

● Consolidated Performance for Fiscal 2015

THE 77 BANK, LTD. AND SUBSIDIARIES

Year Ended March 31

Financial and Economic Conditions

Based in Miyagi Prefecture, The 77 Bank has a network of branches extending across Fukushima Prefecture, Iwate Prefecture, Yamagata Prefecture, Akita Prefecture, Tokyo, Aichi Prefecture, Osaka and Hokkaido. Based on the principle of sound management, the Bank's basic policy is to aspire to be the "Value-creating bank that grows together with and is the most trusted by the region." The Bank's configuration in 10 years is "Leading bank in the Tohoku region with scale and earnings power ranked within the top 10 regional banks based on the established earnings base capable of coping with any change in the business environment through creation of new value in the region."

In fiscal 2015, the year ended March 31, 2015, the Japanese economy was overall on a moderate recovery path, attributable to the revival of exports and production as a result of the recovery of the U.S. economy and the further weakening of the yen, although there were signs of weak personal consumption.

In these circumstances, long-term interest rates remained at low levels; falling at one point in January 2015 to below 0.2% and declining to the lowest level historically against the background of quantitative and qualitative monetary easing by the Bank of Japan. Short-term interest rates continued to remain extremely low. Share prices trended upward, partly attributable to strong corporate performances as evidenced by the Nikkei Stock Average recovering to the ¥19,000 level for the first time in approximately fifteen years. In foreign exchange markets during this period, the yen reached an exchange rate of ¥120 to the U.S. dollar, from ¥103 at the start of the fiscal year ended March 31, 2015, as a result of the weakening of the yen throughout the second half of the fiscal year.

In view of the massive damage caused by the Great East Japan Earthquake, the Bank strove to maintain the stable provision of financial services and to continue to fulfill its financial intermediation function, in order to contribute to the recovery and reconstruction of communities and the regional economy as a financial institution working with the local region.

Regarding the Bank's branches that were damaged by the Great East Japan Earthquake, the Bank increased the floor area of the Hebata Branch (Ishinomaki-shi) and the Ishinomaki Loan Center located at the Hebata Branch by building extensions due to the further influx in population that is anticipated in this area in view of the concentration of commercial complexes and hospitals and the ongoing advances made by group relocation promotion projects for disaster mitigation and the land readjustment project.

In terms of support for enterprises that were affected by the Great East Japan Earthquake, we vigorously responded to their funding needs for the resumption of business and restoration of facilities by using the Restoration and Maintenance Subsidy Project for Facilities of Small and Medium-sized Enterprise Groups and Compensation for Interest Rates on Special Zones for Reconstruction of central and local government. Through business matching and other core business support, we continued to make efforts toward the resolution of customers' management issues, including the development and expansion of sales routes. Additionally, together with Regional Economy Vitalization Corporation of Japan and others, we established Miyagi Reconstruction Regional Vitalization Support Investment L.P. to provide support for the reconstruction and reactivation of the region.

To support customers facing difficulties in continuing business or making loan repayments because of the impact of the earthquake, the Bank continued to be flexible, such as accepting change of loan terms and conditions, in light of the situation faced by each customer. In response to the "double loan"

problem, the Bank utilized external institutions, such as the Corporation for Revitalizing Earthquake-affected Business and the Miyagi Industry Revitalization Corporation, as necessary, to support corporate customers burdened by double loans, and offered consultation to help them improve management and revitalize their businesses through collaboration with external experts present at the Bank's headquarters. For individual customers, with the aim of helping them rebuild their lives and revitalizing the community as soon as possible, the Bank strove to communicate the advantages and implications of the Individual Debtor Guidelines for Out-of-Court Workouts by holding free-of-charge consultations at various locations in collaboration with the Tohoku Local Finance Bureau, etc. Moreover, for customers subject to group relocation projects for disaster mitigation, the Bank continued to vigorously offer the 77 Earthquake Recovery Support Home Loan (Group Relocation Type and Leased Land Type), a dedicated mortgage product to support the building of new homes.

In these circumstances, all officers and employees at the Bank and its consolidated subsidiaries made a concerted effort to promote business while helping the region in its drive to recover from the Great East Japan Earthquake with the support of shareholders and customers. Consolidated business results were as stated below.

Consolidated Business Results

Deposits, including negotiable deposits, amounted to ¥7,849.2 billion at the end of the year under review, having decreased by ¥22.5 billion.

Loans and bills discounted increased by ¥221.4 billion to ¥4,219.6 billion at the end of the year. Investment securities decreased by ¥32.7 billion to ¥3,697.5 billion at the end of the year.

Total assets stood at ¥8,588.4 billion at the end of the year under review, having increased by ¥81.2 billion.

With regard to profit and loss, total income increased by ¥3,926 million from the previous year to ¥112,986 million as the result of an increase in interest income mainly owing to an increase in interest income due to an increase in interest and dividends on trading accounts and investment securities, and an increase in other income as a result of the recording of gains on reversal of reserve of possible loan losses. Total expenses stood at ¥80,136 million, around the same figure as the previous year, mainly owing to a decrease in loss on redemption of government bonds.

As a result, ordinary profit increased by ¥3,944 million from the previous year to ¥32,849 million. Net income increased by ¥1,990 million from the previous year to ¥17,049 million. Net income per share was ¥45.56.

Entries regarding performance by business segment will be omitted from the fiscal year ended March 31, 2015.

Cash Flows

Net cash from operating activities totaled ¥(107,370) million, a decrease of ¥335,039 million from the previous year, mainly due to an increase in loans and bills discounted.

Net cash from investing activities totaled ¥117,910 million, an increase of ¥411,633 million from the previous year, mainly due to the sale and redemption of securities.

Net cash from financing activities amounted to ¥(3,018) million, a decrease of ¥384 million from the previous year, mainly due to dividends paid, etc.

Consequently, cash and cash equivalents at March 31, 2015 amounted to ¥512,082 million, having increased by ¥7,559 million from the previous year.