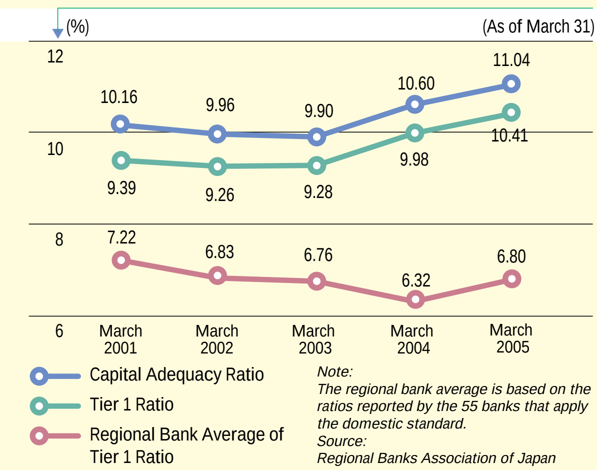
Tier 1 Capital Ratio

The Tier 1 capital ratio is based only on Tier 1. It excludes supplementary items, such as subordinated loans, from the current components that are used to determine the capital adequacy ratio and therefore better represents the financial status of a bank, compared with the capital adequacy ratio, which includes supplementary items.

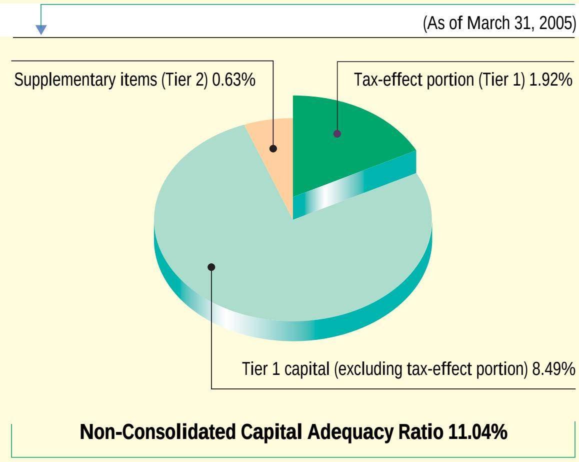
The Tier 1 capital ratio for The 77 Bank reached 10.41% on a non-consolidated basis, as at March 31, 2005, considerably higher than the average for the 55 regional banks that apply the domestic standard. This statistic places the Bank among the top performers in this sector of the banking industry.

The Bank's non-consolidated capital adequacy ratio, excluding tax effects, reached 9.12%, and its Tier 1 ratio amounted to 8.49% at March 31, 2005. The composition of total capital indicates the Bank's continued financial stability.

Capital Adequacy Ratio *(Non-consolidated)* and Tier 1 Ratio



Composition of Total Capital



Ratings

Ratings are granted by rating agencies, which assume a third-party perspective in assessing the financial status of businesses. The results are disclosed to the market. Ratings include a long-term rating, which targets such instruments as deposits and bonds with maturity periods exceeding one year; a short-term rating, which targets such instruments as deposits and debentures with maturity periods under one year; and a financial position rating, which evaluates the fiscal status of a bank.

The 77 Bank has acquired ratings from two domestic rating agencies that are among the highest of any Japanese financial institution.

The 77 Bank's Ratings

(As of June 30, 2005)

Solid debt-repayment capabilities

AAA
AA
A
BBB
BB
B
CCC
CC
C
D

Rating Agency	Long-term Rating
Rating and Investment Information, Inc. (R&I)	AA–
Japan Credit Rating Agency, Ltd. (JCR)	AA
Moody's Investors Service, Inc. (Moody's)	A1*
Standard & Poor's Corp. (S&P)	A–*

* *Ratings granted by said agency, based on information disclosed by The 77 Bank.*

Notes: 1. Some rating agencies do not use D.
2. Ratings from level AA to level CCC (including level B by some agencies) are further qualified with the use of a + or – sign (or 1, 2 and 3 in the case of Moody's).

Risk-Management Structure

Sophisticated Techniques Based on Sound Principles

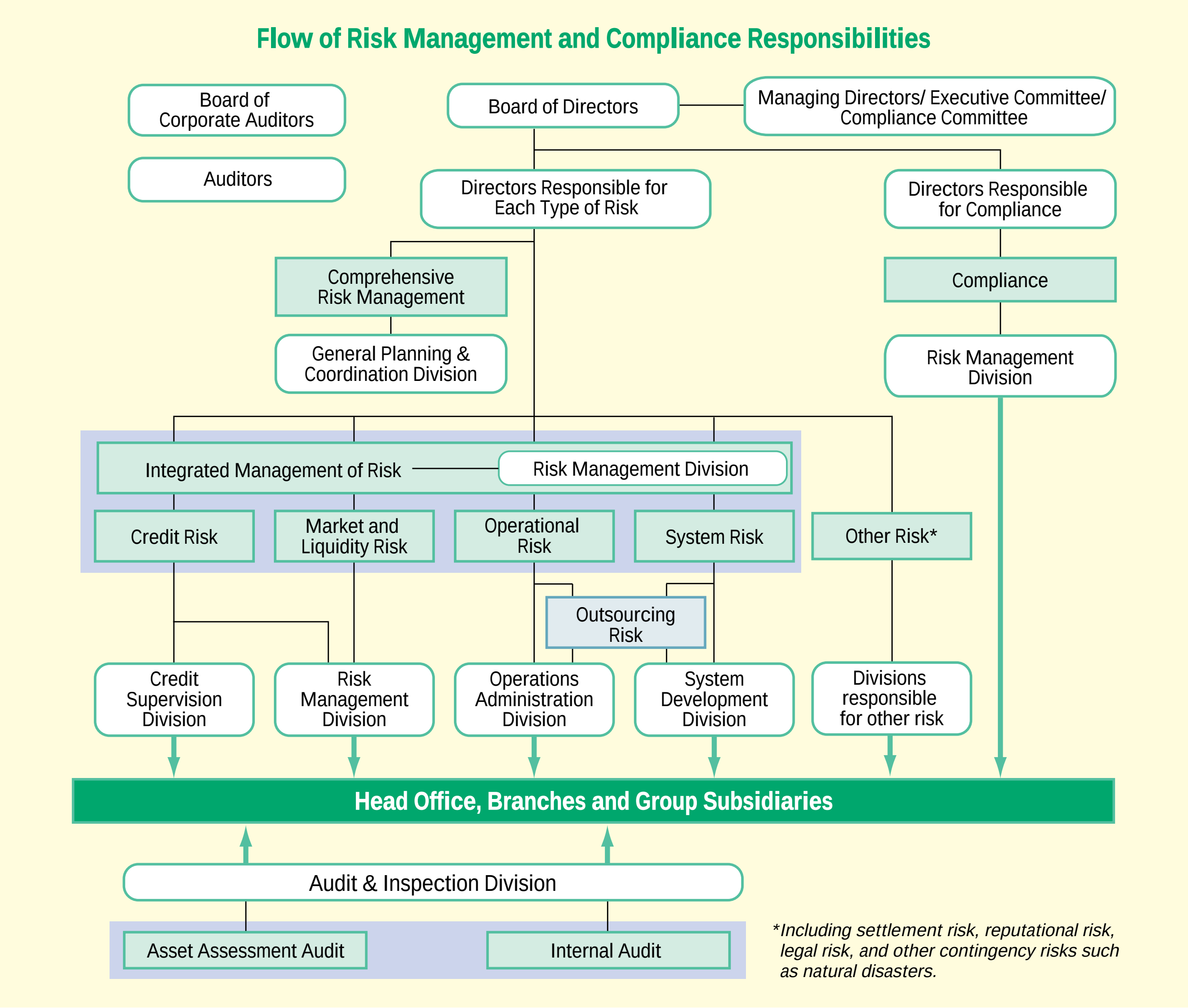
Rapidly changing conditions in the financial sector have significantly transformed the operating environment for financial institutions and caused the risk that surrounds financial institutions to become comparatively more complex than in the past. These conditions demand that financial institutions execute even more accurate identification and analysis of risks, and take appropriate control of such risks.

The 77 Bank works to reinforce overall risk management with improved business health in mind. The Bank is also enhancing management processes through, for example, the introduction of more sophisticated risk-quantification techniques and feedback on each aspect of business.

The Bank established the Basic Policy for Risk-Management for comprehensive risk-management activities to serve as the foundation of a solid risk-management structure, with appropriate risk-hedging approaches that promote steady and sustainable development. This policy defines risk management, clarifies decision-making authority on risk-management issues and the role of the Board of Directors in this process, and outlines the structure and objectives of supervisory units that handle each type of risk.

Roles of the Bank's Risk-Management Units

The 77 Bank has classified risk into seven categories—credit risk, market risk, liquidity risk, operational risk, system risk, outsourcing risk and other—and assigned supervisory units to each risk



category. The General Planning & Coordination Division is responsible for the comprehensive risk-management system. However, each risk category is also overseen by dedicated divisions: the Risk Management Division for market risk and liquidity risk; the Operations Administration Division for operational risk; the System Development Division for system risk; the Operations Administration Division and System Development Division together for outsourcing risk; and credit risk under the supervision of both the Risk Management Division and the Credit Supervision Division.

As a supervisory unit, the Risk Management Division tracks all risk and monitors risk quantity. These efforts are augmented by the ALM Committee, which comprises division general managers and directors responsible for operations in the assigned division. Every month, the committee discusses measures to hedge market and liquidity risk. Other contingency risks, such as reputational risk and natural disasters, are managed appropriately by the assigned division as each risk is identified.

The Audit & Inspection Division is independent of the business promotion units and risk-management units, as the evaluating unit for internal processes and asset status. The Audit & Inspection Division assesses the risk-management positions of each division and branch as well as those of group companies more than once a year. The Bank also separated the nature of its audits into two categories: a comprehensive audit for internal management systems, including compliance, governance and management systems for operational, credit and system risk; and inspection of cash and cash equivalents for the prevention of illegality. In addition, the Bank undergoes external audits, performed by outside auditors, to further consolidate the internal management structure.

Compliance

In 1999, The 77 Bank formulated Basic Policies for Compliance to function as principles for clarifying responsibilities for compliance and ensuring appropriate actions to compliance issues. The Bank also established Compliance Guidelines, a publication that provides executives and employees with concrete procedures for dealing with laws and other compliance-related issues and outlines acceptable standards of ethical conduct.

Basic Policies for Compliance

1. Fundamental Concepts

i. The Board of Directors recognizes that full adherence to laws and other compliance issues is a vital requirement of business. The Board therefore put together a set of corporate ethics that underscores the Bank's social responsibility and public duty, and does its best to ensure that all members of the Bank uphold these standards of conduct.

ii. The Board reviews compliance programs annually and implements new measures, based on progress achieved in the previous year.

iii. If behavior contrary to stated compliance measures should occur, the Bank will take appropriate steps, based on laws or in-house rules, such as the Work Regulations, and will swiftly adopt the countermeasures required to safeguard the health of the Bank's business.

2. Establishing a Solid Compliance Structure

i. The Bank ensures a smooth response to compliance issues through the timely and suitable introduction of organizational systems and in-house rules.
ii. The Bank gathers the necessary legal information, such as amendments to laws, concerning compliance and adjusts in-house rules accordingly.

Compliance Guidelines

Basic Direction

i. Ensure sound management and pay the utmost attention to sustaining the Bank's credibility and its ability to extend smooth financing.
ii. Comply with laws and rules for corporate conduct, and maintain fair and honest practices.
iii. Apply considered principles to issues that threaten social order or public peace.
iv. Provide financial services that customers and the community trust, and develop sustainably together with them.
v. Foster an open office atmosphere and promote a healthy workplace environment.

Compliance Structure

Thorough compliance to laws and rules for corporate conduct is essential for a financial institution if it is to uphold its social responsibility and public duty, and maintain the trust of clients and the region in which it operates.

From this perspective, The 77 Bank established the Legal Affairs Office in 1998 to monitor legal compliance. Following subsequent organizational reforms, the authority of the Legal Affairs Office was supplanted by the Legal Affairs Section of the Risk Management Division, which now tracks the status of legal compliance. The President is the director ultimately responsible for legal compliance. He is supported by the general manager of the Risk Management Division, who supervises inspections, and the head of the Legal Affairs Section, who acts as a compliance officer. Each division and branch is assigned a compliance officer and other oversight personnel, who undertake regular inspections to ascertain compliance status.

The 77 Bank also advocates measures to preclude inappropriate behavior or legal errors. The Bank encourages greater awareness of laws and other compliance issues among executives and employees, and strives to foster a deeper understanding of pertinent laws.

In June 2005, the Bank established the Compliance Committee, of which the President is chairman, to further strengthen the compliance structure.