



THE 77 BANK
INTEGRATED REPORT
2021

77 BANK

The trees we planted after the earthquake are gradually growing.

Ten years have passed since the Great East Japan Earthquake in 2011. Now, the young trees of recovery are sprouting in the Tohoku region. Eiichi Shibusawa, who was involved in The 77 Bank's founding, said "people without dreams have no ideals.*" Making our region more abundant and comfortable to live in. The 77 Bank Group will embark on Vision 2030, in which we have set out our ideal for the future.

* From "Seven Lessons about Dreams" by Eiichi Shibusawa



Editorial Policy

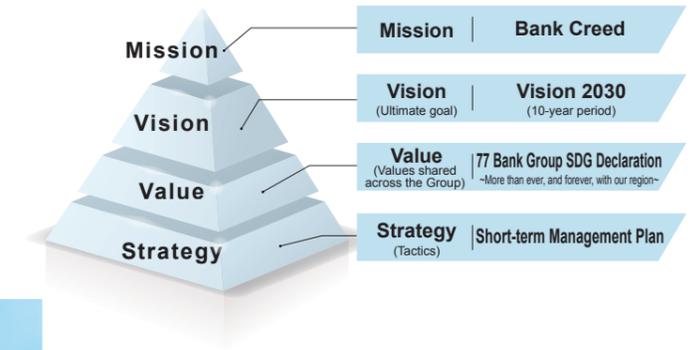
The 77 Bank has prepared "THE 77 BANK INTEGRATED REPORT 2021" to help investors and other stakeholders understand the Bank's efforts for sustainable value creation.

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, in the order "Mission," "Vision," "Value," and "Strategy."

For detailed financial data and other information, please refer to DISCLOSURE 2021 (available on the Bank's website at <https://www.77bank.co.jp>).



In order to recover coastal disaster prevention forests that were lost in the Great East Japan Earthquake, new employees of the Bank planted black pines in 2018, and we named the area the "77 Forest for the Future."



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Note regarding forward-looking statements

This document contains forward-looking statements that are based on the information available at the time of disclosure, along with certain assumptions believed to be reasonable by The 77 Bank. However, The 77 Bank makes no guarantee that these forecasts will be achieved. Actual results may differ significantly from forecasts, due to a variety of factors.

Passing on the spirit of Eiichi Shibusawa to the next generation

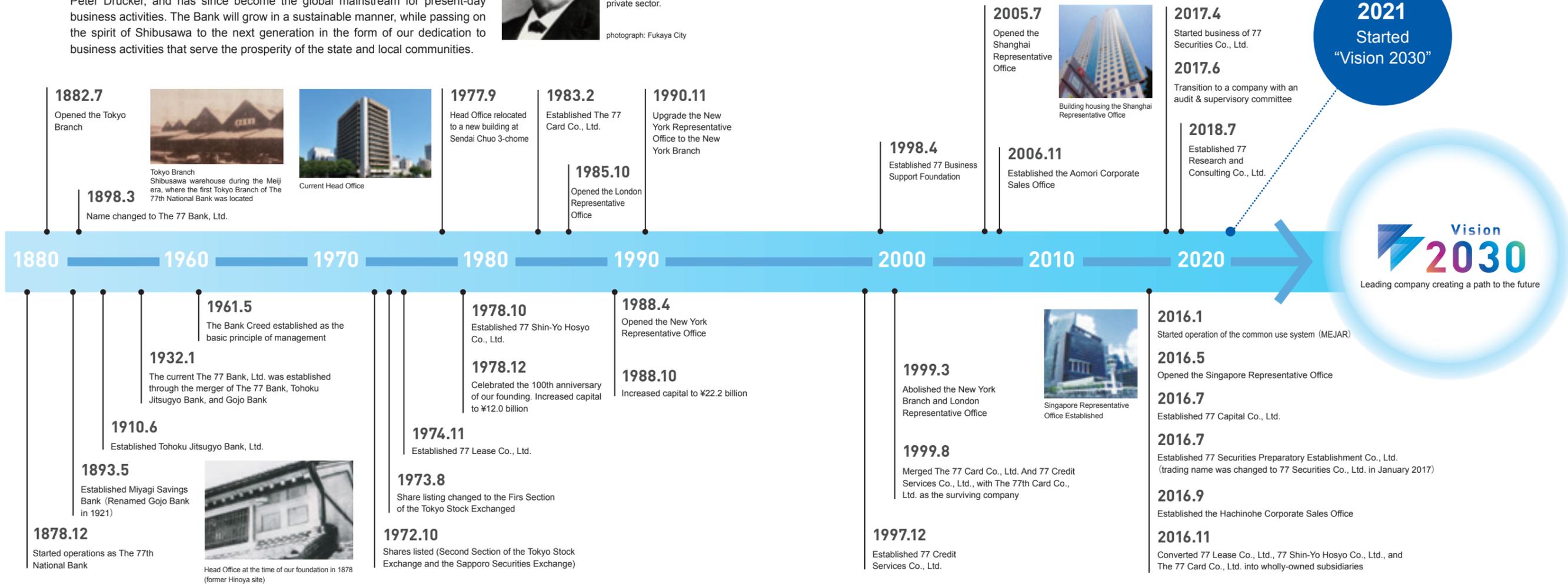
The Bank was founded in 1878 as The 77th National Bank. Through the tremendous efforts of Eiichi Shibusawa, the core of our bank was created, and we embarked upon the path we have followed to this day. The theory of corporate social responsibility that Shibusawa advocated around the late 19th and early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



Eiichi Shibusawa

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

photograph: Fukaya City



The photograph in the possession of the Shibusawa Memorial Museum.

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

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

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

Bank Creed

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

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

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

1. Elevate the Spirit of Voluntary Service

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

2. Improve Creditworthiness

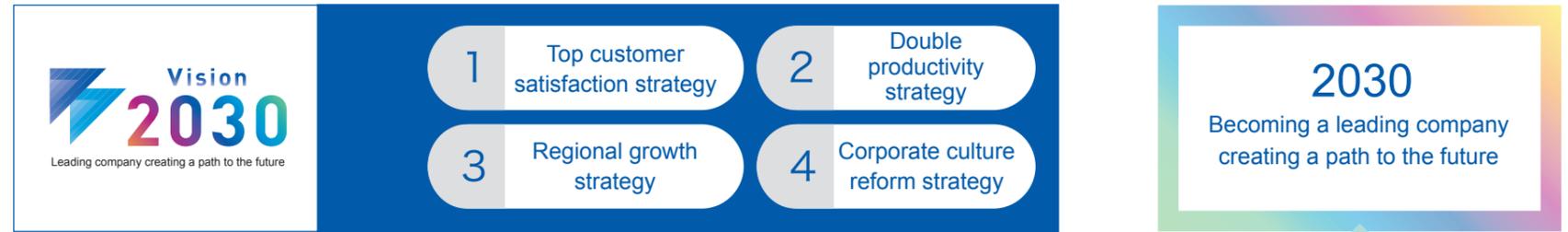
Bear in mind that credit is the Bank's lifeblood, and endeavor to improve credit at all times.

3. Nurture the Spirit of Harmony

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

Value Creation Processes

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

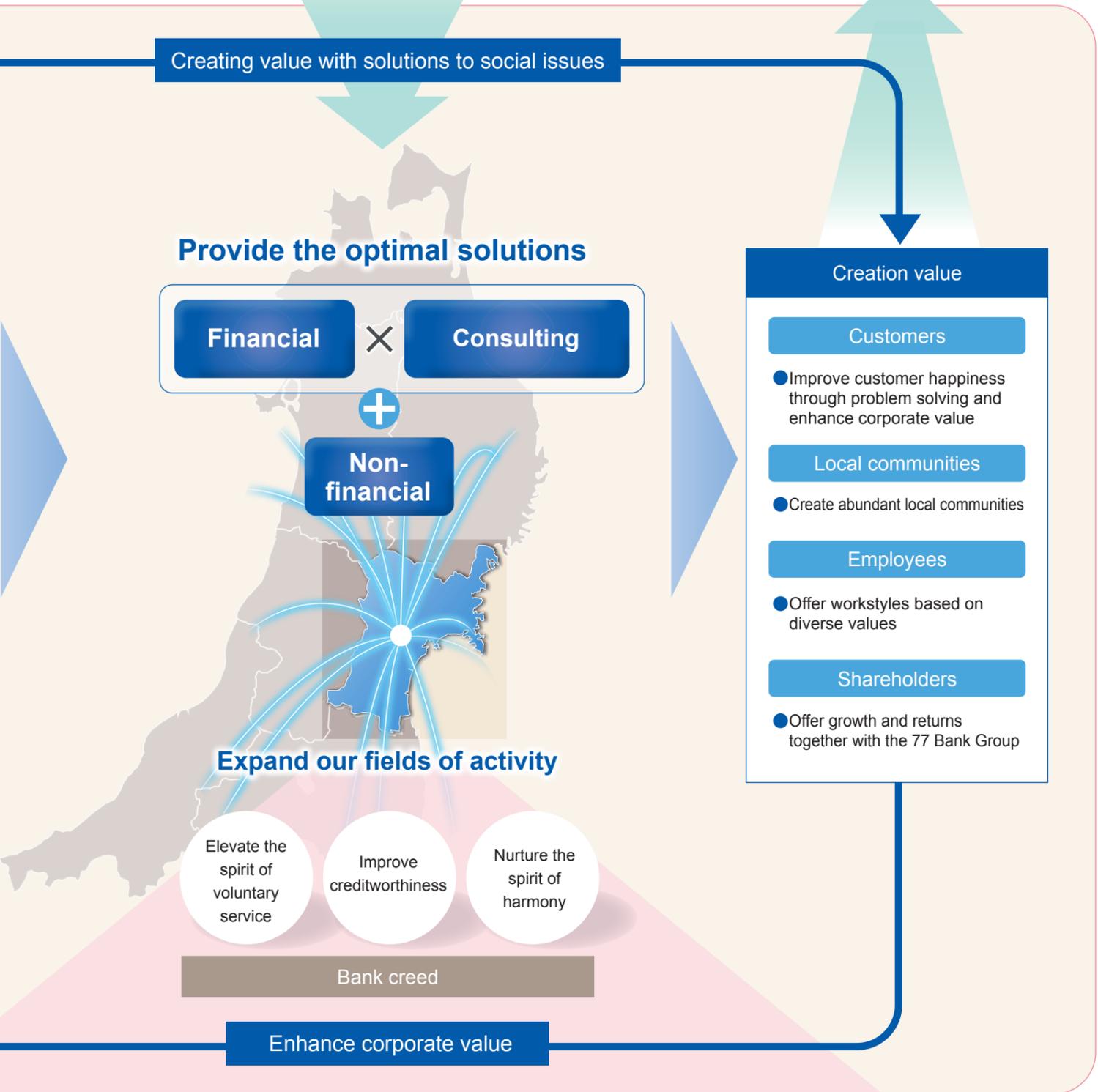


- Social issues we aim to solve through our businesses
- Market contraction
 - Aging society with low birthrate
 - Falling population
 - Concentration in Tokyo
 - Lack of corporate successors
 - Social diversification
 - Lifestyle changes
 - Digital transformation
 - Ongoing financial easing
 - More regulatory easing
 - Response to disasters, etc.
 - Disasters, COVID-19
 - Climate change

The 77 Bank Group's source of value creation

- Financial capital**
 - Capital adequacy ratio (domestic standards, consolidated): 10.39%
 - Ratings: JCR: AA, R&I: A, Moody's: A3 (as of July 31, 2021)
 - Deposits and certificates of deposits: ¥8.5 trillion (ninth among regional banks)
- Manufactured capital**
 - Number of branches: 143 (128 in Miyagi, as well as Sapporo, Morioka, Kitakami, Akita, Yamagata, Fukushima, Koriyama, Soma, Haramachi, Taira, Onahama, Nihonbashi, Tokyo, Nagoya, and Osaka)
 - Corporate sales offices: 2 (Aomori and Hachinohe)
 - Overseas representative offices: 2 (Shanghai and Singapore)
- Intellectual capital**
 - Group companies: 6 companies (77 Lease, 77 Shin-Yo Hosyo, 77 Card, 77 Securities, 77 Research and Consulting, 77 Capital)
 - MEJAR system (Shared with Bank of Yokohama, Hokuriku Bank, Hokkaido Bank, and Higashi-Nippon Bank)
 - Know-how on business reform and corporate rehabilitation support through the recovery from the Great East Japan Earthquake
- Human capital**
 - Number of employees (consolidated): 2,812
 - Number of employees with qualifications: 141 1st grade Certified Financial Planner, CFP, 32 Small and Medium enterprise Management Consultants, 20 Movable Valuation Advisors, 21 Agricultural Management Advisors, 2 In-house attorneys, 1 In-house certified public accountant
- Social capital**
 - Deposit share in Miyagi Prefecture: 57.3% (Ranked No. 1 in Japan for 24 consecutive years in terms of the share of deposits in the prefecture (FY3/1997-FY3/2020) (Source: KINYU JOURNAL))
 - Loans and bills discounted share in Miyagi Prefecture: 43.1%
 - Number of comprehensive cooperation agreements signed with regional public bodies for regional revitalization: 38 (Miyagi Prefecture and 35 municipalities in the prefecture, as well as 2 municipalities in Fukushima Prefecture)
 - Certified "Platinum Kurumin," "Gold Certified Company," "Eruboshi (Grade 3)," and "Health and Productivity Management Organization 2021 (White 500)"
 - Chosen as a constituent of MSCI Japan Empowering Women Index
 - Management Philosophy that inherits the spirit of Eiichi Shibusawa's "harmony of morality and the economy"

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



Mission
Vision
Value
Strategy
Company Information
Financial Section

The Economy and Potential of Miyagi Prefecture

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

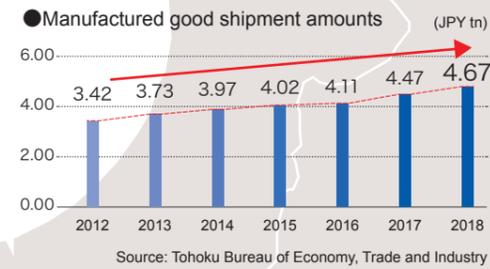
Although Miyagi Prefecture experienced significant damage due to the Great East Japan Earthquake, particularly in coastal areas, it has made steady progress thanks to joint efforts by the public and private sectors. In addition, with the expansion of major automotive and electronics companies, the manufacturing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

▶▶The potential of Miyagi Prefecture, in numbers

- Total area **7,282 km²**
- Population **2,292,385 Persons**
- Number of households **1,006,676**
- Number of new housing starts **14,451**

Manufactured goods shipment amount
¥ 4,665.6 billion

Increasing for seven consecutive years since the Great East Japan Earthquake



Agricultural output
¥ 193.9 billion

Wholesale/retail annual product sales
¥ 11,554.9 billion

Gross Prefectural Product (nominal)
¥ 9,463.9 billion

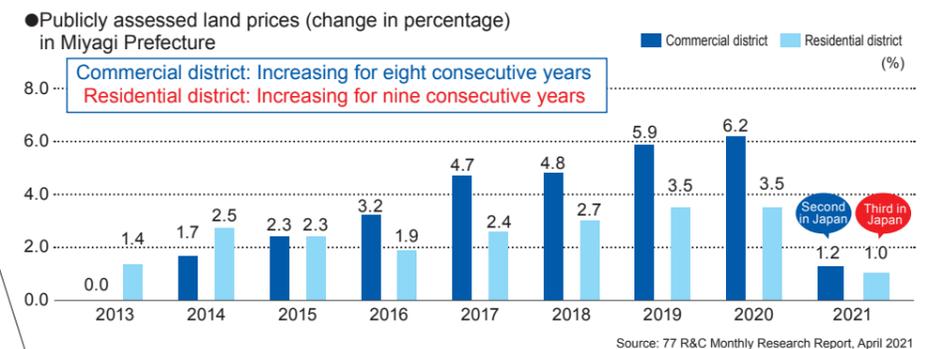
Ranking among prefectures in terms of Gross Prefectural Product (nominal)
Second highest growth rate (21.0%) during the period FY2010, immediately after the financial crisis of 2007-2008, through FY2018

Fisheries and aquaculture production amount
¥ 78.9 billion
Fourth in Japan

Publicly assessed land prices in Miyagi Prefecture (change in percentage)
Commercial district 1.2%
Residential district 1.0%

Commercial district
Second Miyagi Prefecture
 First Fukuoka Prefecture
 Third Hokkaido Prefecture

Residential district
Third Miyagi Prefecture
 First Hokkaido Prefecture
 First Fukuoka Prefecture



Number of private sector offices
102,026 Offices
No. 1 in Japan in terms of the growth rate since the last survey (2012)

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

Regional Development Project (1)

Sendai Urban Restructuring Project

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

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



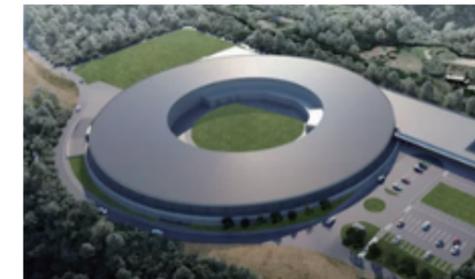
Image of Urban Restructuring Project (Sendai Station area) Provided by: Sendai City

Regional Development Project (2)

Next-generation Synchrotron Radiation Facility Maintenance Project

(Scheduled to begin operation in FY2025)

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



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

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

President
Hidefumi Kobayashi



Ten years since the Great East Japan Earthquake

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

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

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

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

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

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

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

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

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

Picturing a new tomorrow for the region

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

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

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

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

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

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

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

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

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

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

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

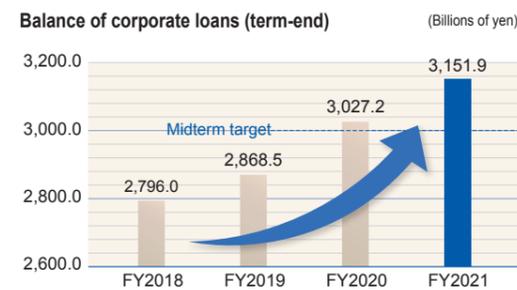
In terms of “initiatives to enhance productivity,” an issue faced

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

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

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

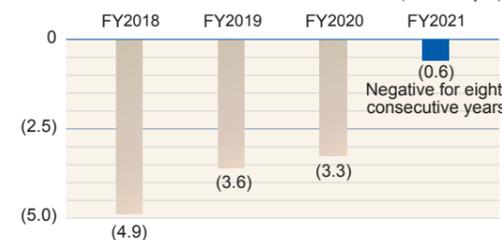
We are still only partway to achieving our goals in relation to consulting in order to differentiate the 77 Bank Group from competitors, including other financial institutions and companies in other industries, digitalization as a means of fundamental transformation, and paperwork-free initiatives, etc.



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

Item	FY2021 results	FY2021 MTP targets	Difference
Net income [consolidated]	16.5	19.0	(2.5)
Interest on loans and bills discounted	41.6	45.0	(3.4)
Fees and commissions	9.8	11.5	(1.7)
ROE [consolidated]	3.4	3.7	(0.3)

Income from customer services (Billions of yen)



— Objectives and background to the formulation of Vision 2030 —

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

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

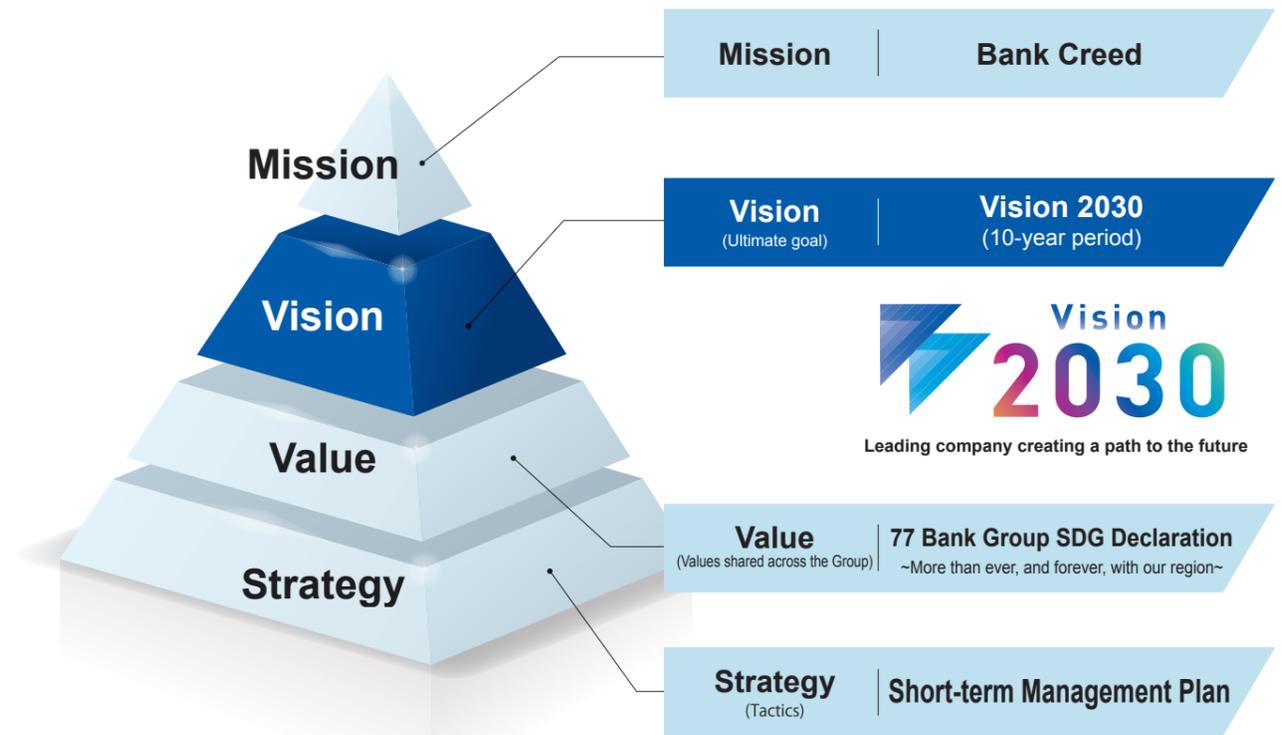
Previously, the Bank has formulated medium-term management plans based on a period of “three years.” However, considering the uncertain outlook and rapid changes affecting the current management environment, a three-year plan would only mean setting “targets and measures that we can probably achieve”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

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

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

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

Vision 2030 Positioning



The 77 Bank Group's "Target Form"

Tapping new areas of opportunity in Miyagi and Tohoku

In "Vision 2030," we set forth "our target form" for the 77 Bank Group to aim for over the long-term as, "a leading company that works to achieve prosperity in the local community, by continuing to offer the optimal solutions, which inspire and build trust, and at the same time working with our stakeholders to tap new areas of opportunity in Miyagi and Tohoku."

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

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



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

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

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

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

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

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

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

Capitalizing on the digital transformation

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

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

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

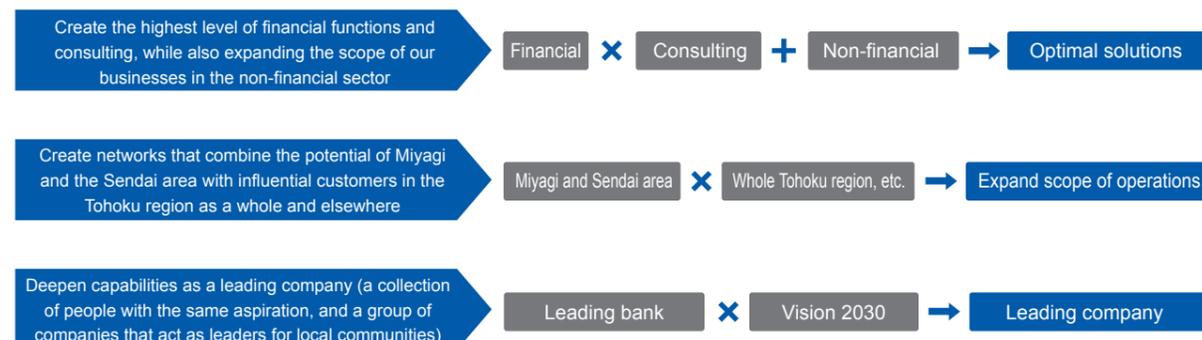
Specifically, in anticipation of dramatic advances in digital technologies over the next 10 years, we will focus on "creating new businesses" and promoting digital reforms, in line with "digital reforms in the banking business" as a whole.

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

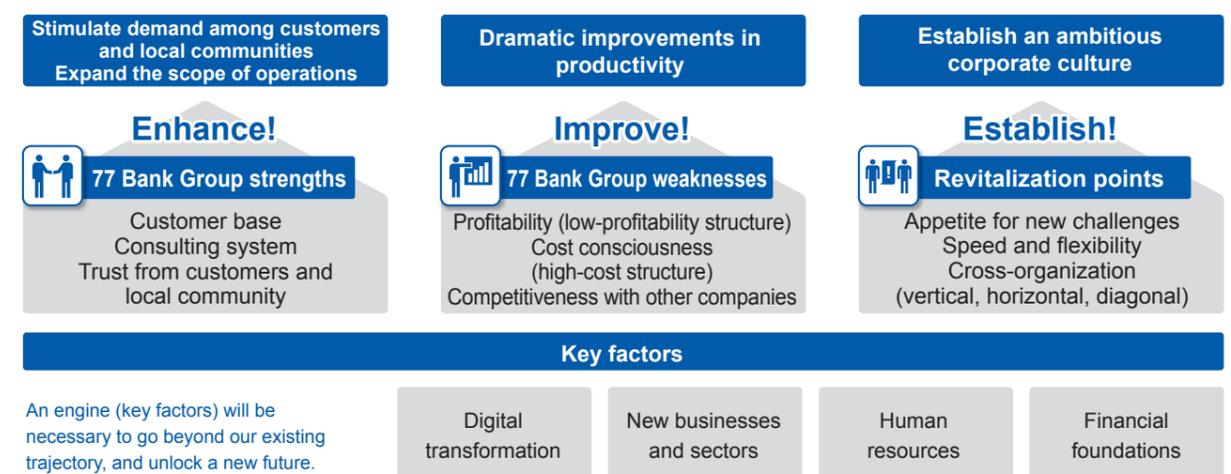
Additionally, with regard to "creating new businesses," we will establish new businesses to revitalize the regional economy, including offering new banking services and a new regional ecosystem centered on the "digital native" generation.

"Our target form" to aim for over the long term

The 77 Bank Group aims to be a leading company that works to achieve prosperity in the local community, by continuing to offer the optimal solutions, which inspire and build trust, and at the same time working with our stakeholders to tap new areas of opportunity in Miyagi and Tohoku.



"Vision 2030" outline ~77 Bank Group direction



Develop new businesses and sectors

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

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

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

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

Develop human resources

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

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

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

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

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

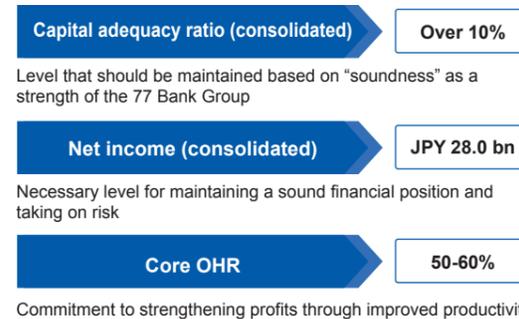
Furthermore, the “77 President’s School” is an initiative that we established in the previous fiscal year for this purpose. The school is aimed at fostering an understanding of management among midlevel employees in their thirties by deepening their understanding of changes in the environment surrounding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

Strengthen financial foundations

The fourth key factor is “strengthen financial foundations.”

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

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



Four basic strategies

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

~Top customer satisfaction strategy~

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

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

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

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

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

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

~Double productivity strategy~

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

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

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

~Regional growth strategy~

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

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

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

~Corporate culture reform strategy~

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

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

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

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

Four basic strategies



— Toward Achieving “Our Target Form” —

77 Bank Group profit increase concept

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

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

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

PDCA cycle based on “our target form”

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

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

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

Midterm targets to achieve “our target form”

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

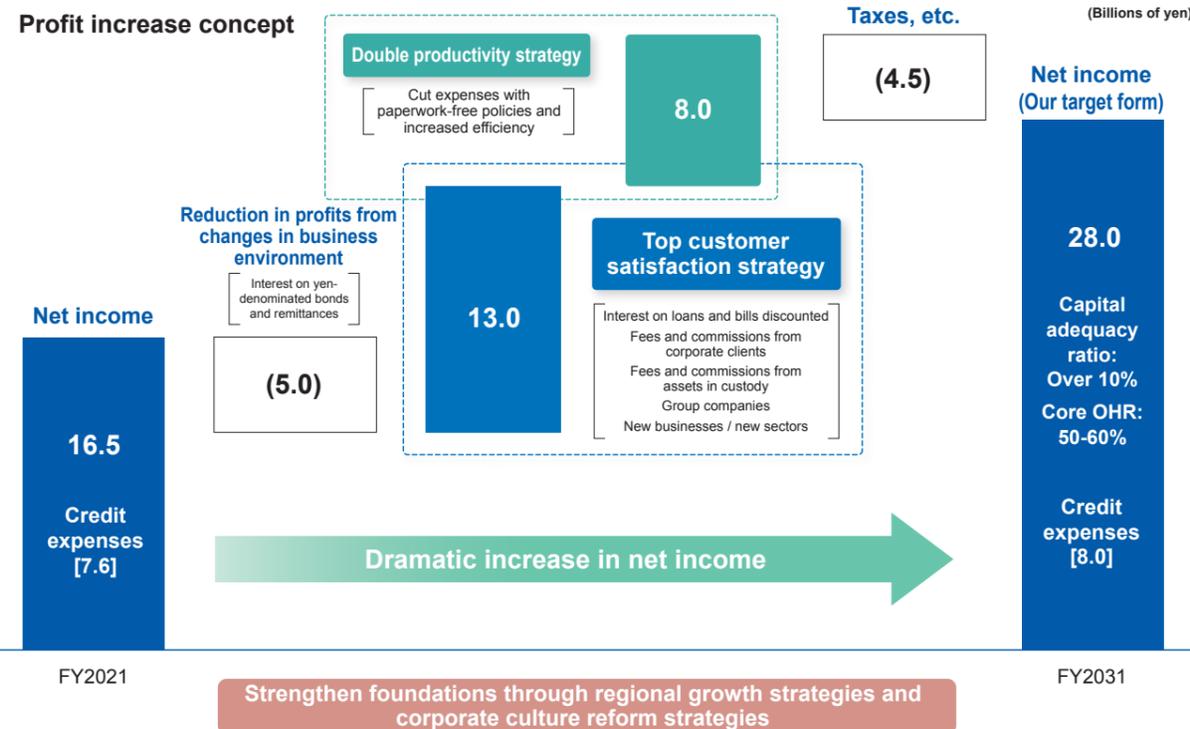
Midterm targets to achieve “our target form”

1. Strengthen financial foundations (key factor)

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

2. KPI

	FY2021	FY2026	FY2031 (Our target form)	Notes
Proportion of companies in Miyagi Prefecture for whom we are their main bank [main bank trends surveys*]	— [56%]	Vs. FY2021 +5% [59%]	Vs. FY2021 +10% [62%]	Comprehensive assessment utilizing customer surveys and various indicators *TEIKOKU DATABANK, Ltd. research
Number of corporate lending clients outside Miyagi Prefecture	—	1.2x	1.5x	
Proportion of households in Miyagi Prefecture holding assets	14%	17%	Over 21%	*2014 Nationwide Consumption Trends Survey, Statistics Bureau of Japan (proportion of households holding shares or equity investment trusts)
Proportion of individuals in Miyagi Prefecture using loans from the 77 Bank	12.6%	17.0%	20.0%	
Group companies net income	(FY2020) JPY 1.6 bn	JPY 2.0 bn	JPY 3.0 bn	
Labor productivity in core operations(*)	(FY2020) JPY 8 mn	JPY 13 mn	JPY 16 mn	* (Interest on loans and bills discounted + fees and commissions - interest on deposits, etc. - expenses + personnel expenses + depreciation) / number of employees (part-time employees counted as 0.4)
Administrative work at bank branches	—	Vs. FY2021 (50%)	Vs. FY2021 (50%)	“Rebalancing of management assets” • Enhance non-face-to-face channels and optimize branch network in accordance with customers’ needs • Educate, redistribute, and streamline (natural attrition) workforce in order to strengthen consulting capabilities
Usage of non-face-to-face channels	(Corporate) 11% (Retail) 11%	(Corporate) 20% (Retail) 20%	(Corporate) 30% (Retail) 30%	
Cases of growth support for founders	1,181	2,000	3,000	
CO2 emissions	(FY2020) 12,327t	10,000t	9,069t	
Proportion of female managers	13.4%	18.0%	30.0%	
Other items		<ul style="list-style-type: none"> ■ Establish 10 projects in new businesses or sectors (by FY2024) ■ Support increased rate of economic growth in Miyagi Prefecture ■ Aim for 100% participation in regional development projects in Miyagi Prefecture 	<ul style="list-style-type: none"> ■ Implement various initiatives to “foster an ambitious spirit” ■ Increase the number of “specialist personnel” that serve a purpose for customers and local communities 	



To Our Stakeholders

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

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

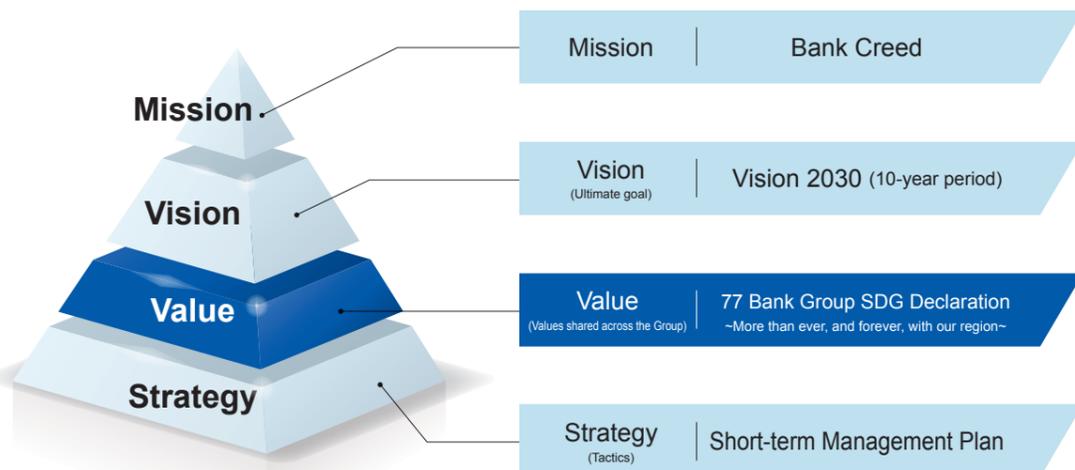
Against this background, as part of our objective of contributing to the sustainable growth of regional society, we announced the “77 Bank Group SDG Declaration” in July 2020, as well as our “Lending Policy” for businesses that pose a risk of negative impact to the environment and society.

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

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

77 Bank Group SDG Declaration

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



77 Bank Group SDG Declaration

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

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



1. Revitalization of the regional economy

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

2. Responding to global warming and climate change

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

3. Encouraging and supporting the activities of our employees

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

4. Advancing corporate governance

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

| 1 | Revitalization of the Regional Economy



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

Second “77 Regional Revitalization Business Matching Event”

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

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

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



Response to the COVID-19 pandemic

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

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



Activities of the COVID-19 Emergency Support Team

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

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

7,510 cases / JPY 368.8 billion

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

5,137 cases / JPY 104.6 billion

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

8,348 cases

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

* The data above is as of March 31, 2021

| 2 | Responding to Global Warming and Climate Change



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

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

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

Response to TCFD recommendations

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

Lending to solar sharing project

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

This solar sharing business is a large-scale power generation business that will utilize approximately 68,000 m² of farmland in Nihommatsu City, Fukushima. Sunlight is shared between agricultural production and power generation, and the business has attracted attention as a model for the next-generation utilization of farmland.

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



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

Lending policies for specific businesses

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

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

Environmental Policy

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

Basic Principle

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

Action Guidelines

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

CO₂ emissions from the Bank’s facilities

(t-CO₂)

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

| 3 | Encouraging and Supporting the Activities of Our Employees



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



External evaluation of our efforts

<p>2021 健康経営優良法人 Health and productivity ホワイト500</p> <p>Certified as “Health and productivity Management Organization 2021 (White 500)”</p>	<p>プラチナくみん 子育てサポートしています</p> <p>Certified Platinum Kurumin, a special certification pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children</p>	<p>女性の力が活かされています 2020～2021 宮城県認証企業 ゴールド認証企業</p> <p>Certified “Gold Certified Company” for successfully utilizing the potential of female talent in Miyagi Prefecture</p>	<p>女性が活躍しています！</p> <p>Certified “Eruboshi (Grade 3),” commending general business proprietors for promoting female participation, pursuant to the Act on Promotion of Women’s Participation and Advancement in the Workplace</p>	<p>2021 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)</p> <p>Chosen as a constituent of MSCI Japan Empowering Women Index, which recognizes companies with outstanding efforts in promoting the participation and advancement of women in the workplace* (as of June 2021)</p>	<p>Selected as company to receive “Commendation for a Model Business Committed to Creating Attractive Workplace” from Miyagi Prefecture and Miyagi Labour Bureau</p>	<p>Won top award in Miyagi Prefecture FY2021 awards for “Companies Supporting Active Participation by Men and Women and Cheerful Child-raising”</p>
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Promote health and productivity management ~A healthy body is capital~

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

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

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

Develop promising human capital ~People make companies~

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



Training of specialist personnel through external secondments

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

Main organizations accepting secondments

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

As of May 31, 2021 25 persons

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

~Rewarding working environments~

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

Formulation of action plan

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

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

Proportion of female managers



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

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

“Diversity Promotion Course” day-off seminar

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



4 | Advancing corporate governance



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

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



Steps to enhance and strengthen governance



Improvements in governance

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



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

Evaluating the effectiveness of the board of directors

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

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

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

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

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

Creation of operating officers committee

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

Revitalization of our organization through various committees

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

Enhancement of IR and SR activities

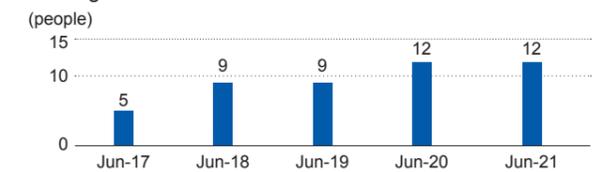
The Bank is actively involved in IR and SR activities including the holding of corporate briefings for institutional investors and individual investors (IR), and engaging in dialogue to build relationships of trust with shareholders (SR), so that stakeholders can understand the management conditions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

Communication of message to employees

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

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

Changes in the number of Executive Officers



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

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

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



Joined in 2012
Direct Channel Promotion Division
Direct Channel Promotion Section
Shota Sato

Joined in 2016
Digital Strategy Division
Digital Strategy Section
Tomoka Yamauchi

Joined in 2015
Regional Development Promotion Division
Regional Development Promotion Section
Yuki Kumagai

Joined in 2013
Treasury Division
Securities Section
Motoki Hosaka

Joined in 2013
Consulting Promotion Division
Structured Finance Section
Atsutomo Gunji

Joined in 2016
Personnel Division
Diversity Promotion Office
Mao Umetsu

Joined in 2010
Business Promotion Division
Wealth Management Office
Azusa Uchikata

Special Feature

Asking the Next Generation about Their “Target Form for the Future”

Toward achieving “Vision 2030” and the future beyond

What are your views on “Vision 2030” in terms of the operations you oversee and your own growth?

Uchikata: In addition to asset management, we take many consultations from individual customers on matters related to administering assets and asset succession, such as civil trusts and testamentary trust services. I feel that listening to the issues and thoughts not just of our customers, but also of every member of their families and watching over the transfer of assets between generations is an important role that we must fulfil as a financial institution. With regard to “support life-planning for individuals” in “Vision 2030,” I think it is important that we offer “total support for all generations,” including customers’ children and grandchildren. As such, I would like to acquire a broad range of knowledge in areas such as tax and legal matters related to personal succession, income, etc., and financial gerontology, which I can then use to fulfill customers’ expectations, thereby also contributing to my own growth.

Gunji: As the Bank faces a difficult external environment, we will be left behind by the market if we focus on maintaining the status quo, and we cannot miss any opportunities to



contribute to the development of our customers and local communities. Under the strong message made clear in “Vision 2030,” that the Bank will “take on new challenges and leave behind the style of relying on the status quo,” I will utilize my own experience of having been seconded to a megabank to actively and boldly take on new challenges that will lead to expansion in the scope of our businesses and our customer base in the Tohoku region, where there is still significant room for growth in structured finance and syndicated loans, enabling the 77 Bank Group to act as a leader in these domains and demonstrate a strong presence. In order to do so, I intend to take the initiative in acquiring specialist knowledge in areas such as financial law and new funding methods, and actively promote related business activities.

Umetsu: In my current department, I feel on a daily basis that people lead a vast variety of different lifestyles, and face many different issues and restrictions as they work. Under these conditions, we must create an environment that allows for a wider range of career paths, and implement reforms from the dual perspective of the workplace environment and our mindset, to enable each and every employee to enjoy a long career, with a sense of purpose. Regarding the target of “increase the proportion of women in management positions to 30% or more” in “Vision 2030,” I hope we can create a company where a diverse range of people can actively participate regardless of gender, disabilities, age, nationality, or other factor, so much so that we cease to use the term “women’s active participation in the workplace,” in a good way. As such, I intend to focus on promoting diversity and inclusion.

Sato: The “digital transformation” is one of the key factors in “Vision 2030,” and I am conscious of the fact that strengthening our services in non-face-to-face channels for both retail

and corporate customers has become a pressing issue given the acceleration in digitalization brought about by the COVID-19 pandemic. I work in developing new channels, and I intend to focus on learning new skills on a daily basis to enable me to execute my duties with a sense of speed, amid the dramatic rise in new entrants from companies in other industries and fintech companies. At the same time, I intend to take steps to shift our points of contact with customers from traditional bank branches and ATMs to non-face-to-face channels such as online banking and apps, while also strengthening our presence not just in finance, but also in the non-financial services sector. I will exert every effort to ensure that I am able to contribute the growth of The 77 Bank.



Yamauchi: In order to achieve the “best mix of face-to-face and non-face-to-face services” in our business model, as targeted by the digital shift indicated by the “digital transformation” key factor in “Vision 2030,” I will promote reforms across banking operations while considering measures to release employees from the burden of administrative work by utilizing AI, robotic process automation (RPA), and tablets. In the digital sector, where reform and evolution move at a rapid pace, I feel it is particularly necessary that we have flexible ideas and futuristic ways of thinking unconstrained by

conventional culture. In order to achieve the future that we are targeting in “Vision 2030,” I would like to promote various reforms based on digital technology, while firmly identifying the changes and trends in systems and times that have persisted from the Bank’s past to our present.

Hosaka: In response to the global expansion of ESG investment and sustainable investment, new products and strategies are being introduced in the asset management industry on a daily basis. In relation to “ESG investment,” a priority measure in “Vision 2030,” we are focusing on areas such as formulating methods for selecting ESG stocks and projects that will offer a foothold for ESG investment through investment trusts. I intend for “Vision 2030” to serve as my guiding compass as I contribute to the achievement of our target form by acting proactively and demonstrating my planning abilities.

Kumagai: In the Regional Development Promotion Section, we promote regional revitalization. As one of our recent initiatives, we held a “Regional Revitalization Business Matching Event” where solutions from private-sector companies were offered as solutions to regional issues faced by regional public bodies. Through this initiative, I felt it is essential for the long-term sustainable growth of the Bank that we revitalize Miyagi Prefecture. While there are limits to what one person can achieve, I am conscious on a day-to-day basis of developing my ability to analyze past events, my ability to consider the present from a broad perspective, and my ability to create the future, enabling me to contribute to customers and local communities through my work, and thus helping the Bank move closer to our target form laid out in “Vision 2030.”

Round-table talk with the Next Generation Looking toward 2040, after achieving “Vision 2030”

Theme: Contribution to regional revitalization

Kumagai: In surveys submitted after a business matching event for regional public bodies held in February 2021, many respondents answered that for the “next theme,” they would like “the digital transformation (DX)” and “the stimulation of tourism to attract nonresidents.” Matching with private-sector companies will continue to be an important role of banks. What are your ideas for other initiatives that will contribute to regional revitalization?



Umetsu: Thinking about it in relation to my own work, I think the Bank must create systems that enable a diverse range of human resources to participate in a flexible manner, in order to respond to the increasingly diversified needs of municipalities and private-sector companies. This does not just mean the active participation of women; it will be important that a diverse range of human resources - including people with disabilities, non-Japanese, and LGBT people - can enjoy a good work-life balance and participate in regional revitalization while utilizing their strengths.

Yamauchi: That’s right. Plus, in the area where the Bank operates, there is Sendai, which is a city designated by government ordinance, but there are also many areas where the population is falling and aging. As such, when we think about issues related to digital devices, etc., I feel that we must consider the unique characteristics of each area when implementing measures to support the DX at municipalities. On the other hand, as we look toward 2040, I think it will be vital that as employees of the Bank, we utilize the DX to create flexible workstyles. At the same time, we must also utilize digital technologies to enhance the level of our services and improve convenience at our branches, to ensure that we can continue to serve our customers even as the population falls.

Sato: One feature of digital technologies is that they “are not confined by place.” I hope that we can create services that utilize this fact. Surely it will contribute to regional revitalization if we create an environment to ensure that in future, even if the number of workers and bank branches falls as a result of population decline, customers in areas where there are no branches of the Bank nearby can access the services they need?

Uchikata: People in their 60s now will be in their 80s in 2040, so I think there will be a significant increase in non-face-to-face transactions using smartphones. On the other hand,

face-to-face consulting for individual customers will still be necessary, and the value we create with that consulting will directly contribute to customer satisfaction. For this reason, I think it is important that we develop our operations at bank branches to be more specialized for consulting for retail customers.

Hosaka: When I think about it in terms of my own work, I think one idea is for us to carefully select stocks that contribute to regional revitalization with head offices in Sendai and the region, and add them to our portfolio. Many investors find it difficult to add regional companies to their portfolios owing to difficulties with visiting the companies for research, etc. On the flip side, this means there might be some excellent undiscovered regional companies, with share prices that have the potential to increase in value many times over. Surely if we make medium- to long-term investments in such companies, it will contribute to regional revitalization?

Gunji: As you say, Motoki, I think there are many excellent companies in Miyagi Prefecture. As we move toward the DX in Miyagi, solutions to issues such as the falling population, etc., there is a possibility of an increase in companies driving the regional economy. In addition to funding, we must address these companies’ varied needs, such as workstyle reform and asset management, and provide solutions that will contribute to our customers’ growth.

Sato: In this age, when it is said that average lifespans will approach 100 years, I also think that it will contribute to stimulating local communities if, as a bank, we play a key role in building the foundations for the circulation of assets by creating an environment where children born in Miyagi Prefecture and the Tohoku region can feel as though they want to live in the region for the next 100 years.



Kumagai: That’s right. As a regional bank with roots in the local community, it will be important that we promote workstyle reform and the DX in Miyagi Prefecture while continuing initiatives that contribute to invigorating our customers, in order to ensure that our management remains sustainable through 2030 and even going on to 2040. We will be the bank of choice for those around us, and a partner that people want to work with. I think this should be what we want to achieve.

Theme: DX and ESG

Yamauchi: In the Digital Strategy Division, we are promoting digital strategy from five perspectives: “non-face-to-face channel reform,” “bank branch reform,” “paperwork-free reform,” “data utilization reform,” and “digital reforms for employees.” Looking ahead to 2030 and beyond, however, I think we must not be constrained by the existing framework of banking, and instead create businesses that go one step further toward utilizing both finance and digital technology. As digital banks appear that are not restricted by the regions in which they are located, I think that, as a regional bank with a base in Miyagi, the deepening of knowledge related to digital technologies by employees of the Bank and the enhancement of our digital services, as well as the strengthening of relationships with our customers through face-to-face channels, can all act as a great source of competitive superiority. What are your thoughts on this matter?



Sato: Personally, I am always considering our services from the perspective of strengthening the “non-financial” side of our business, with the aim of throwing away the idea that “it is like this because we are a bank,” and instead becoming a company that our customers know they can rely on when they are unsure about things. For example, I aim to create the kind of service where if a customer is unsure what to have for lunch, they might want to check the Bank’s app for ideas. One of the strengths of regional banks is that we possess a rich range of information thanks to our local network of connections. I think there may be possibilities for new businesses based on sharing that information.

Gunji: Certainly, if the tools that banks have for sharing information become more popular, it might unlock various possibilities, both in the B2B and the mass-market sectors. Many of our customers that are SMEs, etc., rely on individuals for skills related to finance and accounting, etc. I think it would be good if we could create a system that can support the growth of these companies by matching businesses and solving these issues with DX-related skills, thereby enabling the companies to use their resources on the operations that they should be focusing on as companies.

Hosaka: I think the Bank must take steps that differentiate us from our competitors in the realm of the DX, as different banks are rapidly taking a more proactive stance and actively implementing initiatives in this area. From the perspective of an investor, the share prices of banks are trending downward across the industry, and it appears investors are questioning the banking business model itself. Under such circumstances, if we can demonstrate competitive superiority centered on the DX, I think it will become easier for investors to reevaluate the price of our shares. For example, as the top regional bank in Miyagi Prefecture, I think one possibility for differentiation from

other banks is for us to utilize the Bank’s information resources and our customer base to create an integrated platform, and focus strongly on the information-sharing aspects. If we can give our customers the peace of mind that they “might find a solution by checking with The 77 Bank,” I think it will enable us to maintain the trust of the local community right through to 2040.

Umetsu: When promoting the DX, human resources with more specialist skills will be necessary. In order to address the increasingly varied needs of our customers, it is essential that we become a company with a diverse range of human resources, including both generalists and specialists. On the other hand, by 2040, I think human resources will be more fluid and the age of people working for their entire careers for one company will be over. As such, we must continuously make efforts to improve our appeal as a company capable of retaining precious highly specialized human resources.

Kumagai: In the Regional Development Promotion Division, we are promoting the use of the DX to move to paperless processes, even in our dealings with municipalities, etc. In doing so, we aim to accelerate the process of making our operations more efficient.

Uchikata: In my own actual experience, I found that reducing administrative work through paperless and seal-less processes, lead to benefits such as less overtime work, as well as higher efficiency. In the Wealth Management Office, we are strengthening consulting operations, an area where the utilization of the DX is essential for enabling the assignment of more manpower and labor hours.

Kumagai: Paperless processes also contribute to sustainable development as a company by reducing our burden on the environment.

Gunji: As society at large shifts toward decarbonization, I think the Bank must lead the creation of opportunities for environmentally friendly businesses in Miyagi Prefecture. In order to do so, in my work, we must focus more on ESG-based financing. I think that providing funds related to ESG to companies in the prefecture will contribute to the spread of ESG management.

Hosaka: From my perspective, many companies that have received praise for their ESG efforts are proactively disclosing information related to ESG, such as KPI targets and the status of progress. People from the Tohoku region tend to be quite reserved, so I think there is an issue related to the active sharing of information that promotes companies from an ESG perspective, and this applies to the Bank too. In this regard, I hope that we can communicate information about the Bank’s initiatives and our target form through disclosure materials such as the Integrated Report.



Vision 2030

Leading company creating a path to the future

Basic Strategies to Achieve “Our Target Form”



- 01 | Top customer satisfaction strategy
- 02 | Double productivity strategy
- 03 | Regional growth strategy
- 04 | Corporate culture reform strategy

01

Top customer satisfaction strategy

Inspire through consulting and digital technologies!



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

Strengthen relations with corporate customers

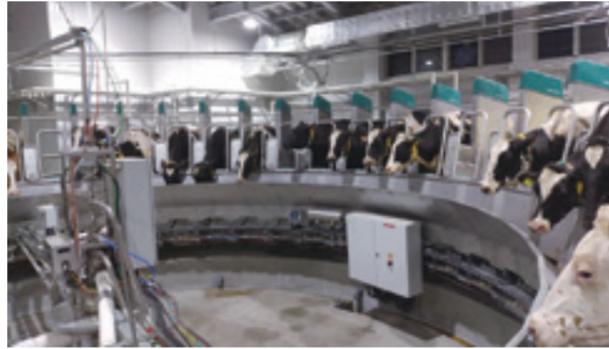
Our KPIs related to strengthening our relations with corporate customers are to “increase the proportion of companies in Miyagi for whom we are their main bank by 10%” and to “increase the number of corporate lending clients outside Miyagi by 1.5x.” The background to these KPIs lies in our desire to eliminate the concern that the region will lose vitality as the number of business sites declines in line with the aging society, low birthrate, and falling population. It is expected that the population will continue to fall in the Tohoku region, and more companies will enter the Sendai economic area. Amid these conditions, the Bank aims to stimulate the region as a whole by providing high-quality services and at the same time acting as a pipe offering a connection to the Tohoku region as a whole and the Sendai economic area.

In order to further strengthen collaboration between bank branches and headquarters, and promote high value-added consulting services, in April 2018, we created “regional support teams” in the Consulting Promotion Division and have been working to solve the management issues of our clients. Additionally, in March 2020, we established the “COVID-19 Emergency Support Team” consisting of employees from the Consulting Promotion Division and the Credit Supervision Division, and enhanced our client support systems, including dispatching sales representatives to regional sites within Miyagi Prefecture.

By May 31, 2021, the “COVID-19 Emergency Support Team” had accepted over 14,000 consultations from customers. Matters related to subsidies, business matching, and other forms of support for core businesses made up the majority of consultations, at approximately 8,000 consultations, but there were also companies facing the issue of business continuity, and the number of consultations related to business succession and M&A is increasing.

In order to promote consulting services rooted in customers’ needs as we look to achieve KPIs in future, we will continue to offer cashflow support to clients affected by COVID-19 and continue to support business improvements and rehabilitation, while at the same time further strengthening corporate sales systems by increasing the number of liaison officers from headquarters. Additionally, we will also strengthen loan management and support from headquarters based on business evaluations, while at the same time working to complement and stimulate a diverse range of needs among our customers through the introduction of the “77 Big Advance” management support platform that we began offering in May 2021, including broader marketing channels, business matching, business succession, M&A, securing human resources, and the increased use of IT.

Regarding lending, we have actively focused on addressing the needs of business operators, such as syndicated loans to provide funds for capital expenditure aimed at business expansion. Looking ahead, however, we will strengthen our participation in regional development projects with significant economic ripple effects, such as the “Sendai Urban Restructuring Project” and the “next-generation synchrotron radiation facility maintenance project.” As the same time, we will also identify new funding demand and use this to secure new corporate clients, including companies entering Miyagi Prefecture. As part of these efforts, we established the “Structured Finance Section” in June 2021, in order to strengthen our measures targeting regional redevelopment, renewable energy facilities, etc. In August 2020, we established a “Structured Finance System Strengthening Project Team,” and have been considering ways to make credit supervision and risk management systems more advanced. We will also work together with funds managed by “77 Capital,” a 77 Bank Group company, to enhance our earnings opportunities on both the lending and equity sides in areas such as project financing for renewable energy and PFI projects, asset financing for real estate, etc., and acquisition financing for M&A.



Iwasaki Dairy Farm LLC (headquartered in Wakuya, Toda, Miyagi) aims to create a “giga-farm” in order to stabilize the supply of raw milk in the region amid raw milk shortages driven by the increase in people leaving agriculture as the population ages, etc. The company used a syndicated loan with the Bank as the lead arranger as funds for major capital expenditure, including the introduction of robotic milking equipment.

–Interview–



**Manager, Structured Finance Section,
Consulting Promotion Division
Reiji Sato**

Structured finance refers to loans provided for specific businesses and assets, such as project financing and asset financing, in accordance with an assessment of profitability

and business potential based on the cashflows generated by the business or asset. It is notable for the fact that it enables fundraising that is separated from the creditworthiness of the company as a whole. For example, in March 2020, the Bank acted as the arranger for project financing between six regional banks in Tohoku for one of the largest wind power projects in Miyagi Prefecture, in the Kami district. In August 2020, the Bank also provided project financing as the sole lender for a large solar power project in the Futaba district, Fukushima Prefecture. Large-scale lending is accompanied by some risk, but we are continuously implementing measures to manage risk and enhance our abilities to supervise projects. Our mission is to contribute to social and economic development in Miyagi Prefecture and the Tohoku region, as well as the resolution of social issues, by strengthening our relations with corporate clients, one of the issues raised in “Vision 2030.” As the same time, I believe we must also strengthen our earnings capabilities in order to ensure the sustainable growth of the Bank.

Support life-planning for individuals

Our KPIs related to supporting life-planning for individual customers are to “increase the proportion of households in Miyagi ‘holding assets’ to the national average or higher” and to “ensure that 20% of the population of Miyagi (aged 20-74) use loans from the 77 Bank.”

~Increasing the proportion of households holding assets~

To ensure that people lead lives filled with happiness in a super-aged society, described as “the age of 100-year lifespans,” the enhancement of financial literacy and long-term asset formation will be essential. In particular, there is an increasing need to prepare “funds for old age,” said to be one of the three great expenses in life. Given the present low-interest rate environment, however, it cannot be said that managing such funds with deposits will be sufficient. According to the “National Consumption Trends Survey” by the Ministry of Internal Affairs and Communications, the proportion of households holding assets in Miyagi Prefecture (the proportion holding shares or equity investment trusts) is approximately 14%, which is a relatively low level across Japan as a whole. Accordingly, as a regional financial institution, we intend to increase that proportion to at least 21%, the national average.

The Bank will interact with customers in a broad variety of

ways and support the life-planning of each of our customers by becoming a partner that works with our customers to find solutions for the various issues they face, while also supporting the circulation of assets beyond generations, to customers’ children and grandchildren. Furthermore, in September 2020, we also established a “Senior Service Support Investigation Committee” chaired by the President, and we are considering potential services that support senior citizens from the perspective of “succession,” “nursing care and cognitive decline,” and “longer lives,” based on surveys and research focused on “financial gerontology.*”

Based on the above, the Bank has set forth the two core pillars of support for the life-planning of individuals as “enhancing life-planning support to enable lifelong transactions” and “measures to address the increased risk of cognitive decline.”

With regard to “enhancing life-planning support to enable lifelong transactions,” we intend to build systems for continuing transactions with customers beyond generations, while at the same time making various proposals tailored to customers’ life events.

Additionally, it will be particularly important that we address the issue of “leaving behind assets,” as we watch over the asset circulation between generations. At the Bank, we are strengthening our initiatives related to “trusts,” which are considered an effective method for “leaving behind assets.” In April 2021, we added “testamentary substitute trusts” and “annual gift trusts” to our trust product line-up. Furthermore, in order to fulfill demand from customers who “wish to leave assets to parties other than

* Financial gerontology refers to academic studies focused on the appropriate administration and management of the assets of elderly people.

–Interview–

In the Wealth Management Office, our mission is to be involved in transactions with individual customers on a lifelong basis, through our support for life-planning in the age of 100-year lifespans. We have prepared a wide range of services and products for individual customers, including investment trusts and insurance. In future, we aim to act as a partner customers in the various life events they face in the age of 100-year lifespans, across three generations in each family. I hope the Bank can be a useful partner for customers in accordance with their life stage and at the same time contribute to improving the financial literacy of our customers, including services to utilize trust schemes and prepare for the risk of cognitive decline for senior citizens, asset formation plans such as Tsumitate (accumulation) NISAs for when family members enter the workforce, and plans to provide funds for education when children and grandchildren enter school. I also hope that we will develop good human resources over the 10-year period of “Vision 2030” as we support the life-planning of individual customers.



**Wealth Manager, Wealth Management Office,
Business Promotion Division
Takayuki Endo**

their family," we entered into "collaborative agreements related to bequests" with Tohoku University, National University Corporation and the Miyagi Branch of the Japanese Red Cross Society in April 2021, as well as Tohoku Gakuin, Incorporated Educational Institution in June 2021.

With regard to "measures to address the increased risk of cognitive decline," it is important that we prepare for cognitive risk in advance, through the utilization of "civil trusts" and other measures. In October 2018, the Bank began offering "deposit accounts based on civil trust agreements," followed by "apartment loans based on civil trust agreements" in March 2019. For civil trust agreements, we provide support for trouble-free asset administration through the efforts of the 77 Bank Group as a whole to address the risk of cognitive decline, such as support by "77 Research and Consulting," a 77 Bank Group company.

We are focusing on "developing human resources" and "strengthening our systems" as concrete measures to achieve the twin aims of "enhancing life-planning support to enable lifelong transactions" and "measures to address the increased risk of cognitive decline."

In terms of developing human resources, we have been proactively implementing multiple initiatives, including our "program to strengthen individual consulting capabilities" as a form of in-house training that provides practical experience of the whole process from identifying customer needs, to creating a shared understanding of issues among related parties, and offering a solution to the issue, as well as the "77 Money School" for FP Level 1 and persons with a CFP qualification to enable them to acquire the skills to make high-quality proposals, and "bank-brokerage workshops" in collaboration with "77 Securities," a 77 Bank Group company, based on the "77 Basic Policy on Operations that Put Customer First."

Regarding the second measure, strengthening systems, we established the "Wealth Management Office" in June 2021, and we have been assigning employees with specialist knowledge to this office and developing a system for accepting various different consultations, in order to provide a one-stop service for addressing a wide range of needs, such as asset succession, not just managing the assets of our customers.

Furthermore, we also believe it is important that we enhance the financial literacy of our customers and the region. At the "Currency and Banking Museum," which is adjacent to the Bank's Head Office, we distribute information about finance. In addition, we also sponsored and have opened a branch in "Student City," a hands-on educational program for elementary school students that Sendai City government is promoting. In

addition, we have been holding a course in collaboration with Tohoku Gakuin University at Tohoku Gakuin, Incorporated Educational Institution based around the theme of banking operations since 2011. Starting in 2021, we also intend to incorporate the theme of "financial gerontology."

In the "age of 100-year lifespans," the Bank will continue to support life-planning for individuals, to ensure that our customers can live lives filled with happiness.



When accepting consultations related to inheritance and trusts, our customers use original notebooks created by The 77 Bank called the "77 WISH Notebook," in which they write down what they want to achieve in their remaining years and think about their future.

~Increasing the proportion of people using loans~

Given changes in the economic environment and lifestyles, it is expected that even individual customers will face various funding needs. At present, however, the number of people using loans from The 77 Bank remains low, at approximately 13% of the population of Miyagi Prefecture. As such, over the next 10 years, we intend to increase the proportion of people using loans to 20% by being a familiar bank that many people use, including a share of deposits in Miyagi Prefecture of 57.3% as of March 31, 2021, leading them to also use loans from the Bank.

As we look to achieve this KPI, with regard to housing loans, we will capture demand related to condominium apartments, which is increasing primarily in Sendai City, by strengthening our collaboration with housing business operators and offering finely tuned service for lending opportunities about which we are approached. Additionally, in relation to unsecured loans, we will focus on occupation-based sales, cross-selling, various promotional campaigns, etc., while also working to strengthen the promotion of "100% Web-based Loans" and enhance their functionality, as recently this service has been used for approximately half of the total amount lent of unsecured loans and 80% of the total amount of auto loans lent, partly owing to the impact of COVID-19.

Establish 10 projects in new businesses or sectors, with the potential to become viable businesses in future

With this KPI, we will respond to the increasingly diversified needs of our customers and promote regional revitalization and the stimulation of local communities. In order to do so, we will utilize the "strengths" we have developed thus far and expand the scope of our businesses by leveraging the digital transformation and alliances, as part of our aim to become a leading company that operates a diverse range of businesses with the banking business at our core.

We aim to achieve this KPI by FY2024, but when we consider potential projects, we will focus on the key points of "does it utilize the strengths of the 77 Bank Group?" and "can we leverage synergies with our existing operations?" At the same time, each and every executive and employee will turn their eyes and ears toward the issues and needs of local communities and go beyond the framework of finance to think about how we can contribute to the region. With this as our starting point, we will create profitable businesses from the process of solving regional issues.

As we try to achieve our target, the key to success will lie in "fostering an ambitious corporate culture," meaning a corporate culture where executives and employees' ideas are shared within the Group, the fact that they had those ideas is praised, and good ideas are incorporated into our businesses. In April 2021, we called for participation in a "business planning content" for all executives and employees. This contest marked the

successful launch of our efforts to establish an ambitious corporate culture, with a total of 170 applications, covering a range of employees from new employees to branch managers.

By having all executives and employees actively take on new challenges, and allowing trial and error, we will establish an ambitious corporate culture while also creating new businesses that are truly needed by our customers.

In relation to this KPI, we have also set a KPI to "double net income of Group companies by entering new businesses and new sectors and expanding existing businesses."

There are six companies in the 77 Bank Group: 77 Lease, 77 Shin-Yo Hosyo, 77 Card, 77 Securities, 77 Research and Consulting and 77 Capital. We took steps to expand the scope of our businesses by establishing 77 Securities and 77 Research and Consulting in July 2016 and July 2018, respectively, and also strengthened collaboration within the Group by making Group companies wholly owned subsidiaries in November 2016. We intend to double the net income of Group companies as a whole by creating stronger sales systems integrated across the Group through the exchange of human resources within the Group and other means, while also leveraging synergies with projects in new businesses and sectors.

-Interview-



Manager, Group Business Strategy Section,
General Planning & Coordination Division
Junichi Fujino

In addition to administering the management of Group companies, we also manage the planning and promotion of new businesses and sectors. The establishment of projects in new

businesses and sectors is an important theme in "Vision 2030," and since this spring, we have increased the number of employees on our team as we look to achieve "our target form." Recently, we have been considering opportunities to strengthen and enhance our operations in the non-financial sector, such as businesses for senior citizens and staffing services, in addition to the financial sector, including trusts and the regional issue of business succession. The creation of new businesses will contribute to revitalizing the regional economy through the creation of employment, etc. Additionally, the development of the regional economy in Miyagi Prefecture and the wider Tohoku region will contribute not just to the Bank's interests, but also to the interests of all the stakeholders surrounding the Bank. Uncertainty and risk are always present when "starting something new," but in order to make the "corporate culture of taking on new challenges" laid out in "Vision 2030" a reality, we will actively promote the creation of businesses from projects in new businesses and sectors, based on a forward-facing stance and reliable judgments. In doing so, we will create a new kind of corporate group, that while remaining a bank, is also a kind of bank that has never existed before.

*A civil trust is a method that allows an aging trustee to entrust the management of assets (real estate, deposits, etc.) to a trusted family member (trustee) in case the trustee loses the ability to make decisions due to dementia, etc. It is also commonly referred to as a "family trust."

<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 compiled 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

02

Double productivity strategy

Reform channels and release from the burden of administrative work!



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.

Double “labor productivity in core operations”

The Bank will take steps to enhance “labor productivity in core operations,” aiming to double productivity over a 10-year period, based on indicator that shows the value added by each employee. In this regard, the Bank has created a unique indicator by replacing “operating income” in the general formula for labor productivity with “interest on loans and bills discounted + fees and commissions - interest on deposits.”

“Labor productivity in core operations” refers to the value added through each employee’s promotion of consulting, based on interest on loans and bills discounted and fees and commissions. However, the Bank will employ three main methods of increasing productivity: “top-line growth” by increasing interest on loans and bills discounted and revenue from fees and commissions, “limiting expenses” through cutting inefficient administrative work, etc., and a “natural attrition in the workforce” by promoting non-face-to-face channels and paperwork-free processes.

Recently, the advancement of digitalization has meant that counter services are shifting from the face-to-face channel to the non-face-to-face channel, including online banking, banking apps, and 100% Web-based Loans. At the same time, the number of customers coming to counters has declined significantly, partly owing to COVID-19. On the other hand, there is an increasing “need for highly specialist consulting services” in relation to issues such as business succession and M&A,

driven in part by the falling birthrate and aging society, as well as a lack of corporate successors. Accordingly, we will increase labor productivity by releasing bank branches from the burden of administrative work and ensuring that they focus on consulting.

Cut amount of administrative work at bank branches by 50%

As customer needs become increasingly diversified in line with the advancement of digitalization, etc., it will be important that we reduce administrative work at bank branches, mainly that related to face-to-face services and the processing of cash, as we look to achieve our target for “labor productivity in core operations.” In March 2020, the Bank established the “Paperwork-free Promotion Committee” chaired by the President, and we are promoting “paperwork-free” initiatives to release bank branches from the burden of administrative work, such as the concentration of bank branch administrative work at headquarters and revisions to inefficient administrative work.

In FY2021, while focusing primarily on “reducing and simplifying administrative processes” and “guiding customers to non-face-to-face channels,” we significantly reduced administrative work across our Operations Group by enhancing the functions of our non-face-to-face channels and promoting their usage, including establishing a support office to concentrate back-office administrative work from bank branches at headquarters, in addition to making online banking for individu-

als only available through online registration. In addition, we also overhauled the administrative work of the Loan Group, including concentrating administrative work related to lending at headquarters and expanding the range of products eligible for “100% Web-based Loans,” where the entire process from application to the execution of the loan is completed online. As a result, in FY2021, we saved a total of approximately 200,000 manhours through the reduction of administrative work across all bank branches, equivalent to 107 employees.

From FY2022 onward, we will continue to further accelerate our move toward paperwork-free processes. Specifically, we will reduce administrative work in our Operations Group through such measures as increasing the number of branches whose administrative work is consolidated in the support office, concentrating administration work related to succession, etc., at headquarters, making it such that customers do not need to visit branches for transfers, various forms, procedures in the event of an accident, etc., by enhancing the functions of our non-face-to-face channels and promoting their use, and moving to electronic methods for consulting operations and accepting tax payments. Regarding administrative work in the Loan Group and the Sales Group, we have expanded the range of operations concentrated at headquarters to cover administrative work related to credit ratings and international remittances, and we also “moved payment collection operations to electronic processes” in August 2021, as we received many requests for improvements to these operations from bank branches. Furthermore, headquarters and bank branches will also continue to work

together to make proposals to customers aimed at overhauling inefficient administrative work, and guide customers toward non-face-to-face processes for tax payments, investment trusts, and loan transactions.

In addition to the above, as a medium- to long-term initiative, in May 2021, we began development of a “next-generation SFA and CRM/credit supervision system” together with the banks participating in the “MEJAR” common use system, in order to enhance our ability to make proposals in liaison operations and enhance operational efficiency. We aim to begin operating this system in 2024. This system will eliminate issues related to customer information being entered multiple times and a lack of coordination. It will be a “single input, multi output” system, whereby when information is entered one time, it is automatically reflected in various types of data and forms. Additionally, multiple separate systems had previously been established for “supporting sales,” “managing customers,” and “credit supervision,” but now this system will combine all these elements into a single platform-type system on AWS.* This will thus enable the integration of customer information, including both retail and corporate customers, and make it easy to create links with other services on AWS, which we expect will make liaison operations more efficient and sophisticated in future.

By halving the volume of administrative work at bank branches with the above initiatives, the Bank will rebalance its use of management resources and limit expenses, while also allocating the working hours created to consulting services.

* AWS is an abbreviation for “Amazon Web Services,” referring to cloud services provided by Amazon.

—Interview—



Manager, Digital Strategy Section, Digital Strategy Division
Hiraku Nakatsugawa

We plan and formulate strategies and measures that utilize digital technologies. The business environment is changing at a blistering pace as a result of the rapid advance of

digitalization, including GAFA, fintech companies, and other companies in different industries becoming competitors of the Bank. In this environment, the Bank has specified the “digital transformation” as one of the key factors of “Vision 2030.” Amid these conditions, we have formulated a digital strategy based on the two core pillars of “digital reforms in the banking business” and “creating new businesses,” and are promoting digitalization from the customer’s perspective, based on our strong sense of our mission to utilize digital technologies to fundamentally overhaul banking operations as a whole. Specifically, we will focus on measures such as utilizing big data for marketing, as well as robotic process automation and AI for operations, in order to enhance labor productivity and reduce administrative work. Through these digitalization initiatives, we will create employees and time for offering consulting services to customers, thereby enhancing our presence and brand power as The 77 Bank, the bank that is very attentive to its customers.

Triple rate of usage of non-face-to-face channels

In order to become a bank that customers can use at any time, in any place, and quickly connect with the 77 Bank, we set a KPI to “triple the rate of usage of non-face-to-face channels.”

In recent years, changes in customer behavior and their increasingly diversified values have led to transformations in society, but this trend has become even more apparent as a result of the spread of COVID-19. Demand among retail customers for the ability to complete all banking transactions “easily,” “at any time,” “anywhere,” is increasing as a result of the spread of smartphones. Additionally, employee workstyles are also changing significantly as a result of teleworking, workations, and other trends, and many business operators are being forced to reexamine their businesses as a result of the COVID-19 pandemic. Under these circumstances, the 77 Bank Group will pursue the best mix of face-to-face and non-face-to-face channels by shifting services either from face-to-face to non-face-to-face channels, or the opposite, in order to address the needs and issues of our customers in a timely, appropriate manner.

We have added various functions to our existing non-face-to-face channels, based on the twin concepts of making them “more convenient for customers” and “more efficient for the Bank.” As a result, we have succeeded in moving most transactions at bank branches to ATMs and online banking.

Looking ahead, we will build infrastructure for providing 77 Bank Group services to customers in a one-stop manner, centered around three core pillars for non-face-to-face channels - “Banking,” “Information,” and “Communication” - and combined with non-financial services. For retail customers, this will be the “77 Bank App,” a smartphone app equipped with online banking functions, while for corporate customers, it will be the “Corporate Portal Site,” which we plan to create online.

On May 24, 2021, we launched “77 Big Advance,” as a foundational component of the “Corporate Portal Site.” The service was extremely well received, with approximately 300 clients signing up within the first month of its release. The Bank will identify or stimulate needs and issues among customers through non-face-to-face channels, then collaborate in a timely and appropriate manner with bank branches, loan centers, and insurance plazas, which are all face-to-face channels, to provide consulting related to these issues,

based on close relationships with our customers.

The “Contact Center,” which we have established in the Direct Channel Promotion Division, will fulfil a significant role in achieving the best mix of face-to-face and non-face-to-face channels. The Contact Center’s main duties are receiving phone calls (inquiries) from customers and making phone calls (information on products and services) to customers, its importance has been increasing as the only staffed channel among our non-face-to-face channels. Additionally, while utilizing a variety of marketing methods, AI-based data analysis, and more tools, we are providing information on a One To One basis via an omnichannel system that links all our face-to-face and non-face-to-face systems, and the “Contact Center” is increasing contact with customers based on the information provid-

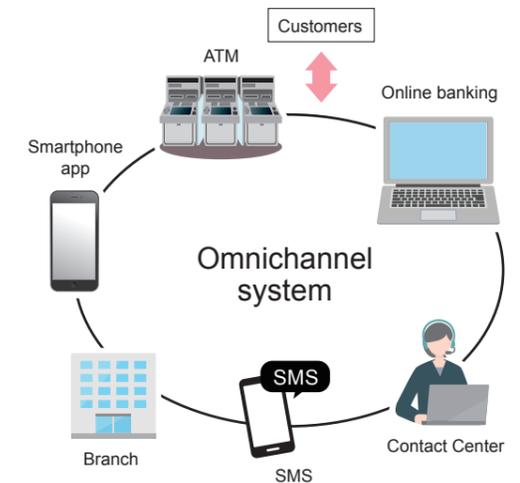
[77 Bank App main screen]



ed in each channel.

Additionally, another important non-face-to-face channel is our ATMs. With cashless payment systems expected to increase further in popularity in future, the 77 Bank Group is providing its customers with cashless payment services that customers can use conveniently and with peace of mind, including 77 JCB Debit cards, 77 Cards, and the linking of customers’ bank accounts with various smartphone payment services. As such, while ATMs formerly played an important role as “mini-branches,” the number of ATM transactions is falling. However, there will still be a demand for cash, so we will focus on creating the optimal ATM network through measures including the joint operation of ATMs in convenience stores, while keeping in mind the necessity of ATMs for customer convenience and as places to withdraw cash.

[Omnichannel strategy]



-Interview-

In the Direct Channel Promotion Division, we focus on product development and promotion planning for non-face-to-face channels, while also working with face-to-face channels, the Contact Center, etc. As customer behavior and values change, and the channels they want to use become increasingly diversified, we are taking steps to increase the sophistication of our “Banking,” “Information,” and “Communication,” based on the concept of “easy access to all banking transactions, at any time, from anywhere.” In all types of transaction, we are taking steps to differentiate ourselves from other banks through systems that enable customers to complete transactions without coming to branches, and personalizing the provision of information to customers, while also further enhancing our smartphone, PC, and other non-face-to-face channels as a form of channel infrastructure for contact points with customers. Through these measures, we aim to achieve our “Vision 2030” KPI of “tripling the rate of usage of non-face-to-face channels.” As such, we will achieve the best mix of face-to-face and non-face-to-face channels, tailored to the needs and situation of each customer. At times, we will also look for alliance opportuni-



Manager, Direct Channel Promotion Section,
Direct Channel Promotion Division
Ken Yoshida

ties with other banks and companies in other industries, as we provide consulting services based on close relationships with our customers.

03 Regional growth strategy

Achieve sustainable growth in the local community!



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.

Support increased economic growth rate in Miyagi

With this KPI, we aim to enhance the economic growth rate in Miyagi in the same way as the targets set in Miyagi Prefecture's "Plan for Putting the Future Vision of a New Miyagi into Practice," in order to achieve regional revitalization together with Miyagi Prefecture.

We must further strengthen our initiatives toward regional revitalization in order to achieve our KPIs, and as such, the Bank has established four prioritized areas, "support for starting new companies or businesses," "support and development of regional core companies," "promotion of urban development," and "support for promotion of tourism, etc." In March 2015, we established a "Regional Revitalization Desk" within the Regional Development Promotion Division, and we have also made branch managers with transactions with regional public bodies into "Regional Revitalization Managers," while we focus on areas such as solving regional issues based on collaboration between headquarters and bank branches. Additionally, from the perspective of ensuring close cooperation with regional public bodies, we have also entered into "Agreements on Comprehensive cooperation for Regional Revitalization with 38 regional public bodies, including Miyagi Prefecture and 35 municipalities within the prefecture. These cooperation agreements are aimed at cooperation and contribution to creating "towns, people, and work" in regional areas, while effectively utilizing the resources of both parties.

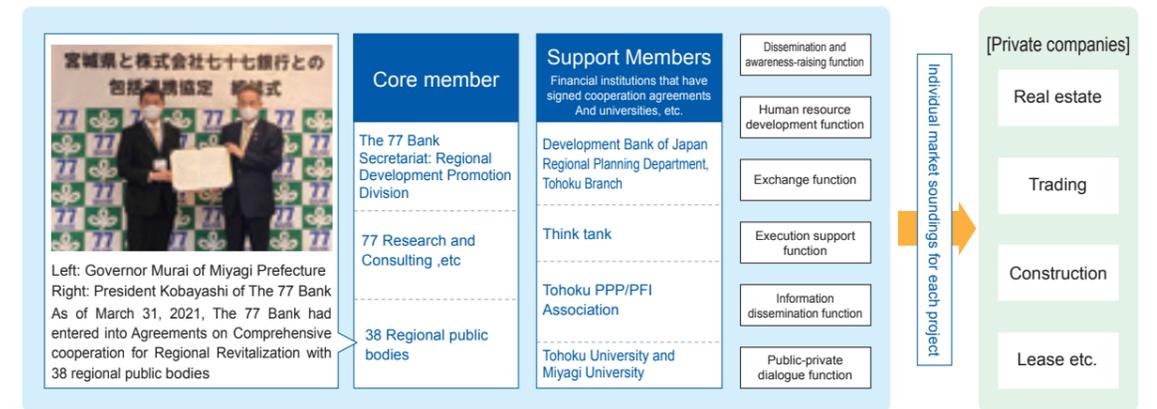
Specifically, we are implementing various measures, including holding "regional revitalization seminars" for employees of regional public bodies and the branch managers of bank branches with which they have transactions to research examples of pioneering initiatives from other regions and exchange views, etc., as well as a "Regional Revitalization Business Matching Event" where solutions from private-sector companies were offered solutions to regional issues faced by regional public bodies, as part of the "Miyagi wide-area PPP platform (MAPP)" established in January 2020.

Looking ahead, we intend to continue to strengthen our cooperation with regional public bodies and thus support a higher economic growth rate in Miyagi Prefecture.

Triple number of growth support cases for business founders

According to the "Annual Report on Employment Insurance Services" from the Ministry of Health, Labour and Welfare, the business entry rate in Miyagi Prefecture in FY2020 was 3.6%, but the government has set a target of 10%, roughly on par with Europe and America. In order to achieve the government target, the business entry rate in Miyagi Prefecture will need to be tripled. As such, the 77 Bank Group aims to increase the business entry rate in Miyagi Prefecture to the government's target by further focusing on support for customers whose businesses are growing and tripling the number of growth support cases that we handle.

[Miyagi wide-area PPP platform]



In order to support the development of local SMEs and new companies or businesses, the Bank has prepared a unique systematic loan program called "77 New Business Support Funds." Additionally, in order to address the need for more efficient operations in relation to finance, accounting, etc., when customers are starting new companies, in April 2019, we began offering a "Founders Support Package," consisting of a range of services for supporting new companies offered by the 77 Bank Group and our business partners. Furthermore, in April 1998, we established the "THE 77 Business Support Foundation, Public Interest Incorporated Foundation," with the objective of contributing to stimulating industry in Miyagi Prefecture and economic development. This foundation awards "The 77 New Business Subsidy" to companies actively developing their businesses with novel and original technologies, and company founders aiming to launch new businesses.

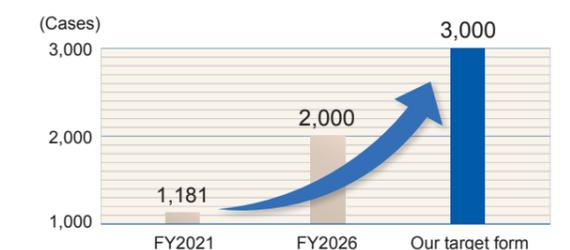
Additionally, in order to support the creation of viable businesses around excellent technology based on the results of research at Tohoku University, we are supporting new compa-

nies or businesses through the investment of ¥0.7 billion, the largest amount for a private-sector company, in the "THVP1 Investment Limited Partnership" in August 2015, followed by a further ¥0.3 billion in "THVP2 Investment Limited Partnership" in April 2021, in collaboration with companies including "TOHOKU University Venture Partners Co., Ltd.," which was established as a company wholly owned by Tohoku University.

In addition to the above initiatives, we will also take steps to further strengthen growth support for company founders with active support in areas such as preparing to found the company, securing human resources, solving technical issues, expanding sales channels, and improving operational efficiency, through promotion of the use of subsidies and other public support systems, collaboration with external support institutions, and business matching.



[Cases of growth support for founders]



Aim for 100% participation in regional development projects in Miyagi

For this KPI, the Bank will offer various kinds of participation in and support for regional development projects that many stakeholders, both public and private, are participating in and that are expected to have a suitable impact on the regional economy. At present, we participate in many regional development projects, but as we look to maximize the presence of the 77 Bank Group, we will aim for a 100% participation rate.

Below, we introduce two representative regional development projects that are currently underway in Miyagi Prefecture and that the Bank is actively participating in.

The first is the "Sendai Urban Restructuring Project."

Under this project, in order to rebuild the central area of Sendai City, which plays a central role in the flow of economic activity, with the aim of achieving the next stage of recovery from the Great East Japan Earthquake of 2011, old buildings will be rebuilt and the development of highly functional office buildings will be promoted, etc., through the year FY2031. Since Sendai City announced the launch of this project in July 2019, the Bank has collaborated with Sendai City to hold seminars for building owners and others in September 2019 and worked to spread awareness of newly established subsidy systems, etc., while also entering into discussions with customers concerning proposed

projects, etc.

In October 2020, further measures to strengthen subsidy systems, etc., were announced, and progress has been made in enhancing measures to support the redevelopment and reinforcement of the functions of the central area of Sendai City. This is a large project with economic ripple effects, in which the Bank's customers are also expected to fully participate. For this reason, we will continue our active participation to ensure that we can contribute to urban development in Sendai City.

The second project is the "Next-generation Synchrotron Radiation Facility Maintenance Project."

The "Synchrotron Radiation Facility" is a state-of-the-art research facility that uses an enormous microscope with powerful light to enable researchers to see the structure of substances, etc. at the atomic level. It is said to be an extremely effective national strategic research foundation for enhancing the international competitiveness of the manufacturing industry in Japan.

The Bank has been participating in promotion committee meetings related to the attraction of the facility since before it was decided that it would be developed on the New Aobayama Campus of Tohoku University in 2024. Additionally, the Bank has also participated in the "Phototon Science Innovation Center," which is the main executive organization overseeing the construction and operation of the facility, as "Auditor."

This facility is expected to be used in a wide range of industrial fields, and according to estimates from the Tohoku Economic Federation, is expected to create annual economic ripple effects of approximately ¥1.9 trillion over the 10 years after it begins operating. This project is a major project that is expected to have significant ripple effects for Miyagi Prefecture, including the entry of related companies and the creation of employment opportunities. Accordingly, while collaborating with our regional partners, the "Phototon Science Innovation Center," "Tohoku Economic Federation," "Miyagi Prefecture," "Sendai City," and "Tohoku University," which are the executive organizations overseeing the project, the Bank intends to support the accumulation of new businesses and industries and promote regional revitalization through the creation and attraction of this research and development facility, etc.

Additionally, multiple regional development projects that are expected to create economic ripple effects are planned in Miyagi Prefecture, including a privatization project for a public business and an industrial park relocation and maintenance project. The Bank will continue actively participating in such projects.

The 77 Bank Group will cut CO₂ emissions and support cuts to greenhouse gas emissions in Miyagi

In order to actively respond to issues related to climate change and ensure sustainable growth together with local communities, we have set a KPI to "cut 77 Bank Group CO₂ emissions by 46% compared with FY2014 by FY2031, and support cuts to greenhouse gas emissions in Miyagi."

In recent years, climate change has become a global issue, including unusual weather phenomena around the world and increasing amounts of damage from major natural disasters. In 2012, the Bank formulated an "Environ-

mental Policy," in July 2020, we announced the "77 Bank Group SDG Declaration," and in July 2021, we announced our support for the "TCFD recommendations." We intend to support the sustainable growth of local communities and our customers by taking the initiative in responding to climate change as a leading bank in the region.

Based on our Environmental Policy, etc., the Bank has been offering environmentally friendly financial products and services, and implementing measures such as controlling room temperatures. With regard to our branches, in FY2020, we built and opened new branches, the Kesenuma Branch and the Minato and Watanoha Branches, as "eco-friendly branches," with LED lighting and energy-saving air conditioning units. Furthermore, we are gradually switching lighting for low counters, etc., to LED lighting, and changing to energy-saving air conditioning units at all branches, excluding those that we plan to remodel.

Additionally, the Bank also actively promotes activities to conserve the environment within regional communities. In September 2018, new employees of the Bank planted 1,000 black pine saplings in the Arahama district of Sendai City. We are currently continuing our efforts to develop disaster prevention forests to protect local communities from disasters, in collaboration with related institutions. As such, in March 2021, we joined the "Miyagi Coaster Disaster Prevention Forest Creation Council," established primarily by Miyagi Prefecture.

Looking ahead, we will continue actively working not just to cut the 77 Bank Group's CO₂ emissions, but also to cut greenhouse gas emissions in Miyagi Prefecture, through measures such as strengthening our support for initiatives targeting the SDGs at customers whose businesses we have evaluated, and activities to conserve the environment in regional communities.

-Interview-



Manager, Regional Development Promotion Section, Regional Development Promotion Division
Tomiaki Ara

In the Regional Development Promotion Division, which oversees all aspects of regional revitalization, we have entered into Agreements on Comprehensive cooperation for Regional Revital-

ization with 38 municipalities, including all municipalities in Miyagi Prefecture, and are focused on resolving regional issues and stimulating the regional economy based on prioritized areas, such as "support for starting new companies or businesses" and the "promotion of urban development." As the population falls across the Tohoku region as a whole, Sendai City, the central city of the Tohoku economy, is experiencing a net outflow of people to the Greater Tokyo Area, despite an influx of people from the six prefectures in the Tohoku region. An important mission for us as a bank is to support business founders as they take on the challenge of creating businesses and new work that will be attractive to young people in the region. As such, we aim to "triple the number of growth support cases for business founders." As we aim for "100% participation in regional development projects in Miyagi," we are also participating in various projects in the prefecture, sometimes openly and sometimes behind the scenes, including the next-generation synchrotron radiation facility, where researchers can visualize things at the "nano" level. I understand that regional revitalization is an area where the expectations upon us are highest as a financial institution with roots in the region, and where our raison d'être is questioned. I will focus on my duties to ensure that The 77 Bank can demonstrate a strong presence in Miyagi and the Tohoku region as a whole, and contribute to the creation of an attractive region.



04 Corporate culture reform strategy

Virtuous circle of ambition, confidence, and cheerfulness!



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.

Implement various initiatives to “foster an ambitious spirit”

We are truly facing a “time of great change” with financial institutions losing the interests already gained in existing business domains, owing partly to changes in the makeup of society, such as the low birthrate, aging society, and falling population, as well as the advancement of digitalization in the financial industry and the development of payment services by companies in other industries, mainly the IT industry.

In order to execute the three basic strategies described above, we must work to transform our corporate culture based on changes in the times. As such, we will endeavor to promote the advancement of diversity and create a virtuous circle where all officers and employees take on new challenges, etc., leading to confidence and cheerfulness.

In order to encourage employees to proactively take on new challenges, we are actively rolling out training sessions that employees can apply to participate in, such as “Headquarters Operations Trials” to enable employees to learn about operations at headquarters and Group companies, and “Local Company Trainees,” to enable employee’s to sharpen their ability to assess companies, while also holding a “business planning contest” to develop new

businesses and sectors. In addition to these initiatives, we will also consider opportunities to revise our personnel systems with the aim of addressing a broad range of values held among employees and enhancing their motivation.



Business planning contest

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

The Bank has approximately 4,000 employees, including part-time employees, of which more than half are women. Based on the idea that “the Bank will not develop without the active participation of women,” we aim to increase the proportion of women in management positions to 30%, the government target, by FY2031.

The Bank is actively focusing on areas such as supporting women’s career development and the enhancement of systems to support the combination of work and childbirth/childcare. As such, in June 2016, the Bank obtained “Grade 3” certification, the highest level, under the Ministry of Health, Labour and Welfare’s “Eruboshi” system for commending excellent companies promoting female participation, and has increased the number of female managers from 99 to 147 over the past 10 years, equivalent to an increase from 8.5% to 13.4% as a proportion of the total. However, the Bank still has some way to go to achieve the 30% target. For this reason, under our “Action Plan as a General Business Proprietor Pursuant to the Act on Promotion of Women’s Participation and Advancement in the Workplace,” formulated in March 2021, we aim to achieve a ratio of 18% by FY2026 through “reducing the average number of hours worked outside of working hours and on days off (to less than 10 hours per person per month)” and “enhancing the annual rate of taking paid time off (to 70% or more).”

In FY2021, in order to foster an awareness of career enhancement among female employees, we held a workstyle seminar, in which Yoko Ushio, an Outside Director of the Bank, participated, as well as day-off seminars aimed at supporting the career development and skill development of female

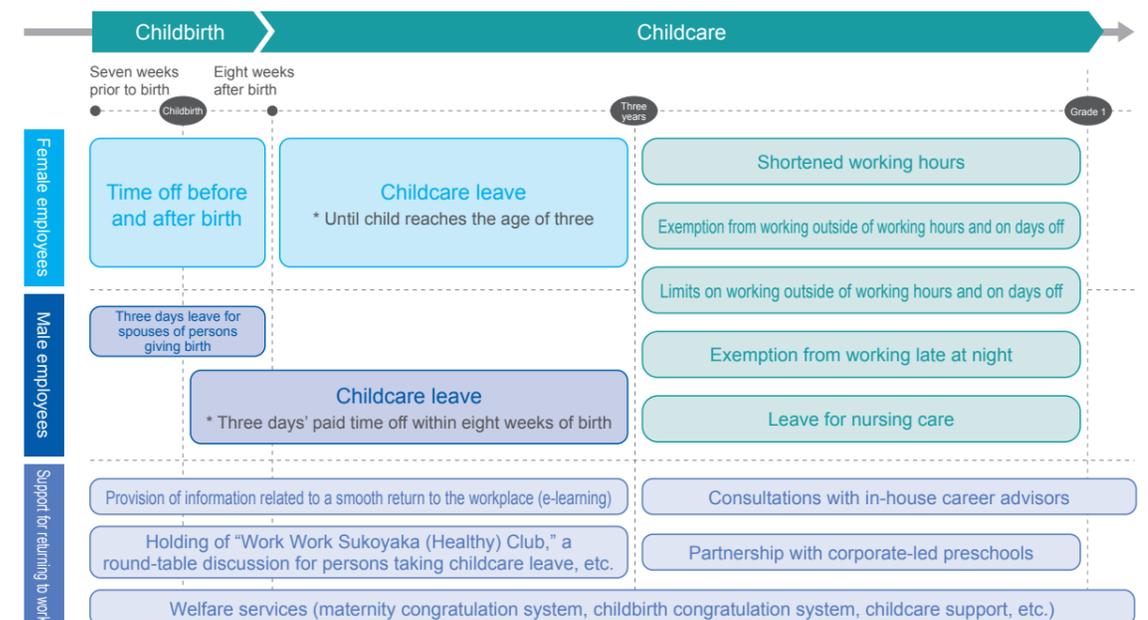
employees, and round-table discussions, etc., partly aimed at eliminating concerns surrounding returning to work among persons taking childcare leave and others. Additionally, in order to promote diversity, including the active participation of women, in November 2020, we revised rules surrounding clothing during working hours and introduced a “Business Casual Day.”

Looking ahead, we will continue providing training to contribute to designing career paths for women and strengthening their skills, and supporting the return to work by persons taking childcare leave, with the aim of ensuring women’s continued employment at the Bank. Additionally, as we look to achieve a diverse range of workstyles, we will encourage the use of the “Select Staggered Shift System,” which we introduced in April 2021, and make broad efforts to enhance the awareness of male employees and employees in management positions toward the activities of women, as part of aim to enhance the proportion of women in management positions.



Workstyle seminar with participation by Yoko Ushio, Outside Director

[Systems to support the combination of work and childbirth/childcare]



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

Based on our understanding that one of the greatest assets of the 77 Bank Group is our “human resources,” and that the development of “human resources that serve a purpose for customers and local communities” and “human resources that contribute to corporate reform” will be major factors for achieving “Vision 2030,” we have selected “human resource development” as a key factor.

Previously, employees engaged in administrative work comprised a significant portion of the Bank’s employees, but as we shift the roles of employees from administrative work to consulting, we will train our employees to have specialist areas and expertise matched to their unique characteristics, and develop human resource with interpersonal charm, capable of frank communication with customers and local regions. Additionally, we also intend to transform the 77 Bank Group as a whole by developing human resources with creativity unrestricted by conventional ideas.



Women’s career advancement program

In the explanation of human resource development that follows, first, we explain our basic approach to human resource development.

At the Bank, “on-the-job training (OJT)” forms the core of our human resource development, and employees acquire the knowledge skills they require and want to learn through “self-development.” In addition, we use “training” to complement “OJT” and “self-development,” and give employees an opportunity to enhance their skills, while also learning more specialist knowledge and skills. We endeavor to develop our human resources through the continuous repetition of “OJT,” “self-development,” and “training.”



“OJT” provides an “opportunity” for employees to acquire the necessary knowledge and skills, and forms the starting point for human resource development. In addition to rotations at bank branches, the Bank offers opportunities for short-term learning breaks at bank branches, headquarters, and Group companies where advanced initiatives are underway, as well as accompanying employees from the Consulting Promotion Division and Credit Supervision Division on visits, and other measures.

For “self-development” to ensure that employees acquire knowledge, skills, and qualifications, the Bank fosters an appetite for self-development among employees through measures such as “weekday evening seminars” to enhance employees’ consulting abilities, etc., the distribution of various types of educational content through e-learning, etc., mediation for tests and correspondence learning, and the payment of incentives for the acquisition of public qualifications. In our previous medium-term management plan, we set a KPI of “achieving 700 persons with qualifications as either a 1st Grade Certified Financial Planner, CFP, or Small and Medium enterprise Management Consultant,” in order to strengthen our consulting capabilities. We did not achieve this target, partly as a result of the difficulty of the qualifications and the impact of COVID-19, but the initiative contributed to developing an appetite for self-development, including a growing number of employees taking on the challenge of acquiring such qualifications. Going forward, we will continue to encourage the acquisition of qualifications and actively provide mediation for testing and corresponding learning related to fields such as inheritance and the succession of assets, in order to strengthen our initiatives targeting asset succession consulting and other businesses aimed at senior citizens.

Regarding “training,” we are implementing “training per level” for employees at every level from branch manager to new employee, “training by theme” to enhance consulting abilities, etc., and other forms of in-house training, while also actively engaging in external training, including participating in training seminars held by regional and national banking associations, dispatching employees to graduate schools in Japan for them to



Programs to train human resources who will contribute to regional development

acquire MBAs, and dispatching trainees overseas to Shanghai, Singapore, etc. As part of our aim to develop “human resources that serve a purpose for customers and local communities” and “human resources that contribute to corporate reform,” we began further enhancing external training opportunities from FY2022, including dispatching trainees to fintech companies, consulting companies, and others, and holding “programs to train human resources who will contribute to regional development” in collaboration with employees of Miyagi Prefecture. Additionally, we are also enhancing the content of in-house training, including establishing the “women’s career advancement program,” “training to strengthen the trust business,” and the “77 Money School” for FP Level 1 and persons with CFP qualification.

–Interview–



Manager, Diversity Promotion Office, Personnel Division
Naomi Hasegawa

“People” are the one true source of corporate growth. In the Diversity Promotion Office, we promote the creation of a workplace where a diverse range of human resources

can actively participate, while maintaining a sense of fulfillment in their work. The development of human resources with a diverse range of capabilities will contribute to fostering an “ambitious spirit,” considered necessary for reforming our corporate culture, and will also serve as the foundation for the basic strategies listed in “Vision 2030.” Since 2013, we have worked to make systematic improvements and enhance employee awareness by promoting the active participation of women and other forms of diversity. Accordingly, the proportion of women in management positions is gradually increasing, and the rate of male employees taking childcare leave has been 100% every year since 2014. We have a long, difficult road ahead of us to achieve our target of “increasing the percentage of women in management positions to 30% or more,” but in order to foster a corporate culture that enables all employees to leverage their abilities to the greatest possible extent, I would also like to enhance diversity from perspectives other than gender.

Develop human resources

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

Type of human resources that 77 Bank Group develops

- Unending ambition
- Filled with ability to take on new challenges
- Ability to act independently
- Rich human potential
- Strong sense of ethics

Human resources that serve a purpose for customers and local communities

Expertise in consulting and other areas, as well as human potential capable of frank communication with customers and local regions

Human resources that contribute to corporate reform

Creativity unrestricted by conventional ideas, and unique, irreplaceable personnel

Governance Structure

Board of Directors and Audit & Supervisory Committee Members (As of July 31, 2021)



President
Hidefumi Kobayashi

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
 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)

Chairman
Teruhiko Ujiie

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
 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)

Senior Managing Director
Makoto Igarashi

Apr. 1980 Joined the Bank
 Sep. 2000 General Manager, Onahama Branch, the Bank
 Jun. 2002 General Manager, Bashonotsuji Branch, the Bank
 Jun. 2004 General Manager, Shiroishi Branch, the Bank
 Jun. 2005 General Manager, General Affairs Div., the Bank
 Jun. 2006 General Manager, Personnel Div., the Bank
 Jun. 2009 Director and General Manager, Tokyo Branch, the Bank
 Jun. 2012 Director and General Manager, Business Promotion Div., the Bank
 Jun. 2013 Managing Director, the Bank
 Jun. 2017 Senior Managing Director, the Bank
 Jun. 2018 Representative Director and Senior Managing Director, the Bank (current position)

Managing Director
Atsushi Shitoh

Apr. 1985 Joined the Bank
 Jun. 2005 Chief Secretary, the Bank
 Jun. 2008 General Manager, Fukushima Branch, the Bank
 Jun. 2010 General Manager, Izumi Branch, the Bank
 Jun. 2012 General Manager, Treasury Administration & International Div., the Bank
 Jun. 2014 Executive Officer and General Manager, Tokyo Branch, the Bank
 Jun. 2016 Director, Executive Officer and General Manager, Head Office Business Div., the Bank
 Jun. 2018 Managing Director and General Manager, Head Office Business Div., the Bank
 Jun. 2019 Managing Director, the Bank (current position)

Managing Director
Takuji Tabata

Apr. 1986 Joined the Bank
 Sep. 2007 General Manager, Koriyama Branch, the Bank
 Jun. 2009 General Manager, Tokyo Liaison Office, the Bank
 Jun. 2012 General Manager, Treasury Div., the Bank
 Jun. 2015 General Manager, Credit Supervision Div., the Bank
 Jun. 2016 Executive Officer and General Manager, Credit Supervision Div., the Bank
 Jun. 2018 Senior Executive Officer and General Manager, Credit Supervision Div., the Bank
 Jun. 2019 Managing Director, the Bank (current position)

Outside Director
Masahiro Sugita

Apr. 1967 Joined the Bank of Japan
 May. 1996 General Manager, International Dept., the Bank of Japan
 Jun. 1998 Director, Research Institute of Overseas Investment, the Export-Import Bank of Japan
 Sep. 1999 Auditor, the Bank of Japan
 Dec. 2003 Standing Audit & Supervisory Board Member, Banyu Pharmaceutical Co., Ltd. (currently MSD K.K.)
 Jun. 2006 Director, Horiba, Ltd.
 Jun. 2007 Audit & Supervisory Board Member, the Bank
 Oct. 2009 Audit & Supervisory Board Member, Banyu Pharmaceutical Co., Ltd. (currently MSD K.K.)
 Jun. 2013 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)

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 (Outside Director)
Toshio Suzuki

Apr. 1970 Joined Tohoku Electric Power Co. Inc.
 Jun. 2001 Deputy Director and General Manager, Human Resources Division, Tohoku Electric Power Co. Inc.
 Jun. 2005 Director and General Manager, Human Resources Division, Tohoku Electric Power Co. Inc.
 Jun. 2006 Director and General Manager, Miyagi Branch, Tohoku Electric Power Co. Inc.
 Jun. 2007 Senior Executive Officer and General Manager, Miyagi Branch, Tohoku Electric Power Co. Inc.
 Jun. 2009 Standing Statutory Auditor, Tohoku Electric Power Co. Inc.
 Jun. 2010 Corporate Auditor, The Dashi Bank, Ltd.
 Jun. 2013 Audit & Supervisory Board Member, the Bank
 Jun. 2013 Chairman and Representative Director, Tohoku Intelligent Telecommunication Co., Inc.
 Jun. 2015 Advisor, Tohoku Intelligent Telecommunication Co., Inc.
 Jun. 2017 Director, Audit & Supervisory Committee Member, the Bank (current position)

Director, Audit & Supervisory Committee Member (Outside Director)
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)

Senior Executive Officers

General Manager, Head Office Business Division, and Basho no Tsuji Branch
Masanori Muranushi

General Manager, Business Promotion Division
Yoshihiro Endo

General Manager, Audit & Inspection Division
Naoshi Aoyagi

General Manager, Ishinomaki Branch and Kokucho Branch
Shuichi Ibuka

Executive Officers

General Manager, Oroshimachi Branch
Kazuhiro Chida

General Manager, Tokyo Branch
Hirokimi Fukushi

General Manager, Credit Supervision Division
Kazutoshi Saito

General Manager, Digital Strategy Division
Masahide Kato

General Manager, Personnel Division
Takashi Kuroda

General Manager, Compliance Management Division
Kuniaki Endo

General Manager of General Planning & Coordination Division
Hiroshi Kobayashi

General Manager, Operations Management Division
Hiroshi Kitazono

Managing Director
Yoshikazu Onodera

Apr. 1985 Joined the Bank
 Sep. 2007 General Manager, Hachimannmachi 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
 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 (current position)

Managing Director
Atsushi Kobayashi

Apr. 1988 Joined the Bank
 Jun. 2008 General Manager, Okino Branch, the Bank
 Jun. 2010 General Manager, Sendai Haranomachi Branch, the Bank
 Jun. 2012 General Manager, Tokyo Liaison Office, the Bank
 Jun. 2015 General Manager, Treasury Div., the Bank
 Jun. 2016 Executive Officer and General Manager, General Planning & Coordination Div., the Bank
 Jun. 2017 Executive Officer and General Manager, General Planning & Coordination Div., the Bank
 Jun. 2019 Senior Executive Officer, General Manager, Head Office Business Div. and Basho no Tsuji Branch, the Bank
 Jun. 2021 Managing Director, the Bank (current position)

Outside Director
Ken Nakamura

Apr. 1974 Registered as Attorney-at-Law (Sendai Bar Association)
 Sep. 1977 Opened Nakamura Ken Law Office (current position)
 Jun. 1996 Audit & Supervisory Board Member, KOHSOKU CORPORATION
 Nov. 2004 Auditor, HOKUSHU Co., Ltd. (current position)
 Jun. 2007 Audit & Supervisory Board Member, the Bank
 Jun. 2013 Director, KOHSOKU CORPORATION
 Jun. 2015 Director, the Bank (current position)
 Jun. 2016 Director (Audit & Supervisory Committee Member), KOHSOKU CORPORATION (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)

Director, Audit & Supervisory Committee Member (Outside Director)
Mitsuo Chubachi

Apr. 1985 Joined the Bank
 Mar. 2011 General Manager, Nihonbashi Branch, the Bank
 Jun. 2013 General Manager, Risk Management Div., the Bank
 Jun. 2015 Audit & Supervisory Board Member, MIYAGI SYOJI Co., Ltd.
 Jul. 2016 Director and General Manager, Administration Div., 77 Securities Co., Ltd.
 Jun. 2019 Director, Audit & Supervisory Committee Member, the Bank (current position)

Director, Audit & Supervisory Committee Member (Outside Director)
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 (Outside Director)
Akira Inukai

Apr. 1979 Joined the Miyagi Prefectural Government
 Apr. 2013 Director-General, Commerce, Industry and Tourism Department, Miyagi Prefectural Government
 Apr. 2015 Public Corporation Administrator, Miyagi Prefectural Government
 Jun. 2015 Director, Miyagi-ken Kaihatsu K.K.
 Apr. 2017 Vice Chairman, Miyagi University
 Apr. 2019 Chairman, Miyagi Prefecture Land Development Corporation
 Jun. 2019 Representative Director and President, Miyagi-ken Kaihatsu K.K.
 Jun. 2021 Director, Audit & Supervisory Committee Member, the Bank (current position)

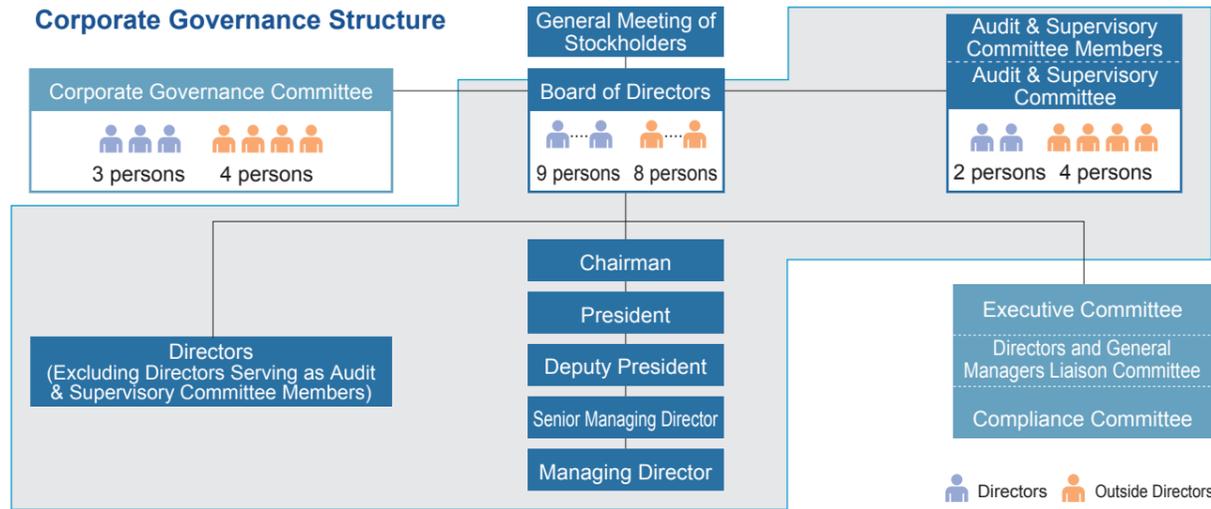
Governance Structure

Basic stance toward corporate governance

We will work to strengthen and enhance corporate governance in accordance with the following basic stance.

- 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

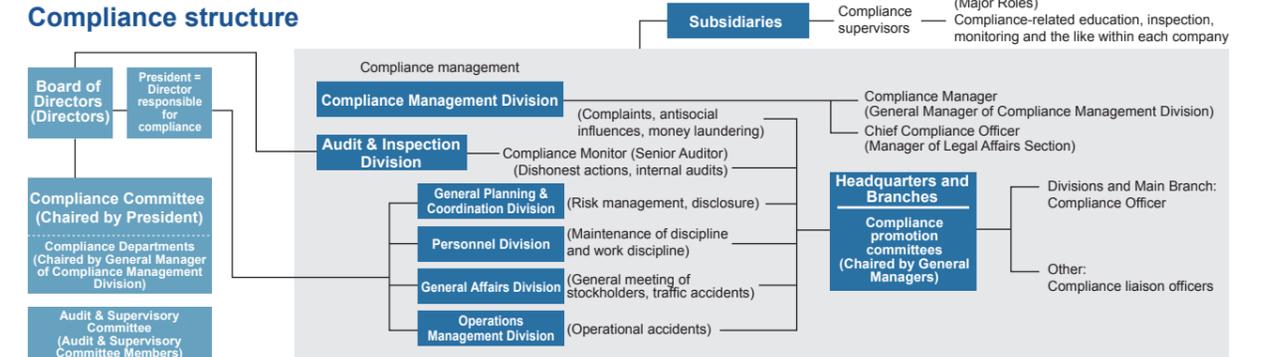
Title	Name	Board of Directors	Executive Committee	Corporate Governance Committee	Audit & Supervisory Committee	Compliance Committee
(Representative Director) Chairman	Teruhiko Ujiie	○ (Chairperson)	○	○		
(Representative Director) President	Hidefumi Kobayashi	○	○ (Chairperson)	○		○ (Chairperson)
(Representative Director) Senior Managing Director	Makoto Igarashi	○	○	○		○
Managing Director	Atsushi Shitoh	○	○			○
Managing Director	Yoshikazu Onodera	○	○			○
Managing Director	Takuji Tabata	○	○			○
Managing Director	Atsushi Kobayashi	○	○			○
Director	Masahiro Sugita	○		○ (Chairperson)		
Director	Ken Nakamura	○		○		
Director	Emiko Okuyama	○		○		
Director	Seichi Ohtaki	○		○		
Director, Audit & Supervisory Committee Member	Koichi Suzuki	○	△ (*3)		○ (Chairperson)	△ (*3)
Director, Audit & Supervisory Committee Member	Mitsuo Chubachi	○	△ (*3)		○	△ (*3)
Director, Audit & Supervisory Committee Member	Toshio Suzuki	○			○	
Director, Audit & Supervisory Committee Member	Masai Yamaura	○			○	
Director, Audit & Supervisory Committee Member	Yoko Ushio	○			○	
Director, Audit & Supervisory Committee Member	Akira Inukai	○			○	
Other members			General Manager of General Planning & Coordination Division			General Manager of General Planning & Coordination Division, General Manager of Compliance Management Division, General Manager of Audit & Inspection Division

*1 A Deputy President has not been appointed.
 *2 Directors Masahiro Sugita, Ken Nakamura, Emiko Okuyama, Toshio Suzuki, Masai Yamaura, Yoko Ushio, and Akira Inukai 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 and Compliance Committee, and state their opinions as necessary.
 *4 The Chairperson of the Audit & Supervisory Committee observes the Corporate Governance Committee.

Thorough compliance

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 structure

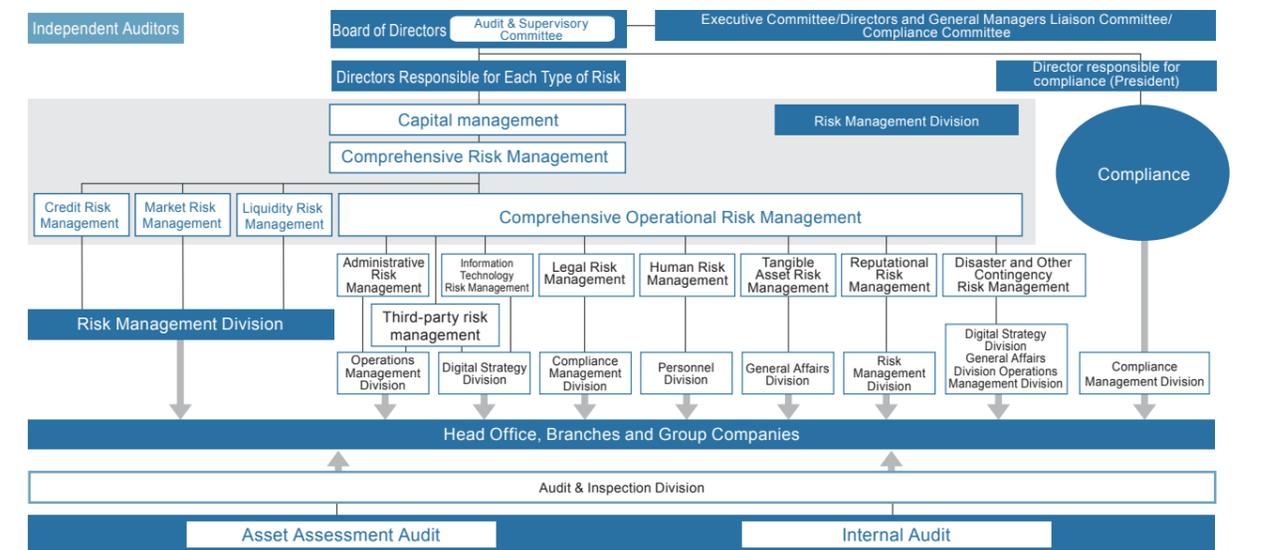


* Compliance officers and compliance liaisons maintain their independence in the performance of their duties related to compliance and do not follow the instructions of higher-ranking individuals.

Strengthening risk management systems

In accordance basic policies on risk management determined by the Board of Directors, the Bank has determined controlling divisions and managing divisions for each type and category of risk requiring management, and the Audit & Inspection Division also audits the appropriateness of the execution and management of the operations of each department as an internal audit department.

Risk management structure



Third-party risk management

"Third-party risk" refers to the risk of losses arising as a result of administrative errors, system faults, fraudulent transactions, and other issues at third parties that are companies or organizations that the Bank has an operational partnership or relationship with.

The Bank appropriately manages this risk, having established the "Policies on Third-Party Risk Management" as a basic policy for managing risk.

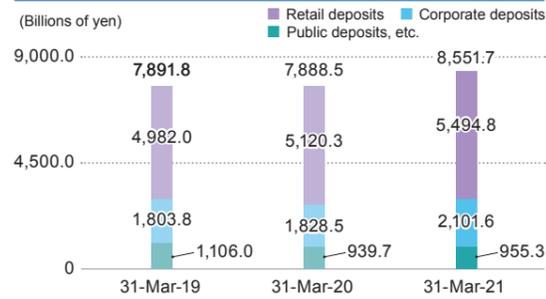
In particular, in event that third parties work with services linked to customers' accounts or personal data, such as in the cash of fund transfer business operators, the Bank implements stricter risk management, based on the "Personal Data Management Standards," etc., and manages risk on an ongoing basis during the period of the agreement, through such methods as regular monitoring of the safety, reliability, etc., of third parties.

The Bank takes every possible precaution to ensure that in the event of administrative issues, system faults, or other issues, the impact on our customers and the operations of the Bank is minimized, including securing alternative methods and formulating measures to respond in the event of emergency.

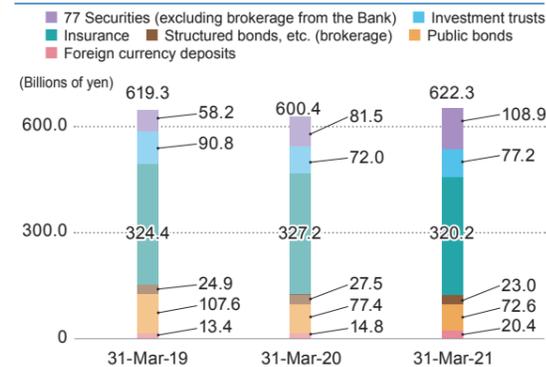
Financial and Non-financial Highlights

Financial information

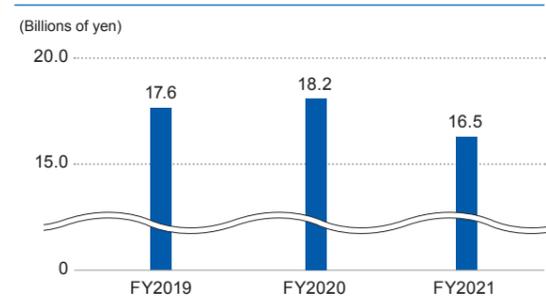
Balance of deposits and certificates of deposit **¥8,551.7 billion**



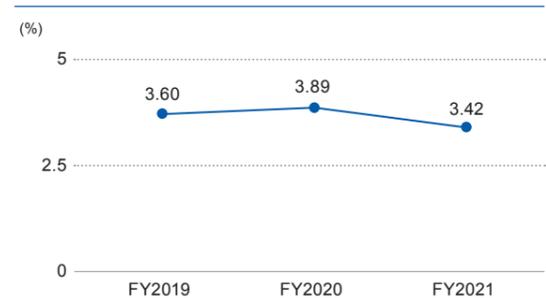
Balance of assets in custody (the Group) **¥622.3 billion**



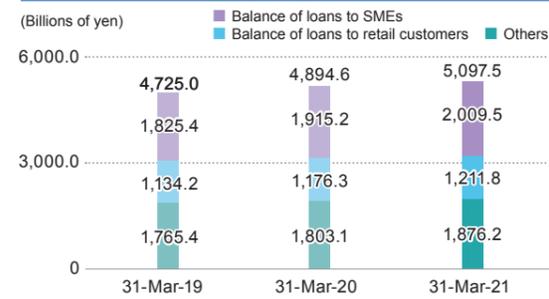
Net income (consolidated) **¥16.5 billion**



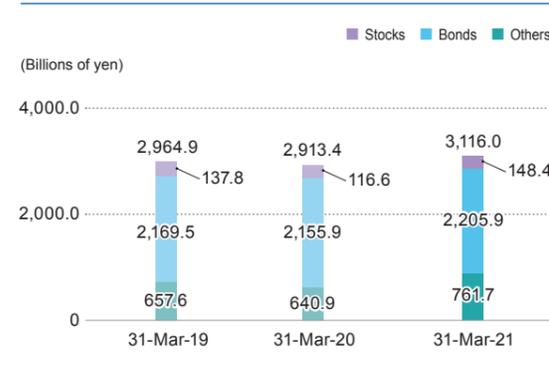
ROE (consolidated) **3.42 %**



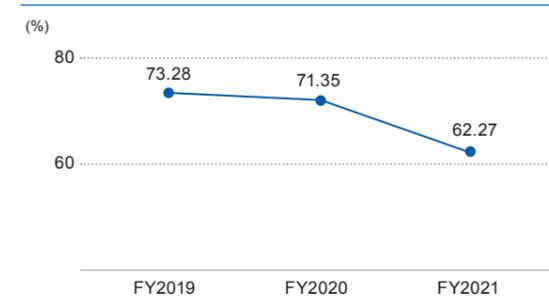
Balance of loans and bills discounted **¥5,097.5 billion**



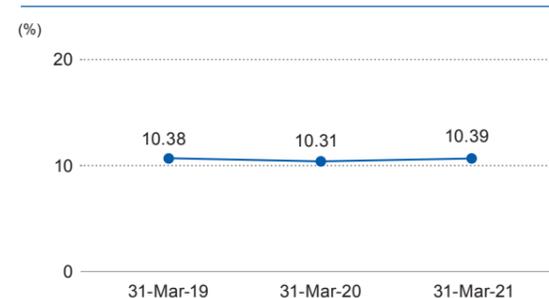
Securities balance **¥3,116.0 billion**



Core OHR (core gross operating income expense ratio) **62.27 %**



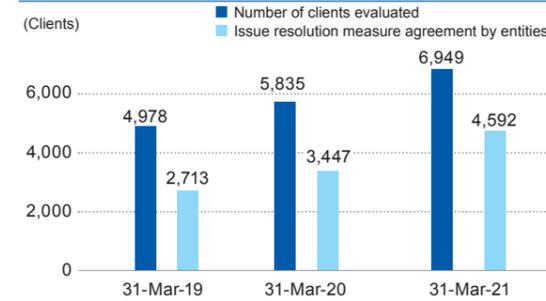
Capital adequacy ratio (domestic standards/consolidated) **10.39 %**



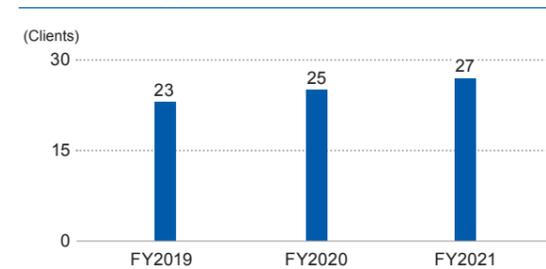
Non-financial information

Consulting

Number of clients evaluated **6,949 clients** Issue resolution measure agreement by entities **4,592 clients**



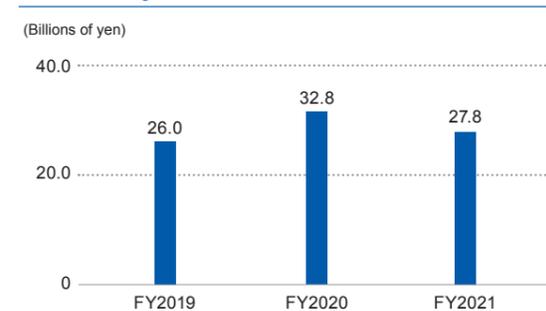
Number of M&A support* clients **27 clients**



* Entered into M&A advisory contract

ESG

Renewable energy-related funding **354 cases / ¥162.7 billion**

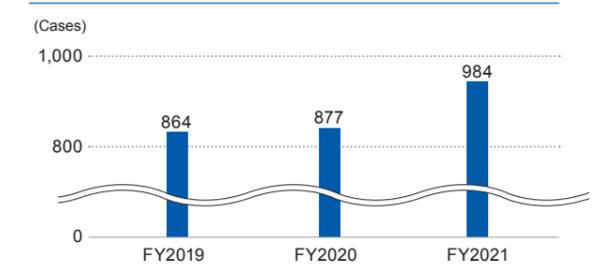


* Cumulative results from after the Great East Japan Earthquake of 2011 through March 31, 2021

Proportion of female managers **13.4 %**

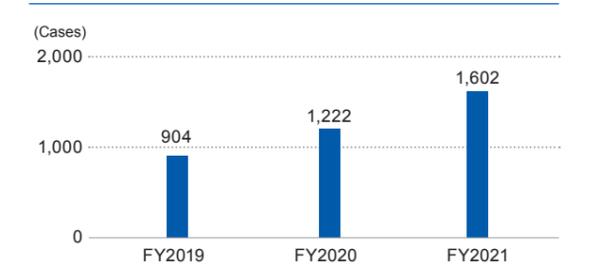


Number of start-up support projects (*) **984 cases**



* Start-up plan formulation support, financing clients in the start-up stage, introduction of government-affiliated financial institutions and start-up support organizations, subsidies, financing, and investment in venture companies

Number of business succession, inheritance, and asset succession support recipients **1,602 cases**



SG-based investment and lending Privately placed corporate bonds ^{1,2,3}

Green bonds **23 cases / ¥30.2 billion¹**

Sustainability bonds **7 cases / ¥3.7 billion**

Social bonds **12 cases / ¥9.5 billion**

Sustainability-linked bonds **2 cases / ¥0.4 billion**

Sustainability-linked loans **2 cases / ¥1.7 billion⁵**

77 Privately Placed Corporate Bonds for Social Contribution (Donation-Type) **378 cases / ¥30.5 billion**

77 ESG Privately Placed Corporate Bonds **47 cases / ¥6.2 billion**

¹ Green bonds and other bonds refer only to investments with newly issued bonds.
² Purchases of green bonds and other bonds, as well as sustainability-linked loans: Cumulative results from April 2018 through March 31, 2021.
³ Privately placed corporate bonds: Cumulative results from product launch through March 31, 2021.
⁴ Of which, ¥1.1 billion is denominated in US dollars.
The Bank's middle rate as of March 31, 2021 (USD 1 = JPY 110.71) has been used for yen conversion.
⁵ Denominated in US dollars. The Bank's middle rate as of March 31, 2021 (USD 1 = JPY 110.71) has been used for yen conversion.

Profile (As of March 31, 2021)

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 2,742

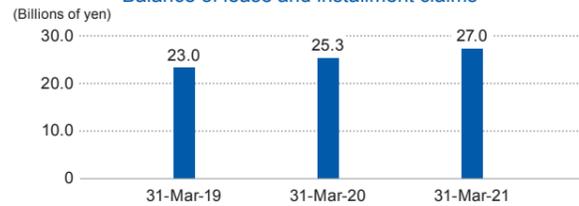
Number of Branches 143 (Head Office/Branches: 137, Sub-Branches: 6)
Capital Adequacy Ratio (domestic standards) non-consolidated 10.14% / consolidated 10.39%
Total Assets ¥9,817.9 billion
Certificates of Deposits ¥8,551.7 billion
Loans and Bills Discounted ¥5,097.5 billion

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



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 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.

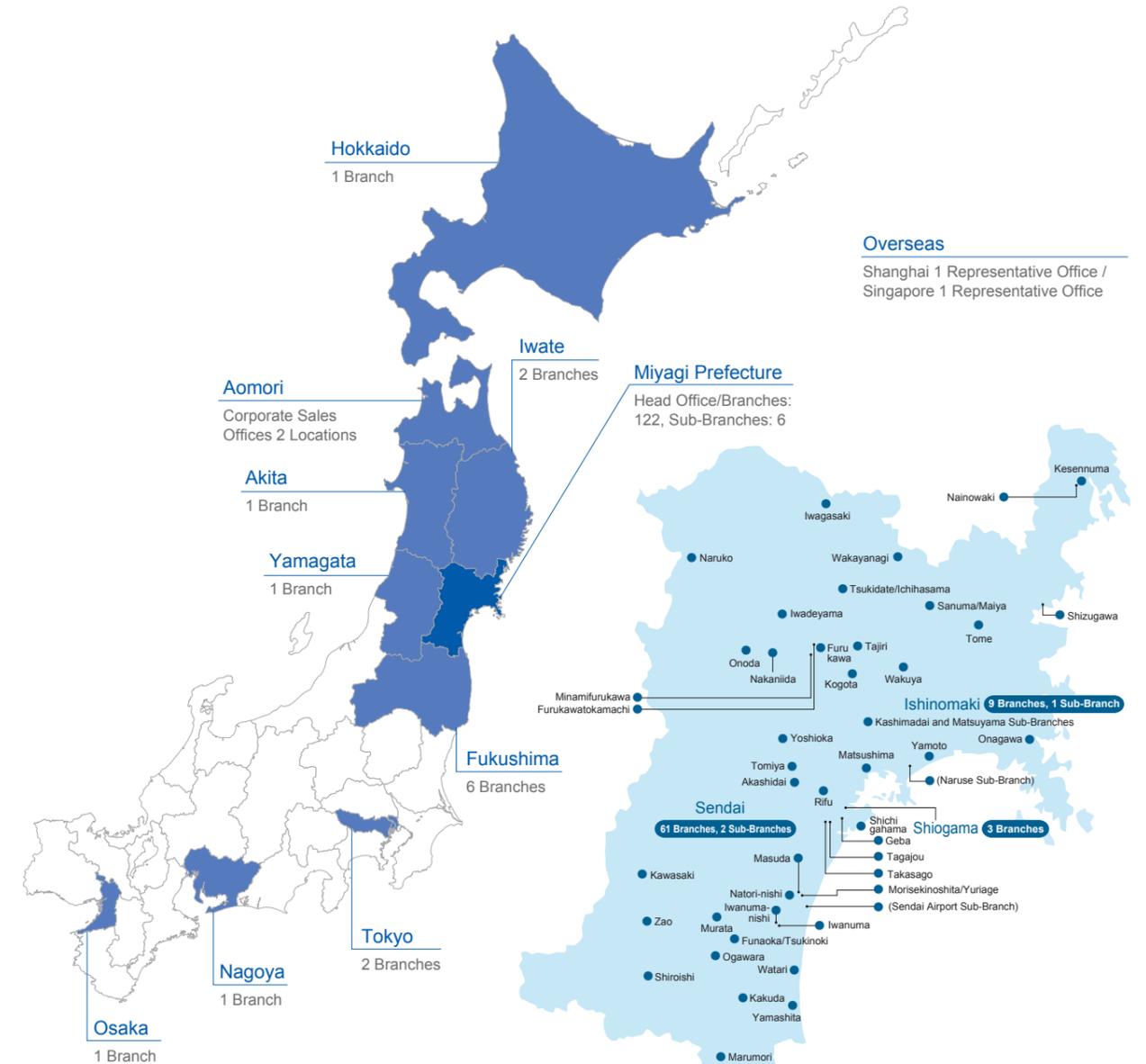
Cumulative amount of investment



77 Bank Group characters



Service Network (As of July 31, 2021)



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		Number of ATMs
				Of which branches within branches	
Within Miyagi Prefecture	35	31	128	13	710
Cities	14	14	109	12	618
[Of which, Sendai City]			[63]	[5]	[393]
Towns	20	17	19	1	91
Villages	1	—	—	—	1
Outside of Miyagi Prefecture			15	—	28
Within Tokyo			2	—	3
Other prefectures			13 ^{*1}	—	25
Total	35 municipalities	31 cities and towns	143 locations^{*2}	13 locations	738 ATMs

^{*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 143 locations includes one branch that only offers transfers, and the number of locations is 135, taking into account seven branches within branches.

— Consolidated Five-Year Summary —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31

	Millions of Yen				
	2021	2020	2019	2018	2017
For the fiscal year					
Net interest income	¥ 69,877	¥ 67,886	¥ 65,217	¥ 69,644	¥ 67,678
Net fees and commissions	11,553	11,458	11,345	10,963	10,973
Net other operating (loss) income	(8,117)	(2,186)	(3,104)	(7,869)	(5,213)
Net income attributable to owners of the parent	16,468	18,261	17,670	18,314	16,114
At the fiscal year-end					
Total assets	¥9,839,581	¥8,770,037	¥8,627,510	¥8,718,097	¥8,649,396
Deposits	8,527,481	7,865,991	7,872,834	7,946,100	7,805,860
Loans and bills discounted	5,088,570	4,886,221	4,718,942	4,621,062	4,443,883
Trading account securities and investment securities	3,127,169	2,922,506	2,978,130	3,146,865	3,262,638
Equity	513,337	447,436	489,077	490,737	468,195
Common stock	24,658	24,658	24,658	24,658	24,658

	Yen				
	2021	2020	2019	2018	2017
Per share of common stock					
Basic net income	¥ 222.89	¥ 246.97	¥ 237.90	¥ 246.87	¥ 215.73
Diluted net income				246.45	214.74
Equity	6,947.19	6,057.30	6,582.31	6,613.28	6,306.73
Cash dividends	50.00	50.00	47.50	45.00	45.00
Capital adequacy ratio (%)					
Domestic standard	10.39	10.31	10.38	10.43	10.73

Notes: 1. The national consumption tax and the local consumption tax are excluded from transaction amounts.

2. The Bank's capital adequacy ratio on the domestic standard is accompanied by the revision of Article 14, Paragraph 2, of the Banking Law of Japan, in line with enforcement of the related law for financial system reform.

3. On October 1, 2017, the Bank conducted consolidation of shares at a ratio of five shares to one share. Per share information is computed as if the share consolidation was conducted on April 1, 2016.

— Consolidated Balance Sheet —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
ASSETS:			
Cash and due from banks (Notes 3 and 26)	¥1,371,871	¥ 747,105	\$12,391,572
Call loans and bills bought		429	
Debt purchased	4,000	4,000	36,130
Trading account securities (Note 4)	20,627	18,873	186,315
Money held in trust (Notes 5 and 26)	108,901	82,344	983,660
Investment securities (Notes 4, 10, 11, 26, 27 and 28)	3,106,542	2,903,632	28,060,175
Loans and bills discounted (Notes 6, 12, 26, 27 and 28)	5,088,570	4,886,221	45,963,056
Foreign exchange assets (Note 7)	5,865	9,528	52,976
Lease receivables and investments in leases (Notes 25 and 28)	19,637	19,261	177,373
Tangible fixed assets (Notes 8, 9 and 16):			
Buildings	7,880	8,208	71,176
Land	19,313	19,315	174,446
Lease assets	50	56	451
Construction in progress	259	282	2,339
Other tangible fixed assets	5,782	4,388	52,226
Intangible fixed assets:			
Software	84	120	758
Other intangible fixed assets	262	264	2,366
Deferred tax assets (Note 23)	984	4,173	8,888
Customers' liabilities for acceptances and guarantees (Notes 10 and 28)	43,735	45,258	395,041
Other assets (Notes 11 and 27)	96,568	79,792	872,260
Reserve for loan losses	(61,356)	(63,220)	(554,204)
TOTAL	¥9,839,581	¥8,770,037	\$88,877,075
LIABILITIES:			
Deposits (Notes 11, 13 and 26)	¥8,527,481	¥7,865,991	\$77,025,390
Call money and bills sold		8,706	
Payables under securities lending transactions (Note 11)	25,869	11,986	233,664
Borrowed money (Notes 11, 14 and 26)	604,679	285,901	5,461,828
Foreign exchange liabilities (Note 7)	155	116	1,400
Liability for employees' retirement benefits (Note 15)	17,102	25,539	154,475
Reserve for stock-based benefits (Note 17)	817	735	7,379
Reserve for reimbursement of deposits	311	337	2,809
Reserve for contingent losses	804	860	7,262
Deferred tax liabilities (Note 23)	22,037		199,051
Acceptances and guarantees (Notes 10 and 28)	43,735	45,258	395,041
Other liabilities (Notes 16 and 27)	83,251	77,167	751,973
Total liabilities	9,326,243	8,322,600	84,240,294
EQUITY (Notes 17, 18 and 31):			
Common stock—authorized, 268,800,000 shares; issued, 76,655,746 shares in 2021 and 2020	24,658	24,658	222,726
Capital surplus	20,517	20,517	185,322
Retained earnings	374,218	361,462	3,380,164
Less: treasury stock—at cost, 2,764,422 shares and 2,788,464 shares in 2021 and 2020, respectively	(6,972)	(7,040)	(62,975)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 4)	106,557	56,207	962,487
Deferred losses on derivatives under hedge accounting (Note 27)	(375)	(826)	(3,387)
Defined retirement benefit plans (Note 15)	(5,265)	(7,541)	(47,556)
Total equity	513,337	447,436	4,636,771
TOTAL	¥9,839,581	¥8,770,037	\$88,877,075

See notes to consolidated financial statements.

— Consolidated Statement of Income —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 41,616	¥ 41,956	\$ 375,901
Interest and dividends on trading account and investment securities	29,186	28,031	263,625
Other	406	242	3,667
Fees and commissions (Note 28)	17,977	17,801	162,379
Other operating income (Note 19)	13,990	12,025	126,366
Gains on sales of stocks and other securities	11,836	4,967	106,909
Gains on sales of money held in trust	3,798	10,392	34,305
Other income (Note 20)	1,163	1,510	10,504
Total income	119,976	116,926	1,083,696
EXPENSES:			
Interest expense:			
Interest on deposits	325	762	2,935
Interest on borrowings and rediscounts	272	399	2,456
Other	734	1,182	6,629
Fees and commissions	6,424	6,343	58,025
Other operating expenses (Note 21)	22,107	14,211	199,683
General and administrative expenses	55,104	58,141	497,732
Provision for reserve for loan losses	7,126	6,644	64,366
Other expenses (Notes 9 and 22)	3,057	3,066	27,612
Total expenses	95,152	90,751	859,470
INCOME BEFORE INCOME TAXES	24,823	26,175	224,216
INCOME TAXES (Note 23):			
Current	5,758	8,047	52,009
Deferred	2,595	(133)	23,439
Total income taxes	8,354	7,913	75,458
NET INCOME	16,468	18,261	148,748
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 16,468	¥ 18,261	\$ 148,748

	Yen		U.S. Dollars
	2021	2020	2021
PER SHARE OF COMMON STOCK (Note 30):			
Basic net income	¥222.89	¥246.97	\$2.01
Cash dividends applicable to the year	50.00	50.00	0.45

See notes to consolidated financial statements.

— Consolidated Statement of Comprehensive Income —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET INCOME	¥ 16,468	¥ 18,261	\$ 148,748
OTHER COMPREHENSIVE INCOME (LOSS) (Note 24):			
Unrealized gains (losses) on available-for-sale securities	50,350	(54,901)	454,791
Deferred gains on derivatives under hedge accounting	450	624	4,064
Defined retirement benefit plans	2,276	(1,251)	20,558
Total other comprehensive income (loss)	53,077	(55,528)	479,423
COMPREHENSIVE INCOME (LOSS)	¥ 69,546	¥(37,267)	\$ 628,181
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO—			
Owners of the parent	¥ 69,546	¥(37,267)	\$ 628,181

See notes to consolidated financial statements.

— Consolidated Statement of Changes in Equity —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2021

	Thousands		Millions of Yen						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Unrealized Gains on Available-for- Sale Securities	Other Deferred Losses on Derivatives under Hedge Accounting	Comprehensive Income Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2019	74,302	¥24,658	¥20,517	¥346,926	¥(6,391)	¥111,108	¥(1,451)	¥(6,290)	¥489,077
Net income attributable to owners of the parent				18,261					18,261
Cash dividends, ¥50.00 per share				(3,725)					(3,725)
Purchase of treasury stock	(490)				(802)				(802)
Sales of treasury stock	56				153				153
Net change in the year						(54,901)	624	(1,251)	(55,528)
BALANCE, MARCH 31, 2020	73,867	24,658	20,517	361,462	(7,040)	56,207	(826)	(7,541)	447,436
Net income attributable to owners of the parent				16,468					16,468
Cash dividends, ¥50.00 per share				(3,713)					(3,713)
Purchase of treasury stock	(1)				(2)				(2)
Sales of treasury stock	25				70				70
Net change in the year						50,350	450	2,276	53,077
BALANCE, MARCH 31, 2021	73,891	¥24,658	¥20,517	¥374,218	¥(6,972)	¥106,557	¥ (375)	¥(5,265)	¥513,337

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Unrealized Gains on Available-for- Sale Securities	Other Deferred Losses on Derivatives under Hedge Accounting	Comprehensive Income Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2020	\$222,726	\$185,322	\$3,264,944	\$(63,589)	\$507,695	\$(7,460)	\$(68,114)	\$4,041,513
Net income attributable to owners of the parent			148,748					148,748
Cash dividends, \$0.45 per share			(33,538)					(33,538)
Purchase of treasury stock				(18)				(18)
Sales of treasury stock				632				632
Net change in the year					454,791	4,064	20,558	479,423
BALANCE, MARCH 31, 2021	\$222,726	\$185,322	\$3,380,164	\$(62,975)	\$962,487	\$(3,387)	\$(47,556)	\$4,636,771

See notes to consolidated financial statements.

— Consolidated Statement of Cash Flows —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	(Note 1) 2021
OPERATING ACTIVITIES:			
Income before income taxes	¥ 24,823	¥ 26,175	\$ 224,216
Adjustments for:			
Income taxes—paid	(9,597)	(7,075)	(86,685)
Depreciation and amortization	3,300	3,227	29,807
Losses on impairment of fixed assets	292	126	2,637
Net change in reserve for loan losses	(1,864)	2,351	(16,836)
Net change in reserve for reimbursement of deposits	(26)	(127)	(234)
Net change in reserve for contingent losses	(56)	79	(505)
Net change in reserve for stock-based benefits	82	(15)	740
Net change in liability for employees' retirement benefits	(5,166)	(161)	(46,662)
Interest income	(71,209)	(70,229)	(643,202)
Interest expense	1,332	2,343	12,031
Losses (gains) on investment securities—net	1,989	(2,191)	17,965
Gains on money held in trust—net	(3,073)	(8,967)	(27,757)
Foreign exchange (gains) losses—net	(3,683)	3,022	(33,267)
Losses on sales and disposals of fixed assets—net	71	49	641
Net change in loans and bills discounted	(202,349)	(167,278)	(1,827,739)
Net change in deposits	661,489	(6,843)	5,974,970
Net change in borrowed money (except for subordinated loans)	318,777	169,257	2,879,387
Net change in due from banks (except for the Bank of Japan)	4,817	(3,656)	43,510
Net change in call loans and bills bought	429	152	3,874
Net change in call money and bills sold	(8,706)	(7,398)	(78,637)
Net change in payables under securities lending transactions	13,883	(5,428)	125,399
Net change in trading account securities	(1,753)	974	(15,834)
Net change in foreign exchange assets	3,662	(4,793)	33,077
Net change in foreign exchange liabilities	38	(222)	343
Net change in lease receivables and investments in leases	(376)	(1,638)	(3,396)
Interest received	74,748	75,035	675,169
Interest paid	(1,714)	(2,425)	(15,481)
Other—net	4,245	22,326	38,343
Total adjustments	779,584	(9,507)	7,041,676
Net cash provided by operating activities—(Forward)	¥ 804,407	¥ 16,667	\$ 7,265,892
INVESTING ACTIVITIES:			
Purchases of investment securities	(811,155)	(645,953)	(7,326,844)
Proceeds from sales of investment securities	149,314	37,056	1,348,694
Proceeds from maturity of investment securities	511,793	601,904	4,622,825
Increase in money held in trust	(20,000)		(180,652)
Proceeds from dispositions of money held in trust	3,510	30,508	31,704
Purchases of tangible fixed assets	(4,625)	(3,144)	(41,775)
Proceeds from sales of tangible fixed assets	41	32	370
Purchases of intangible fixed assets		(96)	
Payment for execution of asset retirement obligations		(19)	
Net cash (used in) provided by investing activities	(171,121)	20,289	(1,545,668)
FINANCING ACTIVITIES:			
Purchases of treasury stock	(2)	(802)	(18)
Dividends paid	(3,716)	(3,718)	(33,565)
Net cash used in financing activities	(3,718)	(4,521)	(33,583)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	16	(12)	144
NET INCREASE IN CASH AND CASH EQUIVALENTS	629,584	32,423	5,686,785
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	737,406	704,983	6,660,699
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥1,366,991	¥ 737,406	\$12,347,493

See notes to consolidated financial statements.

— Notes to Consolidated Financial Statements —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2021

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law of Japan (the "Banking Law"), and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2020 consolidated financial statements to conform to the classifications used in 2021.

In accordance with the Japanese Financial Instruments and Exchange Act and other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items. Also, U.S. dollar amounts have been rounded down to the nearest thousand dollars.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The 77 Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to U.S.\$1, the approximate rate of exchange as of March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Bank and its significant subsidiaries (collectively, the "Companies"). There were five consolidated subsidiaries as of March 31, 2021 and 2020.

Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated in consolidation.

(1) Scope of consolidation Consolidated Subsidiaries

There was no change in the scope of consolidation during the fiscal year ended March 31, 2021.

Unconsolidated Subsidiaries

77 Capital Co., Ltd.
77 New Business Investment Limited Partnership
77 Strategic Investment Limited Partnership
77 Capital Investment Limited Partnership 2
Unconsolidated subsidiaries are excluded from the scope of consolidation because they are not material to the consolidated financial statements in terms of total assets, income, net income (corresponding to the Bank's share), retained earnings (corresponding to the Bank's share) and accumulated other comprehensive income (corresponding to the Bank's share).

77 Capital Investment Limited Partnership 2 has been included in unconsolidated subsidiaries from the fiscal year ended March 31, 2021, since it was newly incorporated.

(2) Equity method Unconsolidated Subsidiaries Not Accounted for by the Equity Method

77 Capital Co., Ltd.
77 New Business Investment Limited Partnership
77 Strategic Investment Limited Partnership
77 Capital Investment Limited Partnership 2
These companies are excluded from the scope of equity method accounting because they are not material to the consolidated financial statements in terms of net income (corresponding to the Bank's share), retained earnings (corresponding to the Bank's share) and accumulated other comprehensive income (corresponding to the Bank's share).

77 Capital Investment Limited Partnership 2 has been included in unconsolidated subsidiaries not accounted for by the equity method from the fiscal year ended March 31, 2021, since it was newly incorporated.

b. Business Combinations—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Cash and Cash Equivalents—For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

d. Trading Account Securities, Investment Securities and Money Held in Trust—Securities other than investments in affiliates are classified into three categories, based principally on the Companies' intent, as follows: (1) trading account securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The cost of trading account securities and available-for-sale securities sold is determined based on the moving-average method.

In addition, investments in unconsolidated subsidiaries not accounted for by the equity method are reported at cost determined by the moving-average method.

Available-for-sale securities for which fair value is extremely difficult to determine are reported at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust are also classified and accounted for using the same method as above.

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other income/expenses. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

e. Tangible Fixed Assets—Tangible fixed assets are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of tangible fixed assets, except for lease assets, is mainly computed using the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 5 to 31 years for buildings and from 4 to 20 years for equipment. Lease assets under finance lease transactions, in which substantial ownership is not deemed to have been transferred, are depreciated using the straight-line method over the lease term. The salvage value is zero or the guaranteed amounts if specified in the lease contracts (see Note 2.o).

f. Intangible Fixed Assets—The amortization of intangible fixed assets is calculated using the straight-line method. Capitalized costs of computer software developed/obtained for internal use are amortized using the straight-line method over the estimated useful lives of five years.

g. Long-Lived Assets—The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows ("DCF") from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Foreign Currency Items—Assets and liabilities denominated in foreign currencies held by the Bank at year-end are translated into Japanese yen at the current exchange rates in effect at each consolidated balance sheet date. Exchange gains and losses are recognized in the fiscal periods in which they occur.

i. Reserve for Loan Losses—The Bank determines the amount of the reserve for loan losses by means of management's judgment and assessment of future losses based on internal rules for write offs and provisions.

For loans to borrowers classified as legally bankrupt or virtually bankrupt, the Bank fully provides the net amount of loans and estimated collectible amounts by collateral or guarantees. Regarding loans to borrowers classified as possibly bankrupt, a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.

For large debtors who are possibly bankrupt and debtors requiring special attention, if the cash flows from collection of the principal and interest can be reasonably estimated, the reserve is provided based on the difference between the relevant cash flows discounted by the initial contractual interest rates and the carrying amounts of the loans (the "DCF method").

The reserve for other loan loss is recorded principally at the amount of estimated losses over the next two or three years. Estimated losses are determined by calculating a loss rate based on the average of actual loss ratio over the past certain period, which is calculated with credit loss experience over two or three years. Adjustments are to be made as necessary in light of future outlook and other factors.

All the loans are assessed by sales related department in accordance with the self-assessment standard and the results are audited by asset audit department independent from the sales related department.

The Bank's subsidiaries determine the reserve for loan losses based on the actual loss ratio or estimated collectible amounts in accordance with the self-assessment standard.

(Notes)

1. Category of loans by debtor classification is defined as below in compliance with the classification provided in "Practical Guideline on Self-Assessment of Assets and Audit of Bad Debts and Reserve for Loan Losses of Banks and Other Financial Institutions" (the Japanese Institute of Certified Public Accountants (the "JICPA") Special Audit Committee Report No. 4 for Banks and Other Financial Institutions issued on October 8, 2020), that is, "normal debtors," "debtors requiring caution," "possibly bankrupt debtors," "virtually bankrupt debtors" and "legally bankrupt debtors."

Category	Criteria
Legally bankrupt	Debtors who are legally or formally bankrupt
Virtually bankrupt	Debtors who are virtually bankrupt, experiencing serious financial difficulty with no prospect of a turnaround, although there are no existence of facts of legal or formal bankruptcy
Possibly bankrupt	Debtors who are in financial difficulty and likely to become bankrupt in the future, although they are not currently bankrupt
Caution	Debtors who have issues concerning lending conditions, debtors who have issues concerning the status of fulfillment of obligations or debtors who are in the red, experiencing sluggish or unstable performances
Special attention	Of the debtors classified as caution, those whose debts, either partially or wholly, require special attention
Normal	Debtors whose performance is favorable and who are considered to have no specific issues regarding financial conditions

2. The loss rate is in principle defined as the average rate of bad debts for the recent five base years, but comparisons with the average rate of bad debts for the recent two base years are also taken into account in the calculation. Also, necessary adjustments are made by referring to the average rate of bad debts for a number of base years to appropriately incorporate the risk during the recession period.

j. Reserve for Stock-Based Benefits—Reserve for stock-based benefits is provided for the grants of the Bank's shares to directors, etc. in accordance with the stock grant program based on the estimated stock-based benefits liabilities as of the fiscal year end.

k. Reserve for Reimbursement of Deposits—Reserve for reimbursement of deposits which were derecognized as liabilities is provided for the future estimated payments for reimbursement claims on dormant deposit accounts based on the historical reimbursement experience.

l. Reserve for Contingent Losses—Reserve for contingent losses is provided for the future estimated payments of burden money to the Credit Guarantee Corporations based on the historical experience of subrogation.

m. Employees' Retirement and Pension Plans—In calculation of projected benefit obligations, expected benefits are attributed to periods on a benefit formula basis. Treatment of prior service cost and actuarial gains and losses is as follows:

Prior service cost is charged to expenses when incurred.

Unrecognized actuarial gains and losses are amortized by the straight-line method from the following fiscal year after the fiscal year when they were incurred over a definite period (10 years) with the employees' average remaining service period when incurred.

Consolidated subsidiaries apply a shortcut method whereby the amount of the retirement benefits required to be paid if all the employees voluntarily retired at the end of the fiscal year is regarded as projected benefit obligations in determining the liability for employees' retirement benefits and net periodic retirement benefit costs.

n. Asset Retirement Obligations—The asset retirement obligation is recognized as the sum of the DCFs required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. Leases

As a lessee

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

As a lessor

All finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee are recognized as investments in leases.

p. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q. Derivatives and Hedging Activities—It is the Bank's policy to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities. The Bank enters into interest rate swaps and interest rate swaptions as a means of hedging its interest rate risk on certain loans and investment securities and to meet the needs of its clients. The Bank also enters into currency swaps, foreign exchange forward contracts, and currency options to hedge foreign currency exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Derivatives are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivative transactions are recognized in the consolidated statement

of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

r. Per Share Information—Basic net income per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits or share consolidation.

Cash dividends per share presented in the consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. Significant Accounting Estimates

Reserve for loan losses

(1) Amount recorded in the consolidated financial statements as of March 31, 2021
¥61,356 million (\$554,204 thousand)

(2) Information about the details of significant accounting estimates for the identified item

i. Computation method

The method of computing reserve for loan losses is stated in “i. Reserve for loan losses” under Note 2, “Summary of Significant Accounting Policies.”

ii. Main assumptions

Main assumptions are the future prospects used in the assessment of the category of loans by debtor classification.

Debtor classification is assessed by comprehensively taking into account profitability projections, reasonableness of management improvement plans, status of support from financial institutions, etc., based on the characteristics of the industry to which the debtor belongs, after verifying the debtor’s ability to repay the debts based on the financial position, cash management, cash flows, etc. of the debtor and confirming the lending conditions and the status of its fulfillment.

Regarding the domestic economy, it is assumed that the economic downturn will continue for the time being due to the impact of COVID-19. There was no significant change in the assumptions on COVID-19 from the previous fiscal year.

iii. Impact on the consolidated financial statements for the following fiscal year

If the assumptions used in the initial estimates change due to changes in the debtors’ performances, this may have a significant impact on reserve for loan losses in the consolidated financial statements for the following fiscal year.

Furthermore, changes in assumptions used for the estimates include a risk of a further downturn in the economy due to the delay of supply of COVID-19 vaccines and prolonged restrictions of economic activity following the spread of the highly contagious variants of COVID-19.

t. Changes in Presentation—On March 31, 2020, the Accounting Standards Board of Japan (“ASBJ”) issued ASBJ Statement No. 31, “Accounting Standard for Disclosure of Accounting Estimates.”

The Bank has applied this standard to the consolidated financial statements for the year ended March 31, 2021, and provided a note concerning significant accounting estimates in the consolidated financial statements. However, such note does not state the contents concerning the previous fiscal year pursuant to the transitional treatment prescribed in the proviso of paragraph 11 of the above standard.

3. CASH AND CASH EQUIVALENTS

The reconciliation of cash and cash equivalents at the end of the year and cash and due from banks in the consolidated balance sheet as of March 31, 2021 and 2020, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash and due from banks	¥1,371,871	¥747,105	\$12,391,572
Due from banks, excluding due from the Bank of Japan	(4,880)	(9,698)	(44,079)
Cash and cash equivalents at the end of year	¥1,366,991	¥737,406	\$12,347,493

4. TRADING ACCOUNT SECURITIES AND INVESTMENT SECURITIES

Trading account securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
National government bonds	¥ 229	¥ 649	\$ 2,068
Local government bonds	14,396	12,222	130,033
Other securities	6,001	6,000	54,204
Total	¥20,627	¥18,873	\$186,315

Investment securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
National government bonds	¥ 274,404	¥ 453,343	\$ 2,478,583
Local government bonds	909,175	744,437	8,212,221
Corporate bonds	1,023,345	959,084	9,243,473
Equity securities	137,884	105,845	1,245,452
Other securities	761,732	640,922	6,880,426
Total	¥3,106,542	¥2,903,632	\$28,060,175

Investment in an unconsolidated subsidiary in the amount of ¥25 million (\$225 thousand) and ¥25 million and investment in interest in partnership in the amount of ¥3,580 million (\$32,336 thousand) and ¥2,771 million are included in the above equity securities and other securities as of March 31, 2021 and 2020, respectively.

The carrying amounts and aggregate fair values of securities as of March 31, 2021 and 2020, were as follows:

Securities below include trading account securities and investment securities:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 20,627
Available-for-sale:				
Equity securities*	¥ 59,209	¥78,064	¥ 1,155	136,119
Debt securities	2,201,520	9,093	4,702	2,205,911
Other securities*	693,748	77,926	15,484	756,190
Held to maturity	1,014		1	1,012

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 18,873
Available-for-sale:				
Equity securities*	¥ 52,054	¥54,647	¥ 2,724	103,977
Debt securities	2,146,298	13,036	3,471	2,155,864
Other securities*	617,863	42,635	25,176	635,321
Held to maturity	1,000			1,000

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				\$ 186,315
Available-for-sale:				
Equity securities*	\$ 534,811	\$705,121	\$ 10,432	1,229,509
Debt securities	19,885,466	82,133	42,471	19,925,128
Other securities*	6,266,353	703,874	139,860	6,830,367
Held to maturity	9,159		9	9,140

* Unlisted equity securities for which the fair value is extremely difficult to determine are not included.

Securities, other than trading account securities, with readily determinable fair value, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value. The related losses on revaluation are charged to income for the fiscal year.

Impairment losses were recognized for available-for-sale securities in the amount of ¥119 million (\$1,074 thousand), consisting of ¥119 million (\$1,074 thousand) of other securities, and ¥201 million, consisting of ¥201 million of equity securities for the years ended March 31, 2021 and 2020, respectively.

The criteria for determining whether the fair value has “significantly declined” are defined based on the asset classification of the issuer in the internal standards for asset quality self-assessment as follows:

- (a) Normal issuer: Fair value declined by 50% or more of the acquisition cost or fair value declined between 30% and 50% and average fair value during the past one month declined by 50% or more (30% or more for issuers who have credit risk more than a certain level).
- (b) Caution issuers: Fair value declined by 30% or more of the acquisition cost.
- (c) Legally bankrupt, virtually bankrupt, and possibly bankrupt issuers: Fair value is lower than the acquisition cost.

Proceeds from sales of available-for-sale securities for

the years ended March 31, 2021 and 2020, were ¥149,876 million (\$1,353,771 thousand) and ¥37,056 million, respectively. Gross realized gains and losses on these sales, computed on a moving average cost basis, were ¥12,241 million (\$110,568 thousand) and ¥1,203 million (\$10,866 thousand), respectively, for the year ended March 31, 2021, and ¥5,077 million and ¥136 million, respectively, for the year ended March 31, 2020.

Unrealized gains on available-for-sale securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Valuation differences:			
Available-for-sale securities	¥143,486	¥78,690	\$1,296,052
Available-for-sale money held in trust	7,913	919	71,475
Deferred tax liabilities	(44,841)	(23,401)	(405,031)
Unrealized gains on available-for-sale securities	¥106,557	¥56,207	\$ 962,487

5. MONEY HELD IN TRUST

The carrying amounts and aggregate fair values of money held in trust as of March 31, 2021 and 2020, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥ 79,406
Available-for-sale	¥21,581	¥7,913		29,494
Total	¥21,581	¥7,913		¥108,901

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥59,843
Available-for-sale	¥21,581	¥919		22,500
Total	¥21,581	¥919		¥82,344

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				\$717,243
Available-for-sale	\$194,932	\$71,475		266,407
Total	\$194,932	\$71,475		\$983,660

Available-for-sale securities held in trust, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value.

No impairment loss was recognized for money held in trust for the years ended March 31, 2021 and 2020.

6. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Bills discounted	¥ 6,321	¥ 8,417	\$ 57,095
Loans on bills	112,595	134,989	1,017,026
Loans on deeds	4,369,410	4,126,107	39,467,166
Overdrafts	600,242	616,705	5,421,750
Total	¥5,088,570	¥4,886,221	\$45,963,056

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥6,321 million (\$57,095 thousand) and ¥8,417 million as of March 31, 2021 and 2020, respectively.

Loans and bills discounted as of March 31, 2021 and 2020, included the following loans:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Loans to borrowers in			
bankruptcy	¥ 3,291	¥ 9,976	\$ 29,726
Past due loans	74,188	65,808	670,111
Past due loans (three months or more)	1,032	867	9,321
Restructured loans	33,476	28,536	302,375
Total	¥111,989	¥105,188	\$ 1,011,552

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans which include loans classified as possibly bankrupt and virtually bankrupt.

Nonaccrual loans are defined as loans for which the Bank has discontinued accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans are classified either as possibly bankrupt or virtually bankrupt under the Bank's self-assessment guidelines.

In addition to past due loans, certain other loans classified as caution under the Bank's self-assessment guidelines include past due loans (three months or more) which consist of loans for which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Bank and its subsidiaries relax lending conditions by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower's reorganization. Restructured loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

7. FOREIGN EXCHANGES

Foreign exchange assets and liabilities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Assets			
Due from foreign correspondent accounts	¥5,865	¥9,528	\$52,976
Total	¥5,865	¥9,528	\$52,976
Liabilities			
Foreign exchange bills sold	¥ 12	¥ 38	\$ 108
Foreign exchange bills payable	142	78	1,282
Total	¥155	¥116	\$1,400

8. TANGIBLE FIXED ASSETS

The accumulated depreciation of tangible fixed assets as of March 31, 2021, and 2020, amounted to ¥86,972 million (\$785,583 thousand) and ¥85,053 million, respectively.

As of March 31, 2021 and 2020, deferred gains for tax purposes of ¥7,695 million (\$69,505 thousand) and ¥7,695 million, respectively, on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets.

9. LONG-LIVED ASSETS

The Bank recognized impairment losses of ¥292 million (\$2,637 thousand) and ¥126 million on certain operating branches, business premises, branches to be closed, and unused facilities for the years ended March 31, 2021 and 2020, respectively.

The impairment losses were composed of ¥107 million (\$966 thousand) on buildings, ¥2 million (\$18 thousand) on land and ¥182 million (\$1,643 thousand) on other fixed assets for the year ended March 31, 2021, and ¥67 million on buildings and ¥59 million on other fixed assets for the year ended March 31, 2020.

For the purpose of testing for impairment, the Bank recognizes each individual branch office as a cash-generating unit for which it continues to manage and monitor identifiable cash flows. Branch offices to be closed and facilities not in operation are individually assessed for impairment. Subsidiaries recognize each company as a cash-generating unit. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the DCFs from the continued use and eventual disposition of the asset or the net selling price at disposition. The DCFs were calculated using discount rates of 6.6% and 5.7% for the years ended March 31, 2021 and 2020, respectively, and the net selling price was determined by quotation from a third-party vendor.

10. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." "Customers' liabilities for acceptances and guarantees" are shown as assets, representing the Bank's right to receive indemnity from the applicants.

The amount of guarantee obligations for privately placed corporate bonds included in securities as of March 31, 2021 and 2020, was ¥37,079 million (\$334,920 thousand) and ¥25,859 million, respectively.

11. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Assets pledged as collateral:			
Investment securities	¥977,812	¥628,124	\$8,832,192
Other assets	144	144	1,300
Relevant liabilities to above assets:			
Deposits	51,968	50,630	469,406
Payables under securities lending transactions	25,869	11,986	233,664
Borrowed money	596,235	279,189	5,385,556

In addition to the above, the following assets were offered as collateral for exchange settlement transactions, or as substitutes for future transaction initial margin and others:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Investment securities	¥ 100	¥ 100	\$ 903
Other assets	50,000	50,000	451,630
Of which:			
Cash collateral paid for financial instruments	9,375	4,033	84,680
Guarantee deposits for leased tangible fixed assets	93	93	840

12. LOAN COMMITMENTS

Contracts of overdraft facilities and loan commitments are contracts with customers to lend up to the prescribed limits in response to customers' applications for a loan, as long as there is no violation of any condition within the contracts. As of March 31, 2021, the unused amount of such contracts totaled ¥1,671,011 million (\$15,093,586 thousand), of which amounts with original agreement terms of less than one year were ¥1,551,636 million (\$14,015,319 thousand). As of March 31, 2020, the unused amount of such contracts totaled ¥1,617,531 million, of which amounts with original agreement terms of less than one year were ¥1,512,502 million.

Since many of the commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions allowing the Companies to refuse customers' applications for a loan or decrease the contract limits based on proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of the contracts, the Companies obtain collateral real estate, securities, etc., if

considered to be necessary. Subsequently, the Companies perform a periodic review of the customers' business results based on internal rules and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

13. DEPOSITS

Deposits as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Current deposits	¥ 240,917	¥ 203,474	\$ 2,176,108
Ordinary deposits	5,748,476	5,041,623	51,923,728
Deposits at notice	13,538	14,922	122,283
Time deposits	2,077,491	2,097,525	18,765,161
Negotiable certificates of deposit	211,460	289,000	1,910,035
Other deposits	235,597	219,445	2,128,055
Total	¥8,527,481	¥7,865,991	\$77,025,390

14. BORROWED MONEY

As of March 31, 2021 and 2020, the weighted-average annual interest rates applicable to borrowed money were 0.006% and 0.056%, respectively.

Borrowed money consisted of borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2021, were as follows:

Year Ending March 31	Millions of Yen	Thousands of
		U.S. Dollars
2022	¥446,865	\$4,036,356
2023	1,707	15,418
2024	154,119	1,392,096
2025	870	7,858
2026	403	3,640
2027 and thereafter	712	6,431
Total	¥604,679	\$5,461,828

15. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

The Bank has severance payment plans as defined benefit plans consisting of corporate pension fund plans and lump-sum retirement payment plans for employees. In addition, the Bank has established corporate defined contribution pension plans as defined contribution plans. The Bank has also established a retirement benefit trust under the lump-sum retirement payment plan.

The consolidated subsidiaries have lump-sum retirement payment plans and calculate liability for retirement benefit and retirement benefit costs using a shortcut method.

(1) The changes in projected benefit obligations for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥69,248	¥69,781	\$625,490
Service cost	1,658	1,677	14,976
Interest cost	440	443	3,974
Actuarial losses	1,989	455	17,965
Benefits paid	(3,768)	(3,289)	(34,034)
Others	180	180	1,625
Balance at end of year	¥69,749	¥69,248	\$630,015

(2) The changes in plan assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥43,708	¥45,879	\$394,797
Expected return on plan assets	1,383	1,455	12,492
Actuarial gains (losses)	3,640	(2,539)	32,878
Contributions from the employer	5,760	761	52,027
Benefits paid	(2,026)	(2,028)	(18,300)
Others	180	180	1,625
Balance at end of year	¥52,647	¥43,708	\$475,539

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of projected benefit obligations and plan assets as of March 31, 2021 and 2020, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded projected benefit obligations	¥ 69,602	¥ 69,110	\$ 628,687
Plan assets	(52,647)	(43,708)	(475,539)
Total	16,955	25,401	153,147
Unfunded projected benefit obligations	147	137	1,327
Net liability arising from projected benefit obligations	¥ 17,102	¥ 25,539	\$ 154,475

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Liability for employees' retirement benefits	¥17,102	¥25,539	\$154,475
Asset for employees' retirement benefits			
Net liability arising from projected benefit obligations	¥17,102	¥25,539	\$154,475

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥ 1,658	¥ 1,677	\$ 14,976
Interest cost	440	443	3,974
Expected return on plan assets	(1,383)	(1,455)	(12,492)
Recognized actuarial losses	1,619	1,196	14,623
Net periodic retirement benefit costs	¥ 2,335	¥ 1,861	\$ 21,091

Note: Employees' contribution to corporate pension funds is deducted.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Actuarial gains (losses)	¥3,270	¥(1,798)	\$29,536
Total	¥3,270	¥(1,798)	\$29,536

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized actuarial losses	¥7,565	¥10,836	\$68,331
Total	¥7,565	¥10,836	\$68,331

(7) Plan assets as of March 31, 2021 and 2020

a. Components of plan assets

Plan assets consisted of the following:

	2021	2020
Debt investments	41%	23%
Equity investments	33	23
Cash and cash equivalents	1	11
Life insurance company accounts (general accounts)	20	24
Call loans, etc.	5	19
Others	0	0
Total	100%	100%

Note: Total plan assets as of March 31, 2021 and 2020, include retirement benefit trust established under lump-sum payment plans by 20% and 22%, respectively.

b. Method of determining the long-term expected rate of return on plan assets

The expected rate of return on plan assets is determined considering allocation of plan assets which are expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2021 and 2020, were set forth as follows:

	2021	2020
Discount rate	0.6%	0.6%
Long-term expected rate of return on plan assets	3.2	3.2
Expected rate of salary increase	4.5	4.5

(9) Defined contribution

The amount required to be contributed to the defined contribution plan of the Bank was ¥263 million (\$2,375 thousand) and ¥268 million for the fiscal years ended March 31, 2021 and 2020, respectively.

16. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations which were recognized on the consolidated balance sheet as of March 31, 2021 and 2020, were as follows:

a. Overview of asset retirement obligations

Asset retirement obligations are recognized for obligations of restoring leased buildings, such as branch premises, to their original state, based on the real estate lease contracts and asbestos removal costs.

b. Calculation of asset retirement obligations

Asset retirement obligations are calculated based on the estimated available periods of 16 to 31 years depending on the expected useful lives of buildings using discount rates from 0.139% to 2.324%.

c. The changes in asset retirement obligations for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥661	¥662	\$5,970
Increase due to acquisition of tangible assets		17	
Reconciliation associated with passage of time	5	5	45
Decrease due to execution of asset retirement obligations		(15)	
Other		(9)	
Balance at end of year	¥667	¥661	\$6,024

17. PERFORMANCE-LINKED STOCK COMPENSATION SYSTEM

The Bank has introduced a performance-linked stock compensation system (the "System") based on the Board Incentive Plan ("BIP") trust from the perspective of enhancing motivation to make contributions to improving the medium- to long-term performance and corporate value by further clarifying the linkage between compensation to directors, etc. and stock value of the Bank.

Under the System, the Bank's shares are acquired using the funds contributed by the Bank as compensation to directors, etc. through the trust and such shares are granted to directors, etc. through the trust according to their ranks and achievement of management plans. Said transactions are related to the System.

The Bank's shares remaining in the trust are recorded as treasury stock under "Equity" and the carrying amount of such treasury stock was ¥1,019 million (\$9,204 thousand) and ¥1,089 million and the number of shares was 371 thousand shares and 396 thousand shares as of March 31, 2021 and 2020, respectively.

18. EQUITY

Japanese banks are subject to the Banking Law and to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act and the Banking Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general meeting of stockholders. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank meets all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to stockholders subject to certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Bank can do so because it stipulates this in its articles of incorporation. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of stated capital.

Under the Companies Act and the Banking Law, the aggregate amount of additional paid-in capital and the legal reserve that exceeds 100% of the stated capital may be made available for dividends by resolution of the stockholders after transferring such excess to retained earnings in accordance with the Companies Act. Under the Companies Act, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation. The Companies Act also provides that stated capital, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

19. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gain on sales and redemption of bonds and other securities	¥ 404	¥ 110	\$ 3,649
Lease receipts	7,363	7,341	66,507
Other	6,222	4,573	56,200
Total	¥13,990	¥12,025	\$126,366

20. OTHER INCOME

Other income for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gains on sales of tangible fixed assets	¥ 29	¥ 12	\$ 261
Other	1,133	1,497	10,233
Total	¥1,163	¥1,510	\$10,504

21. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Losses on sales, redemption and devaluation of bonds and other securities	¥13,137	¥ 2,595	\$118,661
Lease costs	6,754	6,746	61,006
Other	2,216	4,869	20,016
Total	¥22,107	¥14,211	\$199,683

22. OTHER EXPENSES

Other expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Bad debt losses	¥ 58	¥ 60	\$ 523
Losses on dispositions of money held in trust	856	1,546	7,731
Losses on sales of loans	249	452	2,249
Losses on impairments and disposals of fixed assets	393	188	3,549
Provision for reserve for reimbursement of deposits	126	118	1,138
Other	1,373	701	12,401
Total	¥3,057	¥3,066	\$27,612

23. INCOME TAXES

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% for the years ended March 31, 2021 and 2020.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Reserve for loan losses	¥ 15,396	¥14,388	\$ 139,066
Liability for employees' retirement benefits	8,183	10,746	73,913
Fixed assets (depreciation)	5,139	5,850	46,418
Losses on devaluation of stocks and other securities	3,039	3,264	27,450
Other	5,916	6,406	53,436
Less valuation allowance (see Note below)	(13,571)	(12,754)	(122,581)
Total	24,104	27,903	217,721
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	44,841	23,401	405,031
Fixed assets (deferred gain on sales and replacements)	300	309	2,709
Other	15	17	135
Total	45,157	23,729	407,885
Net deferred tax (liabilities) assets	¥(21,053)	¥ 4,173	\$(190,163)

Note: Valuation allowance for the fiscal year ended March 31, 2021, increased by ¥817 million (\$7,379 thousand). This increase was mainly due to an increase of ¥886 million (\$8,002 thousand) in valuation allowance on reserve for loan losses at the Bank and consolidated subsidiaries.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2021, was as follows, whereas a reconciliation for the year ended March 31, 2020, is not required under Japanese accounting standards, since the difference is less than 5% of the normal effective statutory tax rate.

	2021
Normal effective statutory tax rate	30.5%
Expenses not deductible for income tax purposes	0.2
Nontaxable dividend income	(1.1)
Inhabitants taxes	0.3
Valuation allowance	3.3
Other—net	0.5
Actual effective tax rate	33.7%

24. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrealized gains (losses) on available-for-sale securities:			
Gain (loss) arising during the year	¥ 72,116	¥(65,730)	\$ 651,395
Reclassification adjustment to profit or loss	(326)	(12,263)	(2,944)
Amount before income tax effect	71,790	(77,994)	648,450
Income tax effect	(21,440)	23,092	(193,659)
Total	¥ 50,350	¥(54,901)	\$ 454,791
Deferred gains on derivatives under hedge accounting:			
(Loss) gain arising during the year	¥ (53)	¥ 25	\$ (478)
Reclassification adjustment to profit or loss	701	871	6,331
Amount before income tax effect	647	897	5,844
Income tax effect	(196)	(272)	(1,770)
Total	¥ 450	¥ 624	\$ 4,064
Defined retirement benefit plans:			
Gain (loss) arising during the year	¥1,650	¥ (2,994)	\$ 14,903
Reclassification adjustment to profit or loss	1,619	1,196	14,623
Amount before income tax effect	3,270	(1,798)	29,536
Income tax effect	(994)	546	(8,978)
Total	¥ 2,276	¥ (1,251)	\$ 20,558
Total other comprehensive income (loss)	¥ 53,077	¥(55,528)	\$ 479,423

25. LEASES

Finance Leases

Lessor

A subsidiary leases certain equipment and other assets to various customers.

The net investments in leases as of March 31, 2021 and 2020, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gross lease receivables	¥19,739	¥19,744	\$178,294
Estimated residual values	1,549	1,310	13,991
Unearned interest income	(1,856)	(1,901)	(16,764)
Investments in leases	¥19,433	¥19,153	\$175,530

Maturities of lease receivables for finance leases as of March 31, 2021, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 51	\$ 460
2023	44	397
2024	30	270
2025	28	252
2026	22	198
2027 and thereafter	44	397
Total	¥223	\$2,014

Maturities of investment in leases for finance leases as of March 31, 2021, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 6,096	\$ 55,062
2023	4,956	44,765
2024	3,777	34,116
2025	2,466	22,274
2026	1,288	11,633
2027 and thereafter	1,154	10,423
Total	¥19,739	\$178,294

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Companies provide financial services such as credit card business and leasing operations in addition to banking operations. In the course of these operations, the Companies raise funds principally through deposit taking and invest funds in loans, securities, and others. As such, the Bank holds financial assets and liabilities which are subject to fluctuation in interest rates and conducts comprehensive Asset and Liability Management ("ALM") to avoid unfavorable effects from interest rate fluctuations. Derivatives are also employed by the Bank as part of ALM. (2) Nature and Extent of Risks Arising from Financial Instruments

Financial assets held by the Companies mainly consist of loans to domestic corporations, local government agencies, and individual customers which are exposed to credit risk that the Companies may suffer from losses resulting from nonperformance of borrowers and interest rate risk that the Companies may suffer from losses resulting from fluctuations in interest rates.

Securities, mainly debt securities, equity securities, and investment trusts are held to maturity and for other purposes and also certain debt securities are held for the purpose of selling to customers. These securities are exposed to credit risk of issuers and market risks of fluctuations in interest rates and market prices. In addition, they are exposed to market liquidity risk that the Companies may suffer from losses resulting from difficulties in executing financial transactions in certain environments such as market turmoil.

Financial liabilities, mainly consisting of liquid deposits or time deposits taken from corporate and individual customers, are exposed to cash flow risk that the Bank may experience a situation where unexpected cash flows are incurred in certain environments where the credit rating of the Bank may be lowered and, accordingly, necessary funding may become difficult.

Foreign currency denominated assets and liabilities are exposed to foreign exchange risk that the Bank may suffer from losses resulting from fluctuations in foreign exchange rates.

Derivatives mainly include interest rate swaps and bond futures, which are used to manage exposure to market risks from changes in interest rates of loans and investment securities, and foreign exchange forward contracts, which are used to hedge foreign exchange risk associated with foreign currency-denominated assets and liabilities. Hedge accounting is applied to certain hedging activities related to loans and investment securities as hedged items.

(3) Risk Management for Financial Instruments

Credit risk management

The Bank has established the "Credit Risk Control Policy" as a basic policy for credit risk management and various

rules concerning credit risk management. Based on these policies and rules, the Companies clarify fundamental approaches to secure the soundness of assets and control procedures for identifying, monitoring, and controlling credit risk. Additionally, the Bank utilizes the "Credit Rating System" applied to counterparties granted with credit from the viewpoint of identifying credit risk objectively and enhancing credit risk control.

In addition, as an organization responsible for credit risk management, credit risk control functions and review functions have been established to secure the effectiveness of credit risk management.

The Risk Management Division, as a credit risk control function, is engaged in identifying the level of future possible credit risk and the status of credit concentration in major borrowers through measurement of the level of credit risk and analysis of credit portfolios.

The Credit Supervision Division, as a review control function, is engaged in reviewing lending operations based on strict examination standards, system development for strengthening the daily control of loan receivables, and appropriate maintenance of operational procedures.

Market risk management

a. Market Risk Management System

The Bank has established the "Market Risk Control Policy" as a basic policy for market risk management and various rules concerning market risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for appropriate market risk control operations and control procedures for identifying, monitoring and controlling market risk.

As an organization responsible for market risk management, a market risk control function (middle office) has been established and furthermore, the operating function (front office) and the administration function (back office) have been separated. Additionally, market risk control function staffs are assigned to the operating function to secure the effectiveness of market risk management.

The Risk Management Division, as a market risk control function, measures the level of market risk of the Bank as a whole using Value-at-Risk ("VaR") approach models and other models and regularly monitors the status of compliance with position limits and loss limits established according to the type and characteristics of transactions to control the level of market risk within a certain range.

In addition, an ALM and Income Control Committee was established for the purpose of analyzing flexible investment strategies in order to prevent risks resulting from fluctuations in interest rates and market prices, while forecasting future interest rates, market prices, and trends of fund and business conditions. The committee is also responsible for securing the soundness of management and also improving profitability at the same time based on appropriate asset and liability management through the unification of risk management and earnings control.

b. Quantitative Information about Market Risk

The Bank adopts the variance-covariance method (holding period: 125 business days for strategic equity securities and 60 business days for others; confidence interval: 99.0%; observation period: 250 business days) in computing the VaR with respect to money held in trust, securities, Japanese yen deposits and loans, and Japanese yen money market funds. The volume of market risk (estimated losses) that the Bank is exposed to as of March 31, 2021, amounts to ¥107,453 million (\$970,580 thousand) (¥146,420 million in 2020) as a whole. However, the risk under certain abnormal market

fluctuations may not be captured since, under the VaR method, the volume of market risk under a definite probability of statistically computed incidence is measured based on historical market fluctuations.

The Bank implements back testing to compare the VaR computed by the model with actual profit and loss in the securities and confirms that the measurement model in use captures the market risk with sufficient precision.

Liquidity risk management

The Bank has established the "Liquidity Risk Control Policy" as a basic policy for liquidity risk management and various rules concerning liquidity risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for stable funding of operations and control procedures for identifying, monitoring and controlling liquidity risk. In addition, the Bank has established the "Contingency Plan for Liquidity" to enable it to make quick and correct responses to unexpected events.

Furthermore, as an organization responsible for liquidity risk management, a liquidity risk control function has been established and a cash management function and a settlement control function have been established to control daily cash management and settlement related to cash and securities.

The Risk Management Division, as a liquidity risk control function, manages the liquidity risk of the Bank as a whole by identifying, monitoring and controlling liquidity risk.

The Treasury Administration and International Division, as a cash management control function and settlement control function, prepares daily or monthly cash flow projections and conducts cash management by identifying possible funds and liquidity of assets and verifying the concentration of settlement of major account funds to a certain date. The Division also controls settlement by identifying the status of settlement through systems such as the BOJ-NET and among financial institutions.

Risk management system of subsidiaries

The subsidiaries have a risk management system similar to that of the Bank.

(4) Supplementary Explanation about Fair Values of Financial Instruments

The fair values of financial instruments include, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market prices are available. Since certain assumptions are used in calculating the value, the outcome of such calculation may vary if different assumptions are used.

(5) Fair Values of Financial Instruments

The carrying amount, fair value, and unrealized gain/loss of the financial instruments as of March 31, 2021 and 2020, are disclosed below. Note that unlisted equity securities for which fair value is extremely difficult to determine are not included in the following table (see Note 2 below) and insignificant accounts in terms of the carrying amount are omitted:

March 31, 2021	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Cash and due from banks	¥1,371,871	¥1,371,871	
(2) Money held in trust	108,901	108,901	
(3) Investment securities	3,099,235	3,099,234	¥ (1)
Held-to-maturity securities	1,014	1,012	(1)
Available-for-sale securities	3,098,221	3,098,221	
(4) Loans and bills discounted	5,088,570		
Reserve for loan losses*	(59,707)		
	5,028,862	5,052,277	23,415
Total assets	¥9,608,871	¥9,632,285	¥23,413
(1) Deposits	¥8,527,481	¥8,527,629	¥ 148
(2) Borrowed money	604,679	604,670	(8)
Total liabilities	¥9,132,160	¥9,132,300	¥ 140

March 31, 2020

(1) Cash and due from banks	¥ 747,105	¥ 747,105	
(3) Investment securities	2,896,163	2,896,164	
Held-to-maturity securities	1,000	1,000	
Available-for-sale securities	2,895,163	2,895,163	
(4) Loans and bills discounted	4,886,221		
Reserve for loan losses*	(61,450)		
	4,824,770	4,860,491	¥35,720
Total assets	¥8,468,039	¥8,503,760	¥35,721
(1) Deposits	¥7,865,991	¥7,866,162	¥ 171
(2) Borrowed money	285,901	285,903	1
Total liabilities	¥8,151,893	¥8,152,066	¥ 173

Thousands of U.S. Dollars

March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Cash and due from banks	\$12,391,572	\$12,391,572	
(2) Money held in trust	983,660	983,660	
(3) Investment securities	27,994,173	27,994,164	\$ (9)
Held-to-maturity securities	9,159	9,140	(9)
Available-for-sale securities	27,985,014	27,985,014	
(4) Loans and bills discounted	45,963,056		
Reserve for loan losses*	(539,309)		
	45,423,737	45,635,236	211,498
Total assets	\$86,793,162	\$87,004,651	\$211,480
(1) Deposits	\$77,025,390	\$77,026,727	\$ 1,336
(2) Borrowed money	5,461,828	5,461,746	(72)
Total liabilities	\$82,487,218	\$82,488,483	\$ 1,264

*General and specific reserves for loan loss corresponding to loans and bills discounted are deducted.

Notes:

1. Calculation method for the fair value of financial instruments Assets

(1) Cash and due from banks

For due from banks, the carrying amount is presented as the fair value since the carrying amount approximates the fair value.

(2) Money held in trust

For securities that are part of trust property in an independently managed monetary trust with the primary purpose to manage securities, the fair values of equity securities and debt securities are determined using the quoted price of the stock exchange, Japan Securities Dealers Association, or the price calculated by financial institutions. The fair value of investment trust is determined using the published standard quotation or the standard quotation offered by the securities investment advisors.

See Note 5, "Money Held in Trust" for information on money held in trust by holding purpose.

(3) Investment securities

The fair values of equity securities and debt securities are determined using the quoted price of the stock exchange, Japan Securities Dealers Association, or the price calculated by financial institutions. The fair value of investment trust is determined using the published standard quotation or the standard quotation offered by the securities investment

advisors. With respect to privately placed guaranteed bonds, the fair value is determined using the future cash flows (coupons, redemption of principal, guarantee fees) discounted at an interest rate considering the market interest rates and issuers' credit risk.

(4) Loans and bills discounted

With respect to loans with floating interest rates, the carrying amount is presented as the fair value since the carrying amount approximates the fair value as they reflect the market interest rates over a short period, unless the creditworthiness of the borrower has changed significantly since the loan origination. With respect to loans with fixed interest rates, for each category of loan based on the type of loan, internal ratings, and maturity length, the fair value is determined based on the present value of expected cash flows of aggregated amounts of principal and interest discounted at a rate which is the rate assumed if a new loan was made, or market interest rate, which is adjusted by the standard spread (including overhead ratio) by credit rating. The carrying amount is presented as the fair value if the maturity is within a short time period (less than one year) and the carrying amount approximates the fair value.

For receivables from "legally bankrupt," "virtually bankrupt," and "possibly bankrupt" borrowers, loan loss is estimated based on the DCF method or factors such as the expected amounts to be collected from collateral and guarantees. Since the carrying amount approximates the fair value, net of the currently expected loan losses, such carrying amount is presented as the fair value.

For loans for which the repayment due date is not defined because of the characteristics that the loan amount is limited within the pledged assets, the carrying amount is presented as the fair value since the carrying amount approximates the fair value considering the expected repayment schedule and terms of the interest rates.

Liabilities

(1) Deposits

Regarding demand deposits, the amount payable as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. Time deposits and negotiable certificates of deposit are grouped by maturity length, and the fair value is determined using the present value of the aggregate amounts of principal and interest discounted at an interest rate that would be applied to newly accepted deposits. For deposits with maturities within a short time period (less than one year) and whose carrying amount approximates the fair value, the carrying amount is presented as the fair value.

(2) Borrowed money

For each type of borrowed money financed, the fair value is determined based on the present value of the aggregated amounts of principal and interest discounted at a rate which is the rate assumed if a new financing was made. The carrying amount is presented as the fair value if the maturity is within a short time period (less than one year) and the carrying amount approximates the fair value.

2. The financial instruments whose fair value is extremely difficult to determine are as follows. These items are not included in (3) "Available-for-sale securities" under "Assets" in the above table of fair value information of financial instruments.

Category	Carrying Amount		
	Millions of Yen	2020	Thousands of U.S. Dollars 2021
Unlisted equity securities ^{*1,2}	¥1,765	¥1,868	\$15,942
Capital subscription in investment business partnerships ^{*3}	5,541	5,600	50,049
Total	¥7,306	¥7,469	\$65,992

*1 Unlisted equity securities are not treated as instruments whose fair value is required to be disclosed since there is no market price and it is extremely difficult to determine the fair value.

*2 Impairment losses in the amount of ¥1 million (\$9 thousand) and ¥57 million were recognized for unlisted equity securities for the years ended March 31, 2021 and 2020, respectively.

*3 Capital subscription in investment business partnerships, whose assets (i.e., unlisted equity securities) consist of those whose fair values are extremely difficult to determine, is not treated as instruments whose fair value is required to be disclosed.

3. Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2021

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥1,315,243					
Investment securities	331,265	¥ 634,312	¥ 706,128	¥316,223	¥ 733,240	¥ 52,800
Held-to-maturity securities				500	500	
National government bonds						
Local government bonds				500	500	
Available-for-sale securities with contractual maturities	331,265	634,312	706,128	315,723	732,740	52,800
National government bonds	103,700	96,000	12,000		9,000	51,500
Local government bonds	10,000	81,500	224,100	159,700	425,648	300
Corporate bonds	159,216	318,160	249,889	111,523	178,100	1,000
Other	58,349	138,652	220,139	44,500	119,991	
Loans and bills discounted*	1,095,656	823,645	768,329	504,267	528,587	1,251,888
Total	¥2,742,165	¥1,457,958	¥1,474,458	¥820,491	¥1,261,828	¥1,304,688

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	\$11,880,074					
Investment securities	2,992,186	\$ 5,729,491	\$ 6,378,177	\$2,856,318	\$ 6,623,069	\$ 476,921
Held-to-maturity securities				4,516	4,516	
National government bonds						
Local government bonds				4,516	4,516	
Available-for-sale securities with contractual maturities	2,992,186	5,729,491	6,378,177	2,851,802	6,618,552	476,921
National government bonds	936,681	867,130	108,391		81,293	465,179
Local government bonds	90,326	736,157	2,024,207	1,442,507	3,844,711	2,709
Corporate bonds	1,438,135	2,873,814	2,257,149	1,007,343	1,608,707	9,032
Other	527,043	1,252,389	1,988,429	401,951	1,083,831	
Loans and bills discounted*	9,896,630	7,439,662	6,940,014	4,554,845	4,774,519	11,307,813
Total	\$24,768,900	\$13,169,162	\$13,318,200	\$7,411,173	\$11,397,597	\$11,784,734

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to "legally bankrupt" borrowers, loans to "virtually bankrupt" borrowers, and loans to "possibly bankrupt" borrowers, amounting to ¥77,480 million (\$699,846 thousand) is not included in the above table. Loans that do not have a contractual maturity, amounting to ¥38,713 million (\$349,679 thousand), are not included either.

4. Repayment schedule of bonds, borrowed money, and other interest-bearing liabilities subsequent to March 31, 2021

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	¥8,144,814	¥334,683	¥47,983			
Borrowed money	446,865	155,827	1,273	¥123	¥172	¥416
Total	¥8,591,679	¥490,511	¥49,257	¥123	¥172	¥416

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	\$73,568,909	\$3,023,060	\$433,411			
Borrowed money	4,036,356	1,407,524	11,498	\$1,111	\$1,553	\$3,757
Total	\$77,605,266	\$4,430,593	\$444,919	\$1,111	\$1,553	\$3,757

* Demand deposits included in deposits are presented under "Due in 1 year or less."

27. DERIVATIVES

It is the Bank's policy to use derivatives primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities.

The Bank enters into interest rate swaps and interest rate swaptions as a means of hedging its interest rate risk on certain loans and investment securities while entering into interest rate swaps and interest rate swaptions to meet the needs of its clients.

The Bank also enters into currency swaps, foreign exchange forward contracts, and currency options to hedge foreign exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform its obligations under a contract.

The Bank sets limits on credit risk for those derivatives by limiting the counterparties to major financial institutions and securities companies and establishing maximum risk exposures to the counterparties.

The Bank has established a standard of risk management including management approaches for each type of risk. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate trading activities and credit risk management including maximum risk exposures and loss-cutting rules. Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions are clearly separated and risk managers are assigned to the trading divisions, while the Risk Management Division synthetically manages the Bank's market risks. In this manner, an internal control system is effectively secured.

The Bank's positions, gain and loss, risk amount, and other conditions are periodically reported to the executive committee.

The Bank has the following derivatives contracts outstanding as of March 31, 2021 and 2020:

Derivative Transactions to Which Hedge Accounting Is Not Applied

With respect to derivatives to which hedge accounting is not applied, contract or notional amount, fair value, and unrealized gains/losses, and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank's exposure to credit or market risk.

	Millions of Yen								Thousands of U.S. Dollars			
	2021				2020				2021			
	Contract or Notional Amount		Fair Value	Unrealized Gains/Losses	Contract or Notional Amount		Fair Value	Unrealized Gains/Losses	Contract or Notional Amount		Fair Value	Unrealized Gains/Losses
Total	Due after One Year	Total			Due after One Year	Total			Due after One Year			
Interest rate-related over-the-counter ("OTC") transactions:												
Interest rate swaps:												
Fixed rate receipt/floating rate payment	¥ 10,624	¥10,624	¥ 343	¥ 343	¥ 10,431	¥10,431	¥ 375	¥ 375	\$ 95,962	\$ 95,962	\$ 3,098	\$ 3,098
Floating rate receipt/fixed rate payment	10,748	10,748	(254)	(254)	10,638	10,636	(284)	(284)	97,082	97,082	(2,294)	(2,294)
Currency-related OTC transactions:												
Currency swaps	36,184	2,214	(189)	(189)	46,908	10,295	104	104	326,835	19,998	(1,707)	(1,707)
Foreign exchange forward contracts:												
Selling	200,656	40,716	(6,093)	(6,093)	101,751		14	14	1,812,446	367,771	(55,035)	(55,035)
Buying	46,127	40,716	(822)	(822)	2,170		(16)	(16)	416,647	367,771	(7,424)	(7,424)
Currency option:												
Selling	29,631	22,900	(168)	344	19,738	15,147	(271)	365	267,645	206,846	(1,517)	3,107
Buying	29,631	22,900	168	(26)	19,738	15,147	271	(148)	267,645	206,846	1,517	(234)

Notes:

- The above transactions are stated at fair value and unrealized gains (losses) for the years ended March 31, 2021 and 2020, are recognized in the consolidated statement of income.
- The fair value of interest rate-related OTC transactions is determined using the discounted present value or option-pricing models, and the fair value of currency-related OTC transactions is determined using the discounted present value.

Derivative Transactions to Which Hedge Accounting Is Applied

With respect to derivatives to which hedge accounting is applied, contract or notional amount, fair value, and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank's exposure to market risk.

At March 31, 2021

Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Millions of Yen		
			Contract or Notional Amount	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/fixed rate payment	Loans and investment securities	¥92,361	¥40,324	¥(623)
Special matching criteria	Interest rate swaps— Floating rate receipt/fixed rate payment	Loans	44,872	31,410	(310)
	Other— Buying	Loans	250	250	
Total					¥(933)

At March 31, 2020

Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Millions of Yen		
			Contract or Notional Amount	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/fixed rate payment	Loans and investment securities	¥224,744	¥94,777	¥(1,341)
Special matching criteria	Interest rate swaps— Floating rate receipt/fixed rate payment	Loans	54,965	48,135	(636)
	Other— Buying	Loans	416	416	(1)
Total					¥(1,979)

At March 31, 2021

Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Thousands of U.S. Dollars		
			Contract or Notional Amount	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/fixed rate payment	Loans and investment securities	\$834,260	\$364,230	\$(5,627)
Special matching criteria	Interest rate swaps— Floating rate receipt/fixed rate payment	Loans	405,311	283,714	(2,800)
	Other— Buying	Loans	2,258	2,258	
Total					\$(8,427)

Notes:

- These are principally accounted for under the deferral hedge method in accordance with the JICPA Industry Committee Practical Guideline No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry."
- Fair value is determined using the discounted present value, option-pricing models, etc.

28. RELATED-PARTY TRANSACTIONS

Related-party transactions for the years ended March 31, 2021 and 2020, were as follows:

a. Transactions between the Bank and Its Related Parties

Related Party	Account Classification*2	Transactions for the Year*3			Balance at End of Year		
		Millions of Yen	2020	Thousands of U.S. Dollars	Millions of Yen	2020	Thousands of U.S. Dollars
Department Store Fujisaki Co., Ltd.*1	Loans and bills discounted	¥4,728	¥4,731	\$42,706	¥3,660	¥4,827	\$33,059
	Investment securities (corporate bonds)	211		1,905	1,300		11,742
	Customers' liabilities for acceptances and guarantees	349	437	3,152	364	437	3,287
Fuji Styling Co., Ltd.*1	Loans and bills discounted	204	151	1,842	217	143	1,960
Fujisaki Agency Co., Ltd.*1	Customers' liabilities for acceptances and guarantees	1,069	1,000	9,655	1,190	1,000	10,748
Mr. Minokichi Akaizawa*4	Loans and bills discounted		538			538	

Notes: *1 Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company)

*2 Terms are substantially the same as for similar transactions with third parties.

*3 Amounts of transactions were reported at the average balance for the period.

*4 Mr. Minokichi Akaizawa, a close relative of a director, passed away on November 14, 2018. Since the inheritance procedures are underway, the transaction in the above table is shown in the name of the deceased.

b. Transactions between Consolidated Subsidiaries and Their Related Parties

Related Party	Account Classification*2	Transactions for the Year			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
		2021	2020	2021	2021	2020	2021
Department Store Fujisaki Co., Ltd.*1	Fees and commissions	¥29	¥30	\$261			
	Lease receivables and investments in leases	4	2	36	¥13	¥15	\$117

Notes:*1 Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company)

*2 Terms are substantially the same as for similar transactions with third parties.

29. SEGMENT INFORMATION

Description of Reportable Segments

The Companies are principally engaged in the banking business and also leasing business and other financial services. The reportable segments of the Bank are the segments for which separate financial information is available, and are subject to periodic review by the chief operating decision maker to determine the allocation of management resources and assess performance.

Since the reportable segments of the Companies consist only of the "Banking" segment and since the "Other" segment is immaterial, segment information is omitted.

Related Information for the Years Ended March 31, 2021 and 2020 Information by Service Line

	Millions of Yen				
	Loan	Securities Investment	Lease	Other	Total
	2021				
External customers	¥41,609	¥45,225	¥9,085	¥24,055	¥119,976
	2020				
External customers	¥41,944	¥43,501	¥8,706	¥22,773	¥116,926
	Thousands of U.S. Dollars				
	Loan	Securities Investment	Lease	Other	Total
	2021				
External customers	\$375,837	\$408,499	\$82,061	\$217,279	\$1,083,696

Information about Geographical Area

Information about geographical areas is omitted because the Companies conduct banking and other related activities only in Japan and do not have foreign subsidiaries or foreign branches.

Information about Major Customers

Information about major customers is not presented because there are no customers who account for over 10% of ordinary income.

Information about Asset Impairment Losses

Information about asset impairment losses for the years ended March 31, 2021 and 2020, is omitted because the only reportable segment is "Banking" and "Other" is immaterial.

30. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2021 and 2020, is as follows:

Year Ended March 31, 2021	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income attributable to common stockholders	¥16,468	73,885	¥222.89	\$2.01
Year Ended March 31, 2020				
Basic EPS—Net income attributable to common stockholders	¥18,261	73,941	¥246.97	

The Bank's shares held by the directors' compensation BIP trust that are recorded as treasury stock under "Equity" are included in the treasury stock to be deducted when computing the average number of shares during the fiscal year for the calculation of basic net income per share.

The average number of shares of the treasury stock deducted in computing basic EPS was 378 thousand shares and 412 thousand shares, for the years ended March 31, 2021 and 2020, respectively.

Diluted EPS for the years ended March 31, 2021 and 2020, is not shown because there were no potential shares.

31. SUBSEQUENT EVENTS

Cash Dividends

At the Bank's general meeting of stockholders held on June 29, 2021, the Bank's stockholders approved the following appropriations of retained earnings:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25.00 (\$0.225) per share	¥1,856	\$16,764

Note: Above total amount of cash dividends includes dividends for the Bank's shares held by BIP trust in an amount of ¥9 million (\$81 thousand).

Disposal of Treasury Stock through a Third-Party Allotment

The Bank resolved at its Board of Directors' meeting held on July 30, 2021, to dispose of its treasury stock through a third-party allotment (the "disposal of treasury stock"), as follows:

a. Overview of the disposal of treasury stock

(1) Disposal date	August 25, 2021
(2) Type and number of shares to be disposed of	446,900 shares of common stock
(3) Disposal amount	¥1,149 (\$10.37) per share
(4) Total disposal amount	¥513,488,100 (\$4,638 thousand)
(5) Planned subscriber	The Master Trust Bank of Japan, Ltd. (BIP trust account: 76097 account) The Master Trust Bank of Japan, Ltd. (BIP trust account: 76137 account)
(6) Other	The disposal of treasury stock is subject to the effectuation of the notification pursuant to the Financial Instruments and Exchange Act.

b. Purpose and reason of disposal

The Bank has resolved at its Board of Directors' meeting held on May 14, 2021, to continue and make additional contributions to the performance-linked stock compensation system (the "System"), which was introduced for the Bank's executive directors and executive officers ("directors, etc.") for the purpose of enhancing motivation to make contributions to improving the medium- to long-term performance and corporate value by further clarifying the linkage between compensation to directors, etc. and stock value of the Bank.

In line with the continuation of the System, the disposal of treasury stock will be conducted by way of allotment to The Master Trust Bank of Japan, Ltd., which is a co-trustee of the two BIP trust agreements concluded between the Bank and Mitsubishi UFJ Trust and Banking Corporation.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The 77 Bank, Ltd.:

Opinion

We have audited the consolidated financial statements of The 77 Bank, Ltd. and its consolidated subsidiaries (the "Companies"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Companies as of March 31, 2021, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Companies in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Appropriateness of Classification of Debtor Categories for Large Debtors in Determination of Reserve for Loan Losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Companies recognized a reserve for loan losses of ¥61.3 billion corresponding to loans and bills discounted of ¥5,088.5 billion in the consolidated balance sheet as of March 31, 2021.</p> <p>As described in Note 2, "Summary of Significant Accounting Policies—Reserve for loan losses" to the consolidated financial statements, the reserve for loan losses is determined for each debtor category classified by the debtor's status of credit risk (the "debtor classification") in accordance with its predetermined internal rules for write-offs and provisions.</p> <p>For loans to debtors that are classified as "Legal bankrupt" or "Virtual bankrupt," the Companies provide a full reserve for the carrying amount of loans less estimated collectible amounts through collateral or guarantees. Regarding loans to debtors that are classified as "Possible bankrupt," a specific reserve is provided to the extent necessary for the net amount of loans and estimated collectible amounts through collateral or guarantees.</p> <p>For large debtors that are classified as "Possible bankrupt" or "Special attention," a reserve for loan losses is provided based on the difference between the relevant cash flows discounted by the initial contractual interest rates and the carrying amounts of the loans (the "DCF method") if the cash flows from collection of the principal and interest can be reasonably estimated.</p> <p>The reserve for other loan losses is recorded principally at the amount of estimated losses over the next two or three years. Estimated losses are determined by calculating a loss rate based on the average actual loss ratio over a specific past period, which is calculated considering credit loss experience over two or three years. Adjustments are made as necessary considering future outlook and other factors.</p> <p>As a result, if a debtor category is not appropriately classified according to the credit risk, there is a risk that the reserve for loan losses, which should be separately determined with the estimated collectible amounts through collateral or guarantees, or the cash flows, would be determined instead with the expected loss rate, and thus understated. Among others, the classification of debtor for large debtors may have a material impact on the reserve for loan losses.</p>	<p>Our audit procedures related to this key audit matter included the following, among others:</p> <p>We tested the effectiveness of internal controls, including the review and approval over the appropriate classification of debtor for large debtors in accordance with the internal rules.</p> <p>We also tested the effectiveness of internal controls over the accuracy of debtors' financial information used in these internal controls.</p> <p>We selected a sample of borrowers and performed the following:</p> <ul style="list-style-type: none"> Inquired of the Credit Supervision Division regarding debtors' future outlooks, such as the earnings forecast and the feasibility of cost-cutting measures. Evaluated the reasonableness of underlying assumptions, such as debtors' industrial outlook and the effects of the spread of novel coronavirus infection, by comparing them with available external information.

<p>In addition, as described in Note 2, "Significant Accounting Estimates—Reserve for loan losses" to the consolidated financial statements, debtor classification is assessed by comprehensively taking into account profitability projections, reasonableness of management improvement plans, status of support from financial institutions, etc., after verifying the debtor's ability to repay the debts based on the financial position, cash management, cash flows, etc. of the debtor and confirming the lending conditions and the status of its fulfilment.</p> <p>As a result, the debtor classification reflects future outlooks and involves estimation uncertainty and management's judgments associated with the determination of the reserve for loan losses. In particular, when the debtor classification is highly dependent on future outlooks such as the earnings forecast and the feasibility of cost-cutting measures, it is affected by changes in business environments, including the spread of novel coronavirus infection, and thus, the estimation has a high degree of uncertainty and requires significant judgments made by management.</p> <p>Therefore, we identified the appropriateness of the debtor classification for certain large debtors as a key audit matter as such classifications are highly dependent upon the earnings forecasts and the feasibility of cost-cutting measures of debtors.</p>	
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Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Companies' ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Companies or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Companies' financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Companies' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Companies to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Companies to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Companies which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2021
(October 15, 2021 as to Note 31)

— Capital Adequacy Ratios —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Consolidated (Domestic standard)			
Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)	10.39	10.31	
Capital: (A)	438,988	422,268	3,965,206
Risk-adjusted assets: (B)	4,224,922	4,095,358	38,162,063

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Non-Consolidated (Domestic standard)			
Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)	10.14	10.14	
Capital: (A)	425,215	412,272	3,840,800
Risk-adjusted assets: (B)	4,190,814	4,062,387	37,853,978

— Non-Consolidated Balance Sheet (Parent Company) —

THE 77 BANK, LTD.
March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Assets:			
Cash and due from banks	¥1,371,811	¥ 747,051	\$12,391,030
Call loans and bills bought		429	
Debt purchased	4,000	4,000	36,130
Trading account securities	20,627	18,873	186,315
Money held in trust	108,901	82,344	983,660
Investment securities	3,116,003	2,913,386	28,145,632
Loans and bills discounted	5,097,480	4,894,634	46,043,537
Foreign exchange assets	5,865	9,528	52,976
Tangible fixed assets:			
Buildings	7,862	8,187	71,014
Land	19,313	19,315	174,446
Lease assets	46	73	415
Construction in progress	259	282	2,339
Other tangible fixed assets	5,474	4,053	49,444
Intangible fixed assets	258	259	2,330
Customers' liabilities for acceptances and guarantees	43,735	45,258	395,041
Other assets	73,142	62,405	660,662
Reserve for possible loan losses	(56,855)	(58,226)	(513,548)
Total	¥9,817,924	¥8,751,857	\$88,681,456
Liabilities:			
Deposits	¥8,551,689	¥7,888,480	\$77,244,052
Call money		8,706	
Payables under securities lending transaction	25,869	11,986	233,664
Borrowed money	597,205	280,257	5,394,318
Foreign exchange liabilities	155	116	1,400
Liability for retirement benefits	9,389	14,565	84,807
Reserve for stock compensation	817	735	7,379
Reserve for reimbursement of deposits	311	337	2,809
Reserve for contingent losses	804	860	7,262
Deferred tax liabilities	24,330	229	219,763
Acceptances and guarantees	43,735	45,258	395,041
Other liabilities	61,818	60,434	558,377
Total liabilities	9,316,127	8,311,967	84,148,920
Equity:			
Common stock	24,658	24,658	222,726
Capital surplus	8,937	8,937	80,724
Retained earnings	368,623	357,402	3,329,626
Treasury stock	(6,132)	(6,200)	(55,387)
Total stockholders' equity	396,087	384,798	3,577,698
Unrealized gains on available-for-sale securities	106,085	55,917	958,224
Deferred losses on derivatives under hedge accounting	(375)	(826)	(3,387)
Total valuation adjustments	105,709	55,091	954,827
Total equity	501,797	439,889	4,532,535
Total	¥9,817,924	¥8,751,857	\$88,681,456

— Non-Consolidated Statement of Income (Parent Company) —

THE 77 BANK, LTD.
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Income:			
Interest income:			
Interest on loans and discounts	¥ 41,569	¥ 41,881	\$375,476
Interest on dividends on trading account and investment securities	29,834	28,732	269,478
Other	406	242	3,667
Fees and commissions	17,251	16,968	155,821
Other operating income	1,194	113	10,784
Other income	16,856	16,935	152,253
Total income	107,113	104,873	967,509
Expenses:			
Interest expense:			
Interest on deposits	325	764	2,935
Interest on call money	67	277	605
Other	916	1,284	8,273
Fees and commissions	7,431	7,279	67,121
Other operating expenses	13,709	6,181	123,828
General and administrative expenses	52,137	55,016	470,933
Other expenses	10,139	9,532	91,581
Total expenses	84,727	80,335	765,305
Income before income taxes	22,385	24,538	202,194
Income taxes:			
Current	4,891	7,408	44,178
Deferred	2,559	(188)	23,114
Total income taxes	7,451	7,220	67,301
Net income	¥ 14,934	¥ 17,317	\$134,892

— Loan Portfolio —

Loan Portfolio by Industry	Billions of Yen	Millions of U.S. Dollars
	2021	2021
Domestic offices <i>(Excluding Japan offshore banking accounts)</i>	¥5,088	\$46,043
Manufacturing	443	4,007
Agriculture and forestry	6	61
Fisheries	4	37
Mining and quarrying of stone and gravel	3	27
Construction	166	1,503
Electricity, gas, heat supply and water	215	1,946
Information and communications	20	187
Transport and postal activities	123	1,115
Wholesale and retail trade	408	3,687
Finance and insurance	368	3,327
Real estate and goods rental and leasing	1,105	9,988
Services, N.E.C.	363	3,285
Government, except elsewhere classified	655	5,922
Other	1,211	10,945
Japan's offshore banking accounts		
Financial institutions	—	—
Total	¥5,097	\$46,043

Loan Portfolio by Industry	Billions of Yen
	2020
Domestic offices <i>(Excluding Japan offshore banking accounts)</i>	¥4,894
Manufacturing	445
Agriculture and forestry	6
Fisheries	5
Mining and quarrying of stone and gravel	3
Construction	146
Electricity, gas, heat supply and water	203
Information and communications	21
Transport and postal activities	121
Wholesale and retail trade	398
Finance and insurance	360
Real estate and goods rental and leasing	1,041
Services, N.E.C.	340
Government, except elsewhere classified	623
Other	1,176
Japan's offshore banking accounts	
Financial institutions	—
Total	¥4,894

Loans by Collateral	Billions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Securities	¥ 5	¥ 5	\$ 46
Commercial claims	17	19	158
Real estate	844	826	7,629
Subtotal	867	851	7,834
Guaranteed	1,368	1,283	12,364
Unsecured	2,861	2,759	25,844
Total	¥5,097	¥4,894	\$46,043

Reserve for Loan Losses	Billions of Yen		Millions of U.S. Dollars
	2021	2020	2021
General reserve for loan losses	¥30	¥28	\$274
Specific reserve for estimated loan losses on certain doubtful loans	26	29	239
Total	¥56	¥58	\$513

The 77 Bank, Ltd

Published August 2021

The 77 Bank, Ltd.

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