

Consolidated Performance for Fiscal 2006

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

Financial and Economic Conditions

In fiscal 2006, the year ended March 31, 2007, the Japanese economy continued to progress along a moderate growth track supported by robust private-sector domestic demand, notably capital investment and personal consumption amid increasing exports reflecting economic expansion overseas. In Miyagi Prefecture, the primary base of operations for The 77 Bank, the economic recovery continued at a moderate pace overall as production trended upward while residential investment and personal consumption were generally firm.

In these circumstances, long-term interest rates were virtually unchanged reflecting the extremely low inflation rate against a background of moderate economic growth. On the other hand, short-term interest rates trended upward throughout the year under review following the lifting of the zero interest rate policy of the Bank of Japan. Meanwhile, despite several dips in stock prices in Japan influenced by the worldwide adjustment of stock prices during the year under review, by the end of the year stock prices in Japan had recovered to virtually the same level as at the beginning of the year supported by buoyant corporate earnings. In foreign exchange markets, generally, the yen trended downward due to persistent pressure to sell yen in view of the disparity in interest rates between Japan and its major trading partners.

Consolidated Business Results

Deposits, including negotiable deposits, amounted to ¥5,030.1 billion at the end of the year under review, having increased ¥82.6 billion. Loans and bills discounted increased ¥49.9 billion to ¥3,116.6 billion. Investment securities amounted to ¥2,069.0 billion at the end of the year, virtually unchanged from the previous year-end.

Total assets stood at ¥5,647.7 billion, having increased ¥95.8 billion.

On the profit and loss front, the Bank's efforts to enhance efficiency of fund management and procure-

ment and cut expenses resulted in an ¥11,137 million increase in total income to ¥129,252 million while total expenses increased ¥9,705 million to ¥109,755 million. As a result, ordinary income increased ¥1,431 million to ¥19,496 million. Net income rose ¥846 million from the previous year to ¥10,261 million and net income per share was ¥27.01.

The Bank's capital adequacy ratio according to the domestic standard was 13.13%, up 1.3 percentage points compared with the previous year-end.

Regarding performance by business segment, banking operations' total income increased ¥9,907 million from the previous year to ¥109,408 million mainly due to an increase in returns from fund management resulting from an increase in interest and dividends received for investment securities and ordinary income increased ¥2,144 million to ¥18,298 million. Leasing operations' total income rose ¥732 million from the previous year to ¥17,899 million but ordinary income decreased ¥279 million to ¥944 million. In other operations, including credit card operations, while total income increased ¥306 million from the previous year to ¥5,670 million, ordinary income was ¥434 million lower at ¥265 million.

Regarding cash flows, net cash used in operating activities amounted to ¥60,352 million, having decreased ¥104,594 million from the previous year, mainly due to increases in loans and call loans. Net cash provided by investing activities totaled ¥3,161 million, having increased ¥115,404 million from the previous year, mainly attributable to proceeds from sale and maturity of investment securities. Net cash used in financing activities amounted to ¥2,368 million, virtually unchanged from the previous year. The main item was dividends paid.

Consequently, cash and cash equivalents at March 31, 2007, amounted to ¥88,954 million, having decreased ¥59,567 million.