

● Consolidated Performance for Fiscal 2009

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

Financial and Economic Conditions

In fiscal 2009, the year ended March 31, 2009, the Japanese economy deteriorated at an unprecedented pace in the latter half of the year, as reflected in production and employment adjustments made on a large scale following the rapid decrease in domestic and overseas demand since September 2008, due to such factors as the economic and financial crisis triggered by the U.S. subprime mortgage problem that spread worldwide. Meanwhile, in Miyagi Prefecture, the primary base of operations for The 77 Bank, the economy experienced a further downturn overall, due to sluggish public and residential investments throughout the year, combined with weakening personal consumption stemming from the dramatic reduction in production, the deterioration of the job market and other such factors in the latter half of the year.

In these circumstances, long-term interest rates increased to the high 1% range at one point at the beginning of the fiscal year on the back of growing expectations for interest rate rises associated with worldwide inflation, but then dropped to the low 1% range in the latter half of the year, reflecting the recession. On the other hand, short-term interest rates hovered at around the same level throughout the year, although they somewhat declined at the end of the year in response to cuts in the policy interest rate and expansionary monetary policies by the Bank of Japan. Stock prices continued to struggle, as exemplified by the Nikkei Stock Index tumbling to a new low since the collapse of the Bubble in response to the sharp deterioration in business sentiment since September 2008. Meanwhile, in foreign exchange markets, the yen trended upward on the back of the downturn of the real economy in the United States, breaking the ¥90 level against the US Dollar at one point for the first time in 13 years.

Consolidated Business Results

Deposits, including negotiable deposits, amounted to ¥5,126.4 billion at the end of the year under review, having increased ¥57.1 billion.

Loans and bills discounted increased ¥235.0 billion to ¥3,381.7 billion. Investment securities decreased ¥355.6 billion to ¥1,712.9 billion at the end of the year.

Total assets stood at ¥5,644.2 billion, having decreased ¥14.9 billion.

On the profit and loss front, total income increased ¥13,652 million from the previous year to ¥148,268

million, due to such factors as the provisioning for write-offs of investment securities and the increase in credit-related expenses, etc. amid the rapidly deteriorating financial and economic climate, in addition to declaring gains on the sale of investment securities held by facilitating the sale of investment securities to meet the demand for funds from clients. On the other hand, total expenses increased ¥21,419 million year-on-year to ¥135,889 million, due to such factors as investment securities-related losses and the increase in credit-related expenses. As a result, ordinary income decreased ¥7,767 million from the previous year to ¥12,378 million. Net income decreased ¥4,597 million from the previous year to ¥7,724 million, and net income per share was ¥20.36. The Bank's capital adequacy ratio according to the domestic standard was 13.05%, down 0.27 percentage points compared with the previous year-end.

Regarding performance by business segment, banking operations' total income increased ¥14,989 million from the previous year to ¥130,393 million, mainly due to the declaration of gains on the sale of investment securities, while ordinary income decreased ¥7.1 billion year-on-year to ¥12,772 million, due to heavy investment securities-related losses and credit-related expenses. On the other hand, leasing operations' total income fell ¥1,651 million from the previous year to ¥16,178 million, and ordinary income decreased ¥33 million to a net loss of ¥30 million. In other operations, including credit card operations, total income decreased ¥206 million from the previous year to ¥4,980 million, and ordinary income decreased ¥585 million to a net loss of ¥298 million partly due to the increase in the provision of reserve for possible loan losses.

Regarding cash flows, net cash used in operating activities amounted to ¥20,805 million, resulting in an decrease by ¥99,896 million from the previous year, mainly owing to the increase in loans in excess of the increase in deposits, etc.

Net cash provided by investing activities totaled ¥271,240 million, an increase of ¥370,995 million from the previous year, mainly due to the sale and redemption of investment securities.

Net cash used in financing activities amounted to ¥2,712 million, an increase of ¥218 million from the previous year. The main item was dividends paid.

Consequently, cash and cash equivalents at March 31, 2009, amounted to ¥313,089 million, having increased ¥247,671 million.