

77 BANK

THE 77 BANK
INTEGRATED REPORT
2023



A future based on the premise of maintaining the status quo will fall into a “contracting equilibrium.” The new management plan was guided by the question: What is our vision for the 77 Bank Group to continue to fulfill its mission?

2023

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

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

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

1. Elevate the Spirit of Voluntary Service

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

2. Improve Creditworthiness

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

3. Nurture the Spirit of Harmony

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



Vision 2030®

Leading company creating a path to the future

“Vision 2030” sets forth our ideal image for the future of the 77 Bank Group and provides guiding principles for all officers and employees of the Group to come together and work toward, as we look to achieve the management philosophy (Mission) stated in the Bank Creed.

Integrated Report 2023 / CONTENTS

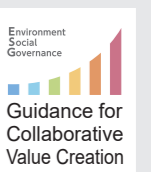
<p>INTRODUCTION</p> <p>02 “Our Target Form” That the 77 Bank Group Aims for Over the Long Term</p> <p>04 Our Way to Enhance Corporate Value</p> <p>06 Basic Strategies to Achieve “Our Target Form”</p>	<p>Measures Aimed at Enhancing Corporate Value</p> <p>30 Top Customer Satisfaction Strategy</p> <p>36 Double Productivity Strategy</p> <p>40 Regional Growth Strategy</p> <p>50 Corporate Culture Reform Strategy</p>
<p>Top Message</p> <p>08 Message from the President</p>	<p>Corporate Governance</p> <p>58 To Our Shareholders</p> <p>60 Governance Structure</p> <p>66 Message from Outside Director</p> <p>68 Strengthening Risk Management Systems</p> <p>69 Compliance Structure</p> <p>70 Major Financial Data for 11 Years</p> <p>72 Profile</p> <p>73 Service Network</p>
<p>Value Creation Story</p> <p>14 Our Path of Continuous Growth</p> <p>16 Tohoku Region—The Economy and Potential of Miyagi</p> <p>18 Financial and Non-financial Highlights</p> <p>20 Message from Director Responsible for Finance</p> <p>24 Sustainability Promotion</p> <p>26 Framework of Sustainability Management</p> <p>28 Major Opportunities and Risks/Major Initiatives Concerning Materiality</p>	

Editorial Policy

The 77 Bank has prepared “THE 77 BANK INTEGRATED REPORT 2023” to help investors and other stakeholders understand the Bank’s efforts for sustainable value creation.

In editing this report, we have referred to the “International Integrated Reporting Framework” proposed by the International Integrated Reporting Council (IIRC) and the “Guidance for Collaborative Value Creation” issued by the Ministry of Economy, Trade and Industry (METI) to provide an integrated explanation of the Bank’s business model and sustainable value creation mechanism.

For detailed financial data and other information, please refer to DISCLOSURE 2023 (available on the Bank’s website at <https://www.77bank.co.jp>).



Question

“Our Target Form” That
the 77 Bank Group Aims
for Over the Long Term

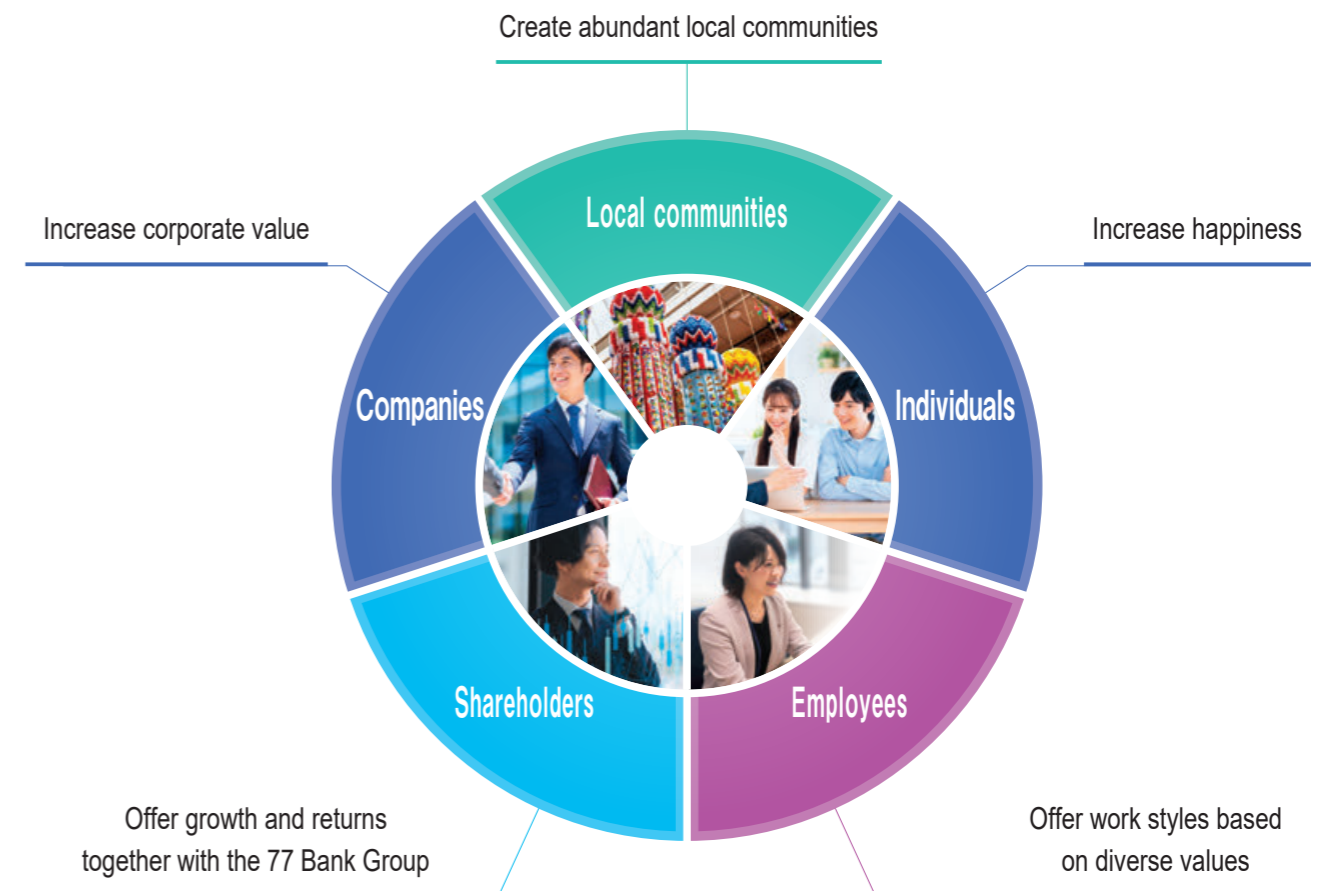
Answer

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.

There is a concern that projections based on maintaining the status quo could lead us to a downward spiral since our community has issues such as a declining birthrate and aging population as well as a shrinking market due to the falling population. “Vision 2030” sets forth our ideal image for the future of the 77 Bank Group and provides guiding principles for all officers and employees of the Group to come together and work toward, as the 77 Bank Group looks to achieve the management philosophy (Mission) stated in the Bank Creed.

By achieving “our target form” to aim for over the long term in “Vision 2030,” we shall continue to fulfill the missions presented to our stakeholders.

The 77 Bank Group’s missions presented to our stakeholders



Our Way to Enhance Corporate Value

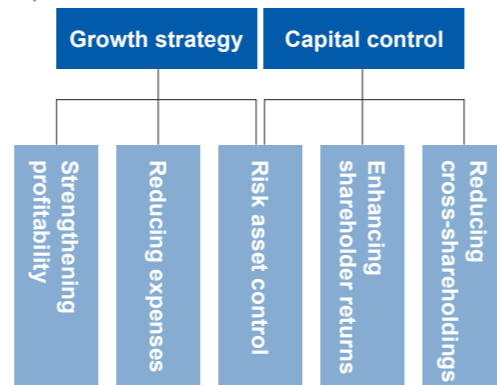
The 77 Bank Group's whole picture of corporate value enhancement cycle

Based on the growth strategy set out in "Vision 2030" we shall aim to increase the income level and enhance corporate value through improving management efficiency.

The 77 Bank Group's missions presented to our stakeholders



Financial strategy



Leading company creating a path to the future

Overview of "Vision 2030"

Create the highest level of financial functions and consulting, while also expanding the scope of our businesses in the non-financial sector

Financial × Consulting + Non-financial → Optimal solutions

Create networks that combine the potential of Miyagi and the Sendai area with influential customers in the Tohoku region as a whole and elsewhere

Miyagi and Sendai area × Whole Tohoku region, etc. → Expand scope of operations

Deepen capabilities as a leading company (a collection of people with the same aspiration, and a group of companies that act as leaders for local communities)

Leading bank × Vision 2030 → Leading company

77 Bank Group direction

We will become the 77 Bank Group that is different from a mere extension of the status quo by focusing on "our target form," enhancing our strengths, improving our weaknesses, and revitalizing our organization.

Stimulate demand among customers and local communities
Expand the scope of operations

Dramatic improvements in productivity

Establish an ambitious corporate culture

Enhance!

77 Bank Group strengths



- Customer base
- Consulting system
- Trust from customers and local community

Improve!

77 Bank Group weaknesses



- Profitability (low-profitability structure)
- Cost consciousness (high-cost structure)
- Competitiveness with other companies

Establish!

Revitalization points



- Appetite for new challenges
- Speed and flexibility
- Cross-organization (vertical, horizontal, diagonal)

Key factors

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

Digital transformation

New businesses and sectors

Human resources

Financial foundations

Basic strategies to achieve “our target form”

“Vision 2030” shows the directions to pursue for the sustainable growth of local communities and the 77 Bank Group, based on the purposes of our SDG Declaration such as the revitalization of the regional economy and the promotion of active participation of all people.



Made concrete in our strategies

Strengthen financial foundations (key factor)

	FY2021	FY2022	FY2030 Vision
Net income (consolidated)	JPY 22.2 bn	JPY 25.1 bn	JPY 28.0 bn
Capital adequacy ratio (consolidated)	10.27%	11.23%*	Over 10%
Core OHR	58.22%	56.55%	50-60%

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

01 Top customer satisfaction strategy

Inspire through consulting and digital technologies!

p30

KPI Let's Try!

- Increase the proportion of companies in Miyagi Prefecture for whom we are their main bank by 10%
- Ensure that 20% of the population of Miyagi Prefecture (aged 20 to 74) use loans from the Bank
- Increase the number of corporate lending clients outside Miyagi Prefecture by 1.5 times
- Establish 10 projects in new businesses or sectors with promise for future commercialization (by FY2023)
- Raise proportion of households “holding assets” in Miyagi Prefecture above the national average
- To double the net income of Group companies by entering new businesses and sectors and expanding existing businesses

02 Double productivity strategy

Reform channels and release from the burden of administrative work!

p36

KPI Let's Try!

- Double labor productivity in core operations
- Triple rate to usage of non-face-to-face channels
- Cut amount of administrative work at bank branches by 50%

03 Regional growth strategy

Achieve sustainable growth in the local community!

p40

KPI Let's Try!

- 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
- As for the 77 Bank Group’s CO₂ emissions, achieve carbon neutrality by FY2030 and support cuts to greenhouse gas emissions in Miyagi Prefecture

04 Corporate culture reform strategy

Virtuous circle of ambition, confidence, and cheerfulness!

p50

KPI Let's Try!

- To implement various initiatives to “foster an ambitious spirit”
- 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

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.

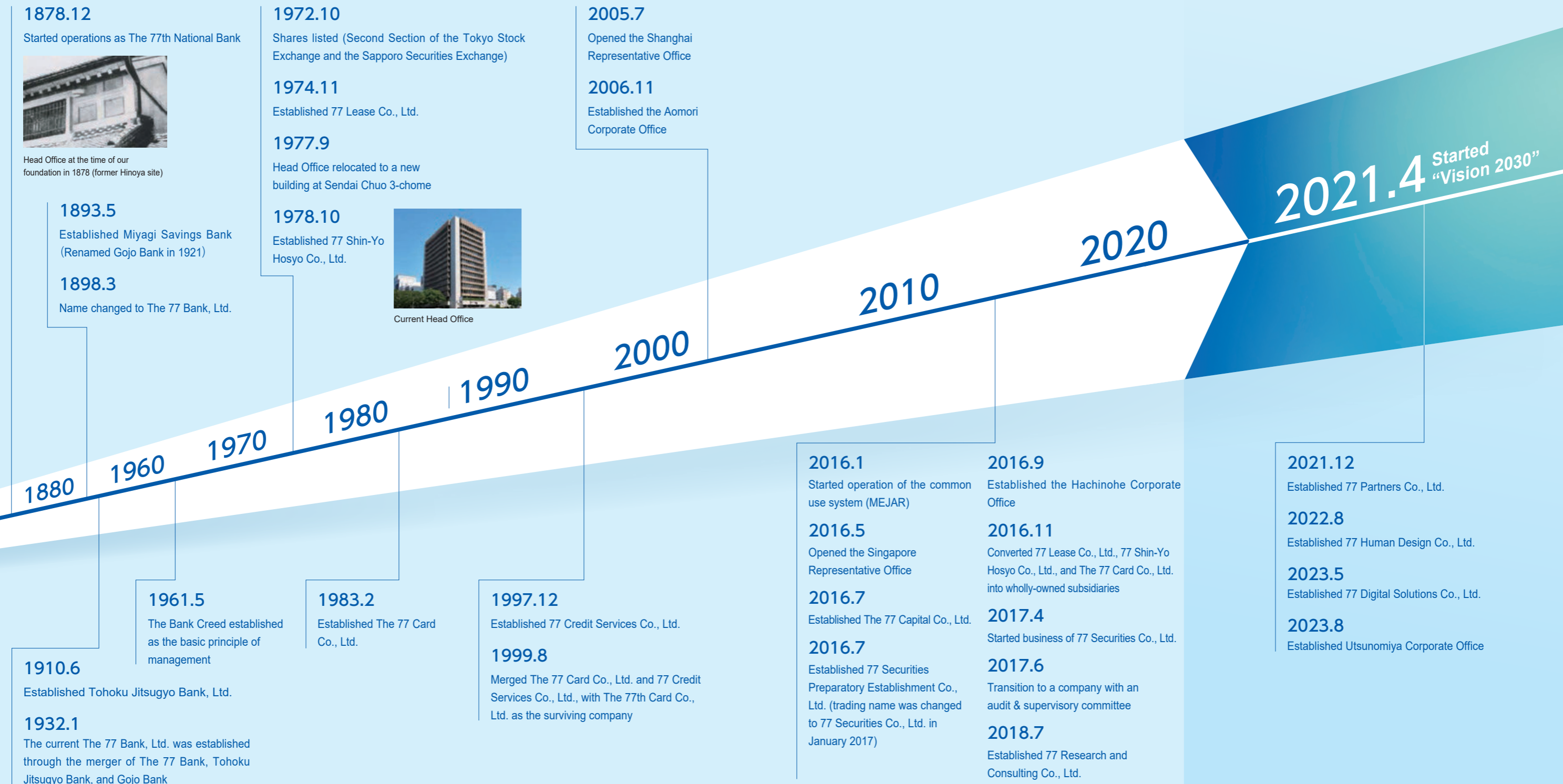
Under such harsh conditions, we are expected to support the local economy as a regional financial institution. We would like to steadily implement “Vision 2030” and fulfill the missions of the 77 Bank Group.

We ask for your continued support and patronage.

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

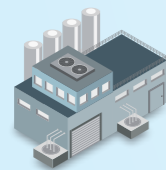
Gross Prefectural Product (nominal)

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

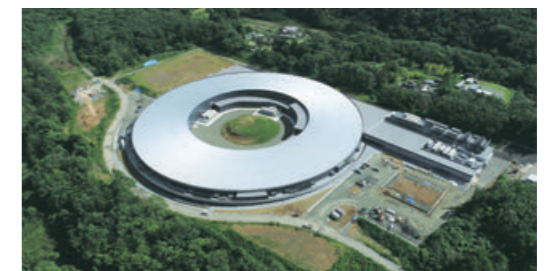
- Establishment of “Subsidy System for Promoting Building Reconstruction in Sendai City Center”
- Relaxation of floor-area ratio with a view toward “developing highly functional office”
- Enhancement of business attraction framework and subsidy systems, etc.

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.



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

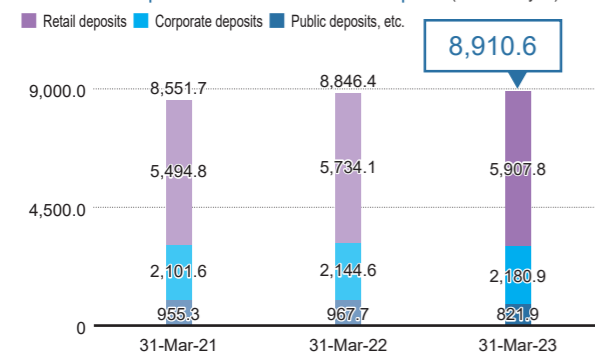
Economic ripple effects (estimated by Tohoku Economic Federation)

- 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

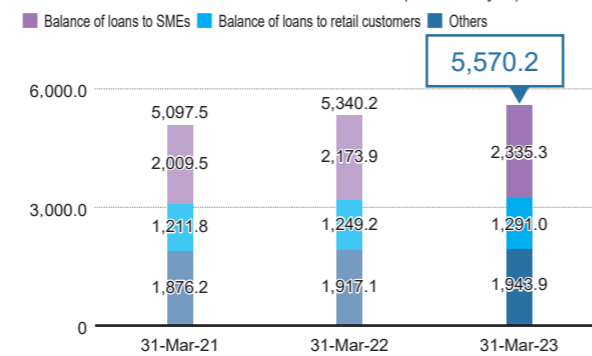
Financial and Non-financial Highlights

Financial information

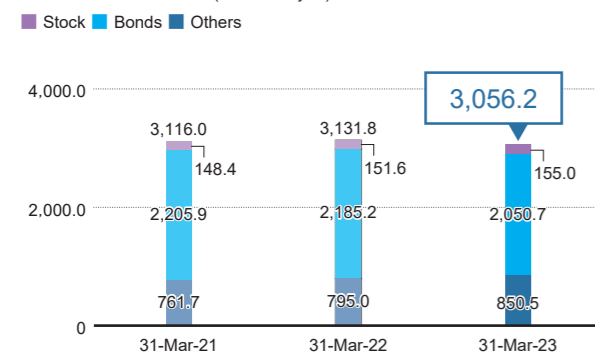
Balance of deposits and certificates of deposit (Billions of yen)



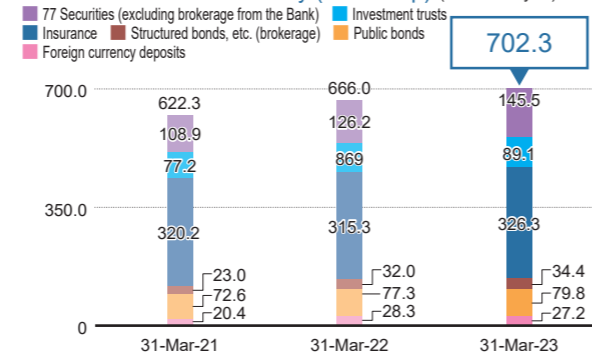
Balance of loans and bills discounted (Billions of yen)



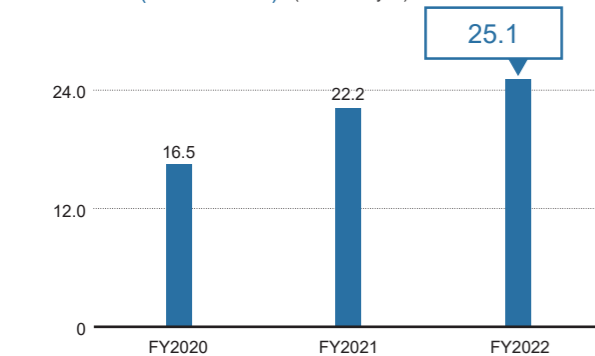
Securities balance (Billions of yen)



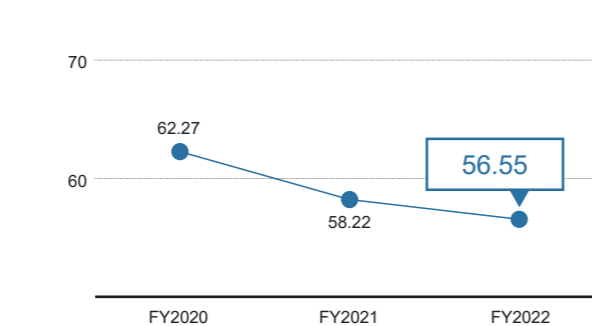
Balance of assets in custody (the Group) (Billions of yen)



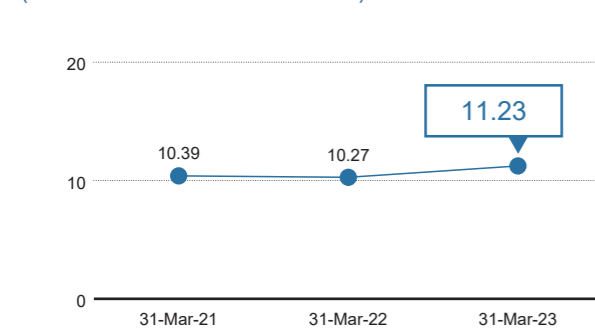
Net income (consolidated) (Billions of yen)



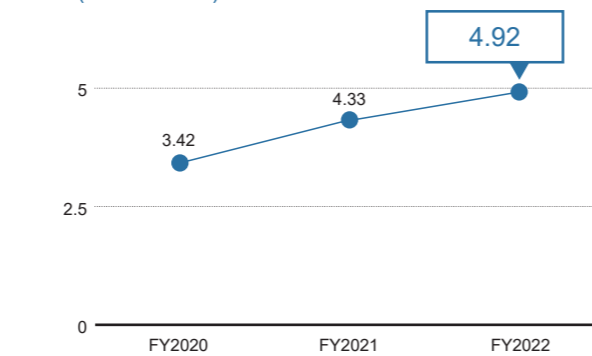
Core OHR (core gross operating income expense ratio) (%)



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

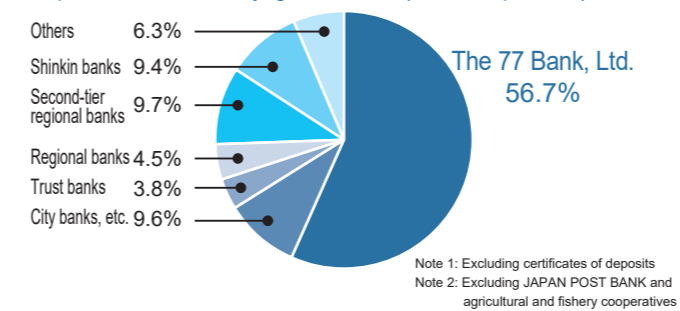


ROE (consolidated) (%)

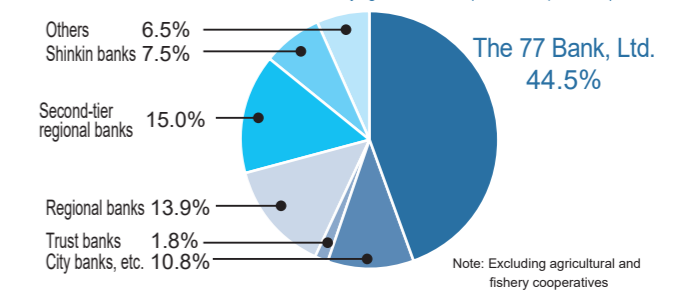


Non-financial information

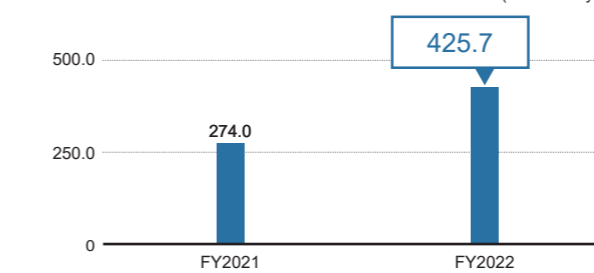
Deposit share within Miyagi Prefecture (end of Sept. 2022)



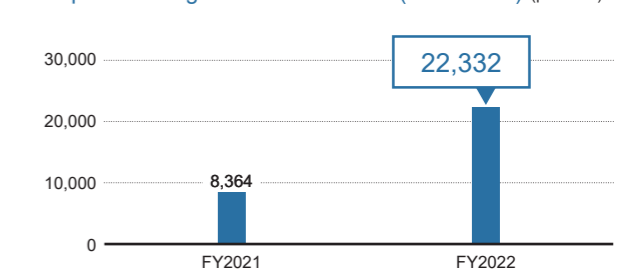
Loans and bills discounted share within Miyagi Prefecture (end of Sept. 2022)



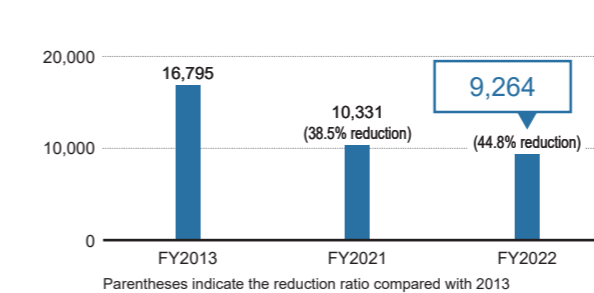
Total cumulative sustainable finance executed (Billions of yen)



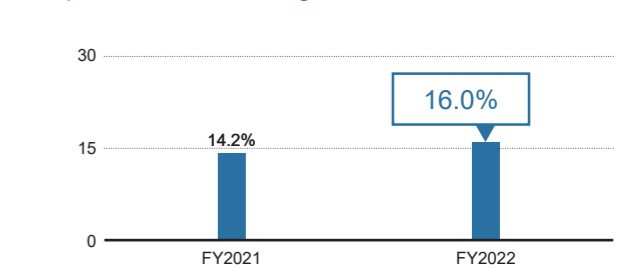
People receiving financial education (cumulative) (persons)



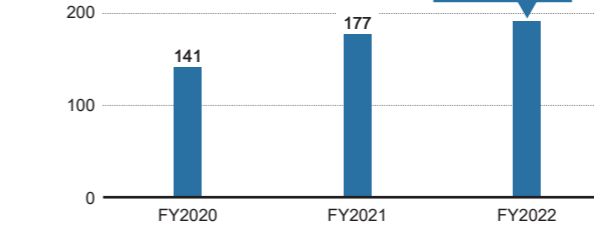
CO₂ emissions (t-CO₂)



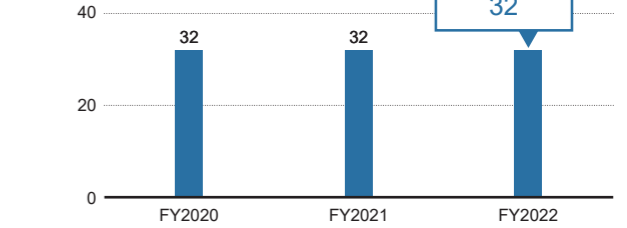
Proportion of female managers



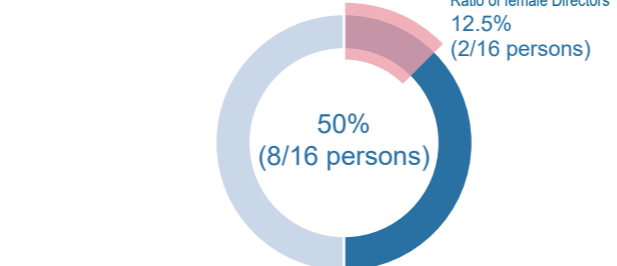
Number of employees qualified as 1st grade Financial Planner/Certified Financial Planner (persons)



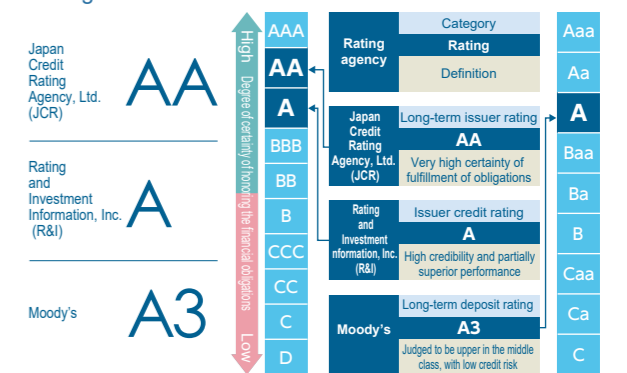
Number of employees qualified as Small and Medium-size Enterprise Management Consultants (persons)



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.”

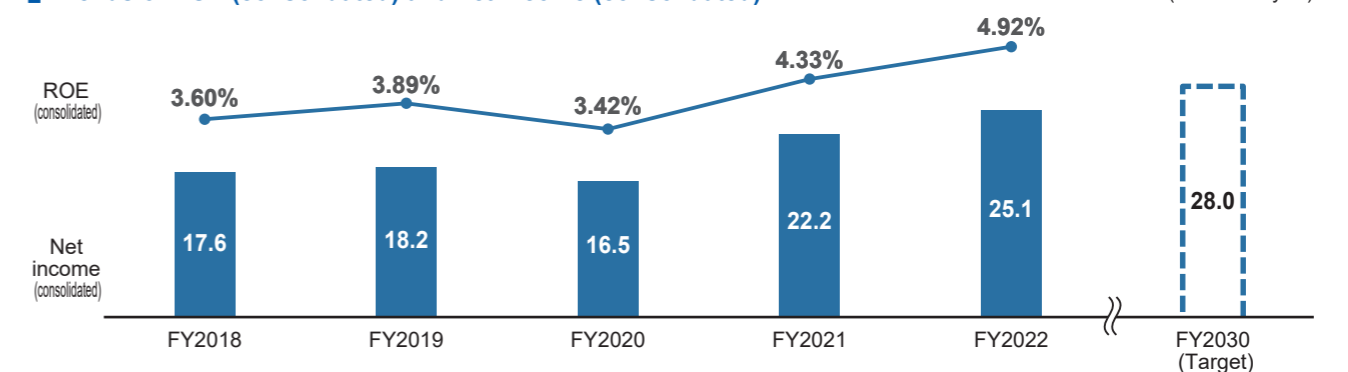
Enhancement of profitability

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)

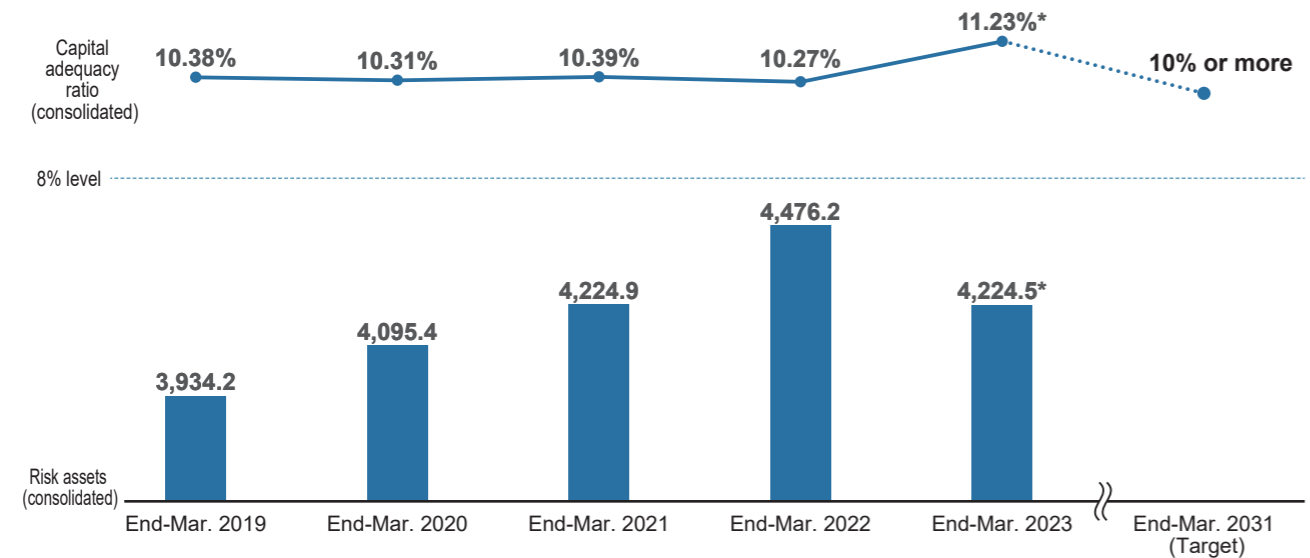


Preservation of soundness

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)



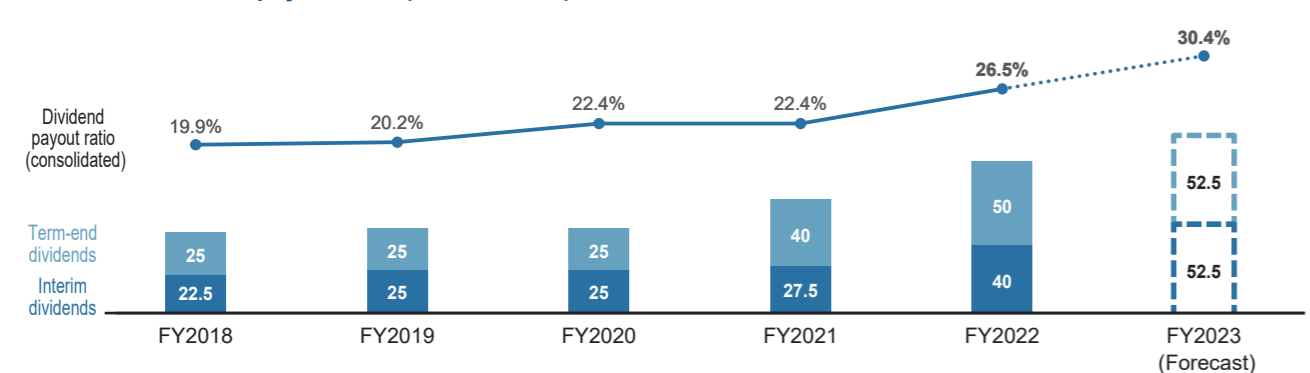
*Capital adequacy ratio is calculated through the early application of finalized Basel III from the end of March 2023.

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)



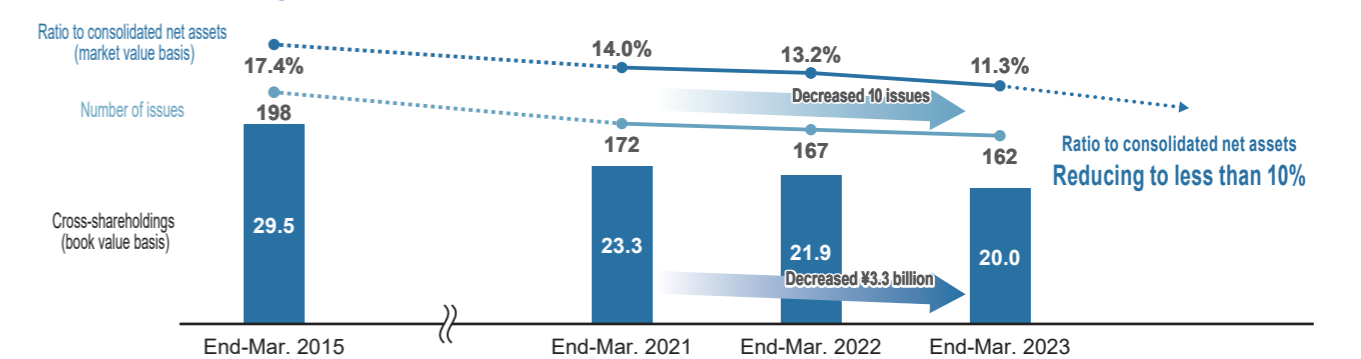
Cross-shareholdings

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.

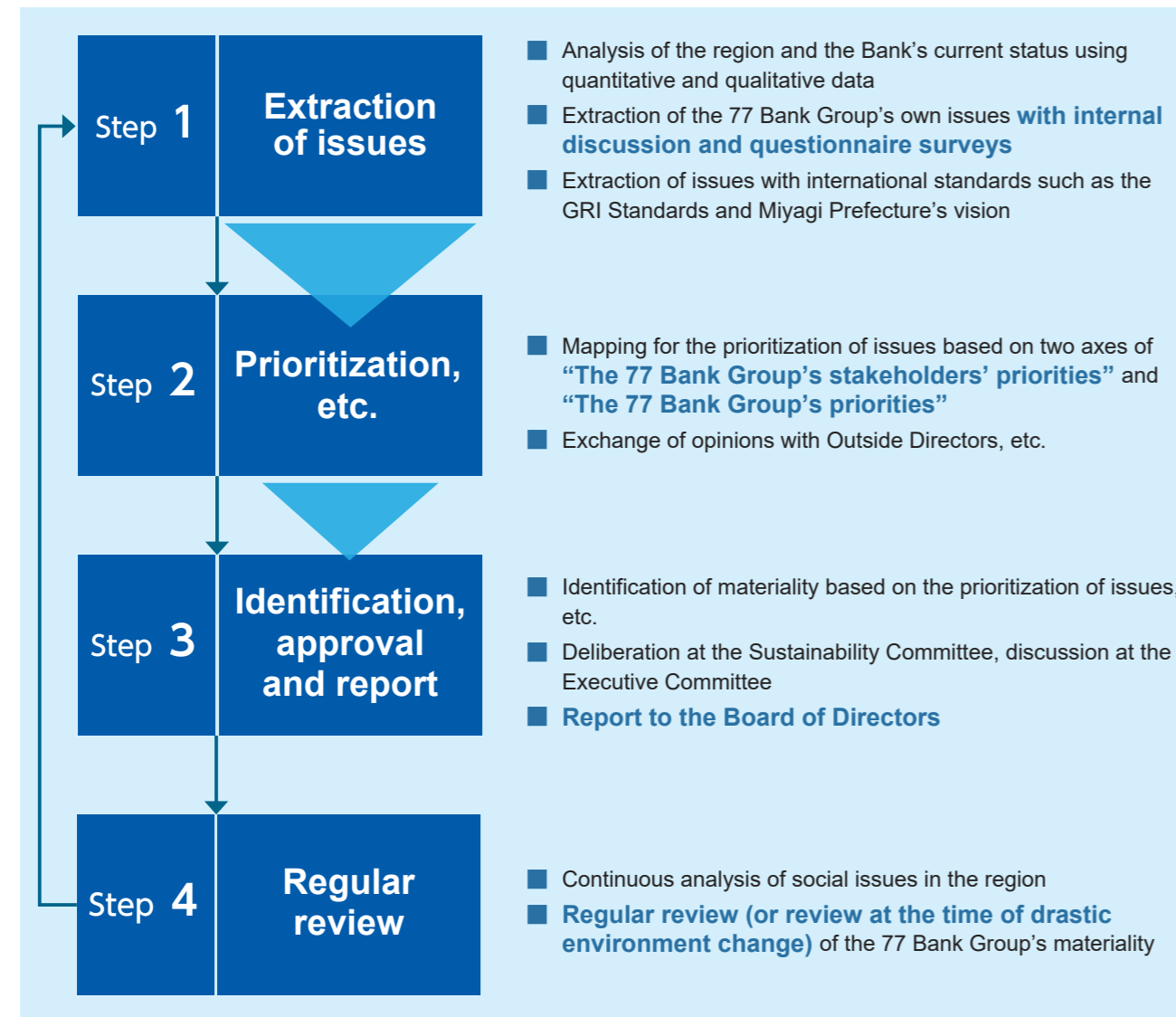
We will continue striving for sustainable growth and to improve the medium- to long-term corporate value through constructive conversations with shareholders, etc. to deepen their understanding of our initiatives, performance, etc.

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.

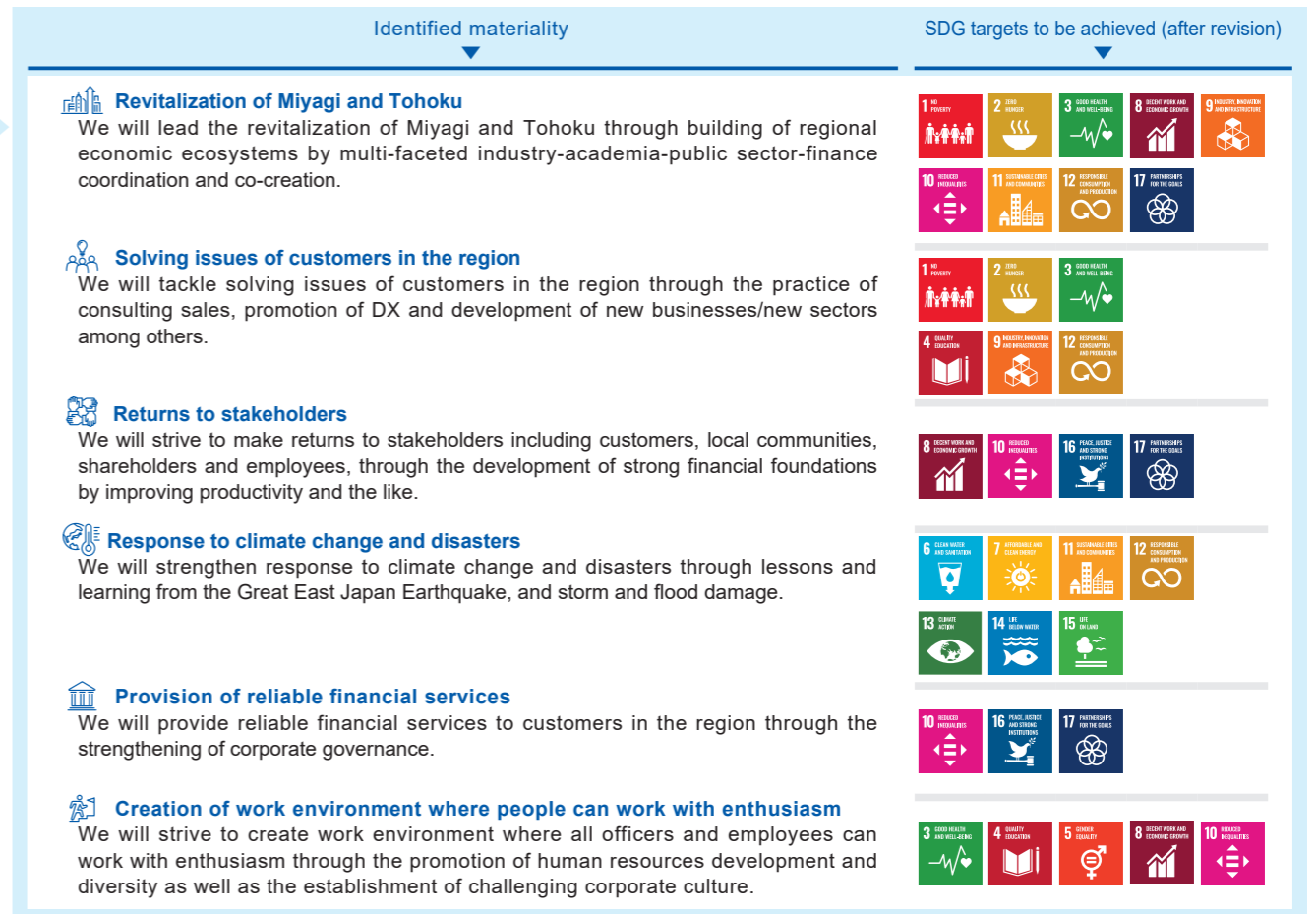


Governance structure

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%

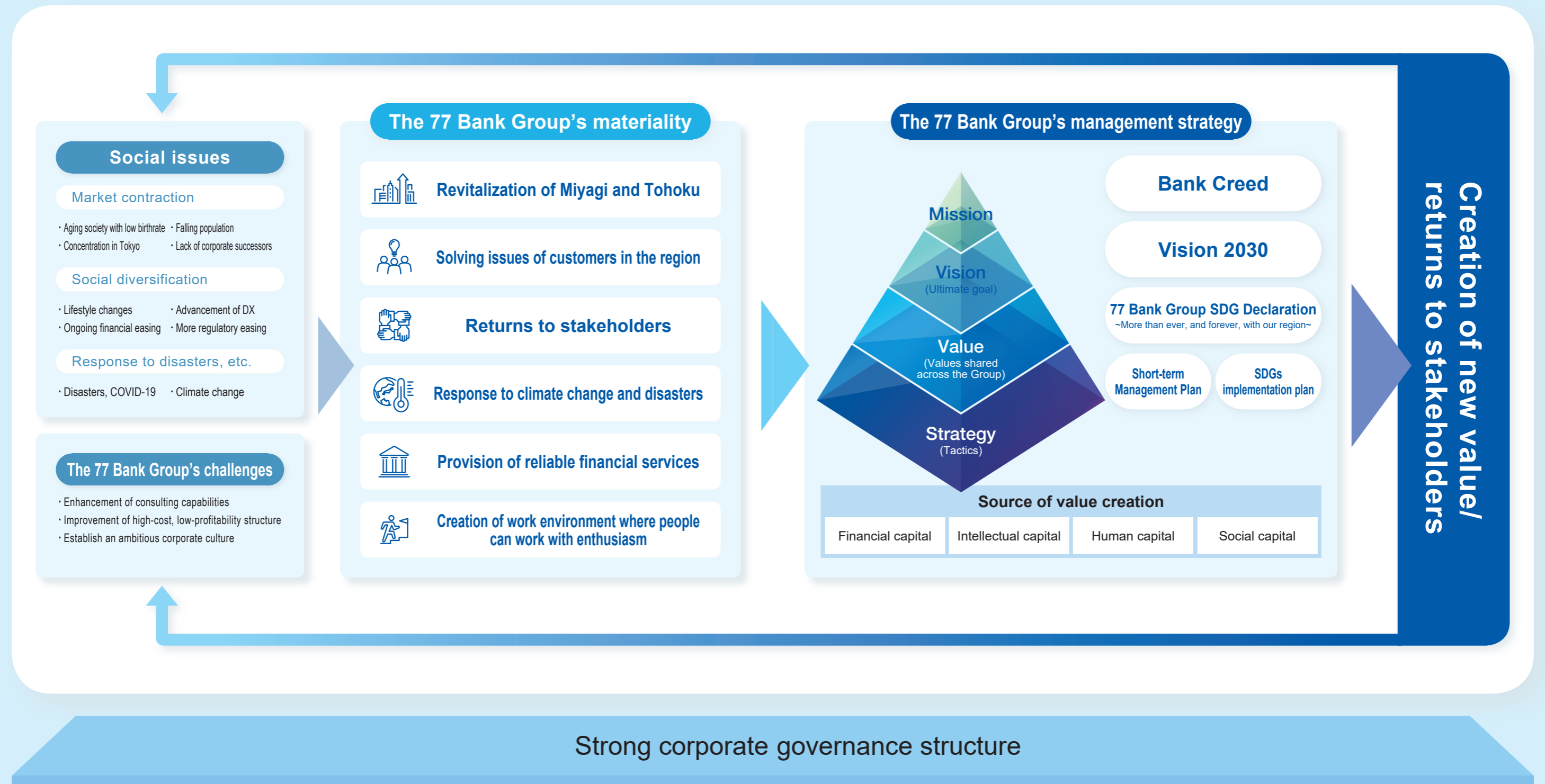
* Total cumulative investment and lending executed which contributes to the stimulation of local communities and the realization of a sustainable society (investment and lending that supports and promotes SDGs initiatives in the fields of the environment, medicine, new companies, business succession,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

01

Top Customer Satisfaction Strategy

The 77 Bank Group aims to be the leading bank for customer satisfaction by offering an amazing customer experience (inspiration) that competitors cannot match.

- ▶ Providing services unique to a regional financial institution, via face-to-face consulting and digital channels
- ▶ Utilizing our strengths, including our networks outside of Japan and information networks in the region
- ▶ Surprising and inspiring customers with performance that exceeds their expectations

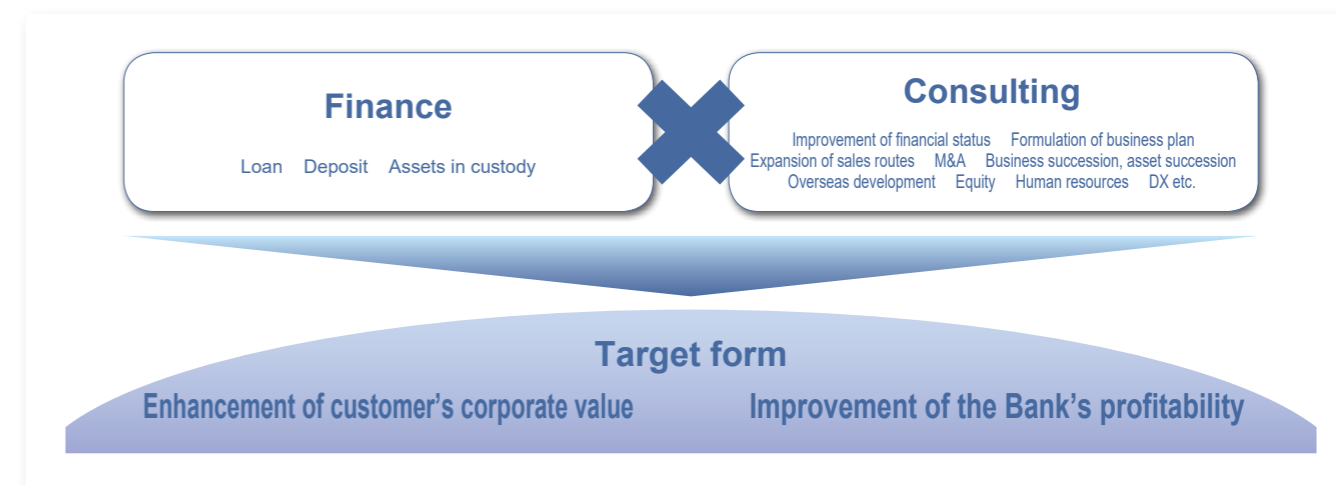


Progress status of KPI (Let's Try!)

	Result in FY2021	Result in FY2022	Target in FY2023	FY2030 Vision
Increase the proportion of companies in Miyagi Prefecture for whom we are their main bank by 10%	56%	56%	57%	62%
Increase the number of corporate lending clients outside Miyagi Prefecture by 1.5 times	1.07X	1.21X	1.23X	1.5X
Raise proportion of households “holding assets” in Miyagi Prefecture above the national average				
Ensure that 20% of the population of Miyagi Prefecture (aged 20 to 74) use loans from the Bank	12.7%	14.9%	16.0%	20.0%
Establish 10 projects in new businesses or sectors with promise for future commercialization (by FY2024) (as of July 31, 2023: six projects)				
To double the net income of Group companies by entering new businesses and sectors and expanding existing businesses	JPY 2.2 bn	JPY 1.4 bn	JPY 1.2 bn	JPY 3.0 bn

FOCUS The meaning of working on “Finance × Consulting”

“Finance × Consulting” is a very compatible business model for the Bank because it has business relationships with many clients and gathers information including on financial condition. Our unique strength is that we can not only perform the loan business but also understand various needs properly and provide solutions to issues from a standpoint of a financial institution. We will remain useful for local communities by enhancing the volume and scope of activities to capture potential needs, strengthen our consulting capability and enhance our business domain.

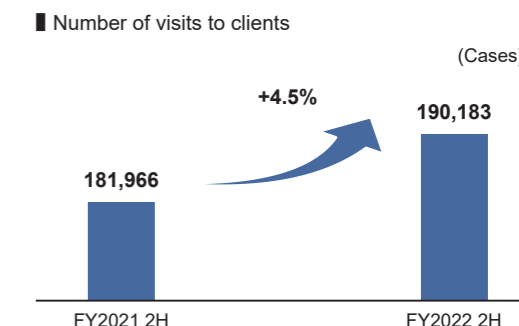


Specific initiatives

Strengthening of consulting sales

▶ Creation of opportunities for consultation, increase in activities

To provide a consulting service to various customers, we create consultation opportunities and increase the number of our visits to customers. In addition, staff members of the External Sales Department, Consulting Promotion Division are permanently stationed in 13 core branches in Miyagi Prefecture to provide a highly advanced consulting service in an appropriate and speedy manner.



▶ Spread of consulting sales

The Bank has held the “Consulting sales awards” since FY2019 to recognize medium- to long-term efforts in consulting sales by branches. Through these awards, the Bank aims to improve the ability of individual employees, while trying to spread consulting sales internally.

At the “Consulting sales awards” in FY2022, many high-level initiatives, such as those to improve customers’ satisfaction, give an impact on the local economy, or go beyond conventional frameworks, were reported.



Meeting of Consulting sales awards Final Screening Committee

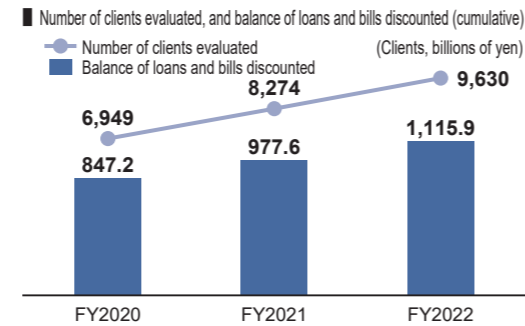
► Allocation of specialized human resources

We established a system to provide one-stop support to solve issues related to business succession. In addition, we set up a specialist team as a support system for the operators in the medical and nursing care industries. Moreover, we allocated employees who have abundant experience in management improvement support, etc. as Management Support Advisors to the Credit Supervision Division.

■ Consulting Promotion Division	
Regional Support Team	36 persons
Business Succession and M&A Team	12 persons
Medical Service and Healthcare Team	5 persons
■ Credit Supervision Division	
Management Support Advisor	4 persons

► Initiatives for business evaluations

Branches and headquarters are jointly working on business evaluations to share challenges and establish mutual understanding with customers through business evaluations. We are also trying to improve the quality of business evaluations by setting up the Business Evaluations and Corporate Sales Promotion Desk in the Consulting Promotion Division to dive deep into customers' challenges and strengthen our support to propose various solutions.



Develop new businesses and sectors

The 77 Bank Group aims to enter new business domains in order to solve the issues of customers and local communities, and become a leading company that operates a diverse range of businesses with the banking business at our core.

We will commit to the initiatives to solve regional issues while focusing on the key points of “does it utilize the strengths of the 77 Bank Group?” and “can we leverage synergies with our existing operations?”

1. Establishment of 77 Partners Co., Ltd. (December 2021)

The 77 Bank Group established this subsidiary specializing in majority investments accompanied by the acquisition of control over management and hands-on management execution support. We will utilize its consulting functions to a greater level than before and build a platform to support sustainable regional development with “regional people, things, and money.”



2. Establishment of 77 Human Design Co., Ltd. (August 2022)

We set up a subsidiary that provides advanced specialized solutions pertaining to “human resources.” Having “CONNECT - Connect people and companies, and connect local communities to the future” as a target form, we aim to activate local communities.



3. Launching trust services (April 2023)

The Bank started handling trust services to correspond to issues of local communities and social, such as an aging society during the era where people live for 100 years and there is an increased risk of dementia, by strengthening our support to respond to customers' needs and challenges to protect, increase and pass on their assets to the next generation.

4. Effective utilization of real estate held (construction scheduled to be completed in April 2025)

The building of Aramachi Branch and Yagiyama Branch will be reconstructed because it became obsolete. As for the building after rebuilding, we planned to make it into a complex building that includes the Bank's branch, floors and apartment for lease for the activation of local communities.



Conceptual image of appearance of the rebuilt building

5. Establishment of 77 Digital Solutions Co., Ltd. (May 2023)

In the Tohoku region which is facing social issues such as a falling population and aging society, initiatives for digitalization and DX by local companies have become important from the perspective of business growth. The Bank established an IT consulting company to provide full-scale digitalization support for the sustainable growth of the regional economy.



6. Establishment of Tohoku Healthcare Support Co., Ltd. (April 2023)

Formation of a fund specialized in local communities covering the healthcare area is a first in Japan!

The Bank, Fuyo General Lease Co.,Ltd. and BlueLine Partners Co., Ltd., which is a 100% subsidiary of Nihonkeiei Group jointly established a management company to form a healthcare fund specialized in local communities. The aim is to provide optimal solutions, including hands-on support, by combining the know-how of the three investing companies, as well as to provide flexible funds to medical and nursing care businesses in the Tohoku region which have various management issues.

Expansion of customer networks

Overseas network



Orange pin: Bank employee dispatch locations
 Blue pin: Major partner institutions, etc.

By utilizing the overseas network and local information network, the 77 Bank Group expanded the field it actively operates in.

► Establishment of Utsunomiya Corporate Sales Office (August 2023)

We established the Utsunomiya Corporate Sales Office at Utsunomiya City, Tochigi Prefecture as the base to provide a consulting service for corporate customers.

The 77 Bank will respond to wider needs of customers than before, with the new office playing the role of a bridge between the Tohoku economic zone centered on its main business base of Miyagi Prefecture, and the neighboring North Kanto economic zone.

Initiatives for retail sales

► Formulation of Retail Sales Policy

The Retail Sales Policy is formulated, as it is necessary for officers and employees to tackle retail sales with the same perspective in order for the 77 Bank Group to become companies that continue to be selected by customers and to maintain and expand the business relationship with customers.

Retail Sales Policy

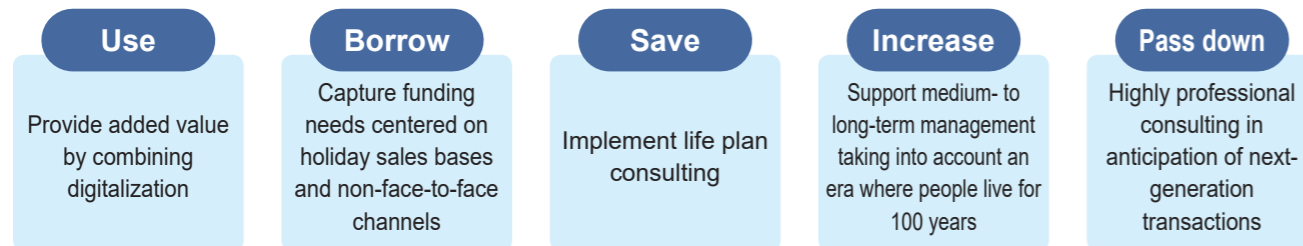
We will continue to be the best partner to realize the “target form” of individual customers.

We will sincerely stay close to wishes of individual customers to contribute to the realization of the “customers’ target form” through the provision of optimal solutions which will lead to satisfaction, happiness and peace of mind.

► Actions based on the Retail Sales Policy

- We will pursue the “customers’ target form” by providing optimal solutions for asset formation according to life plans, smooth asset succession, and financing, etc. to support people live with peace of mind.
- We will respond to issues of local communities and society, such as an era where people live for 100 years, aging, and increased risk of dementia, by backing up over the medium to long term the lives of customers through various careful and empathic proposals for formation, management, succession, administration and procurement of assets.

► Sales strategy based on customers



► Established the Customers’ Asset Formation Promotion Committee (April 2023)

The Customers’ Asset Formation Promotion Committee chaired by the President was established to further promote the formulation of customers’ assets and the improvement of financial literacy.

Major activities

- Arrangement of promotion and management system that contributes to the formation of customers’ assets
- Examination of promotion measures based on the revised Nippon Individual Savings Account (NISA) system
- Examination of measures to improve financial literacy in local communities
- Examination of promotion support measures for corporate customers to promote the use of NISA system
- Confirmation of the status of initiatives for operations that put customers first

<77> Initiatives for Operations that Put Customers First

The Bank and 77 Securities Co., Ltd. have established the 77 Basic Policy on Operations that Put Customer First in order to promote the provision of quality financial products and service to customers. This policy is complied with executives and employees, and the status of initiatives is announced regularly.

The 77 Basic Policy on Operations that Put Customers First can be viewed here.



The 77 Bank 77 Securities
* Japanese Language only

► Our support options for each stage of life

We offer various products and services to meet the needs of a broad range of customers.



► Sales structure for the wealthy and aged

In June 2021, we established the Wealth Management Office in the Business Promotion Division to provide an appropriate consulting service for local customers’ various challenges and concerns such as inheritance and asset succession in a super-aged society during the era where people live for 100 years.

We take an approach that is considerate and cares about customers by allocating staff in charge for each area and arrange customer visits with an employee of a branch.

Business Promotion Division

Liaison officer from headquarters

17 persons

02 Double Productivity Strategy

The 77 Bank Group will double productivity by releasing bank branches from the burden of administrative work, strengthening our consulting systems, and enhancing the abilities of each individual.

- ▶ Labor savings through improvement of administrative processes (reduction, consolidation, etc.) and promotion of expansion and use of non-face-to-face transactions
- ▶ Optimization of sales channels based on customer needs

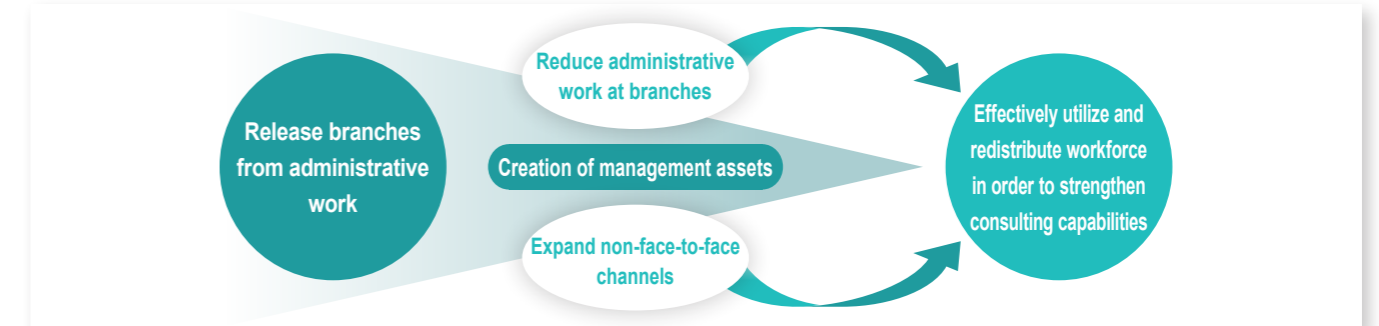


Progress status of KPI (Let's Try!)

	Result in FY2021	Result in FY2022	Target in FY2023	FY2030 Vision
Double labor productivity in core operations	JPY 11 mn	JPY 12 mn	JPY 13 mn	JPY 16 mn
Cut amount of administrative work at bank branches by 50%	(15%)	(25%)	(35%)	(50%)
Triple rate to usage of non-face-to-face channels	Corporate 13% Retail 15%	Corporate 15% Retail 20%	Corporate 17% Retail 25%	Corporate 30% Retail 30%

FOCUS Our way to improve productivity

In Japan, an aging society with a low birthrate and falling population, improving productivity is a challenge for any company. It is said that slow growth in productivity is the cause of the long-term stagnation of the Japanese economy. The Bank acknowledges as the highest priority and will promote initiatives to improve the issue. As for our commitment to increase profits by improving productivity, “Vision 2030” targets the “50% level for core OHR.” We will generate more time for consulting and improve productivity by reducing paperwork at branches by cutting out and concentrating office administration work, promoting the enhancement and utilization of non-face-to-face transactions and shifting the management resources generated, such as human resources and capital, to strategic areas.



Specific initiatives

Reduce administrative work at branches

▶ Status of initiatives for promoting paperwork-free operations

In FY2022, focusing on the Operations Group of branches, we expanded operations subject to headquarters centralization, reduced inefficient administration work specific to individual companies, and reduced and simplified counter administration work. As a result, we created 153,000 man-hours and 42 personnel members of branches.

In FY2023, we will examine administration work for a reduction. In addition, we will start utilizing “branch tablets” at all branches and promote paperwork-free operations, aiming to save 180,000 hours.

▶ Introduction of branch tablets (operation scheduled at all branches by September 2023)

So far, to apply for a transaction, customers have been requested to handwrite many entries and affix a seal to an application. With a branch tablet, procedures for transactions can be completed by entering information on the screen, shortening processing time through this “paperless,” “seal-less” method.

Expand non-face-to-face channels

▶ Start of 77 Business Portal operations (October 2022)

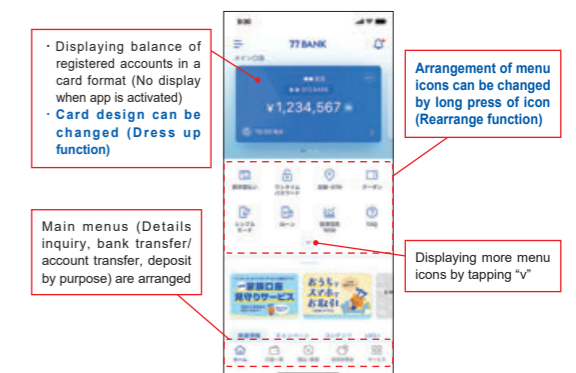
77 Business Portal is one-stop online service enabling corporate and sole proprietorship customers to carry out various procedures, such as confirming deposits and withdrawals.

In addition, as a comprehensive platform for corporate and sole proprietorship customers, it has notification system and may be linked to external services.

▶ Renewal of the 77 Bank App (November 2022)

To improve the convenience of the 77 Bank App, we renewed the top screen, etc.

In addition to using designs that customers can image intuitively, we employed simple designs by giving consistency to functions and designs.



(Actual operation screen)

Digital reforms in the banking business

We shall capture the effect of digitalization by promoting “non-face-to-face channel reform,” “bank branch reform,” “paperwork-free reform,” “data utilization reform,” and “digital reforms for employees” as “digital reforms in the banking business,” which is our existing business domain.

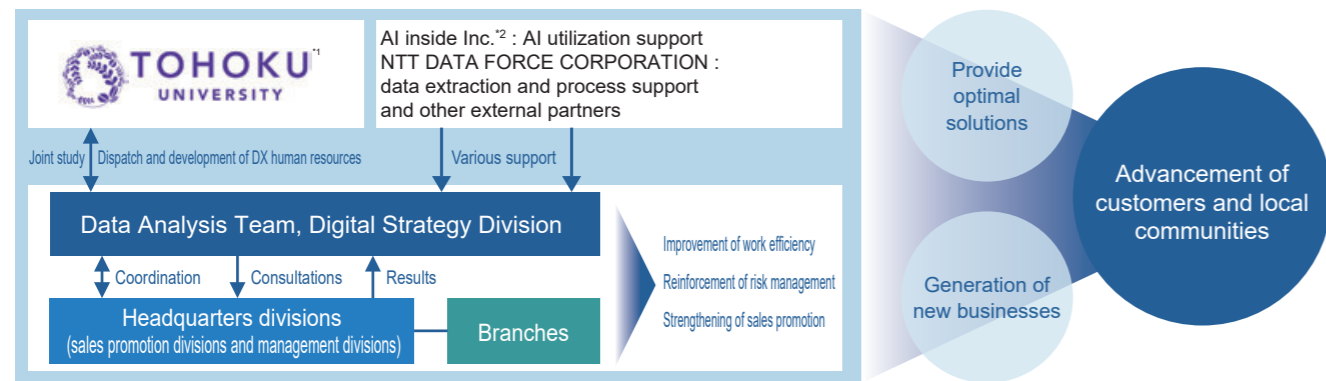


Data utilization reform Establishment of Data Analysis Team (November 2022)

To strengthen our initiatives for areas using data, we established the Data Analysis Team that is led by employees dispatched to the joint study^(Note) with the Graduate School of Economics and Management, Tohoku University, National University Corporation, in April 2022.

We will explore and analyze data analysis projects for the Bank to improve work efficiency, reinforce risk management and strengthen sales promotion.

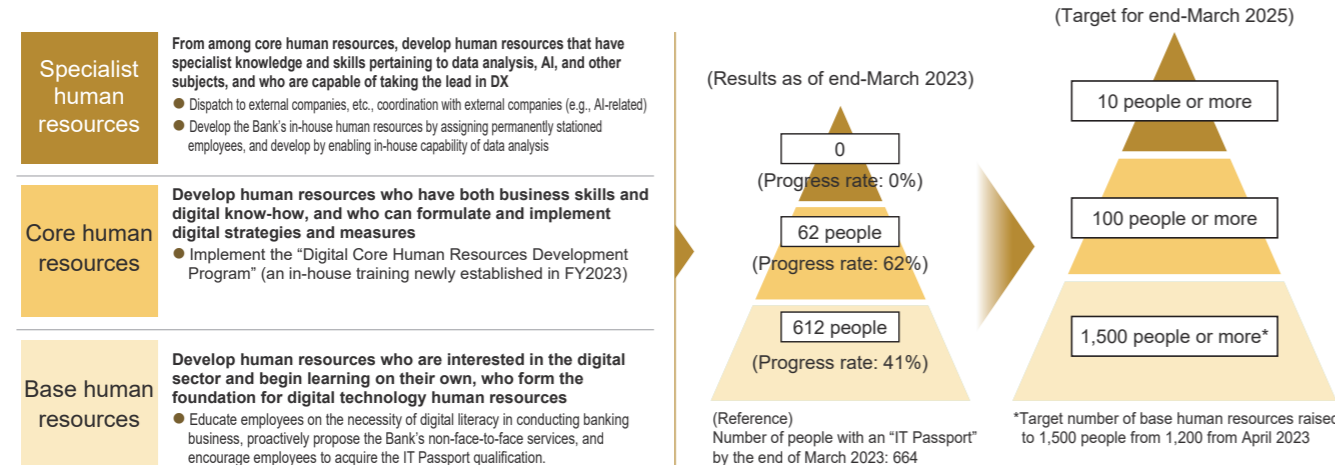
(Note) To jointly develop DX specialists with knowledge of both business and digital technology to accelerate DX initiatives including the provision of a service utilizing data and improvement of operational productivity.



*1 Dispatching the Bank employees to the Data Science College of Tohoku University since October 2022 *2 Full-scale introduction of AI model-building tool offered by the company since May 2022

Digital reforms for employees Development of digital technology human resources

To respond to customers’ needs for digitalization and achieve DX in bank operations, we are focusing on the development of digital technology human resources to convert ourselves into an organization of members with high IT literacy who can effectively utilize digital technology.



PICK UP

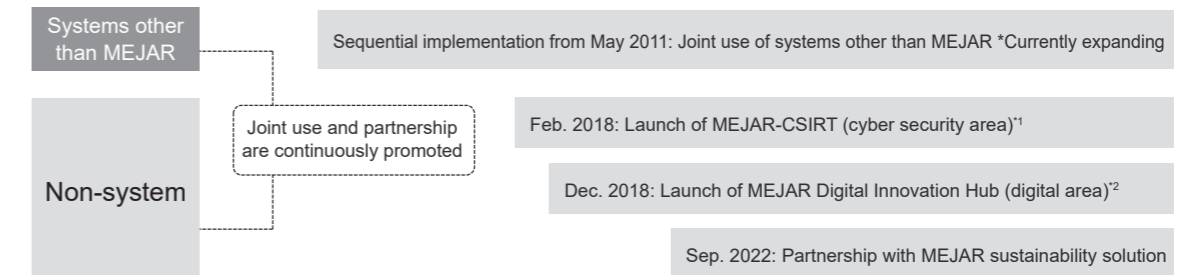
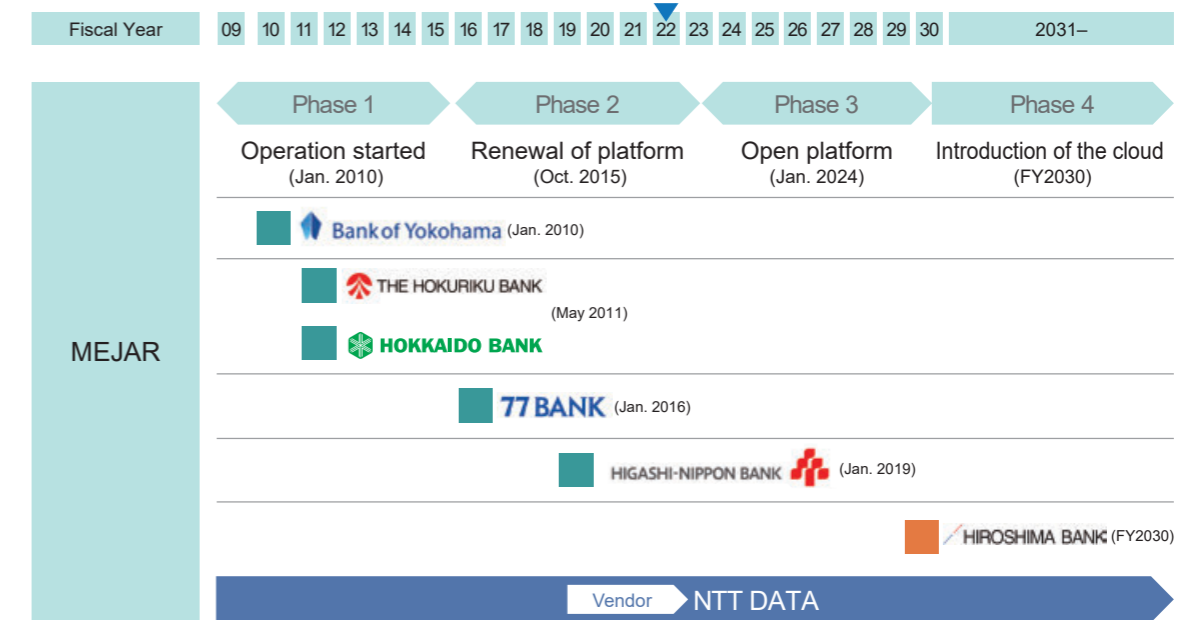
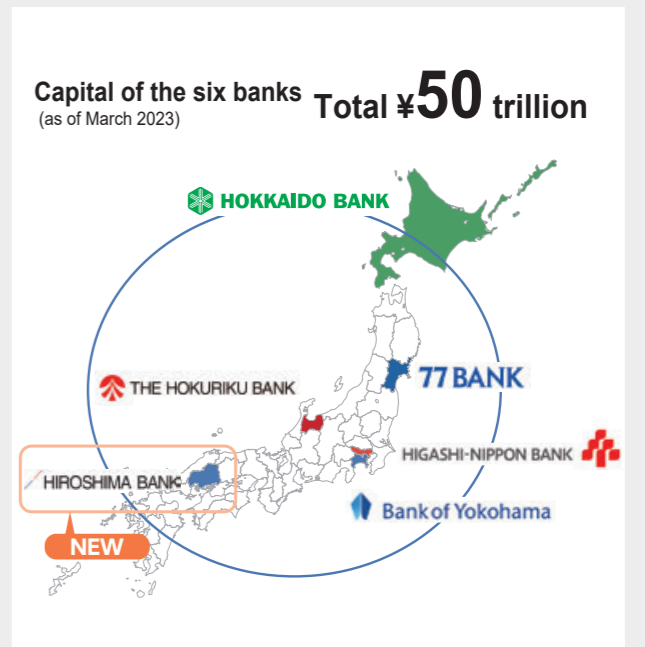
Renewal of MEJAR system



Regarding “MEJAR,” core banking system jointly used by five banks—the Bank, The Bank of Yokohama, Ltd., The Hokuriku Bank, Ltd., The Hokkaido Bank, Ltd. and The Higashi-Nippon Bank, Limited—we have agreed to adopt “open platform” that allows us to flexibly choose various types of hardware and software, to respond to customers’ diversified needs and the progress of digitalization. Looking ahead to the start of the operation of the open platform in 2024 (Phase 3 system), we are currently developing the system.

In November 2022, The Hiroshima Bank, Ltd. also participated in MEJAR. In addition, the six banks and NTT DATA Japan agreed to move ahead to the Phase 4 system by introducing the cloud to MEJAR, etc. and consider sharing systems other than MEJAR system.

We will also study potential partnerships in areas other than the system.



*1 Regularly implementing information exchange, confirmation of status and joint training regarding cyber security *2 Jointly promoting measures including the reform of operation process, and channel and service reform utilizing digital technology

03 Regional Growth Strategy

The 77 Bank Group will work to achieve sustainable growth together with the local community by making the region attractive and supporting the growth of inspirational local companies.

- ▶ Building true partnerships to realize a future envisioned together with regional public bodies
- ▶ Strengthening and utilizing partnerships with external partner institutions and private-sector companies, etc. who have consulting functions



Progress status of KPI (Let's Try!)

To support increased economic growth rate in Miyagi Prefecture

To triple the number of growth support cases for business founders

Aim for 100% participation in regional development projects in Miyagi Prefecture, such as “Sendai Urban Restructuring Project” and “Next-generation synchrotron radiation facility.”

As for the 77 Bank Group's CO₂ emissions, achieve carbon neutrality by FY2030 and support cuts to greenhouse gas emissions in Miyagi Prefecture

Result in FY2021	Result in FY2022	Target in FY2023	FY2030 Vision
1,490 cases	1,761 cases	1,800 cases	3,000 cases

Result in FY2021	Result in FY2022	Target in FY2023	FY2030 Vision
10,331 t-CO ₂	9,264 t-CO ₂	9,100 t-CO ₂	0 t-CO ₂

FOCUS Reason why the 77 Bank Group is working on the regional revitalization

Regional banks support the local economy and exist based on an economic foundation. Therefore, we need to work to create an attractive region. Since 2016 for regional revitalization, the Bank has been working on the 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. We will work to aim for sustainable growth with local communities by promoting local revitalization through coordination and co-creation among industry, academia, public sector, and finance.

<The 77 Bank's regional revitalization mission> Strengthening initiatives to promote four key items of implementation

- 1 Support for founding and new businesses**
 - ▶ Support for founding and new businesses
 - ▶ Assistance with funding
 - ▶ Cooperation for various events
 - ▶ 77 New Business Subsidies
- 2 Support and development of regional core companies**
 - ▶ Support for growth of local enterprises
 - ▶ Business matching and sales channel cultivation
 - ▶ Support for industry-academia cooperation
 - ▶ IPO assistance
 - ▶ Assistance with utilization of subsidies, etc.
 - ▶ Human resources placement
- 3 Promotion of urban development**
 - ▶ Participation in regional development projects
 - ▶ Promotion of public-private partnership projects
 - ▶ Support in collaboration with external institutions
- 4 Support for promotion of tourism, etc.**
 - ▶ Support for feasibility and growth of the tourism industry
 - ▶ Assistance with promotion of inbound travel
 - ▶ Assistance with preparation of tourist intake framework

Revitalizing regional industry, economy and living

Specific initiatives

Support for founding and new businesses

▶ Founding of 77 Startup Members (August 2022)

We established “77 Startup Members” for the users of “<77> Founding Support Package” and venture companies created in Tohoku University to reinforce our support for our customers who recently started their businesses so they can grow.

The Bank holds events and seminars for founders in their early stages of business and provides information on subsidies, etc. We also periodically share information about the measures, etc. implemented by the parties supporting venture businesses, while we build up momentum for IPO.



Support and development of regional core companies

▶ Conclusion of “Agreement on Revitalization of the Manufacturing Industry” with ALPS ALPINE CO., LTD. (September 2022)

We signed “Agreement on Revitalization of the Manufacturing Industry” with ALPS ALPINE CO., LTD. to support the growth of regional enterprises and industries, give support via cooperation among industry, academia, public sector, and finance for the revitalization of industries, address regional challenges, vitalize regions, etc.



Ceremony for conclusion of agreement with ALPS ALPINE CO., LTD.

▶ Partnership with Tohoku University, National University Corporation, and Tokyo Stock Exchange, Inc.

We are presenting proposals for the utilization of the stock market, etc. collaborating with Tohoku University, National University Corporation, and Tokyo Stock Exchange, Inc. with the aim of producing listed companies from the Tohoku region.

From December 2022 to March 2023, we held the “IPO Management Human Resource Development Program TOHOKU – 77 Bank × Tohoku University × JPX –” and provided the management of companies that are aiming for listing with knowledge and information required for an IPO.



Holding of the IPO Management Human Resource Development Program TOHOKU – 77 Bank × Tohoku University × JPX –

► Support for international business

We support local customers' overseas expansion, overseas sales channel development and expansion, and overseas business including various trade transactions by utilizing our overseas network and cooperating with our domestic and overseas partners.

We provide local support to customers' overseas business via our two overseas bases in Shanghai and Singapore and dispatching our employees to Thailand, Vietnam, etc.



Holding FBC ASEAN 2022 Monozukuri Business Conference

► Holding Regional revitalization manager forum

—Tradition and Missions in Miyagi

To contribute more to regional revitalization, in May 2023, we held “Regional revitalization manager forum—Tradition and Missions in Miyagi” to generate opportunities to share and utilize knowledge, know-how, etc. of long-standing regional companies that have been running for over 100 years.

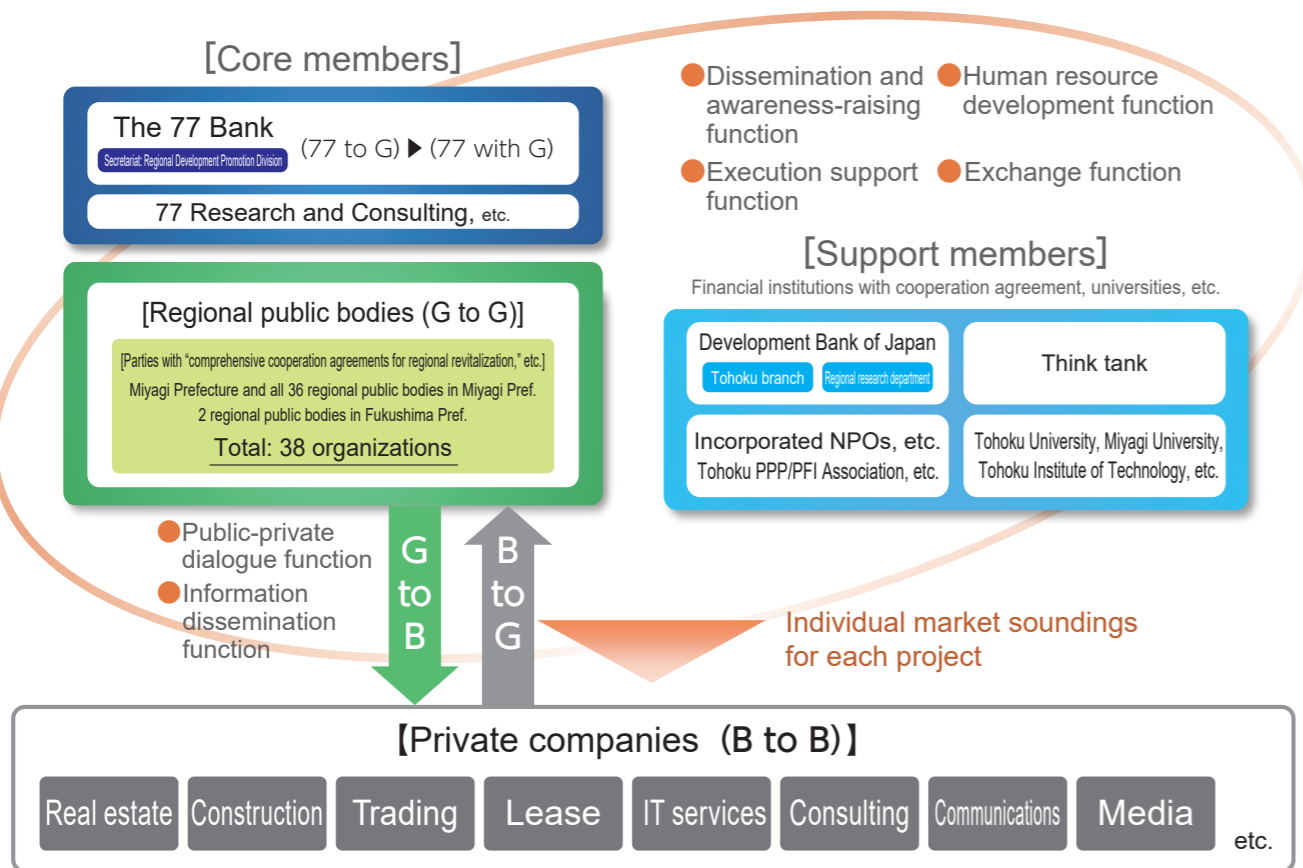


Promotion of urban development

► Formation of the Miyagi Wide-Area PPP Platform (January 2020)

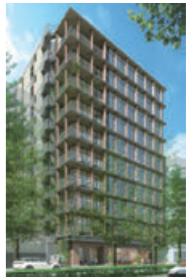
As a part of our efforts based on the “Agreements on Comprehensive Cooperation for Regional Revitalization” with regional public bodies and other agreements, we have formed the “Miyagi Wide-area PPP Platform (nickname “MAPP”)” as a space for continual information sharing and encouraging dialogue between the public and private sectors for the utilization of private-sector funds and know-how.

Miyagi Wide-area PPP Platform



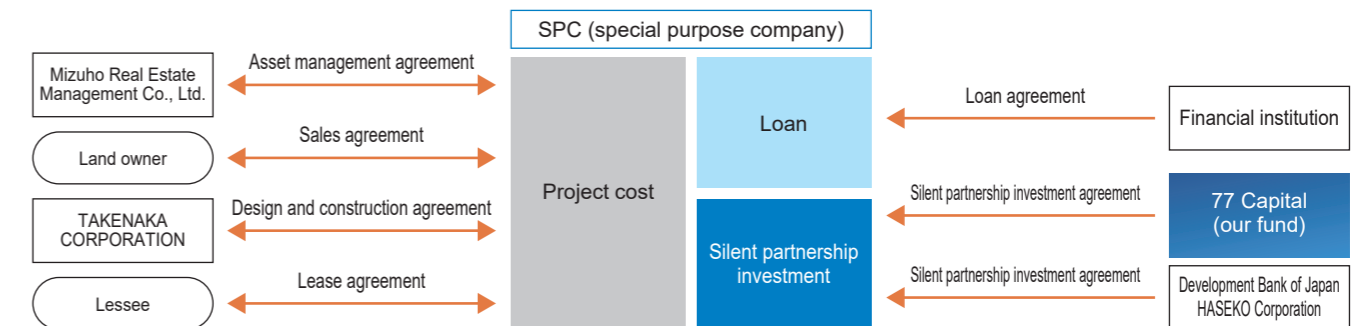
► Major initiatives related to Sendai Urban Restructuring Project

Through 77 Strategic Investment Limited Partnership, which was formed with 77 Capital Co., Ltd., the Bank invested in a special purpose company that operates the environmentally friendly office development project that uses a mixed structure of wood and steel (wooden hybrid) along Hirose-dori in Aobaku, Sendai.



Conceptual drawing

► Structure overview



► Major initiatives related to NanoTerasu

[Funding support]

We supported funding for the construction of NanoTerasu and presented a donation to the Photon Science Innovation Center, which is the foundation to manage NanoTerasu.

[Promoting utilization]

By utilizing wide networks of the Photon Science Innovation Center and the Bank, we are seeking companies that would use NanoTerasu and cooperating in hosting seminars, etc.

[Advice about business plan and strategy, etc.]

With the Development Bank of Japan Inc., the Bank participates in the management of the Photon Science Innovation Center, which is the main operator of the NanoTerasu project, as Auditor and provides advice, etc. about business plans and strategies.



Donation presentation ceremony



Arranging NanoTerasu inspection tour



Holding regional vitalization matching event

► Holding of regional vitalization matching event

In January 2023, we held a regional revitalization matching event to promote the utilization of taxation for supporting regional vitalization (nickname “corporate Furusato Nozei (Hometown Tax Donation)”).

While 13 heads of regional public bodies, etc. made presentations to private companies, a total 370 visitors showed up on that day. Through the event, Tohoku Branch, SHIMIZU CORPORATION presented a donation to Kami Town and Watari Town.

As of the end of July 2023, the Bank has concluded a contract for the promotion of taxation for supporting regional vitalization with Sendai City, Ishinomaki City, Shirosishi City, Marumori Town, Rifu Town, Kami Town and Wakuya Town.

Support for promotion of tourism, etc.

► Support for the utilization of crowdfunding, etc.

We cooperated with Public Interest Incorporated Foundation ZUIHODEN for a funding project that utilizes crowdfunding for the repair work of the ZUIHODEN main temple, which was postponed due to an earthquake in 2021 that had an epicenter located off the coast of Fukushima.



Initiatives to promote sustainability

Enhancement of sustainability-related products

We enhance the lineup of various products from the viewpoint of supporting customers' efforts for sustainability.

In April 2023, we started handling Comprehensive Valuation-Type Sustainability-Related Loan (77 sustainability-linked loan, 77 green loan, and 77 social loan) and 77 Open-Type Green Foreign Currency Time Deposit.

All products received a second opinion from Rating and Investment Information, Inc.

Overview of Comprehensive Valuation-Type Sustainability-Related Loan			
	77 sustainability-linked loan	77 green loan	77 social loan
Loan target	Customers with ambitious SPTs* that help improve business sustainability and social sustainability	Customers who make a capital investment for a green project	Customers who make a capital investment for a social loan project

* An abbreviation of "Sustainability Performance Targets," which is to objectively scale the level of contribution to social sustainability.

77 Open-Type Green Foreign Currency Time Deposit	
Description	It is for the Bank to appropriate the money equivalent to customers' deposits to domestic/foreign investment and lending in the environmental sector that meet our standards. Through the product, customers can contribute to the efforts to solve social issues in the environmental sector.

Spread of sustainability

To realize a sustainable society, it is essential to spread the idea of sustainability in local communities. To widely spread the idea of sustainability, we hold seminars, etc. and take measures such as providing financial education.

Moreover, to let the idea of sustainability sink in, we endeavor to improve our employees' awareness of sustainability by regularly sharing sustainability-related information with them.

Strengthening partnership for sustainability

Conclusion of "Cooperation Agreement for the Promotion of Carbon Neutrality" with Tohoku Electric Power Co., Inc. (April 2023)

Details of partnership

- Implementation of activities for promoting carbon neutrality
- Implementation of activities for raising awareness about carbon neutrality
- Other matters that both parties agreed as necessary for carbon neutrality in local communities



Conclusion of "Partnership Agreement on the Promotion of Sustainability in Local Communities" with Nippon Life Insurance Company (June 2023)

Details of partnership

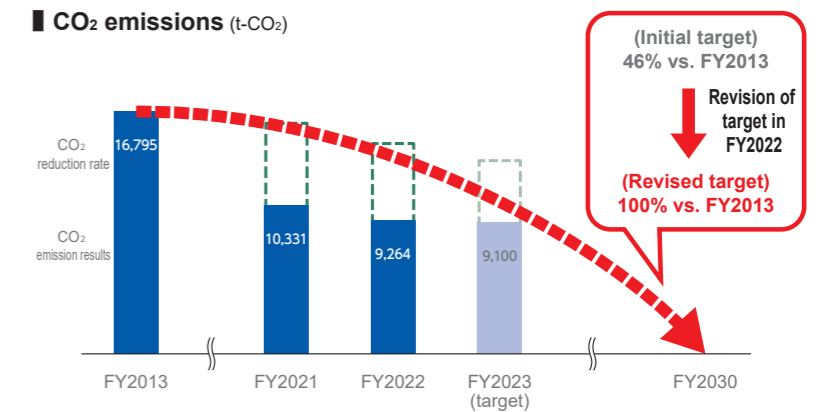
- Matters related to the revitalization of the regional economy
- Matters related to the realization of an affluent society and life
- Other matters related to the promotion of regional sustainability



Initiatives for global warming and climate change

Realization of carbon neutrality

To further reinforce the response to climate change, the 77 Bank Group reviewed existing FY2030 CO₂ emissions targets (reduction rate compared with FY2013) set as a KPI in "Vision 2030" and "SDGs Action Plan" and changed it to "Aim to achieve carbon neutrality by FY2030."



Introduction of renewable energy

With Tohoku Energy Service Co., Inc., which is a 100% subsidiary of Tohoku Electric Power Co., Inc., the Bank concluded an agreement regarding an off-site corporate PPA [self-consignment system] service.

We will establish 77 Solar Park Tomiya, a solar power plant of about 2,000 kW, on our unused land in Tomiya City, Miyagi Prefecture, and supply the power generated from renewable energy to the head office building and some branches.

We aim to complete construction and start supplying power by 2024. It is estimated that about 1,237 t-CO₂ emissions will be reduced per year.

(Reference) Conceptual image of off-site corporate PPA [self-consignment system] service



Calculation of Scope3 emissions

(Please refer to page 49 for details)

For Scope3, the emissions for category 6 (business trip), 7 (employees' commuting) and 15 (investment target and borrower) were calculated (Scope3 total: 10,013,332 t-CO₂). Based on the calculation of Scope3, we will promote our engagement and provision of solutions to reduce greenhouse gas emissions by our investment target and borrower.

Response to TCFD recommendations

Based on the acknowledgement that the response to sustainability-related challenges including climate change is one of the important management issues, in April 2023, we identified the “response to climate change and disaster” as the important issue of the 77 Bank Group in “the 77 Bank Group’s materiality,” which was formulated and released having the engagement of all officers and employees including Outside Directors. We reinforced our initiatives, and enhanced information disclosure measures based on the TCFD recommendations.

Governance

The Bank has established a basic policy for sustainability promotion management, and in addition to formulating the “Sustainability Promotion and Management Policy” in January 2022 to ensure this is managed properly and sufficiently, we set up the “Sustainability Committee,” chaired by the President, in July 2022. Through discussing and reporting the relevant important matters, including climate change, we ensure the results of these efforts are reflected in management strategies and risk management.

In FY2022, we held the Sustainability Committee meeting five times to deliberate on ways to reinforce the management structure to promote sustainability and report the content to the Board of Directors.

Since October 2021, in line with the “SDGs Action Plan,” which is formulated each fiscal year, we have been regularly reporting the status of initiatives for the SDGs such as climate change to the Board of Directors and have constructed a system where the Board of Directors supervises the status thereof. Moreover, for the purpose of promoting initiatives for solving environmental and social problems such as climate change on a Group-wide basis, we have set up the “Sustainability Promotion Office” inside the General Planning & Coordination Division and while putting in place a system for appropriate management, we are ensuring that measures are promoted effectively.



Strategy

The Bank will try to identify risks and opportunities with scenario analysis, etc. At the same time, based on “SDGs Action Plan,” etc., we will reinforce our initiatives to “respond to climate change and disasters” by taking measures to minimize risks and maximize opportunities.

Risks and scenario analyses

As for climate change risk, we recognize the following physical and transitional risks as assumed impact on customers’ business and risks that would affect the Bank’s business continuity. We analyze the impact when the risks become eminent for the timeframe of short (5 years), medium (10 years) and long (30 years) terms.

Classification	Assumed risk	Time frame		
		Short	Medium	Long
Physical risks	• Occurrence of credit risk caused by natural disaster affecting customer’s sales base and suspending its business	○	○	○
	• Occurrence of credit risk caused by the declined value of real estate collateral due to natural disaster	○	○	○
	• Occurrence of operational risk due to the Bank’s branch, etc. being affected by natural disasters	○	○	○
	• Occurrence of credit risk caused by the customer’s withdrawal from the business due to flooded sales sites with the rise of sea level, etc.			○
Transitional risks	• Occurrence of credit risk due to the revision of climate change-related regulations and tax systems giving a negative impact on customer’s business	○	○	○
	• Occurrence of credit risk due to the failure of decarbonization technology and changes in the market giving a negative impact on customer’s business	○	○	○
	• Occurrence of reputation risk of the Bank when our response to climate change/information disclosure is insufficient	○	○	○

<Scenario analyses>

For physical and transitional risks, we anticipate each risk’s intensifying scenarios as follows, and analyze the influence when the risk becomes eminent.

[Scenario analysis results]

Physical risks	<ul style="list-style-type: none"> Based on the 4°C scenario (RCP8.5) presented by the Intergovernmental Panel on Climate Change (IPCC), we analyzed the impact on the collateral value on a municipality basis, targeting real estate collateral in Miyagi Prefecture, in the event of storm and flood damage equivalent to that of Typhoon No. 19 in 2019 referring to a hazard map, etc. As a result of analysis that takes into account the temperature rise up to 2050, the collateral value by region is expected to decrease by up to ¥10.0 billion.
Transitional risks	<ul style="list-style-type: none"> Based on the below 2°C scenario presented by the Network for Greening the Financial System (NGFS), we analyzed the impact on credit expenses for borrowers in the power and utilities sector as a result of deterioration of financial conditions due to tax burden caused by the introduction of carbon taxes and existing facilities turning into stranded assets. As a result of analysis covering the period up to 2050, credit expenses are expected to increase by a maximum of about ¥9.4 billion.

<Carbon-related assets>

The Bank’s exposure to the energy and utilities sector accounts for 3.6% of its loans and bills discounted (however, water utilities, independent electric power, and renewable power businesses are excluded).

■ Opportunities

We are aware that it is important to make efforts to achieve carbon neutrality and keep supporting our customers’ decarbonization initiatives for the long term based on the calculation of Scope 1, 2 and 3.

We understand that new business opportunities will emerge and enhance as there is a rise in demand from society for our support for customers’ decarbonization initiatives, including related consulting capability and financial intermediary function (transition finance), such as the investment and lending required for decarbonization projects.

The same as “risk,” for the “opportunities” of climate change response, we will use the time frame of short (5 years), medium (10 years) and long (30 years) terms.

No.	Assumed opportunity	Time frame		
		Short	Medium	Long
(1)	• Expansion of investment and lending opportunities for research and development investment, capital investment, etc. for energy-saving and changes of fuel and materials for the manufacturing industry, etc.	○	○	○
(2)	• Expansion of investment and lending opportunities for power generation facilities associated with the conversion of renewable energy into main power source	○	○	
(3)	• Increase in consulting needs for the strategy formulation and risk control for companies’ decarbonization	○		
(4)	• Expansion of investment and lending opportunities related to the start of new decarbonization-related business by companies, etc.		○	○
(5)	• Expansion of investment needs with investment products that pay attention to environmental protection	○	○	

<Major initiatives related to business opportunities>

- (1) Introduction of sustainability-related products
 - A. Introduction of eight products including sustainability-linked loan based on international principles, etc.
 - B. Introduction of "77 Seven Goals," SDGs loan with fixed goals
- (2) Execution of renewable energy-related funding (actual results: 461 cases/¥209.1 billion)
- (3) Introduction of various consulting services, etc.
 - A. Provision of SDGs support service (number of actual applications: 214)
 - B. Start of the referral business of CO₂ emission visualization service (business partnership with e-dash Co., Ltd.)
 - C. Commencement of initiatives to provide sustainability-related advanced products and services by establishing the network for "MEJAR sustainability solution partnership" among the six banks that jointly operate the enterprise system, "MEJAR"
- (4) Launch of initiatives for the expansion of business opportunities
 - A. Review of the business evaluation effort from the viewpoint of sustainability
 - B. Start of engagement with companies that emit large amounts of GHG using the financed emission calculation
- (5) Enhancement of investment products for customers
 - Introduction of 77 Open-Type Green Foreign Currency Time Deposit and SDGs-related investment trust

Risk management

- The Bank recognizes that physical and transitional risks caused by climate change may have a significant financial impact in the future.
- With measures such as the revision of risk management rules, we are preparing the system to capture and verify climate change-related risks properly. At the same time, with regular scenario analysis and stress tests, etc., we implement comprehensive analysis and verification regarding the impact of the materialization of physical and transitional risks on the soundness of equity and finance, and a ripple effect on other risk categories*, especially credit risk.

* Increase in credit risk capital due to rising probability of default (PD) and loss given default (LGD), growth of operational risk equivalent amount associated with the damage to tangible fixed assets (internal losses), etc.
- The Bank established "Lending Policies for Specific Businesses" and decided not to provide loans to companies that would have a negative impact on the environment and society.

Indicators and targets

- To further reinforce the response to climate change from FY2023, the 77 Bank Group upgraded the KPI regarding the reduction of CO₂ emissions from "a 46% reduction compared with FY2013" to "the realization of carbon neutrality by FY2030." (Target: Scope1 and 2).

Furthermore, in FY2022, we succeeded in reducing CO₂ emissions by 44.8% compared with FY2013.

<Scope1 and 2>		(t-CO ₂)				
Items measured	FY2013	FY2019	FY2020	FY2021	FY2022	
Scope1 (kerosene, heavy oil A, etc.; however, gasoline is excluded)	1,894	1,638	1,600	1,483	1,185	
Scope2 (electricity, local hot water)	14,901	10,689	10,597	8,848	8,079	
The Bank's total (Scope1 + 2)	16,795	12,327	12,197	10,331	9,264	
Reduced volume of CO ₂ emissions (The Bank's total) (Vs. FY2013)	—	(4,468)	(4,598)	(6,464)	(7,531)	
Reduction ratio of CO ₂ emissions (The Bank's total) (Vs. FY2013)	—	(26.6%)	(27.3%)	(38.5%)	(44.8%)	

Note : The number above is the CO₂ emissions of the Bank alone stated in the periodic report in accordance with the "Act on Rationalizing Energy Use and Shifting to Non-fossil Energy." For the usage of renewable electricity, we regard CO₂ emissions to be "0."

<Scope3>

Category	CO ₂ emissions (t-CO ₂)
Scope3 total	10,013,332
Category 6 (business trip)	524
Category 7 (employees' commuting)	1,212
Category 15 (investment target and borrower)	10,011,596

Note 1: The calculation of Scope3 is based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.5)" and the "Policy on Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.3)" issued by Ministry of the Environment.

Note 2: The disclosed data including emissions may be changed due to the future expansion of the scope of the accounting targets, revision of calculation method, refinement of data to be used, etc.

● Customers' CO₂ emissions by industry and region

FE related to all of the Bank's investment targets and borrowers (Note 1)

No.	Industry classification	CO ₂ emission attributable to the Bank (Note 2) (t-CO ₂)
1	Power	2,131,840
2	Metal and mining	921,391
3	Beverage and food products	790,957
4	Chemistry	681,057
5	Construction material and capital goods	667,057
6	Land transportation	384,685
7	Paper and forestry	228,000
8	Automobiles	177,089
9	Real estate management and development	144,234
10	Oil and gas	101,396
11	Sea transportation	13,762
12	Agriculture	11,926
13	Air transportation	1,480
14	Coal	—
15	Others	3,756,722
—	Total	10,011,596

FE related to investment and lending for companies in Miyagi

No.	Industry classification	CO ₂ emissions attributable to the Bank (Note 2) (t-CO ₂)
1	Power	908,777
2	Beverage and food products	445,853
3	Land transportation	152,880
4	Construction material and capital goods	145,023
5	Metal and mining	135,861
6	Chemistry	131,520
7	Automobiles	73,170
8	Real estate management and development	65,534
9	Paper and forestry	33,019
10	Oil and gas	19,857
11	Agriculture	8,816
12	Sea transportation	4,674
13	Air transportation	—
14	Coal	—
15	Others	2,371,756
—	Total	4,496,741

Note 1: FE is an abbreviation of "financed emission." It indicates the portion of customers' emissions attributable to the Bank.

Note 2: Measurement target is the amount of the Bank's investment and lending excluding the investment in domestic public bonds and foreign securities, and loans for local governments, non-residents and individuals.

- Based on the calculation results for Scope3, we will proceed with the engagement and the provision of solutions to reduce greenhouse gas emissions by our investment and lending customers.
- The following KPI is set as an index and goal to reduce risks and capture opportunities related to climate change.

Total cumulative sustainable finance executed: FY2030 target ¥1.2 trillion (FY2022 results: ¥425.7 billion)

04

Corporate Culture Reform Strategy

The 77 Bank Group will endeavor to promote diversity, and create a virtuous circle where all officers and employees take on new challenges, leading to confidence and cheerfulness.

- ▶ Accommodate a diverse range of values and fundamentally overhauling personnel and organizational systems to increase motivation
- ▶ Create an environment that permits trial and error and values the act of taking on new challenges
- ▶ Boost in level of organizational capability through improved specialization and vitalization of communication
- ▶ Forming of complete internal control environment to support reforms



Progress status of KPI (Let's Try!)

To increase the proportion of women in management positions to 30% or more

Result in FY2021	Result in FY2022	Target in FY2023	FY2030 Vision
14.2%	16.0%	17.0%	30.0%

Increase the number of “specialist personnel” that serve a purpose for customers and local communities

To implement various initiatives to “foster an ambitious spirit”

Message from Director responsible for human resources

To establish an ambitious corporate culture, we will work on reforming corporate culture

Managing Director Hiroshi Kobayashi



Establish an ambitious corporate culture

In “Vision 2030,” which started in FY2021, we determined “human resources” to be the key factor to achieve “Our target form” to establish an ambitious corporate culture. The 77 Bank Group 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,” which will serve as an asset for the Bank into the future. We defined corporate culture reform as a specific strategy. As a part of the initiative, in April 2023, we implemented a personnel system reform to promote diversity and create a virtuous cycle where all officers and employees tackle new challenges

and gain confidence and cheerfulness.

It has been 57 years since we conducted a drastic review of the salary system last time. By changing the salary system from an occupational ability type to a job duty type, we encourage our employees to aim for high-value-added job duties.

The speed of environmental change has never been this fast with the advancement of digital technology, entry into other industries, etc. To become a business entity that is sought after by local communities, it is essential for us not only to arrange structure but also have each employee act based on a proper understanding of the situation. It requires sufficient time to change the existing corporate culture; however, we would like to steadily endeavor step by step to realize “Our target form” to aim for over the long term.

Personnel system reform after 57 years

Basic approach to personnel system reform

1. We will shift the focus of the personnel system from occupational ability to job duty from the viewpoint of encouraging our employees to aim for high-value-added job duties by evaluating the differences of job duties and roles properly and reflecting them in the treatment.
2. Considering the diversification of people's attitudes toward work and values, in order to enable our employees' independent career development, we will break down the classification of job duty salary further based on job duties and roles, and introduce the professional system.
3. We will review personnel evaluation systems to assess the characteristics of each job duty, employee's willingness to tackle challenges, etc. appropriately, conduct more flexible assignment, and gain a better understanding of the assessment for the development of human resources.

Establish an ambitious corporate culture

Keyword

Ambition

We take on challenges while aware of the need to achieve daily growth and work while being highly motivated.

Selection (diversity)

We accept each person's diversified values and choose a work environment that lets us work while being comfortable in our own skin.

Engagement

With sufficient communication, we establish a firm mutual trust relationship between the Bank and employees by having expectations for each other and fulfilling them.

Message from Director responsible for human resources

Our efforts for human capital management

The 77 Bank Group positioned human capital as the source of value creation in the sustainability management framework. "People" are the one true source of corporate growth. Through measures such as the establishment of the Diversity Promotion Office in 2016, we have been striving to create a workplace where a diverse range of human resources can work with enthusiasm, while maintaining a sense of fulfillment in their work. We set the corporate culture reform strategy in "Vision 2030" and are implementing various measures.

For better human capital management, it is crucial to have a human resource strategy that correlates with a management strategy.

Based on this situation, we implement the "Human Resource Development Policy" and the "Internal Environment Development Policy," which were established and publicized in April 2023 as policies for human capital management. "Human resources that serve a purpose for customers and local communities" and "human resources that contribute to corporate reform" stated in the Human Resource Development Policy and "employee-friendly work environment" and "rewarding work environment" described in the Internal Environment Development Policy are the foundation. Each of these elements affect each other and form the human resources of the 77 Bank Group.

We will work beyond the human resource measures and aim to enhance the content of human capital management with appropriate disclosure, engagement with stakeholders and reporting to the Board of Directors.

Initiatives to promote the active participation of women

In June 2023, the Council for Gender Equality, established inside the Cabinet Office, made a policy to aim to attain a female officer ratio of over 30% for companies listed on the Prime Market by 2030. While we are making efforts to increase the proportion of woman in management positions to 30% or more by FY2030, which is one of the KPIs included in "Vision 2030," we need to reinforce the initiatives further. More than half of the Bank's employees are female, and it is not an overstatement to say that we cannot progress without women's empowerment.

The fields where women can actively demonstrate their abilities are expanding: As of the end of June 2023, seven women were appointed as branch general manager, and an employee took the office of Director of a group company as the first female employee to do so. To flexibly cope with the progress of diversification and changes in the environment, it is essential to have women's empowerment. We believe that we need to provide opportunities for more employees to demonstrate their capabilities fully by enhancing the training structure, etc. One of the comments from a female employee was, "I would like to take on the challenge of becoming a branch general manager. However, when I think about the actual work involved, I feel uneasy." Therefore, we arrange occasions for a female Outside Director and female employees to hold discussions. We would like to arrange a structure and provide useful information to help employees develop their career as they desire.

Creation of a work environment where people can work with enthusiasm

The Bank identified "Creation of a work environment where people can work with enthusiasm" as one of the items considered as "Materiality." In addition to human resources development, we are working to arrange a work environment that is employee friendly and rewarding, to become an organization that allows diverse human resources to demonstrate their capabilities fully. In April 2023, to support the realization of various life and career plans, we introduced "Life Plan Administrative Leave System." It can be utilized for studying abroad, accompanying a partner who has been transferred to a different location, receiving infertility treatment, etc. In addition, to ensure a good balance between work and family, we introduced a system to help employees come back to work soon after parenting leave. While promoting the utilization of each system, we also understand that it is essential to have understanding and cooperation from supervisors and colleagues at a workplace for employees to use the system. Through opportunities such as training, we will raise employees' awareness and improve each employee's engagement.



Our efforts for human capital management

To increase the value of human capital securing a diverse range of talented people, we developed the "Human Resource Development Policy" and the "Internal Environment Development Policy" for the 77 Bank Group.

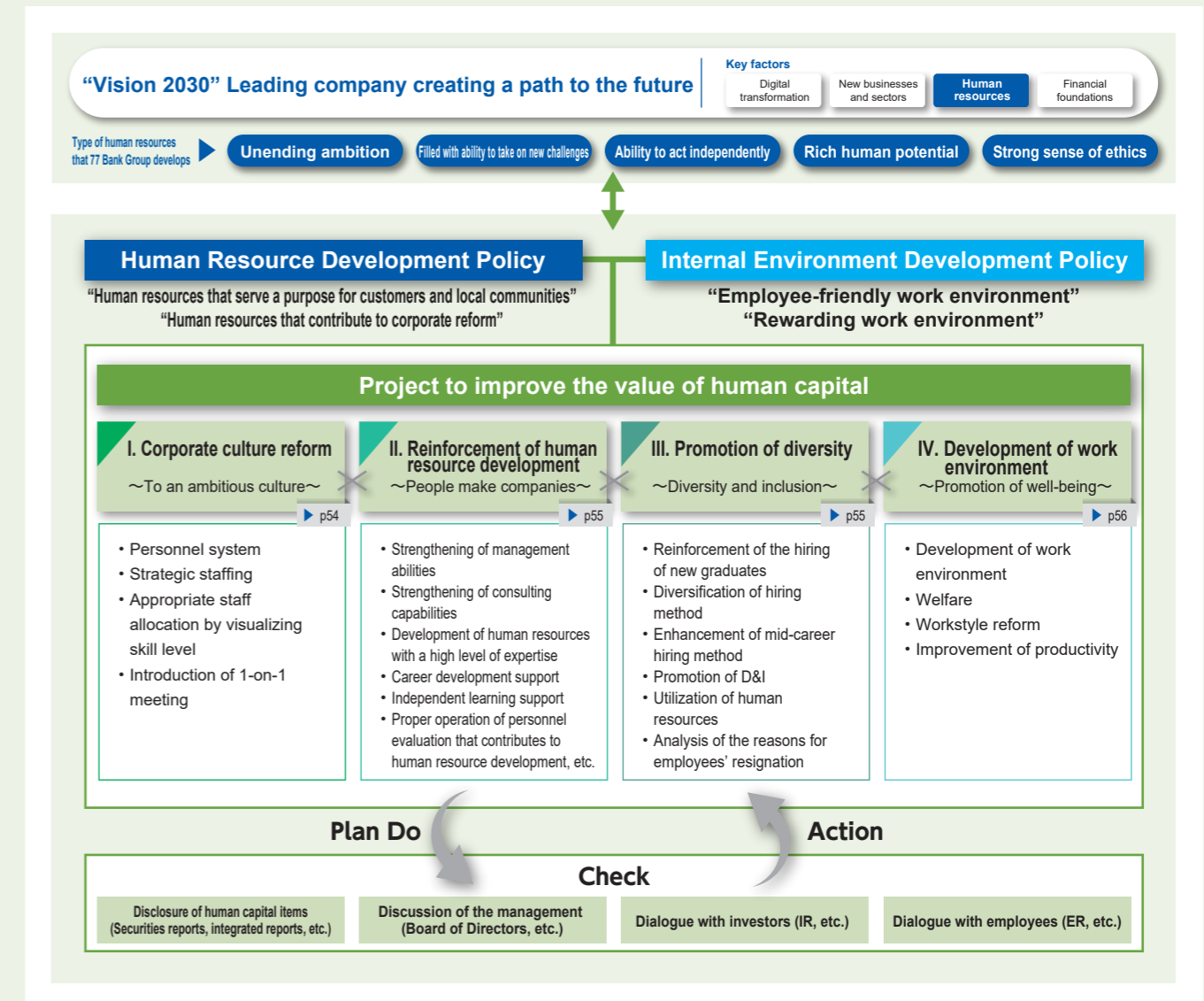
Human Resource Development Policy

Aiming to become a "leading company creating a path to the future" for the prosperity of local communities, the 77 Bank Group will strive to develop the following: "Human resources that serve a purpose for customers and local communities" who have specialties, such as consulting skills to help invigorate the region and solve customers' issues, and abundant personal capabilities; and "human resources that contribute to corporate reform," which means a diverse range of talented people that are independently willing to develop their career and have outside-the-box thinking and a challenging spirit.

Internal Environment Development Policy

Aiming to build an organization that allows a variety of human resources to make full use of their capabilities, the 77 Bank Group will work on creating the following: "Employee-friendly work environment" that enables employees to comfortably work while maintaining their physical and mental health having smooth communication; and a "rewarding work environment" that allows people to work with enthusiasm while utilizing various values and strengths.

The 77 Bank Group's human capital management



Corporate culture reform ~To an ambitious culture~

By developing employees who aggressively take on challenges and create a path to the future without being constrained by precedent, all officers and employees are working on the reform to establish an ambitious corporate culture.

▶ Holding of business planning contest

In order to discover attractive new businesses and human resources with the ability to vigorously take on new challenges, we held a business contest for the second time, following on from FY2021, and received 121 applications. For the contest in FY2022, we added Outside Directors as a final jury to reflect various opinions in the judgment. Some of the submitted ideas were commercialized and publicized in April 2023 (healthcare fund specialized in local communities).

We will host the contest again in FY2023 to continue to generate new businesses.



Holding of business planning contest

Commercialized idea

~Establishment of Tohoku Healthcare Support Co., Ltd.~

Tohoku Healthcare Support Co., Ltd. was established in April 2023 based partially on an idea that won an award at the business planning contest held in December 2022. Its purpose is to form a healthcare fund specialized in local communities. The idea was generated by observing local customers' problems close up and considering the relationship with our bank business.

We realize that the local medical industry has a mountain of problems, and will try to expand the new business domain.



Establishment of Tohoku Healthcare Support

▶ Spread of corporate culture

For "Vision 2030" that was launched in 2021, the President and Directors responsible for specific area(s) are providing briefings for each employee to understand the purpose of the formulation of "Vision 2030" and details of the policy and spread it in the Bank.

In addition, the branch general managers and HQ section managers are taking the lead to explain to their subordinates about the short-term management plan, which is related to the management plan, and a summary of the meeting for the branch general manager, which is held every half year.

Through dialogue with the management, we will nurture a challenging spirit, improve engagement and spread the corporate culture.

Holding of President's Cram School

In June 2023, the President's Cram School was held, having President Kobayashi as its lecturer, for HQ section managers to promote their understanding of "Vision 2030" and develop their business management sense. In the President's Cram School, the President explained about a review of the details of "Vision 2030," future policies, expectations for HQ section managers, etc. along with his experiences.



Holding of President's Cram School

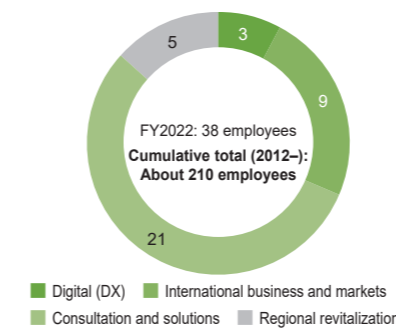
Reinforcement of human resource development ~People make companies~

The Bank is working to develop human resources with high consulting skills and highly specialized personnel who can contribute to local communities and improve customers' satisfaction by strengthening human resource development investment such as trainings and independent study support and allocating staff in such a way that they can fully make use of their abilities.

▶ Development of specialists through external dispatchment

We are improving specialization such as consulting skills through dispatching employees to external organizations in various fields. Since 2012, a cumulative total of about 210 employees have been dispatched. They are utilizing their specialties at each business department/section/branch, group company, etc.

■ Breakdown of the external dispatch locations



Main fields of dispatch

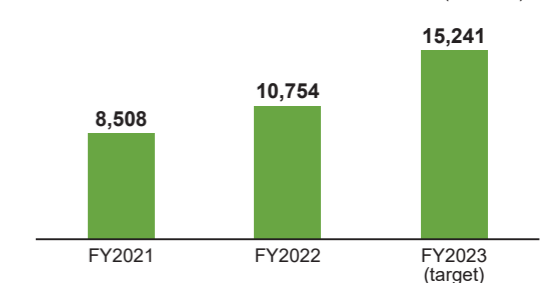
- Digital (DX)
(Cashless, system-related, data utilization operations, etc.)
- International business and markets
(Overseas expansion support, advisory operations, etc.)
- Consultation and solutions
(Consulting, sustainability-related, healthcare-related, M&A, asset management operations, etc.)
- Regional revitalization
(Regional promotion, tourism promotion, real estate development-related operations, etc.)

▶ Enhancement of training system

In FY2023, based on human capital management, we identify the following five points, "strengthening of management abilities," "strengthening of consulting capabilities," "development of young employees," "development of human resources with a high level of expertise" and "training for reskilling and career development support," as priority measures and enhance our training structure.

We also conduct "77 Business College" for people who wish to use it by holding seminars during holidays and at night-time on weekdays. The themes include "knowledge brush-up," "skill improvement by theme," "preparation for certification examination," and "promotion of diversity."

■ Trend of number of training sessions and seminar attendants (Persons)



▶ Independent learning support

We support employees' independent learning and foster their willingness to improve their skills by providing an incentive to people who acquired licenses that are hard to acquire to respond to customers' more sophisticated needs and expand the scope of various solutions.

Promotion of diversity ~Diversity and inclusion~

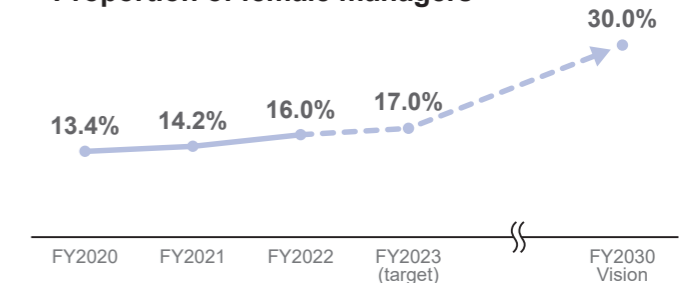
The Bank promotes diversity and inclusion and works to improve corporate value to let various human resources play an active role in various fields and contribute to the activation of Miyagi and Tohoku and customers' problem-solving.

▶ Spreading an awareness of diversity and inclusion

To promote diversity further by supporting women's empowerment, we held seminars to improve practical operational skills and widen the range of work.

Moreover, we are expanding options for diversity by extending the employment period, introducing a long-term administrative leave system, "Life Plan Administrative Leave System," enhancing life balance support system related to parenting, introducing a second/side job system, etc.

• Proportion of female managers



▶ External evaluation of our efforts

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 December 2022)

2022 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)

*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.

Certified "Platinum Kurumin," a special certification pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children

Certified "Gold Certified Company" for successfully utilizing the potential of female talent in Miyagi Prefecture

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



Development of work environment ~Promotion of well-being~

The Bank is working to arrange flexible work styles that meet employees' lifestyles or life stage, and a work environment that lets employees comfortably work while maintaining their physical and mental health.

▶ Promotion of health and productivity management

So that each employee can work with enthusiasm while being physically and mentally healthy, in December 2018, we formulated the "Health and Productivity Management Declaration" to strengthen our initiatives for health management by maintaining and promoting health.

In March 2023, the Bank was certified as "Health & Productivity Management Outstanding Organization 2023" under the "Certified Health & Productivity Management Outstanding Organizations Recognition Program" formulated by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.



Furthermore, the 77 Bank Health and Productivity Management Declaration is disclosed on our website.



VOICE

For the promotion of diversity

In June 2023, I was elected as Director of 77 Securities, a group company. Currently, as Director and General Manager of Business Div., Headquarters, I am controlling the sales promotion divisions.

Since I entered the Bank, there have been changes in the economic and financial environment, advancement of IT and industrial structure changes due to globalization. Therefore, corporate management and human resource development techniques have drastically altered. I believe that such environmental changes will accelerate.

To realize the "corporate culture reform" that the Bank is targeting, we need to employ and utilize a diverse range of talented people and ensure there are various kinds of expertise and skills in management.

For the 77 Bank Group, one of the crucial management issues is to maintain diverse human resources that can respond to needs and continue developing a culture that respects diversity. I have served as Manager of the Diversity Promotion Office of the 77 Bank and branch general manager, etc., and am aware of the difficulty and importance of women's empowerment. Therefore, I would like to take the lead and help promote diversity in the 77 Bank Group.



Director, 77 Securities
Kyoko Suzuki

Results of initiative by project

Item	FY2021 results	FY2022 results
I. Corporate culture reform	Number of employees qualified as 1st grade Financial Planner/Certified Financial Planner	177 ▶ 192
	Number of employees qualified as Small and Medium-size Enterprise Management Consultants	32 ▶ 32
	Number of digital technology human resources*	— ▶ 674
	Number of employees who tried HQ duty trials	76 ▶ 96
II. Reinforcement of human resource development	Number of dispatched trainees, etc. in Japan and abroad	33 ▶ 38
	Training cost per person	¥63,000 ▶ ¥74,000
III. Promotion of diversity	Number of new graduates hired	124 ▶ 97
	Number of midcareer hire employees	5 ▶ 10
	Ratio of female managers	14.2% ▶ 16.0%
IV. Development of work environment	Employee Stock Ownership Association participation ratio	61.7% ▶ 97.6%
	Annual paid time off consumption rate	73.4% ▶ 75.4%
	Average monthly hours of overtime work	12 hours18 minutes ▶ 13 hours30 minutes
	Completion rate of regular health checkup	100% ▶ 100%
	Completion rate of detailed examination	91.3% ▶ 90.7%
	Smoking rate	20.4% ▶ 20.8%
	Stress check completion rate	93.0% ▶ 93.4%

* As for the development of digital technology human resources, please refer to page 38.

To Our Shareholders

Our Policy on Constructive Dialogue with Shareholders and Other Stakeholders

The Bank has established the following “Policy on Constructive Dialogue with Shareholders and Other Stakeholders” as follows, for the purpose of promoting an accurate understanding and evaluation of the Bank’s management policies, financial standing, and other matters, through the exchange of opinions and communication (hereinafter “dialogue”) with shareholders, investors, etc. (hereinafter “shareholders, etc.”).

1. Realizing constructive dialogue with shareholders and other stakeholders

The officer in charge of the Bank’s corporate communication shall supervise dialogue with shareholders, etc., and shall endeavor to realize constructive dialogue within reasonable limits by, for example, appropriately determining on a case-by-case basis the staff members to engage in dialogue (hereinafter “interlocutors”) based on the intentions of shareholders, etc. and their main concerns.

2. System for promoting constructive dialogue

In order to promote constructive dialogue with shareholders, etc., the Bank will provide accurate and sufficient information to interlocutors in cooperation with the General Planning & Coordination Division and other headquarters divisions.

3. Enhancing methods of dialogue

The Bank will strive to enhance methods of dialogue by holding individual meetings and teleconferences, etc. in addition to corporate briefings for institutional investors, individual investors, and clients by region.

4. Feedback of the opinions of shareholders, etc. to the Bank

Regarding the opinions, etc. expressed in dialogue with shareholders, etc., the Bank will strive to improve its business operations by providing appropriate internal feedback, for example by reporting such opinions to the officer in charge of such dialogue as necessary.

5. Managing insider information

The Bank establishes internal rules for appropriate information disclosures and the prevention of insider trading, and will thoroughly manage insider information when engaging in dialogue with shareholders, etc.

Approach to disclosures

Compliance with laws, regulations, etc.

The Bank conducts disclosures in accordance with the Banking Act, the Financial Instruments and Exchange Act, other laws and regulations, and the timely disclosure rules stipulated by the Financial Instruments Exchange.

In particular, we recognize that disclosure newsletters under the Banking Act and securities reports under the Financial Instruments and Exchange Act are important statutory disclosure documents that disclose the status of the Bank’s operations and assets to shareholders, investors, and clients.

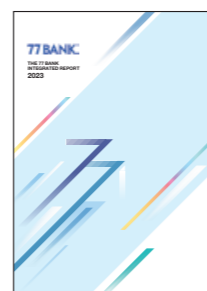
In addition, the “timely disclosure” of important corporate information that complements these materials is appropriately conducted in accordance with the rules of the Financial Instruments Exchange in order to provide the most up-to-date corporate information in a prompt, accurate, and fair manner.

Furthermore, at the Bank we proactively hold corporate briefings and voluntarily disclose various financial data in order to provide timely and appropriate information to shareholders and investors.

Website postings

On our website, the Integrated Report, corporate briefing materials, etc. are posted and a video of the corporate briefing is available.

In addition, an English version of the Integrated Report, corporate briefing materials, etc. are listed.



Implementation status of dialogue with shareholders, etc.

The Bank established the “Policy on Constructive Dialogue with Shareholders and Other Stakeholders” to arrange a structure to have constructive conversation with shareholders, and internally share the shareholders’ comments as feedback.

Implementation status of dialogue with shareholders (FY2022)

Activities	Interlocutor	Number of sessions
Individual meeting with institutional investors, analysts, etc.	President Director responsible for corporate communication, corporate communication manager, etc.	85 times (including 4 times with foreign investors)
Corporate briefings for institutional investors	President	2 times (total 131 persons)
Corporate briefings for individual investors	President	3 times (total 1,267 persons)

Feedback to the Bank

We regularly have Director responsible for corporate communication report the shareholders’ comments, etc. that we received at individual meetings and corporate briefings to the Board of Directors. In FY2022, we gave feedback three times.

Status of dialogue with shareholders, etc.

To ensure the shareholders’ deep understanding of the Bank’s efforts, we actively engage in dialogue with them. In FY2022, from July to September, we had dialogue and asked for evaluations 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 the current status (domestic institutional investor)” and “the Bank should indicate that the structure of the Board of Directors is meant to create value (domestic institutional investor),” we have amended the content of the skill matrix.

We will continue striving for sustainable growth and the improvement of medium- to long-term corporate value through constructive conversations with shareholders and other stakeholders.

Policy of Return of Profits to Shareholders

Based on “Vision 2030,” which was launched in April 2021, from the perspectives of building strong financial foundations by improving customer satisfaction and productivity as well as the early-stage realization of our mission to our shareholders, “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.

Policy of Return of Profits to Shareholders

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 divided ratio relative to net income attributable to owners of the parent with a target of 30% by FY2030 as it aims to improve shareholder returns and capital efficiency.

Governance Structure

Board of Directors and Audit & Supervisory Committee Members (As of July 31, 2023)

Directors



Chairman

Apr. 1969 Joined The Industrial Bank of Japan, Limited
 Aug. 1992 Associate Director-General, Related Business Department, The Industrial Bank of Japan, Limited
 Jun. 1993 Director and General Manager, Business Development Div., the Bank
 Jun. 1995 Director and General Manager, Business Promotion Div., the Bank
 Jun. 1997 Director and General Manager, Head Office Business Div., the Bank
 Jun. 1998 Managing Director and General Manager, Head Office Business Div., the Bank

Teruhiko Ujiie

Jun. 1999 Managing Director and General Manager, Investigation Div., the Bank
 Mar. 2000 Managing Director, the Bank
 Jun. 2002 Senior Managing Director, the Bank
 Jun. 2005 Representative Director and Deputy President, the Bank
 Jun. 2010 Representative Director and President, the Bank
 Jun. 2018 Representative Director and Chairman, the Bank (current position)



President

Apr. 1981 Joined the Bank
 Jun. 2006 General Manager, Treasury Div., the Bank
 Jun. 2008 General Manager, General Planning & Coordination Div., the Bank
 Jun. 2010 Director and General Manager, General Planning & Coordination Div., the Bank
 Jun. 2013 Director and General Manager, Head Office Business Div., the Bank
 Jun. 2014 Managing Director and General Manager, Head Office Business Div., the Bank

Hidefumi Kobayashi

Jun. 2015 Managing Director, the Bank
 May. 2016 Managing Director, the Bank, General Manager, Ishinomaki Branch and Minato Branch
 Jun. 2016 Managing Director, the Bank
 Jun. 2017 Representative Director and Deputy President, the Bank
 Jun. 2018 Representative Director and President, the Bank (current position)



Senior Managing Director

Apr. 1985 Joined the Bank
 Sep. 2007 General Manager, Hachimanmachi Branch, the Bank
 Mar. 2009 General Manager, Yoshioka Branch, the Bank
 Jun. 2011 General Manager, Operations Management Div., the Bank
 Jun. 2013 General Manager, General Planning & Coordination Div., the Bank

Yoshikazu Onodera

Jun. 2014 Executive Officer and General Manager, General Planning & Coordination Div., the Bank
 Jun. 2016 Director, Executive Officer and General Manager, Ishinomaki Branch and Minato Branch, the Bank
 Jun. 2018 Managing Director, the Bank
 Jun. 2023 Representative Director and Senior Managing Director, the Bank (current position)



Managing Director Masanori Muranushi

Apr. 1988 Joined the Bank
 Mar. 2010 General Manager, Sendai Higashi Branch, the Bank
 Sep. 2011 General Manager, Sapporo Branch, the Bank
 Jun. 2013 General Manager, Kencho Branch, the Bank
 Jun. 2015 General Manager, Corporate & Retail Banking Div., the Bank
 Apr. 2018 General Manager, Consulting Promotion Div., the Bank
 Jun. 2018 Executive Officer and General Manager, Consulting Promotion Div., the Bank
 Jun. 2019 Executive Officer and General Manager, Tokyo Branch, the Bank
 Jun. 2020 Senior Executive Officer and General Manager, Tokyo Branch, the Bank
 Jun. 2021 Senior Executive Officer and General Manager, Head Office Business Div. and Basho no Tsuji Branch, the Bank
 Dec. 2021 Senior Executive Officer and General Manager, Head Office Business Div., Basho no Tsuji Branch, and Minamimachi-dori Branch, the Bank
 Jun. 2022 Managing Director, the Bank (current position)



Managing Director Shuichi Ibuka

Apr. 1989 Joined the Bank
 Sep. 2013 General Manager, Sendai Haranomachi Branch, the Bank
 Jun. 2016 General Manager, Treasury Administration & International Div., the Bank
 Jun. 2019 Executive Officer and General Manager, Ishinomaki Branch and Minato Branch, the Bank
 Feb. 2020 Executive Officer and General Manager, Ishinomaki Branch, the Bank
 Jan. 2021 Executive Officer and General Manager, Ishinomaki Branch and Kokucho Branch, the Bank
 Jun. 2021 Senior Executive Officer and General Manager, Ishinomaki Branch and Kokucho Branch, the Bank
 Jun. 2022 Senior Executive Officer and General Manager, Head Office Business Div., Basho no Tsuji Branch, and Minamimachi-dori Branch, the Bank
 Jun. 2023 Managing Director, the Bank (current position)



Managing Director Takashi Kuroda

Apr. 1990 Joined the Bank
 Jun. 2014 General Manager, Higashi Oroshimachi Branch, the Bank
 Jun. 2016 General Manager, Izumi Branch, the Bank
 Jun. 2018 General Manager, Furukawa Branch, the Bank
 Jun. 2019 General Manager, Consulting Promotion Div., the Bank
 Jun. 2020 Executive Officer and General Manager, Consulting Promotion Div., the Bank
 Jun. 2021 Executive Officer and General Manager, Personnel Div., the Bank
 Jun. 2022 Senior Executive Officer and General Manager, Personnel Div., the Bank
 Jun. 2023 Managing Director, the Bank (current position)



Managing Director Hiroshi Kobayashi

Apr. 1991 Joined the Bank
 Jun. 2012 General Manager, Kitahama Branch, the Bank
 Sep. 2014 General Manager, Morioka Branch, the Bank
 Jun. 2017 General Manager, Kencho Branch, the Bank
 Jun. 2018 General Manager, Regional Development Promotion Div., the Bank
 Jun. 2019 General Manager, General Planning & Coordination Div., the Bank
 Jun. 2021 Executive Officer and General Manager, General Planning & Coordination Div., the Bank
 Jun. 2023 Managing Director, the Bank (current position)



Outside Director Emiko Okuyama

Apr. 1975 Joined the Sendai City Government
 Aug. 2009 Mayor, Sendai City
 Jun. 2018 Director, the Bank (current position)



Outside Director Seiichi Ohtaki

Oct. 1987 Assistant Professor, Faculty of Economics, Tohoku University
 Apr. 1992 Professor, Faculty of Economics, Tohoku University
 Apr. 1999 Professor, Graduate School of Economics and Management, Tohoku University
 Apr. 2011 Dean Graduate School of Economics and Management / Faculty of Economics, Tohoku University
 Jul. 2014 President, The Sanaburi Foundation (current position)
 Jun. 2016 Auditor, Yurtec Corporation
 Nov. 2016 President, Organization for Creating LocalGood (current position)
 Apr. 2018 Vice-President, Shizenkan University (current position)
 Jun. 2020 Director, the Bank (current position)



Outside Director Shigenori Oyama

Apr. 1982 Joined Tohoku Kinzoku Kogyo Co., Ltd. (currently TOKIN Corporation)
 Apr. 2007 Executive Officer and General Manager, EMC Business Div., TOKIN Corporation
 Jun. 2010 Director and Executive Officer, TOKIN Corporation
 Jun. 2011 Director and Managing Executive Officer, TOKIN Corporation
 Feb. 2012 Representative Director and CEO, TOKIN Corporation
 Apr. 2017 Executive vice president, KEMET Corporation
 Jul. 2020 Special Advisor for the Board of Directors, TOKIN Corporation
 Jul. 2021 President, TOKIN Foundation for Advancement of Science and Technology (current position)
 Jun. 2022 Director, the Bank (current position)
 Jun. 2023 Director, Hakuto Co., Ltd. (current position)



Outside Director Kazuo Fukuda

Apr. 1981 Joined the Bank of Japan
 May 2003 General Manager, Maebashi Branch, the Bank of Japan
 Dec. 2005 Associate Director-General, Financial Systems and Bank Examination Department, the Bank of Japan
 Jun. 2007 Associate Director-General, Institute for Monetary and Economic Studies, the Bank of Japan
 Jul. 2008 General Manager, Sendai Branch, the Bank of Japan
 May 2012 Director-General, Administration Department, the Bank of Japan
 Jun. 2013 Audit & Supervisory Board Member, The Chiba Bank, Ltd.
 Jun. 2017 Senior Executive Officer, Osaka Exchange, Inc.
 Apr. 2018 Director and Senior Executive Officer, Osaka Exchange, Inc.
 Apr. 2019 Managing Governor, Japan Exchange Regulation
 Jun. 2023 Director, the Bank (current position)



Director, Audit & Supervisory Committee Member Koichi Suzuki

Apr. 1984 Joined the Bank
 Mar. 2005 General Manager, Wakuya Branch, the Bank
 Sep. 2007 General Manager, Masuda Branch, the Bank
 Jun. 2009 General Manager, General Affairs Div., the Bank
 Jun. 2013 General Manager, Business Promotion Div., the Bank
 Jun. 2014 Executive Officer and General Manager, Business Promotion Div., the Bank
 Jun. 2015 Director, Executive Officer and General Manager, Oroshimachi Branch, the Bank
 Jun. 2018 Managing Director, the Bank
 Jun. 2021 Director, Audit & Supervisory Committee Member, the Bank (current position)



Director, Audit & Supervisory Committee Member Masai Yamaura

Oct. 1973 Joined the Sendai City Government
 Sep. 2005 Vice Mayor, Sendai City
 Apr. 2006 Chief Director, Sendai Green Association
 Jun. 2007 President and Representative Director, Sendai Software Center Co., Ltd.
 Jun. 2008 Auditor, Sendai Meat Wholesale Market Co., Ltd. (current position)
 Apr. 2014 Chairman, Sendai Council of Social Welfare (current position)
 Jun. 2015 Audit & Supervisory Board Member, the Bank
 Jun. 2017 Director, Audit & Supervisory Committee Member, the Bank (current position)



Director, Audit & Supervisory Committee Member Yoko Ushio

May 2001 Senior Managing Director and General Manager, Fujisaki Comfortable Lifestyle Research Institute Co., Ltd.
 May 2003 Director, Department Store Fujisaki Co., Ltd.
 Jan. 2011 Advisory Fellow, Tohoku Regional Advancement Center
 Apr. 2012 Fellow, Tohoku Regional Advancement Center
 Apr. 2016 Auditor, Tohoku University (current position)
 Jun. 2019 Director, Audit & Supervisory Committee Member, the Bank (current position)
 Aug. 2020 Representative Director, K.K. Shinsei Sogo Jimusho (current position)



Director, Audit & Supervisory Committee Member Naoto Miura

Apr. 1978 Joined Tohoku Electric Power Co., Inc.
 Jun. 2012 Executive Officer and General Manager, Distribution Engineering Dept. & Deputy General Manager, Customer Services Div., Tohoku Electric Power Co., Inc.
 Jun. 2015 Managing Director and Deputy General Manager, Power Network Div., Tohoku Electric Power Co., Inc.
 Jun. 2015 Director, Tohoku Intelligent Telecommunication Co., Inc. (currently TOHKNet Co., Inc.)
 Jun. 2018 President and Representative Director, Tohoku Intelligent Telecommunication Co., Inc. (currently TOHKNet Co., Inc.) (current position)
 Apr. 2021 Chairman and Representative Director, Tohoku Intelligent Telecommunication Co., Inc. (currently TOHKNet Co., Inc.) (current position)
 Jun. 2023 Chairman, Tohoku Productivity Center (current position)
 Jun. 2023 Director, Audit & Supervisory Committee Member, the Bank (current position)



Director, Audit & Supervisory Committee Member Shinya Endo

Apr. 1979 Joined the Miyagi Prefectural Government
 Apr. 2013 Director-General, Public Works Department, Miyagi Prefectural Government
 Apr. 2017 Public Enterprise Manager, Public Enterprise Bureau, Miyagi Prefectural Government
 Apr. 2019 Vice-Governor, Miyagi Prefectural Government
 Jun. 2019 Chairperson, Miyagi International Business Promotional Association
 Jul. 2020 Chairman, Sendai Port Trade Promotion Center Co., Ltd.
 Jun. 2023 President, Miyagi Sport Association (current position)
 Jun. 2023 President, Miyagi Organization For Industry Promotion (current position)
 Jun. 2023 Director, Audit & Supervisory Committee Member, the Bank (current position)

Senior Executive Officers

General Manager, Audit & Inspection Division **Kazuhiro Chida**
 General Manager, Tokyo Branch **Hirokimi Fukushi**
 General Manager, Credit Supervision Division **Kazutoshi Saito**
 General Manager, Ishinomaki Branch and Kokucho Branch **Kuniaki Endo**
 General Manager, Operations Management Division **Hiroshi Kitazono**

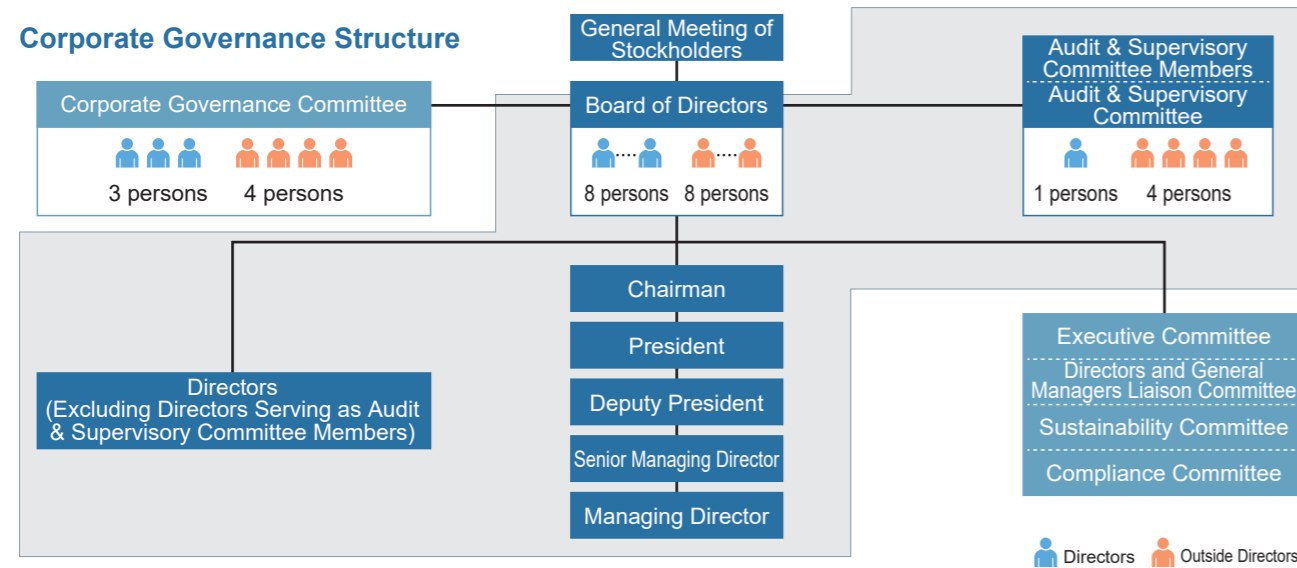
Executive Officers

Special assignment (DX related) **Masahide Kato**
 General Manager, Regional Development Promotion Division **Kentaro Motai**
 General Manager, Oroshimachi Branch **Hideki Endo**
 General Manager, Business Promotion Division **Yoshiyuki Odajima**
 General Manager, Treasury Division **Kazuhiro Aoki**
 General Manager, Head Office Business Div., Basho no Tsuji Branch, and Minamimachi-dori Branch, the Bank **Takeshi Kawaguchi**
 General Manager, Personnel Division **Takashi Watanabe**

Basic stance toward corporate governance

·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.

Corporate Governance Structure



Main members by organization

Title	Name	Board of Directors	Executive Committee	Corporate Governance Committee	Audit & Supervisory Committee	Sustainability Committee	Compliance Committee
(Representative Director) Chairman	Teruhiko Ujicie	○(Chairperson)	○	○			
(Representative Director) President	Hidefumi Kobayashi	○	○(Chairperson)	○		○(Chairperson)	○(Chairperson)
(Representative Director) Senior Managing Director	Yoshikazu Onodera	○	○	○		○	○
Managing Director	Masanori Muranushi	○	○			○	○
Managing Director	Shuichi Ibuka	○	○			○	○
Managing Director	Takashi Kuroda	○	○			○	○
Managing Director	Hiroshi Kobayashi	○	○			○	○
Director	Emiko Okuyama	○		○(Chairperson)			
Director	Seiichi Ohtaki	○		○			
Director	Shigenori Oyama	○		○			
Director	Kazuo Fukuda	○		○			
Director, Audit & Supervisory Committee Member	Koichi Suzuki	○	△(Note 3)		○(Chairperson)	△(Note 3)	△(Note 3)
Director, Audit & Supervisory Committee Member	Masai Yamaura	○			○		
Director, Audit & Supervisory Committee Member	Yoko Ushio	○			○		
Director, Audit & Supervisory Committee Member	Naoto Miura	○			○		
Director, Audit & Supervisory Committee Member	Shinya Endo	○			○		
Other members			General Manager of General Planning & Coordination Division			General Manager, General Planning & Coordination Div. General Manager, Risk Management Div. General Manager, Business Promotion Div. General Manager, Regional Development Promotion Div. General Manager, Personnel Div. General Manager, General Affairs Div.	General Manager, General Planning & Coordination Div. General Manager, Compliance Management Div. General Manager, Operations Management Div. General Manager, Audit & Inspection Div.

Notes: 1. A Deputy President has not been appointed.
2. Directors Emiko Okuyama, Seiichi Ohtaki, Shigenori Oyama, Kazuo Fukuda, Masai Yamaura, Yoko Ushio, Naoto Miura and Shinya Endo are Outside Directors prescribed in Article 2, Item 15 of the Companies Act.
3. Standing Directors who are Audit & Supervisory Committee Members attend the Executive Committee, Sustainability Committee, and Compliance Committee, and state their opinions as necessary.
4. The Chairperson of the Audit & Supervisory Committee observes the Corporate Governance Committee.

Activity status of the Board of Directors

The Board of Directors makes decisions for important managerial matters. The Bank holds the Board of Directors every month and convened it 13 times in FY2022.

Agenda of the Board of Directors

We resolved the short-term management plan and total budget to achieve "Vision 2030," and resolved after deliberation particularly the following:

- Establishment of two subsidiaries
To implement one of the key factors to achieve "Our target form" based on "Vision 2030," "Develop new businesses and sectors," we deliberate on the establishment of two subsidiaries (77 Human Design Co., Ltd. and 77 Digital Solutions Co., Ltd.) and made a resolution.
- Establishment of the Sustainability Committee
We discussed the establishment of a sustainability policy and initiatives for the management of sustainability promotion regularly and as required, and resolved to establish the Sustainability Committee to arrange and strengthen the system to manage sustainability promotion.
- Plan to shift to the updated joint-use system, next-generation MEJAR
To update the joint-use system, MEJAR, to the next-generation version in January 2024, we discussed the overall activities required before and after the system migration from the existing to the next-generation one and the handling at the time of contingencies.

Activity status of the Corporate Governance Committee

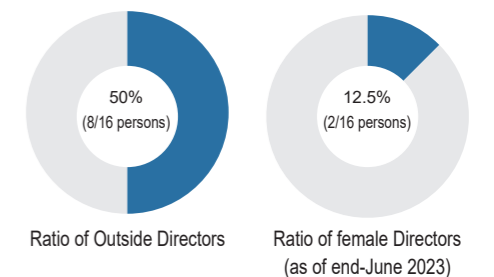
The Bank established the Corporate Governance Committee as a voluntary advisory body of the Board of Directors to improve the transparency of the management and appropriateness of processes and enhance the corporate control function. The Corporate Governance Committee meeting was held as required, and was arranged four times in FY2022.

Main agenda of the Corporate Governance Committee meeting

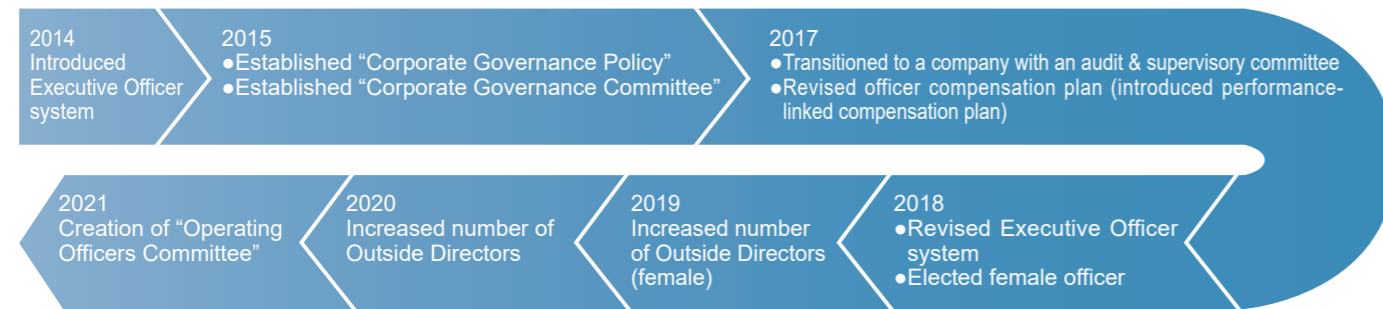
- Analysis and evaluation of the effectiveness of the Board of Directors as a whole
- Appointment of the candidates for Director and election of the Representative Directors
- Allocation of compensation, etc. to Directors
- Establishment of FY2022 targets for "performance-linked share-based compensation plan"
- Commission of Advisors
- Election of Chairperson and Vice Chairperson of Corporate Governance Committee
- Results of the handling of issues related to "analysis and evaluation of the effectiveness of the Board of Directors as a whole"
- Revision of "skill matrix"
- Exchange of opinions on overall management

Establishing a highly effective corporate governance structure

To improve corporate value through further enhancement of corporate governance, the Bank is developing a more effective corporate governance structure through appointing female Directors, former company corporate managers, etc. and diversifying the member structure of the Board of Directors.



Steps to enhance and strengthen governance



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, a summary of the results is disclosed and any necessary improvement is made.

<Evaluation method>

A questionnaire survey was conducted for Directors, and the effectiveness was evaluated quantitatively and qualitatively.

<Overview of evaluation of the effectiveness of the Board of Directors in FY2022>

(1) Overall evaluation

We have confirmed that the Board of Directors is properly operated and the effectiveness of the Board of Directors as a whole has been ensured.

(2) Progress concerning the measures to improve the issues of the last fiscal year

- At the Annual General Meeting of Stockholders in June 2022, we had a former corporate manager of a global manufacturing company take the office of Outside Director to diversify the structure of the Board of Directors.
- To vitalize discussions at the Board of Directors, we reviewed the volume of materials for the Board of Directors. As a result, the duration of the question-and-answer session at the Board of Directors was extended and the discussion became more lively.

(3) Issues recognized with the questionnaire

Although the issues of the last fiscal year have been steadily solved, with the questionnaire, we acknowledged that we need to continuously work on improvement. Therefore, we will improve the following as our challenges:

- To work toward the further diversification of constituent members of the Board of Directors
- To review the management of the Board of Directors to further invigorate discussions

Policy on training, etc. for Directors

The Bank encourages Directors to make efforts to acquire, update, and otherwise hone the knowledge necessary to fulfill their roles, and provides training opportunities and support for the necessary expenses.

(Content of specific initiatives)

Each division of the Bank provides briefings to newly appointed Outside Directors on the operations of their respective divisions, so that the new Directors can deepen their understanding of the Bank's overall operations.

In addition, for Outside Directors (including Directors who are Audit & Supervisory Committee Members), voluntary liaison meetings are held on a regular basis to strengthen cooperation by exchanging information and sharing understanding.

Director Skill Matrix

The Board of Directors of the Bank has identified skills and other qualities each of Directors shall possess, which are necessary for the Bank to pursue sustainable growth and enhancement in corporate value over a medium to long term, as well as to achieve its "target form" set in "Vision 2030." With In-house Directors who are well-versed in the banking operation and several Outside Directors with a wealth of experience and wide-ranging knowledge outside the Bank, the Board of Directors is in a balanced and diverse composition of knowledge, experience, and abilities as a whole.

		Inside	Outside	Management strategy / Corporate management / Sustainability	Compliance / Risk management	Sales / Regional revitalization	International / Market investment	DX	Human resources development
Directors not serving as Audit & Supervisory Committee Members	Teruhiko Ujiie	○		◎	●	●	●		●
	Hidefumi Kobayashi	○		◎	●	●	●	●	●
	Yoshikazu Onodera	○		●	◎	●	●	●	
	Masanori Muranushi	○		●	●	●	●	◎	
	Shuichi Ibuka	○				◎	●	●	
	Takashi Kuroda	○				●	◎	●	●
	Hiroshi Kobayashi	○		●	◎	●	●		◎
	Emiko Okuyama		○			◎			●
	Seiichi Ohtaki		○	◎		●			
	Shigenori Oyama		○	◎			●	●	
Directors serving as Audit & Supervisory Committee Members	Kazuo Fukuda		○	◎	●		●		
	Koichi Suzuki	○			●	●	●		●
	Masai Yamaura		○	●	●	●			
	Yoko Ushio		○	●					●
	Naoto Miura		○	●				●	
	Shinya Endo		○	●		●			

Note: "◎" is marked for the skills and other qualities especially expected from Directors not serving as Audit & Supervisory Committee Members.

Reasons for the election as Outside Director

Name	Reasons for the election	Attendance at meetings in FY2022
Emiko Okuyama	As Ms. Emiko Okuyama has a wealth of experience and wide-ranging knowledge gained through her career as an administrative executive, such as Mayor of Sendai City, involved in local administration for many years, the Bank believes that she is suitable for the position of Outside Director of the Bank and selected her as a Director. She is expected to provide advice and supervision, especially on regional revitalization and contribution, for the Bank.	Board of Directors 13/13 times Corporate Governance Committee 4/4 times
Seiichi Ohtaki	As Mr. Seiichi Ohtaki has a wealth of experience gained through his involvement in university education for many years and advanced specialized knowledge about economics and management, the Bank believes that he is suitable for the position of Outside Director of the Bank and selected him as a Director. Especially as an expert of regional economies and management, he is expected to provide advice and supervision for the Bank.	Board of Directors 13/13 times Corporate Governance Committee 4/4 times
Shigenori Oyama	As Mr. Shigenori Oyama has a wealth of experience and international wide-ranging knowledge gained through his career as a corporate manager of a global manufacturing company, the Bank believes that he is suitable for the position of Outside Director of the Bank and selected him as a Director. He is expected to provide advice and supervision, especially on corporate management and regional revitalization, for the Bank.	Board of Directors 11/11 times Corporate Governance Committee 3/3 times
Kazuo Fukuda	As Mr. Kazuo Fukuda has a wealth of experience and wide-ranging knowledge about financial markets and financial systems gained through his career in important positions at the Bank of Japan, the Bank believes that he is suitable for the position of Outside Director of the Bank and selected him as a Director. He is expected to provide advice and supervision, especially on risk management and market operation based on monetary policy, as well as management strategy and corporate management, for the Bank.	
Masai Yamaura	Mr. Masai Yamaura has a wealth of experience and wide-ranging knowledge gained through his involvement in local administration for many years as well as a successful track record of being engaged in corporate management. The Bank believes that he has knowledge and experience that enable him to precisely, fairly and efficiently audit the performance of duties by Directors of the Bank, as well as sufficient social credibility, and thus selected him as a Director serving as an Audit & Supervisory Committee Member. He is expected to provide advice, especially on regional revitalization and contribution and corporate management, audit the performance of duties by Directors, and enhance the Board of Directors' supervising function.	Board of Directors 12/13 times Audit & Supervisory Committee 18/20 times
Yoko Ushio	Ms. Yoko Ushio has a successful track record of involvement in corporate management as well as practical experience as an Auditor of a national university corporation. The Bank believes that she has knowledge and experience that enable her to precisely, fairly and efficiently audit the performance of duties by Directors of the Bank, as well as sufficient social credibility, and thus selected her as a Director serving as an Audit & Supervisory Committee Member. She is expected to provide advice, especially on corporate management, audit the performance of duties by Directors, and enhance the Board of Directors' supervising function.	Board of Directors 13/13 times Audit & Supervisory Committee 20/20 times
Naoto Miura	Mr. Naoto Miura has a successful track record gained through his service as a Director and involvement in corporate management of a listed utility company. The Bank believes that he has knowledge and experience that enable him to precisely, fairly and efficiently audit the performance of duties by Directors of the Bank, as well as sufficient social credibility, and thus selected him as a Director serving as an Audit & Supervisory Committee Member. He is expected to provide advice, especially on corporate management, audit the performance of duties by Directors, and enhance the Board of Directors' supervising function.	
Shinya Endo	Mr. Shinya Endo has a wealth of experience and wide-ranging knowledge gained through his involvement in local administration for many years as well as a successful track record of being engaged in corporate management. The Bank believes that he has knowledge and experience that enable him to precisely, fairly and efficiently audit the performance of duties by Directors of the Bank, as well as sufficient social credibility, and thus selected him as a Director serving as an Audit & Supervisory Committee Member. He is expected to provide advice, especially on corporate management and regional revitalization, audit the performance of duties by Directors, and enhance the Board of Directors' supervising function.	

Message from Outside Director

I will actively engage with the Board of Directors to make the region more attractive and the 77 Bank a better company.

Outside Director

Shigenori Oyama



Impression of the 77 Bank

The words to describe my impression of the Bank when it was just an external company to me prior to my appointment was “solid management.” The tradition of the bank that is deeply rooted in the region for many years would be the reason why I felt that way very strongly. I received the impression that the employees were “serious and cautious,” which are essential elements for a profession as a banker. After taking office as Outside Director, I had opportunities to interact with many employees. After joining them, in addition to what I have seen as an outsider, I recognize that the Bank has abundant vital assets, which are many excellent human resources, and a solid will to embody the pride and tradition as a leading bank in the region. I think it is one of the major strengths of the Bank that can work as one for Miyagi based on the Bank Creed, “desiring communal prosperity and serving local communities,” which has been passed on since its foundation. As a part of our efforts based on the “Agreement on Comprehensive Cooperation for Regional Revitalization” with regional public bodies, the Bank has formed the “Miyagi Wide-area PPP Platform” as a space for information sharing and encouraging dialogue between the public and private sectors for the

utilization of private-sector funds and know-how. This is a symbol of such strength. Moreover, while we have a business relationship with many customers in Miyagi Prefecture, I think we can maintain a high market share on a transaction number basis as a result of our long-standing trust relationship with the region. However, strengths and weaknesses are often opposites of each other. Similarity and solidarity would hinder securing diversity. With a fortunate foundation such as a high market share, we would have a sheer sense of crisis and might be discouraged from conducting reform. We live in an era where changes are happening extremely fast, including the progress of digitalization. I believe that we are expected to take on challenges for the future with the “corporate culture reform strategy” stated in the management plan “Vision 2030,” which started in April 2021. I hope to hear people say, “The 77 Bank has changed.”

Evaluation of the effectiveness of the Board of Directors

I studied science, majoring in engineering and have been managing an electronic manufacturer for many years. When I see the structure of the Board of Directors that includes me, I see how actively the Bank is seeking wide-ranging knowledge and experience that goes beyond the conventional framework of a bank. With the leadership of Chairman Ujiie, who serves as the Chairperson, the Board of Directors has nurtured an atmosphere that encourages attendants, including Outside Directors, to speak up. As a result, we are having a lively discussion. To further activate deliberation at the Board of Directors, Outside Directors receive a briefing before a meeting. In addition, the materials are concise focusing on points. Improvements are made every day, and I feel the willingness to change and improve the operation of the Board of Directors with the entire organization.

As for the Bank’s financial results, we attained a record-high for two consecutive terms. As for the

business forecast for FY2023, performance is expected to improve steadily and mark the highest net income on record by increasing for three consecutive terms. However, under such circumstances, we should be aggressive and maintain high targets without relaxing quickly, but observe management risk and environment change calmly and tighten up our management at the same time. Instead of being myopic and feeling glad and sad about what happened recently, we shall consider important matters from a medium- to the long-term perspective and have deep and broad discussions as the Board of Directors. This is important for a financial institution to support local communities from a sustainability viewpoint. During the era of reform, there will be many things that we will be expected to process as a company. I believe that it is essential to have diversified Board Members and have lively discussions to improve the effectiveness of the Board of Directors and corporate value.

To our shareholders

Although I was in a different industry, I would like to utilize my experience as an executive, present my opinion from a manager’s viewpoint and contribute to the diversity of management. I believe it is my role in the Board of Directors of the Bank. As corporate governance is becoming more sophisticated and Tokyo Stock Exchange, Inc. requested us to take “action to implement management that is conscious of the cost of capital and stock price,” our shareholders have high expectations for Outside Directors and we have heavy responsibilities. Therefore, I will keep improving my qualifications, learn the organization and business of

the Bank, and communicate with various people.

The Bank needs to stay close to local communities as a regional financial institution to support the region and contribute to local companies. The Bank Creed says, “Acknowledge that the Bank’s progress goes hand in hand with prosperity in the local community, and seek to elevate the spirit of voluntary service at all times.” To gain shareholders’ trust by making an attractive region and the 77 Bank a better company, I will keep actively engaging with the Board of Directors as a member and help improve the corporate value.

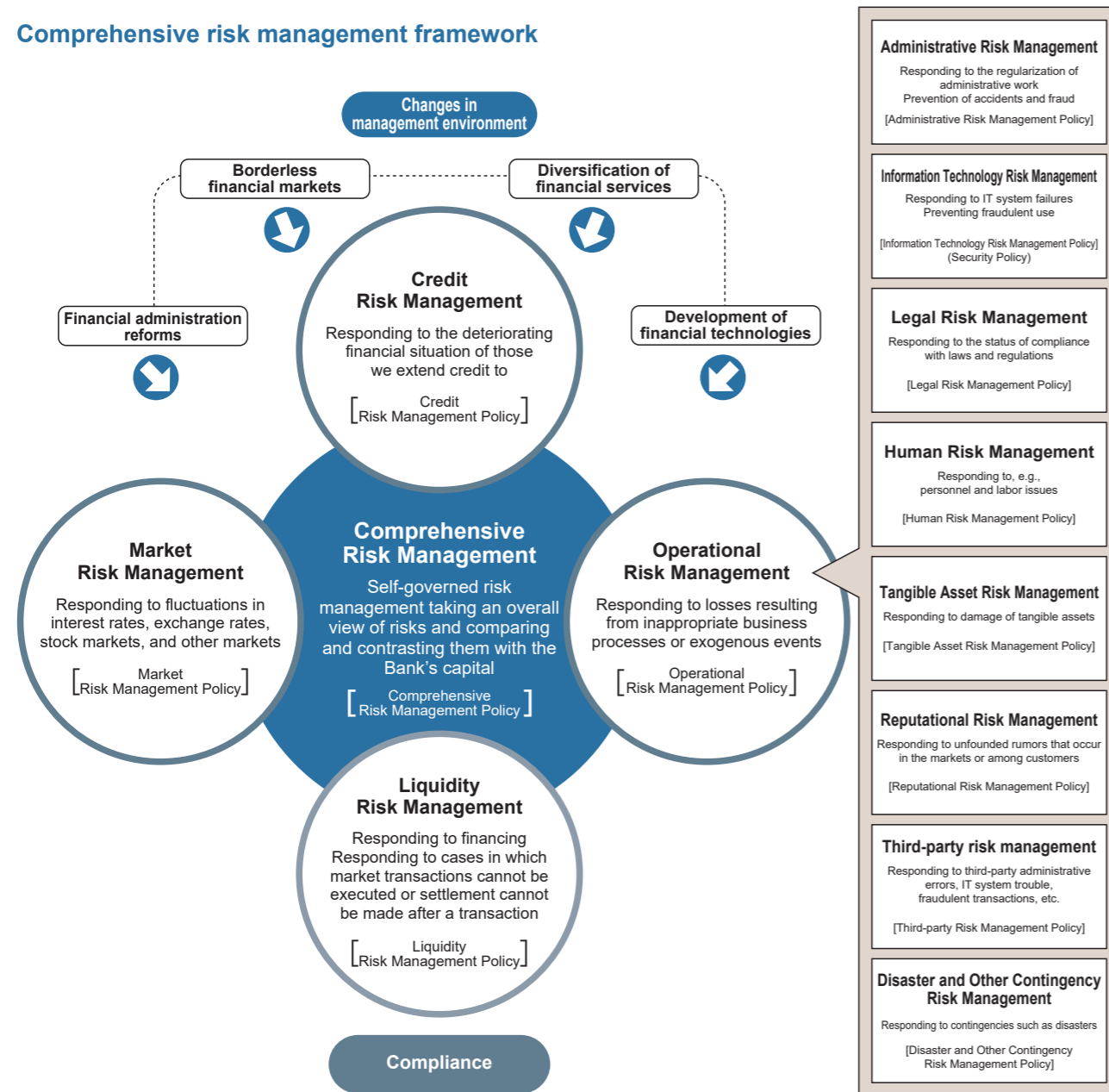
Strengthening Risk Management Systems

In recent years, the business environment surrounding financial institutions has changed significantly, and financial institutions are now exposed to an unprecedented variety of risks than ever before. In this situation, more than ever before, financial institutions are required to accurately ascertain and analyze risks and appropriately manage them.

From the viewpoint of enhancing management soundness, the Bank has established a comprehensive risk management framework for self-governed risk management by taking an overall view of the risks it faces, evaluating each type of risk and comparing and contrasting it with its capital, as well as enhancing risk management methods such as the development of more sophisticated risk measurement techniques.

The specific framework for comprehensive risk management is "risk capital management." "Risk capital management" is a management method in which risk capital budgets, which are allowances for each type of risk, are allocated to divisions (service divisions in Japan, the Treasury Division, etc.), and each division's risk amount is monitored to ensure that it is within the amount allocated. In addition, risk capital management is also utilized to monitor whether expected returns commensurate with the risk taken are being secured.

Comprehensive risk management framework



Compliance Structure

The Bank formulated the Compliance Policies in order to clarify its stance on compliance and to ensure the effectiveness thereof. Further, as part of our endeavor to ensure thorough compliance, the Bank established the Compliance Guidelines (Compliance Standards) to articulate specific guidelines and a code of conduct so that the executives and employees place importance on compliance, thereby ensuring the lawful conduct of business.

Compliance Guidelines (Compliance Standards)

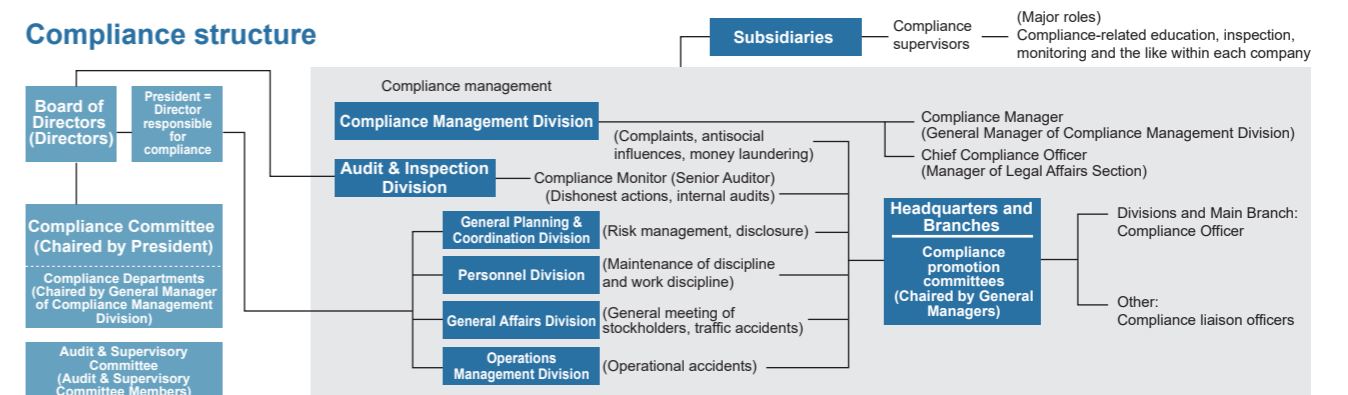
[Basic Direction]

- (1) Ensure sound management and pay the utmost attention to sustaining the Bank's credibility and its ability to maintain smooth financing.
- (2) Comply with laws and the code of corporate ethics and maintain fair and honest practices.
- (3) Take a principled stand with regard to issues that threaten social order or public peace.
- (4) Provide financial services that the region, customers, and society broadly trust and endeavor to achieve sustainable development together with them as a good corporate citizen.
- (5) Foster a flexible and constructive working environment conducive to the well-being of all employees.

[Code of Conduct]

- (1) We will comply with laws, ordinances, the Articles of Incorporation, the Rules of Employment, and internal rules of the Bank.
- (2) We will not force unfair transactions on our customers.
- (3) We will not divulge confidential information of our customers or the Bank, or material information that has not been made public.
- (4) We will not neglect to provide reports required by laws, ordinances, and internal rules of the Bank, or provide false reports.
- (5) We recognize the public nature and the large social responsibility of the Bank and will devote ourselves to our duties.
- (6) We will not follow instructions or orders given by an individual that go beyond or deviate from the authorities given to said individual.
- (7) We will not engage in such conduct as will undermine the credibility or honor of the Bank.
- (8) We will not do favors for our customers in violation of laws, ordinances, or internal rules of the Bank.
- (9) We will not seek to make unfair profits by taking advantage of our duties or position.
- (10) We will not borrow from or mediate for someone to borrow from our customers, other executives, or other employees without legitimate reason.
- (11) We will not engage in socially unacceptable entertaining or gift-giving.
- (12) We will make efforts to maintain order in the workplace.

Compliance structure



* Compliance officers and compliance liaisons maintain their independence in the performance of their duties related to compliance and do not follow the instructions of higher-ranking individuals.

Major Financial Data for 11 Years*1

◆ Summary of the financial results

	(Billions of yen)			
	FY2012	FY2013	FY2014	FY2015
Gross operating income	77.0	77.9	80.1	75.1
Interest income	68.5	70.0	70.2	70.8
Fees and commissions	9.8	10.2	10.3	10.0
Other operating income	(1.3)	(2.3)	(0.4)	(5.7)
Gain (losses) on bonds	(1.5)	(2.4)	(0.2)	(4.5)
Expenses	53.8	55.3	57.1	60.9
Core operating income	24.7	25.0	23.2	18.7
Ordinary income	20.6	25.5	30.5	24.3
Net income	12.1	14.7	16.9	15.7
Credit-related expenses	(1.4)	(0.7)	(3.8)	(6.2)
Net income attributable to owners of the parent (consolidated)	12.4	15.1	17.0	15.9

◆ Summary of the Balance Sheet

	(Billions of yen)			
	FY2012	FY2013	FY2014	FY2015
Total assets	8,233.7	8,478.4	8,559.7	8,570.1
Loans and bills discounted	3,770.8	4,007.8	4,227.7	4,357.9
To SMEs	1,263.7	1,337.6	1,412.1	1,519.5
To retail customers	776.4	831.6	886.0	931.6
Securities	3,402.9	3,716.5	3,683.6	3,478.9
Total liabilities	7,878.4	8,091.9	8,101.8	8,127.0
Deposits and certificates of deposits	7,750.1	7,876.5	7,854.9	7,971.2
Total net assets	355.3	386.5	457.9	443.1
Total shareholders' equity	293.6	305.8	318.3	330.6
Total valuation and translation adjustments	61.2	80.1	139.0	111.7

◆ Management indicators, etc.

	FY2012	FY2013	FY2014	FY2015
Core OHR (core gross operating income expense ratio) ²	68.52%	68.87%	71.07%	76.48%
ROE (consolidated) ³	3.73%	4.06%	4.05%	3.54%
Capital adequacy ratio (consolidated) ^{4,5}	12.54%	12.68%	12.51%	11.21%
Net assets per share (yen) (consolidated) ⁶	953.77	1,027.15	1,223.49	1,165.83
Net income per share (yen) (consolidated) ⁶	33.29	40.26	45.56	42.37
Dividend per share (yen) ⁷	7.00	7.50	8.50	9.00
Dividend payout ratio (consolidated)	21.02%	18.62%	18.65%	21.24%

*1 For items without "(consolidated)," the figures are shown on a non-consolidated basis.

*2 Expenses ÷ (Gross operating income – Gain (losses) on bonds)

*3 Net income ÷ Average net assets during the period (simple average of the net assets at the beginning and end of the period)

*4 For FY2011 and FY2012, the Basel II figures are shown.

*5 In FY2022, we started early application of finalized Basel III to calculate capital adequacy ratio.

*6 The Bank conducted a 1-for-5 consolidation of shares on October 1, 2017.

Net assets per share and net income per share were calculated assuming that the share consolidation was conducted at the beginning of FY2016.

*7 The Bank conducted a 1-for-5 consolidation of shares on October 1, 2017.

The dividend per share of ¥27.00 for FY2017 is the total of the interim dividend of ¥4.50 and the term-end dividend of ¥22.50. The interim dividend of ¥4.50 is the dividend before the share consolidation and the term-end dividend of ¥22.50 is the dividend after the share consolidation.

	(Billions of yen)						
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
	69.2	67.7	69.2	72.1	67.8	75.8	78.9
	67.6	69.6	65.9	68.5	70.5	72.3	78.6
	9.4	9.3	9.6	9.7	9.8	11.8	12.2
	(7.8)	(11.2)	(6.3)	(6.1)	(12.5)	(8.3)	(11.9)
	(4.5)	(8.2)	(2.8)	(2.5)	(12.8)	(8.8)	(6.9)
	53.2	52.8	52.8	53.2	50.2	49.3	48.5
	20.5	23.1	19.2	21.4	30.4	35.3	37.3
	21.6	23.3	22.0	24.6	22.7	30.5	34.4
	16.6	16.7	17.9	17.3	14.9	20.8	24.4
	(1.6)	(2.3)	2.3	7.3	7.6	4.6	1.2
	16.1	18.3	17.6	18.2	16.5	22.2	25.1

	(Billions of yen)						
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
	8,633.6	8,701.5	8,610.3	8,751.9	9,817.9	10,666.0	10,179.5
	4,450.3	4,627.1	4,725.0	4,894.6	5,097.5	5,340.2	5,570.2
	1,645.2	1,751.5	1,825.4	1,915.2	2,009.5	2,173.9	2,335.3
	1,012.5	1,096.5	1,134.2	1,176.3	1,211.8	1,249.2	1,291.0
	3,242.6	3,126.0	2,964.9	2,913.4	3,116.0	3,131.8	3,056.2
	8,170.6	8,218.9	8,129.1	8,312.0	9,316.1	10,166.2	9,688.8
	7,821.4	7,964.3	7,891.8	7,888.5	8,551.7	8,846.4	8,910.6
	463.0	482.6	481.2	439.9	501.8	499.8	490.8
	343.4	357.0	371.9	384.8	396.1	413.0	431.6
	118.9	125.6	109.4	55.1	105.7	86.7	59.2

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
	72.17%	69.52%	73.28%	71.35%	62.27%	58.22%	56.55%
	3.56%	3.82%	3.60%	3.89%	3.42%	4.33%	4.92%
	10.73%	10.43%	10.38%	10.31%	10.39%	10.27%	11.23%
	6,306.73	6,613.28	6,582.31	6,057.30	6,947.19	6,944.03	6,818.61
	215.73	246.87	237.90	246.97	222.89	300.81	338.74
	9.00	27.00	47.50	50.00	50.00	67.50	90.00
	20.86%	18.22%	19.96%	20.24%	22.43%	22.43%	26.56%

Profile (As of March 31, 2023)

Company Name The 77 Bank, Ltd.
 Head Office 3-20, Chuo 3-chome, Aobaku, Sendai, Miyagi 980-8777, Japan
 Founded December 9, 1878
 Paid-in Capital ¥24.6 billion
 Number of Employees 2,585

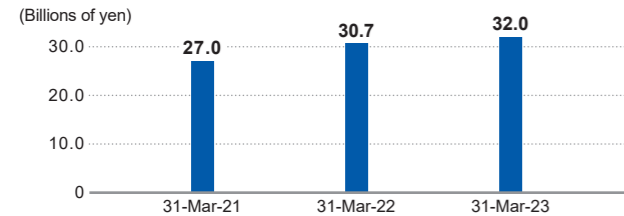
Number of Branches 144 (Head Office/Branches: 138, Sub-Branches: 6)
 Capital Adequacy Ratio (domestic standards) non-consolidated 10.96% / consolidated 11.23%
 Total Assets ¥10,179.5 billion
 Certificates of Deposits ¥8,910.6 billion
 Loans and Bills Discounted ¥5,570.2 billion

Group companies

77 Lease

Supports customers' capital expenditure via finance leases, etc., for office equipment, transportation equipment, industrial machinery, medical devices, engineering and construction machinery, etc.

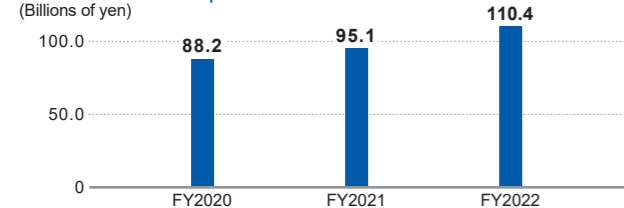
Balance of lease and installment claims



77 Card

Issues JCB, Visa, MasterCard, and other credit cards to retail and corporate customers, provides support for the introduction of cashless devices, and provides card loan guarantees.

Total purchase transaction volume

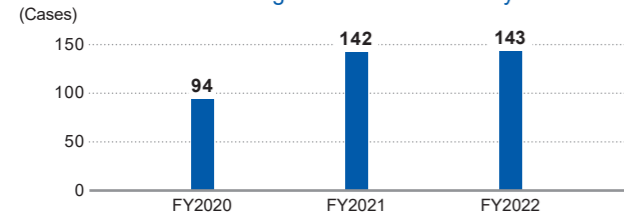


(Note) Includes revolving payments and installment payments.

77 Research and Consulting

Provides services with expertise and a high level of added value, mainly centered on membership organization management, survey and research, and consulting.

Number of consulting and contracted survey cases



77 Partners (established in December 2021)

It demonstrates its consulting capability by getting deeper into management issues by obtaining management rights of local companies. To increase corporate value, 77 Partners also strives hard to provide support. As of the end of March 2023, the number of investment case executed was one.

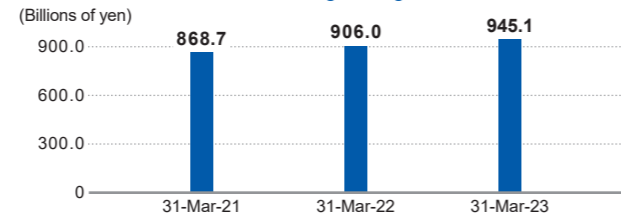
77 Digital Solutions (established in May 2023)

Having IT consulting services as its main business, it offers digital transformation (DX) solutions to local companies.

77 Shin-Yo Hosyo

Provides debt guarantees for customers using housing loans, car loans, and other unsecured loans, as well as credit management and other services.

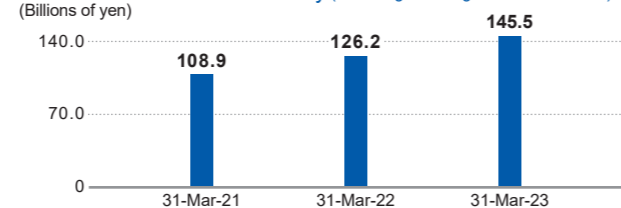
Balance of housing loan guarantees



77 Securities

As the only securities company headquartered in Miyagi Prefecture, provides quality services and products with a high level of expertise from the customer's perspective, based on "bank-securities company cooperation" with the 77 Bank.

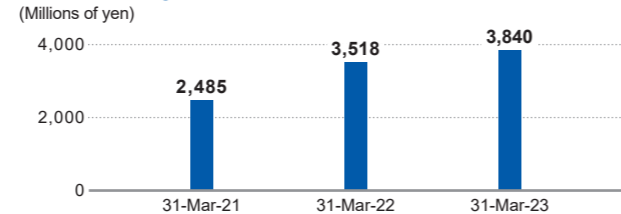
Balance of assets in custody (excluding brokerage from the 77 Bank)



77 Capital

Main business activities include the formation and management of investment limited partnerships (funds), as well as providing a wide range of funding tailored to the business characteristics and projects of companies, and engaging in company development and company support through investment, etc.

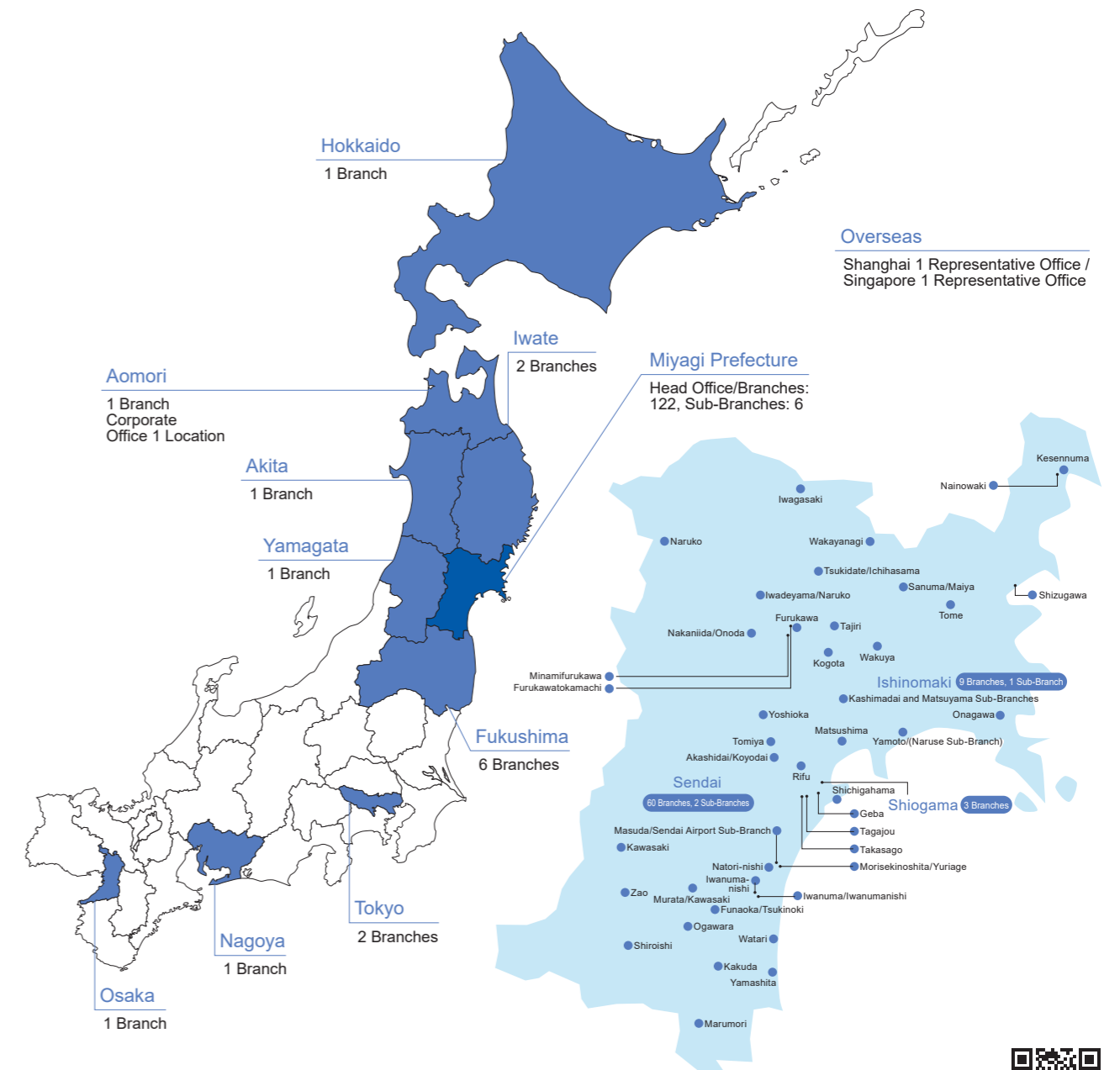
Cumulative amount of investment



77 Human Design (established in August 2022)

It provides multilateral solutions for human resources mainly by introducing managers and experts. As of the end of March 2023, the number of referral cases was 40 (actual result from January 2023 to March 2023).

Service Network (As of July 31, 2023)



Scan the QR code to read the branches and cash service corners.



* Japanese Language only

Service Network Data

	Number of municipalities with Miyagi Prefecture	Of which, areas with the Bank's location	Total number of the Bank's locations	
			Of which branches	Of which branches within branches
Within Miyagi Prefecture	35	30	128	30
Cities	14	14	109	27
[Of which, Sendai City]			[62]	[14]
Towns	20	16	19	3
Villages	1	—	—	—
Outside of Miyagi Prefecture			16	—
Within Tokyo			2	—
Other prefectures			14 ¹⁾	—
Total	35 municipalities	30 cities and towns	144 locations²⁾	30 locations

¹⁾ Other branch locations: Sapporo City, Morioka City, Kitakami City, Akita City, Yamagata City, Fukushima City, Koriyama City, Soma City, Minamisoma City, Iwaki City (2 branches), Nagoya City, and Osaka City

²⁾ The total number of branches (144) includes one branch dedicated to money transfers, bringing the total number of branches to 113, taking into account 30 branches within branches.

The 77 Bank, Ltd

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