

THE 77 BANK

INTEGRATED REPORT

2022



77 BANK

Bank Creed

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

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

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

1. Elevate the Spirit of Voluntary Service

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

2. Improve Creditworthiness

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

3. Nurture the Spirit of Harmony

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

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

Integrated Report 2022 CONTENTS

INTRODUCTION	02 Our Path of Continuous Growth 04 The Economy and Potential of Miyagi	Corporate Governance	56 To Our Shareholders 58 Governance Structure
Value Creation Story	06 Value Creation Processes 08 “Vision 2030”	Bank Data	64 Financial and Non-financial Highlights 66 Profile 67 Service Network
Top Message	12 Message from the President	Financial Section	68 Consolidated Five-Year Summary 69 Consolidated Balance Sheet 70 Consolidated Statement of Income Consolidated Statement of Comprehensive Income 71 Consolidated Statement of Changes in Equity 72 Consolidated Statement of Cash Flows 73 Notes to Consolidated Financial Statements 96 Independent Auditors' Report 100 Capital Adequacy Ratios 101 Non-Consolidated Balance Sheet (Parent Company) 102 Non-Consolidated Statement of Income (Parent Company) 103 Loan Portfolio
Special Feature	22 Tripartite Conversation among Outside Directors		
Sustainability Promotion	26 Sustainability Promotion 28 Revitalization of the Regional Economy 29 Responding to Global Warming and Climate Change 32 Encouraging and Supporting the Activities of Our Employees 34 Advancing Corporate Governance		
Business Strategy	36 Basic Strategies to Achieve “Our Target Form” 37 Top Customer Satisfaction Strategy 44 Double Productivity Strategy 48 Regional Growth Strategy 52 Corporate Culture Reform Strategy		

Editorial Policy

The 77 Bank has prepared “THE 77 BANK INTEGRATED REPORT 2022” to help investors and other stakeholders understand the Bank's efforts for sustainable value creation.

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

For detailed financial data and other information, please refer to DISCLOSURE 2022 (available on the Bank's website at <https://www.77bank.co.jp>).



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.

Mission

Vision

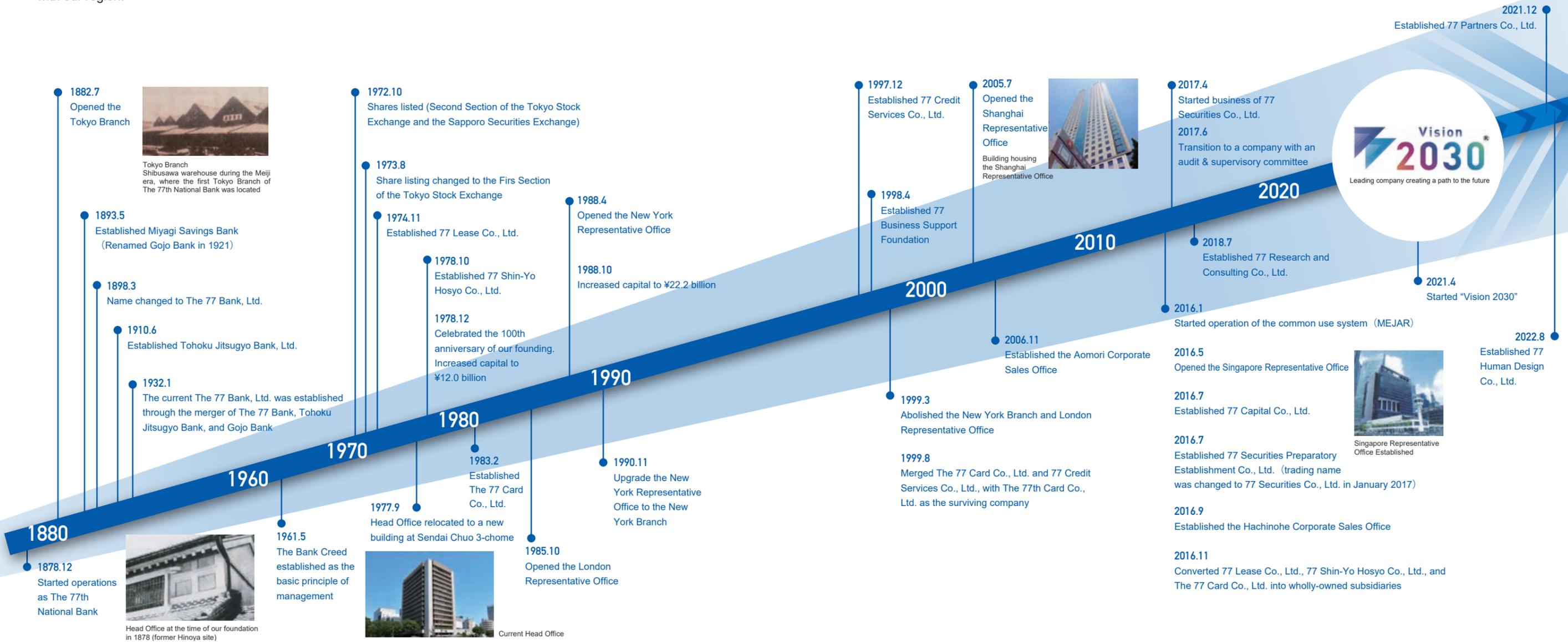
Value

Strategy

Our Path of Continuous Growth

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

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



A deep connection with Eiichi Shibusawa

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.”

Eiichi Shibusawa

1840 - 1931
Born in Chiaraijima 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

Responses related to the Great East Japan Earthquake

On March 11, 2011, the Great East Japan Earthquake, the largest recorded natural disaster in Japan's history, caused unprecedented damage mainly in coastal areas of eastern Japan, including Miyagi, Iwate, and Fukushima. Immediately after the earthquake, The Bank worked to provide financial infrastructure and fulfill financial intermediary functions, and has since provided financial support for the reconstruction efforts of the region and customers.

■ **Earthquake-related loan performance (cumulative total as of March 31, 2022)**
27,563 cases / ¥778.1 billion

■ **Use of public funds (repaid in June 2015)**

In the wake of enormous damage to the region and our clients and other circumstances due to the earthquake, the Bank received ¥20.0 billion in public funds in December 2011 to compensate for the capital impaired by the earthquake and to provide maximum support for regional reconstruction.

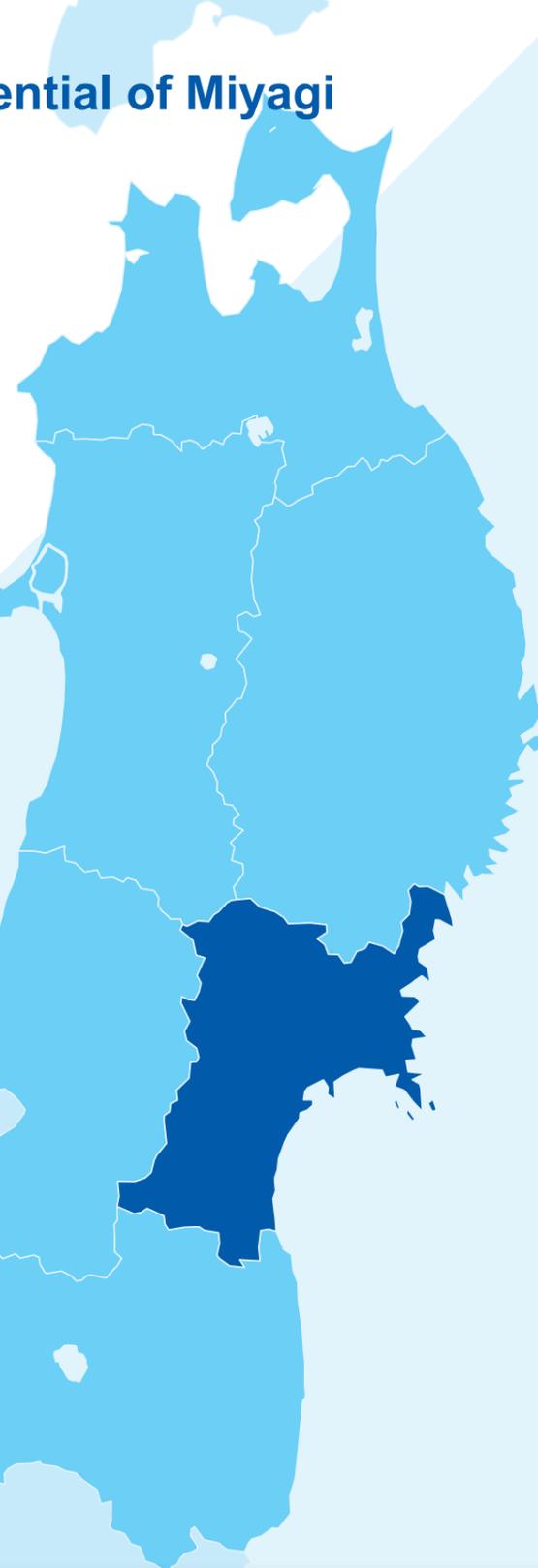
■ **Petty cash payment**

From the day after the earthquake, we provided petty cash payments of up to ¥100,000 per person per day at counters without a bankbook, seal, or personal identification.

The Economy and Potential of Miyagi

Miyagi Prefecture, which is our main business base, is located in the southeast area of the Tohoku region, and is a key transport hub connecting the Greater Tokyo Area with the Tohoku region. Additionally, the prefectural capital, Sendai City, which became the 11th city designated by government ordinance in Japan in 1989, is home to the branches of many major companies from across Japan, and functions as a core city in the Tohoku region.

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 economic growth while economic concentration is advancing owing to construction investment related to redevelopment projects and the installation of a next-generation synchrotron radiation facility in Sendai City.



The potential of Miyagi Prefecture, in numbers

Total area **7,282 km²**

Population **2,282,106 Persons**

Number of households **1,016,612**

Number of new housing starts **16,271**

Manufactured goods shipment amount
¥4,533.6 billion

Agricultural output
¥193.2 billion

Fisheries and aquaculture production amount
¥83.4 billion

Gross Prefectural Product (nominal)
¥9,512.3 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



Publicly assessed land prices in Miyagi Prefecture (change in percentage)

Commercial district **2.2%** Residential district **2.8%**

Commercial district: First Fukuoka Prefecture, Second Hokkaido Prefecture, Third Miyagi Prefecture

Residential district: First Hokkaido Prefecture, First Fukuoka Prefecture, Third Miyagi Prefecture

Source: "2022 Shape of Miyagi (Miyagi Prefectural Handbook)"
Source: Overview of the 2022 Land Market Value Publication by the Ministry of Land, Infrastructure, Transport and Tourism

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

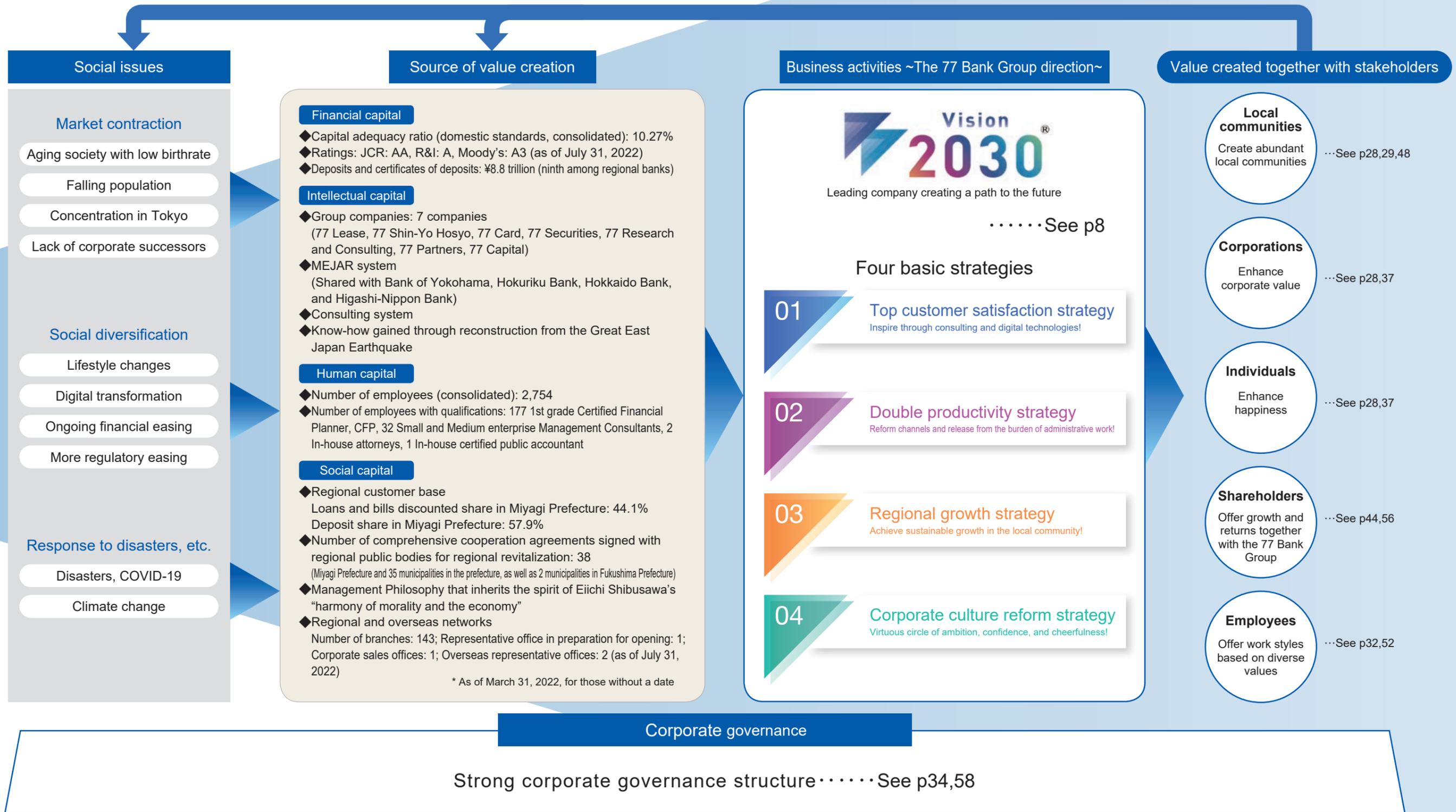
(Scheduled to begin operation in FY2025)

- ◆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

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.



Our target form

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

New management plan



Leading company creating a path to the future

“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.

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



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



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



77 Bank Group direction

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



77 Bank Group strengths

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



77 Bank Group weaknesses

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



Revitalization points

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

Enhance!

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

Improve!

Dramatic improvements in productivity

Establish!

Establish an ambitious corporate culture

Key factors in “Vision 2030”

Key factors

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



Basic strategies to achieve “our target form”

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



Strengthen financial foundations (key factor)

	FY2022	Our target form for FY2031
Net income (consolidated)	JPY 22.2 bn	JPY 28.0 bn
Capital adequacy ratio (consolidated)	10.27%	Over 10%
Core OHR	58.22%	50-60%

01 Top customer satisfaction strategy *Inspire through consulting and digital technologies!*

■ KPI Let's Try!

- 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
- Raise proportion of households “holding assets” in Miyagi Prefecture above the national average
- Ensure that 20% of the population of Miyagi Prefecture (aged 20 to 74) use loans from the Bank
- Establish 10 projects in new businesses or sectors with promise for future commercialization (by FY2024)
- To double the net income of Group companies by entering new businesses and sectors and expanding existing businesses

02 Double productivity strategy *Reform channels and release from the burden of administrative work!*

■ KPI Let's Try!

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

03 Regional growth strategy *Achieve sustainable growth in the local community!*

■ KPI Let's Try!

- To support increased economic growth rate in Miyagi Prefecture
- To triple the number of growth support cases for business founders
- Aim for 100% participation in regional development projects in Miyagi Prefecture, such as “Sendai Urban Restructuring Project” and “Next-generation synchrotron radiation facility.”
- To cut 77 Bank Group CO2 emissions by 46% compared with FY2014 and support cuts to greenhouse gas emissions in Miyagi Prefecture

04 Corporate culture reform strategy *Virtuous circle of ambition, confidence, and cheerfulness!*

■ KPI Let's Try!

- To implement various initiatives to ‘foster an ambitious spirit’
- To increase the proportion of women in management positions to 30% or more
- Increase the number of ‘specialist personnel’ that serve a purpose for customers and local communities



Top Message
President
Hidefumi Kobayashi

We will present a new future for the region and make continuous efforts for a sustainable society.

Looking back on FY2022

Permeation of consulting services aligned with customer issues and needs

The outbreak of COVID-19 has finally entered its third year, causing a major impact on social and economic activities. With the complete containment of COVID-19 still out of sight, due to soaring prices of crude oil and other resources, raw materials, and grains, as well as difficulties in procurement, caused by the normalization of life with COVID-19 and Russia's invasion of Ukraine, among others, prices have risen along with the deterioration of business confidence, raising concerns worldwide about the acceleration of inflation.

In the financial markets, the yen has depreciated significantly, and both interest rates and stock prices have become unstable.

It is difficult to predict the future, and there is a growing sense of uncertainty about the outlook of politics, the economy, and society. Even after the containment of COVID-19 and other circumstances, its effects and scars will be so great that I believe we will not return to the previous world.

In addition, some of our branches were severely damaged by a large magnitude 7.4 earthquake with its epicenter off the coast of Fukushima Prefecture on March 16. We need to continue to pay close attention to natural disasters and other emergencies.

In addition, the Tohoku region, including Miyagi Prefecture, is facing a mountain of social issues such as aging society with low birthrate, falling population, a lack of

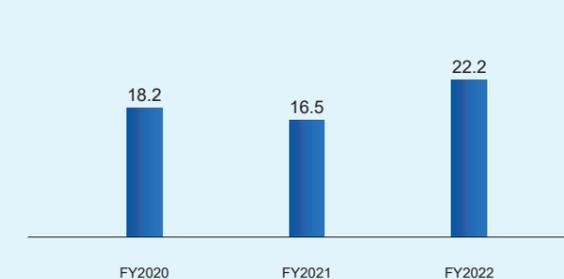
successors for SMEs, a shortage of human resources, and sustainment of local industries and employment.

Under these circumstances, to continue to fulfill our mission as a regional financial institution into the future, we launched in April 2021 "Vision 2030: ~Leading Company Creating a Path to the Future~, " our management plan covering a period of 10 years until FY2031. Based on this, with aims to offer our customers the optimal solutions by enhancing our financial services and expanding the scope of our businesses in the non-financial sector, and to deepen our capabilities as a corporate group leading the region by creating networks centered on the Miyagi and Sendai areas and expanding the scope of our operations, we have stepped up our response to various measures, including digital transformation (DX) and initiatives for new businesses.

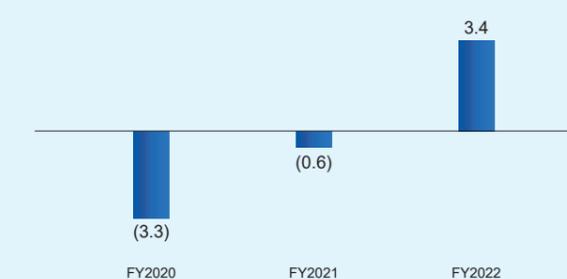
As a result, due to the permeation of consulting services aimed at solving customer issues and other factors, for the fiscal year ended March 31, 2022, we secured consolidated net income after-tax of ¥22.2 billion, reaching a record high, and "income from customer services (Note)" amounted to ¥3.4 billion, returning to the black for the first time in nine years. My view is that we made a good step toward strengthening profitability, which is the Bank's top priority.

We are deeply grateful that this was thanks to the support of our stakeholders, including customers, local communities, employees, and shareholders.

■ Net income (consolidated) (Billions of yen)



■ Income from customer services (Billions of yen)



(Note) Income from customer services = (Average balance of loans and bills discounted × Loan to deposit spread) + Fees and commissions - Expenses (including retirement benefit costs)

Main achievements in FY2022 and challenges

First step toward realizing “Vision 2030”

Achievements

I would like now to discuss the achievements of FY2022, the first year of “Vision 2030.” The first achievement is that “Vision 2030” got off to a good start.

The management plan “Vision 2030,” which commenced in April 2021, is the first 10-year plan for the Bank created by backcasting from “our target form (what we want to become)” and “what we want to achieve” in 10 years. Even if we plan and implement goals and measures that are likely to be achieved in about three years by extending the status quo, we will not be able to keep up with the speed of changes in the world and will become content with small changes. In other words, maintaining the status quo will be the best we can do in the rapidly changing financial industry. It is necessary to make a leap forward if we want to grow. I believe that we need to show the direction of management, set big goals, think hard to achieve them, and act boldly and carefully.

I feel that it is very important to show our major direction both inside and outside the Bank, and although it was a big challenge, I am glad that we formulated the 10-year management plan.

As briefings on “Vision 2030” by the Bank’s officers were held at all branches, the interest of employees is high compared to the previous medium-term management plans. Judging by their reaction and level of understanding, I believe that “Vision 2030” provided an opportunity for employees to think about not only the immediate future but also actions each of them should take. I feel that it was a year in which the understanding and permeation of big goals, in addition to the long-term management direction and thinking, deepened.

The second achievement is that consulting services have been put into practice and started to generate results for both corporate and individual customers. In the previous

medium-term management plan, we had developed a structure for consulting services as a top priority, and “Vision 2030” put forward “Financial × Consulting” as a business model. Therefore, I feel that the awareness of consulting services is spreading reasonably within the Group.

As a result of this, fees and commissions from corporate clients grew from ¥600 million in FY2018 to ¥2.7 billion in FY2022, as we gradually increased the number of employees in the Consulting Promotion Division, which was established in 2018, and stationed headquarters staff at each location in Miyagi Prefecture to discover customer needs and provide solutions in cooperation with branches.

Furthermore, group-wide fees and commissions from assets in custody amounted to ¥4.0 billion in FY2022, as we have been carrying out initiatives in collaboration with 77 Securities, which was established in July 2016, and created the “Wealth Management Office” within the Business Promotion Division in June 2021 to implement measures in response to customer needs.

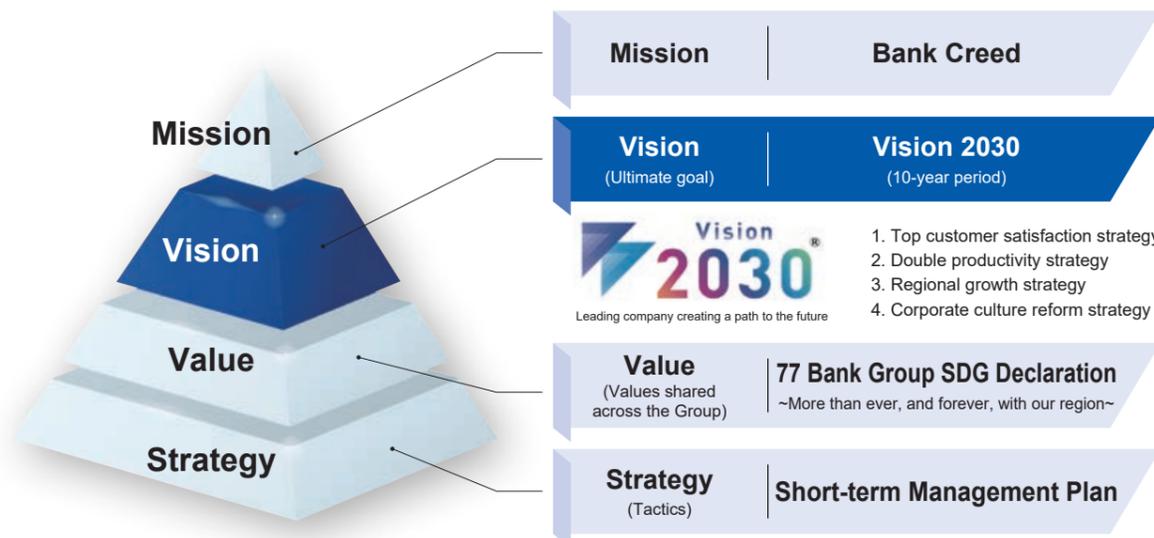
In addition, our involvement in structured finance as a new means of lending moved forward.

Following the establishment of the “Structured Finance Section” within the Consulting Promotion Division in June 2021, we have improved our structure to strengthen our measures targeting regional redevelopment and renewable energy facilities, among others. The loan balance is expected to increase by about 20% each fiscal year (FY2022: ¥166.3 billion).

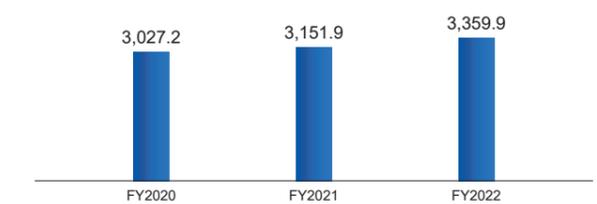
The third achievement is that, in light of trends such as a significant decline in the number of customers visiting our branches over the medium- to long-term as well as changing customer flow lines, we revamped our branch network through branches within branches, etc. As a result, non-personnel and personnel expenses were significantly reduced, and core OHR improved to 58.22%. In addition, the personnel generated by the revamp of our branch network was allocated to boost the number of liaison personnel from headquarters and to increase training opportunities such as external trainees. At branches that became branches within branches, internal job rotation was enhanced due to the increased number of personnel. All of these contributed greatly to human resources development.

The fourth achievement is that, as part of efforts to reform our corporate culture, we held a “business contest” and an “essay contest” to solicit new business ideas not only from within the Bank but also from our Group companies. These contests were held to encourage the officers and employees of the 77 Bank Group to

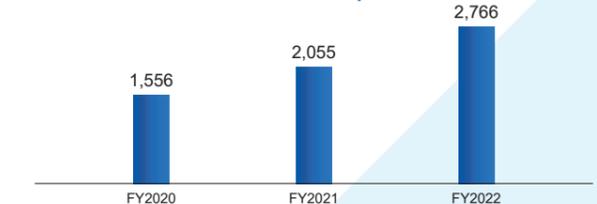
demonstrate their creativity unrestricted by conventional ideas, to develop new attractive businesses and sectors, and to foster a challenger spirit, so that the 77 Bank Group will go beyond its existing trajectory and become a “leading company creating a path to the future.” Many employees took on the challenge to participate in the “business contest,” with young employees who had been with the Bank for five years or less accounting for about 20% of the applicants. There were also many unique ideas. I feel that all branches, headquarters, and Group companies deepened their understanding of the efforts to reform our corporate culture and are starting to change positively.



■ Balance of corporate loans (term-end) (Billions of yen)



■ Fees and commissions from corporate clients (Millions of yen)



■ Fees and commissions from assets in custody (Group total) (Millions of yen)



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



Challenges

“Vision 2030” sets forth key factors to unlock a new future. I believe that we must respond to the changing environment, focusing on the key factors.

As for “next challenges,” the first challenge is efforts for “digital transformation.” We are still implementing various initiatives related to the digital field, and there are areas that we need to further strengthen as a “leading company” that leads the region, such as initiatives for new things, responses to customer needs, cyber security, and streamlining of administrative processing.

The second challenge is initiatives for “new businesses and sectors.” In “Vision 2030,” we aim to establish 10 projects in new businesses or sectors by FY2024 with the potential to become viable businesses in the future. Considering the extent to which customer needs have been met and contributions to earnings have been made in collaboration with Group companies or in fields other than banking, we need to further level up our efforts for new businesses and sectors.

The third challenge is “sustainability” efforts. Various countries and companies are accelerating their efforts for climate change issues and carbon neutrality, and a wide range of initiatives is being called for. Regional financial institutions are expected to play the role of leading their regions toward the realization of a sustainable society, as well as addressing their own issues related to ESG and the SDGs.

We also need to further enhance our “disclosure of non-financial information” related to sustainability going forward.

The fourth challenge is initiatives for “corporate culture reform.” “Culture eats strategy for breakfast” is a famous quote. To change corporate culture, each individual must take on the challenge of self-transformation.

Corporate culture does not change quickly in a short period of time. As I mentioned earlier, things are changing for the better, but we need to aim for further growth and take on challenges.

Priority initiatives for FY2023

Enhancing our strengths, improving our weaknesses, and revitalizing our organization

Top customer satisfaction strategy

The core concept of the “top customer satisfaction strategy” is “Financial × Consulting + Non-financial.” It means to expand our business areas in the non-financial field and provide the best solutions to our customers, while pursuing the highest-level of financial functions and consulting.

I believe that “consulting services” are a very compatible business model for banks. Banks collect a lot of information because they deal with many customers. Furthermore, if trusting relationships with customers deepen, we can expect to receive many various inquiries. By strengthening our “consulting services,” we will be able to support our customers in solving their issues.

In addition, our major difference from general consulting firms is that we can engage in financial operations such as lending. As dealings with customers will continue over a long period of time, regardless of whether they are corporate or individual customers, we hope to be of service to our customers by leveraging our unique strengths and enhancing our support for resolving customer issues. There are still issues to be addressed such as the handling of highly specialized fields, but I believe that if we raise the level of our responses to these issues, we will be able to create a strong business model.

However, as traditional deposit-taking and lending services and services related to assets in custody are

becoming commoditized these days, I believe that there will eventually be a limit to our business if we just stick to financial operations. Therefore, we aim to improve customer experience and become number one in customer satisfaction by expanding our business domains and providing services in new non-financial businesses and sectors.

We have four goals on initiatives for new businesses and sectors. The first goal is to expand the range of solutions we provide to our customers; the second goal is to diversify the 77 Bank Group’s businesses and revenue sources; the third goal is to improve our consulting capabilities by taking the same perspective as customers; and the fourth goal is to make our corporate culture challenging.

In “Vision 2030,” we aim to establish 10 projects in new businesses and sectors by FY2024 with the potential to become viable businesses in the future. I believe that it is necessary to break away from the overly cautious corporate culture of the past and address various challenges, including risk taking, at the same speed as changes in the world.



Key factors in “Vision 2030”

Key factors

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



■ KPIs related to the top customer satisfaction strategy

	Result in FY2022	Target in FY2023	Interim target for FY2026	Our target form for FY2031
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%]
Number of corporate lending clients outside Miyagi Prefecture	Vs. FY2021 1.07x	Vs. FY2021 1.08x	Vs. FY2021 1.2x	Vs. FY2021 1.5x
Proportion of households in Miyagi Prefecture holding assets	—	—	17%	Over 21%
Proportion of individuals in Miyagi Prefecture using loans from the 77 Bank	12.7%	—	17.0%	20.0%
Group net income	JPY 2.2 bn	JPY 1.8 bn	JPY 2.0 bn	JPY 3.0 bn
Other items	Establish 10 projects in new businesses or sectors (by FY2024)			

*TEIKOKU DATABANK, Ltd. research

Double productivity strategy

Improving productivity is a major issue for Japanese companies and is also the highest priority for us. Without productivity improvement, we cannot grow as a company.

In the external environment related to future digital utilization, in addition to Pay-easy and PayB for digital payments of taxes and public utilities bills, a unified QR code system for local tax payments is scheduled to be launched in 2023. The government, the Japanese Bankers Association and other parties aim to abolish the use of bills and checks by the end of FY2027 and shift to online banking transfers and “Densai.” As such, the Bank also needs to go digital.

In addition, the Bank of Japan is conducting research and demonstration on a central bank digital currency (CBDC), and efforts toward cashless payments are thought to progress further.

For individual transactions, the Bank will also aim to build a system that allows all transactions, including identity verification, to be carried out using smartphones. For corporate transactions, the Bank will introduce a portal site and promote online banking.

We will also analyze and utilize data obtained through digitalization for both individual and corporate transactions.

■ KPIs related to the double productivity strategy

	Result in FY2022	Target in FY2023	Interim target for FY2026	Our target form for FY2031
Labor productivity in core operations*	JPY 11 mn	JPY 11 mn	JPY 13 mn	JPY 16 mn
Administrative work at bank branches	Vs. FY2020 (15%)	Vs. FY2020 (25%)	Vs. FY2020 (50%)	Vs. FY2020 (50%)
Usage of non-face-to-face channels	(Corporate)13% (Retail)15%	(Corporate)15% (Retail)17%	(Corporate)20% (Retail)20%	(Corporate)30% (Retail)30%

* (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)

Regional growth strategy

I believe that it is important to support the growth and development of local companies and industries as part of efforts for regional revitalization. The increases of companies and jobs will create a virtuous cycle in which employment will be generated, more people will settle, and towns will be formed in local communities. The Bank hopes to firmly respond to various issues such as: growing customer needs related to human resources such as specialized talents; addressing business succession problems, which are said to be faced by about one-third of SMEs; support for the development of sales channels

Additionally, we will introduce branch tablets, a support system for sales and lending, and a data linkage platform, while promoting the use of AI in each operation and carrying out other measures.

Meanwhile, large-scale cyber-attacks are on the rise worldwide, and frauds and other activities that exploit online banking and other systems are expected to further increase in the future. Therefore, it is necessary to strengthen our response to cyber security and to achieve both convenience and safety. As our operations become digital and DX advances, the Bank’s employees need to become more digitally literate, and it is also essential to develop and secure human resources with expertise. Therefore, due to the need to put more efforts into improving IT literacy, we announced in April 2022 our approach to developing and strengthening “digital technology human resources.” We will step up our efforts with the goal of increasing the number of “digital technology human resources” who are required to acquire the IT Passport, a national qualification, and meet other requirements, so that the number will reach 1,310 or more, equivalent to more than 50% of all bank employees, by March 31, 2025.

leveraging the strength of the Bank’s branch network and extensive overseas network; support for fostering start-up companies; building relationships with companies expanding into Miyagi Prefecture; and involvement in regional development projects, including the Sendai area.

In addition, the Bank will support customers’ initiatives for carbon neutrality and the SDGs, which they will be urged to address in their respective supply chains and society. By doing so, we hope to create businesses that are useful for local communities and customers.

■ KPIs related to the regional growth strategy

	Result in FY2022	Target in FY2023	Interim target for FY2026	Our target form for FY2031
Cases of growth support for founders	1,490 cases	1,550 cases	2,000 cases	3,000 cases
CO ₂ emissions (t-CO ₂)	10,331	10,200	10,000	9,069
Other items	Support increased economic growth rate in Miyagi Prefecture Aim for 100% participation in regional development projects in Miyagi Prefecture			

Corporate culture reform strategy

To reform corporate culture, it is important that each officer and employee thinks for themselves and transforms themselves. I hope to establish among officers and employees a common understanding that one’s attitude and actions to try to change will have an impact on those around them and that the accumulation of such changes will lead to major changes as a synergistic effect for the entire organization.

In FY2022, officers at the managing director level and above visited each branch and provided detailed explanations, such as the concept of “Vision 2030” and the aims of each key measure, as well as answers to questions from employees. I myself am still in the process of sharing my thoughts and having dialogue with employees at all branches.

This is the first stage of our corporate culture reform, but based on my observation of officers and employees, I have a good feeling that there is a growing understanding that an organization can change significantly if each individual thinks and acts for themselves.

There is no doubt that the business environment for regional financial institutions is difficult. While the situation where the conventional deposit-taking and lending business alone is no longer viable will further deepen, local communities face major problems of falling population and aging society with low birthrate.

Despite such circumstances, I hope that officers and employees will recognize again that “bank work is fun and valuable” under “Vision 2030.”

We support our customers, guide them at times, and even act together with them, helping them realize their various “dreams.” Moreover, finance is an integral part of business, and a banking job can be a rewarding career.

Although the business environment is difficult, I believe there is a lot of room for development because many new “non-financial” businesses that are different from conventional banking will be born due to the progress of deregulation.

The Bank’s officers and employees can enjoy their work even more by taking on challenges positively and contributing more broadly and deeply to local communities. If, to that end, each individual thinks about their own growth, acts, and absorbs various knowledge to make proposals to customers and delight them, it will result in the growth of the Bank. I will endeavor to foster this awareness.

I hope to give our officers and employees many opportunities such as presentations of new services and various contests, constantly stimulate our organization so that each individual will think and take the next step for themselves while taking action, and lead management while enhancing the diversity and challenger spirit of our officers and employees.

■ KPIs related to the corporate culture reform strategy

	Result in FY2022	Target in FY2023	Interim target for FY2026	Our target form for FY2031
Proportion of female managers	14.2%	15.0%	18.0%	30.0%
Other items	Implement various initiatives to “foster an ambitious spirit” Increase the number of “specialist personnel” that serve a purpose for customers and local communities			

Sustainability initiatives

Development of local communities

The philosophy of our Bank Creed is “desiring communal prosperity and serving local communities” and has been in our DNA since our founding. I believe that the spirit of constantly contributing to the development of local communities as a company that coexists with them is deeply rooted in each of our officers and employees.

With aims to create a future for local communities and realize a sustainable society, the Bank formulated the “77 Bank Group SDG Declaration” in July 2020. In the management plan “Vision 2030,” the “SDG Declaration” is also regarded as a shared organizational value, and the SDGs are incorporated as part of the management strategy. We have, as needed, strengthened governance through the establishment of the “Sustainability Committee” and other measures and enhanced support for customers by launching “77 SDGs Support Services and Loans” and other services.

However, to solve a customer’s challenges in promoting the SDGs such as climate change, the customer itself must recognize its specific current issues and requires solutions and financial support for solving the issues clarified by

business feasibility evaluation that incorporates the external environment. In particular, solutions cannot be provided by the 77 Bank Group alone due to the breadth of solutions required. Therefore, it is important to build a network with companies inside and outside the region with technical capabilities and know-how, regional public bodies, and other parties. Through the expansion of solutions, we will build a support system to solve problems faced by local customers.

In addition, as climate-related environmental issues are being recognized as risks and attracting public attention, we are aware that social demands on financial institutions are also increasing.

The Bank announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in July 2021. In response to the four recommended areas of disclosure in the TCFD recommendations (governance, strategy, risk management, and metrics and targets), we need, and thus will continue to make active efforts, to further expand disclosure content by developing and strengthening the disclosure system.



Capital policy and shareholder returns

Delivering appropriate returns to shareholders

Based on “Vision 2030,” from the perspectives of building strong financial foundations by improving customer satisfaction and productivity as well as realizing our mission to our shareholders, “Offer growth and returns together with the 77 Bank Group,” we announced the “Policy of Return of Profits to Shareholders” on January 28, 2022.

Specifically, on the premise of strengthening our financial foundations, we will gradually increase the dividend payout ratio to net income attributable to owners of the parent to 30% by FY2024, aiming to improve shareholder returns and capital efficiency.

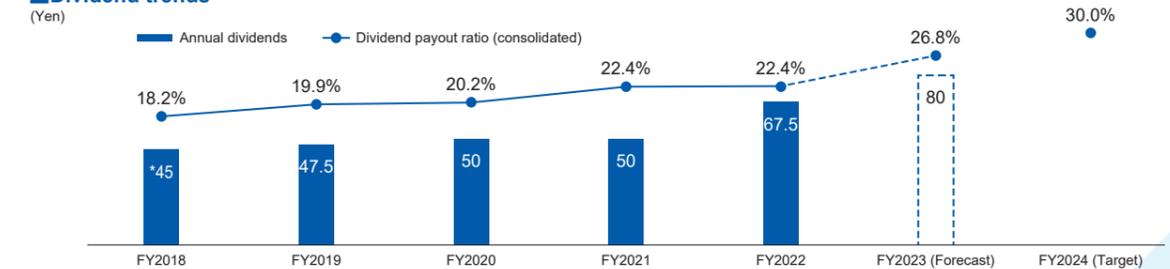
While the dividend payout ratio for FY2022 will be 22.4%, the same level as FY2021, we plan to increase the dividend payout ratio to 26.8% based on the earnings forecast for FY2023. In accordance with this policy, we will

endeavor for appropriate shareholder returns while taking into consideration changes in the business environment and other factors.

In terms of capital, we will pursue efficient utilization, by continuing to make investments that will enhance corporate value, including not only investments in new businesses but also investments for business expansion in existing sectors, while considering a balance with the enhancement of capital necessary for risk-taking in the local economy.

We will realize sustainable growth and enhancement of corporate value by continuing to engage with our stakeholders in a high-quality and constructive manner and proactively disclosing financial and non-financial information.

Dividend trends



* The Bank conducted a 1-for-5 consolidation of shares on October 1, 2017. If calculated based on the number of shares after the consolidation, the interim dividend for FY2018 is ¥22.50 per share and therefore the annual dividend equals ¥45 per share.

In closing

The environment surrounding regional financial institutions like the Bank is extremely harsh at present. However, I believe that if we steadily implement the Bank’s management plan, “Vision 2030,” we will be able to open up a bright future together with our local communities and customers.

I myself will take the lead for all officers and employees of the 77 Bank Group to make every effort for the development of the regional economy. We will meet the expectations of the 77 Bank Group’s stakeholders, including our customers, local communities, employees, and shareholders. We ask for your continued support and patronage.



Emiko Okuyama

Outside Director

Toshio Suzuki

Outside Director, Audit & Supervisory
Committee Member

Masai Yamaura

Outside Director, Audit & Supervisory
Committee Member

The 77 Bank as seen by Outside Directors

We interviewed three of our Outside Directors about four topics.

► Impressions as The 77 Bank Outside Directors

Suzuki I have served as an outside officer of the Bank for eight years, including as an Audit & Supervisory Board Member. During that time, the atmosphere of the Bank has softened considerably from my initial impression of a long-established and rigid leading regional bank to one where it is easier to speak openly even at board meetings. The needs of our customers are changing just as the world is changing these days, and I feel that our employees are becoming more aware of our desire to value contact with our customers more than ever before. The symbol of our commitment is “Vision 2030,” which openly expresses our desire to fulfill our role and meet the expectations of our customers in Miyagi and the rest of the Tohoku region.

Yamaura I feel that our desire to “contribute to local communities,” as stated in the Bank Creed, is being reflected in the work of bank employees. As the COVID-19 pandemic continues, I appreciate the fact that the Bank has been able to thoroughly assess the extent to which people at local businesses have been impacted and has responded swiftly. I hear that the Bank also had a similar response when the Great East Japan Earthquake occurred. I believe that the Bank’s strength lies in the fact that its spirit of taking on challenges has taken root in addition to the Bank’s sound culture.

Okuyama I am extremely thankful for the careful way in which employees conduct their work. Trust is paramount in this business since employees deal with money, and the level of attention to avoiding errors is very high. Additionally, actions that the Board of Directors take are also changing in response to the changing times. I feel that the board has a very good understanding of our intentions as Outside Directors; for example, structuring the materials to allow for more time for discussion. Also, as Outside Director Yamaura mentioned, I believe The 77 Bank changed significantly due to the experience of the Great East Japan Earthquake. I recognize the significance of “Vision 2030” as a long-term vision with Miyagi and the Tohoku region at the forefront, which was announced based on the experience of the past 10 years of efforts for regional reconstruction.



► Improving the effectiveness of the Board of Directors

Okuyama For matters to be deliberated at the Board of Directors, they are discussed by the Executive Committee, which is in charge of execution, and due to the input of Outside Director Yamaura, the structure of the materials now allows us to know the content of these discussions.

the Board of Directors meetings such as setting time aside to hear explanations from divisions in charge in advance.

Yamaura In addition to restructuring the materials, measures have been taken to invigorate discussions at

Suzuki Since the questions and concerns we, the Outside Directors, ask reflect the voices of all stakeholders, I feel that the management of the board is very well organized, with Chairman Ujiie, who chairs the board meetings, encouraging opinions to be voiced

in order to have lively discussions. Some of the Bank's Directors live in Tokyo, and even when they were unable to come to Sendai due to the COVID-19 pandemic and board meetings were held online, the meetings were still managed in the same way as if they were being held in the usual conference room.



▶ Changing The 77 Bank through “Vision 2030”

Okuyama The Bank's previous medium-term management plans only considered things in three-year increments, and as someone appointed from outside the Bank, I was concerned that matters that need to be addressed over the long term might be forgotten. In this context, the fact that the Bank has now presented its long-term vision to the world is not only a sign of a healthy sense of crisis that it cannot continue as it is, but something that gives an impression of optimistic possibilities as the Bank steps in and makes decisions to change itself.

Yamaura In formulating “Vision 2030,” we the Outside Directors had the opportunity to exchange opinions with President Kobayashi. On that occasion, we listened to President Kobayashi's thoughts and expressed our own opinions. For my part, I talked about how I hoped the President would strongly push

Okuyama When I was first appointed four years ago, I was the only woman on the Board of Directors. Now, since Outside Director Ushio has been appointed, I feel it has become easier to voice my opinions. We have also published a skills matrix showing how roles are divided, with Outside Director Ushio's role as “corporate management” and my role as “regional revitalization.” Promoting the appointment of female Directors with such different skill sets is an excellent initiative amidst the growing importance of diversity.

Suzuki Compared to before, the number and ratio of Outside Directors have increased, and I have the impression that the Board of Directors itself has become more active in its discussions. When I was first appointed as an Audit & Supervisory Board Member, there were four Outside Directors, which was a ratio of about 19%. I believe that taking the initiative to increase the ratio of Outside Directors in order to improve the effectiveness of the Board of Directors, based on the voices of institutional investors and various other stakeholders, has brought about changes in the Board of Directors.

for section which emphasizes the Bank's role as a leading company rather than a leading bank, as I believe that while The 77 Bank is a core financial institution in the Tohoku region, it must also consider new forms of banking, including new business development, in response to deregulation and other factors going forward.

Okuyama When I first saw the original draft for the Vision, I thought it was too bank-like to be interesting or to make people feel that the Bank had changed. In that context, Outside Director Suzuki talked about the need to use general terms rather than banking lingo, and the next document I saw had the word “inspiration.” It is true that I can say this because I have an outside perspective, but I thought it was superb that this suggestion was adopted.

Suzuki “Vision 2030” and its wording were born out of an exchange of ideas which took place at a very early stage. The Vision was launched from April 2021, but it is not a matter of simply creating a vision; the process of discussing what the Bank will strive to achieve is important. I thought we should convey that enthusiasm to the Bank's employees as well. Members of senior management including the President, the Senior Managing Director, and Managing Directors

▶ SDGs and The 77 Bank

Okuyama The SDGs are a very large topic for municipalities as well, and I believe they began discussing them around 1989. While we have already stated our directionality and commitment in the “77 Bank Group SDG Declaration,” “SDGs Action Plan,” and “Sustainability Promotion and Management Policy,” I believe that by thoroughly considering what we can do as a banking business within a larger framework we can respond quickly to initiatives aimed at achieving the SDGs by working with our customers and local governments. In the future, I believe that by talking about the SDGs, we can become a kind of ribbon connecting hearts and minds, even of those who do not borrow money from the Bank.

Yamaura We have developed a comprehensive “SDGs Action Plan,” and I believe advancing the SDGs through finance, as described in our sustainable finance goals, is our most important role as an entity in the financial industry. The aim of the SDGs is to revitalize the region and create a good future for the people living in this region and children of the future, so I would like to thoroughly explain my opinion on this matter.

Suzuki In the case of the Bank, unlike the manufacturing industry, we do not have a wide breadth of options for initiatives to reduce direct CO₂ emissions, but I feel that we are doing a thorough job by the introduction of digital transformation, such as our initiatives to go paperless. In addition, when discussing

visited bank branches to give explanations and engage in dialogue. I have opportunities to hear what branch employees have to say when I visit branches for audits, and on many occasions I have felt this enthusiasm at these frontline offices as well.

the SDGs, strengthening governance is also an important topic. As an Outside Director, I feel it is necessary to provide my opinions and other feedback to the Board of Directors, and at the same time, I feel it is necessary to explain my thoughts on misconduct to frontline offices as well when I visit them to conduct audits or for other matters.

In FY2022, the first year of “Vision 2030,” we held an essay contest. The active participation of female employees in this contest, as well as how applicants thoroughly considered matters from long-term perspectives, gave me the impression that their passion and capabilities will continue to form the foundation that supports the Bank in the future.



Sustainability Promotion

In October 2021, the Bank formulated the “SDGs Action Plan” from the perspective of the proper and sufficient promotion of sustainability.

We are strengthening the promotion of sustainability by recognizing the four items of the “77 Bank Group SDG Declaration” as key topics and working toward the realization of the SDGs.

77 Bank Group SDG Declaration (formulated in July 2020)

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

The 77 Bank Group, in keeping with the philosophy of the Bank Creed of “desiring communal prosperity and serving local communities,” which has been in our DNA since our founding, aims to 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
- 2. Responding to Global Warming and Climate Change
- 3. Encouraging and Supporting the Activities of Our Employees
- 4. Advancing Corporate Governance

Realization of initiatives

FY2023 “SDGs Action Plan” (the content of the SDGs Action Plan is discussed each fiscal year)

1 Revitalization of the Regional Economy

- (1) Support implementation of SDGs for clients
- (2) Support new companies and growth of startup companies
- (3) Build regional economic ecosystems
- (4) Develop new businesses and sectors
- (5) Contribute to society through interaction with the local community
- (6) Make financial services more convenient through non-face-to-face channels, etc.
- (7) Expand opportunities to access financial services

2 Responding to Global Warming and Climate Change

- (1) Initiatives for environmental protection and climate change
- (2) Respond to business operators that require environmental and social considerations
- (3) Support clients’ disaster countermeasures
- (4) Expand investment and lending to environmental and social sectors

3 Encouraging and Supporting the Activities of Our Employees

- (1) Revise personnel systems with the aim of establishing an ambitious corporate culture
- (2) Revitalize the organization and enhance productivity through effective utilization of personnel
- (3) Introduce flexible work styles tailored to increasingly diverse values
- (4) Educate and spread awareness of diversity and inclusion
- (5) Invest in human capital and intellectual property

4 Advancing Corporate Governance

- (1) Build internal systems that comply with the TCFD recommendations
- (2) Enhance awareness of initiatives targeting the SDGs within the Bank
- (3) Active participation of the Board of Directors in the response to issues surrounding sustainability
- (4) Strengthen systems for complying with laws and regulations, etc.
- (5) Strengthen our stance to respond to antisocial forces
- (6) Strengthen our stance to prevent money laundering, etc.
- (7) Strengthen our stance to manage cyber risks

Status of achievement of KPIs

	Target (FY2031)	Result (FY2022)
Cases of growth support for founders	3,000 cases	1,490 cases
Projects launched for new businesses or sectors	10 cases (cumulative total until FY2024)	1 case
Support for increasing the economic growth rate of Miyagi Prefecture	Japan growth rate +0.1 pt	—
People receiving financial education	70,000 people (cumulative total)	8,364 people
Seminars held in related to SDGs/participants	100 seminars / 5,000 people (cumulative total)	5 seminars / 484 people
Total cumulative sustainable finance executed (*)	¥1.2 trillion	¥274.0 billion
CO ₂ emissions (vs. FY2014)	46.0% reduction	38.5% reduction
Proportion of female managers	30.0%	14.2%

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



Promoting sustainability

Deputy General Manager, General Planning & Coordination Division and Manager, Sustainability Promotion Office

Takuro Suzuki

Initiatives for promoting sustainability

The Bank has formulated the “77 Bank Group SDG Declaration,” which parallels the philosophy of the Bank Creed, and from the perspective of further strengthening sustainability initiatives, in FY2022, we formulated the “SDGs Action Plan” and established the “Sustainability Promotion Office.” Since our response to sustainability is long-term and wide-ranging, we will continue to implement the PDCA cycle for our “SDGs Action Plan” and work to enhance the social value of local communities and the corporate value of the Bank.

Connections with local communities

In order to expand sustainability as a regional financial institution, I believe we need to support financing initiatives and conduct other activities to raise awareness among customers in local communities. In addition, taking advantage of the comprehensive partnership agreements we have signed with all regional public bodies in Miyagi Prefecture for regional revitalization, the Bank would like to provide opportunities for customers who do not yet bank with us to learn about our sustainability initiatives by holding various seminars in cooperation with regional public bodies and other entities. We hope to further strengthen our connections with local communities through various sustainability-related measures and other efforts.

The Bank’s target form

As stated in the “77 Bank Group SDG Declaration,” we believe that the philosophy of the Bank Creed of “desiring communal prosperity and serving local communities,” which has been in our DNA since our founding, is the form of sustainability that the Bank is striving for. The Bank aims to create the future and realize a sustainable society, not by ourselves, but together with local communities.

Major sustainability-related initiatives

- 2012 Established the “Environmental Policy”
- 2016 Newly established the “Diversity Promotion Office” and implemented the “IkuBoss Declaration”
- 2018 Established the “Diversity Promotion Policy” and formulated the “77 Bank Health Management Declaration”
- 2020 Formulated the “77 Bank Group SDG Declaration” and established “Lending Policies for Specific Businesses”
- 2021 Formulated “Vision 2030” and agreement with “TCFD Recommendations”
Formulated the “SDGs Action Plan” and newly established the “Sustainability Promotion Office”
- 2022 Established the “Sustainability Promotion and Management Policy” and formulated the “Dementia Barrier-Free Declaration”
Established the “Sustainability Committee”

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.

Promotion of partnerships for regional revitalization

<Cooperation agreement with Nippon Telegraph and Telephone East Corporation> (June 2021)

Specific cooperation ideas

Ideas related to enhancement and co-creation of regional value with the use of regional resources and assets

- Asset sharing — Jointly promote various community support activities by utilizing various assets such as real estate, technology, and human resources
- Support for tourism promotion — Make joint proposals for workation and regional brand creation, such as support for commercialization and development of the tourism industry

Ideas related to addressing of regional challenges and vitalization of regions in cooperation with regional public bodies

- Smart cities — Promote innovation in areas such as regional safety and disaster prevention, administrative services, and transportation utilizing cutting-edge ICT
- DX support for local industries — Enhance the productivity of local industries and promote an increase in resident population through DX such as next-generation agriculture utilizing ICT

Ideas related to sustainable urban development in regions

- Support for urban development — Promote urban development that integrates ICT to create local brands and facilitate the passing down of culture and skills, etc.
- Regional development projects — Jointly promote regional development projects and support the creation of local brands and businesses

Ideas related to support for the growth of local companies and industries

- Starting new companies or businesses — Provide corporate support and incubation services for ventures and start-ups as well as the creation of new businesses
- Support for regional core companies — Jointly support the growth of local companies and industries by taking advantage of the business matching agreement between the two companies
- Development of local talents — Jointly develop talents who will lead the region for regional revitalization and the stimulation of local communities

<Cooperation agreement with Meiji Yasuda Life Insurance Company> (March 2022)

Specific cooperation ideas

Ideas related to promotion of industry and tourism

- Support the creation of business opportunities for the Bank's clients through exchanges between different industries hosted by Meiji Yasuda Life Insurance Company
- Promote the products and services of the Bank's clients utilizing the internal intranet of Meiji Yasuda Life Insurance Company
- Promote local products by offering Miyagi's local cuisine and menus using ingredients from Miyagi Prefecture at employee cafeterias of Meiji Yasuda Life Insurance Company's main locations

Ideas related to promotion of total health and support for the elderly

- Jointly hold seminars and other events on health management, etc.
- Make joint proposals to the Bank's clients on support services for health maintenance such as "health analysis reports"
- Jointly hold seminars for the elderly (nursing care/dementia, health maintenance, end-of-life planning, life planning, etc.)

Ideas related to the promotion of regional revitalization

- Sponsor and participate in activities aimed at contributing to regional revitalization undertaken by the Bank and Meiji Yasuda Life Insurance Company

Various seminars and initiatives for financial education

As a regional financial institution, we hold various seminars and other events related to the SDGs in order to spread awareness of the SDGs among local residents. We are also stepping up our efforts in financial education to enhance financial literacy.



Held <77> SDGs seminars for promoting carbon neutrality



Visited a local junior high school to give lectures on the themes of "money for working adults" and "work at banks" after receiving an inquiry from the school at the planning stage

Initiatives to support clients' efforts for the SDGs

- Launch of 77 SDGs-related services
In October 2021, we launched "77 SDGs Support Services" and "77 SDGs Support Loans" aimed at spreading the SDGs to and supporting efforts of SMEs, etc.

- Launch of "77 SDGs Privately Placed Corporate Bonds"
In December 2021, we renewed the existing "77 ESG Privately Placed Corporate Bonds," etc. and launched "77 SDGs Privately Placed Corporate Bonds" from the perspective of accelerating support for companies' initiatives for the SDGs.

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.

Forest conservation activities

To restore the coastal disaster prevention forest that was lost in the Great East Japan Earthquake, based on the "Citizens' Reforestation Activities to Restore the Miyagi Coastal Forests" agreement concluded with Miyagi Prefecture and Sendai City, we carry out forest conservation activities in the "77 Forest for the Future" where we planted black pine trees in the Arahama District of Sendai City.

We will continue to care the black pine trees so that they will grow big and become a disaster prevention forest that protects the region from disasters.

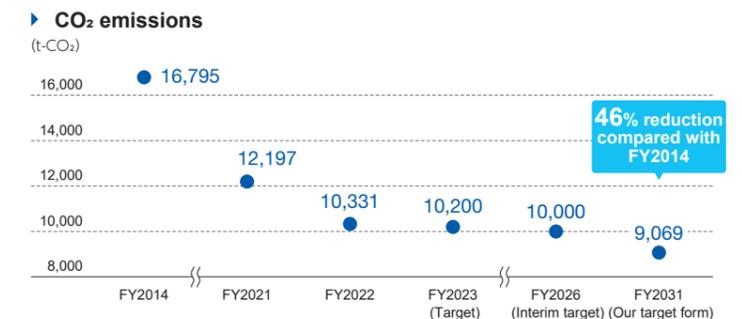


Promotion of initiatives to reduce environmental impact

We switched the lighting of business rooms, lobbies, etc. to LED at all branches and cash service corners in principle and installed solar power generation systems at new branches.



Image of a branch with a solar power generation system installed



Promotion of ESG investment in management of securities

The Bank actively invests in ESG-related areas, including the environment sector, not only in lending to customers but also in management of securities.

- Green bonds ... 54 cases / ¥42.5 billion
- Sustainability bonds ... 23 cases / ¥12.3 billion
- Social bonds ... 34 cases / ¥23.8 billion
- Sustainability-linked bonds ... 7 cases / ¥5.4 billion

* Total from April 2018 to March 2022

Response to TCFD recommendations

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

Governance

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

Since October 2021, in line with the “SDGs Action Plan,” which is formulated each fiscal year, we have been regularly reporting the status of initiatives for the SDGs such as climate change to the Board of Directors and have constructed a system where the Board of Directors supervises the status thereof.

Moreover, for the purpose of promoting initiatives for solving environmental and social problems such as climate change on a Group-wide basis, we have set up the “Sustainability Promotion Office” inside the General Planning & Coordination Division and while putting in place a system for appropriate management, we are ensuring that measures are promoted effectively.

Strategy

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.

Opportunities

Treating responses to climate change as a business opportunity, we actively provide various related services and products and develop products to support our clients’ transition to decarbonization and initiatives for the SDGs. By understanding the issues and needs of our clients from a medium- to long-term perspective and supporting them in responding to climate change and transitioning to a decarbonized society, we are trying to create and expand business opportunities such as the provision of investment and lending and other solutions.

(As of March 31, 2022)

●Number of applications for “77 SDGs Support Services” **79 cases**

●Renewable energy-related funding **406 cases / ¥194.4 billion**

Risks and scenario analyses

In terms of climate change risks, we are aware of both physical and transitional risks.

- In terms of physical risks, we estimate 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 the exacerbation of earthquake and tsunami damage, etc. and damage, etc. to bank branches due to natural disasters.
- In terms of transitional risks, we estimate risks such as increased credit risk related to borrowers that are affected by the transition to a low-carbon society, such as those that must respond to stronger climate-related regulation, etc.

<Scenario analyses>

The results of scenario analyses on physical and transitional risks based on the TCFD recommendations are as follows.

Physical risks	<ul style="list-style-type: none"> · Based on the 4°C scenario presented by the Intergovernmental Panel on Climate Change (IPCC), we analyzed the impact on the collateral value, targeting real estate collateral in the Abukuma River basin, in the event of storm and flood damage equivalent to that of Typhoon No. 19 in 2019. · As a result of the analysis that takes into account the temperature rise up to 2050, the collateral value is expected to decrease by about ¥7.0 billion.
Transitional risks	<ul style="list-style-type: none"> · Based on the below 2°C scenario presented by the Network for Greening the Financial System (NGFS), we analyzed the impact on credit expenses for borrowers in the power and utilities sector as a result of deterioration of financial conditions due to tax burden caused by the introduction of carbon taxes and existing facilities turning into stranded assets. · As a result of the analysis covering the period up to 2050, credit expenses are expected to increase by a maximum of about ¥8.2 billion.

<Carbon-related assets>

The Bank’s exposure to the energy and utilities sector accounts for 3.8% of its loans and bills discounted (however, water utilities, independent electric power, and renewable power businesses are excluded).

Risk management

- We recognize that physical and transitional risks caused by climate change may have a significant financial impact in the future.
- To conduct regular analysis and verification of the impact of climate change on capital health and financials through implementation of regular scenario analyses and stress tests, we have arranged a system by revising the regulations related to risk management and carrying out other measures.

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 CO₂ emissions across the 77 Bank Group by 46% by FY2031 compared with FY2014. Furthermore, in FY2022, we succeeded in reducing CO₂ emissions by 38.5% compared with FY2014.

Items measured	(t-CO ₂)			
	FY2014	FY2020	FY2021	FY2022
Scope 1 (kerosene, heavy oil A, etc.; however, gasoline is excluded)	1,894	1,638	1,600	1,483
Scope 2 (electricity, local hot water)	14,901	10,689	10,597	8,848
The Bank’s total (Scope 1 + 2)	16,795	12,327	12,197	10,331

*For Scope 3 (indirect emissions other than Scope 1 and 2), we will evaluate calculation methods, etc.

- Furthermore, in the “SDGs Action Plan” formulated in October 2021, we set a ¥1.2 trillion cumulative target by 2030 for sustainable finance, which is investment and lending contributing to the stimulation of local communities and the realization of a sustainable society. The result for FY2022 was ¥274.0 billion.

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.

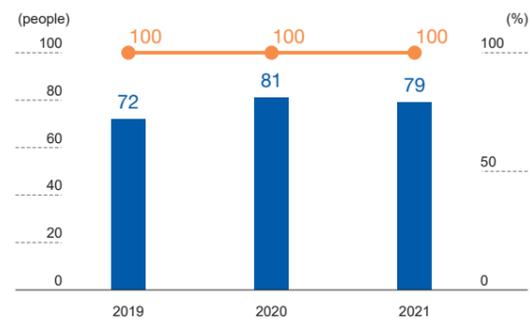
Through the following four initiatives, our Bank is striving to improve employee productivity as well as the services we provide to customers in local communities, with the aim of becoming the “bank chosen by customers.”

1. Realizing 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.
- (3) Utilization of the Select Staggered Shift System

▶ Rate of taking paternity leave ■ No. of people ◆ Rate



- ◆ Implementation of “Bank-wide Refresh Day” (started in FY2019)
The second Wednesday of each month has been designated as “Bank-wide Refresh Day” to encourage employees to leave work on time.
- ◆ Recommended interval between work shifts (started in FY2020)
From the perspective of health management, as a general rule, employees should have at least 11 hours from the end of the previous day’s work until the start of their next shift.
- ◆ Newly established the Select Staggered Shift System (started in FY2022)
In addition to the normal work schedule, employees can choose from six staggered work patterns.

2. Establishing 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

◆ Formulation of the Action Plan for General Businesses (Third)
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.”

[Evaluation period]
April 1, 2021 - March 31, 2026 (five years)

[Objectives]

- (1) Increase the proportion of women in management positions to 18% or more (FY2022: 14.2%)
- (2) Reduce the average number of hours worked on days off to less than 10 hours per person per month (FY2022: 12 hours 18 min)
- (3) Maintain an annual rate of taking paid time off of 70% (FY2022: 73.4%)
- ◆ Introduced the 77 Career Bridge System (started in FY2021)
From the perspective of promoting diverse work styles for retirees, we introduced a system to support their reemployment.

3. Developing 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-related investment for human resource development

FY2022	
Invested amount	JPY 304 mn

◆ Appointment of in-house career advisors (started in FY2019)
Consultations with career advisors (Personnel Division staff) are held with employees at headquarters and branches to support the career design of each bank employee and foster an environment in which diverse human resources can play an active role.

◆ Holding same-industry networking sessions



4. Promoting 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

◆ Formulation of the “Health and Productivity Management Declaration” (December 2018)

We clearly stated our policy as a company on conserving and promoting the health of employees.

◆ Certified as a “Health and Productivity Management Organization 2022”

(March 2022)

The Bank is implementing initiatives aimed at conserving and promoting the health of employees. On March 9, 2022, the Bank was certified as a “Health and Productivity Management Organization 2022” under the “Health and Productivity Management Organization Certification System” implemented by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.



Toward the increased value of human capital

4 Advancing Corporate Governance

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

Basic approach

- In accordance with the “Bank Creed,” which is our basic principle of management, we will operate businesses 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 enhancement in corporate value over the medium- to long-term.

Steps to enhance and strengthen governance



Establishing a highly effective corporate governance structure

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



	Director	Outside Director	Total number of Directors	Ratio of Outside Directors	Ratio of female Directors
Jun-17	12 persons	2 persons	19 persons	26.3% 5/19 persons	
	Audit & Supervisory Committee Member: 2 persons				
Jun-18	8 persons	3 persons	16 persons	37.5% 6/16 persons	6.2% 1/16 persons
	Audit & Supervisory Committee Member: 2 persons				
Jun-19	8 persons	3 persons	17 persons	41.1% 7/17 persons	11.7% 2/17 persons
	Audit & Supervisory Committee Member: 2 persons				
Jun-20	7 persons	4 persons	17 persons	47.0% 8/17 persons	11.7% 2/17 persons
	Audit & Supervisory Committee Member: 2 persons				
From Jun-22	6 persons	4 persons	16 persons	50.0% 8/16 persons	12.5% 2/16 persons
	Audit & Supervisory Committee Member: 2 persons				

Strengthening actions pertaining to sustainability

In December 2021, from the perspective of strengthening our sustainability-related planning and planning systems, etc., we newly established the “Sustainability Promotion Office” within the General Planning & Coordination Division with the aim of realizing sustainable growth for the region and the 77 Bank Group.

Established the Sustainability Promotion and Management Policy

In January 2022, we established the “Sustainability Promotion and Management Policy” with the objective of conducting proper and sufficient management of sustainability promotion.

(Basic Policy on Promotion and Management of Sustainability)

- (1) Formulation of action plan pertaining to sustainability
- (2) Declaration of engagement posture pertaining to sustainability
- (3) Creation of supervisory division for promotion and management of sustainability

Established the Sustainability Committee

In July 2022, from the perspective of creating and strengthening a management system on sustainability promotion, we established the “Sustainability Committee” with the President as chairperson.

Constituent members

Chairperson : President

Vice chairman : Senior Managing Director

Members : Managing Director, General Manager (GM) of General Planning & Coordination Division, GM of Risk Management Division, GM of Business Promotion Division, GM of Regional Development Promotion Division, GM of Personnel Division, GM of General Affairs Division

Major discussion items

- (1) Matters pertaining to the planning of sustainability-related policy
- (2) Matters pertaining to the planning of sustainability-related implementation plans
- (3) Important matters among initiatives that contribute to the management of sustainability promotion



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.

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



Surprising and inspiring our customers

Improving customer satisfaction (increasing the profits of the 77 Bank Group)

Enhance corporate value

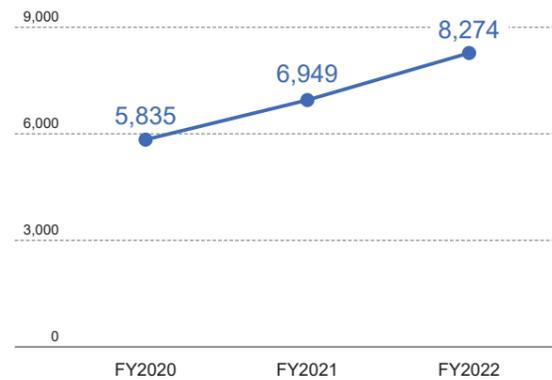
Enhance happiness

Initiatives for business evaluations

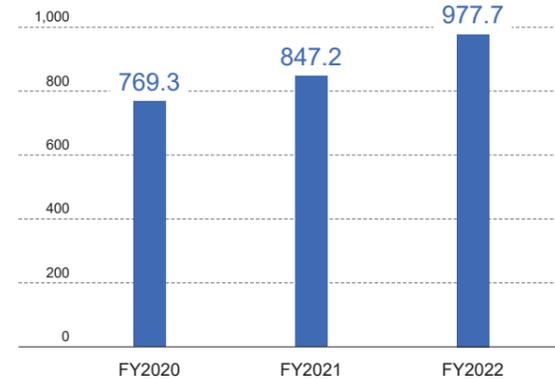
In order to help customers achieve further growth, a business evaluation specialist from the Consulting Promotion Division visits together with branch staff to understand and share management issues and provide various solutions to resolve them.

The Bank also supports the skill development of employees, such as by having external experts stationed in the Credit Supervision Division conduct on-the-job training and other training sessions.

▶ Number of clients evaluated (cumulative) (clients)

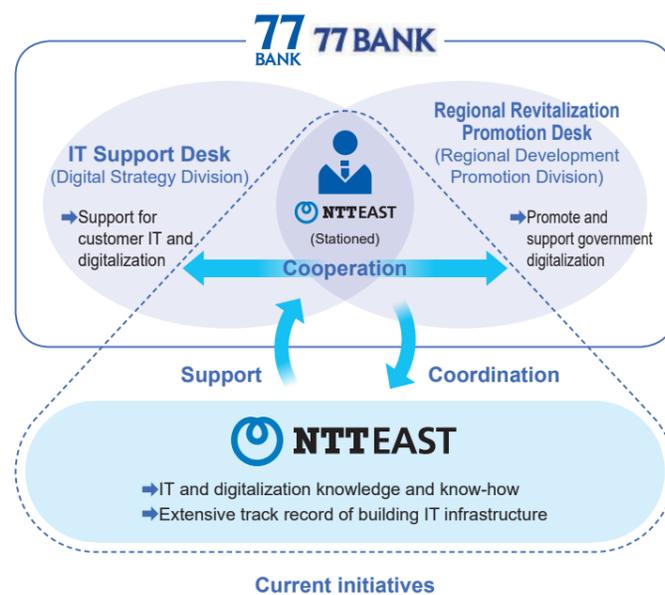


▶ Loan balance to clients evaluated (cumulative) (billions of yen)



IT & digitalization support initiatives

Based on the agreement on collaboration for regional revitalization signed in June 2021 between the Bank and NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (“NTT East”), employees of NTT East are stationed at the “IT Support Desk (a customer hotline for various consultations related to IT and digitalization)” as well as the “Regional Revitalization Promotion Desk (a one-stop hotline for internal and external inquiries on regional revitalization)” from February 2022 to strengthen efforts to provide IT and digitalization support to local businesses, etc.



In addition to interviewing customers, we hold events such as seminars. (Photo from a <77> Bank IT and digitalization promotion seminar)

Initiatives for strengthening consulting sales

In order to strengthen consulting sales, we are bolstering our branch support system and assigning specialist personnel in specialized fields within the Consulting Promotion Division.

External Sales Department, Consulting Promotion Division

Regional Support Team*
48 persons

Business Succession and M&A Team
12 persons

Healthcare Team
5 persons

*Liaison officers from headquarters are assigned to branches, etc. inside and outside Miyagi Prefecture in order to carry out high-added-value consulting sales

(FY2022 results)

- No. of solutions proposed by liaison officers from headquarters **24,302 cases**
- No. of business succession clients supported **731 clients**
- No. of clients with which M&A advisory contracts were entered into **36 clients**
- No. of 77 Medical/Welfare Loans executed **115 cases**

Consulting Sales Awards

With the aim of strengthening consulting-based sales capabilities, the Bank has held the “Consulting sales awards” since FY2020 to recognize medium- to long-term efforts in consulting sales by branches.

Some Awards Received in FY2022

Supported listing on the Tokyo PRO Market

To support the listing of our client, Grantomato Co., Ltd., on the Tokyo PRO Market, we conducted a visit accompanied by Tokyo Stock Exchange, Inc. representatives, provided various types of information, and provided growth support to enhance the client’s corporate value through services such as financing and business matching.



Grantomato Co., Ltd. Head office
Provided by: Grantomato Co., Ltd.



Tokyo Stock Exchange, Inc. “The Bell”
Provided by: Tokyo Stock Exchange, Inc.

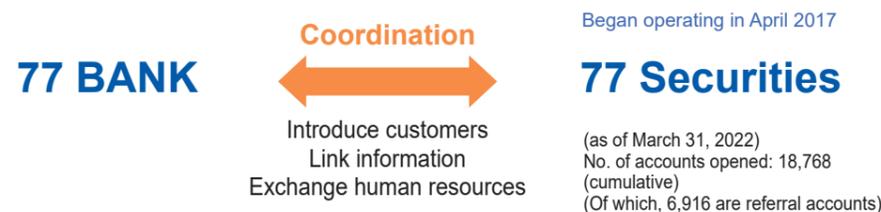
Our support options for each stage of life

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

	Under 20	20s and 30s	40s and 50s	60s and 70s	Over 80s	
Life events	Schooling	Employment Purchasing a car	Marriage & Childbirth Purchasing a home	Child's schooling and employment Home renovations Nursing care of parents Child's marriage	Retirement Life after retirement Birth of grandchildren Schooling of grandchildren	Grandchildren's marriage Inheritance preparation Nursing care
Needs	Begin (financial transactions)	Save		Use (while protecting)		
		Borrow		Increase		
Primary products & services	Bank (payments, loans, etc.)	Multi-purpose accounts, savings deposits, time deposits			Time deposits	
		Salary receipt			Receipt of retirement bonus and pension	
		77 Direct Service, 77 Bank App, 77 Card (credit card / debit card)				
		77 Loan (for automobiles, home renovations, etc.), housing loans, 77 Card Loan			77 Elderly loan, 77 Reverse Mortgage, leaseback	
	Securities (management)	77 Educational Loan 77 Educational Card Loan			Apartment loans	
		Installment investment trust (NISA), iDeCo			Investment trust, stocks, foreign currency deposits, public bonds, structured bonds, foreign bonds	
Insurance (protection)	Individual annuity insurance, whole life insurance, income security insurance, cancer insurance, medical insurance					
	Cancer insurance Medical insurance			Nursing insurance		
Trust (inheritance)	Educational endowment insurance					
	Testamentary trust, estate liquidation services, calendar year gift trust, testamentary substitute trust					

Strengthening bank-securities business

Through coordination between The 77 Bank and 77 Securities, we support customers' asset formation as a united group in order to respond to a broad range of needs.



We will be offering a fund wrap service (scheduled for January 2023)

In August 2022, we entered into a basic agreement with Resona Bank, Limited, pertaining to fund wrap services as a part of our joint research related to our products supporting long-term, stable asset formation with Resona Holdings, Inc.

Newly established a "77 Insurance Plaza"

In October 2021, we opened the "77 Ishinomaki Insurance Plaza," our third location dedicated to insurance services, following the "77 Izumichuo Insurance Plaza" and "77 Nagamachi-minami Insurance Plaza."

Expansion of 100% Web-based Loans

Applicable products: 77 Card Loan, 77 Smart Next, 77 Car Loan, 77 Wide Loan, 77 Educational Loan, 77 multi-purpose Loan



<77> Initiatives for Operations that Put Customers First

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



▶ Building a network to connect influential customers

The establishment of Aomori Branch

Our Bank has two corporate sales offices in Aomori Prefecture, having opened the Aomori Corporate Sales Office in Aomori City in November 2006 and the Hachinohe Corporate Sales Office in Hachinohe City in September 2016.

The number of loan borrowers and the balance of loans and bills discounted in Aomori Prefecture is steadily increasing, and based on the growing demand from existing clients and new clients in good standing for financing, business matching, and consulting services such as business succession and M&A, in September 2022 we promoted the Aomori Corporate Sales Office to branch status, thus establishing Aomori Branch.

We hope to continue contributing to the development of the region by building a customer network spanning the whole Tohoku region, etc.

Overseas network



📍 Bank employee dispatch locations 📍 Major partner institutions, etc.

Expansion of the fields in which the 77 Bank Group is active

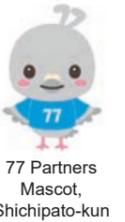
▶ Expanding our business domain

With the aim of resolving issues faced by customers and the region as we work to realize our “target form” as described in “Vision 2030,” since April 2021 we have launched three new projects.

We will create profitable businesses from the process of solving regional issues while focusing on the key points of “does it utilize the strengths of the 77 Bank Group?” and “can we leverage synergies with our existing operations?”

1 Established 77 Partners Co., Ltd. (December 2021)

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



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

In September 2020, the Bank began offering a human resources placement service, and since then, we have been strengthening our efforts to introduce management personnel and specialists. In order to solve increasingly complex and diverse regional issues and support sustainable growth, we have established this subsidiary which provides not only human resources placement services but also sophisticated and specialized solutions for “people.” We plan to begin operations in January 2023 on the prerequisite of obtaining approval from the relevant authorities to conduct fee-charging employment placement services, etc.

3 Considerations for entering the trust services field ~ Expanding and strengthening our support options in an era when average lifespans approach 100 years ~

With the aim of “protecting,” “growing,” and “passing on customers’ assets to the next generation,” we have begun discussing the banking entity’s entry into the field of trust services in order to expand our range of attractive financial products and services. Thus far, the Bank has acted as an agent offering trust services, but our aim is to establish a system in which the Bank can offer one-stop service from beginning to end, subject to obtaining approval from the relevant authorities.

VOICE

Developing new businesses and new sectors which are rooted in the region

In order to continue to discover attractive new businesses and human resources with the ability to vigorously take on new challenges, we will hold an in-house business contest again in FY2023, as we did in FY2022.

Last year’s in-house business contest attracted approximately 170 entries, with applicants ranging from new employees to branch managers, and has fostered an ambitious spirit within the 77 Bank Group.

We feel that employee-initiated discussions and explorations of ideas on launching new businesses is symbolic of the “establishment of an ambitious corporate culture” as set forth in “Vision 2030.” We would like to expand new business areas by examining them from many angles, such as what issues customers in local communities are facing and what kind of connections can be made with the Bank’s business.



Group Business Strategy Section, General Planning & Coordination Division

Takayuki Oka

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.

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

Release branches from administrative work

Reduce administrative work at branches

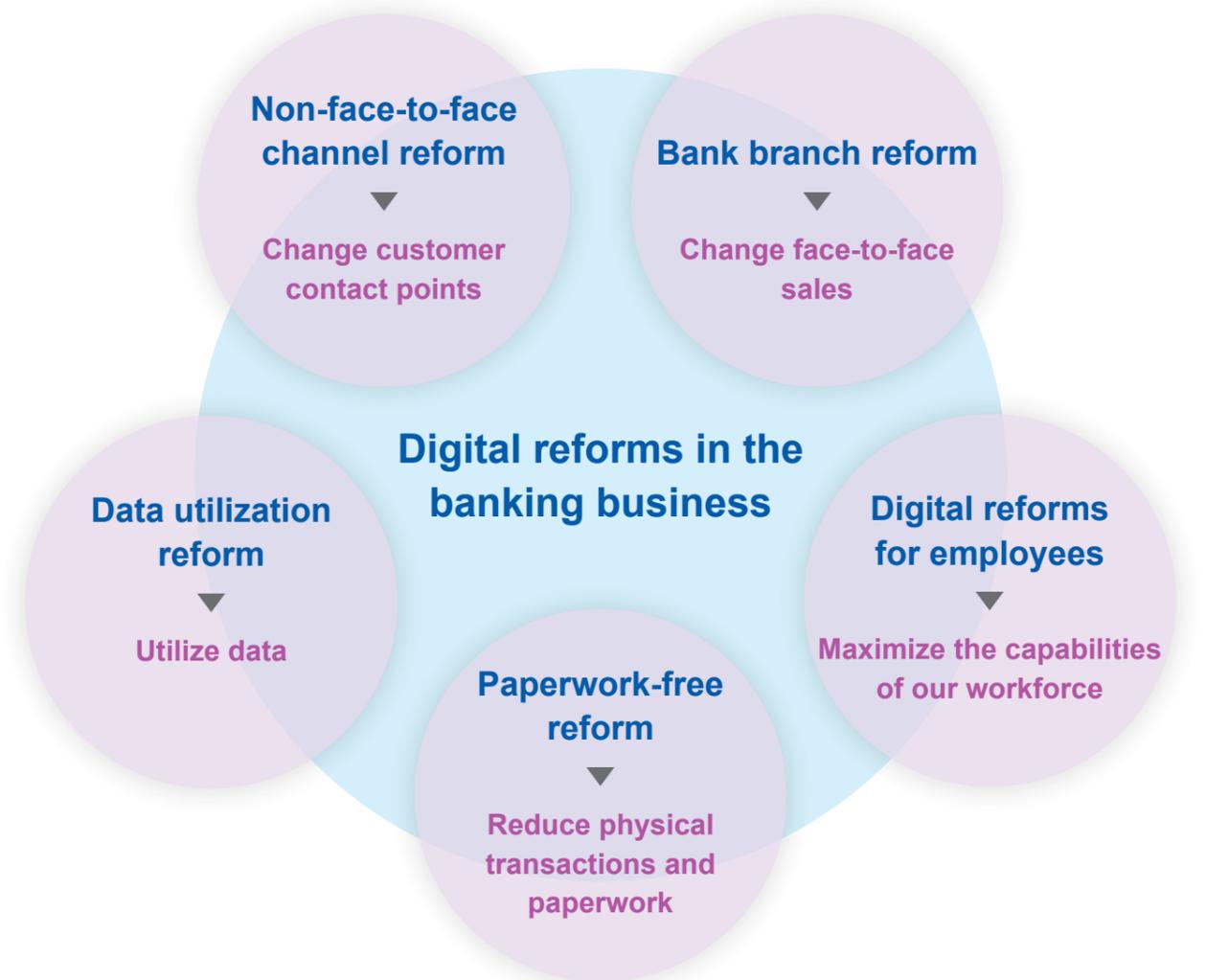
Expand non-face-to-face channels

Creation of management assets

Effectively utilize and redistribute workforce in order to strengthen consulting capabilities

Digital transformation initiatives

In order to become a company that customers choose, we will strive for “digital reform of the banking business,” which is our existing business domain, and develop digital technology human resources who will lead the entire organization by planning and advancing digital transformation.



Certification as a “DX-certified operator”

In May 2022, the Bank was designated as a “DX-certified operator” based on the Ministry of Economy, Trade and Industry’s Digital Transformation (DX) Certification system.

Based on the “Act on Facilitation of Information Processing,” “DX certification system” is a system through which the Ministry of Economy, Trade and Industry certifies business operators who have formulated a corporate vision for promoting DX, have developed systems for achieving a DX strategy, and are ready to promote DX.



▶ Initiatives for non-face-to-face channels

A first for a regional bank in Tohoku! Implemented the “77 Business Portal”

In October 2022, we will introduce the “77 Business Portal,” the first business portal website from a financial institution in the Tohoku region, for various types of transactions with corporations and sole proprietorship customers. This is a one-stop service enabling various procedures to be carried out online, such as confirming deposits and withdrawals.

- Content of service: Displaying account information, various corporate internet banking functions, notifications, service linkage

Improving the convenience of the 77 Bank App and other services

We are working to enhance customer convenience by expanding service functions while improving the UI and UX of the Bank App and other services.



▶ Initiatives for data utilization

Full-scale implementation of “AMATERAS RAY,” a service to bring AI in-house

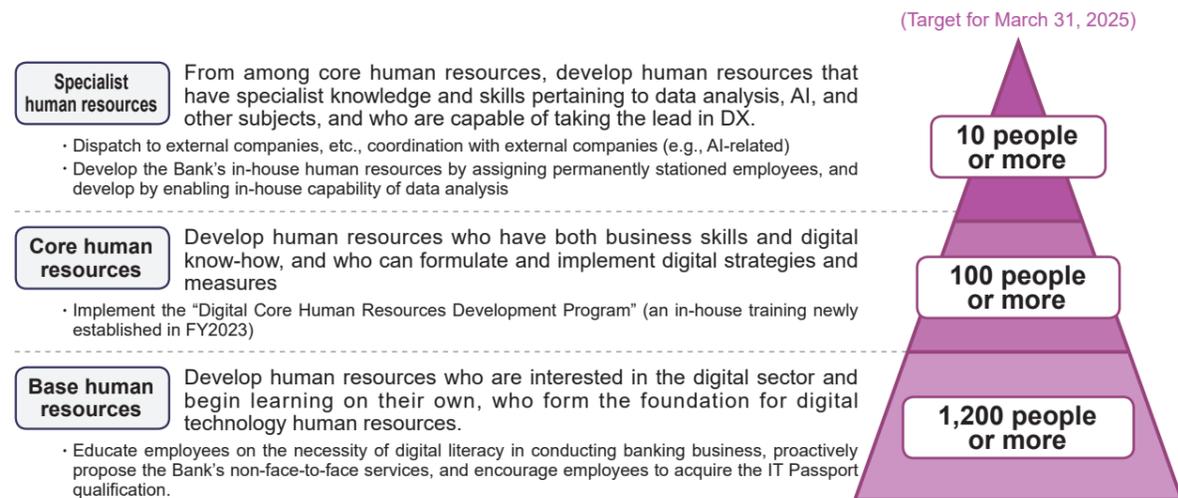
In May 2022, we began full-scale introduction of “AMATERAS RAY,” provided by aiforce solutions Inc.* to enable in-house capability of data analysis through the use of AI. With this tool, AI models can be built in as little as a few days, and data analysis can be performed using AI without the need for specialized knowledge. By building AI models and analyzing data on their own in a short period of time, bank employees will be able to apply AI to a wider range of operations with greater flexibility than ever before. We will work to enhance the sophistication of banking operations by proposing optimal services based on analysis of customer needs and improving the efficiency of management work, etc.

*On May 2, 2022, aiforce solutions Inc. sold all of its shares to AI inside Inc. and merged its management. However, “AMATERAS RAY” continues to be provided as a service.

▶ Initiatives for developing digital technology human resources

Strengthening the development of digital technology human resources

In order to meet customers’ needs and challenges related to IT and digitalization, and to accelerate digital transformation (DX) initiatives within the Bank, we will strengthen the development of “digital technology human resources” who have knowledge of both business and digitalization and who will be responsible for DX.



▶ Initiatives to reduce administrative work at branches

Paperwork-free Promotion Committee

In March 2020, we established the Paper-work-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.

Results of FY2022 initiatives

- **Reduction and simplification of administrative processes**
 - Expansion of services subject to HQ centralization
 - Expansion in number of branches using support office (35 branches as of the end of FY2022)
 - Reduction and simplification of counter administration
 - Revision of inheritance administration
 - Enhancement of financing administration efficiency (through reduction/simplification/centralization)
 - Partial centralization of credit rating and retail loan administration at HQ
- **Reduction of number of visiting customers and in branch administration**
 - Promotion of non-face-to-face-channel usage
 - Expansion of 100% Web based loan targets
 - Reduction of inefficient administration specific to individual companies
 - Promoted the adoption of electronic banking

Main initiatives in FY2023

In FY2023, in addition to expanding the number of branches using a support office and promoting non-face-to-face-channel usage, we will work to reduce administrative work by implementing new systems.

Introduction of “branch tablets”

We will introduce “branch tablets” from January 2023.

Procedures for transactions can be completed by entering information on the screen, shortening processing time through this “paperless,” “seal-less” method.

- Applicable procedures (as planned): Opening ordinary deposit accounts, opening or closing time deposit and savings deposit accounts, making changes to registered information, switching to a WEB Passbook, reissuing an ATM card or passbook, etc.



VOICE

Towards the expansion of our digital technology

The business environment is shifting due to the rapid advancements in digitalization, and “digital transformation” is set forth as a key factor in “Vision 2030,” our vision for paving the way to a new future.

In addition to reforming our existing banking business to improve labor productivity and reduce the volume of administrative work, we are also strengthening the development of digital technology human resources to meet the digital needs and challenges of our customers. As an additional effort, from April 2022, we have dispatched employees to Tohoku University in order to develop “specialist human resources” in fields such as data science, which are difficult to develop within the Bank.

We intend to enhance the Bank’s brand strength by leveraging digital technology to provide new value and experiences to our customers.



Manager, Digital Strategy Section, Digital Strategy Division
Yasushi Shibata

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.

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

<Regional Revitalization Mission>: four key items of implementation

1 Support for founding and new businesses

- Support for founding and secondary founding
- Assistance with funding through venture funds, etc.
- Cooperation for various events and 77 New Business Subsidies

2 Support and development of regional core companies

- Support for growth of local enterprises
- Business matching and sales channel cultivation
- Support for industry-academia cooperation
- IPO assistance
- Assistance with utilization of subsidies, etc.
- Human resources placement

3 Promotion of urban development

- Participation in regional development projects
- Promotion of public-private partnership projects
- Support in coordination with external institutions (MAPP)

4 Support for promotion of tourism, etc.

- Support for feasibility and growth of tourism-related industries
- Assistance with promotion of inbound travel
- Assistance with preparation of tourist intake framework

Revitalizing regional industry, economy and living

▶ Initiatives for the support for founding and new businesses

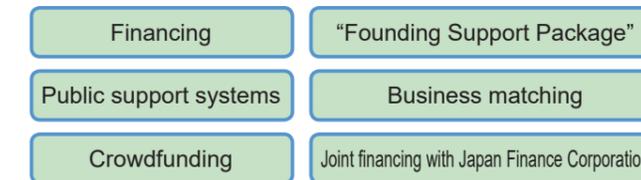
Establishment of the “<77> Startup Support Desk”

In addition to support for procuring financing, the Desk responds to a wide range of consultations for customers to expand their businesses and resolve management issues.

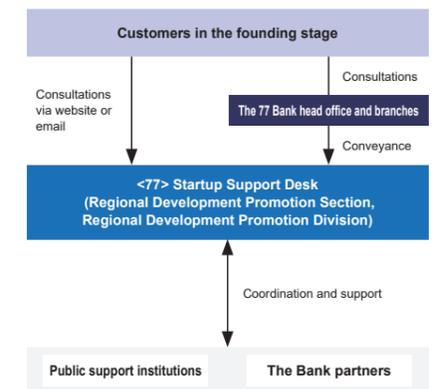
(FY2022)

■ No. of consultations **134 cases**

[Primary types of support]



[Support desk overview]



Expansion of “<77> Founding Support Package”

We have expanded our products and services to provide even more support for the growth of customers in the founding stage.

(Applicable customers)

Corporate customers who have a deposit account with the Bank and who are within five years of establishment

- (1) No contract fee for corporate internet banking
- (2) No 77 Card annual membership fee for the first year
- (3) No usage fee for Money Forward Cloud (Back office SaaS) for 2 months
- (4) Free preparation of a subsidy assessment form
- (5) One free distribution each month with our Press Release Distribution Service (until after two years from establishment)
- (6) No initial setup fees for our subscription-type website creation service
- (7) No basic monthly charges for 3 months from applying for 77 Big Advance



Holding of “<77> Open Innovation Pitches”

In April 2022, we held an event for startups to make pitches to local companies in order to revitalize the regional economy by creating new innovation through collaboration between startups and local companies. By creating opportunities for both startups and local companies to solve their respective challenges, we aim to achieve sustainable growth for both companies.



▶ Initiatives for the support and development of regional core companies

IPO assistance

We are driving various support initiatives with the aim of producing listed companies from the Tohoku region.

Partnership with Tohoku University and Tokyo Stock Exchange

- [Main types of support]
- Plan formulation support
 - Promoting stock exchange listing
 - Dissemination of information
 - Holding seminars, etc.



Partnership with Sendai City

We utilize the above tri-party partnership to support the listing of "Sendai Future Generating Companies" designated by the city of Sendai.



Appointment of IPO Promotion Officers

Employees who gained practical IPO experience as Tokyo Stock Exchange trainees have been assigned as IPO promotion officers.

Holding of business matching events

We support the development and expansion of sales channels through business matching by utilizing specialists from within and outside the Bank. In organizing more than 50 business meetings, we provide full support for exhibitions and individual business meetings.



- [Major business meetings we hold]
- Delicious Yamagata and Food Kingdom Miyagi Business Meeting
 - Regional Bank Food Selection, etc.

[Support examples]

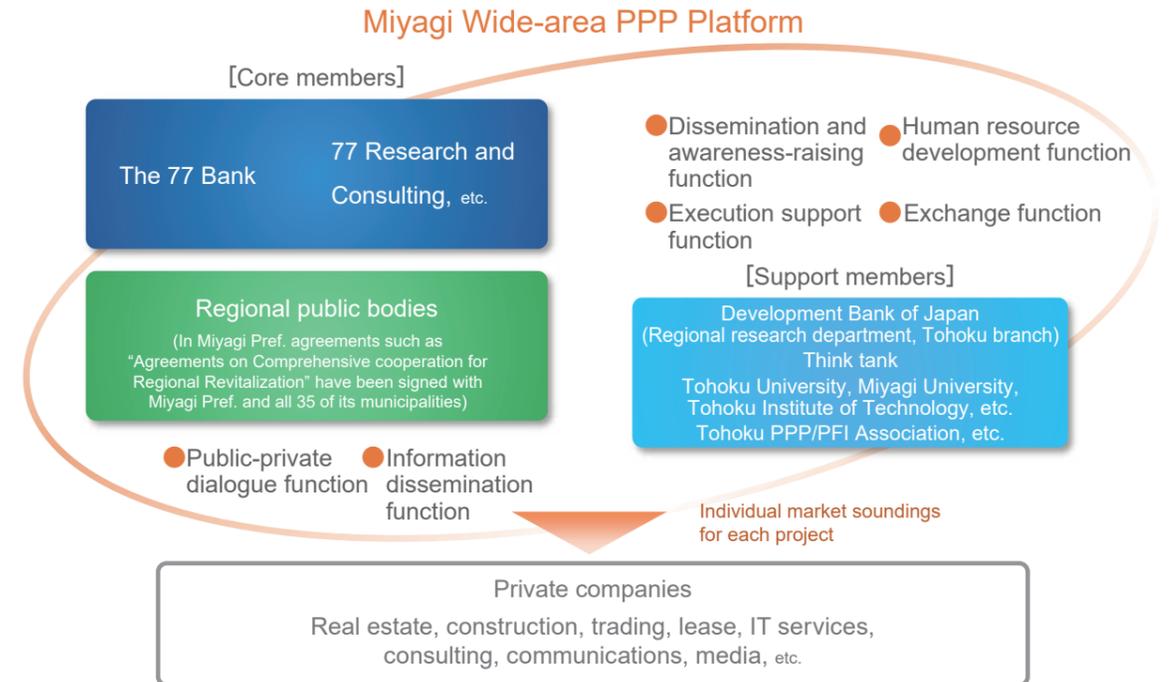
We supported the expansion of sales channels for prefectural products and established a match between IBEX Airlines Co., Ltd. and Sasakei Co., Ltd.



Photo from IBEX Airlines official online shop

Formation of the "Miyagi Wide-Area PPP Platform (nickname "MAPP")" (Established in January 2020)

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



▶ Promotion of urban development

Activities through MAPP

We held a matching event aimed at resolving the various regional issues faced by regional public bodies, and a discussion forum where members of private-sector businesses gave presentations to share regional issues.



Donation of funds to Photon Science Innovation Center

In January 2022, we presented a donation to the Photon Science Innovation Center, which is the business entity of the Next-generation synchrotron radiation facility (nicknamed "NanoTerasu"), for the purpose of further contributing to regional revitalization.



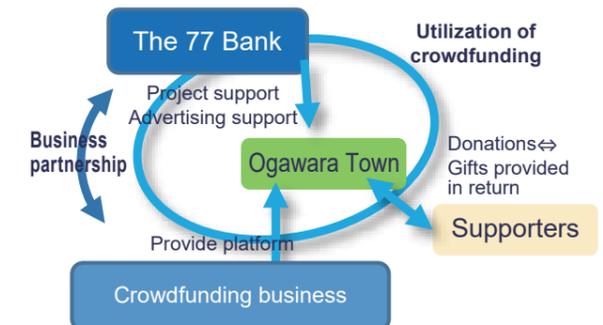
Left: Chief Director Takata of the Photon Science Innovation Center
Right: President Kobayashi of The 77 Bank

▶ Support for promotion of tourism, etc.

Support for promotion of tourism utilizing government crowdfunding

As a new initiative to attract tourists, we are providing support together with our business matching partners for crowdfunding efforts launched by regional public bodies, etc.

As the Bank's first case of government crowdfunding support, we supported a crowdfunding-based fundraising project by the town of Ogawara in Miyagi Prefecture.



Initiatives of the Financial Network of TOHOKU Tourism ("FINE" Tohoku)"*

As part of the "FINE" Tohoku initiative, we are holding an Instagram photo contest in collaboration with General Incorporated Association Tohoku Tourism Promotion Organization.

*A network formed in 2017 when six Tohoku region banks—Aomori Bank, Akita Bank, the Bank of Iwate, Yamagata Bank, Toho Bank, and 77 Bank—entered into the "Cooperative Business Agreement on Support for Tourism Promotion Projects" with the Development Bank of Japan.

Support for the regional revitalization telework promotion plan

We signed an agreement with the town of Kami and three private companies to promote telework through a public-private partnership, the first initiative of its kind for our Bank. We provide information and finance support to promote the utilization of our satellite offices, etc.

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.

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

Foster an ambitious spirit

Promote diversity

Develop human resources



Establish an ambitious corporate culture

▶ Initiatives to foster an ambitious spirit

Holding of “Business Contest”

As part of our efforts to develop new businesses and sectors, we held a “Business Contest” in which all officers and employees came up with new business plans and submitted them. We plan to hold the Business Contest again in FY2023 and will call for applications on the topic of the SDGs.



(FY2022)

- Total no. of Business Contest applications **170 cases**
(The no. of applicants was 331)
- No. of Business Contest prizes won **7 cases**

Implementing the “Job Entry” system and “Headquarters Operations Trials”

In addition to the “Job Entry” system, which aims to improve the morale of employees and the organization as a whole by enabling people to take on challenges in their desired area of work, the “Headquarters Operations Trials” are conducted as an initiative to increase employee motivation through career development support.

(FY2022)

- No. of trial participants **76 persons**

Enhancement of communication in the workplace to disseminate “Vision 2030”

The President and other officers are holding individual briefings at all branches to promote understanding of “Vision 2030,” which was launched in April 2021, within the Bank, and to transform the mindsets of employees.

In addition, in FY2023, we held the “77 President’s School” for employees at the headquarters who are at or below the rank of deputy section/office manager, as well as the “Management Plan Explanatory Meetings for Branch Employees” held by executive officers.

At these explanatory meetings, we provide time for question-and-answer sessions to encourage active communication between officers and branch employees, etc.



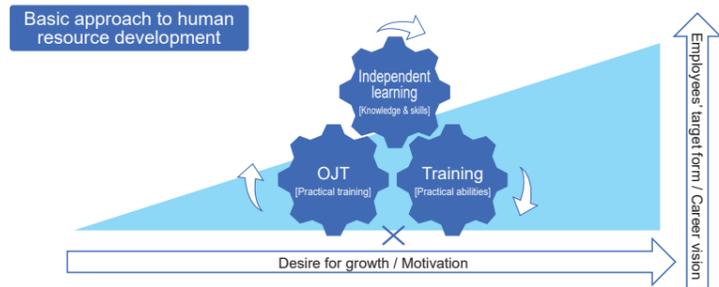
“Vision 2030” briefing held by President Kobayashi



77 President’s School

▶ Developing human resources that serve a purpose for customers and local communities

In addition to working for the development of bank employees having high-level consulting knowledge and capabilities, we are endeavoring to expand their scope of active participation through efforts such as dispatch outside the Bank.



<Training system chart>

External training		
Strengthen management abilities <ul style="list-style-type: none"> In Japan <ul style="list-style-type: none"> Branch manager course Middle manager training course Mid-level employee development course Senior leader training course Mid-level leader training course Female manager training course Female management position step-up course Management improvement seminar Short-term MBA Outside Japan <ul style="list-style-type: none"> Overseas training for branch general managers 	Develop specialists <ul style="list-style-type: none"> In Japan <ul style="list-style-type: none"> MBA in Japan MBA at International University of Japan MUFG Bank trainee Mizuho Bank trainee Tohoku University Graduate School Institute for Small Business Management and Technology Skill up course for personal banking transactions Corporate management consulting course Outside Japan <ul style="list-style-type: none"> Trainees outside Japan <ul style="list-style-type: none"> • New York • London • Singapore • Dalian • Shanghai • Thailand • Vietnam And many others 	
In-house group training		
Level-specific training <ul style="list-style-type: none"> Management training <ul style="list-style-type: none"> Practical management training workshop Management reflection workshop Newly appointed branch general manager training workshop Newly appointed deputy general manager training workshop 77 Business School Women's College Newly appointed deputy head training workshop Women's career advancement program Third-year employee career design training workshop Second-year employee training workshop New employee training workshop Pre-entry training workshop 	Operations-specific training <p>Divided by work duties</p> <ul style="list-style-type: none"> Loan-related work <ul style="list-style-type: none"> Company screening training workshop Training workshop for employees newly appointed to loan-related work Consumer loan training workshop Individual guidance from the Credit Supervision Division Region-specific training workshops by the Credit Supervision Division Sales-related work <ul style="list-style-type: none"> Intro to consulting program Strengthening corporate consulting capabilities program Strengthening personal consulting capabilities program Training workshop to strengthen trust business Service care attendant training workshop Training workshop for counter sales of investment trusts Training workshop for counter sales of life insurance Branch-related work <ul style="list-style-type: none"> Training workshop for consultations at branch counters Internal administrative work <ul style="list-style-type: none"> Training workshop on exchange services International work <ul style="list-style-type: none"> Training workshop on foreign exchange practices Training workshop to support international business Securities-related work <ul style="list-style-type: none"> Treasury Division trainee IT-related <ul style="list-style-type: none"> Training workshop to strengthen the utilization of IT & digital 	
OJT		
<ul style="list-style-type: none"> Orientation education <ul style="list-style-type: none"> Job Rotation System Brother-Sister System Pre-Mentor System Credits Approval System New employee notes 	<ul style="list-style-type: none"> Workplace training <ul style="list-style-type: none"> System of Short-term Training at Other Branches Various DVDs 	<ul style="list-style-type: none"> Motivation and opportunities education <ul style="list-style-type: none"> Self-development sheet Short-term Assignment System Mentor System
Self-development		
<ul style="list-style-type: none"> Level up <ul style="list-style-type: none"> Various online courses Various reference materials e-Learning: "SD Web Support" 	<ul style="list-style-type: none"> Challenge <ul style="list-style-type: none"> Various licensing examinations Various public qualifications 	
Incentive pay system for self-development and acquiring qualifications Self-development guide 77 Business College (seminars on holidays and weekday evenings)		

▶ Spreading an awareness of diversity and inclusion

To accommodate diverse values, we are strengthening our efforts to support women's careers, as well as conducting management training and recruiting activities to enable the active participation of a diverse workforce.

Holding of "women's career advancement program"

In order to further promote diversity through additional support for the active participation of women, we hold the "women's career advancement program," a training program for employees in charge of clerical work, with the aim of fostering an awareness of career design focused toward management positions.

(FY2022 results)

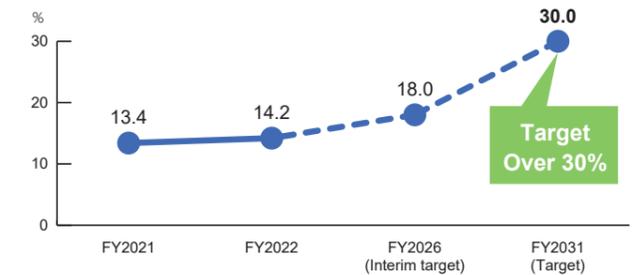
■ "Women's career advancement program" participants **30** persons

Establishment of the "Women's College"

In FY2023, a new training program was established for women in managerial positions to help them ascertain the leadership style that leverages their own strengths and acquire the management skills, etc. demanded by managerial positions.



Proportion of female managers



Promoting the active participation of diverse human resources

(as of April 1, 2022)

■ Registered non-Japanese employees **4** persons

■ Registered midcareer hires **17** persons

VOICE

Cultivating attractive human resources

"Human resources" are one of the 77 Bank Group's largest assets. Thus far, the Bank has been actively engaged in human resource development, and, in FY2023, we plan to increase the number of participants in level-specific training programs to foster management skills and career awareness to approx. 1,600 (from approx. 1,100 in FY2022), in order to "foster an ambitious spirit," which is required for our corporate culture reform. In addition, we will work to develop human resources with expertise by expanding topic-specific training programs to strengthen consulting capabilities, dispatching trainees outside the Bank, and encouraging the acquisition of qualifications for self-development. We will continue to strengthen our investments related to human resources, which will contribute to the development of "human resources that serve a purpose for customers and local communities" and "human resources that contribute to corporate reform."



Manager, Training Section,
Personnel Division
Yohei Sato

Our Policy on Constructive Dialogue with Shareholders and Other Stakeholders

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

1. Realizing constructive dialogue with shareholders and other stakeholders
The officer in charge of the Bank’s corporate communication shall supervise dialogue with shareholders, etc., and shall endeavor to realize constructive dialogue within reasonable limits by, for example, appropriately determining on a case-by-case basis the staff members to engage in dialogue (hereinafter “interlocutors”) based on the intentions of shareholders, etc. and their main concerns.
2. System for promoting constructive dialogue
In order to promote constructive dialogue with shareholders, etc., the Bank will provide accurate and sufficient information to interlocutors in cooperation with the General Planning & Coordination Division and other headquarters divisions.
3. Enhancing methods of dialogue
The Bank will strive to enhance methods of dialogue by holding individual meetings and teleconferences, etc. in addition to corporate briefings for institutional investors, individual investors, and clients by region.
4. Feedback of the opinions of shareholders, etc. to the Bank
Regarding the opinions, etc. expressed in dialogue with shareholders, etc., the Bank will strive to improve its business operations by providing appropriate internal feedback, for example by reporting such opinions to the officer in charge of such dialogue as necessary.
5. Managing insider information
The Bank establishes internal rules for appropriate information disclosures and the prevention of insider trading, and will thoroughly manage insider information when engaging in dialogue with shareholders, etc.

Approach to disclosures

Compliance with laws, regulations, etc.

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

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

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

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

Method of information disclosure

Explanations at corporate briefings

We hold corporate briefings for institutional investors and individual investors.

- No. of attendees at corporate briefings for institutional investors: 74 (Dec. 2021)*, 53 (Jun. 2022)*
- No. of attendees at corporate briefings for individual investors: 1,079 (Jan. 2022), 1,197 (Jul. 2022)

*The corporate briefing for institutional investors in December 2021 was held online, and the corporate briefing for institutional investors in June 2022 was held in person.

Announcements to news media

We release management information to the media through press conferences and press releases.

Publication of public relations materials, etc.

While not statutorily required, we prepare and release public relations materials, etc.

Website postings

The following materials are available on the Bank website for anyone to view.

- Disclosure newsletters
- Integrated reports
- Mini disclosure newsletters (sales reports)
- Securities reports / Quarterly reports
- Brief financial results / Quarterly brief financial results
- Corporate briefing materials
- News releases
- Integrated report



Policy of Return of Profits to Shareholders

Based on “Vision 2030,” which was launched in April 2021, from the perspectives of building strong financial foundations by improving customer satisfaction and productivity as well as the early-stage realization of our mission to our shareholders, “Offer growth and returns together with the 77 Bank Group,” in January 2022, we formulated a policy of return of profits to shareholders which sets the continuation of stable dividends and specific goals.

Policy of Return of Profits to Shareholders

The basic policy of the Bank in this regard is to continue to distribute steady dividends while taking factors such as its public character as a bank business and the preservation of the soundness of its management into consideration. Additionally, based on the premise of strengthening its financial foundation, the Bank will proceed to gradually elevate its divided ratio relative to net income attributable to owners of the parent with a target of 30% by FY2030 as it aims to improve shareholder returns and capital efficiency.

Board of Directors and Audit & Supervisory Committee Members (As of July 31, 2022)



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 Ujii
 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
Yoshikazu Onodera
 Apr. 1985 Joined the Bank
 Sep. 2007 General Manager, Hachimamachi 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
Masanori Muranushi
 Apr. 1988 Joined the Bank
 Mar. 2010 General Manager, Sendai Higashiguchi Branch, the Bank
 Sep. 2011 General Manager, Sapporo Branch, the Bank
 Jun. 2013 General Manager, Kencho Branch, the Bank
 Jun. 2015 General Manager, Corporate & Retail Banking Div., the Bank
 Apr. 2018 General Manager, Consulting Promotion Div., the Bank
 Jun. 2018 Executive Officer and General Manager, Consulting Promotion Div., the Bank
 Jun. 2019 Executive Officer and General Manager, Tokyo Branch, the Bank
 Jun. 2020 Senior Executive Officer and General Manager, Tokyo Branch, the Bank
 Jun. 2021 Senior Executive Officer and General Manager, Head Office Business Div. and Basho no Tsuji Branch, the Bank
 Dec. 2021 Senior Executive Officer and General Manager, Head Office Business Div. and Basho no Tsuji Branch, and Minamimachi-dori Branch, the Bank
 Jun. 2022 Managing Director, the Bank (current position)

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

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

Director, Audit & Supervisory Committee Member
Kazuhiro Chida
 Apr. 1989 Joined the Bank
 Jun. 2014 General Manager, Sendai Shiyakusho Branch, the Bank
 Jun. 2016 General Manager, Compliance Management Div., the Bank
 Jun. 2019 Executive Officer and General Manager, Compliance Management Div., the Bank
 Jun. 2020 Executive Officer, the Bank
 Jun. 2022 General Manager, Oroshimachi Branch
 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)

Senior Executive Officers
 General Manager, Audit & Inspection Division
 General Manager, Head Office Business Div., Basho no Tsuji Branch, and Minamimachi-dori Branch, the Bank
 General Manager, Tokyo Branch
 General Manager, Credit Supervision Division
 General Manager, Personnel Division
Naoshi Aoyagi
Shuichi Ibuka
Hirokimi Fukushi
Kazutoshi Saito
Takashi Kuroda

Executive Officers
 Special assignment (DX related)
 General Manager, Ishinomaki Branch and Kokucho Branch
 General Manager of General Planning & Coordination Division
 General Manager, Operations Management Division
Masahide Kato
Kuniaki Endo
Hiroshi Kobayashi
Hiroshi Kitazono
 General Manager, Regional Development Promotion Division
 General Manager, Oroshimachi Branch
 General Manager, Business Promotion Division
 General Manager, Treasury Division
Kentarō Motai
Hideki Endo
Yoshiyuki Odajima
Kazuhiro Aoki

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 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
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)

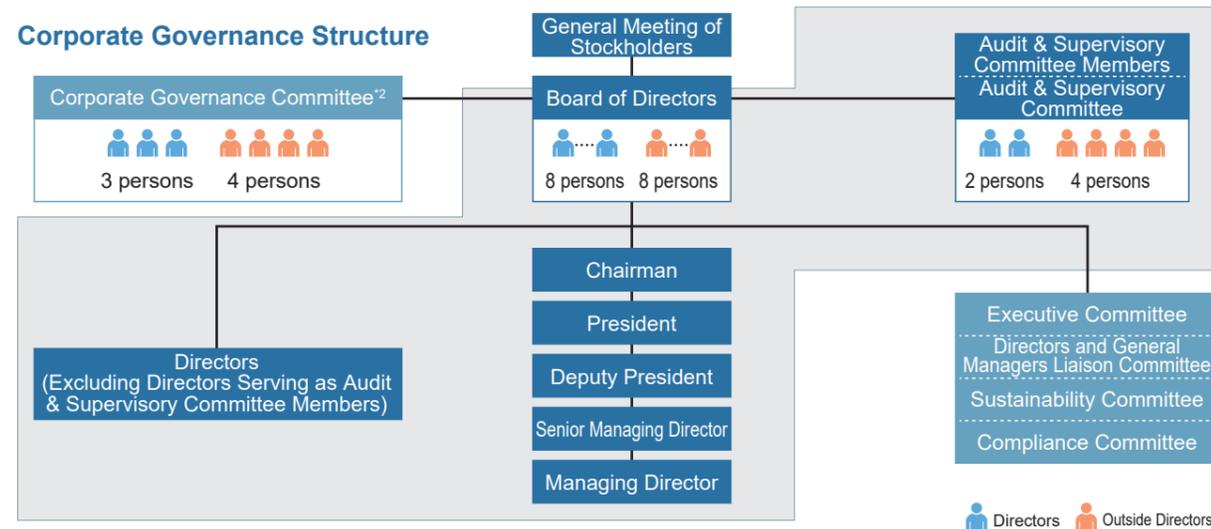
Director, Audit & Supervisory Committee Member (Outside Director)
Toshio Suzuki
 Apr. 1970 Joined Tohoku Electric Power Co. Inc.
 Jun. 2001 Deputy Director and General Manager, Human Resources Division, Tohoku Electric Power Co. Inc.
 Jun. 2005 Director and General Manager, Human Resources Division, 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 Daishi 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)

Basic stance toward corporate governance

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

Corporate Governance Structure



*1 A Deputy President has not been appointed.

*2 Corporate Governance Committee

The Corporate Governance Committee deliberates the following items and reports to the Board of Directors. The results of deliberations by the Corporate Governance Committee shall not restrict the right of the Audit & Supervisory Committee to state its opinions regarding the appointment and compensation, etc. of Directors (excluding Directors who are Audit & Supervisory Committee Members).

- a. Matters related to the nomination of Director candidates
- b. Matters related to the appointment/dismissal of Representative Directors
- c. Matters related to the compensation, etc. for Directors (excluding Directors who are Audit & Supervisory Committee Members)
- d. Matters related to the disciplinary actions on Directors and Executive Officers (including those pertaining to the preceding item)
- e. Matters related to the analysis and evaluation of the effectiveness of the Board of Directors, etc.
- f. Matters related to the commission or dismissal of Advisors
- g. Matters related to the compensation, etc. of Advisors
- h. Other matters related to enhancing corporate governance

Main members by organization

Title	Name	Board of Directors	Executive Committee	Corporate Governance Committee	Audit & Supervisory Committee	Sustainability Committee	Compliance Committee
(Representative Director) Chairman	Teruhiko Ujii	○(Chairperson)	○	○			
(Representative Director) President	Hidefumi Kobayashi	○	○(Chairperson)	○		○(Chairperson)	○(Chairperson)
(Representative Director) Senior Managing Director	Makoto Igarashi	○	○	○		○	○
Managing Director	Yoshikazu Onodera	○	○			○	○
Managing Director	Atsushi Kobayashi	○	○			○	○
Managing Director	Masanori Muranushi	○	○			○	○
Director	Ken Nakamura	○		○(Chairperson)			
Director	Emiko Okuyama	○		○			
Director	Seiichi Ohtaki	○		○			
Director	Shigenori Oyama	○		○			
Director, Audit & Supervisory Committee Member	Koichi Suzuki	○	△(*2)		○(Chairperson)	△(*2)	△(*2)
Director, Audit & Supervisory Committee Member	Kazuhiro Chida	○	△(*2)		○	△(*2)	△(*2)
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, General Planning & Coordination Div. General Manager, Risk Management Div. General Manager, Business Promotion Div. General Manager, Regional Development Promotion Div. General Manager, Personnel Div. General Manager, General Affairs Div.	General Manager, General Planning & Coordination Div. General Manager, Compliance Management Div. General Manager, Operations Management Div. General Manager, Audit & Inspection Div.

*1 Directors Ken Nakamura, Emiko Okuyama, Seiichi Ohtaki, Shigenori Oyama, Toshio Suzuki, Masai Yamaura, Yoko Ushio, and Akira Inukai are Outside Directors prescribed in Article 2, Item 15 of the Companies Act.
 *2 Standing Directors who are Audit & Supervisory Committee Members attend the Executive Committee, Sustainability Committee, and Compliance Committee, and state their opinions as necessary.
 *3 The Chairperson of the Audit & Supervisory Committee observes the Corporate Governance Committee.

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 FY2022 at its annual meeting on May 13, 2022.

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

Policy on training, etc. for Directors

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

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

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

Also, four digital-related seminars were held in FY2022.

Director Skill Matrix

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

		Experience-based knowledge of inside Directors							Sectors and knowledge areas expected of Outside Directors			
		Management strategy / New businesses	Compliance / Risk management	Human resource development	Sales / Regional revitalization	Company screening	International / Market investment	Digital / Administrative work	Corporate management	Finance / Economy	Legal / Compliance	Regional revitalization
1	Teruhiko Ujii	○	○	○	○	○	○	○				
2	Hidefumi Kobayashi	○	○	○	○	○	○	○				
3	Makoto Igarashi	○	○	○	○	○	○	○				
4	Yoshikazu Onodera	○	○	○	○	○	○	○				
5	Atsushi Kobayashi	○	○	○	○	○	○	○				
6	Masanori Muranushi	○	○	○	○	○	○	○				
7	Ken Nakamura										○	
8	Emiko Okuyama											○
9	Seiichi Ohtaki									○		○
10	Shigenori Oyama								○			○
11	Koichi Suzuki		○	○	○	○	○	○				
12	Kazuhiro Chida		○	○	○	○	○	○				
13	Toshio Suzuki									○		
14	Masai Yamaura									○		○
15	Yoko Ushio									○		
16	Akira Inukai									○		○

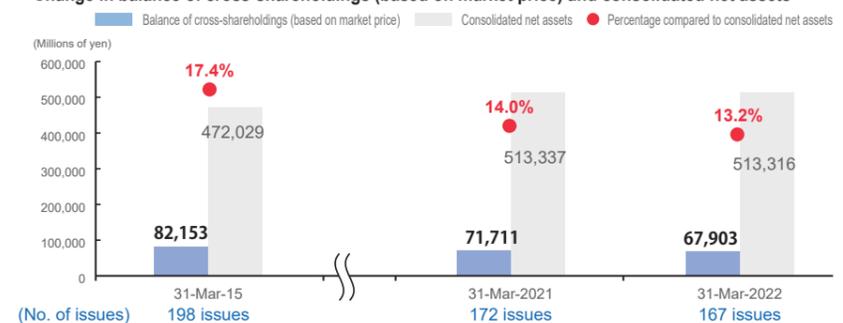
* The above chart is not an exhaustive representation of each Director's knowledge, etc.

Policy on Cross-shareholdings

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

With regard to cross-shareholdings, the Bank will make regular decisions on whether or not to hold particular shares by comprehensively examining their profitability based on the Bank's cost of capital, etc., as well as the medium- to long-term economic rationale for such holdings, future outlook, the purpose of holding, and other relevant factors.

Change in balance of cross-shareholdings (based on market price) and consolidated net assets



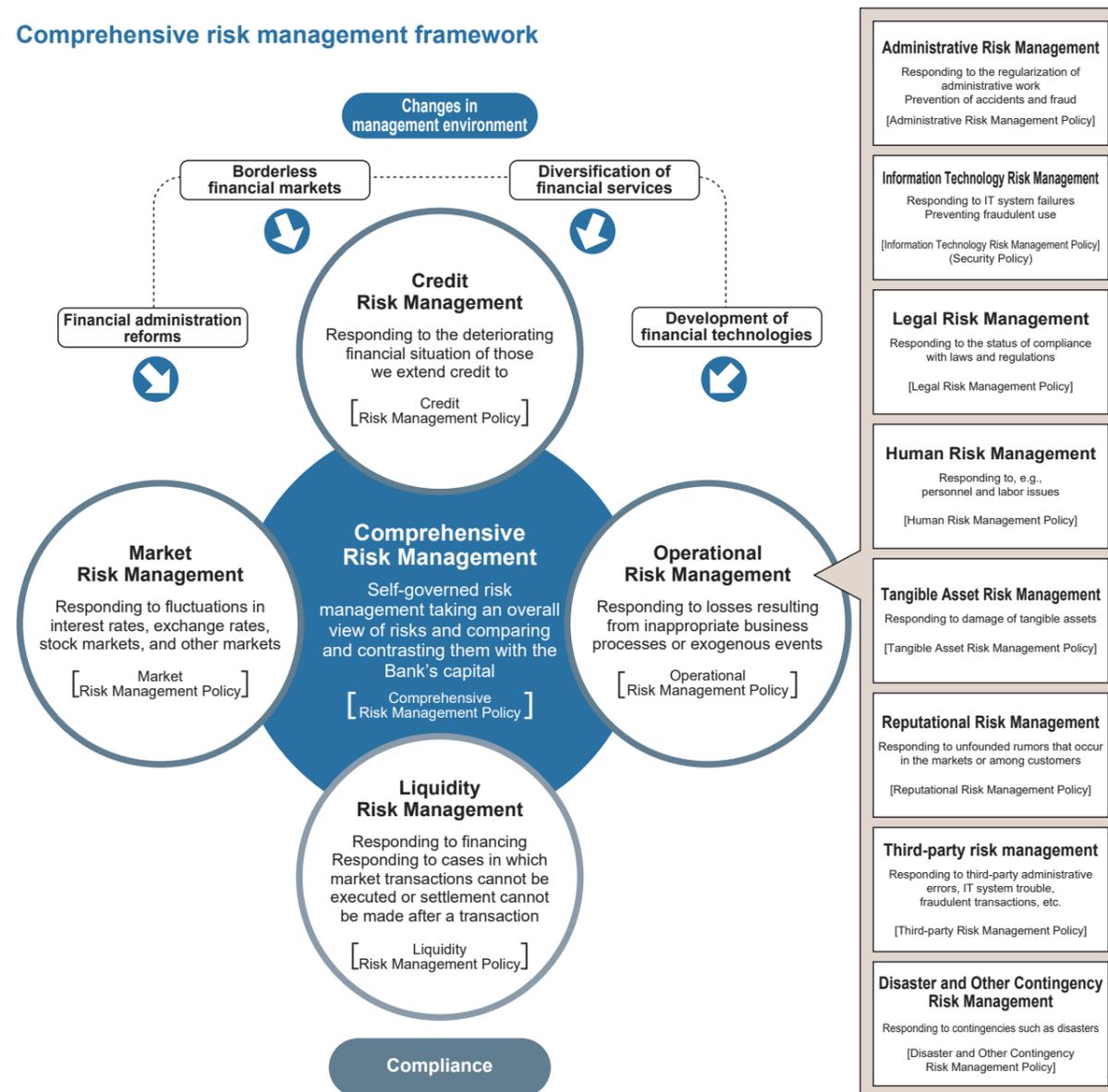
Strengthening risk management systems

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

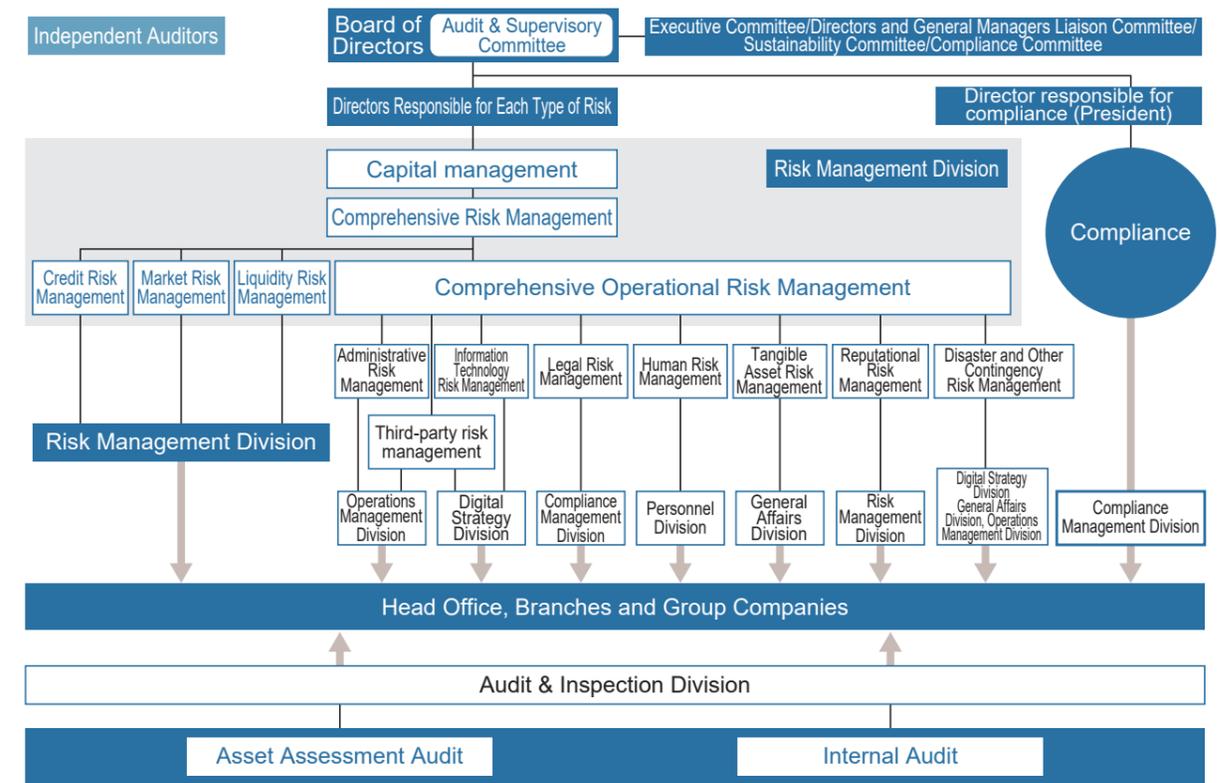
From the viewpoint of enhancing management soundness, the Bank has established a comprehensive risk management framework for self-governed risk management by taking an overall view of the risks it faces, evaluating each type of risk and comparing and contrasting it with its capital, as well as enhancing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

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

Comprehensive risk management framework



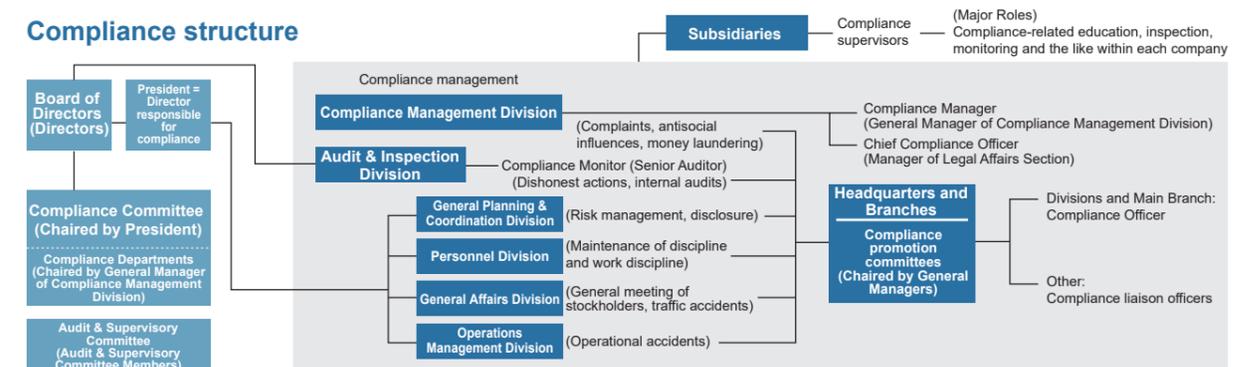
Risk management structure



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.

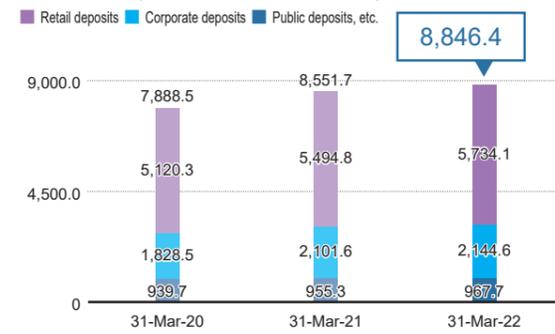
Compliance structure



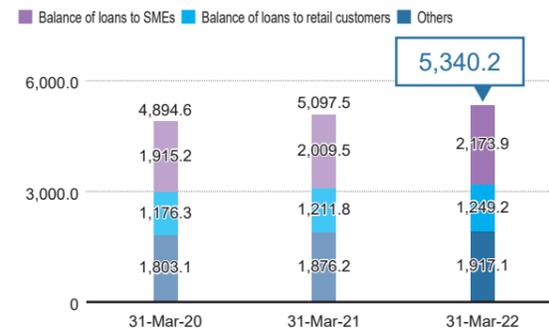
* Compliance officers and compliance liaisons maintain their independence in the performance of their duties related to compliance and do not follow the instructions of higher-ranking individuals.

Financial information

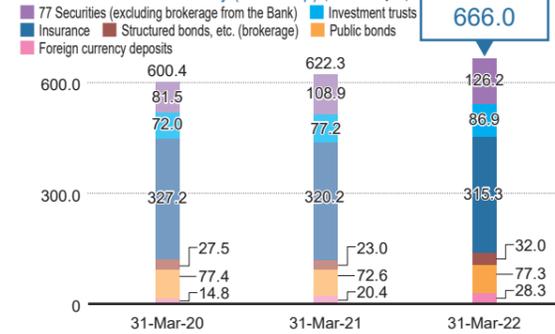
Balance of deposits and certificates of deposit (Billions of yen)



Balance of loans and bills discounted (Billions of yen)



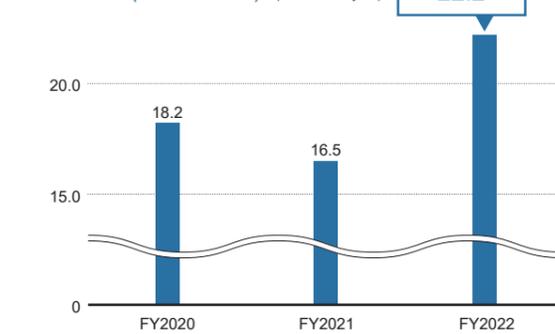
Balance of assets in custody (the Group) (Billions of yen)



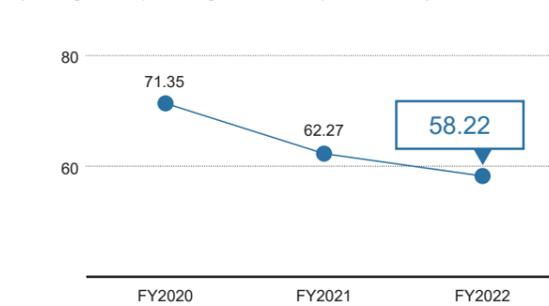
Securities balance (Billions of yen)



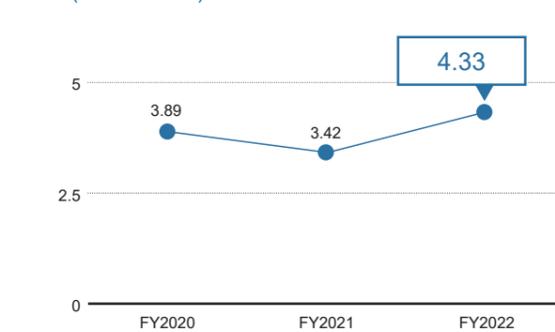
Net income (consolidated) (Billions of yen)



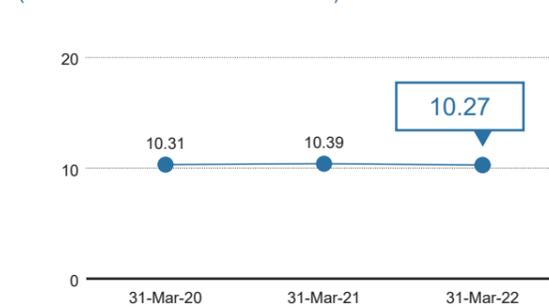
Core OHR (core gross operating income expense ratio) (%)



ROE (consolidated) (%)



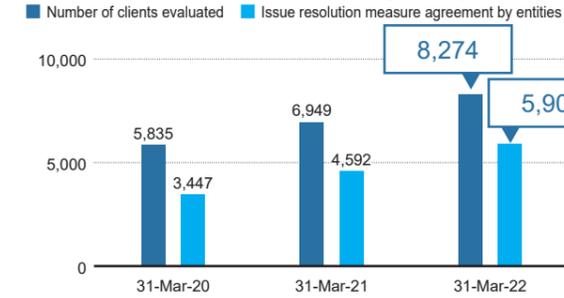
Capital adequacy ratio (domestic standards/consolidated) (%)



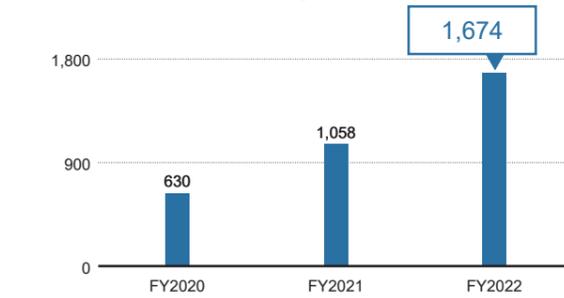
Non-financial information

Consulting

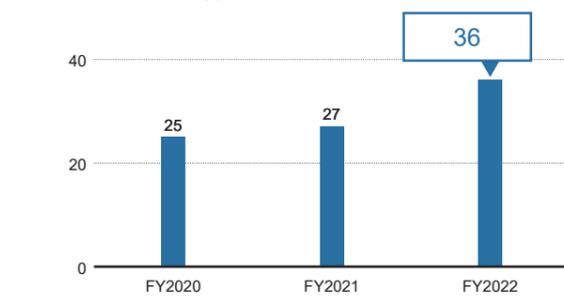
Number of clients evaluated/Issue resolution measure agreement by entities (Clients)



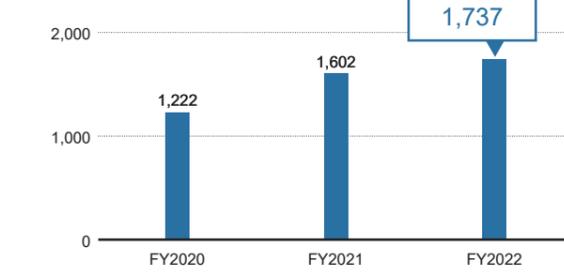
Number of business matching contracts closed (Cases)



Number of M&A support* clients (Clients)



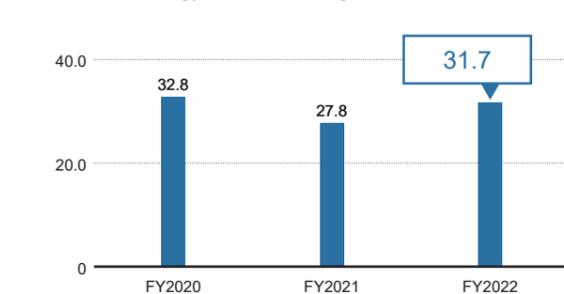
Number of business succession, inheritance, and asset succession support recipients (Cases)



* Entered into M&A advisory contract

Sustainability

Renewable energy-related funding (Billions of yen)



Sustainability-linked loans **9 cases / ¥7.1 billion**^{*1, *2, *3}

*1 Cumulative results from April 2018 through March 31, 2022.
 *2 Of which, an amount equivalent to ¥1.8 billion was USD-denominated. The Bank's middle rate as of March 31, 2022 (USD 1 = JPY 122.39) has been used for yen conversion.
 *3 Including bond repackaged loans backed by sustainability-linked bonds as the underlying asset.

External evaluation

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 2022)

2022 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)

*Notes on MSCI indexes and logos, etc. THE INCLUSION OF The 77 Bank, Ltd., IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF The 77 Bank, Ltd., BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

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



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



Certified "Eruboshi (Grade 3)," commending general business proprietors for promoting female participation, pursuant to the Act on Promotion of Women's Participation and Advancement in the Workplace



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 2,673

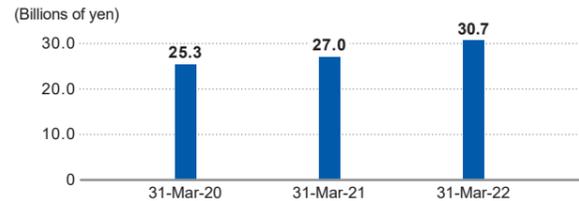
Number of Branches 143 (Head Office/Branches: 137, Sub-Branches: 6)
 Capital Adequacy Ratio (domestic standards) non-consolidated 10.01% / consolidated 10.27%
 Total Assets ¥10,666.0 billion
 Certificates of Deposits ¥8,846.4 billion
 Loans and Bills Discounted ¥5,340.2 billion

Group companies

77 Lease

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

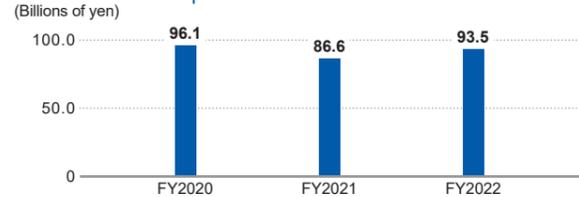
Balance of lease and installment claims



77 Card

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

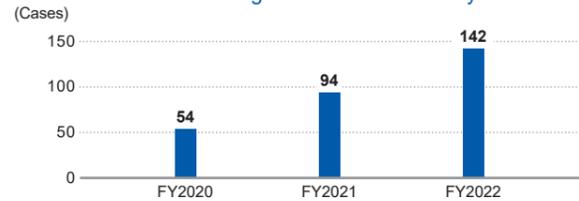
Total purchase transaction volume



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

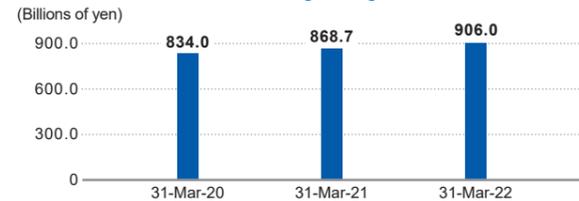


*As there were no investment results as of March 31, 2022 for 77 Partners, the information is not shown.

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.

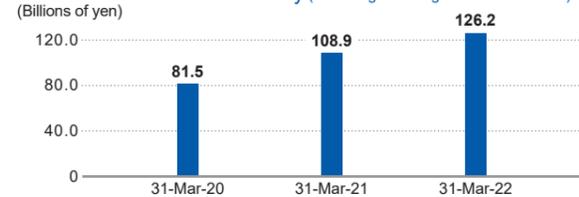
Balance of housing loan guarantees



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.

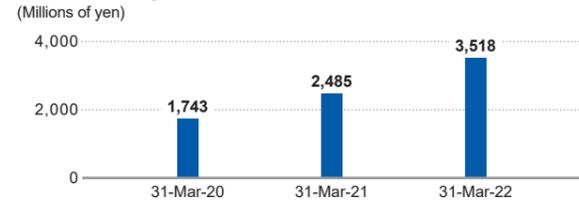
Balance of assets in custody (excluding brokerage from the 77 Bank)



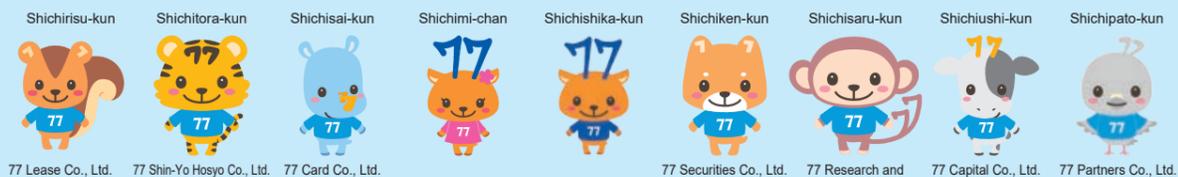
77 Capital

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

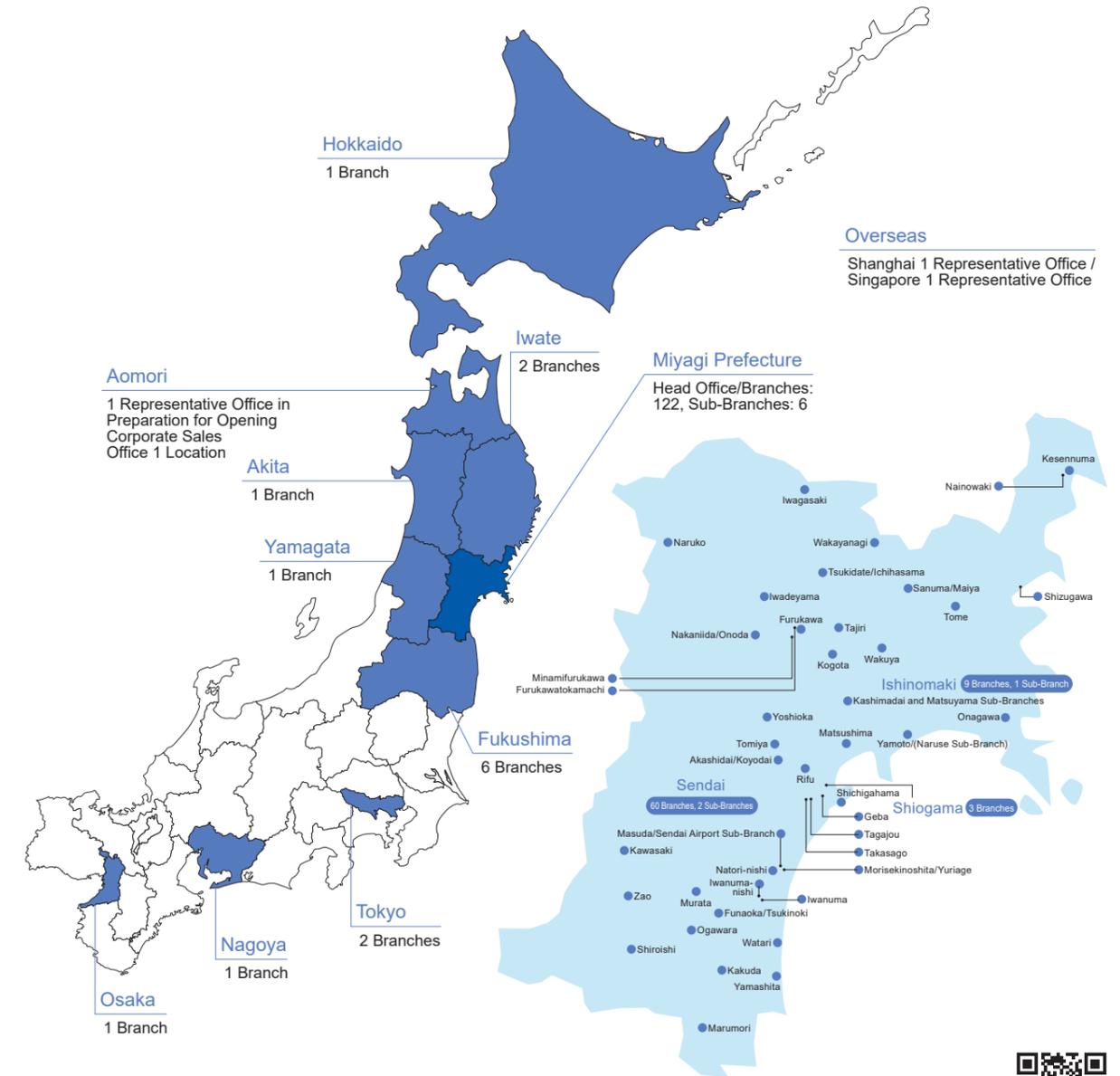


77 Bank Group characters



77 Lease Co., Ltd. 77 Shin-Yo Hosyo Co., Ltd. 77 Card Co., Ltd. 77 Securities Co., Ltd. 77 Research and Consulting Co., Ltd. 77 Capital Co., Ltd. 77 Partners Co., Ltd.

Service Network (As of July 31, 2022)



Overseas
 Shanghai 1 Representative Office / Singapore 1 Representative Office



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	21	690
Cities	14	14	109	19	598
[Of which, Sendai City]			[62]	[9]	[377]
Towns	20	17	19	2	91
Villages	1	—	—	—	1
Outside of Miyagi Prefecture			15	—	27
Within Tokyo			2	—	3
Other prefectures			13 ¹⁾	—	24
Total	35 municipalities	31 cities and towns	143 locations²⁾	21 locations	717 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 branches (143) includes one branch dedicated to money transfers, bringing the total number of branches to 121, taking into account 21 branches within branches.

— Consolidated Five-Year Summary —

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

	Millions of Yen				
	2022	2021	2020	2019	2018
For the fiscal year					
Net interest income	¥ 71,611	¥ 69,877	¥ 67,886	¥ 65,217	¥ 69,644
Net fees and commissions	13,669	11,553	11,458	11,345	10,963
Net other operating (loss) income	(3,976)	(8,117)	(2,186)	(3,104)	(7,869)
Net income attributable to owners of the parent	22,234	16,468	18,261	17,670	18,314
At the fiscal year-end					
Total assets	¥10,688,166	¥ 9,839,581	¥ 8,770,037	¥ 8,627,510	¥ 8,718,097
Deposits	8,819,743	8,527,481	7,865,991	7,872,834	7,946,100
Loans and bills discounted	5,329,342	5,088,570	4,886,221	4,718,942	4,621,062
Trading account securities and investment securities	3,142,683	3,127,169	2,922,506	2,978,130	3,146,865
Equity	513,316	513,337	447,436	489,077	490,737
Common stock	24,658	24,658	24,658	24,658	24,658

	Yen				
	2022	2021	2020	2019	2018
Per share of common stock					
Basic net income	¥ 300.81	¥ 222.89	¥ 246.97	¥ 237.90	¥ 246.87
Diluted net income					246.45
Equity	6,944.03	6,947.19	6,057.30	6,582.31	6,613.28
Cash dividends	67.50	50.00	50.00	47.50	45.00
Capital adequacy ratio (%)					
Domestic standard	10.27	10.39	10.31	10.38	10.43

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, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
ASSETS:			
Cash and due from banks (Notes 5 and 28)	¥ 1,968,005	¥1,371,871	\$16,079,785
Debt purchased	2,000	4,000	16,341
Trading account securities (Note 6)	20,361	20,627	166,361
Money held in trust (Notes 7 and 28)	106,816	108,901	872,751
Investment securities (Notes 6, 8, 12, 13, 28, 29 and 30)	3,122,322	3,106,542	25,511,250
Loans and bills discounted (Notes 8, 13, 14, 28, 29 and 30)	5,329,342	5,088,570	43,543,933
Foreign exchange assets (Notes 8 and 9)	7,038	5,865	57,504
Lease receivables and investments in leases (Notes 27 and 30)	20,523	19,637	167,685
Tangible fixed assets (Notes 10, 11 and 18):			
Buildings	7,850	7,880	64,139
Land	18,835	19,313	153,893
Lease assets	44	50	359
Construction in progress	163	259	1,331
Other tangible fixed assets	4,757	5,782	38,867
Intangible fixed assets:			
Software	49	84	400
Other intangible fixed assets	263	262	2,148
Deferred tax assets (Note 25)	915	984	7,476
Customers' liabilities for acceptances and guarantees (Notes 8, 12 and 30)	33,355	43,735	272,530
Other assets (Notes 8, 13 and 29)	108,636	96,568	887,621
Reserve for loan losses	(63,114)	(61,356)	(515,679)
TOTAL	¥10,688,166	¥9,839,581	\$87,328,752
LIABILITIES:			
Deposits (Notes 13, 15 and 28)	¥ 8,819,743	¥8,527,481	\$72,062,611
Call money and bills sold	29,128		237,993
Payables under securities lending transactions (Note 13)	1,251	25,869	10,221
Borrowed money (Notes 13, 16 and 28)	1,168,093	604,679	9,544,023
Foreign exchange liabilities (Note 9)	180	155	1,470
Liability for employees' retirement benefits (Note 17)	15,793	17,102	129,038
Reserve for stock-based benefits (Note 19)	893	817	7,296
Reserve for reimbursement of deposits	238	311	1,944
Reserve for contingent losses	789	804	6,446
Deferred tax liabilities (Note 25)	15,044	22,037	122,918
Acceptances and guarantees (Notes 12 and 30)	33,355	43,735	272,530
Other liabilities (Notes 18 and 29)	90,338	83,251	738,115
Total liabilities	10,174,850	9,326,243	83,134,651
EQUITY (Notes 19, 20 and 34):			
Common stock—authorized, 268,800,000 shares; issued, 76,655,746 shares in 2022 and 2021	24,658	24,658	201,470
Capital surplus	20,075	20,517	164,024
Retained earnings	392,541	374,218	3,207,296
Less: treasury stock—at cost, 2,733,838 shares and 2,764,422 shares in 2022 and 2021, respectively	(6,445)	(6,972)	(52,659)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 6)	87,425	106,557	714,314
Deferred losses on derivatives under hedge accounting (Note 29)	(134)	(375)	(1,094)
Defined retirement benefit plans (Note 17)	(4,805)	(5,265)	(39,259)
Total equity	513,316	513,337	4,194,100
TOTAL	¥10,688,166	¥9,839,581	\$87,328,752

See notes to consolidated financial statements.

— Consolidated Statement of Income —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 42,340	¥ 41,616	\$ 345,943
Interest and dividends on trading account and investment securities	28,223	29,186	230,598
Other	1,650	406	13,481
Fees and commissions (Notes 30 and 31)	19,162	17,977	156,565
Other operating income (Note 21)	14,389	13,990	117,566
Gains on sales of stocks and other securities	8,997	11,836	73,510
Gains on sales of money held in trust	2,803	3,798	22,902
Other income (Note 22)	601	1,163	4,910
Total income	118,169	119,976	965,511
EXPENSES:			
Interest expense:			
Interest on deposits	183	325	1,495
Interest on borrowings and rediscounts	105	272	857
Other	315	734	2,573
Fees and commissions	5,492	6,424	44,872
Other operating expenses (Note 23)	18,365	22,107	150,053
General and administrative expenses	54,075	55,104	441,825
Provision for reserve for loan losses	4,147	7,126	33,883
Other expenses (Notes 11 and 24)	3,034	3,057	24,789
Total expenses	85,718	95,152	700,367
INCOME BEFORE INCOME TAXES	32,450	24,823	265,136
INCOME TAXES (Note 25):			
Current	9,890	5,758	80,807
Deferred	325	2,595	2,655
Total income taxes	10,215	8,354	83,462
NET INCOME	22,234	16,468	181,665
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 22,234	¥ 16,468	\$ 181,665

	Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 33):		
Basic net income	¥300.81	\$2.45
Cash dividends applicable to the year	¥67.50	\$0.55

See notes to consolidated financial statements.

— Consolidated Statement of Comprehensive Income —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET INCOME	¥ 22,234	¥ 16,468	\$ 181,665
OTHER COMPREHENSIVE (LOSS) INCOME (Note 26):			
Unrealized (losses) gains on available-for-sale securities	(19,131)	50,350	(156,311)
Deferred gains on derivatives under hedge accounting	241	450	1,969
Defined retirement benefit plans	459	2,276	3,750
Total other comprehensive (loss) income	(18,431)	53,077	(150,592)
COMPREHENSIVE INCOME	¥ 3,803	¥ 69,546	\$ 31,072
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO—			
Owners of the parent	¥ 3,803	¥ 69,546	\$ 31,072

See notes to consolidated financial statements.

— Consolidated Statement of Changes in Equity —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2022

	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, 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
Net income attributable to owners of the parent				22,234					22,234
Cash dividends, ¥52.50 per share				(3,911)					(3,911)
Purchase of treasury stock	(448)				(515)				(515)
Sales of treasury stock	478		(441)		1,042				601
Net change in the year						(19,131)	241	459	(18,431)
BALANCE, MARCH 31, 2022	73,922	¥24,658	¥20,075	¥392,541	¥(6,445)	¥ 87,425	¥(134)	¥(4,805)	¥513,316

	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, 2021	\$201,470	\$167,636	\$3,057,586	\$(56,965)	\$870,634	\$(3,063)	\$(43,018)	\$4,194,272
Net income attributable to owners of the parent			181,665					181,665
Cash dividends, \$0.42 per share			(31,955)					(31,955)
Purchase of treasury stock				(4,207)				(4,207)
Sales of treasury stock		(3,603)		8,513				4,910
Net change in the year					(156,311)	1,969	3,750	(150,592)
BALANCE, MARCH 31, 2022	\$201,470	\$164,024	\$3,207,296	\$(52,659)	\$714,314	\$(1,094)	\$(39,259)	\$4,194,100

See notes to consolidated financial statements.

— Consolidated Statement of Cash Flows —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	(Note 1) 2022
OPERATING ACTIVITIES:			
Income before income taxes	¥ 32,450	¥ 24,823	\$ 265,136
Adjustments for:			
Income taxes—paid	(4,517)	(9,597)	(36,906)
Depreciation and amortization	3,397	3,300	27,755
Losses on impairment of fixed assets	547	292	4,469
Net change in reserve for loan losses	1,758	(1,864)	14,363
Net change in reserve for reimbursement of deposits	(73)	(26)	(596)
Net change in reserve for contingent losses	(14)	(56)	(114)
Net change in reserve for stock-based benefits	75	82	612
Net change in liability for employees' retirement benefits	(648)	(5,166)	(5,294)
Interest income	(72,214)	(71,209)	(590,031)
Interest expense	603	1,332	4,926
Losses on investment securities—net	1,469	1,989	12,002
Gains on money held in trust—net	(2,803)	(3,073)	(22,902)
Foreign exchange gains—net	(10,951)	(3,683)	(89,476)
Losses on sales and disposals of fixed assets—net	182	71	1,487
Net change in loans and bills discounted	(240,772)	(202,349)	(1,967,252)
Net change in deposits	292,262	661,489	2,387,956
Net change in borrowed money (except for subordinated loans)	563,414	318,777	4,603,431
Net change in due from banks (except for the Bank of Japan)	(7,502)	4,817	(61,295)
Net change in call loans and bills bought	2,000	429	16,341
Net change in call money and bills sold	29,128	(8,706)	237,993
Net change in payables under securities lending transactions	(24,618)	13,883	(201,143)
Net change in trading account securities	265	(1,753)	2,165
Net change in foreign exchange assets	(1,172)	3,662	(9,575)
Net change in foreign exchange liabilities	25	38	204
Net change in lease receivables and investments in leases	(885)	(376)	(7,230)
Interest received	74,776	74,748	610,964
Interest paid	(675)	(1,714)	(5,515)
Other—net	(1,527)	4,245	(12,476)
Total adjustments	601,529	779,584	4,914,854
Net cash provided by operating activities—(Forward)	¥ 633,980	¥ 804,407	\$ 5,179,998
INVESTING ACTIVITIES:			
Purchases of investment securities	(687,670)	(811,155)	(5,618,677)
Proceeds from sales of investment securities	281,670	149,314	2,301,413
Proceeds from maturity of investment securities	364,645	511,793	2,979,369
Increase in money held in trust		(20,000)	
Proceeds from dispositions of money held in trust	2,304	3,510	18,825
Purchases of tangible fixed assets	(2,377)	(4,625)	(19,421)
Proceeds from sales of tangible fixed assets	79	41	645
Purchases of intangible fixed assets	(3)		(24)
Payment for execution of asset retirement obligations	(119)		(972)
Net cash used in investing activities	(41,470)	(171,121)	(338,834)
FINANCING ACTIVITIES:			
Purchases of treasury stock	(515)	(2)	(4,207)
Proceeds from sales of treasury stock	513		4,191
Dividends paid	(3,904)	(3,716)	(31,898)
Net cash used in financing activities	(3,906)	(3,718)	(31,914)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	27	16	220
NET INCREASE IN CASH AND CASH EQUIVALENTS	588,630	629,584	4,809,461
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,366,991	737,406	11,169,139
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 5)	¥1,955,622	¥1,366,991	\$15,978,609

See notes to consolidated financial statements.

— Notes to Consolidated Financial Statements —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2022

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 2021 consolidated financial statements to conform to the classifications used in 2022.

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 ¥122.39 to U.S.\$1, the approximate rate of exchange as of March 31, 2022. 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 six (five in 2021) consolidated subsidiaries as of March 31, 2022.

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

77 Partners Co., Ltd. has been included in the scope of consolidation from the fiscal year ended March 31, 2022, since it was newly incorporated.

Unconsolidated Subsidiaries

77 Capital Co., Ltd.
77 New Business Investment Limited Partnership
77 Strategic Investment Limited Partnership
77 Capital Investment Limited Partnership 2
77 Strategic Investment Limited Partnership 2
77 Partners Investment Limited Partnership 1
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 Strategic Investment Limited Partnership 2 and 77 Partners Investment Limited Partnership 1 have been included in unconsolidated subsidiaries from the fiscal year ended March 31, 2022, since they were 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
77 Strategic Investment Limited Partnership 2
77 Partners Investment Limited Partnership 1

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 Strategic Investment Limited Partnership 2 and 77 Partners Investment Limited Partnership 1 have been included in unconsolidated subsidiaries not accounted for by the equity method from the fiscal year ended March 31, 2022, since they were 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; however, equity securities, etc. which do not have a market price are reported at cost determined by the moving-average method.

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.

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.p).

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 rate 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 rate 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 April 14, 2022), 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. Accounting for Significant Revenue and Expenses—On March 31, 2020, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition." The Bank has applied this standard and recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods and services.

p. 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.

q. 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.

r. 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.

s. 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Reserve for Loan Losses

Loans and bills discounted and related items constitute a relatively large portion of the total assets in the consolidated balance sheet, and recording of reserve for loan losses has a significant impact on the financial position and results of operations. Therefore, the Bank considers reserve for loan losses as a significant accounting estimate.

(1) Amount recorded in the consolidated financial statements as of March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Reserve for loan losses	¥63,114	¥61,356	\$515,679

(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 fulfilment.

In addition, although the Bank presumed as at March 31, 2021, that the economic downturn would continue for the time being due to the impact of COVID-19, considering the ongoing resurgence of COVID-19 within and outside Japan, the Bank has made an updated assumption as at March 31, 2022, that the weak economic trend will be prolonged and continue for a certain period of time. Based on such assumption, with respect to debtors of certain COVID-19-related restructured loans, the loss rate is deemed to be equivalent to that of debtors who are downgraded in classification in terms of higher uncertainties about future projection and other factors, and a reserve for loan losses is recorded accordingly.

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 stricter restrictions on economic activities associated with further expansion of the COVID-19 pandemic.

4. ACCOUNTING CHANGES

Adoption of Accounting Standard for Revenue Recognition, Etc.

The Bank has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the year ended March 31, 2022. The Bank recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods and services. The impact of this change on the consolidated financial statements is immaterial.

In accordance with the transitional treatment set forth in paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the previous fiscal year are not presented.

Adoption of Accounting Standard for Fair Value Measurement, Etc.

The Bank has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the year ended March 31, 2022, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

In addition, the Bank will include notes on financial instruments categorized by fair value hierarchy in the

notes on financial instruments. However, in accordance with the transitional treatment provided in paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the previous fiscal year are not presented.

5. 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, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Cash and due from banks	¥1,968,005	¥1,371,871	\$16,079,785
Due from banks, excluding due from the Bank of Japan	(12,383)	(4,880)	(101,176)
Cash and cash equivalents at the end of year	¥1,955,622	¥1,366,991	\$15,978,609

6. TRADING ACCOUNT SECURITIES AND INVESTMENT SECURITIES

Trading account securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
National government bonds	¥ 218	¥ 229	\$ 1,781
Local government bonds	14,142	14,396	115,548
Other securities	6,000	6,001	49,023
Total	¥20,361	¥20,627	\$166,361

Investment securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
National government bonds	¥ 280,274	¥ 274,404	\$ 2,290,007
Local government bonds	965,438	909,175	7,888,209
Corporate bonds	940,517	1,023,345	7,684,590
Equity securities	141,131	137,884	1,153,125
Other securities	794,960	761,732	6,495,301
Total	¥3,122,322	¥3,106,542	\$25,511,250

Investment in an unconsolidated subsidiary in the amount of ¥25 million (\$204 thousand) and ¥25 million and investment in interest in partnership in the amount of ¥4,533 million (\$37,037 thousand) and ¥3,580 million are included in the above equity securities and other securities as of March 31, 2022 and 2021, respectively.

The carrying amounts and aggregate fair values of securities as of March 31, 2022 and 2021, 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				¥ 20,361
Available-for-sale:				
Equity securities	¥ 61,205	¥79,295	¥ 2,078	138,422
Debt securities	2,196,869	4,007	15,658	2,185,218
Other securities	732,800	65,191	11,128	786,863
Held to maturity	1,012		6	1,005

	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

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				\$ 166,361
Available-for-sale:				
Equity securities	\$ 500,081	\$647,887	\$ 16,978	1,130,991
Debt securities	17,949,742	32,739	127,935	17,854,546
Other securities	5,987,417	532,649	90,922	6,429,144
Held to maturity	8,268		49	8,211

Securities, other than trading account securities, with readily determinable fair value (excluding equity securities, etc. and investment in partnerships which do not have a market price), 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 ¥518 million (\$4,232 thousand), consisting of ¥499 million (\$4,077 thousand) of equity securities and ¥19 million (\$155 thousand) of other securities, and ¥119 million, consisting of ¥119 million of other securities for the years ended March 31, 2022 and 2021, 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:

- Normal issuers: 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).
- Caution issuers: Fair value declined by 30% or more of the acquisition cost.
- Legally bankrupt, virtually bankrupt, and possibly bankrupt issuers: Fair value is lower than the acquisition cost.

Caution issuers represent debtors who require careful management going forward and normal issuers represent debtors other than legally bankrupt, virtually bankrupt, possibly bankrupt, and caution issuers.

Proceeds from sales of available for sale securities for the years ended March 31, 2022 and 2021, were ¥289,989 million (\$2,369,384 thousand) and ¥149,876 million, respectively. Gross realized gains and losses on these sales, computed on a moving average cost basis, were ¥9,440 million (\$77,130 thousand) and ¥3,198 million (\$26,129 thousand), respectively, for the year ended March 31, 2022, and ¥12,241 million and ¥1,203 million, respectively, for the year ended March 31, 2021.

Unrealized gains on available-for-sale securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Valuation differences:			
Available-for-sale securities	¥119,383	¥143,486	\$ 975,430
Available-for-sale money held in trust	5,329	7,913	43,541
Deferred tax liabilities	(37,287)	(44,841)	(304,657)
Unrealized gains on available-for-sale securities	¥ 87,425	¥106,557	\$ 714,314

7. MONEY HELD IN TRUST

The carrying amounts and aggregate fair values of money held in trust as of March 31, 2022 and 2021, were as follows:

	Millions of Yen			
	2022			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥ 79,905
Available-for-sale	¥21,581	¥5,329		26,910
Total	¥21,581	¥5,329		¥106,816

	Millions of Yen			
	2021			
	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

	Thousands of U.S. Dollars			
	2022			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				\$652,871
Available-for-sale	\$176,329	\$43,541		219,870
Total	\$176,329	\$43,541		\$872,751

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, 2022 and 2021.

8. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Bills discounted	¥ 7,359	¥ 6,321	\$ 60,127
Loans on bills	121,235	112,595	990,562
Loans on deeds	4,584,079	4,369,410	37,454,685
Overdrafts	616,668	600,242	5,038,548
Total	¥5,329,342	¥5,088,570	\$43,543,933

Bills Discounted

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 ¥7,359 million (\$60,127 thousand) and ¥6,321 million as of March 31, 2022 and 2021, respectively.

Non-performing Loans

Loans based on the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows:

Loans are comprised of corporate bonds included in "Investment securities" in the consolidated balance sheet (limited to those for which redemption of the principal and payment of interest is guaranteed in whole or in part and those issued through private placement of securities (as provided by paragraph 3 of Article 2 of the Financial Instruments and Exchange Act)); loans and bills discounted; foreign exchange assets; accrued interest and suspense payments included in "Other assets," items recorded in the accounts of customers' liabilities for acceptances and guarantees; and securities used in securities lending transactions, if such transactions are performed as described in the accompanying note (limited to those under a loan-for-use or lease contract).

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Loans to bankrupt and quasi-bankrupt borrowers	¥ 12,007	¥ 14,920	\$ 98,104
Doubtful loans	66,981	63,031	547,275
Substandard loans	32,334	34,509	264,188
Delinquent loans past due three months or more	958	1,032	7,827
Restructured loans	31,376	33,476	256,360
Sub-total	111,323	112,461	909,575
Normal loans	5,309,021	5,067,126	43,377,898
Total	¥5,420,344	¥5,179,588	\$44,287,474

Loans to bankrupt and quasi-bankrupt borrowers are loans to borrowers who have fallen into bankruptcy due to initiation of bankruptcy proceedings, reorganization proceedings, petition for commencement of rehabilitation proceedings, or other reasons, and similar loans.

Doubtful loans are loans for which the borrower has not yet entered into bankruptcy, but the financial condition and business performance of the borrower have deteriorated and it is highly probable that the principal cannot be collected and interest cannot be received as agreed, and those that do not fall under loans to bankrupt and quasi-bankrupt borrowers.

Delinquent loans past due three months or more are loans with principal or interest unpaid for three months or more from the day after the agreed-upon payment date, and those that do not fall under loans to bankrupt and quasi-bankrupt borrowers or doubtful loans.

Restructured loans are loans that provide certain concessions favorable to the borrowers with the intent of facilitating the borrowers' restructuring or otherwise supporting them, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers. Restructured loans exclude loans to bankrupt and quasi-bankrupt borrowers, doubtful loans, and delinquent loans past due three months or more.

Normal loans are those that do not contain any problem with the borrowers' financial conditions or business performance, and are not classified in any of the above categories.

The amounts of above loans are before deducting reserve for loan losses.

(Change in Presentation Method)

In accordance with the "Cabinet Office Order to Amend the Ordinance for Enforcement of the Banking Act" (Cabinet Office Ordinance No. 3, January 24, 2020), which came into effect on March 31, 2022, the classification, etc. of risk-monitored loans under the Banking Act is presented in line with the classification, etc. of disclosed loans under the Act on Emergency Measures for the Revitalization of the Financial Functions.

9. FOREIGN EXCHANGES

Foreign exchange assets and liabilities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Assets			
Due from foreign correspondent accounts	¥7,038	¥5,865	\$57,504
Total	¥7,038	¥5,865	\$57,504
Liabilities			
Foreign exchange bills sold	¥ 23	¥ 12	\$ 187
Foreign exchange bills payable	156	142	1,274
Total	¥180	¥155	\$1,470

10. TANGIBLE FIXED ASSETS

The accumulated depreciation of tangible fixed assets as of March 31, 2022 and 2021, amounted to ¥83,050 million (\$678,568 thousand) and ¥86,972 million, respectively.

As of March 31, 2022 and 2021, deferred gains for tax purposes of ¥7,550 million (\$61,688 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.

11. LONG-LIVED ASSETS

The Bank recognized impairment losses of ¥547 million (\$4,469 thousand) and ¥292 million on certain operating branches, business premises, branches to be closed, and unused facilities for the years ended March 31, 2022 and 2021, respectively.

The impairment losses were composed of ¥55 million (\$449 thousand) on buildings, ¥462 million (\$3,774 thousand) on land and ¥29 million (\$236 thousand) on other fixed assets for the year ended March 31, 2022, and ¥107 million on buildings, ¥2 million on land and ¥182 million on other fixed assets for the year ended March 31, 2021.

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 9.7% and 6.6% for the years ended March 31, 2022 and 2021, respectively, and the net selling price was determined by quotation from a third-party vendor.

12. 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, 2022 and 2021, was ¥45,855 million (\$374,662 thousand) and ¥37,079 million, respectively.

13. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Assets pledged as collateral:			
Investment securities	¥1,015,504	¥977,812	\$8,297,279
Loans and bills discounted	535,953		4,379,058
Other assets	144	144	1,176
Relevant liabilities to above assets:			
Deposits	52,813	51,968	431,514
Payables under securities lending transactions	1,251	25,869	10,221
Borrowed money	1,157,847	596,235	9,460,307

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 U.S. Dollars
	2022	2021	2022
Investment securities		¥ 100	
Other assets	¥50,100	50,000	\$409,347
Of which:			
Cash collateral paid for financial instruments	11,668	9,375	95,334
Guarantee deposits for leased tangible fixed assets	93	93	759

14. 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, 2022, the unused amount of such contracts totaled ¥1,700,172 million (\$13,891,429 thousand), of which amounts with original agreement terms of less than one year were ¥1,578,213 million (\$12,894,950 thousand). As of March 31, 2021, the unused amount of such contracts totaled ¥1,671,011 million, of which amounts with original agreement terms of less than one year were ¥1,551,636 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.

15. DEPOSITS

Deposits as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Current deposits	¥ 251,572	¥ 240,917	\$ 2,055,494
Ordinary deposits	6,034,989	5,748,476	49,309,494
Deposits at notice	12,644	13,538	103,309
Time deposits	2,056,221	2,077,491	16,800,563
Negotiable certificates of deposit	212,820	211,460	1,738,867
Other deposits	251,495	235,597	2,054,865
Total	¥8,819,743	¥8,527,481	\$72,062,611

16. BORROWED MONEY

As of March 31, 2022 and 2021, the weighted-average annual interest rates applicable to borrowed money were 0.004% and 0.006%, respectively.

Borrowed money consisted of borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2022, were as follows:

Year Ending March 31	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
2023	¥ 870,271		\$7,110,638
2024	154,735		1,264,278
2025	1,486		12,141
2026	140,667		1,149,334
2027	283		2,312
2028 and thereafter	648		5,294
Total	¥1,168,093		\$9,544,023

17. 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 as defined benefit plans and defined contribution pension plans as defined contribution plans. For lump-sum retirement payment plans, the Bank calculates 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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥69,749	¥69,248	\$569,891
Service cost	1,666	1,658	13,612
Interest cost	445	440	3,635
Actuarial losses	604	1,989	4,935
Benefits paid	(3,418)	(3,768)	(27,927)
Others	177	180	1,446
Balance at end of year	¥69,225	¥69,749	\$565,609

(2) The changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥52,647	¥43,708	\$430,157
Expected return on plan assets	1,473	1,383	12,035
Actuarial (losses) gains	(70)	3,640	(571)
Contributions from the employer	1,234	5,760	10,082
Benefits paid	(2,030)	(2,026)	(16,586)
Others	177	180	1,446
Balance at end of year	¥53,431	¥52,647	\$436,563

(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, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded projected benefit obligations	¥ 69,057	¥ 69,602	\$ 564,237
Plan assets	(53,431)	(52,647)	(436,563)
Total	15,625	16,955	127,665
Unfunded projected benefit obligations	168	147	1,372
Net liability arising from projected benefit obligations	¥ 15,793	¥ 17,102	\$ 129,038

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Liability for employees' retirement benefits	¥15,793	¥17,102	\$129,038
Asset for employees' retirement benefits			
Net liability arising from projected benefit obligations	¥15,793	¥17,102	\$129,038

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥ 1,666	¥ 1,658	\$ 13,612
Interest cost	445	440	3,635
Expected return on plan assets	(1,473)	(1,383)	(12,035)
Recognized actuarial losses	1,335	1,619	10,907
Net periodic retirement benefit costs	¥ 1,973	¥ 2,335	\$ 16,120

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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Actuarial gains	¥660	¥3,270	\$5,392
Total	¥660	¥3,270	\$5,392

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized actuarial losses	¥6,904	¥7,565	\$56,409
Total	¥6,904	¥7,565	\$56,409

(7) Plan assets as of March 31, 2022 and 2021

a. Components of plan assets

Plan assets consisted of the following:

	2022	2021
Debt investments	42%	41%
Equity investments	28	33
Cash and cash equivalents	1	1
Life insurance company accounts (general accounts)	20	20
Call loans, etc.	9	5
Others	0	0
Total	100%	100%

Note: Total plan assets as of March 31, 2022 and 2021, include retirement benefit trust established under lump-sum payment plans by 20%.

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 that 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, 2022 and 2021, were set forth as follows:

	2022	2021
Discount rate	0.6%	0.6%
Long-term expected rate of return on plan assets	2.8	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 and its consolidated subsidiaries was ¥266 million (\$2,173 thousand) and ¥263 million for the years ended March 31, 2022 and 2021, respectively.

18. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations which were recognized on the consolidated balance sheet as of March 31, 2022 and 2021, 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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥667	¥661	\$5,449
Increase due to acquisition of tangible assets	12		98
Reconciliation associated with passage of time	5	5	40
Decrease due to execution of asset retirement obligations	(62)		(506)
Other	(12)		(98)
Balance at end of year	¥610	¥667	\$4,984

19. 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 ¥1,444 million (\$11,798 thousand) and ¥1,019 million and the number of shares was 786 thousand shares and 371 thousand shares as of March 31, 2022 and 2021, respectively.

20. 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.

21. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Gain on sales and redemption of bonds and other securities	¥ 442	¥ 404	\$ 3,611
Lease receipts	7,714	7,363	63,028
Other	6,232	6,222	50,919
Total	¥14,389	¥13,990	\$117,566

22. OTHER INCOME

Other income for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Gains on sales of tangible fixed assets	¥ 44	¥ 29	\$ 359
Other	556	1,133	4,542
Total	¥601	¥1,163	\$4,910

23. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Losses on sales, redemption and devaluation of bonds and other securities	¥ 9,316	¥13,137	\$ 76,117
Lease costs	7,086	6,754	57,896
Other	1,962	2,216	16,030
Total	¥18,365	¥22,107	\$150,053

24. OTHER EXPENSES

Other expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Bad debt losses	¥ 32	¥ 58	\$ 261
Losses on dispositions of money held in trust	112	856	915
Losses on sales of loans	56	249	457
Losses on impairments and disposals of fixed assets	775	393	6,332
Provision for reserve for reimbursement of deposits	81	126	661
Other	1,976	1,373	16,145
Total	¥3,034	¥3,057	\$24,789

25. 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, 2022 and 2021.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Reserve for loan losses	¥ 15,720	¥ 15,396	\$ 128,441
Liability for employees' retirement benefits	7,817	8,183	63,869
Fixed assets (depreciation)	4,960	5,139	40,526
Losses on devaluation of investment securities	2,921	3,039	23,866
Other	6,033	5,916	49,293
Less valuation allowance (see Note below)	(13,952)	(13,571)	(113,996)
Total	23,501	24,104	192,017
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	37,287	44,841	304,657
Fixed assets (deferred gain on sales and replacements)	291	300	2,377
Other	52	15	424
Total	37,631	45,157	307,467
Net deferred tax liabilities	¥(14,129)	¥(21,053)	\$(115,442)

Note: Valuation allowance for the fiscal year ended March 31, 2021, increased by ¥817 million. This increase was mainly due to an increase of ¥886 million 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, 2022, 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%

26. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Unrealized (losses) gains on available-for-sale securities:			
(Loss) gain arising during the year	¥(26,875)	¥ 72,116	\$(219,584)
Reclassification adjustment to profit or loss	188	(326)	1,536
Amount before income tax effect	(26,686)	71,790	(218,040)
Income tax effect	7,554	(21,440)	61,720
Total	¥(19,131)	¥ 50,350	\$(156,311)
Deferred gains on derivatives under hedge accounting:			
Gain (loss) arising during the year	¥ 49	¥ (53)	\$ 400
Reclassification adjustment to profit or loss	296	701	2,418
Amount before income tax effect	346	647	2,827
Income tax effect	(105)	(196)	(857)
Total	¥ 241	¥ 450	\$ 1,969
Defined retirement benefit plans:			
(Loss) gain arising during the year	¥ (675)	¥ 1,650	\$ (5,515)
Reclassification adjustment to profit or loss	1,335	1,619	10,907
Amount before income tax effect	660	3,270	5,392
Income tax effect	(200)	(994)	(1,634)
Total	¥ 459	¥ 2,276	\$ 3,750
Total other comprehensive (loss) income	¥(18,431)	¥ 53,077	\$(150,592)

27. LEASES

Finance Leases

Lessor

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

The net investments in leases as of March 31, 2022 and 2021, are summarized as follows:

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Gross lease receivables	¥20,124	¥19,739	\$164,425
Estimated residual values	1,660	1,549	13,563
Unearned interest income	(1,836)	(1,856)	(15,001)
Investments in leases	¥19,948	¥19,433	\$162,987

Maturities of lease receivables for finance leases as of March 31, 2022, are as follows:

Year Ending March 31	Millions of Yen	Thousands of
		U.S. Dollars
2023	¥115	\$ 939
2024	101	825
2025	92	751
2026	82	669
2027	74	604
2028 and thereafter	165	1,348
Total	¥632	\$5,163

Maturities of investment in leases for finance leases as of March 31, 2022, are as follows:

Year Ending March 31	Millions of Yen	Thousands of
		U.S. Dollars
2023	¥ 6,360	\$ 51,965
2024	5,112	41,768
2025	3,723	30,419
2026	2,499	20,418
2027	1,252	10,229
2028 and thereafter	1,175	9,600
Total	¥20,124	\$164,425

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Status of Financial Instruments

(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" from the viewpoint of carrying out appropriate screening and management based on the risk characteristics of the credit recipient.

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, 2022, amounts to ¥91,521 million (\$747,781 thousand) (¥107,453 million in 2021) 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

Since certain assumptions are used in calculating the fair values of financial instruments, the outcome of such calculation may vary if different assumptions are used.

b. Fair Values of Financial Instruments

The carrying amount, fair value, and unrealized gain/loss of the financial instruments as of March 31, 2022 and 2021, are disclosed below. Note that equity securities, etc. and investment in partnerships which do not have a market price are not included in the following table (see Note 1 below). Notes on cash and due from banks are omitted because they are settled in a short period of time and their carrying amounts approximate fair value. Also, immaterial accounts in terms of the carrying amount are omitted:

March 31, 2022	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Money held in trust	¥ 106,816	¥ 106,816	
(2) Investment securities	3,111,516	3,111,510	¥ (6)
Held-to-maturity securities	1,012	1,005	(6)
Available-for-sale securities	3,110,504	3,110,504	
(3) Loans and bills discounted	5,329,342		
Reserve for loan losses*1	(61,517)		
	5,267,824	5,294,935	27,110
Total assets	¥8,486,157	¥8,513,261	¥27,104
(1) Deposits	¥8,819,743	¥8,819,836	¥ 92
(2) Borrowed money	1,168,093	1,168,062	(30)
Total liabilities	¥9,987,836	¥9,987,898	¥ 61
Derivatives*2:			
To which hedge accounting is not applied	¥ (9,736)	¥ (9,736)	
To which hedge accounting is applied*3	(214)	(214)	
Total derivatives	¥ (9,951)	¥ (9,951)	

March 31, 2021			
(1) Money held in trust	¥ 108,901	¥ 108,901	
(2) 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	
(3) Loans and bills discounted	5,088,570		
Reserve for loan losses*1	(59,707)		
	5,028,862	5,052,277	23,415
Total assets	¥8,236,999	¥8,260,413	¥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
Derivatives*2:			
To which hedge accounting is not applied	¥ (7,016)	¥ (7,016)	
To which hedge accounting is applied*3	(623)	(623)	
Total derivatives	¥ (7,639)	¥ (7,639)	

March 31, 2022	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Money held in trust	\$ 872,751	\$ 872,751	
(2) Investment securities	25,422,959	25,422,910	\$ (49)
Held-to-maturity securities	8,268	8,211	(49)
Available-for-sale securities	25,414,690	25,414,690	
(3) Loans and bills discounted	43,543,933		
Reserve for loan losses*1	(502,630)		
	43,041,294	43,262,807	221,505
Total assets	\$69,337,012	\$69,558,468	\$ 221,456
(1) Deposits	\$72,062,611	\$72,063,371	\$ 751
(2) Borrowed money	9,544,023	9,543,769	(245)
Total liabilities	\$81,606,634	\$81,607,141	\$ 498
Derivatives*2:			
To which hedge accounting is not applied	\$ (79,548)	\$ (79,548)	
To which hedge accounting is applied*3	(1,748)	(1,748)	
Total derivatives	\$ (81,305)	\$ (81,305)	

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

*2 Derivatives recorded under other assets and liabilities are presented in a lump sum. Net receivables and payables arising from derivative transactions are presented in net amounts and numbers in parenthesis denote net payables.

*3 These derivatives are interest rate swaps, etc. designated as hedging instruments to fix the cash flows of loans, etc., which are hedged items, and principally deferral hedges are applied. Furthermore, "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (Practical Issue Task Force (PITF) No. 40, March 17, 2022) is applied to these hedging relationships.

Notes: 1. The carrying amount of equity securities, etc. and investment in partnerships which do not have a market price are as follows. These instruments are not included in "Available-for-sale securities" in the above table regarding the fair value of financial instruments.

Category	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unlisted equity securities*1,*2	¥2,708	¥1,765	\$22,125
Investments in partnerships*3	8,097	5,541	66,157

*1 The fair values of unlisted equity securities are not disclosed in accordance with paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

*2 Impairment losses in the amount of ¥14 million (\$14 thousand) and ¥1 million were recognized for unlisted equity securities for the years ended March 31, 2022 and 2021, respectively.

*3 The fair values of investments in partnerships are not disclosed in accordance with paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

2. Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2022

	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	¥1,903,304					
Investment securities	292,663	¥ 644,011	¥ 636,220	¥346,576	¥ 699,892	¥ 188,726
Held-to-maturity securities				1,000		
National government bonds						
Local government bonds				1,000		
Available-for-sale securities with contractual maturities	292,663	644,011	636,220	345,576	699,892	188,726
National government bonds	53,000	26,000	5,000		24,000	176,500
Local government bonds	41,741	126,023	223,423	170,923	396,590	4,922
Corporate bonds	144,506	294,397	197,851	102,871	192,700	7,303
Other	53,415	197,590	209,945	71,782	86,601	
Loans and bills discounted*	1,145,355	873,641	807,166	496,516	561,990	1,327,304
Total	¥3,341,324	¥1,517,653	¥1,443,386	¥843,093	¥1,261,882	¥1,516,030

	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	\$15,551,139					
Investment securities	2,391,232	\$ 5,261,957	\$ 5,198,300	\$2,831,734	\$ 5,718,539	\$ 1,542,005
Held-to-maturity securities				8,170		
National government bonds						
Local government bonds				8,170		
Available-for-sale securities with contractual maturities	2,391,232	5,261,957	5,198,300	2,823,564	5,718,539	1,542,005
National government bonds	433,041	212,435	40,853		196,094	1,442,111
Local government bonds	341,049	1,029,683	1,825,500	1,396,543	3,240,379	40,215
Corporate bonds	1,180,701	2,405,400	1,616,561	840,518	1,574,475	59,669
Other	436,432	1,614,429	1,715,377	586,502	707,582	
Loans and bills discounted*	9,358,240	7,138,173	6,595,032	4,056,834	4,591,796	10,844,872
Total	\$27,300,629	\$12,400,138	\$11,793,332	\$6,888,577	\$10,310,335	\$12,386,878

* 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 ¥78,654 million (\$642,650 thousand) is not included in the above table. Loans that do not have a contractual maturity, amounting to ¥38,712 million (\$316,300 thousand), are not included either.

3. Repayment schedule of bonds, borrowed money, and other interest-bearing liabilities subsequent to March 31, 2022

	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*	¥8,434,917	¥336,221	¥ 48,604			
Borrowed money	870,271	156,222	140,951	¥122	¥162	¥363
Total	¥9,305,188	¥492,443	¥189,555	¥122	¥162	¥363

	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*	\$68,918,351	\$2,747,128	\$ 397,123			
Borrowed money	7,110,638	1,276,427	1,151,654	\$996	\$1,323	\$2,965
Total	\$76,028,989	\$4,023,555	\$1,548,778	\$996	\$1,323	\$2,965

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

c. Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2: Fair value measured using observable inputs other than Level 1 inputs

Level 3: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

March 31, 2022	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Money held in trust	¥ 29,781	¥ 77,034		¥ 106,816
Investment securities:				
Available-for-sale securities:				
National and local government bonds	274,271	6,003		280,274
Local government bonds		964,426		964,426
Corporate bonds		894,725	¥45,792	940,517
Equity securities	135,621	2,801		138,422
Other*1	1,244	128,685		129,929
Total assets	¥440,917	¥2,073,676	¥45,792	¥2,560,386
Derivatives*2:				
Interest related		¥ 46		¥ 46
Currency related		(9,997)		(9,997)
Total derivatives		¥ (9,951)		¥ (9,951)

March 31, 2022	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Money held in trust	\$ 243,328	\$ 629,414		\$ 872,751
Investment securities:				
Available-for-sale securities:				
National and local government bonds	2,240,959	49,048		2,290,007
Local government bonds		7,879,941		7,879,941
Corporate bonds		7,310,442	\$374,148	7,684,590
Equity securities	1,108,105	22,885		1,130,991
Other*1	10,164	1,051,433		1,061,598
Total assets	\$3,602,557	\$16,943,181	\$374,148	\$20,919,895
Derivatives*2:				
Interest related		\$ 375		\$ 375
Currency related		(81,681)		(81,681)
Total derivatives		\$ (81,305)		\$ (81,305)

*1 Above table does not include investment trusts to which the transitional measures provided for in paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) are applied. The carrying amount of such investment trusts recorded in the consolidated balance sheet is ¥656,933 million (\$5,367,538 thousand).

*2 Derivatives recorded under other assets and liabilities are presented in a lump sum. Net receivables and payables arising from derivative transactions are presented in net amounts and numbers in parenthesis denote net payables.

(2) Financial instruments other than those measured at fair value

March 31, 2022	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Held-to-maturity securities:				
Local government bonds		¥ 1,005		¥ 1,005
Loans and bills discounted			¥5,294,935	5,294,935
Total assets		¥ 1,005	¥5,294,935	¥5,295,941
Deposits		¥8,819,836		¥8,819,836
Borrowed money		1,168,062		1,168,062
Total liabilities		¥ 9,987,898		¥9,987,898

March 31, 2022	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Held-to-maturity securities:				
Local government bonds		\$ 8,211		\$ 8,211
Loans and bills discounted			\$43,262,807	43,262,807
Total assets		\$ 8,211	\$43,262,807	\$43,271,027
Deposits		\$72,063,371		\$72,063,371
Borrowed money		9,543,769		9,543,769
Total liabilities		\$81,607,141		\$81,607,141

Notes: 1. A description of the valuation techniques and inputs used in the fair value measurements

Assets

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 are determined using the quoted price of the stock exchange and the fair values of debt securities are determined using the quoted price of Japan Securities Dealers Association or the price calculated by counterparty financial institutions. The level of fair value is determined based on the level of trust property and classified as Level 1 or Level 2. See Note 7, "Money Held in Trust" for information on money held in trust by holding purpose.

Investment securities

The fair values of equity securities are determined using the quoted price of the stock exchange and principally classified as Level 1 based on the market activity. The fair values of debt securities are determined using quoted price of Japan Securities Dealers Association or the price calculated by counterparty financial institutions, and Japanese government bonds and U.S. treasury bonds are principally classified as Level 1 fair value while other debt securities are classified as Level 2 fair value.

With respect to private placement bonds, the fair value is determined using the future cash flows (coupons, redemption amount of principal, guarantee fees) discounted at an interest rate considering the market interest rates and issuers' credit risk, and is classified as Level 3.

Loans and bills discounted

Loans and bills discounted are grouped by the type of loan, internal ratings, and maturity length, and their fair value is determined by discounting the total amount of principal and interest by the market interest rate plus the standard spread (including expense ratio) for each credit rating according to the nature of instruments.

With respect to loans with floating interest rates and loans with short contractual terms (within one year), for which the difference between fair value and carrying amount is within a certain range and considered to be approximate, the carrying amount is presented as the fair value.

For loans to legally, virtually, or possibly bankrupt borrowers, the estimated uncollectible amounts are calculated based on the present value of estimated future cash flows or the estimated amount to be collected through collateral and guarantees. Therefore, the fair value of such loans approximates the carrying amount of receivables at the balance sheet date less the amount of reserve for loan losses, and such amount is used 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.

These loans are classified as Level 3.

Liabilities

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 sum of the principal and interest discounted at the market interest rate. For deposits with maturities within a short time period (within one year) and whose carrying amount approximates the fair value, the carrying amount is presented as the fair value. The fair value of these deposits is classified as Level 2.

Borrowed money

For each type of borrowed money financed, the fair value is determined based on the present value of the sum of the principal and interest discounted at the market interest rate. The carrying amount is presented as the fair value if the maturity is within a short time period (within one year) and the carrying amount approximates the fair value. The fair value of borrowed money is classified as Level 2.

Derivatives

Because derivative transactions are over-the-counter transactions and there are no published quoted market prices, their fair value is measured using valuation techniques such as present value method and Black-Scholes model depending on the type of transaction and the period to maturity. Main inputs used for valuation techniques include interest rates, foreign exchange rates, volatilities, etc.

The fair value of derivatives is classified as Level 2 since unobservable inputs are not used, or their impact is immaterial.

2. Information about Level 3 fair value of financial instruments carried on the consolidated balance sheet at fair value

(1) Quantitative information on significant unobservable inputs

	Valuation Techniques	Significant Unobservable Inputs	Scope of Inputs	Weighted Average of Inputs
Investment securities:				
Available-for-sales securities:	Present value method	Default probability	0.41%-6.93%	1.07%
Private placement bonds		Loss rate at default	46.11%	46.11%

(2) A reconciliation from the beginning balances to the ending balances and gains or losses on valuation included in profit or loss for the period

	Investment Securities:	
	Millions of Yen	Thousands of U.S. Dollars
March 31, 2022		
Beginning balance	¥36,964	\$302,018
Profit or loss or other comprehensive income:		
Recorded in profit or loss*1	(19)	(155)
Recorded in other comprehensive income*2	(29)	(236)
Net amount of purchases, sales, issuances, and settlements	8,875	72,514
Ending balance	¥45,792	\$374,148
Gains or losses on valuation of financial assets and financial liabilities held at the balance sheet date included in profit or loss for the period*1	¥ (19)	\$ (155)

*1 Included in "Other operating expenses" in the consolidated statement of income.

*2 Included in "Unrealized (losses) gains on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income.

(3) A description of valuation processes used for fair value measurements

The Bank measures fair value according to the policies and procedures for fair value measurements established by its Risk Management Division. In measuring fair value, a valuation model that most appropriately reflects the nature, characteristics and risks of each asset is used, and the Risk Management Division determines the level of fair value classification.

In addition, when using quoted prices obtained from third parties, the Bank verifies whether the prices are valid using appropriate methods, such as confirming the valuation techniques and inputs used and comparing them with the fair value of similar financial instruments.

(4) A description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Significant unobservable inputs used in measurement of fair value of private placement bonds are default probability and loss rate at default. In general, a significant increase (decrease) in the default probability will result in an increase (decrease) in loss rate at default and a significant decrease (increase) in fair value.

29. 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, 2022 and 2021:

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 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			
	2022				2021				2022			
	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			
Interest rate-related over-the-counter ("OTC") transactions:												
Interest rate swaps:												
Fixed rate receipt/ floating rate payment	¥ 28,625	¥28,625	¥ 219	¥ 219	¥ 10,624	¥10,624	¥ 343	¥ 343	\$ 233,883	\$233,883	\$ 1,789	\$ 1,789
Floating rate receipt/ fixed rate payment	28,737	28,737	41	41	10,748	10,748	(254)	(254)	234,798	234,798	334	334
Currency-related OTC transactions:												
Currency swaps	41,043	39,819	(57)	(57)	36,184	2,214	(189)	(189)	335,346	325,345	(465)	(465)
Foreign exchange forward contracts:												
Selling	194,223	43,919	(12,020)	(12,020)	200,656	40,716	(6,093)	(6,093)	1,586,918	358,844	(98,210)	(98,210)
Buying	55,015	43,919	2,079	2,079	46,127	40,716	(822)	(822)	449,505	358,844	16,986	16,986
Currency option:												
Selling	59,272	51,555	233	379	29,631	22,900	(168)	344	484,287	421,235	1,903	3,096
Buying	59,272	51,555	(233)	235	29,631	22,900	168	(26)	484,287	421,235	(1,903)	1,920

Note: The above transactions are stated at fair value and unrealized gains (losses) for the years ended March 31, 2022 and 2021, are recognized in the consolidated statement of income.

Derivative Transactions to Which Hedge Accounting Is Applied

With respect to derivatives to which hedge accounting is applied, contract or notional amount and 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, 2022

Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Millions of Yen		
			Contract or Notional Amount		Fair Value
			Total	Due after One Year	
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	¥38,859	¥18,131	¥(214)
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	33,628	30,273	40
	Other— Buying	Loans			
Total					¥(174)

At March 31, 2021

Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Millions of Yen		
			Contract or Notional Amount		Fair Value
			Total	Due after One Year	
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, 2022

Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Thousands of U.S. Dollars		
			Contract or Notional Amount		Fair Value
			Total	Due after One Year	
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	\$317,501	\$148,141	\$(1,748)
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	274,761	247,348	326
	Other— Buying	Loans			
Total					\$(1,421)

Note: 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."

30. RELATED-PARTY TRANSACTIONS

Related-party transactions for the years ended March 31, 2022 and 2021, 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	2021	Thousands of U.S. Dollars	Millions of Yen	2021	Thousands of U.S. Dollars
		2022	2021	2022	2022	2021	2022
Department Store Fujisaki Co., Ltd.*1	Loans and bills discounted	¥3,785	¥4,728	\$30,925	¥3,807	¥3,660	\$31,105
	Investment securities (corporate bonds)	1,206	211	9,853	1,200	1,300	9,804
	Customers' liabilities for acceptances and guarantees	360	349	2,941	368	364	3,006
Fuji Styling Co., Ltd.*1	Loans and bills discounted	213	204	1,740	210	217	1,715
Fujisaki Agency Co., Ltd.*1	Customers' liabilities for acceptances and guarantees	1,193	1,069	9,747	1,200	1,190	9,804

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.

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	2021	Thousands of U.S. Dollars	Millions of Yen	2021	Thousands of U.S. Dollars
		2022	2021	2022	2022	2021	2022
Department Store Fujisaki Co., Ltd.*1	Fees and commissions	¥32	¥29	\$261			
	Lease receivables and investments in leases		4			¥13	

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.

31. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

March 31, 2022	Millions of Yen	Thousands of U.S. Dollars
Income	¥118,169	\$965,511
Of which:		
Fees and commissions	19,162	156,565
Of which:		
Deposit taking and lending business	6,306	51,523
Foreign exchanges	5,918	48,353
Securities related business	1,356	11,079
Agency business	2,198	17,958
Custody, safe-deposit box business	92	751

Revenue based on ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" is included in the above. Useful information in understanding revenue from contracts with customers is omitted since it is immaterial.

32. 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.

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

Related Information for the Years Ended March 31, 2022 and 2021 Information by Service Line

Millions of Yen					
2022					
	Loan	Securities Investment	Lease	Other	Total
External customers	¥42,335	¥40,467	¥9,764	¥25,602	¥118,169

Millions of Yen					
2021					
	Loan	Securities Investment	Lease	Other	Total
External customers	¥41,609	¥45,225	¥9,085	¥24,055	¥119,976

Thousands of U.S. Dollars					
2022					
	Loan	Securities Investment	Lease	Other	Total
External customers	\$345,902	\$330,639	\$79,777	\$209,183	\$965,511

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, 2022 and 2021, is omitted because the only reportable segment is "Banking" and "Other" is immaterial.

33. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2022 and 2021, is as follows:

Year Ended	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2022				
Basic EPS—Net income attributable to common stockholders	¥22,234	73,913	¥300.81	\$2.45
Year Ended March 31, 2021				
Basic EPS—Net income attributable to common stockholders	¥16,468	73,885	¥222.89	

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 616 thousand shares and 378 thousand shares, for the years ended March 31, 2022 and 2021, respectively.

Diluted EPS for the years ended March 31, 2022 and 2021, is not shown because there were no potential shares.

34. SUBSEQUENT EVENT

Cash Dividends

At the Bank's general meeting of stockholders held on June 29, 2022, the Bank's stockholders approved the following appropriations of retained earnings:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥40.00 (\$0.326) per share	¥2,988	\$24,413

Note: Above total amount of cash dividends includes dividends for the Bank's shares held by BIP trust in an amount of ¥31 million (\$253 thousand).

— INDEPENDENT AUDITOR'S REPORT —



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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 "Group"), which comprise the consolidated balance sheet as of March 31, 2022, 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 Group as of March 31, 2022, and its consolidated financial performance and its 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 Group 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 Debtor Classification 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 Group recognized a reserve for loan losses of ¥63.1 billion corresponding to loans and bills discounted of ¥5,329.3 billion in the consolidated balance sheet as of March 31, 2022.</p> <p>As described in Note 2, "Summary of Significant Accounting Policies—Reserve for Loan Losses" to the consolidated financial statements, each debtor is classified into defined categories (the "debtor classification") by comprehensively considering factors such as the debtor's cash management, the repayment ability based on cash flows, profitability projections, feasibility of management improvement plans and status of support from financial institutions.</p> <p>The Group establish a method to determine the reserve for loan losses to be applied for each debtor classification. Therefore, determination of the debtor classification especially for large debtors may have a material impact on the amount of the reserve for loan losses.</p> <p>In particular, when the debtor classification is determined based on the feasibility of management improvement plans, it is highly dependent upon future outlooks such as the profitability projection and the feasibility of cost-cutting measures.</p> <p>Because these estimates require assumptions about effects on the debtor's financial performance of industry demand trends and the spread of novel coronavirus disease (COVID-19), the estimation has a high degree of uncertainty and requires significant judgments made by managements.</p> <p>Therefore, we identified the appropriateness of certain large debtors' debtor classifications which are highly dependent upon the profitability projection and the feasibility of cost-cutting measures as a key audit matter.</p>	<p>Our audit procedures related to this key audit matter included the following, among others:</p> <p>(1) Test of the effectiveness of internal controls:</p> <p>① We tested the effectiveness of internal controls over the review and approval of the appropriate debtor classification for large debtors in accordance with the Group self-assessment standard by inquiring of the Credit Supervision Division, as a review control function, and inspecting the supporting materials.</p> <p>② We tested the effectiveness of internal controls over the accuracy of debtors' financial information used in internal controls referred to above by inquiring of the Credit Supervision Division and inspecting the supporting materials.</p> <p>(2) Test of the appropriateness of the debtor classification:</p> <p>① We evaluated management's assumptions about future outlooks of the debtors selected for testing, such as the profitability projection and the feasibility of cost-cutting measures, by inquiring of the Credit Supervision Division and inspecting the supporting materials.</p> <p>② We evaluated the reasonableness of assumptions underlying the Group determination of the debtor classification by comparing them with available external information or performing analysis of the materials prepared by the debtors or the Group.</p>

Other Information

Management is responsible for the other information. 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 other information. The other information comprises the information included in The 77 Bank Integrated Report 2022, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Group's 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 Group 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 Group's 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 Group's 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 Group's 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 Group 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 Group 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 Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC
October 31, 2022

— Capital Adequacy Ratios —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Consolidated (Domestic standard)			
Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)	10.27	10.39	
Capital: (A)	460,068	438,988	3,759,032
Risk-adjusted assets: (B)	4,476,164	4,224,922	36,572,955

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Non-Consolidated (Domestic standard)			
Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)	10.01	10.14	
Capital: (A)	444,489	425,215	3,631,742
Risk-adjusted assets: (B)	4,440,338	4,190,814	36,280,235

— Non-Consolidated Balance Sheet (Parent Company) —

THE 77 BANK, LTD.
March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Assets:			
Cash and due from banks	¥ 1,967,884	¥1,371,811	\$16,078,797
Debt purchased	2,000	4,000	16,341
Trading account securities	20,361	20,627	166,361
Money held in trust	106,816	108,901	872,751
Investment securities	3,131,754	3,116,003	25,588,316
Loans and bills discounted	5,340,224	5,097,480	43,632,845
Foreign exchange assets	7,038	5,865	57,504
Tangible fixed assets:			
Buildings	7,832	7,862	63,992
Land	18,835	19,313	153,893
Lease assets	23	46	187
Construction in progress	151	259	1,233
Other tangible fixed assets	4,526	5,474	36,980
Intangible fixed assets	259	258	2,116
Prepaid pension costs	115		939
Customers' liabilities for acceptances and guarantees	33,355	43,735	272,530
Other assets	83,977	73,142	686,142
Reserve for loan losses	(59,159)	(56,855)	(483,364)
Total	¥10,665,997	¥9,817,924	\$87,147,618
Liabilities:			
Deposits	¥ 8,846,354	¥8,551,689	\$72,280,039
Call money	29,128		237,993
Payables under securities lending transaction	1,251	25,869	10,221
Borrowed money	1,158,797	597,205	9,468,069
Foreign exchange liabilities	180	155	1,470
Liability for retirement benefits	8,836	9,389	72,195
Reserve for stock compensation	893	817	7,296
Reserve for reimbursement of deposits	238	311	1,944
Reserve for contingent losses	789	804	6,446
Deferred tax liabilities	17,043	24,330	139,251
Acceptances and guarantees	33,355	43,735	272,530
Other liabilities	69,356	61,818	566,680
Total liabilities	10,166,225	9,316,127	83,064,180
Equity:			
Common stock	24,658	24,658	201,470
Capital surplus	8,496	8,937	69,417
Retained earnings	385,490	368,623	3,149,685
Treasury stock	(5,605)	(6,132)	(45,796)
Total stockholders' equity	413,040	396,087	3,374,785
Unrealized gains on available-for-sale securities	86,866	106,085	709,747
Deferred losses on derivatives under hedge accounting	(134)	(375)	(1,094)
Total valuation adjustments	86,731	105,709	708,644
Total equity	499,771	501,797	4,083,430
Total	¥10,665,997	¥9,817,924	\$87,147,618

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

THE 77 BANK, LTD.
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Income:			
Interest income:			
Interest on loans and discounts	¥ 42,308	¥ 41,569	\$345,681
Interest on dividends on trading account and investment securities	28,954	29,834	236,571
Other	1,650	406	13,481
Fees and commissions	18,357	17,251	149,987
Other operating income	968	1,194	7,909
Other income	12,407	16,856	101,372
Total income	104,646	107,113	855,020
Expenses:			
Interest expense:			
Interest on deposits	183	325	1,495
Interest on call money	62	67	506
Other	328	916	2,679
Fees and commissions	6,514	7,431	53,223
Other operating expenses	9,317	13,709	76,125
General and administrative expenses	50,888	52,137	415,785
Other expenses	7,406	10,139	60,511
Total expenses	74,702	84,727	610,360
Income before income taxes	29,943	22,385	244,652
Income taxes:			
Current	8,958	4,891	73,192
Deferred	207	2,559	1,691
Total income taxes	9,166	7,451	74,891
Net income	¥ 20,777	¥ 14,934	\$169,760

— Loan Portfolio —

Loan Portfolio by Industry

	Billions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Domestic offices (Excluding Japan offshore banking accounts)	¥5,340	¥5,088	\$43,632
Manufacturing	421	443	3,445
Agriculture and forestry	7	6	59
Fisheries	4	4	36
Mining and quarrying of stone and gravel	3	3	24
Construction	172	166	1,405
Electricity, gas, heat supply and water	261	215	2,134
Information and communications	21	20	173
Transport and postal activities	128	123	1,051
Wholesale and retail trade	450	408	3,683
Finance and insurance	406	368	3,317
Real estate and goods rental and leasing	1,190	1,105	9,727
Services, N.E.C.	377	363	3,081
Government, except elsewhere classified	646	655	5,282
Other	1,249	1,211	10,207
Japan's offshore banking accounts			
Financial institutions	—	—	—
Total	¥5,340	¥5,097	\$43,632

Loan Portfolio by Industry

	Billions of Yen
	2021
Domestic offices (Excluding Japan offshore banking accounts)	¥5,088
Manufacturing	443
Agriculture and forestry	6
Fisheries	4
Mining and quarrying of stone and gravel	3
Construction	166
Electricity, gas, heat supply and water	215
Information and communications	20
Transport and postal activities	123
Wholesale and retail trade	408
Finance and insurance	368
Real estate and goods rental and leasing	1,105
Services, N.E.C.	363
Government, except elsewhere classified	655
Other	1,211
Japan's offshore banking accounts	
Financial institutions	—
Total	¥5,097

Loans by Collateral

	Billions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Securities	¥ 5	¥ 5	\$ 43
Commercial claims	16	17	137
Real estate	862	844	7,045
Subtotal	884	867	7,227
Guaranteed	1,423	1,368	11,630
Unsecured	3,032	2,861	24,775
Total	¥5,340	¥5,097	\$43,632

Reserve for Loan Losses

	Billions of Yen		Millions of U.S. Dollars
	2022	2021	2022
General reserve for loan losses	¥33	¥30	\$277
Specific reserve for estimated loan losses on certain doubtful loans	25	26	206
Total	¥59	¥56	\$483

The 77 Bank, Ltd

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The 77 Bank, Ltd.

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