ANNUAL REPORT 2008

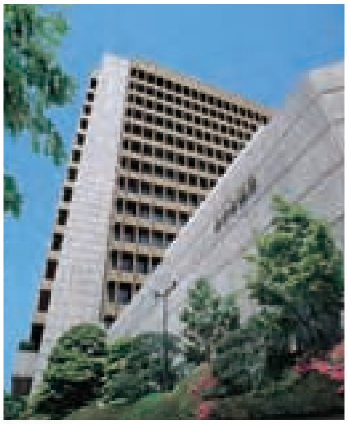
77 BANK ANNUAL REPORT 2008

THE 77 BANK, LTD.

Profile

The 77 Bank, Ltd., was founded in 1878 as Japan's 77th national bank. Headquartered in Sendai—the capital of Miyagi Prefecture—the Bank is the largest in the Tohoku region, with a branch network covering the northern part of Honshu, Japan's largest island.

Based on its philosophy, The 77 Bank continues to strengthen its business foundation and enhance its management quality in order to be the "best regional bank," one that grows along with its customers and is committed to the sustainable development of the region. As of March 31, 2008, The 77 Bank had capital of ¥24.7 billion, 139 domestic branches and 2,670 employees.



Contents

Consolidated Financial Highlights

THE 77 BANK, LTD. AND SUBSIDIARIES
As of March 31

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
For the fiscal year			
Net interest income	**¥ 78,350**	¥ 78,629	**$ 782,021**
Net fees and commission	**11,552**	12,887	**115,308**
Net other operating income (loss)	**1,567**	(157)	**15,642**
Net income	**12,321**	10,261	**122,977**
At the fiscal year-end			
Total assets	**¥5,659,213**	¥5,647,770	**$56,484,815**
Deposits	**5,069,375**	5,030,138	**50,597,620**
Loans and bills discounted	**3,146,776**	3,116,695	**31,408,088**
Trading account securities and investment securities	**2,102,051**	2,102,584	**20,980,650**
Equity	**351,491**	383,863	**3,508,247**
Common stock	**24,658**	24,658	**246,118**

	Yen		U.S. Dollars
	2008	2007	**2008**
Per share of common stock			
Net income	**¥ 32.47**	¥ 27.01	**$0.324**
Equity	**902.75**	988.04	**9.010**
Cash dividends applicable to the year	**7.00**	7.00	**0.069**
Capital adequacy ratio (%)			
BIS standard	**[14.42]**	[15.18]	
Domestic standard	**13.32**	13.13	

Note: Throughout this report, U.S. dollar amounts are translated, for convenience only, at the rate of ¥100.19 = US$1, the exchange rate prevailing on March 31, 2008. The capital adequacy ratios according to the BIS standard, in brackets, are indicated for reference only.

Message from the President

The 77 Bank aims to be the "best regional bank," one that grows along with its customers and is committed to the sustainable development of the region.

Hiroshi Kamata, President

In the fiscal year ended March 31, 2008, there was an increasing sense of a slowdown in the Japanese economy as exemplified by the continued trend in weak consumer spending in general in spite of exports maintaining an upward trend, with production and capital investment weakening due, among other things, to soaring crude oil and raw material prices, as well as the global confusion in financial and capital markets.

In Miyagi Prefecture, the primary base of operations for The 77 Bank, the economy has come to a standstill overall, with the recovery in personal consumption slowing down in addition to residential investment continuing to decline and public investment remaining weak.

As regards the environment surrounding financial institutions, financial institutions are urged to further improve and strengthen internal management systems, including measures against antisocial forces and systems for preventing money laundering, in addition to thoroughly implementing measures for the protection of customers and for other issues in accordance with the Financial Instruments and Exchange Law that went into full effect in September 2007. Meanwhile, it is necessary for regional financial institutions to place further emphasis on region-based business management by enhancing their support for local companies through loans and the like, and reinforcing efforts to stimulate regional economy.

The 77 Bank is vigorously addressing these issues.

Management Priority and Medium-term Management Plan Challenge 400

The Bank is working on Challenge 400, a medium-term business plan that extends over a four-year period from FY2005 to FY2008, aspiring to enjoy strong and sustained support through the provision of the best added value to our region, customers, and shareholders.

The most important task under the medium-term business plan is to ensure a path to enhanced profitability by accumulating high return-producing assets and improving management efficiency by taking suitable levels of risk, backed by sound financial position. Our aim is to accomplish this task, thereby successfully expanding our gross operating profit and building a low-cost operating structure. In the end, Challenge 400 will have given us the structure and capabilities to post stable profits regardless of the challenges we may face.

The fiscal year ending March 31, 2009, is the final year of Challenge 400. Everyone at The 77 Bank understands the significance of Challenge 400 and is working hard to reach the ultimate goal of ¥40 billion in core business profit.

Basic Policies

1. Redouble efforts to elicit a steady rise in gross operating profit and create a low-cost structure

The Bank will steadily increase gross operating profit by strengthening core lending operations and raising the profitability of assets to expand the return on capital; and by improving the return on banking services through a heightened focus on attracting more assets from customers. In tandem with these activities, the Bank will enhance profitability by promoting the establishment of a low-cost structure.

2. Cement strong relationships with shareholders, customers and the region

- For the region as a whole, the Bank will cement its solid business footing in the region and strive to contribute to the area through its full range of banking services.
- For customer, the Bank will increase its value by raising levels of customer satisfaction and striving always to be their No. 1 choice.
- For shareholders, the Bank will bolster shareholder value by improving profitability and maintaining a sound financial position.

3. Cultivate an atmosphere that encourages new perspectives

The Bank will cultivate an atmosphere that welcomes fresh perspectives, encourages free thought and continuously applies new ideas to reinvigorate the in-house environment.

Basic Objectives

1. Enhanced profitability	Core operating profit[1]	More than ¥38 billion by March 2009
2. Specific targets for enhanced profitability		
i. Stronger operating capabilities	Balance of core loans	More than ¥3 trillion by March 2009
	Assets in custody	More than ¥700 billion by March 2009
ii. Improved operating efficiency	Overhead ratio	Less than 60% by March 2009
3. Sustained financial soundness	Capital adequacy ratio (domestic standard)	More than 12% by March 2009

Notes:
1. Core operating profit: amount left after deducting gains (losses) on bonds, including government bonds, from operating profit before transfer to reserve for possible loan losses.
2. Balance of core loans: value of loans, excluding such instruments as loan participation.

Key Themes in Fiscal 2009

The fiscal year ending March 31, 2009, is the final year of Challenge 400. As we progress toward the goals of this medium-term management plan, we will strive to implement various measures swiftly in accordance with the following priority policies.

Stronger operating capabilities

- Enhance corporate transactions
- Reinforce consumer loans centering on housing loans
- Increase handling of financial assets in terms of both deposits and assets in custody
- Strengthen the business base

Improve operational efficiency

Strengthen internal control systems and develop human resources

Promotion of Relationship Banking

• Basic Policy on Promotion of Relationship Banking

"Relationship banking" means banking based on information accumulated from close long-term relationships with customers. The 77 Bank's basic ideas concerning the promotion of relationship banking are the very principles expressed in the Bank Creed and are deeply rooted among the Bank's executives and employees as a code of conduct.

In accordance with these basic principles, The 77 Bank will contribute even more than before to the development of the region for the realization of the following objectives set forth in the medium-term management plan.

1. Bank image sought ("Bank Image Sought" of the Medium-Term Management Plan)

"Best regional bank," one that grows along with its customers and is committed to the sustainable development of the region

2. Strengthening of relationships with the region and customers ("Basic Policies" of the Medium-Term Management Plan)

(1) Relationship with region

For the region as a whole, the Bank will cement its solid business footing in the region and strive to contribute to the area through its full range of banking services.

(2) Relationship with customers

For customers, the Bank will increase its value by raising levels of customer satisfaction and striving always to be their No. 1 choice.

• Progress of Implementation of the Relationship Banking Promotion Plan in Fiscal 2008

1. Strengthen support for client companies in accordance with their stage of corporate life cycle

- Strengthen support for the start up of new companies, the development of new businesses by existing companies, and other similar efforts

Target	**Support the start up of and/or the development of new businesses by 50 companies**
Result	**68 companies**

- Strengthen support for the revitalization of businesses and improvement of management

Target	**Utilize the business revitalization fund with respect to 2 companies**
Result	**2 companies**

2. Ensure a financing method suitable for small and medium-sized businesses, including a loan procedure for determining business value

- Make efforts to curb loans guaranteed by third parties

Target	**Achieve a balance of 30,000 million yen on loan products that do not require collaterals or third-party guarantees**
Result	**31,130 million yen**

3. Contribute to sustainable local economy by utilizing information accumulated on the community

- Organize business fairs

Target	**Provide leads on 1,500 business-matching opportunities**
Result	**2,516 leads**

- **Relationship Banking Promotion Plan in Fiscal 2009**

1. Strengthen support for client companies in accordance with their stage of corporate life cycle

- We will strengthen support for the start up of new companies, the development of new businesses by existing companies, and other similar efforts.

Target **Support the start up of and/or the development of new businesses by 50 companies**

- We will strengthen support for the revitalization of businesses and improvement of management.
- We will strengthen efforts to promote business successions and M&A through such means as the organization of seminars and provision of opportunities for consultations.

2. Ensure a financing method suitable for small and medium-sized businesses, including a loan procedure for determining business value

- We will make efforts to diversify the means of procuring funding.

Target **Achieve a balance of 10,000 million yen on loan products that utilize a restrictive financial covenant**

3. Contribute to sustainable local economy by utilizing information accumulated on the region

- We will organize business fairs for food and industrial products.
- We will aggressively address local development projects within the region, such as PFI projects.
- We will develop products that give favorable treatment, in terms of interest rates and commissions, to companies that are contributing to the society through local environmental protection, child support and the like.

Corporate Governance Status

The 77 Bank has always emphasized management priorities that serve to build a better business administration structure. In particular, we have devoted considerable efforts toward strengthening the capabilities of the Board of Directors, reinforcing auditing activities by inviting outside auditors to sit on the Board of Auditors, and enriching our compliance and risk management systems.

The Board of Directors is responsible for decisions on key issues related to operations. The Executive Committee, a separate authority, discusses important business matters and determines courses of action within the power granted to it by the Board of Directors. The Bank maintains a corporate auditor system under which three of the five auditors on the Board of Auditors are outside auditors, a structure that raises the level of impartiality of internal audits. Auditors check that the actions of directors are constructive and appropriate by attending Board of Directors' meetings and issuing opinion statements on discussions and decisions made at those meetings.

In regard to compliance, The 77 Bank emphasizes clarity and integrity, a position underpinned by Compliance Policies, drafted by the Board of Directors. With regard to risk management, the Bank applies its Basic Policy for Risk Management, also drafted by the Board of Directors, to maintain a sound structure that promotes stable, long-lasting growth as a regional bank.

H. Kamata

Hiroshi Kamata
President

Toward a Firmer Business Position

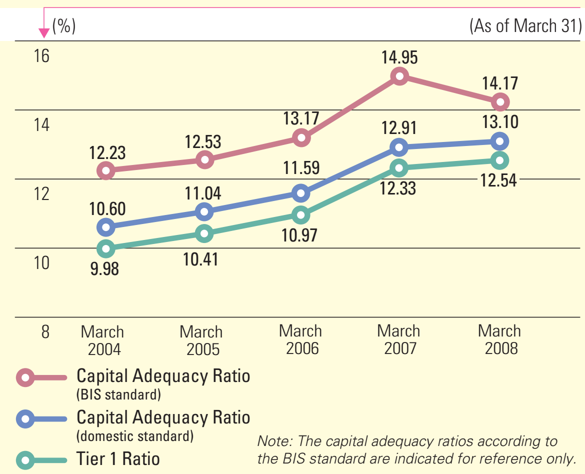
Tier 1 Capital Ratio

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 12.54% on a non-consolidated basis, at March 31, 2008, considerably higher than the average (8.13%, preliminary figure) for the 56 regional banks that apply the domestic standard. This statistic places the Bank among the top performers in this sector of the banking industry.

As the ratio of the tax effects included in the capital to Tier 1 being 14.9%, and the Bank's capital adequacy ratio, excluding tax effects, being 11.24%, it can be said that the Bank is financially stable also in terms of the composition of total capital.

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



Note: The capital adequacy ratios according to the BIS standard are indicated for reference only.

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 three domestic and overseas rating agencies that are among the highest of any Japanese financial institution.

The 77 Bank's Ratings

(As of June 30, 2008)

Solid debt-repayment capabilities

AAA
AA
A
BBB
BB
B
CCC
CC
C
D

Rating Agency	Category	Rating	Definition
Japan Credit Rating Agency, Ltd. (JCR)	Long-term preferred debt rating	AA	Highest certainty of fulfillment of obligations
Rating and Investment Information, Inc. (R&I)	Issuer credit rating	A+	Higher credibility and partially superior performance
Standard & Poor's Corp. (S&P)	Issuer credit rating	A	Strong capacity to meet its financial commitments
Fitch Ratings Ltd.	Long-term credit rating	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.

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.

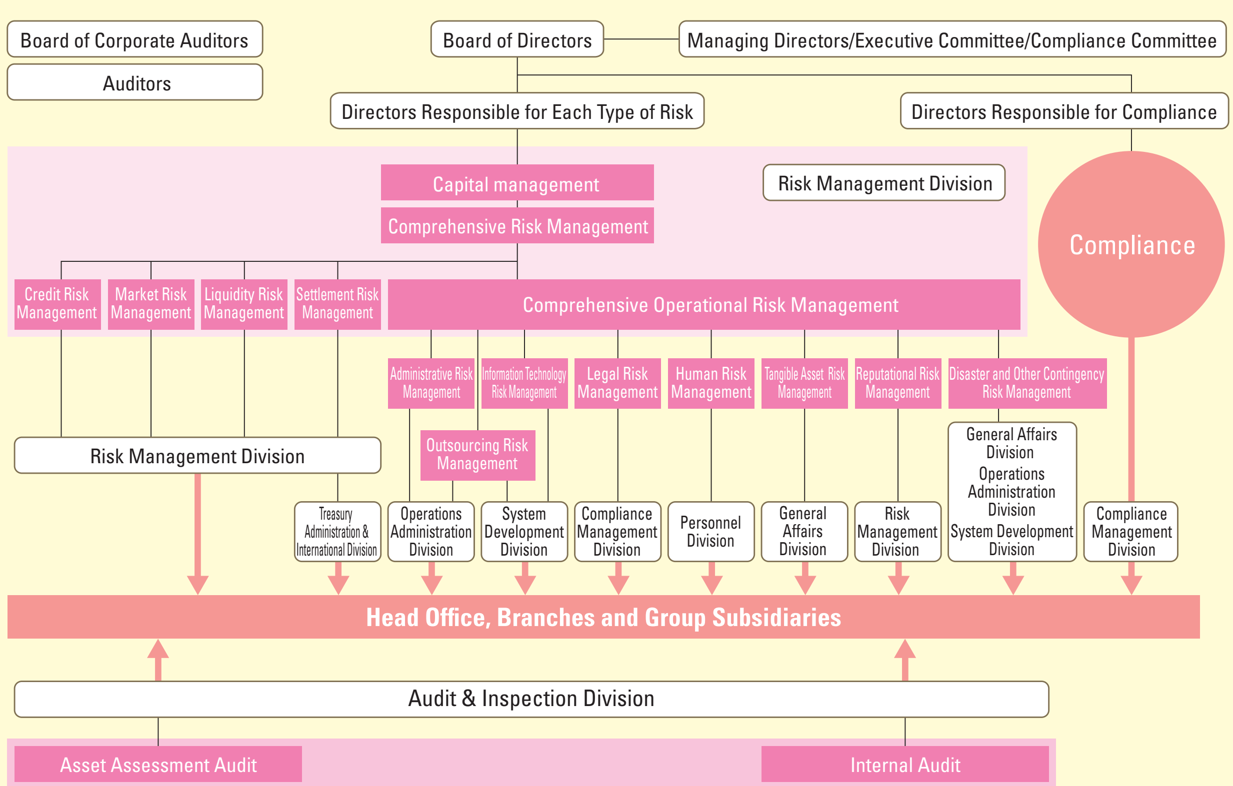
The 77 Bank works to reinforce comprehensive risk management with the improved soundness of business in mind. The risks the Bank faces are assessed by category and comprehensive risk management systems are established for self-control type risk management by taking an overall look at them, and comparing and contrasting with the Bank's capital. At the same time, efforts are being made to improve risk management methods by such means as the enhancement of risk measurement techniques.

We have implemented risk capital management as a specific framework for comprehensive risk management. Risk capital management is a management method where a risk capital budget, which is the risk tolerance, is allocated by risk category to each unit (domestic business units, funds and securities units, and another unit), and the measured risks of each unit are monitored to ensure that they do not exceed the respective budget. Risk capital management is also utilized to monitor whether expected profits suitable for the risks taken are being secured.

Roles of the Bank's Risk-Management Units

Various risks have been classified into five categories—credit risks, market risks, liquidity risks, settlement risks, and operational risks—and each risk category is overseen by dedicated divisions, in addi-

Flow of Risk Management and Compliance Responsibilities



tion to comprehensive risk management by the Risk Management Division. Credit risks, market risks and liquidity risks are managed by the Risk Management Division, settlement risks are managed by the Risk Management Division and the Treasury Administration & International Division, and Risk Management Division supervises the comprehensive operational risk management. Of the operational risks, administrative risks are managed by the Operations Administration Division, information technology risks by the System Development Division, legal risks by the Compliance Management Division, human risks by Personnel Division, tangible assets risks by the General Affairs Division, reputational risks by the Risk Management Division, and outsourcing risks by the Operations Administration Division and System Development Division, and disaster and other contingency risks by the General Affairs Division, Operational Administration Division, and System Development Division.

The Audit & Inspection Division is independent of the business promotion units and risk management units, as it is 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. The Bank has classified audits into two categories: a comprehensive audit for internal management systems, including compliance, customer protection, governance and management, and risk control; and physical inspection of cash and cash equivalents for the prevention of illegality. In addition, the Bank undergoes external audits, performed by outside auditors, in order to further consolidate the internal management structure.

Compliance

The Bank formulated the Compliance Policies in order to clarify its stance on compliance and to ensure the effectiveness thereof. Further, the Bank established the Compliance Guidelines (Compliance Standards) to articulate specific guidelines and a code of conduct so that the executives and employees place importance on compliance, thereby ensuring the lawful conduct of business.

Compliance Guidelines

Basic Direction

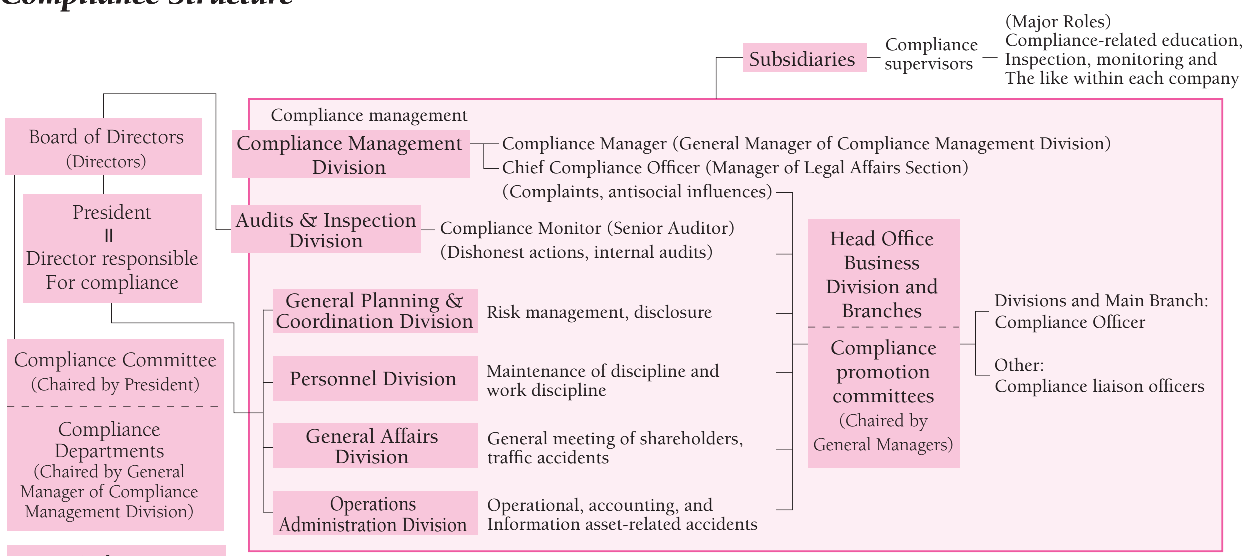
1. Ensure sound management and pay the utmost attention to sustaining the Bank's credibility and its ability to maintain smooth financing.
2. Comply with laws and the code of corporate ethics and maintain fair and honest practices.
3. Take a principled stand with regard to issues that threaten social order or public peace.
4. Provide financial services that the region, customers, and society broadly trust and endeavor to achieve sustainable development together with them as a good corporate citizen.
5. Foster a flexible and constructive working environment conducive to the well-being of all employees.

Code of Conduct

1. We will comply with laws, ordinances, the Articles of Incorporation, the Rules of Employment, and internal rules of the Bank.
2. We will not force unfair transaction on our customers.
3. We will not divulge confidential information of our customers or the Bank, or material information that has not been made public.
4. We will not neglect to provide reports required by laws, ordinances, and internal rules of the Bank, or provide false reports.
5. We recognize the public nature and the large social responsibility of the Bank and will devote ourselves to our duties.

6. We will not follow instructions or orders given by an individual that go beyond or deviate from the authorities given to said individual.
7. We will not engage in such conduct as will undermine the credibility or honor of the Bank.
8. We will not do favors for our customers in violation of law, ordinances, or internal rules of the Bank.
9. We will not seek to make unfair profits by taking advantage of our duties or position.
10. We will not borrow from or mediate for someone to borrow from our customers, other executives, or other employees without legitimate reason.
11. We will not engage in socially unacceptable entertaining or gift giving.
12. We will make efforts to maintain order in the workplace.

Compliance Structure



Note: Compliance officers and compliance liaisons maintain their independence in the performance of their duties related to compliance and do not follow the instructions of higher-ranking individuals.

Thorough compliance with laws and the code of corporate ethics is essential for a financial institution if it is to uphold its social responsibility and public duty and thus maintain the trust of the region in which it operates, customers and society at large. 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 superseded by the Legal Affairs Section of the Compliance Management Division, which now tracks the situation with respect to legal compliance.

The President is the director ultimately responsible for legal compliance. He is supported by the general manager of the Compliance 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 the situation with respect to compliance. 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.

To further strengthen the compliance structure, the Bank established the Compliance Committee chaired by the President and compliance departments as subcommittees of the Compliance Committee. Also, divisions and branches have compliance promotion committees.

Growing with the Region

The Economy of Miyagi Prefecture

Miyagi Prefecture, the primary base of operations for The 77 Bank, is located in the southeast of the Tohoku region. The prefecture is an important crossroads linking Tohoku to Tokyo, the nation's capital. In 1989, Sendai, the prefectural capital, became the 11th city in Japan specially designated by ordinance. The higher profile encouraged major national businesses and organizations, including government agencies, to set up branches and offices in Sendai, thereby positioning Sendai as the preeminent city of the Tohoku region.

In terms of major economic indicators, such as population, gross prefectural product and retail trade amount, Miyagi Prefecture is ranked around 15 out of Japan's 47 prefectures. The prefecture contributes slightly less than 2% to national totals. Miyagi Prefecture is working steadily to establish an industrial infrastructure, such as an enhanced transportation network to improve links with other regions of Japan and other countries. In addition, new industrial centers are being formed with the advance of automotive and other companies into the Prefecture.

Composition of Gross Prefectural and Gross Domestic Product (Nominal)

(%)

	Miyagi Prefecture	Japan
Agriculture, forestry and fishery	1.9	1.2
Manufacturing	15.4	20.9
Construction	6.4	5.6
Utilities	2.4	2.6
Wholesale and retail	15.2	14.0
Financial institutions	4.7	7.1
Real estate	14.2	12.8
Transportation and communications	8.9	6.9
Services	20.8	21.7
Municipalities and others	10.1	7.2
Total	100.0	100.0

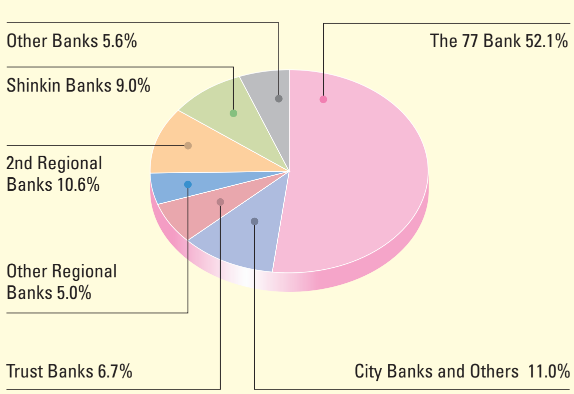
Together with the Region

Our mission, as a regional financial institution, is to contribute to regional socioeconomic development through the timely and accurate provision of financial services geared to the needs of the region. Our efforts have earned us the support of customers, boosting our regional share of deposits and loans to the highest level among Japanese regional banks.

Deposit and Loan Shares in Miyagi Prefecture

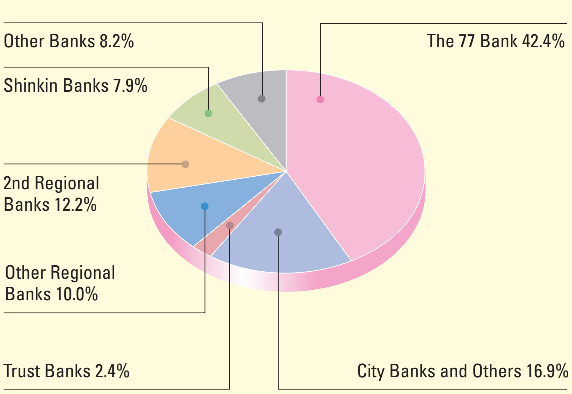
Deposits

(As of March 31, 2008)



Loans

(As of March 31, 2008)



77 Bank Group

(As of June 30, 2008)

Main Business and Organization of the Bank and Subsidiaries

The 77 Bank Group is engaged in leasing, credit card and other financial businesses in addition to the banking business. The Group consists of the following:

- The 77 Bank, Ltd.
  - Head Office, 133 branches, and seven sub-branches
  - Three consolidated subsidiaries engaged mainly in operations directly related to the banking business
    - 77 Business Services Co., Ltd.
      - *Management of cash and other banking clerical operations*
    - 77 Staff Services Co., Ltd.
      - *Temporary employment agency*
    - 77 Jimu Daiko Co., Ltd.
      - *Investigation and valuation of mortgaged property and custody of credit documents*
  - Four consolidated subsidiaries engaged mainly in businesses related to financial services
    - 77 Lease Co., Ltd.
      - *Leasing business*
    - 77 Shin-Yo Hosyo Co., Ltd.
      - *Guaranty and credit investigation services*
    - 77 Computer Services Co., Ltd.
      - *Computer-based contract services such as calculations for other companies*
    - The 77 Card Co., Ltd.
      - *Credit card business*

Consolidated Subsidiaries

	Established	Paid-in capital	Percentage of parent company's voting stock	Percentage of consolidated companies' voting stock
77 Business Services Co., Ltd.	January 1980	¥ 20 million	100.00%	—
77 Staff Services Co., Ltd.	March 1987	¥ 30 million	100.00%	—
77 Jimu Daiko Co., Ltd.	October 1988	¥ 30 million	100.00%	—
77 Lease Co., Ltd.	November 1974	¥100 million	5.88%	52.94%
77 Shin-Yo Hosyo Co., Ltd.	October 1978	¥ 30 million	5.00%	45.90%
77 Computer Services Co., Ltd.	January 1982	¥ 20 million	5.00%	45.00%
The 77 Card Co., Ltd.	February 1983	¥ 64 million	6.06%	28.28%

Note: *77 Computer Services Co., Ltd., and The 77 Card Co., Ltd., are regarded as consolidated subsidiaries because institutions that have a close relationship with the Bank hold 45.00% and 45.45% of voting stock, respectively.*

Board of Directors and Corporate Auditors

(As of June 30, 2008)

From left: Teruhiko Ujiie, Deputy President; Hiroshi Kamata, President; and Yoshiaki Nagayama, Senior Managing Director

President
Hiroshi Kamata

Deputy President
Teruhiko Ujiie

Senior Managing Director
Yoshiaki Nagayama

Managing Directors
Reiichi Sato
Kimitsugu Nagao
Masayuki Yamada
Mitsutaka Kambe

Directors
Tetsuya Fujishiro
Eiji Ouchi
Isamu Suzuki
Kenichi Hotta
Masatake Hase
Masakuni Ojima
Hideharu Tamura
Toshio Ishizaki
Masanari Tanno

Standing Statutory Auditors
Toshio Onodera
Satoshi Kitaura

Statutory Auditors
Masahiro Sugita
Ken Nakamura
Masahiro Chiba

Organization

(As of July 1, 2008)

- General Meeting of Stockholders
  - Board of Statutory Auditors
  - Board of Directors
    - *Chairman*
    - *President*
    - *Deputy President*
    - *Senior Managing Director*
    - *Managing Directors*
    - Executive Committee/Compliance Committee
    - Secretariat
    - General Planning & Coordination Division
    - Compliance Management Division
    - Risk Management Division
    - Business Promotion Division
    - Corporate Banking Division
    - Personal Banking Division
    - Public Institutions Division
    - Credit Supervision Division
    - Treasury Division
    - Head Office Business Division
    - Branches
    - Treasury Administration & International Division
      - Shanghai Representative office
    - Personnel Division
    - Research Division
    - General Affairs Division
    - Operations Administration Division
    - System Development Division
    - Tokyo Liaison Office
    - Audit & Inspection Division

Consolidated Five-Year Summary

THE 77 BANK, LTD. AND SUBSIDIARIES
As of March 31

	Millions of Yen				
	2008	2007	2006	2005	2004
For the fiscal year					
Net interest income	**¥ 78,350**	¥ 78,629	¥ 76,032	¥ 74,873	¥ 75,797
Net fees and commissions	**11,552**	12,887	12,261	11,887	11,644
Net other operating income (loss)	**1,567**	(157)	379	2,239	2,435
Net income	**12,321**	10,261	9,415	9,044	12,339
At the fiscal year-end					
Total assets	**¥5,659,213**	¥5,647,770	¥5,551,935	¥5,616,224	¥5,404,205
Deposits	**5,069,375**	5,030,138	4,947,526	5,043,654	4,936,569
Loans and bills discounted	**3,146,776**	3,116,695	3,066,753	3,202,879	3,116,779
Trading account securities and investment securities	**2,102,051**	2,102,584	2,088,045	1,931,010	1,727,328
Equity*	**351,491**	383,863	359,458	333,680	323,994
Common stock	**24,658**	24,658	24,658	24,658	24,658

	Yen				
	2008	2007	2006	2005	2004
Per share of common stock					
Net income	**¥ 32.47**	¥ 27.01	¥ 24.63	¥ 23.65	¥ 32.31
Diluted net income					
Equity*	**902.75**	988.04	945.79	877.76	852.93
Cash dividends	**7.00**	7.00	6.00	6.00	6.00
Capital adequacy ratio (%)					
BIS standard	**[14.42]**	[15.18]	[13.43]	[12.75]	[12.42]
Domestic standard	**13.32**	13.13	11.83	11.23	10.78

** Pursuant to the new accounting standard for presentation of equity in the balance sheet and its implementation guidance, equity at March 31, 2008 and 2007 includes minority interests, which were not included in the prior fiscal years.*

Notes: 1. *The national consumption tax and the local consumption tax are excluded from transaction amounts.*

2. *The Bank's capital adequacy ratio on the domestic standard is accompanied by the revision of Article 14, Paragraph 2, of the Banking Law of Japan, in line with enforcement of the related law for financial system reform. The capital adequacy ratios according to the BIS standard, in brackets, are indicated for reference only.*

Consolidated Performance for Fiscal 2007

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

Financial and Economic Conditions

In fiscal 2007, the year ended March 31, 2008, the Japanese economy remained on course for recovery, backed by an increase in exports, although the rate of recovery slowed during the latter half of the year due to such factors as the confusion in financial and capital markets worldwide. In Miyagi Prefecture, the primary base of operations for The 77 Bank, there was little sense of economic progress overall in spite of the upward trend in production, with public investments continuing to decrease and inflating crude oil and raw materials prices weighing down on the economy.

In these circumstances, long-term interest rates remained in the lower 1% range reflecting the decrease in interest rates overseas and the slowing down of the real economy, while short-term interest rates stayed at about the same level. Meanwhile, stock prices have been in a slump since last summer, due to a cautious outlook on the Japanese economy resulting from concerns on the downturn of the U.S. economy and a decrease in housing investments, among other factors. Meanwhile, in foreign exchange markets, the yen trended upward due to the lowering of interest rates in the United States and increasing opacity of the financial environment, reaching ¥100 to $1.00 at one point for the first time in 12 years and 5 months.

Consolidated Business Results

Deposits, including negotiable deposits, amounted to ¥5,069.3 billion at the end of the year under review, having increased ¥39.2 billion. Loans and bills discounted increased ¥30.0 billion to ¥3,146.7 billion. Investment securities amounted to ¥2,068.6 billion at the end of the year, virtually unchanged from the previous year-end.

Total assets stood at ¥5,659.2 billion, having increased ¥11.4 billion.

On the profit and loss front, the Bank's efforts to enhance efficiency of fund management and procurement and cut expenses resulted in an ¥5,364 million increase in total income to ¥134,616 million, while total expenses increased ¥4,715 million to ¥114,470 million. As a result, ordinary income increased ¥649 million from the previous year to ¥20,145 million. Net income rose ¥2,060 million from the previous year to ¥12,321 million and net income per share was ¥32.47.

The Bank's capital adequacy ratio according to the domestic standard was 13.32%, up 0.19 percentage points compared with the previous year-end.

Regarding performance by business segment, banking operations' total income increased ¥5,996 million from the previous year to ¥115,404 million mainly due to an increase in returns from fund management resulting from an increase in interest received for loans and bills discounted, and ordinary income increased ¥1,574 million to ¥19,872 million. On the other hand, leasing operations' total income fell ¥70 million from the previous year to ¥17,829 million, and ordinary income decreased ¥941 million to ¥3 million owing mainly to the increase in provision of reserve for possible loan losses. In other operations, including credit card operations, while total income decreased ¥484 million from the previous year to ¥5,186 million, ordinary income increased ¥22 million to ¥287 million.

Regarding cash flows, net cash provided by operating activities amounted to ¥79,091 million, resulting in an increase by ¥139,443 million from the previous year, mainly owing to increases in deposits and negotiable deposits. Net cash used in investing activities totaled ¥99,755 million, resulting in a decrease by ¥102,916 million from the previous year, mainly due to the acquisition of investment securities. Net cash used in financing activities amounted to ¥2,930 million, resulting in a decreased by ¥562 million from the previous year. The main item was dividends paid.

Consequently, cash and cash equivalents at March 31, 2008, amounted to ¥65,417 million, having decreased ¥23,536 million.

Consolidated Balance Sheets

THE 77 BANK, LTD. AND SUBSIDIARIES
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
Assets:			
Cash and due from banks (Note 4)	**¥ 66,786**	¥ 90,260	**$ 666,596**
Call loans and bills bought	**164,268**	182,313	**1,639,565**
Commercial paper and other debt purchased (Note 5)	**15,109**	27,019	**150,804**
Trading account securities (Note 5)	**33,434**	33,502	**333,710**
Money held in trust (Note 6)	**43,876**	50,768	**437,934**
Investment securities (Notes 5, 12 and 13)	**2,068,616**	2,069,082	**20,646,940**
Loans and bills discounted (Notes 7 and 27)	**3,146,776**	3,116,695	**31,408,088**
Foreign exchange assets (Note 8)	**1,100**	687	**10,982**
Tangible fixed assets (Note 10):			
Buildings	**13,542**	14,942	**135,168**
Land	**23,198**	23,291	**231,540**
Construction in progress	**175**	76	**1,754**
Other tangible fixed assets	**33,457**	32,958	**333,943**
Intangible fixed assets:			
Software	**4,123**	2,896	**41,154**
Other intangible fixed assets	**395**	405	**3,946**
Deferred tax assets (Note 24)	**19,314**	2,361	**192,778**
Customers' liabilities for acceptances and guarantees (Notes 12 and 27)	**36,221**	34,532	**361,527**
Other assets (Notes 9 and 13)	**40,825**	28,135	**407,479**
Reserve for possible loan losses	**(52,008)**	(62,159)	**(519,101)**
Total	**¥5,659,213**	¥5,647,770	**$56,484,815**
Liabilities:			
Deposits (Notes 13 and 15)	**¥5,069,375**	¥5,030,138	**$50,597,620**
Call money	**79,134**	62,605	**789,847**
Payables under securities lending transactions (Note 13)	**10,173**	13,029	**101,544**
Borrowed money (Note 16)	**16,464**	15,572	**164,328**
Foreign exchange liabilities (Note 8)	**222**	70	**2,218**
Liability for retirement benefits (Note 18)	**41,335**	40,161	**412,575**
Reserve for reimbursement of deposits	**144**		**1,437**
Reserve for contingent losses	**193**		**1,929**
Acceptances and guarantees (Note 12)	**36,221**	34,532	**361,527**
Deferred tax liabilities (Note 24)		9,947	
Other liabilities (Note 17)	**54,457**	57,848	**543,539**
Total liabilities	**5,307,722**	5,263,906	**52,976,567**
Equity (Notes 19 and 29):			
Common stock— authorized, 1,344,000,000 shares; issued, 383,278,734 shares in 2008 and 2007	**24,658**	24,658	**246,118**
Capital surplus	**7,848**	7,845	**78,340**
Retained earnings	**268,181**	258,706	**2,676,730**
Unrealized gain on available-for-sale securities (Note 5)	**44,289**	85,706	**442,052**
Deferred gain (loss) on derivatives under hedge accounting	**(429)**	8	**(4,282)**
Less: treasury stock—at cost, 3,885,696 shares in 2008 and 3,785,961 shares in 2007	**(2,051)**	(1,971)	**(20,471)**
Total	**342,498**	374,954	**3,418,488**
Minority interests	**8,992**	8,908	**89,759**
Total equity	**351,491**	383,863	**3,508,247**
Total	**¥5,659,213**	¥5,647,770	**$56,484,815**

See notes to consolidated financial statements.

Consolidated Statements of Income

THE 77 BANK, LTD. AND SUBSIDIARIES
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
Income:			
Interest income:			
Interest on loans and discounts	**¥ 64,464**	¥ 58,079	**$ 643,426**
Interest and dividends on trading account and investment securities	**30,117**	29,563	**300,602**
Other	**253**	265	**2,528**
Fees and commissions	**17,307**	17,664	**172,750**
Other operating income (Note 20)	**18,936**	18,737	**189,009**
Other income (Note 21)	**3,560**	5,041	**35,541**
Total income	**134,641**	129,351	**1,343,859**
Expenses:			
Interest expense:			
Interest on deposits	**12,517**	5,003	**124,940**
Interest on borrowings and rediscounts	**3,169**	3,618	**31,634**
Other	**797**	656	**7,961**
Fees and commissions	**5,755**	4,777	**57,442**
Other operating expenses (Note 22)	**17,369**	18,894	**173,366**
General and administrative expenses	**62,978**	61,912	**628,593**
Provision of reserve for possible loan losses	**5,272**	9,991	**52,628**
Other expenses (Note 23)	**6,974**	6,267	**69,609**
Total expenses	**114,835**	111,121	**1,146,177**
Income before income taxes and minority interests	**19,805**	18,229	**197,681**
Income taxes (Note 24):			
Current	**6,213**	5,315	**62,015**
Deferred	**1,148**	2,161	**11,458**
Total income taxes	**7,361**	7,477	**73,473**
Minority interests in net income	**123**	490	**1,231**
Net income	**¥ 12,321**	¥ 10,261	**$ 122,977**

	Yen		U.S. Dollars
Per share of common stock (Note 2.p):			
Basic net income	**¥32.47**	¥27.01	**$0.324**
Cash dividends applicable to the year	**7.00**	7.00	**0.069**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

THE 77 BANK, LTD. AND SUBSIDIARIES
Years Ended March 31, 2008 and 2007

	Thousands	Millions of Yen						
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Treasury Stock	Total
BALANCE, APRIL 1, 2006	383,278	¥24,658	¥7,841	¥250,760	¥77,783		¥ (1,586)	¥359,458
Reclassified balance as of March 31, 2006 (Note 2.l)								
Net income				10,261				10,261
Cash dividends, ¥6.00 per share				(2,275)				(2,275)
Bonuses to directors and corporate auditors				(38)				(38)
Purchase of treasury stock (522 thousand shares)							(390)	(390)
Sale of treasury stock (12 thousand shares)			3				6	9
Net change in the year					7,922	¥ 8		7,931
BALANCE, MARCH 31, 2007	383,278	24,658	7,845	258,706	85,706	8	(1,971)	374,954
Net income				12,321				12,321
Cash dividends, ¥7.50 per share				(2,845)				(2,845)
Purchase of treasury stock (119 thousand shares)							(90)	(90)
Sale of treasury stock (19 thousand shares)			3				10	13
Net change in the year					(41,417)	(437)		(41,855)
BALANCE, MARCH 31, 2008	383,278	¥24,658	¥7,848	¥268,181	¥44,289	¥ (429)	¥(2,051)	¥342,498

	Millions of Yen	
	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006		¥359,458
Reclassified balance as of March 31, 2006 (Note 2.l)	¥8,144	8,144
Net income		10,261
Cash dividends, ¥6.00 per share		(2,275)
Bonuses to directors and corporate auditors		(38)
Purchase of treasury stock (522 thousand shares)		(390)
Sale of treasury stock (12 thousand shares)		9
Net change in the year	763	8,695
BALANCE, MARCH 31, 2007	8,908	383,863
Net income		12,321
Cash dividends, ¥7.50 per share		(2,845)
Purchase of treasury stock (119 thousand shares)		(90)
Sale of treasury stock (19 thousand shares)		13
Net change in the year	84	(41,770)
BALANCE, MARCH 31, 2008	¥8,992	¥351,491

See notes to consolidated financial statements.

	Thousands of U.S. Dollars (Note.1)						
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Treasury Stock	Total
BALANCE, MARCH 31, 2007	$246,118	$78,308	$2,582,159	$855,442	$ 84	$(19,674)	$3,742,439
Net income			122,977				122,977
Cash dividends, $0.075 per share			(28,405)				(28,405)
Purchase of treasury stock (119 thousand shares)						(901)	(901)
Sale of treasury stock (19 thousand shares)		31				104	135
Net change in the year				(413,390)	(4,366)		(417,757)
BALANCE, MARCH 31, 2008	$246,118	$78,340	$2,676,730	$442,052	$(4,282)	$(20,471)	$3,418,488

	Thousands of U.S. Dollars (Note.1)	
	Minority Interests	Total Equity
BALANCE, MARCH 31, 2007	$88,917	$3,831,356
Net income		122,977
Cash dividends, $0.075 per share		(28,405)
Purchase of treasury stock (119 thousand shares)		(901)
Sale of treasury stock (19 thousand shares)		135
Net change in the year	841	(416,915)
BALANCE, MARCH 31, 2008	$89,759	$3,508,247

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

THE 77 BANK, LTD. AND SUBSIDIARIES
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Operating activities:			
Income before income taxes and minority interests	¥ 19,805	¥ 18,229	$ 197,681
Adjustments for:			
Income taxes—paid	(5,523)	(6,487)	(55,131)
Depreciation and amortization	14,917	14,351	148,892
Losses on impairment of fixed assets	82	233	818
Change in reserve for possible loan losses	(10,150)	(7,410)	(101,314)
Change in reserve for reimbursement of deposits	144		1,437
Change in reserve for contingent losses	193		1,929
Change in liability for retirement benefits	1,174	2,576	11,724
Interest income	(94,835)	(87,908)	(946,557)
Interest expense	16,484	9,278	164,535
Investment securities losses (gains)—net	793	(439)	7,917
Gains on money held in trust—net	(1,260)	(2,445)	(12,580)
Foreign exchange losses (gains)—net	14,983	(1,807)	149,553
Losses on sale and disposal of fixed assets—net	175	148	1,752
Net change in loans and bills discounted	(30,080)	(49,941)	(300,237)
Net change in deposits	39,237	82,611	391,628
Net change in borrowed money	891	122	8,897
Net change in due from banks	(62)	(334)	(625)
Net change in call loans and bills bought	18,045	(169,733)	180,114
Net change in commercial paper and other debt purchased	11,910	57,252	118,879
Net change in call money	16,529	(8,866)	164,976
Net change in payables under securities lending transactions	(2,855)	4,276	(28,502)
Net change in trading account securities	67	(13,473)	674
Net change in foreign exchange assets	(412)	528	(4,120)
Net change in foreign exchange liabilities	151	(110)	1,513
Interest received	95,193	86,123	950,129
Interest paid	(14,561)	(7,489)	(145,339)
Other—net	(11,946)	20,364	(119,235)
Total adjustments	59,285	(78,582)	591,730
Net cash provided by (used in) operating activities	¥ 79,091	¥ (60,352)	$ 789,412
Investing activities:			
Purchases of investment securities	(377,295)	(388,676)	(3,765,804)
Proceeds from sales of investment securities	76,245	105,315	761,004
Proceeds from maturity of investment securities	217,409	298,778	2,169,969
Investment in money held in trust	(1,000)	(1,000)	(9,981)
Proceeds from disposition of money held in trust	1,339	2,519	13,373
Purchases of tangible fixed assets	(14,824)	(14,430)	(147,960)
Proceeds from sales of tangible fixed assets	793	1,899	7,922
Purchases of intangible fixed assets	(2,423)	(1,244)	(24,192)
Net cash (used in) provided by investing activities	(99,755)	3,161	(995,667)
Financing activities:			
Purchases of treasury stock	(90)	(93)	(901)
Proceeds from sales of treasury stock	13	9	135
Dividends paid	(2,845)	(2,275)	(28,399)
Dividends paid for minority interests stockholders	(8)	(8)	(87)
Net cash used in financing activities	(2,930)	(2,368)	(29,252)
Foreign currency translation adjustments on cash and cash equivalents	58	(8)	587
Net decrease in cash and cash equivalents	(23,536)	(59,567)	(234,918)
Cash and cash equivalents, beginning of year	88,954	148,521	887,856
Cash and cash equivalents, end of year (Note 4)	¥ 65,417	¥ 88,954	$ 652,937

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

THE 77 BANK, LTD. AND SUBSIDIARIES
Years Ended March 31, 2008 and 2007

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations and the Enforcement Regulation for the Banking Law of Japan (the "Banking Law"), and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 consolidated financial statements to conform to the classifications used in 2008.

In conformity with the Corporate Law of Japan (the "Corporate Law") and the other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The 77 Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100.19 to U.S.$1, the approximate rate of exchange at March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

***a. Consolidation*—**The consolidated financial statements include the accounts of the Bank and its subsidiaries (together, the "Companies"). There were seven consolidated subsidiaries as of March 31, 2008 and 2007.

Under the control or influence concept, those companies in which the Bank, directly or indirectly is able to exercise control over operations are fully consolidated.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits and losses resulting from transactions within the Companies are eliminated.

***b. Cash and Cash Equivalents*—**For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

***c. Trading Account Securities, Investment Securities and Money Held in Trust*—**Securities other than investments in affiliates are classified into three categories, based principally on the Companies' intent, as follows:

(1) trading account securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings,
(2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and
(3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The cost of trading account securities and available-for-sale securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are reported at cost or amortized cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust are also classified and accounted for by the same method as above.

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other income/expenses. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

***d. Tangible Fixed Assets*—**Tangible fixed assets are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of tangible fixed assets is mainly computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 5 to 31 years for buildings and from 4 to 20 years for equipment. Depreciation of lease assets included in tangible fixed assets is mainly computed by the straight-line method over lease periods.

***e. Intangible Fixed Assets*—**The amortization of intangible fixed assets is calculated by the straight line method. Capitalized cost of computer software developed/obtained for internal use is amortized by the straight-line method over the estimated useful lives of 5 years. The amortization of lease assets included in intangible fixed assets is mainly computed by the straight-line method over lease periods.

***f. Long-lived Assets*—**The Companies review its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

***g. Foreign Currency Items*—**Assets and liabilities denominated in foreign currencies held by the Bank at the year end are translated into Japanese yen at the current exchange rates in effect at each balance sheet date. Exchange gains and losses are recognized in the fiscal periods in which they occur.

***h. Reserve for Possible Loan Losses*—**The Bank determines the amount of the reserve for possible loan losses by means of management's judgment and assessment of future losses based on a self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The Bank implemented the self-assessment system for its asset quality. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the Bank's asset review and inspection division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

The reserve for possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories, and the fair value of the collateral for collateral-dependent loans and other factors of solvency including value of future cash flows for other self-assessment categories.

The subsidiaries determine the reserve for possible loan losses by a similar self-assessment system to that of the Bank.

i. Reserve for Reimbursement of Deposits**—**Reserve for reimbursement of deposits which were derecognized as liabilities is provided for the future estimated payments for the reimbursement claims on the sleeping deposit accounts based on the historical reimbursement experience.

Prior to the year ended March 31, 2007, reimbursement claims were charged to income when paid, but in accordance with "Auditing Treatment relating to Reserve defined under the Special Tax Measurement Law, Reserves defined under the Special Law and Reserve for Directors and Corporate Auditors Retirement Benefits" (the Japanese Institute of Certified Public Accountants (the "JICPA") Auditing and Assurance Practice Committee report No. 42, April 13, 2007), which went into effect from the fiscal year beginning on or after April 1, 2007, the Bank has adopted the report for the current fiscal year. As a result, income before income taxes and minority interests decreased by ¥144 million ($1,437 thousand), of which ¥89 million ($888 thousand) was related to prior years, compared to the corresponding amounts under the previous method.

j. Reserve for Contingent Losses**—**Reserve for contingent losses is provided for the future estimated payments of burden money to the Credit Guarantee Corporations based on the historical experience of subrogation. Since the responsibility sharing system for the new loans guaranteed by the Credit Guarantee Corporations was introduced effective October 1, 2007, the Bank has recorded the reserve for contingent losses for the current fiscal year. As a result, income before income taxes and minority interests decreased by ¥193 million ($1,929 thousand) compared to the corresponding amounts under the previous method.

k. Retirement and Pension Plans**—**The Bank and certain subsidiaries have contributory funded pension plans and unfunded retirement benefit plans for employees which cover approximately 75% and 25%, respectively, of their benefits. Other subsidiaries have unfunded retirement benefit plans.

The liability for employees' retirement benefits is provided for the payment of employees' retirement benefits based on estimated amounts of the actuarial retirement benefit obligation and the related pension assets. Net actuarial gain (loss) is amortized using the straight-line method over 10 years commencing from the next fiscal year of incurrence.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

l. Presentation of Equity**—**On December 9, 2005, the Accounting Standards Board of Japan ("ASBJ") published a new accounting standard for the presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

m. Leases**—**Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the consolidated financial statements. All other leases are accounted for as operating leases.

n. Income Taxes**—**The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. Derivatives and Hedging Activities**—**It is the Bank's policy to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities. The Bank enters into interest rate swaps and interest rate caps as a means of hedging its interest rate risk on certain loans and investment securities. The Bank also enters into foreign exchange forward contracts and currency options to hedge exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients. Furthermore, the Bank enters into interest rate futures, bond futures, bond future options and foreign exchange forward contracts for the short term as part of its trading activities.

Derivatives are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivative transactions are recognized in the consolidated statements of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

p. Per Share Information**—**Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

The basic net income available to common stockholders and weighted-average number of common shares used in the computation were ¥12,321 million ($122,977 thousand) and 379,431 thousand shares for 2008 and ¥10,261 million and 379,882 thousand shares for 2007, respectively.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock is not disclosed because there are no outstanding potentially dilutive securities.

Cash dividends per share presented in the consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

q. New Accounting Pronouncements

Lease Accounting**—**On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Lessor

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in lease.

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Financial Instrument Disclosures—On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," which was originally issued on January 22, 1999. The revision includes, among other things, expanded disclosures for all classes of financial instruments, requiring information about fair values and certain quantitative and qualitative information. In addition, the ASBJ issued ASBJ Guidance No. 19, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" to provide guidance for the application of the disclosure requirements in the revised ASBJ Statement No. 10.

According to the revised accounting standard and the implementation guidance, a company shall disclose qualitative information about financial instruments, including policies and objectives for using financial instruments; nature, types and risks (e.g., credit risk, market risk, liquidity risk) of financial instruments; and risk management system (e.g., policies, procedures, divisions, risk mitigation techniques or measurement methods). In connection with market risk management, quantitative disclosures for market risk, including value-at-risk, sensitivity analysis, etc., are also required for companies which hold significant financial assets and liabilities that are essential in view of the business purposes and activities and are sensitive to market risk exposures.

In addition, a company shall disclose information about carrying amounts and fair values of financial instruments according to the account classifications in the balance sheet, together with methodologies and assumptions used to estimate such fair values. If it is extremely difficult to estimate and disclose the fair value of a financial instrument, information about the nature and carrying amount of the financial instrument and the reason why it is extremely difficult to estimate and disclose the fair value shall be disclosed.

The revised accounting standard and the implementation guidance are first effective for the annual financial statements for the fiscal year ending on or after March 31, 2010 with early adoption permitted at the beginning of that fiscal year.

One year deferral is permitted for the quantitative disclosures for market risk; a company can first adopt the disclosure provisions for the fiscal year ending on or after March 31, 2011.

3. ACCOUNTING CHANGE

***Retirement Benefit to Directors and Corporate Auditors*—**Prior to April 1, 2006, no provisions were recorded for retirement benefits to be paid to the Bank's directors and corporate auditors. Effective April 1, 2006, the Bank changed its method of accounting for such retirement benefits to the accrual basis. The effect of this change was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥1,053 million, which included a cumulative effect of ¥897 million at March 31, 2006. This cumulative effect was included in other expenses in the 2007 consolidated statement of income.

4. Cash and Cash Equivalents

The reconciliation of cash and cash equivalents at the end of the fiscal year and cash and due from banks in the consolidated balance sheets as of March 31, 2008 and 2007 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Cash and due from banks	**¥66,786**	¥90,260	**$666,596**
Due from banks, excluding due from the Bank of Japan	**(1,368)**	(1,305)	**(13,659)**
Cash and cash equivalents at the end of year	**¥65,417**	¥88,954	**$652,937**

5. Trading Account Securities and Investment Securities

Trading account securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
National government bonds	**¥ 1,831**	¥ 2,330	**$ 18,278**
Local government bonds	**1,622**	194	**16,191**
Other securities	**29,980**	30,976	**299,240**
Total	**¥33,434**	¥33,502	**$333,710**

Investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
National government bonds	**¥ 980,567**	¥1,054,141	**$ 9,787,075**
Local government bonds	**94,320**	101,263	**941,411**
Corporate bonds	**590,809**	480,160	**5,896,890**
Equity securities	**166,478**	202,628	**1,661,630**
Other securities	**236,441**	230,889	**2,359,932**
Total	**¥2,068,616**	¥2,069,082	**$20,646,940**

The carrying amounts and aggregate fair values of securities at March 31, 2008 and 2007 were as follows:

Securities below include trading account securities, investment securities and commercial paper within "Commercial paper and other debt purchased":

	Millions of Yen			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				**¥ 33,434**
Available-for-sale:				
Equity securities	**¥ 82,838**	**¥81,808**	**¥ 912**	**163,734**
Debt securities	**1,637,826**	**22,245**	**17,873**	**1,642,197**
Other securities	**252,968**	**1,393**	**18,105**	**236,256**
Held-to-maturity	**9,110**	**71**	**1**	**9,179**

	Millions of Yen			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 33,502
Available-for-sale:				
Equity securities	¥ 64,551	¥135,452	¥ 65	199,938
Debt securities	1,626,019	5,234	17,969	1,613,284
Other securities	223,483	8,800	1,511	230,772
Held-to-maturity	8,005	2	21	7,987

	Thousands of U.S. Dollars			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				$ 333,710
Available-for-sale:				
Equity securities	$ 826,813	$816,537	$ 9,112	1,634,239
Debt securities	16,347,206	222,028	178,398	16,390,836
Other securities	2,524,884	13,904	180,706	2,358,082
Held-to-maturity	90,933	709	18	91,625

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale:			
Equity securities	¥ 2,744	¥ 2,689	$ 27,391
Debt securities	14,388	14,275	143,607
Other securities	185	116	1,849
Held-to-maturity	2,276	3,458	22,718
Total	¥19,593	¥20,539	$195,566

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥87,917 million ($877,508 thousand) and ¥105,315 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥1,762 million ($17,587 thousand) and ¥1,324 million ($13,221 thousand), respectively, for the year ended March 31, 2008 and ¥1,763 million and ¥606 million, respectively, for the year ended March 31, 2007.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity
Due in one year or less	¥ 166,995	¥ 2,396	$ 1,666,786	$ 23,919
Due after one year through five years	832,547	8,990	8,309,685	89,732
Due after five years through ten years	573,382		5,722,954	
Due after ten years	259,211		2,587,199	
Total	¥1,832,137	¥11,386	$18,286,626	$113,651

Unrealized gain on available-for-sale securities for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Valuation differences:			
Available-for-sale securities	¥68,555	¥129,940	$684,253
Available-for-sale held in trust	3,953	11,765	39,460
Deferred tax liabilities	(28,195)	(55,945)	(281,423)
Minority interests	(23)	(54)	(237)
Unrealized gain on available-for-sale securities	¥44,289	¥ 85,706	$442,052

6. Money Held in Trust

The carrying amounts and aggregate fair values of money held in trust at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥20,287
Available-for-sale	¥19,635	¥3,953		23,588
Total	¥19,635	¥3,953		¥43,876

	Millions of Yen			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥20,367
Available-for-sale	¥18,635	¥11,765		30,401
Total	¥18,635	¥11,765		¥50,768

	Thousands of U.S. Dollars			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				$202,492
Available-for-sale	$195,981	$39,460		235,442
Total	$195,981	$39,460		$437,934

7. Loans and Bills Discounted

Loans and bills discounted at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Bills discounted	¥ 24,465	¥ 33,768	$ 244,193
Loans on bills	216,900	249,557	2,164,887
Loans on deeds	2,424,859	2,327,208	24,202,609
Overdrafts	480,551	506,161	4,796,399
Total	¥3,146,776	¥3,116,695	$31,408,088

Bills discounted are accounted for as financial transactions in accordance with “Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥24,465 million ($244,193 thousand) and ¥33,768 million at March 31, 2008 and 2007, respectively.

Loans and bills discounted at March 31, 2008 and 2007 included the following loans:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Loans to borrowers in bankruptcy	¥ 6,377	¥ 4,664	$ 63,653
Past due loans	94,388	100,117	942,097
Past due loans (three months or more)	513	549	5,128
Restructured loans	37,020	46,044	369,507
Total	¥138,300	¥151,376	$1,380,387

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans which include loans classified as "possible bankruptcy" and "virtual bankruptcy."

Nonaccrual loans are defined as loans (after the partial charge-off of claims deemed uncollectible) which the Bank has discontinued accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans are classified either as "possible bankruptcy" and "virtual bankruptcy" under the Bank's self-assessment guidelines.

In addition to past due loans as defined, certain other loans classified as "caution" under the Bank's self-assessment guidelines include past due loans (three months or more), which consist of loans which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Bank and its subsidiaries relax lending conditions, by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower's reorganization, but restructured loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

8. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Assets			
Foreign exchange bills bought	¥ 26	¥ 16	$ 260
Foreign exchange bills receivable	74	116	746
Due from foreign correspondent accounts	999	554	9,975
Total	¥1,100	¥687	$10,982
Liabilities			
Foreign exchange bills sold	¥ 63	¥ 32	$ 637
Foreign exchange bills payable	158	38	1,580
Total	¥ 222	¥ 70	$ 2,218

9. Other Assets

Other assets at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Accrued income	¥ 9,666	¥ 9,972	$ 96,482
Prepaid expenses	55	55	554
Account receivable	17,912	5,910	178,781
Installment account receivable	6,585	6,722	65,727
Other	6,605	5,475	65,934
Total	¥40,825	¥28,135	$407,479

10. Tangible Fixed Assets

The accumulated depreciation of tangible fixed assets at March 31, 2008 and 2007 amounted to ¥114,036 million ($1,138,199 thousand) and ¥117,051 million, respectively.

As of March 31, 2008 and 2007, deferred gains for tax purposes of ¥7,870 million ($78,555 thousand) on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets.

11. Long-lived Assets

No significant impairment loss was recognized for the fiscal year ended March 31, 2008.

The Bank recognized impairment losses of ¥233 million on certain operating branches and on branches to be closed and unused facilities for the year ended March 31, 2007.

The impairment losses comprised ¥42 million on buildings, ¥138 million on land, ¥28 million on other fixed assets and ¥23 million on other assets, respectively.

For the purpose of testing impairment, the Bank recognizes individual branch offices as cash-generating units for which it continues to manage and monitor identifiable cash flows. Branch offices to be closed and facilities not used in operation are individually assessed for impairment. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. The discounted cash flows were calculated using discount rate of 5.0%, and the net selling price determined by quotation by third party vendor.

12. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." "Customers' liabilities for acceptances and guarantees" are shown as contra assets, representing the Bank's right to receive indemnity from the applicants.

In accordance with the Cabinet Office Ordinance for the Partial Revision of the Ordinance for Enforcement of the Banking Law (Cabinet Office Ordinance No. 38, April 17, 2007), "Customers' liabilities for acceptances and guarantees" and "Acceptances and guarantees" are offset.

The amount of guarantee obligations for privately-placed bonds (Item 3 of Article 2 of the Financial Instruments and Exchange Law as of March 31, 2008, Item 3 of Article 2 of the former Securities and Exchange Law as of March 31, 2007), on corporate bonds included in securities as of March 31, 2008 and 2007 were ¥14,388 million ($143,607 thousand) and ¥14,205 million, respectively.

13. Assets Pledged

Assets pledged as collateral and their relevant liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Assets pledged as collateral:			
Investment securities	¥126,221	¥128,663	$1,259,817
Other assets	142	21	1,423
Relevant liabilities to above assets:			
Deposits	44,155	20,857	440,720
Payable under securities lending transactions	10,173	13,029	101,544

Additionally, investment securities amounting to ¥131,709 million ($1,314,593 thousand) and ¥131,606 million are pledged as collateral for transactions such as exchange settlement transactions or as substitute securities for future transaction initial margin and others at March 31, 2008 and 2007, respectively.

Other assets include deposit for leased tangible fixed assets (lessee side) amounted to ¥83 million ($833 thousand) and ¥81 million at March 31, 2008 and 2007, respectively.

14. Loan Commitments

Contracts of overdraft facilities and loan commitments are contracts with customers to lend up to the prescribed limits in response to customers' application of loan, as long as there is no violation of any condition within the contracts. As of March 31, 2008, the unused amount of such contracts totals ¥1,451,157 million ($14,484,058 thousand) relating to these contracts, of which the amounts with the original agreement terms of less than one year were ¥1,426,699 million ($14,239,935 thousand).

Since many of commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Companies can refuse customers' application of loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of contracts, the Companies obtain collateral real estate, securities, etc. if considered to be necessary. Subsequently, the Companies perform periodic review of the customers' business results based on internal rules and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

15. Deposits

Deposits at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Current deposits	¥ 135,122	¥ 175,129	$ 1,348,660
Ordinary deposits	2,308,736	2,306,058	23,043,582
Deposits at notice	22,659	25,209	226,168
Time deposits	2,073,885	2,021,903	20,699,524
Negotiable certificates of deposit	303,520	297,500	3,029,444
Other deposits	225,451	204,337	2,250,240
Total	¥5,069,375	¥5,030,138	$50,597,620

16. Borrowed Money

Borrowed money as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Borrowings from banks and other	¥15,824	¥14,572	$157,940
Payable under securitized future lease receivables	640	1,000	6,387
Total	¥16,464	¥15,572	$164,328

Annual maturities of borrowed money as of March 31, 2008 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 9,286	$ 92,687
2010	2,626	26,219
2011	2,182	21,781
2012	1,557	15,550
2013	721	7,203
2014 and thereafter	88	886
Total	¥16,464	$164,328

At March 31, 2008 and 2007, the weighted average annual interests rates applicable to borrowed money were 1.413% and 1.205%, respectively.

Future lease receivables, which are off-balance-sheet items, amounting ¥1,292 million ($12,900 thousand) and ¥5,094 million are pledged for borrowings from banks and other amounting to ¥871 million ($8,693 thousand) and ¥3,678 million at March 31, 2008 and 2007, respectively.

Also, another future lease receivables amounting to ¥14,308 million ($142,816 thousand) and ¥12,481 million are placed under quasi pledge arrangement for borrowings from banks and other amounting to ¥11,924 million ($119,013 thousand) and ¥10,401 million at March 31, 2008 and 2007, respectively.

The balance of securitized future lease receivables, which is off-balance-sheet item, amounted to ¥814 million ($8,132 thousand) and ¥1,207 million at March 31, 2008 and 2007, respectively.

17. Other Liabilities

Other liabilities at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Accrued expenses	¥10,776	¥ 8,621	$107,559
Unearned income	9,423	9,310	94,056
Income taxes payable	3,338	2,626	33,319
Accounts payable	10,542	6,302	105,223
Suspense receipt	16,167	28,928	161,368
Other	4,209	2,058	42,011
Total	¥54,457	¥57,848	$543,539

18. Liability for Retirement Benefits

The Companies have severance payment plans for employees, directors and corporate auditors as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
The liability for employees' retirement benefits	¥40,079	¥39,034	$400,039
The liabilities for retirement benefits for directors and corporate auditors	1,255	1,126	12,536
Total	¥41,335	¥40,161	$412,575

Under most circumstances, employees terminating their employment are entitled to retirement benefits based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Companies and annuity payments from trustees. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The retirement benefits for directors and corporate auditors are paid subject to the approval of the stockholders.

The liability (asset) for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥ 97,618	¥ 96,836	$974,337
Fair value of plan assets	(41,032)	(46,423)	(409,547)
Unrecognized net actuarial loss	(16,506)	(11,378)	(164,750)
Net liability	¥ 40,079	¥ 39,034	$400,039

The components of net periodic retirement benefit costs for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Service cost	**¥ 2,040**	¥ 2,125	**$ 20,363**
Interest cost	**1,928**	1,882	**19,247**
Expected return on plan assets	**(1,624)**	(1,544)	**(16,217)**
Recognized actuarial loss	**2,143**	2,089	**21,393**
Net periodic retirement benefit costs	**¥ 4,487**	¥ 4,553	**$ 44,786**

Assumptions used for the years ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**3.5%**	3.5%
Recognition period of actuarial gain/loss	**Ten years**	Ten years

19. Equity

Since May 1, 2006, Japanese banks have been subject to the Banking Law and to the Corporate Law, which reformed and replaced the Commercial Code of Japan.

The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

a.Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the stockholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank meets all the above criteria. The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to stockholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Bank can do so because it stipulates this in its articles of incorporation. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b.Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Banking Law which was amended on November 2, 2005 and effective on May 1, 2006 requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 100% of stated capital.

Under the Corporate Law and the Banking Law, the aggregate amount of additional paid-in capital and legal reserve that exceeds 100% of the stated capital may be made available for dividends by resolution of the stockholders after transferring such excess to the retained earnings in accordance with the Corporate Law. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that stated capital, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

c.Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

20. Other Operating Income

Other operating income for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Gain on sales and redemption of bonds and other securities	**¥ 1,129**	¥ 375	**$ 11,273**
Lease receipt	**12,532**	12,389	**125,082**
Other	**5,275**	5,971	**52,652**
Total	**¥18,936**	¥18,737	**$189,009**

21. Other Income

Other income for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Gains on sales of stocks and other securities	**¥1,038**	¥1,681	**$10,367**
Gains on sales of money held in trust	**1,339**	2,511	**13,371**
Gains on sales of tangible fixed assets	**18**	86	**180**
Other	**1,164**	761	**11,621**
Total	**¥3,560**	¥5,041	**$35,541**

22. Other Operating Expenses

Other operating expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Losses on sales, redemption and devaluation of bonds and other securities	**¥ 1,956**	¥ 1,114	**$ 19,529**
Lease cost	**12,021**	11,528	**119,991**
Other	**3,391**	6,250	**33,846**
Total	**¥17,369**	¥18,894	**$173,366**

23. Other Expenses

Other expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Losses on devaluation of stocks and other securities	¥ 656	¥ 209	$ 6,547
Bad debt losses	106	136	1,061
Losses on dispositions of money held in trust	79	65	791
Losses on sales of loans	4,940	4,205	49,310
Losses on impairment and disposal of fixed assets	275	468	2,752
Cumulative effect of accounting change for retirement benefits to directors and corporate auditors		897	
Provision for reserve for reimbursement of deposits	55		549
Provision for reserve for contingent losses	193		1,929
Other	660	284	6,668
Total	¥6,974	¥6,267	$69,609

24. Income Taxes

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.6% and 40.4% for the years ended March 31, 2008 and 2007, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets:			
Reserve for possible loan losses	¥17,830	¥21,423	$177,964
Liability for retirement benefits	16,713	16,213	166,817
Fixed assets (depreciation)	8,917	7,465	89,003
Losses on devaluation of stocks and other securities	2,632	2,723	26,274
Other	5,591	4,453	55,808
Less valuation allowance	(3,572)	(3,291)	(35,657)
Total	48,112	48,986	480,211
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	28,195	55,945	281,423
Fixed assets (deferral gain on sales and replacement)	602	621	6,009
Other		6	
Total	28,797	56,573	287,432
Net deferred tax assets (liabilities)	¥19,314	¥ (7,586)	$192,778

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2008 was as follows, whereas no reconciliation was presented for the year ended March 31, 2007 because the difference was immaterial (less than 5% of the normal statutory tax rate):

	2008
Normal effective statutory tax rate	40.6%
Expenses not deductible for income tax purposes	0.7
Non-taxable dividend income	(3.1)
Inhabitant taxes	0.3
Special corporate tax credit	(1.7)
Other—net	0.4
Actual effective tax rate	37.2%

25. Leases

a. Lessee

Finance leases

The Companies lease certain machinery, computer equipment and other assets.

Total lease payments under finance leases for the years ended March 31, 2008 and 2007 were ¥1,555 million ($15,522 thousand) and ¥1,116 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Equipment and Other Assets		Equipment and Other Assets
	2008	2007	2008
Acquisition cost	¥ 7,928	¥ 6,035	$ 79,134
Accumulated depreciation	(2,578)	(1,157)	(25,731)
Net leased property	¥ 5,350	¥ 4,878	$ 53,402

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥1,398	¥ 992	$13,962
Due after one year	4,098	3,959	40,907
Total	¥5,497	¥4,951	$54,869

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Depreciation expense	¥1,420	¥1,005	$14,175
Interest expense	206	195	2,057
Total	¥1,626	¥1,201	$16,233

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

b. Lessor

Finance leases

A subsidiary leases certain equipment and other assets to various customers.

Total lease receipts under finance leases for the years ended March 31, 2008 and 2007 were ¥11,975 million ($119,523 thousand) and ¥11,894 million, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	Equipment and Other Assets		Equipment and Other Assets
	2008	2007	2008
Acquisition cost	¥ 75,270	¥ 73,573	$ 751,282
Accumulated depreciation	(44,849)	(43,479)	(447,644)
Net leased property	¥ 30,421	¥ 30,094	$ 303,637

Future lease payments receivables under finance leases:

	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars 2008
Receivables:			
Due within one year	¥ 9,464	¥ 9,738	$ 94,462
Due after one year	21,722	21,102	216,811
Total	¥31,186	¥30,841	$311,274

Depreciation expense and interest income under finance leases:

	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars 2008
Depreciation expense	¥10,399	¥10,327	$103,801
Interest income	1,474	1,445	14,719

The imputed interest income portion which is computed using the interest method is excluded from receivable under finance leases.

Operating leases

As of March 31, 2008 and 2007, future lease receivables including interest receivables under non-cancelable operating leases were as follows:

Future lease payment receivables:

	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars 2008
Due within one year	¥ 77	¥ 60	$ 769
Due after one year	73	59	737
Total	¥150	¥120	$1,506

26. Derivatives

It is the Bank's policy to use derivatives primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities.

The Bank enters into interest rate swaps, interest rate swaption, bond futures and bond future options as a means of hedging its interest rate risk on certain loans, deposits and investment securities while entering into interest rate swaps, interest rate caps, foreign exchange forward contracts, currency swaps and currency options to meet the needs of its clients.

The Bank also enters into foreign exchange forward contracts and currency options to hedge foreign exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Furthermore, the Bank enters into bond futures, bond future options and foreign exchange forward contracts for a short term as part of its trading activities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform its obligations under a contract.

The Bank sets limits to credit risk by limiting the counterparties to those derivatives to major financial institutions and securities companies, and establishing maximum risk exposures to the counterparties.

The Bank has established a standard of risk management including management approaches to each type of risk. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate trading activities and credit risk management, including maximum risk exposures and loss-cutting rules. Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions are clearly separated, and risk managers are assigned to the trading divisions, while the Risk Management Division synthetically manages the Bank's market risks. In this manner, an internal control system is effectively secured.

The Bank's positions, gain-and-loss, risk amount and other conditions are periodically reported to the executive committee.

The Bank has the following derivatives contracts outstanding at March 31, 2008 and 2007:

	Millions of Yen						Thousands of U.S. Dollars		
	2008			2007			2008		
	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss
Interest rate-related transaction:									
Interest rate swaps:									
Floating rate receipt, fixed rate payment	¥12,210	¥ (55)	¥ (55)	¥ 7,150	¥ 32	¥ 32	$121,868	$ (553)	$ (553)
Floating rate payment, fixed rate receipt	3,560	40	40				35,532	408	408
Interest rate swaption:									
Selling	2,900	(10)	(10)	5,160	(12)	(12)	28,945	(101)	(101)
Buying	2,900	10	10	5,160	12	12	28,945	101	101
Others:									
Selling	389	(1)	7	472	(3)	8	3,888	(15)	73
Buying	389	1	(2)	472	3	(2)	3,888	15	(26)
Currency-related transaction:									
Currency swaps	40,548	95	95	15,283	35	35	404,716	954	954
Foreign exchange forward contracts:									
Selling	10,570	370	370	19,849	(96)	(96)	105,507	3,698	3,698
Buying	2,642	(41)	(41)	4,129	36	36	26,373	(416)	(416)
Currency option:									
Selling	12,155	(1,055)	(13)				121,321	(10,539)	(134)
Buying	12,155	1,055	210				121,321	10,539	2,100

Unrealized gains (losses) for the years ended March 31, 2008 and 2007 were recognized in the consolidated statements of income.

Derivatives which qualify for hedge accounting for the years ended March 31, 2008 and 2007 were not included in the above table.

The contracts or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Bank's exposure to credit or market risk.

27. Related Party Transactions

Related party transactions for the years ended March 31, 2008 and 2007 were as follows:

		Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars
Related Party	Account Classification *4	**2008**	2007	**2008**
HIGASHI NIHONKOGYOH CO., LTD.*1	Loans and bills discounted	**¥3,133**	¥3,219	**$31,279**
Department Store Fujisaki Co., Ltd.*2	Loans and bills discounted	**4,385**	4,065	**43,770**
	Investment securities (corporate bonds)	**450**		**4,491**
Fuji Styling Co., Ltd.*2	Loans and bills discounted	**330**	351	**3,293**
Fujisaki Agency Co., Ltd.*2	Customers' liabilities for acceptances and guarantees	**300**	300	**2,994**
Ikijariten Co., Ltd.*2	Loans and bills discounted	**224**	219	**2,245**
	Customers' liabilities for acceptances and guarantees	**70**	70	**698**
Medical Corp. Shoukeikai*2	Loans and bills discounted	**34**	38	**341**
Sendai Chamber of Commerce*3	Loans and bills discounted	**12**	20	**119**

*Notes: *1 HIGASHI NIHONKOGYOH CO., LTD. of which a corporate auditor of the Bank, Mr. Yuzuru Aoki, serves as chairman. Since he retired from its office of the Bank on June 28, 2007, above outstanding 2008 balance of transactions represents the amount as of that date.*

**2 Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company).*

**3 Sendai Chamber of Commerce of which a director of the Bank, Mr. Chugo Marumori, serves as chairman.*

**4 Terms are substantially the same as for similar transactions with third parties.*

28. Segment Information

(1) Business Segment Information

Information about operations in different business segments of the Companies for the years ended March 31, 2008 and 2007 was as follows:

a. Ordinary Income

	Millions of Yen					
	2008					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	¥114,822	¥16,181	¥3,612	¥134,616		¥134,616
Intersegment income	581	1,648	1,574	3,804	¥(3,804)	
Total income	115,404	17,829	5,186	138,421	(3,804)	134,616
Ordinary expenses	95,532	17,826	4,899	118,258	(3,787)	114,470
Ordinary income	¥ 19,872	¥ 3	¥ 287	¥ 20,162	¥ (17)	¥ 20,145

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen					
	2008					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	¥5,623,738	¥40,302	¥21,703	¥5,685,743	¥(26,529)	¥5,659,213
Depreciation	3,683	11,211	22	14,917		14,917
Impairment loss	82			82		82
Capital expenditures	3,125	13,567	4	16,696	(18)	16,677

a. Ordinary Income

	Thousands of U.S. Dollars					
	2008					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	$1,146,048	$161,507	$36,054	$1,343,610		$1,343,610
Intersegment income	5,808	16,453	15,712	37,974	$(37,974)	
Total income	1,151,856	177,961	51,767	1,381,585	(37,974)	1,343,610
Ordinary expenses	953,512	177,922	48,902	1,180,338	(37,801)	1,142,536
Ordinary income	$ 198,343	$ 38	$ 2,864	$ 201,246	$ (172)	$ 201,074

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Thousands of U.S. Dollars					
	2008					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	**$56,130,732**	**$402,256**	**$216,623**	**$56,749,611**	**$(264,796)**	**$56,484,815**
Depreciation	**36,765**	**111,903**	**223**	**148,892**		**148,892**
Impairment loss	**818**			**818**		**818**
Capital expenditures	**31,192**	**135,413**	**43**	**166,649**	**(186)**	**166,462**

a. Ordinary Income

	Millions of Yen					
	2007					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	¥108,896	¥16,587	¥3,768	¥129,252		¥129,252
Intersegment income	512	1,312	1,901	3,726	¥(3,726)	
Total income	109,408	17,899	5,670	132,978	(3,726)	129,252
Ordinary expenses	91,110	16,954	5,405	113,470	(3,714)	109,755
Ordinary income	¥ 18,298	¥ 944	¥ 265	¥ 19,508	¥ (11)	¥ 19,496

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen					
	2007					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	¥5,613,609	¥39,189	¥21,960	¥5,674,759	¥(26,989)	¥5,647,770
Depreciation	3,163	11,164	23	14,351		14,351
Impairment loss	233			233		233
Capital expenditures	2,647	12,435	6	15,090	(10)	15,079

Notes: 1. Other operations consist of credit card transactions and others.
2. Ordinary income represents total income less certain special income included in other income in the accompanying consolidated statements of income.
3. Ordinary expenses represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of income.

(2) Geographic Segment Information

Segment information by geographic area was not presented because the Companies conduct banking and other related activities in Japan without having foreign subsidiaries or foreign branches.

(3) Ordinary Income from International Operations

As the ordinary income from international operations was not significant compared to the consolidated income, the information about the ordinary income from international operations was not presented.

29. Subsequent Event

At the Bank's general stockholders meeting held on June 27, 2008, the Bank's stockholders approved the following:

Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.50 ($0.034) per share	**¥1,327**	**$13,253**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The 77 Bank, Ltd.:

We have audited the accompanying consolidated balance sheets of The 77 Bank, Ltd. (the "Bank") and subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank and subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 3 to the consolidated financial statements, the Bank changed its method of accounting for retirement benefits to be paid to directors and corporate auditors as of April 1, 2006.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2008

Member of
Deloitte Touche Tohmatsu

Capital Adequacy Ratios

THE 77 BANK, LTD. AND SUBSIDIARIES
March 31, 2008 and 2007

Consolidated (Domestic standard)		Millions of Yen 2008	Millions of Yen 2007	Millions of U.S. Dollars 2008
Tier I capital:	Common stock	¥ 24,658	¥ 24,658	$ 246
	Capital surplus	7,848	7,845	78
	Retained earnings	266,845	257,179	2,663
	Minority interests	8,969	8,854	89
	Treasury stock	(2,051)	(1,971)	(20)
	Subtotal (A)	306,270	296,567	3,056
Tier II capital:	General reserve for possible loan losses	21,357	23,097	213
	Subtotal	21,357	23,097	213
	Position included in stockholders' equity (B)	15,000	14,768	149
Deductions:	Deductions (C)	1,408	893	14
Total capital:	(A) + (B) − (C) = (D)	319,862	310,442	3,192
Risk-adjusted assets:	On-balance sheet	2,178,112	2,144,711	21,739
	Off-balance-sheet	50,645	49,084	505
	Operational risk equivalent amount	171,327	169,120	1,710
	Subtotal (E)	2,400,084	2,362,915	23,955
Capital adequacy ratio (Domestic standard) = (D)/(E) x 100 (%)		13.32	13.13	

Non-Consolidated (Domestic standard)		Millions of Yen 2008	Millions of Yen 2007	Millions of U.S. Dollars 2008
Tier I capital:	Common stock	¥ 24,658	¥ 24,658	$ 246
	Capital surplus	7,848	7,845	78
	Retained earnings	265,678	256,107	2,651
	Treasury stock	(2,076)	(1,997)	(20)
	Subtotal (A)	296,109	286,614	2,955
Tier II capital:	General reserve for possible loan losses	19,820	21,615	197
	Subtotal	19,820	21,615	197
	Position included in stockholders' equity (B)	14,757	14,526	147
Deductions:	Deductions (C)	1,408	893	14
Total capital:	(A) + (B) − (C) = (D)	309,457	300,247	3,088
Risk-adjusted assets:	On-balance sheet	2,148,206	2,115,611	21,441
	Off-balance-sheet	50,645	49,084	505
	Operational risk equivalent amount	162,308	159,513	1,620
	Subtotal (E)	2,361,160	2,324,209	23,566
Capital adequacy ratio (Domestic standard) = (D)/(E) x 100 (%)		13.10	12.91	

Non-Consolidated Balance Sheets (Parent Company)

THE 77 BANK, LTD.
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Assets:			
Cash and due from banks	¥ 66,716	¥ 90,102	$ 665,897
Call loans and bills bought	164,268	182,313	1,639,565
Commercial paper and other debt purchased	15,109	27,019	150,804
Trading account securities	33,434	33,502	333,710
Money held in trust	43,876	50,768	437,934
Investment securities	2,059,462	2,060,970	20,555,570
Loans and bills discounted	3,162,531	3,131,843	31,565,338
Foreign exchange assets	1,100	687	10,982
Tangible fixed assets:			
Buildings	13,362	14,745	133,367
Land	22,781	22,874	227,381
Construction in progress	175	76	1,754
Other tangible fixed assets	4,820	4,325	48,117
Intangible fixed assets	389	399	3,888
Deferred tax assets	16,149		161,191
Customers' liabilities for acceptance and guarantees	36,221	34,532	361,527
Other assets	28,560	15,912	285,062
Reserve for possible loan losses	(45,318)	(56,592)	(452,326)
Total	¥5,623,641	¥5,613,481	$56,129,768
Liabilities:			
Deposits	¥5,071,835	¥5,033,376	$50,622,175
Call money	79,134	62,605	789,847
Payables under securities lending transaction	10,173	13,029	101,544
Borrowed money	343	293	3,424
Foreign exchange liabilities	222	70	2,218
Liability for retirement benefits	40,813	39,671	407,365
Reserve for reimbursement of deposits	144		1,437
Reserve for contingent losses	193		1,929
Acceptances and guarantees	36,221	34,532	361,527
Deferred tax liabilities		9,928	
Other liabilities	43,264	46,132	431,826
Total liabilities	5,282,346	5,239,640	52,723,295
Equity:			
Common stock	24,658	24,658	246,118
Capital surplus	7,848	7,845	78,340
Retained earnings	267,006	257,625	2,665,000
Treasury stock	(2,076)	(1,997)	(20,728)
Total stockholders' equity	297,437	288,132	2,968,730
Unrealized gain on available-for-sale securities	44,286	85,700	442,024
Deferred gain on derivatives under hedge accounting	(429)	8	(4,282)
Total valuation adjustments	43,857	85,708	437,742
Total equity	341,294	373,841	3,406,472
Total	¥5,623,641	¥5,613,481	$56,129,768

Non-Consolidated Statements of Income (Parent Company)

THE 77 BANK, LTD.
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Income:			
Interest income:			
Interest on loans and discounts	**¥ 63,832**	¥ 57,214	**$ 637,115**
Interest and dividends on trading account and investment securities	**30,060**	29,525	**300,030**
Other	**251**	265	**2,511**
Fees and commissions	**16,434**	16,792	**164,034**
Other operating income	**1,162**	450	**11,607**
Other income	**3,731**	5,185	**37,239**
Total income	**115,472**	109,434	**1,152,539**
Expenses:			
Interest expense:			
Interest on deposits	**12,526**	5,006	**125,030**
Interest on call money	**2,957**	3,458	**29,517**
Other	**798**	652	**7,970**
Fees and commissions	**6,311**	5,344	**62,994**
Other operating expenses	**2,005**	3,518	**20,012**
General and administrative expenses	**61,662**	60,245	**615,460**
Provision of reserve for possible loan losses	**3,390**	8,353	**33,841**
Other expenses	**6,375**	5,952	**63,635**
Total expenses	**96,028**	92,532	**958,462**
Income before income taxes	**19,444**	16,902	**194,076**
Income taxes:			
Current	**5,270**	4,448	**52,609**
Deferred	**1,946**	2,291	**19,427**
Total income taxes	**7,217**	6,740	**72,036**
Net income	**¥ 12,227**	¥ 10,161	**$ 122,039**

	Yen		U.S. Dollars
Per share of common stock:			
Net income	**¥32.22**	¥26.74	**$0.321**
Cash dividends applicable to the year	**7.00**	7.00	**0.069**

Loan Portfolio

Loan Portfolio by Industry

	Billions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Domestic offices *(Excluding Japan offshore banking accounts)*	**¥3,162**	¥3,131	**$31,565**
Manufacturing	**253**	256	**2,533**
Agriculture	**1**	2	**19**
Forestry	**0**	0	**2**
Fishery	**5**	10	**55**
Mining	**1**	1	**17**
Construction companies	**139**	161	**1,391**
Utilities	**50**	42	**508**
Information and communications	**30**	34	**301**
Transportation	**58**	56	**585**
Wholesale and retail	**327**	341	**3,266**
Financial institutions	**253**	262	**2,527**
Real estate companies	**349**	343	**3,488**
Services	**373**	377	**3,726**
Municipalities	**583**	507	**5,823**
Other	**733**	732	**7,317**
Japan's offshore banking accounts			
Financial institutions			
Total	**¥3,162**	¥3,131	**$31,565**

Loans by Collateral

	Billions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Securities	**¥ 0**	¥ 1	**$ 8**
Commercial claims	**42**	45	**422**
Real estate	**537**	595	**5,363**
Subtotal	**580**	642	**5,794**
Guaranteed	**1,147**	1,190	**11,449**
Unsecured	**1,434**	1,299	**14,321**
Total [Subordinated loans]	**¥3,162 [3]**	¥3,131 [9]	**$31,565 [29]**

Reserve for Loan Losses

	Billions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
General reserve for loan losses	**¥19**	¥21	**$197**
Specific reserve for estimated loan losses on certain doubtful loans	**25**	34	**254**
For non-resident loans			
Total	**¥45**	¥56	**$452**

Risk-Monitored Loans

	Billions of Yen				Millions of U.S. Dollars
	2008		2007		**2008**
		Percentage of total		Percentage of total	
Loans to borrowers under bankruptcy	**¥ 5.4**	**0.17%**	¥ 4.0	0.12%	**$ 54**
Past due loans	**92.3**	**2.92**	98.2	3.13	**922**
Accruing loans contractually past due three months or more	**0.5**	**0.01**	0.5	0.01	**5**
Restructured loans	**36.8**	**1.16**	46.0	1.46	**368**
Total	**135.2**	**4.27**	148.8	4.75	**1,349**
Balance of total loans	**3,162.5**	**100.00%**	¥3,131.8	100.00%	**$31,565**

Securities Portfolio

Investment Securities
(Average Balance)

	Billions of Yen/%							
	2008				2007			
	Domestic	International	Total	Percentage	Domestic	International	Total	Percentage
National government bonds	**¥1,050**		**¥1,050**	**[53.2]%**	¥1,080		¥1,080	[55.6]%
Local government bonds	**95**		**95**	**[4.8]**	128		128	[6.6]
Short-Term Corporate bonds	**13**		**13**	**[0.6]**	15		15	[0.8]
Corporate bonds	**519**		**519**	**[26.3]**	410		410	[21.1]
Stock	**69**		**69**	**[3.5]**	66		66	[3.4]
Other securities	**82**	**¥142**	**225**	**[11.4]**	64	¥178	243	[12.5]
Foreign bonds	**/**	**142**	**142**	**[7.2]**	/	178	178	[9.2]
Foreign stock	**/**				/			
Total	**¥1,829**	**¥142**	**¥1,972**	**[100.0]%**	¥1,765	¥178	¥1,944	[100.0]%

Notes: 1. Investment secuities loaned are categorized into each item.
2. Average balance of foreign currency transactions by domestic branches, which are included in international operations, are calculated based on the daily current method until December 2006 and on the monthly current method on or after January 2007. The monthly current method is applied for the year ended March 31, 2008.

Public Bonds Underwritten

	Billions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
National government bonds			
Local government bonds and government-guaranteed bonds	**¥18**	¥30	**$180**
Total	**¥18**	¥30	**$180**

Sales Volume of Public Bonds and Investment Trusts

	Billions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
National government bonds	**¥23**	¥41	**$235**
Local government bonds and government-guaranteed bonds	**7**	9	**73**
Total	**¥30**	¥50	**$309**
Investment trusts	**¥30**	¥50	**$305**

Public Bonds Dealings (Trading Account Securities)

Trading volume during the term	Billions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
National government bonds	**¥209**	¥531	**$2,094**
Local government bonds	**7**	4	**77**
Total	**¥217**	¥535	**$2,172**

Average Balance of Trading Account Securities	Billions of Yen 2008	Billions of Yen 2007	Millions of U.S. Dollars 2008
National government bonds	**¥ 2**	¥ 2	**$ 24**
Local government bonds	**0**	0	**8**
Commercial paper	**38**	32	**381**
Total	**¥41**	¥35	**$413**

Off-Balance-Sheet Transactions

Derivatives and Foreign Exchange Forward Contracts

	Billions of Yen			
	Notional Amount/ Contract value		Credit Risk/ Equivalent Amount	
	2008	2007	**2008**	2007
Interest rate swaps	**¥211**	¥181	**¥2**	¥2
Forward foreign exchange contracts	**13**	23	**0**	0
Other financial derivatives:				
Currency options (buying)	**12**		**1**	
Caps (buying)	**0**	0	**0**	0
Interest rate swaptions	**12**	10	**0**	0
Total	**¥250**	¥216	**¥5**	¥2

Notes: 1. The above figures are based on the Bank's capital adequacy ratio in compliance with domestic standards. The credit risk equivalent amounts were calculated using the current exposure method.
2. Netting is not applied in calculating the credit risk equivalent amount.
3. Out of the above forward foreign exchange contracts, the contract value of the transactions whose original contract terms are within 5 business days (14 days in 2007), which were excluded from the computation of the credit risk equivalent amounts based on the Bank's capital adequacy ratio, is as follows:

	Billions of Yen	
	Contract Value	
	2008	2007
Foreign exchange forward contracts	**¥1**	¥6

Credit-Related Financial Instruments

	Billions of Yen	
	Contract Value	
	2008	2007
Commitments	**¥1,377**	¥1,396
Guarantees	**36**	34
Total	**¥1,413**	¥1,430

International Operations

Foreign Exchange Transactions

	Millions of U.S. Dollars	
	2008	2007
Foreign exchange transactions	**$1,946**	$2,120

Foreign Currency Assets

	Millions of U.S. Dollars	
	2008	2007
Domestic offices	**$1,086**	$875

Specific Overseas Loans

There are no applicable amounts.

Bank Data

THE 77 BANK, LTD.
As of March 31, 2008

Headquarters

3-20, Chuo 3-chome, Aoba-ku, Sendai,
Miyagi 980-8777, Japan
Phone: 022-267-1111
http://www.77bank.co.jp/

Founded

December 1878

Number of Branches

139

Number of Employees

2,670

Treasury Administration & International Division

Planning & Business Department (Sendai)
3-20, Chuo 3-chome, Aoba-ku, Sendai,
Miyagi 980-8777, Japan
Phone: 022-211-9914
Facsimile: 022-211-9916
SWIFT Address: BOSSJPJT

Paid-in Capital

¥24,658 million (US$246 million)

Number of Stockholders

9,759

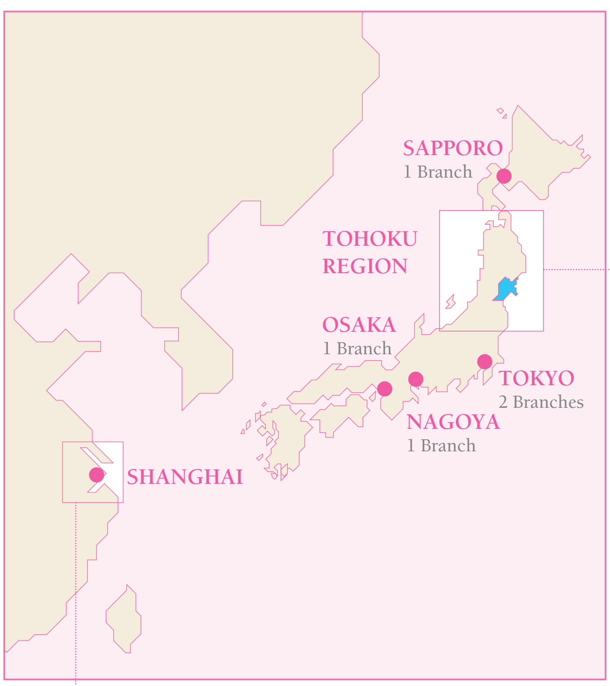
Shares Outstanding

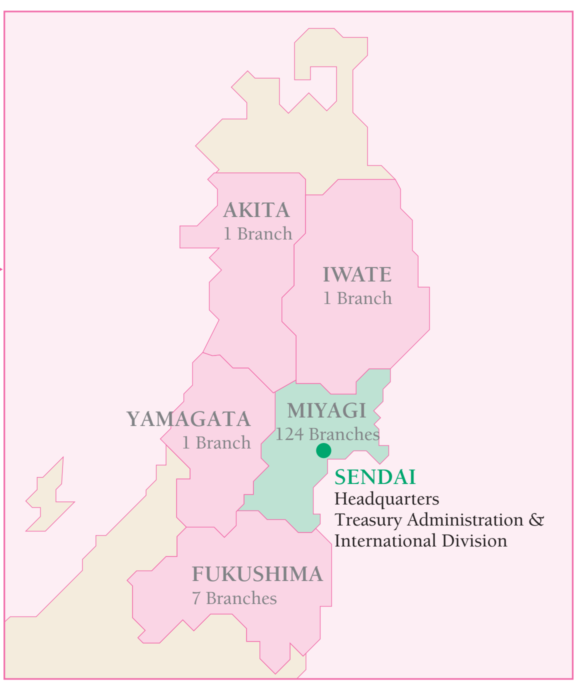
383,278 thousand

Major Stockholders

	Number of Shares (Thousands)	%
Meiji Yasuda Life Insurance Company	18,928	4.93
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	18,495	4.82
Nippon Life Insurance Company	15,431	4.02
Sumitomo Life Insurance Company	15,412	4.02
The Dai-ichi Mutual Life Insurance Company	12,275	3.20
Japan Trustee Services Bank, Limited (Trust Account)	10,157	2.65
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,346	2.43
Japan Trustee Services Bank, Limited (Trust Account 4)	9,136	2.38
The Master Trust Bank of Japan, Limited (Trust Account)	7,698	2.00
Morgan Stanley & Co. Incorporated	7,138	1.86

Service Network





Shanghai Representative Office

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77 BANK