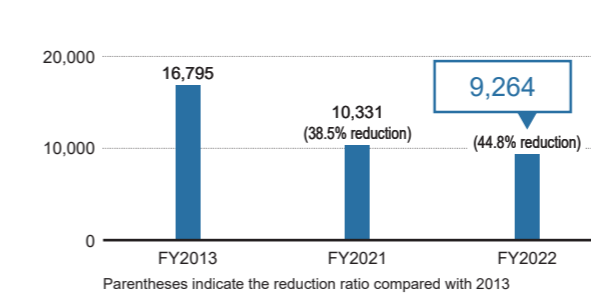
Total cumulative sustainable finance executed (Billions of yen)



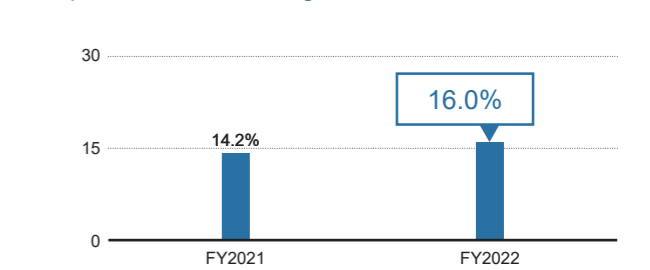
People receiving financial education (cumulative) (persons)



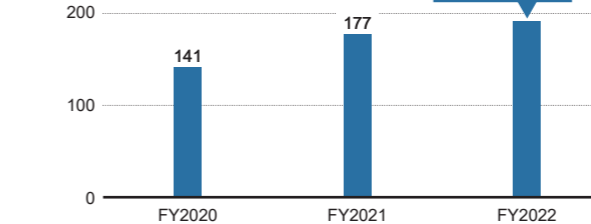
CO₂ emissions (t-CO₂)



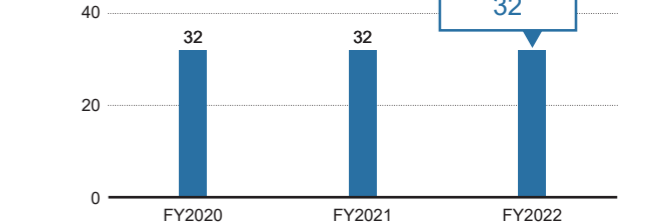
Proportion of female managers



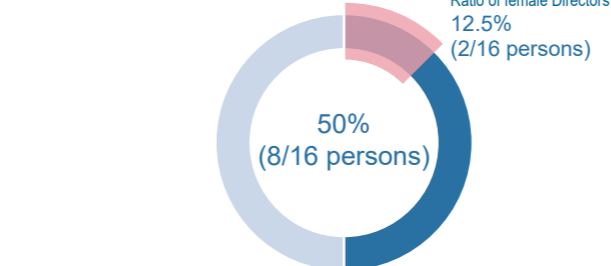
Number of employees qualified as 1st grade Financial Planner/Certified Financial Planner (persons)



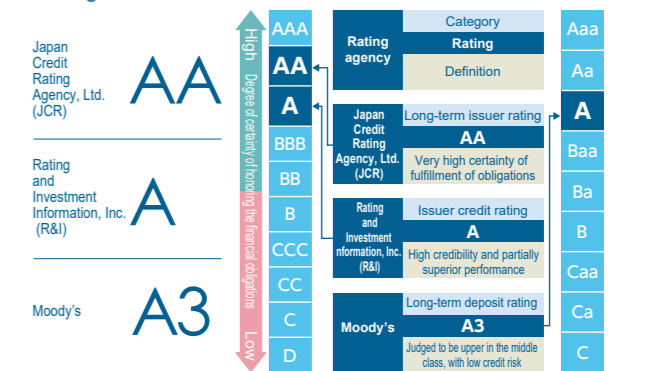
Number of employees qualified as Small and Medium-size Enterprise Management Consultants (persons)



Ratio of Outside Directors



Rating information



*Capital adequacy ratio is calculated through the early application of finalized Basel III from the end of March 2023.

Message from Director Responsible for Finance

We will strive to improve our corporate value with the basic strategies to achieve “Our Target Form.”



Yoshikazu Onodera
Senior Managing Director

Financial performance summary

FY2022 results

As for the FY2022 non-consolidated financial results, ordinary income increased ¥3.9 billion from the previous year to ¥34.4 billion, and net income rose ¥3.6 billion to ¥24.4 billion. Consolidated net income was also up by ¥2.9 billion to ¥25.1 billion, recording a record high for two consecutive terms. Our focus on “Finance × Consulting” increased interest on loans and bills discounted and fees and commissions. Other reasons are considered to be cost reductions from “branches within branches” and reduced credit-related expenses due to reversal of a general reserve for loan losses, etc.

As for the marketable securities trading, since we restrained from trading considering interest rates and market conditions, total gains (losses) from securities after excluding foreign currency-denominated procurement costs were down. Since we changed foreign currency-denominated foreign bonds from fixed-rate bonds to variable-rate bonds in FY2021, we secured an interest margin even during the phase when U.S. interest rates were rising and the impact on latent loss is limited.

FY2023 projected performance

As for the FY2023 projected performance, on a non-consolidated basis, ordinary income is expected to grow by ¥1.1 billion to ¥35.5 billion. On a consolidated basis, it is projected that ordinary income will increase ¥0.7 billion to ¥36.5 billion and net income will be up ¥0.4 billion to ¥25.5 billion.

Although we need to keep watching the factors that may depress the economy of Miyagi Prefecture, such as economic and social trends affected by COVID-19 and the impact of resource price hikes due to the invasion of Ukraine, etc., we aim to attain a profit increase for three consecutive terms by continuously making use of our financial intermediate capability and keenly providing support to solve customers' issues.

(Non-consolidated)	FY2021	FY2022	YoY change		FY2023 (forecast)
			Increase/decrease	Rate of change (%)	
Gross operating income	75.8	78.9	3.1	4.0	83.8
Interest income	72.3	78.6	6.3	8.6	88.9
Fees and commissions	11.8	12.2	0.4	3.2	11.3
Other operating income	(8.3)	(11.9)	(3.6)	—	(16.4)
Expenses	49.3	48.5	(0.8)	(1.5)	49.4
Substantial operating income	26.5	30.4	3.9	14.3	34.4
[Core operating income]	[35.3]	[37.3]	[2.0]	[5.4]	[38.1]
[Core operating income] (excl. gains (losses) on cancellation of investment trusts)	[25.7]	[29.6]	[3.9]	[15.0]	[29.5]
Provision of general reserve for loan losses	3.5	(3.0)	(6.5)	—	(2.2)
Operating income	23.0	33.4	10.4	44.9	36.6
Ordinary income	30.5	34.4	3.9	12.8	35.5
Net income	20.8	24.4	3.6	17.3	25.0
Credit-related expenses	4.6	1.2	(3.4)	—	1.5
Total gains (losses) from securities	30.1	31.3	1.2	—	40.4
After excluding foreign currency-denominated procurement costs	29.7	26.6	(3.1)	—	30.5
(Consolidated)					
Ordinary income	33.0	35.8	2.8	8.4	36.5
Net income	22.2	25.1	2.9	12.6	25.5

Capital policy

For “Our target form” to aim for over the long term, we defined “strengthening financial foundations” as the key factor in “Vision 2030.” 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. In this way, we will fulfill the 77 Bank Group’s mission, “Offer growth and returns together with the 77 Bank Group.”

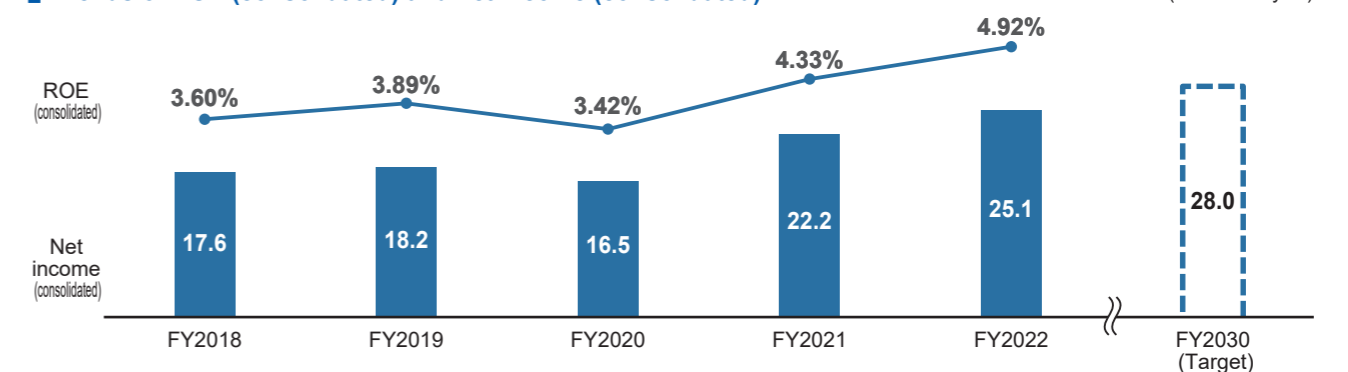
Enhancement of profitability

As for the improvement of ROE, one of the ideas is to keep equity capital at the bare minimum to utilize capital efficiently. However, to fulfill a financial intermediate function for the region, we believe that sufficient equity capital is necessary. “Vision 2030” has

set a target for each of “net income (consolidated),” “capital adequacy ratio (consolidated),” and “core OHR” based on the balance between soundness and efficiency among others.

ROE (consolidated) of FY2022 ended at 4.92%, which is a higher level than that of a regional bank average. However, to improve corporate value, we shall continue to raise it higher. We will aim to achieve the targets for “net income (consolidated),” etc. by steadily implementing basic strategies based on “Vision 2030.” Meanwhile, as for the policy on “action to implement management that is conscious of the cost of capital and stock price,” which was requested by Tokyo Stock Exchange, Inc., and the earning target, etc. under “Vision 2030,” we will disclose information by the end of FY2023 based on the current earnings position.

Trends of ROE (consolidated) and net income (consolidated)

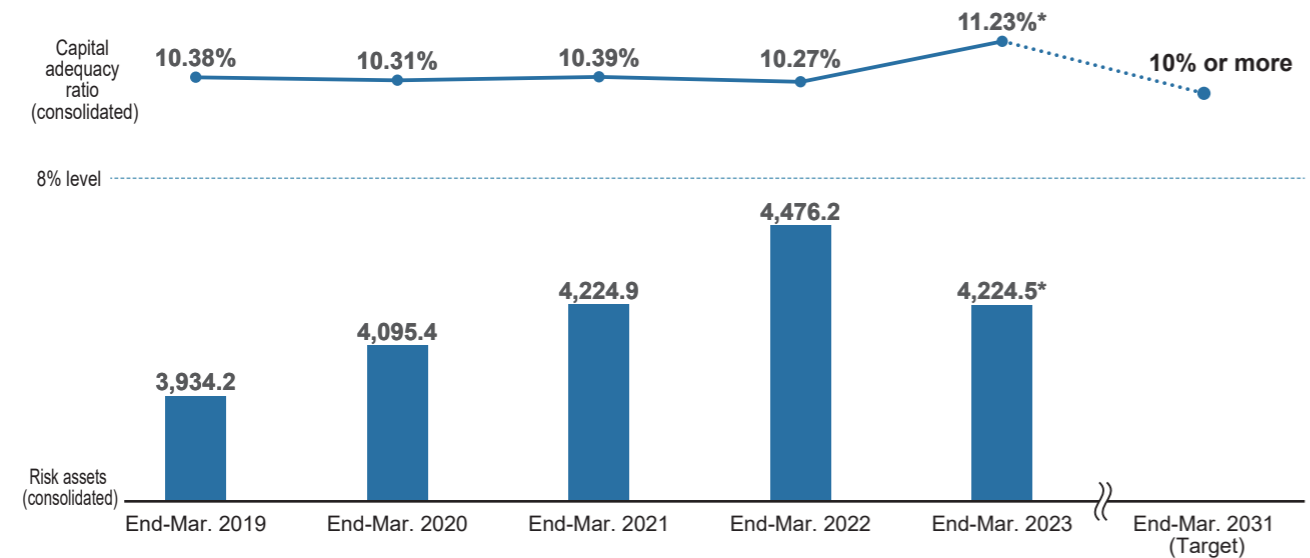


Preservation of soundness

As for soundness, we target having a capital adequacy ratio (consolidated) of at least 10%. We set the capital adequacy ratio target based on the standard perspective on soundness to be achieved by banks operating under a uniform international standard, which is 8% or more. We also considered that we had provisioned sufficient reserves at the time of the Great East Japan Earthquake that occurred in

March 2011 (capital adequacy ratio dropped by about 1.6%). To support local communities in emergencies, it is important to provide risk money for recovery and it is necessary to have a sufficient capital adequacy ratio in normal times. While the balance of loans and bills discounted is increasing, we believe that it is necessary to conduct appropriate risk asset control by promoting RORA-conscious handling to efficiently utilize risk assets from now on.

Trend of capital adequacy ratio (consolidated) and risk assets (consolidated) (Billions of yen)



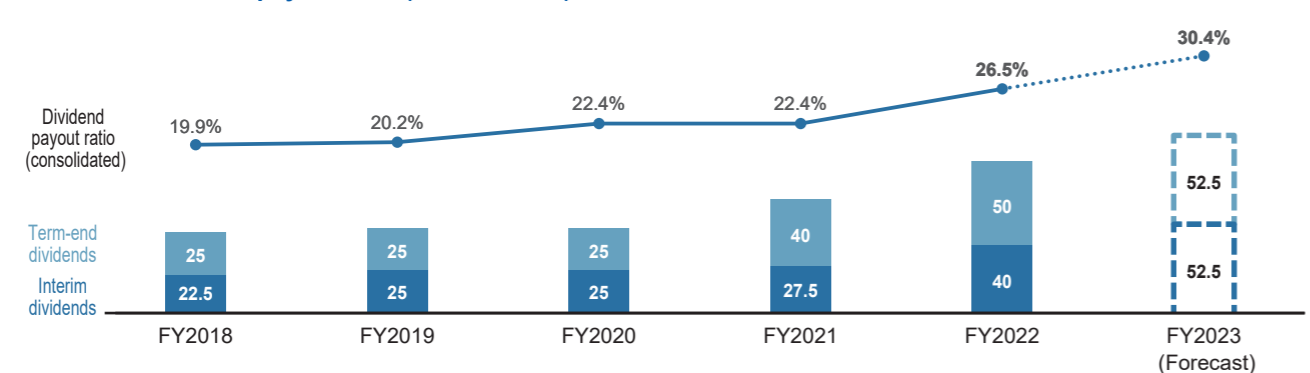
*Capital adequacy ratio is calculated through the early application of finalized Basel III from the end of March 2023.

Enhancing shareholder returns

Since equity capital was reduced due to the Great East Japan Earthquake, we had been prioritizing the accumulation of internal reserves. However, from the perspectives of promptly realizing our mission to our shareholders stated in Vision 2030 "Offer growth and returns together with the 77 Bank Group," in January 2022, we formulated a policy of return of profits to

shareholders which sets the continuation of stable dividends and specific goals. We disclosed our dividend forecast that expects dividend per share to be 105 yen and dividend ratio to exceed 30% in FY2023. Shareholder returns will continue to be strengthened with the basic policy of paying ongoing stable dividends.

Trend of dividend payout ratio (consolidated) (Yen)



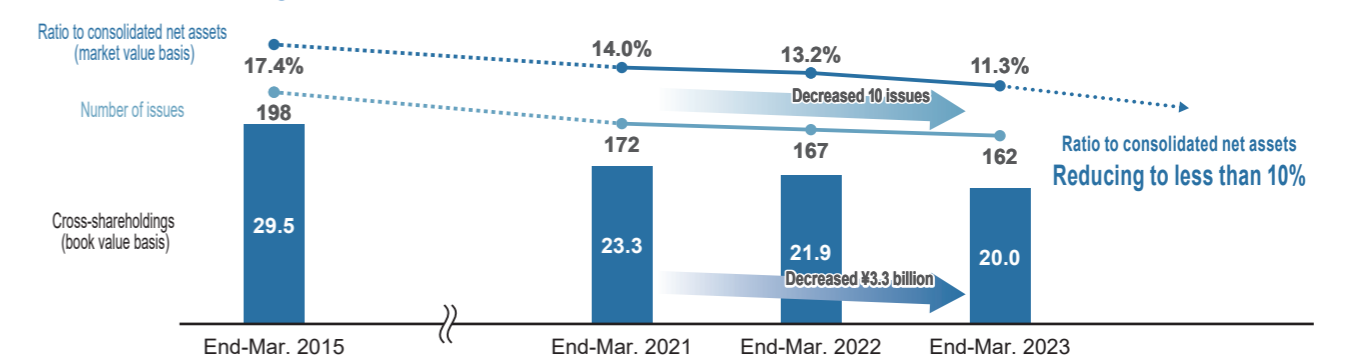
Cross-shareholdings

As a general rule, the Bank's policy is to reduce cross-shareholdings. As a regional financial institution, the Bank will hold cross-shareholdings only when it is judged that maintaining and strengthening business and cooperative relationships with the client will contribute to enhanced corporate value of both the client and the Bank.

When the Bank arranges cross-shareholdings, the Board of Directors regularly conducts a rigid verification of their profitability based on the cost of capital, etc., as

well as the medium- to long-term economic rationale for such holdings, future outlook, the purpose of holding, and other relevant factors for each issue. From the end of March 2021 to the end of March 2023, we reduced 10 issues of cross-shareholdings with a book value of about ¥3.3 billion. We believe that a further reduction will be needed in the future. We will keep working to reduce cross-shareholdings to less than 10% of a consolidated net assets.

Cross-shareholdings trend (tickers, billions of yen)



IR activities

As for IR activities, we arrange opportunities to explain to our shareholders and investors about our performance, sales strategies, etc. and to receive their comments, such as corporate briefings for institutional investors by the President, corporate briefings for individual investors, regular arrangement of overseas IR events and individual meetings by a responsible Director.

In FY2022, in addition to 85 individual meetings with institutional investors, analysts, etc., we held two corporate briefings for institutional investors and three corporate briefings for individual investors (including online meetings).

We regularly report the shareholders' comments, etc. that we received at individual meetings and corporate briefings to the Board of Directors.

From July to September 2023, we had dialogue with shareholders, etc. to receive their evaluation of our skill matrix. Based on shareholders' comments including "Skill items should be the targets to create the value of business from now onward instead of those that match with current status" and "the Bank should indicate that the structure of the Board of Directors is meant to create value," we have amended the content of the skill matrix.

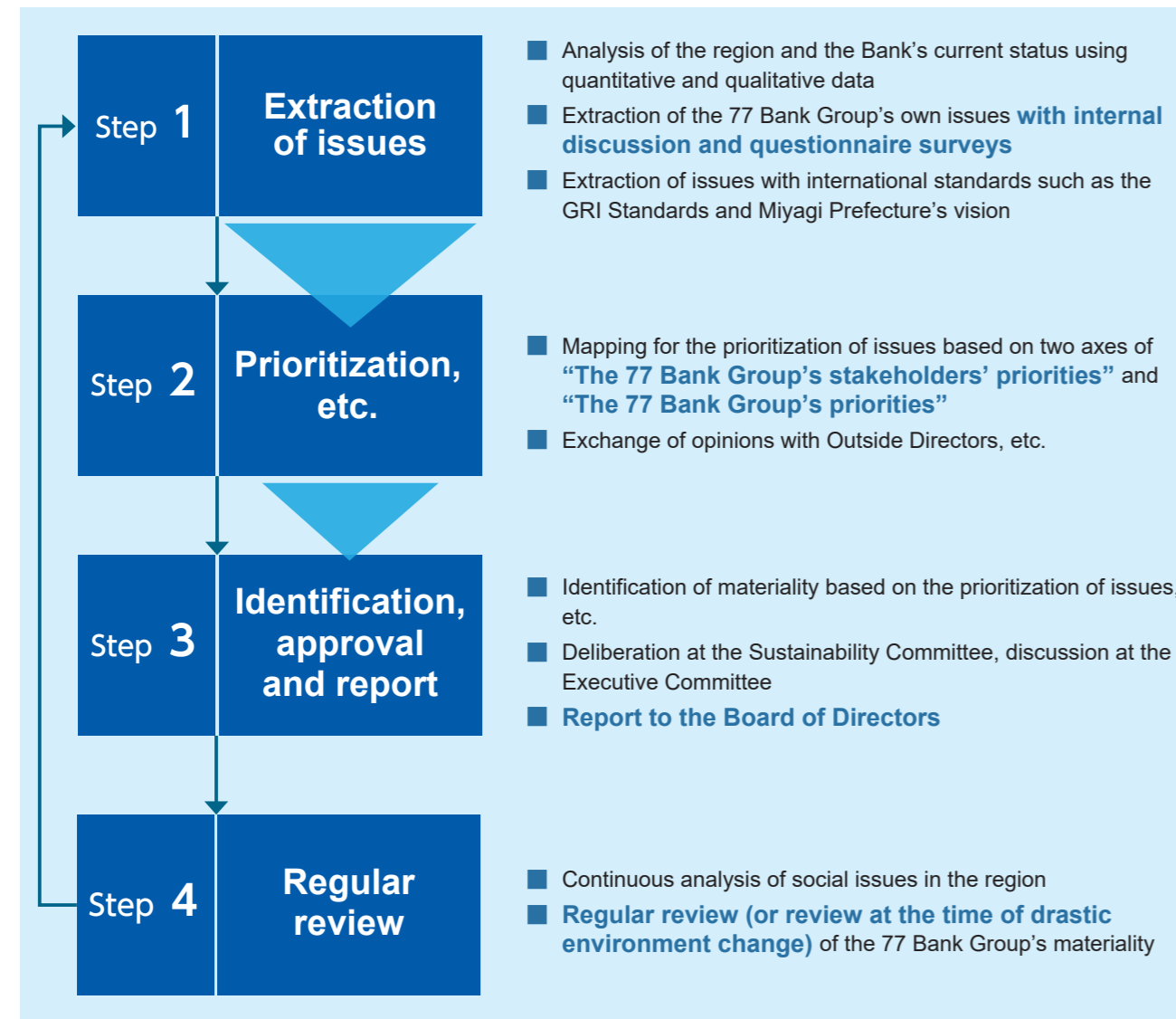
We will continue striving for sustainable growth and to improve the medium- to long-term corporate value through constructive conversations with shareholders, etc. to deepen their understanding of our initiatives, performance, etc.

Sustainability Promotion

The 77 Bank Group, in keeping with the philosophy of the Bank Creed of “desiring communal prosperity and serving local communities,” which has been in our DNA since our founding, aims to realize a sustainable society by solving important issues (materiality).

Process to identify materiality (important issues)

From the perspective of strengthening sustainability initiatives, the 77 Bank Group has identified materiality based on the implementation of internal questionnaire surveys, discussions at the Sustainability Committee, exchange of opinions with Outside Directors, etc.

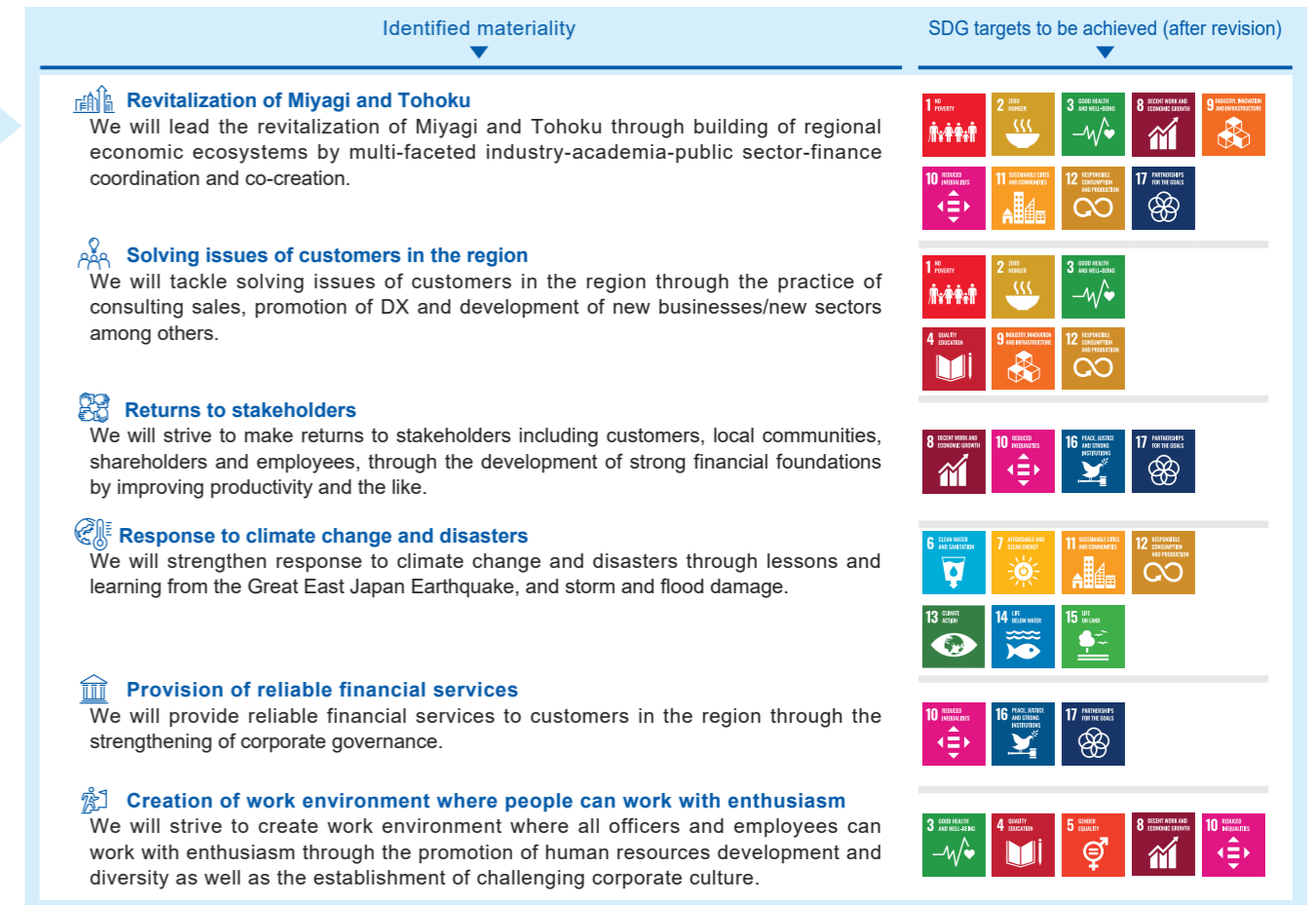


Governance structure

As for the details of each meeting structure, please refer to page 46.

The 77 Bank Group's materiality and SDGs declaration

To practice sustainability management having materiality as its axis, we revised the SDGs declaration in such a way that it responds to each item of the materiality.



KPI by FY2030

KPI	Result in FY2022	Target in FY2030
(1) Cases of growth support for founders (single fiscal year)	1,761 cases	3,000 cases
(2) Support for increasing the economic growth rate of Miyagi Prefecture	—	Japan growth rate +0.1pt
(3) Projects launched for new businesses or sectors (cumulative)	5 cases	10 cases (until FY2023)
(4) People receiving financial education (cumulative)	22,332 people	70,000 people
(5) Seminars held regarding SDGs/participants (cumulative)	30 seminars/1,794 people	100 seminars/5,000 people
(6) Total cumulative sustainable finance executed*	¥425.7 billion	¥1.2 trillion
(7) CO ₂ emissions (reduced ratio vs. FY2013)	9,264t-CO ₂ (44.8%)	0t-CO ₂ (100.0%)
(8) Proportion of female managers	16.0%	30%

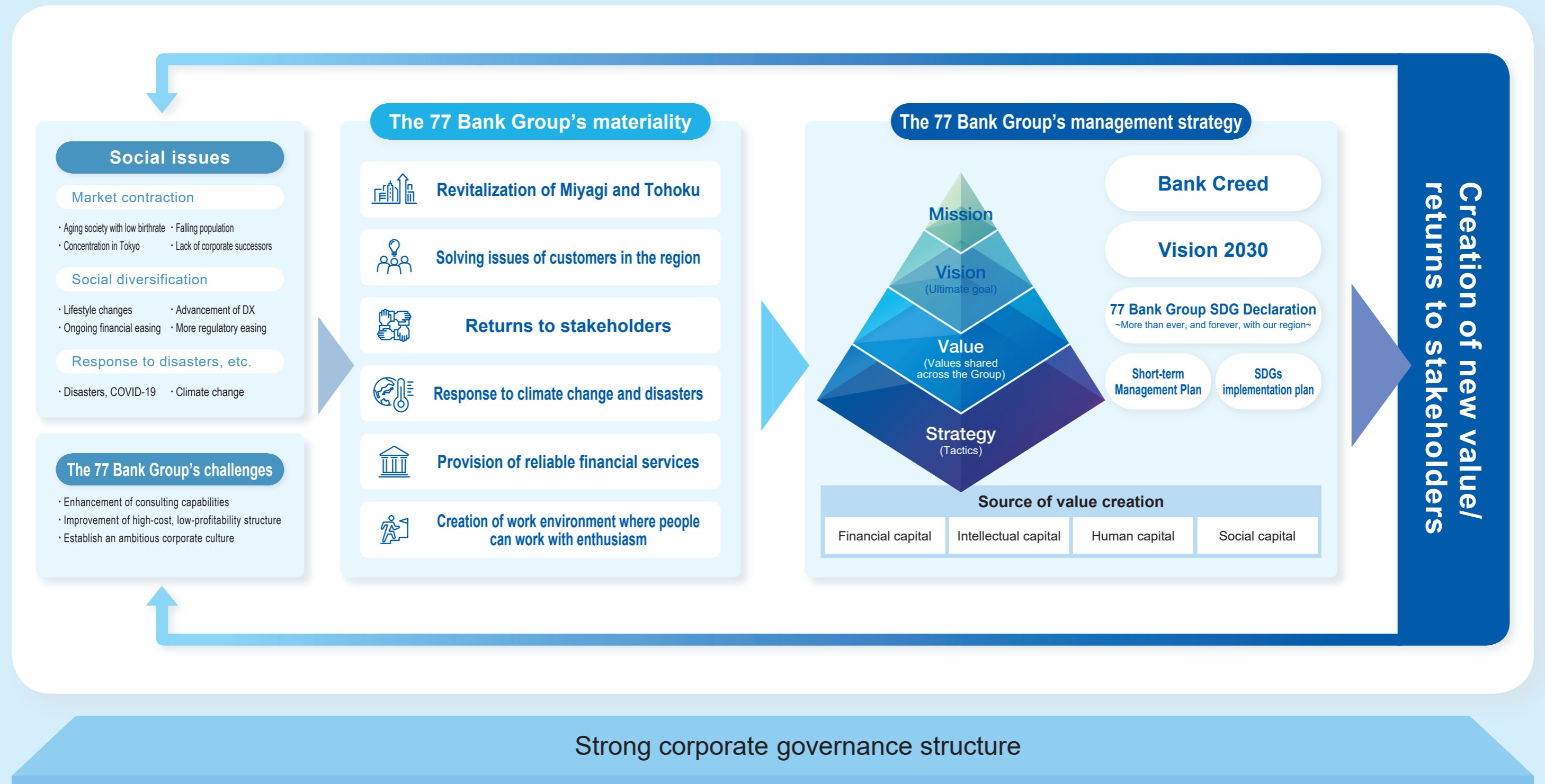
* Total cumulative investment and lending executed which contributes to the stimulation of local communities and the realization of a sustainable society (investment and lending that supports and promotes SDGs initiatives in the fields of the environment, medicine, new companies, business succession, etc.)

In addition, the Sustainability Promotion and Management Policy is disclosed on our website.

Basic approach to sustainability



Framework of Sustainability Management



Major Opportunities and Risks/Major Initiatives Concerning Materiality

Stakeholders













Customers

Companies Individuals

Local communities

Shareholders

Employees

Materiality (concerned stakeholders)	Major opportunities and risks (● Opportunity ○ Risk)	Our major initiatives (ongoing measures, etc.)	Let's Try! (KPI by FY2030), etc.
 <p>Revitalization of Miyagi and Tohoku</p> <p>Customers Local communities</p> 	<ul style="list-style-type: none"> ○ Increase of opportunities for investment and lending due to the rise of public investment in infrastructure, etc. ○ Increase of opportunities for investment and lending due to the rise of private investment including startups ● Decrease in profit-earning opportunities due to the decline of the regional economy (Financial difficulties of local governments, population outflow and decline, attrition of communities) 	<ul style="list-style-type: none"> • Promote public-private partnership by utilizing MAPP • Participate in regional development projects such as NanoTerasu • Support startup companies and listing through partnership with Tohoku University, National University Corporation, and Tokyo Stock Exchange, Inc. • Holding of business contests (X-Tech Innovation, etc.) • Support tourism promotion with/after COVID-19 • Strengthen corporate sales with the regional support team 	<ul style="list-style-type: none"> • To support increased economic growth rate in Miyagi Prefecture • Aim for 100% participation in regional development projects in Miyagi Prefecture, such as "Sendai Urban Restructuring Project" and "Next-generation synchrotron radiation facility" • To triple the number of growth support cases for business founders • 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
 <p>Solving issues of customers in the region</p> <p>Customers Local communities</p> 	<ul style="list-style-type: none"> ○ Increase in profit-earning opportunities along with the diversification of solutions and the expansion of our business domain ○ Increase in profit-earning opportunities by capturing various needs including those of the aged and households with small children ○ Nurturing the willingness to invest with improved financial literacy ● Decrease in the number of customers due to lower customer satisfaction (i.e., reduced profit-earning opportunities with the lower number of customers) ● Decreased profit-earning opportunities due to the deterioration of customers' performance, rise of credit risk ● Decline of competitiveness due to the delayed action 	<ul style="list-style-type: none"> • Provide various solutions (SDGs support service, etc.) • Further promote DX (establish IT Support Desk, improve the convenience of the 77 Bank App, develop specialists by dispatching trainees to FinTech companies, etc.) • Enhance senior business (enter trust service, etc.) • Carry out initiatives for new businesses and sectors • Strengthen the provision of financial education 	<ul style="list-style-type: none"> • Develop 1,610 staff members who can handle customers' IT and digital issues and needs • Ensure that 20% of the population of Miyagi Prefecture (aged 20 to 74) use loans from the Bank • Raise proportion of households "holding assets" in Miyagi Prefecture above the national average • Establish 10 projects in new businesses or sectors with promise for future commercialization • To double the net income of Group companies by entering new businesses and sectors and expanding existing businesses • By working with local stakeholders, etc., provide 70,000 people with financial education • Conduct an SDGs seminar 100 times and provide over 5,000 people with information
 <p>Returns to stakeholders</p> <p>Customers Local communities Shareholders Employees</p> 	<ul style="list-style-type: none"> ○ Strengthening of consulting system along with the development of human resources ○ Improvement of corporate value associated with the reinforcement of financial base (increase in the value of shares, improvement of rating by third parties) ● Lower trust in the market due to weakened financial base 	<ul style="list-style-type: none"> • Release sales and specialized personnel from administrative work by promoting paperwork-free operations to effectively create additional personnel • Optimize the network by strengthening non-face-to-face channels • Formulate policy of return of profits to shareholders 	<ul style="list-style-type: none"> • Cut amount of administrative work at bank branches by 50% • Double labor productivity in core operations • Triple rate to usage of non-face-to-face channels • Increase the dividend payout ratio to 30% by FY2023 in stages
 <p>Response to climate change and disasters</p> <p>Customers Local communities</p> 	<ul style="list-style-type: none"> ○ Increase in investment and lending opportunities due to the expansion of public investment and private capital investment for disaster prevention and mitigation ○ Rise of profit-earning opportunities related to the support of customers for the shift to a decarbonized society ○ Reduction of the Bank's business operation cost with energy and resource saving and utilization of renewable energy ● Increase in the cost of credit due to the delayed response to disaster prevention and mitigation and climate change ● Occurrence of operational risk, etc. due to the Bank's branch, etc. being affected by natural disasters 	<ul style="list-style-type: none"> • Actively lend for renewable energy-related business, etc. • Enhance decarbonization solutions • Support customers in the establishment of BCP • Carry out initiatives for CO₂ emission reduction (switch to energy-saving facility, etc.) • Give support for TCFD and enhance information disclosure • Conduct forest conservation activities for the regeneration of disaster prevention forests • Create environmentally friendly branches 	<ul style="list-style-type: none"> • As for the 77 Bank Group's CO₂ emissions, achieve carbon neutrality by FY2030 and support cuts to greenhouse gas emissions in Miyagi Prefecture • Execute a cumulative amount of ¥1.2 trillion of sustainable finance
 <p>Provision of reliable financial services</p> <p>Customers Local communities Shareholders</p> 	<ul style="list-style-type: none"> ○ Deepening the trust from local communities with strong internal control environment ○ Higher investors' evaluation due to our timely and appropriate information disclosure ● Occurrence of business continuity risk, etc. due to fragile internal control environment ● Lower competitiveness due to fragile IT governance 	<ul style="list-style-type: none"> • Strengthen education and enlightenment activities related to legal compliance • Strengthen our stance to respond to antisocial forces • Strengthen our stance to prevent money laundering, etc. • Improve our awareness of cyber security • Ensure timely and appropriate information disclosure 	
 <p>Creation of work environment where people can work with enthusiasm</p> <p>Employees</p> 	<ul style="list-style-type: none"> ○ Sustainable growth with the acquisition and settlement of various human resources ○ Promotion of innovation based on ambitious corporate culture ● Outflow of human resources and decline in productivity due to deteriorated working environment ● Loss of employment opportunities ● Decline in corporate image 	<ul style="list-style-type: none"> • Implement new personnel system that allows independent career development responding the diverse values • Strengthen initiatives to promote the active participation of women • Utilize senior human resources • Promote employment of the disabled • Host entrepreneur contest 	<ul style="list-style-type: none"> • Increase the number of "specialist personnel" that serve a purpose for customers and local communities • To increase the proportion of women in management positions to 30% or more • To implement various initiatives to "foster an ambitious spirit"