

## ● Consolidated Performance for Fiscal 2010

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

### Financial and Economic Conditions

In fiscal 2010, the year ended March 31, 2010, the Japanese economy showed a steady recovery in the latter half of the year, as reflected in exports and production upturned on the back of progress in inventory adjustments in both Japan and abroad, the government's economic stimulus effects and other factors, while there was still a lack of autonomous recovery in private sector demand. Meanwhile, in Miyagi Prefecture, the primary base of operations for The 77 Bank, the economy experienced some positive movements toward recovery, particularly in the manufacturing sector. However, it remained harsh throughout the year, mainly due to continuously weakening personal consumption and residential investments in general stemming from the sluggish job market.

In these circumstances, long-term interest rates stayed around the middle of the 1% range on the back of improving economic climates in both Japan and abroad. On the other hand, short-term interest rates remained on a downward trend throughout the year in line with a mounting sense of excess funds in the market, in reaction to several factors including the aggressive fund provision by the Bank of Japan. Stock prices increased sharply, thanks to growing expectations of the improvement in corporate performance and other reasons, as exemplified by the Nikkei Stock Index climbing back to the ¥11,000 level by the end of this fiscal year for the first time in one and a half years. Meanwhile, in foreign exchange markets, the yen rapidly appreciated against the dollar, breaking the ¥85 level against the US Dollar at one point for the first time in 14 years and 4 months, driven by the growing sense of uncertainty about emerging market economies coupled with concerns over prolonged accommodative monetary policy in the United States. Later, there have been volatile swings, as reflected in the yen tended to weaken against the dollar on the back of increased expectations for the recovery of the US economy.

### Consolidated Business Results

Deposits, including negotiable deposits, amounted to ¥5,361.7 billion at the end of the year under review, having increased ¥235.2 billion.

Loans and bills discounted increased ¥56.9 billion to ¥3,438.6 billion. Investment securities increased ¥229.6 billion to ¥1,942.6 billion at the end of the year.

Total assets stood at ¥5,906.8 billion, having increased ¥262.5 billion.

On the profit and loss front, interest income fell, primarily due to lower interest on loans and discounts and interest on dividends on trading account

and investment securities, etc. Also, total income decreased ¥27,836 million from the previous year to ¥120,432 million, due to such factors as declaring further gains on the sale of investment securities held by facilitating the sale of investment securities to cope with write-offs of investment securities and the increase in credit-related expenses, as well as to meet the demand for funds from clients in the previous year. On the other hand, total expenses decreased ¥36,132 million year-on-year to ¥99,757 million, due to such factors as the decrease in interest expenses such as interest on deposits, alongside lower credit-related expenses owing to the reversal of reserve for possible loan losses, etc. As a result, ordinary income increased ¥8,297 million from the previous year to ¥20,675 million. Net income increased ¥3,922 million from the previous year to ¥11,646 million, and net income per share was ¥30.70. The Bank's capital adequacy ratio according to the domestic standard was 13.25%, up 0.20 percentage points compared with the previous year-end.

Regarding performance by business segment, banking operations' total income decreased ¥27,171 million from the previous year to ¥103,222 million, mainly due to the decrease in interest income, while ordinary income increased ¥7,181 million year-on-year to ¥19,953 million, due to such factors as lower credit-related expenses. On the other hand, leasing operations' total income remained flat from the previous year at ¥16,194 million, but ordinary income increased ¥1,125 million to ¥1,095 million from the previous year, thanks to the decrease in credit-related expenses and others. In other operations, including credit card operations, total income remained flat from the previous year at ¥4,977 million, but ordinary income decreased ¥102 million to a net loss of ¥400 million partly due to the increase in the reserve for possible loan losses by the Bank's conservative stance.

Regarding cash flows, net cash provided by operating activities amounted to ¥182,340 million, resulting in an increase by ¥203,145 million from the previous year, mainly owing to the increase in deposits and negotiable deposits, etc.

Net cash used in investing activities totaled ¥169,844 million, a decrease of ¥441,084 million from the previous year, mainly due to the purchase of investment securities.

Net cash used in financing activities amounted to ¥2,675 million, on a par with the previous year's level. The main item was dividends paid.

Consequently, cash and cash equivalents at March 31, 2010 amounted to ¥322,897 million, having increased ¥9,807 million.