

● Consolidated Performance for Fiscal 2011

THE 77 BANK, LTD. AND SUBSIDIARIES

Years Ended March 31

Financial and Economic Conditions

In fiscal 2011, the year ended March 31, 2011, the Japanese economy showed little sign of recovery in personal consumption, reflecting a slump in the job market and other factors; however, exports, production and capital investment picked up with improvements in overseas economies, making for an overall tendency toward recovery despite a lingering impression of treading water. Meanwhile, in Miyagi Prefecture, the primary base of operations for The 77 Bank, the economic climate remained challenging. Despite signs of improvement in residential investment, production lagged in the mining and manufacturing industry, and overall personal consumption weakened as the effects of economic stimulus wore off. Furthermore, the Great East Japan Earthquake that occurred in March was a natural disaster of unprecedented scale, damaging a wide area along the Pacific coast. As a result, serious economic deterioration will be a concern for the foreseeable future.

In these circumstances, although long-term interest rates did at one point drop below 1% for the first time in seven years due to an increase in uncertainties towards global credit and concerns over a slowdown in the pace of economic recovery overseas, for the most part, they remained at around 1% to 1.5%. On the other hand, short-term interest rates remained low due in part to successive accommodative monetary policies enacted by the Bank of Japan. Although stock prices gradually rose from the latter half of this fiscal year thanks to expectations of recovery in corporate performance, stocks took a large dive following the occurrence of the Great East Japan Earthquake. Meanwhile, in foreign exchange markets, the yen remained high as it appreciated to its highest level in fifteen years and six months around the middle of this fiscal year due to factors such as the contraction in US-Japan interest rate differentials, and a record-high yen was recorded after the occurrence of the Great East Japan Earthquake.

The Great East Japan Earthquake that occurred on March 11, 2011 caused the Bank to incur much damage, the details of which are described below.

In terms of personal suffering caused to the Bank's employees as confirmed at the end of August 2011, in addition to the very unfortunate death of 3 of the Bank's Onagawa Branch employees, 8 employees and 1 temporary employee still remain missing.

As for damage caused to branch buildings etc., in addition to 12 branches requiring reconstruction or large-scale repair work, response to water damage is required at many branches. As a result of fixed assets-related losses such as repair expenses for the purpose of restoring branches to their original condition and a loss on disposal of fixed assets, an extraordinary loss of ¥1,013 million was posted. Immediately following the earthquake, the operation of many branches and ATMs had to be suspended. While conducting restoration efforts, when we discovered excessively damaged branches that would be difficult to restart in a timely manner, we borrowed locations at other neighborhood branches to restart the operation of damaged branches within these branches. As a result of efforts such as these to promptly restore our financing function, we have reduced the number of branches where business operations have been suspended to 1 branch as of the submission date of this Annual Report.

In addition, based on the increase in credit risks in the area affected by the earthquake, an extraordinary loss of ¥48,146 million was posted as provision of reserve for possible loan losses, etc.

In terms of customer support, in order to respond to consultations and inquiries from customers affected by the earthquake, a dedicated toll-free number was set up at the Head Office and Temporary counters that are also open on holidays were established. We also repaid deposits using simplified

treatment for customers who have lost their bankbooks or personal seals, and together we reissued bankbooks, etc., and provided support for inheritance procedures.

In addition, we set up "Finance-Related Temporary Consultation Counters (with toll-free numbers)" in the neighboring branches of branches where operations were suspended, and established "Reconstruction and Restoration/Financial Facilitation Finance Consultation Counters" at all branches to respond to finance-related inquiries from our clients. We also offered the "77 Disaster Response Loan" at a special interest rate to actively respond to funding needs related to recovery from this disaster and support the people affected by the damage.

Note that the impact of the Great East Japan Earthquake did not have a material effect on our consolidated subsidiaries.

Consolidated Business Results

Deposits, including negotiable deposits, amounted to ¥5,633.3 billion at the end of the year under review, having increased by ¥271.6 billion.

Loans and bills discounted increased by ¥56.9 billion to ¥3,495.6 billion. Investment securities increased by ¥186.4 billion to ¥2,129.0 billion at the end of the year.

Total assets stood at ¥6,217.6 billion at the end of the year under review, having increased by ¥310.8 billion.

On the profit and loss front, total income decreased by ¥5,057 million from the previous year to ¥115,375 million as a result of the drop on interest on loans and discounts due to falling interest rates. On the other hand, despite the increase in the reserve for possible loan losses based on the indirect impact of the Great East Japan Earthquake, total expenses decreased by ¥2,539 million year-on-year to ¥97,218 million due to factors such as the decrease in interest on deposits and the decrease in the loss on redemption of bonds and other securities. As a result, ordinary income decreased by ¥2,519 million from the previous year to ¥18,156 million. As a result of the Great East Japan Earthquake, massive damage was caused, mainly on the Pacific coast. Loss on disaster was posted as an extraordinary loss, resulting in a net loss of ¥30,458 million and a net loss per share of ¥80.35. The Bank's capital adequacy ratio according to the domestic standard was 11.69%, down 1.56 percentage points compared with the previous year-end.

Regarding performance by business segment, banking operations' total income decreased by ¥4,066 million from the previous year to ¥99,156 million, while segment income decreased by ¥3,695 million year-on-year to ¥16,258 million. Leasing operations' total income decreased by ¥1,106 million from the previous year to ¥15,088 million, and segment income decreased by ¥175 million year-on-year to ¥920 million. In other operations, total income decreased by ¥3 million from the previous year to ¥4,974 million, while segment income increased by ¥1,433 million year-on-year to ¥1,033 million.

Cash Flows

Regarding cash flows, net cash provided by operating activities amounted to ¥347,027 million, resulting in an increase by ¥164,687 million from the previous year, mainly owing to the increase in deposits, etc.

Net cash used in investing activities totaled ¥222,902 million, an increase of ¥53,058 million from the previous year, mainly due to the purchase of investment securities.

Net cash used in financing activities amounted to ¥4,694 million, an increase of ¥2,019 million from the previous year, mainly due to the increase in purchase of treasury stock, etc.

Consequently, cash and cash equivalents at March 31, 2011 amounted to ¥442,287 million, having increased by ¥119,390 million.