

● Consolidated Performance for Fiscal 2016

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. In accordance with 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." Within 10 years, the Bank aims to be the "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 2016, the year ended March 31, 2016, the moderate recovery of the Japanese economy continued despite weakening of both production and exports reflecting the slowing growth of China and other emerging economies and drop in crude oil prices. Meanwhile, in Miyagi Prefecture, the heartland of The 77 Bank, economic activity was generally upbeat owing to demand associated with recovery and reconstruction in the aftermath of the Great East Japan Earthquake, despite weakening of production and personal consumption, as the economic recovery of Miyagi Prefecture continued at a moderate pace.

In these circumstances, against the backdrop of the Bank of Japan's introduction of a negative interest rate policy along with quantitative and qualitative monetary easing, long-term interest rates have been negative since February 2016 and remained at a historically low level. Meanwhile, short-term interest rates were at around zero. Regarding share prices, the Nikkei Stock Average recovered to the ¥20,000 level in April 2015 for the first time in about 15 years, fueled by robust corporate performances. However, reflecting concerns about the slowing of the global economy toward the end of the fiscal year, the Nikkei Stock Average trended downward, temporarily declining to the ¥14,000 level in February 2016. In foreign exchange markets, appreciation of the yen proceeded in the second half of fiscal 2016, reaching ¥112 to the U.S. dollar at the end of fiscal 2016, having started fiscal 2016 at ¥120.

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 intermediary functions, in order to contribute to the recovery and reconstruction of communities and the regional economy as a financial institution working hand in hand with the region.

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 making efforts to resolve customers' management issues, including the development and expansion of sales routes.

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 addition, the Bank completed repayment of public funds (subordinated loan based on the earthquake-related special provision of the Act on Special Measures for Strengthening Financial Functions) in June 2015. The repayment reflects the Bank's recognition that even if the Bank were to repay public funds, in view of the state of reconstruction of earthquake-damaged areas, mainly in Miyagi Prefecture, and the Bank's financial conditions, the Bank had established a financial base capable of strengthening earthquake recovery support, which is the most important policy of the medium-term management plan.

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 ¥7,963.7 billion at the end of the year under review, having increased by ¥114.4 billion.

Loans and bills discounted increased by ¥131.1 billion to ¥4,350.7 billion at the end of the year. Investment securities decreased by ¥206.0 billion to ¥3,491.5 billion at the end of the year.

Total assets stood at ¥8,598.5 billion at the end of the year under review, having increased by ¥10.1 billion.

With regard to profit and loss, total income increased by ¥3,091 million from the previous year to ¥116,077 million as a result of an increase in interest income mainly owing 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 for possible loan losses. Total expenses increased by ¥8,410 million to ¥88,546 million, owing to an increase in other ordinary expenses mainly due to an increase in redemption of government bonds and also owing to an increase in general and administrative expenses resulting from the recording of systems-related expenses in line with the migration to MEJAR in January 2016.

As a result, ordinary profit decreased by ¥5,318 million from the previous year to ¥27,531 million. Net income attributable to owners of the parent decreased by ¥1,192 million from the previous year to ¥15,857 million. Net income per share was ¥42.37.

Cash Flows

Net cash used in operating activities totaled ¥153,000 million, a decrease of ¥45,630 million from the previous year, mainly due to an increase in loans and bills discounted.

Net cash provided by investing activities totaled ¥147,064 million, an increase of ¥29,154 million from the previous year, mainly due to sale and redemption of securities.

Net cash used in financing activities amounted to ¥23,388 million, a decrease of ¥20,370 million from the previous year, mainly due to repayment of subordinated loan.

Consequently, cash and cash equivalents at March 31, 2016 amounted to ¥482,733 million, having decreased by ¥29,348 million from the previous year.