

Consolidated Performance for Fiscal 2007

THE 77 BANK, LTD. AND SUBSIDIARIES
Years Ended March 31

Financial and Economic Conditions

In fiscal 2007, the year ended March 31, 2008, the Japanese economy remained on course for recovery, backed by an increase in exports, although the rate of recovery slowed during the latter half of the year due to such factors as the confusion in financial and capital markets worldwide. In Miyagi Prefecture, the primary base of operations for The 77 Bank, there was little sense of economic progress overall in spite of the upward trend in production, with public investments continuing to decrease and inflating crude oil and raw materials prices weighing down on the economy.

In these circumstances, long-term interest rates remained in the lower 1% range reflecting the decrease in interest rates overseas and the slowing down of the real economy, while short-term interest rates stayed at about the same level. Meanwhile, stock prices have been in a slump since last summer, due to a cautious outlook on the Japanese economy resulting from concerns on the downturn of the U.S. economy and a decrease in housing investments, among other factors. Meanwhile, in foreign exchange markets, the yen trended upward due to the lowering of interest rates in the United States and increasing opacity of the financial environment, reaching ¥100 to \$1.00 at one point for the first time in 12 years and 5 months.

Consolidated Business Results

Deposits, including negotiable deposits, amounted to ¥5,069.3 billion at the end of the year under review, having increased ¥39.2 billion. Loans and bills discounted increased ¥30.0 billion to ¥3,146.7 billion. Investment securities amounted to ¥2,068.6 billion at the end of the year, virtually unchanged from the previous year-end.

Total assets stood at ¥5,659.2 billion, having increased ¥11.4 billion.

On the profit and loss front, the Bank's efforts to enhance efficiency of fund management and procurement and cut expenses resulted in an ¥5,364 million

increase in total income to ¥134,616 million, while total expenses increased ¥4,715 million to ¥114,470 million. As a result, ordinary income increased ¥649 million from the previous year to ¥20,145 million. Net income rose ¥2,060 million from the previous year to ¥12,321 million and net income per share was ¥32.47.

The Bank's capital adequacy ratio according to the domestic standard was 13.32%, up 0.19 percentage points compared with the previous year-end.

Regarding performance by business segment, banking operations' total income increased ¥5,996 million from the previous year to ¥115,404 million mainly due to an increase in returns from fund management resulting from an increase in interest received for loans and bills discounted, and ordinary income increased ¥1,574 million to ¥19,872 million. On the other hand, leasing operations' total income fell ¥70 million from the previous year to ¥17,829 million, and ordinary income decreased ¥941 million to ¥3 million owing mainly to the increase in provision of reserve for possible loan losses. In other operations, including credit card operations, while total income decreased ¥484 million from the previous year to ¥5,186 million, ordinary income increased ¥22 million to ¥287 million.

Regarding cash flows, net cash provided by operating activities amounted to ¥79,091 million, resulting in an increase by ¥139,443 million from the previous year, mainly owing to increases in deposits and negotiable deposits. Net cash used in investing activities totaled ¥99,755 million, resulting in a decrease by ¥102,916 million from the previous year, mainly due to the acquisition of investment securities. Net cash used in financing activities amounted to ¥2,930 million, resulting in a decrease by ¥562 million from the previous year. The main item was dividends paid.

Consequently, cash and cash equivalents at March 31, 2008, amounted to ¥65,417 million, having decreased ¥23,536 million.