ANNUAL REPORT 2006

77 BANK
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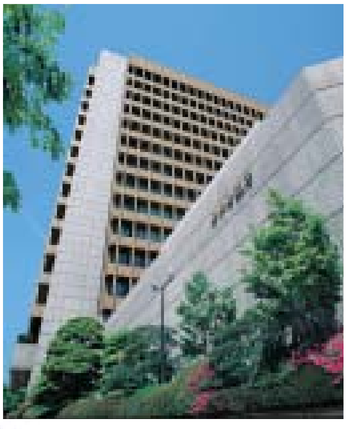
2006

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 its branch network covering this area in northern 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, 2006, The 77 Bank had capital of ¥24.7 billion, 141 domestic branches and 2,716 employees.



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Consolidated Financial Highlights

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

	Millions of Yen		Millions of U.S. Dollars
	2006	2005	**2006**
For the fiscal year			
Net interest income	**¥ 76,032**	¥ 74,873	**$ 621**
Net fees and commissions	**12,261**	11,887	**104**
Net other operating income	**379**	2,239	**3**
Net income	**9,415**	9,044	**80**
At the fiscal year-end			
Total assets	**¥5,551,935**	¥5,616,224	**$ 47,262**
Deposits	**4,947,526**	5,043,654	**42,117**
Loans and bills discounted	**3,066,753**	3,202,879	**26,106**
Trading account securities and investment securities	**2,088,045**	1,931,010	**17,775**
Stockholders' equity	**359,458**	333,680	**3,060**
Common stock	**24,658**	24,658	**209**

	Yen		U.S. Dollars
	2006	2005	**2006**
Per share of common stock			
Net income	**¥ 24.63**	¥ 23.65	**$0.209**
Stockholders' equity	**945.79**	877.76	**8.051**
Cash dividends applicable to the year	**6.00**	6.00	**0.051**
Capital adequacy ratio (%)			
BIS standard	**[13.43]**	[12.75]	
Domestic standard	**11.83**	11.23	

Note: Throughout this report, U.S. dollar amounts are translated, for convenience only, at the rate of ¥117.47 = US$1, the exchange rate prevailing on March 31, 2006. 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, 2006, economic conditions in Japan showed steady improvement, as favorable corporate earnings and a better employment environment prompted increases in capital spending and personal consumption.

In Miyagi Prefecture, the primary base of operations for The 77 Bank, positive national trends were reflected in the local economy as well, substantiated by solid signs of a rally, such as generally stable personal consumption and rising production levels.

Against this backdrop, the operating environment for financial institutions is becoming progressively more competitive, even on the local stage, as financial deregulation continues to unfold amid greater sophistication and diversification in market needs.

Whether the operating sphere is national or regional, financial institutions throughout the country are faced with a pressing obligation to reinforce internal controls, including corporate governance and legal compliance, and to implement appropriate responses to the regulations set forth by the Bank for International Settlements. These regulations go into effect in the fiscal year ending March 31, 2007.

Now more than ever, regional financial institutions are also duty-bound to fulfill a social mission to their local communities. The Financial Services Agency (FSA) has obligated regional financial institutions to enhance relationship banking, which emphasizes easier access to small-business loans and support for business revitalization efforts through locally rooted operations as well as services with added convenience for clients. The 77 Bank has implemented the required promotion plan and is working to satisfy the FSA's requirements.

Management Priority and Medium-term Management Plan Challenge 400

Our medium-term management plan is called Challenge 400—the "400" represents *"400 oku en,"* or ¥40 billion in English, in core business profit by March 2009. Through this plan, we aim to be a "best regional bank," one that grows with clients and is committed to the sustainable development of the region.

Our key priority is to identify a path that leads to enhanced profitability. The signposts along this route will be improved management efficiency and higher return-producing assets, derived from a healthy financial position and the application of funds based on suitable levels of risk.

During the course of Challenge 400, we will overcome obstacles that block our way so that we can successfully expand gross operating profit and build 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.

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 clients. 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, clients and the region

- For the region as a whole, the Bank will cement its solid business footing in the community and strive to contribute to the area through its full range of banking services.
- For clients, the Bank will increase its value by raising levels of client 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	Core lending balance[2]	More than ¥3 trillion by March 2009
	Assets in the Bank's care	More than ¥700 billion by March 2009
ii. Improved operating efficiency	Overhead ratio	Less than 60% by March 2009
3. Sustained financial health	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 2007

The fiscal year ending March 31, 2007, will mark the second year of Challenge 400. As we work toward the stated goals of this medium-term management plan, we will strive to implement the following business policies swiftly and effectively.

Raise core operating profit

- **Extend more core loans and increase deposit assets**
  By expanding our balance of high-profit core loans, we will boost interest income from loans, and by encouraging clients to deposit their liquid assets with us, we will raise our tally of fees and commissions.

- **Widen the business base**
  We will attract wider market attention and reinforce our client base by strengthening our relationship with clients and the community at large. This goal will be achieved by providing the right products and services at the right time and by polishing our consulting capabilities.
- **Improve profitability of assets and invigorate financial position**
  We will raise the profitability of assets by enhancing the interest yield on loans and by reinforcing fund application capabilities in the capital markets division. We will also seek to keep a healthy financial standing by trimming our nonperforming loan ratio and limiting credit costs.

Establish low-cost operating structure

We will constantly review our cost structure, revise administrative procedures and endeavor to boost efficiency in office processes to achieve a low-cost operating structure.

Reinforce internal controls and provide more training for employees

We will maintain a firm perspective on internal controls, one that emphasizes enhanced compliance efforts.

Progress on Relationship Banking Promotion Plan

A crucial component to the success of relationship banking is in a regional financial institution's ability to enhance its function vis-à-vis its community and the clients within the community and thereby invigorate the local economy and facilitate loans for small and medium-sized businesses.

In August 2005, The 77 Bank formulated a relationship banking promotion plan for submission to the Financial Services Agency and currently uses this plan as a guide in growing along with the region.

1. Facilitating business revitalization and loans to small and medium-sized businesses

- We will enhance our ability to help entrepreneurs set up companies and support existing companies in their efforts to develop new businesses.

Target	Arrange more than 40 loans for venture firms each year between April 2005 and March 2007
	Result for year ended March 2006: 54 loans

- We will offer corporate clients assistance from both management and financial perspectives.

Target	Provide leads on more than 700 business-matching opportunities each year between April 2005 and March 2007
	Result for year ended March 2006: 759 leads
Target	Introduce about 70 corporate clients to potential partners of a higher level between April 2005 and March 2007
	Result for year ended March 2006: 77 introductions

- We will reinforce efforts to revitalize ailing businesses.
- We will strive to make it easier for clients to acquire funds.

Target	By March 2009, achieve a balance exceeding ¥50 billion on business loans that do not necessarily require collateral or third-party guarantees or utilize a restrictive financial covenant.
	As of March 2006: ¥50.6 billion

- We will describe our products and services thoroughly and fine tune our ability to deal with inquiries and complaints.
- We will give our employees the practical, high-level skills to facilitate business revitalization and finance loans to small and medium-sized businesses.

2. Strengthening Management Capabilities

- Maintain a healthy financial position so that clients feel secure in selecting the Bank as their financial services provider.
- Redouble efforts to boost core operating profit—buoy earnings—and ensure low-cost operations—trim costs—to underpin improved profitability.
- Reinforce corporate governance efforts, including a solid stance on compliance issues.

3. Create greater convenience for clients in the region

- We will identify the needs of clients in the region and promote services that address these needs. We will also disclose information to the community in an easy-to-understand format.
- We will undertake more activities that underpin the importance of our role in the community as a regional financial institution.

Target	**Participate in more than five regional private finance initiative projects between April 2005 and March 2007**
	Result for year ended March 2006: Two projects

Corporate Governance Status

The 77 Bank has always emphasized management priorities that serve to build a better business administration structure. In particular, we have applied 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 these meetings.

In regard to compliance, The 77 Bank emphasizes clarity and integrity, a position underpinned by Basic Policies for Compliance, drafted by the Board of Directors. As for 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.

Hiroshi Kamata
President

H. Kamata

Toward a Firmer Business Position

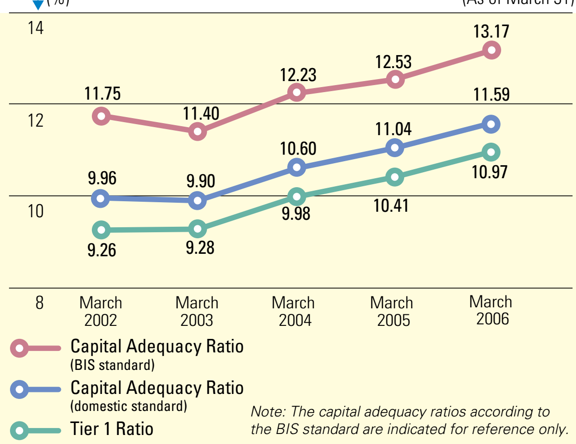
Tier 1 Capital Ratio

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 10.97% on a non-consolidated basis, as at March 31, 2006, considerably higher than the average for the 55 regional banks that apply the domestic standard. This statistic places the Bank among the top performers in this sector of the banking industry.

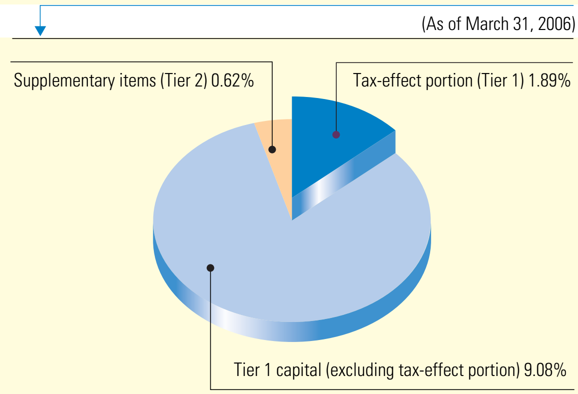
The Bank's non-consolidated capital adequacy ratio, excluding tax effects, reached 9.70%, and its Tier 1 ratio amounted to 9.08% at March 31, 2006. The composition of total capital indicates the Bank's continued financial stability.

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



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

Composition of Total Capital



Non-Consolidated Capital Adequacy Ratio 11.59%

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 two domestic rating agencies that are among the highest of any Japanese financial institution.

The 77 Bank's Ratings

(As of June 30, 2006)

Solid debt-repayment capabilities

AAA
AA
A
BBB
BB
B
CCC
CC
C
D

Rating Agency	Category	Long-term Rating	Definition
Rating and Investment Information, Inc. (R&I)	Rating for long-term preferred debt	AA–	Highest certainty of fulfilment of obligations
Japan Credit Rating Agency, Ltd. (JCR)	Rating for issuing company	AA	Higher credibility and superior performance
Standard & Poor's Corp. (S&P)	Rating for issuing company	A–*	
Fitch Ratings Ltd.	Rating for long-term credit	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.

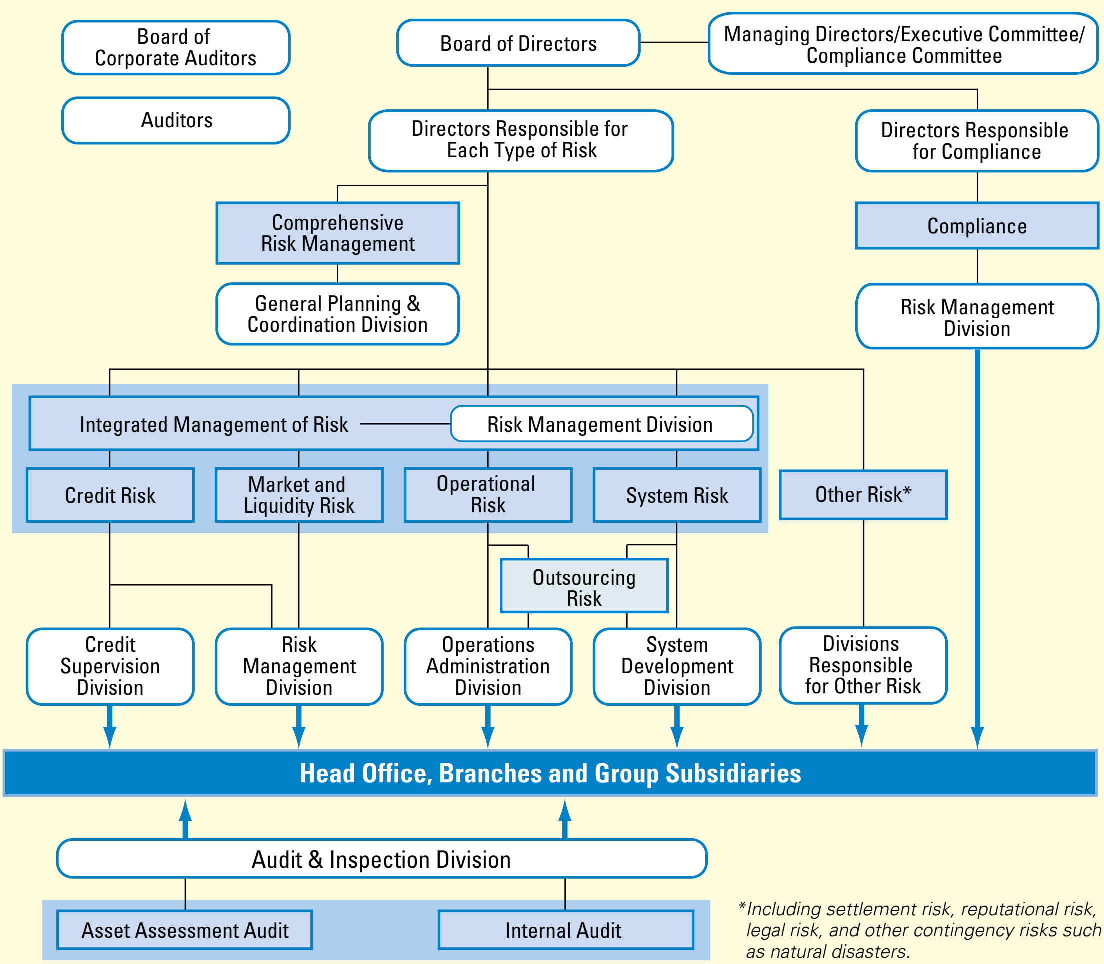
The 77 Bank works to reinforce overall risk management with improved business health in mind. The Bank is also enhancing management processes through, for example, the introduction of more sophisticated risk-quantification techniques and feedback on each aspect of business.

The Bank established the Basic Policy for Risk Management for comprehensive risk-management activities to serve as the foundation of a solid risk-management structure, with appropriate risk-hedging approaches that promote steady and sustainable development. This policy defines risk management, clarifies decision-making authority on risk-management issues and the role of the Board of Directors in this process, and outlines the structure and objectives of supervisory units that handle each type of risk.

Roles of the Bank's Risk-Management Units

The 77 Bank has classified risk into seven categories—credit risk, market risk, liquidity risk, operational risk, system risk, outsourcing risk and other—and assigned supervisory units to each risk

Flow of Risk Management and Compliance Responsibilities



*Including settlement risk, reputational risk, legal risk, and other contingency risks such as natural disasters.

category. The General Planning & Coordination Division is responsible for the comprehensive risk-management system. However, each risk category is also overseen by dedicated divisions: the Risk Management Division for market risk and liquidity risk; the Operations Administration Division for operational risk; the System Development Division for system risk; the Operations Administration Division and System Development Division together for outsourcing risk; and credit risk under the supervision of both the Risk Management Division and the Credit Supervision Division.

As a supervisory unit, the Risk Management Division tracks all risk and monitors risk quantity. These efforts are augmented by the ALM Committee, which comprises division general managers and directors responsible for operations in the assigned division. Every month, the committee discusses measures to hedge market and liquidity risk. Other contingency risks, such as reputational risk and natural disasters, are managed appropriately by the assigned division as each risk is identified.

The Audit & Inspection Division is independent of the business promotion units and risk-management units, as 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 more than once a year. The Bank also separated the nature of its audits into two categories: a comprehensive audit for internal management systems, including compliance, governance and management systems for operational, credit and system risk; and inspection of cash and cash equivalents for the prevention of illegality. In addition, the Bank undergoes external audits, performed by outside auditors, to further consolidate the internal management structure.

Compliance

In 1999, The 77 Bank formulated Basic Policies for Compliance to function as principles for clarifying responsibilities for compliance and ensuring appropriate actions to compliance issues. The Bank also disseminated *Compliance Guidelines,* a publication that provides executives and employees with concrete procedures for dealing with laws and other compliance-related issues and outlines acceptable standards of ethical conduct.

Basic Policies for Compliance

1. *Fundamental Concepts*

i. The Board of Directors recognizes that full adherence to laws and close attention to all compliance issues are central to its business activities. The Board therefore put together a set of corporate ethics that underscores the Bank's social responsibility and public duty, and does its best to ensure that all members of the Bank uphold these standards of conduct.

ii. The Board reviews compliance programs annually and implements new measures, based on progress achieved in the previous year.

iii. If behavior contrary to stated compliance measures should occur, the Bank will take appropriate steps, based on laws or in-house rules, such as the Work Regulations, and will swiftly adopt the countermeasures required to safeguard the health of the Bank's business.

2. *Establishing a Solid Compliance Structure*

i. The Bank ensures a smooth response to compliance issues through the timely introduction of suitable organizational systems and in-house rules.

ii. The Bank gathers the necessary legal information, such as amendments to laws, concerning compliance and adjusts in-house rules accordingly.

Compliance Guidelines

Basic Direction

i. Ensure sound management and pay the utmost attention to sustaining the Bank's credibility and its ability to extend smooth financing.
ii. Comply with laws and rules for corporate conduct, and maintain fair and honest practices.
iii. Apply considered principles to issues that threaten social order or public peace.
iv. Provide financial services that customers and the community trust, and develop sustainably together with them.
v. Foster an open office atmosphere and promote a healthy workplace environment.

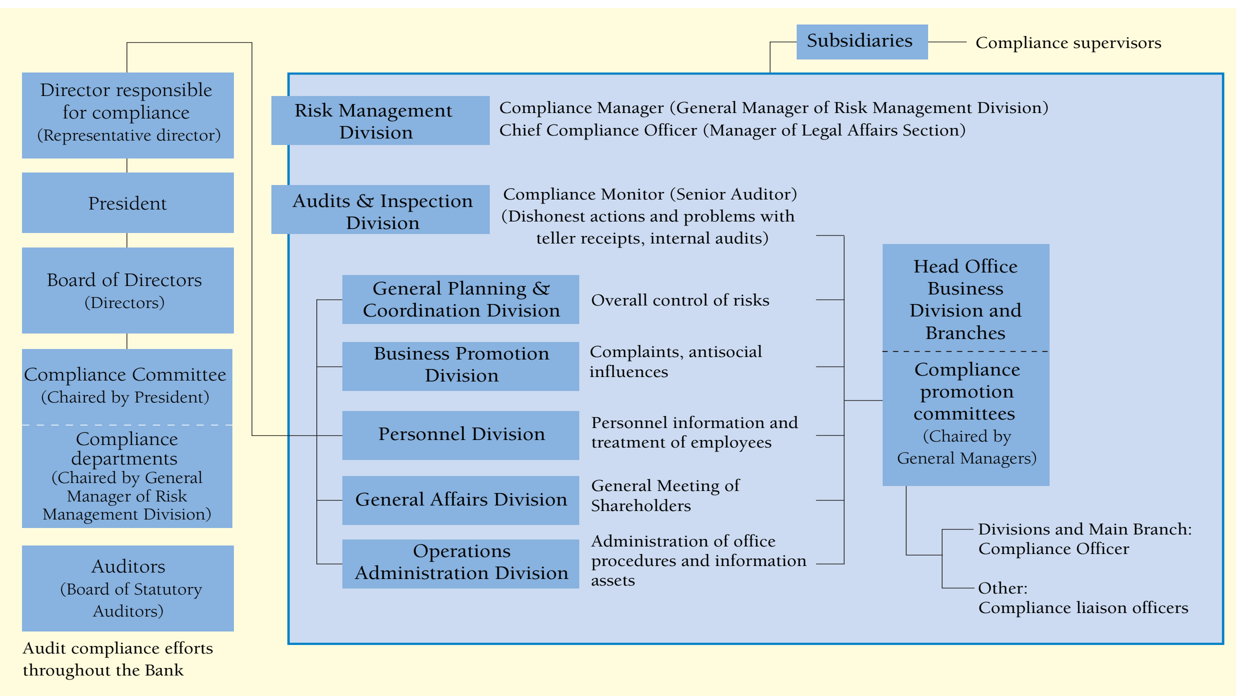
Compliance Structure

Thorough compliance to laws and rules for corporate conduct is essential for a financial institution if it is to uphold its social responsibility and public duty, and maintain the trust of clients and the region in which it operates.

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 supplanted by the Legal Affairs Section of the Risk Management Division, which now tracks the status of legal compliance. The President is the director ultimately responsible for legal compliance. He is supported by the general manager of the Risk 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 compliance status.

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, of which the President is chairman, and departments and subcomittees under the Committee.



Growing with the Community

The State of Miyagi Prefecture Economy

Miyagi Prefecture, the primary base of operations for The 77 Bank, is located in the southeast corner 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 turning the city into an urban hub 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 improved transportation network to connect the region better to other prefectures as well as to places abroad.

Composition of Gross Domestic Product by Industry (Nominal)

(%)

	Miyagi Prefecture	Japan
Agriculture, forestry and fishery	1.8	1.2
Manufacturing	15.7	20.9
Construction	5.7	5.9
Utilities	2.9	2.8
Wholesale and retail	15.5	13.9
Financial institutions	4.9	7.2
Real estate	14.6	13.3
Transportation and communications	9.0	6.7
Services	20.5	21.5
Municipalities and others	9.4	6.6
Total	100.0	100.0

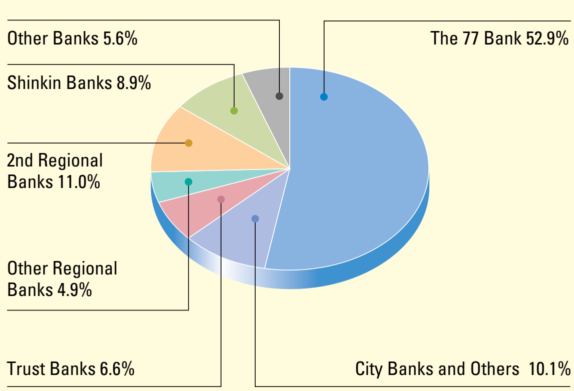
Along with the Community

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 community. 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

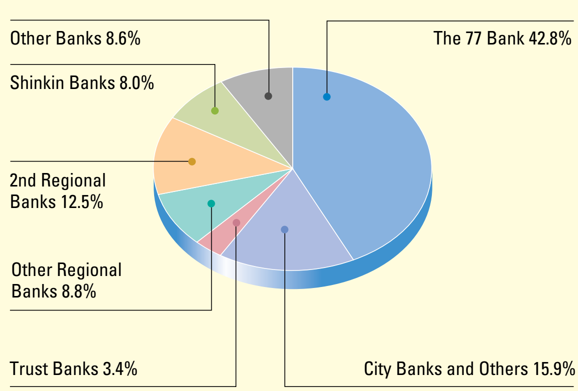
Deposits

(As of March 31, 2006)



Loans

(As of March 31, 2006)

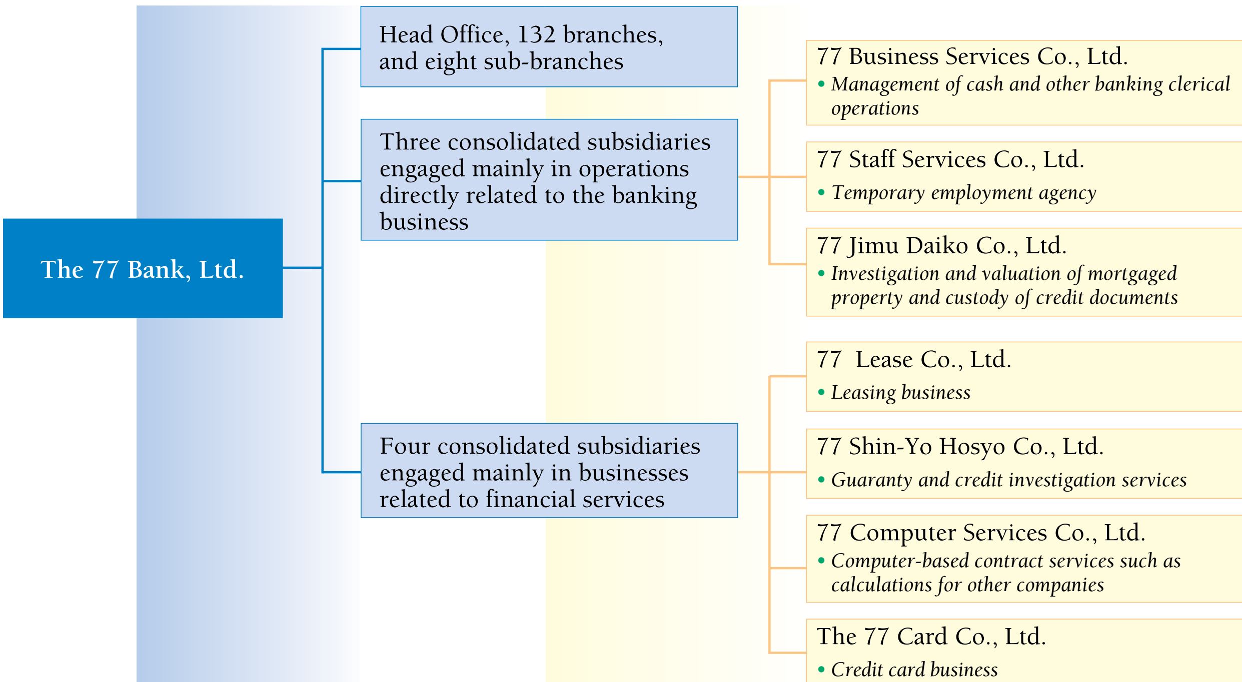


77 Bank Group

(As of June 30, 2006)

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:



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, 2006)

From left: Hiroshi Kamata, President; Chugo Marumori, Chairman; and Teruhiko Ujiie, Deputy President

Chairman
Chugo Marumori

President
Hiroshi Kamata

Deputy President
Teruhiko Ujiie

Senior Managing Director
Yoshiaki Nagayama

Managing Directors
Nobuhiro Chiba
Reiichi Sato
Kimitsugu Nagao
Masayuki Yamada

Directors
Shinichi Takahashi
Mitsutaka Kambe
Tetsuya Fujishiro
Masashi Saijo
Eiji Ouchi
Isamu Suzuki
Kenichi Hotta
Masatake Hase

Standing Statutory Auditors
Naoto Kobayashi
Toshio Onodera

Statutory Auditors
Toshihiro Moriya
Yuzuru Aoki
Torao Imasato

Organization

(As of June 30, 2006)

- General Meeting of Stockholders
  - Board of Statutory Auditors
  - Board of Directors
    - Executive Committee/Compliance Committee
  - *Chairman*
  - *President*
  - *Deputy President*
  - *Senior Managing Director*
  - *Managing Directors*
    - Secretariat
    - General Planning & Coordination 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
    - Audit & Inspection Division
    - Tokyo Liaison Office

Consolidated Five-Year Summary

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

	Millions of Yen				
	2006	2005	2004	2003	2002
For the fiscal year					
Net interest income	**¥ 76,032**	¥ 74,873	¥ 75,797	¥ 80,832	¥ 87,353
Net fees and commissions	**12,261**	11,887	11,644	11,480	11,446
Net other operating income (loss)	**379**	2,239	2,435	1,794	(904)
Net income	**9,415**	9,044	12,339	8,308	2,177
At the fiscal year-end					
Total assets	**¥5,551,935**	¥5,616,224	¥5,404,205	¥5,245,579	¥5,192,870
Deposits	**4,947,526**	5,043,654	4,936,569	4,798,228	4,694,028
Loans and bills discounted	**3,066,753**	3,202,879	3,116,779	3,135,735	3,176,555
Trading account securities and investment securities	**2,088,045**	1,931,010	1,727,328	1,609,579	1,355,474
Stockholders' equity	**359,458**	333,680	323,994	295,951	300,467
Common stock	**24,658**	24,658	24,658	24,658	24,658

	Yen				
	2006	2005	2004	2003	2002
Per share of common stock					
Net income	**¥ 24.63**	¥ 23.65	¥ 32.31	¥ 21.62	¥ 5.68
Diluted net income					
Stockholders' equity	**945.79**	877.76	852.93	776.92	784.94
Cash dividends	**6.00**	6.00	6.00	6.00	6.00
Capital adequacy ratio (%)					
BIS standard	**[13.43]**	[12.75]	[12.42]	[11.56]	[11.86]
Domestic standard	**11.83**	11.23	10.78	10.05	10.08

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 2006

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

Financial and Economic Conditions

A recovery tone continued to color the Japanese economy in fiscal 2006, ended March 31, 2006, supported by strong export activity, higher production levels and enhanced corporate earnings. In Miyagi Prefecture, the primary base of operations for The 77 Bank, personal spending was generally steady and signs, such as a gradual improvement in production levels, indicated a rally in local business conditions, as well.

Against this backdrop, long-term interest rates jumped at the end of the fiscal year, as the Bank of Japan's quantitative financial relaxation policy came to an end. Short-term interest rates, however, remained at extremely low levels right to the end of the term. Under brighter economic skies and with steady improvement in corporate earnings, stock prices moved upward. The Nikkei Stock Average marked a dramatic rise at the end of March 2006, hitting the 17,000 level for the first time in about five-and-a-half years. In foreign exchange markets, recent fiscal policy in Japan and the United States caused some concern, which led to unsettled conditions and prompted a low yen–high dollar situation.

Consolidated Business Results

Deposits, including negotiable deposits, edged down 1.9%, to ¥4,947.5 billion. Loans and bills discounted decreased 4.2%, to ¥3,066.7 billion. In the Bank's investment portfolio, investment securities expanded 7.5%, to ¥2,068.0 billion.

Total assets as of March 31, 2006, stood at ¥5,551.9 billion, down 1.1%.

On the profit and loss front, efforts to trim expenses and raise fund application and procurement efficiency failed to overcome lingering challenges in the operating environment.

Total income grew 5.1%, to ¥118.7 billion, and total expenses increased 4.9%, to ¥101.1 billion.

As a result, net income improved 4.1%, to ¥9.4 billion. Net income per share rebounded to ¥24.63.

The Bank's capital adequacy ratio rose 0.60 percentage point, to 11.83%, as calculated to the domestic standard.

In a breakdown of performance by business segment, banking operations provided total income of ¥99.5 billion, up 5.4%, primarily owing to higher returns on fund application following an improvement in interest and dividends on trading account investment securities. Ordinary income slipped 4.2%, to ¥16.1 billion, reflecting such developments as higher costs on the creation of a next-generation core system.

In leasing operations, total income inched up 1.0%, to ¥17.1 billion, and ordinary income jumped 34.5%, to ¥1.2 billion.

In other operations, including credit card operations, total income climbed 1.6%, to ¥5.3 billion, and ordinary income surged 57.7%, to ¥699 million.

In regard to cash flow, cash provided by operating activities tumbled 82.8%, to ¥44.2 billion, owing to a significant reduction in loans and bills discounted. Net cash used in investing activities retreated 44.7%, to ¥112.2 billion, with the majority of funds applied to new purchases of investment securities. Net cash used in financing activities stayed on a par, at ¥2.3 billion, with funds used to pay dividends.

Consequently, cash and cash equivalents as at March 31, 2006, came to ¥148.5 billion, a sizable drop of 32.1%.

Consolidated Balance Sheets

THE 77 BANK, LTD. AND SUBSIDIARIES
March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	**2006**
Assets:			
Cash and due from banks	**¥ 149,492**	¥ 220,194	**$ 1,272,604**
Call loans and bills bought	**12,580**	50,550	**107,093**
Commercial paper and other debt purchased (Note 4)	**84,272**	87,091	**717,393**
Trading account securities (Note 4)	**20,028**	7,779	**170,498**
Money held in trust (Note 5)	**49,456**	39,810	**421,012**
Investment securities (Notes 4 and 11)	**2,068,017**	1,923,230	**17,604,642**
Loans and bills discounted (Note 6)	**3,066,753**	3,202,879	**26,106,699**
Foreign exchange assets (Note 7)	**1,215**	523	**10,348**
Premises and equipment—net (Notes 9 and 11)	**46,441**	50,502	**395,347**
Deferred tax assets (Note 21)	**2,214**	14,617	**18,850**
Customers' liabilities for acceptances and guarantees (Note 10)	**46,223**	47,029	**393,493**
Other assets (Notes 8 and 11)	**74,808**	53,490	**636,829**
Reserve for possible loan losses	**(69,569)**	(81,476)	**(592,235)**
Total	**¥5,551,935**	¥5,616,224	**$47,262,578**
Liabilities:			
Deposits (Notes 11 and 13)	**¥4,947,526**	¥5,043,654	**$42,117,363**
Call money	**71,472**	70,405	**608,428**
Payables under securities lending transactions (Note 11)	**8,752**	18,276	**74,509**
Borrowed money (Note 11)	**15,450**	15,921	**131,525**
Foreign exchange liabilities (Note 7)	**180**	113	**1,539**
Liability for employees' retirement benefits (Note 15)	**37,499**	35,816	**319,223**
Acceptances and guarantees (Note 10)	**46,223**	47,029	**393,493**
Deferred tax liabilities (Note 21)	**1,881**		**16,015**
Other liabilities (Note 14)	**55,344**	44,162	**471,140**
Total liabilities	**5,184,331**	5,275,380	**44,133,239**
Minority interests	**8,144**	7,163	**69,336**
Stockholders' equity (Notes 16 and 26):			
Common stock—authorized, 1,344,000,000 shares; issued, 383,278,734 shares	**24,658**	24,658	**209,914**
Capital surplus	**7,841**	7,838	**66,756**
Retained earnings	**250,760**	243,661	**2,134,679**
Unrealized gain on available-for-sale securities (Note 4)	**77,783**	59,033	**662,159**
Less: treasury stock—at cost, 3,275,599 shares in 2006 and 3,188,504 shares in 2005	**(1,586)**	(1,511)	**(13,508)**
Total stockholders' equity	**359,458**	333,680	**3,060,002**
Total	**¥5,551,935**	¥5,616,224	**$47,262,578**

See notes to consolidated financial statements.

Consolidated Statements of Income

THE 77 BANK, LTD. AND SUBSIDIARIES
Years ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	**2006**
Income:			
Interest income:			
Interest on loans and discounts	**¥ 55,674**	¥ 56,269	**$ 473,943**
Interest and dividends on trading account and investment securities	**24,683**	21,044	**210,129**
Other	**117**	189	**996**
Fees and commissions	**16,798**	15,871	**143,003**
Other operating income (Note 17)	**17,822**	17,671	**151,719**
Other income (Note 18)	**3,657**	1,921	**31,133**
Total income	**118,753**	112,968	**1,010,925**
Expenses:			
Interest expense:			
Interest on deposits	**1,370**	1,509	**11,670**
Interest on borrowings and rediscounts	**1,388**	412	**11,818**
Other	**1,682**	708	**14,326**
Fees and commissions	**4,537**	3,984	**38,625**
Other operating expenses (Note 19)	**17,443**	15,431	**148,490**
General and administrative expenses	**61,169**	59,817	**520,724**
Provision of reserve for possible loan losses	**8,933**	10,291	**76,052**
Other expenses (Note 20)	**4,617**	4,260	**39,304**
Total expenses	**101,143**	96,415	**861,013**
Income before income taxes and minority interests	**17,610**	16,552	**149,911**
Income taxes (Note 21):			
Current	**5,262**	9,926	**44,802**
Deferred	**1,940**	(3,110)	**16,521**
Total income taxes	**7,203**	6,816	**61,323**
Minority interests in net income	**990**	691	**8,433**
Net income	**¥ 9,415**	¥ 9,044	**$ 80,154**

	Yen		U.S. Dollars
Per share of common stock (Note 2.o):			
Basic net income	**¥24.63**	¥23.65	**$0.209**
Cash dividends applicable to the year	**6.00**	6.00	**0.051**

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

THE 77 BANK, LTD. AND SUBSIDIARIES
Years ended March 31, 2006 and 2005

	Thousands	Millions of Yen				
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock
Balance, April 1, 2004	383,278	¥24,658	¥7,836	¥236,934	¥55,996	¥(1,430)
Net income				9,044		
Cash dividends:						
Year end for prior year, ¥3.00 per share				(1,139)		
Interim for current year, ¥3.00 per share				(1,139)		
Bonuses to directors and corporate auditors				(38)		
Purchases of treasury stock (121 thousand shares)						(84)
Sales of treasury stock (8 thousand shares)			1			3
Net increase in unrealized gain on available-for-sale securities					3,037	
Balance, March 31, 2005	383,278	24,658	7,838	243,661	59,033	(1,511)
Net income				**9,415**		
Cash dividends:						
Year end for prior year, ¥3.00 per share				**(1,139)**		
Interim for current year, ¥3.00 per share				**(1,138)**		
Bonuses to directors and corporate auditors				**(38)**		
Purchases of treasury stock (100 thousand shares)						**(81)**
Sales of treasury stock (13 thousand shares)			**3**			**6**
Net increase in unrealized gain on available-for-sale securities					**18,750**	
Balance, March 31, 2006	**383,278**	**¥24,658**	**¥7,841**	**¥250,760**	**¥77,783**	**¥(1,586)**

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock
Balance, March 31, 2005	$209,914	$66,727	$2,074,245	$502,542	$(12,868)
Net income			**80,154**		
Cash dividends:					
Year end for prior year, $0.025 per share			**(9,696)**		
Interim for current year, $0.025 per share			**(9,695)**		
Bonuses to directors and corporate auditors			**(328)**		
Purchases of treasury stock (100 thousand shares)					**(692)**
Sales of treasury stock (13 thousand shares)		**29**			**53**
Net increase in unrealized gain on available-for-sale securities				**159,617**	
Balance, March 31, 2006	**$209,914**	**$66,756**	**$2,134,679**	**$662,159**	**$(13,508)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

THE 77 BANK, LTD. AND SUBSIDIARIES
Years ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	**2006**
Operating activities:			
Income before income taxes and minority interests	**¥ 17,610**	¥ 16,552	**$ 149,911**
Adjustments for:			
Income taxes—paid	**(11,225)**	(645)	**(95,562)**
Depreciation and amortization	**15,124**	15,893	**128,748**
Losses on impairment of fixed assets	**841**		**7,160**
Change in reserve for possible loan losses	**(11,906)**	6,332	**(101,359)**
Change in liability for employees' retirement benefits	**1,682**	1,721	**14,325**
Interest income	**(80,475)**	(77,503)	**(685,069)**
Interest expense	**4,442**	2,630	**37,815**
Investment securities losses—net	**142**	249	**1,212**
Gains on money held in trust—net	**(1,897)**	(623)	**(16,154)**
Foreign exchange gains—net	**(10,428)**	(2,597)	**(88,777)**
(Gains) losses on sale and disposal of premises and equipment—net	**(370)**	281	**(3,153)**
Write down of premises		1,395	
Net change in loans and bills discounted	**136,125**	(86,099)	**1,158,811**
Net change in deposits	**(96,127)**	107,084	**(818,315)**
Net change in borrowed money	**(470)**	216	**(4,007)**
Net change in due from banks	**308**	412	**2,625**
Net change in call loans and bills bought	**37,970**	79,578	**323,234**
Net change in commercial paper and other debt purchased	**2,819**	36,856	**24,001**
Net change in call money	**1,066**	57,101	**9,075**
Net change in payable under securities lending transactions	**(9,523)**	18,276	**(81,075)**
Net change in trading account securities	**(12,248)**	889	**(104,268)**
Net change in foreign exchange assets	**(691)**	223	**(5,888)**
Net change in foreign exchange liabilities	**66**	(19)	**569**
Interest received	**79,819**	77,613	**679,485**
Interest paid	**(4,473)**	(2,810)	**(38,083)**
Other—net	**(13,935)**	4,693	**(118,630)**
Total adjustments	**26,632**	241,149	**226,719**
Net cash provided by operating activities	**44,242**	257,701	**376,630**
Investing activities:			
Purchases of investment securities	**(660,844)**	(523,333)	**(5,625,642)**
Proceeds from sales of investment securities	**307,466**	48,586	**2,617,402**
Proceeds from maturity of investment securities	**242,078**	276,022	**2,060,769**
Investment in money held in trust	**(2,000)**	(2,000)	**(17,025)**
Proceeds from disposition of money held in trust	**1,910**	623	**16,259**
Purchases of premises and equipment	**(2,702)**	(3,816)	**(23,003)**
Proceeds from sales of premises and equipment	**1,847**	617	**15,731**
Net cash used in investing activities	**(112,243)**	(203,299)	**(955,508)**
Financing activities:			
Purchases of treasury stock	**(81)**	(84)	**(692)**
Proceeds from sales of treasury stock	**9**	5	**82**
Dividends paid	**(2,276)**	(2,276)	**(19,378)**
Dividends paid for minority interests stockholders	**(8)**	(8)	**(74)**
Net cash used in financing activities	**(2,356)**	(2,363)	**(20,062)**
Foreign currency translation adjustments on cash and cash equivalents	**(35)**	(10)	**(304)**
Net (decrease) increase in cash and cash equivalents	**(70,393)**	52,028	**(599,244)**
Cash and cash equivalents, beginning of year	**218,915**	166,886	**1,863,584**
Cash and cash equivalents, end of year (Note 3)	**¥ 148,521**	¥ 218,915	**$1,264,339**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

THE 77 BANK, LTD. AND SUBSIDIARIES
Years ended March 31, 2006 and 2005

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 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 and rearrangements have been made in the 2005 financial statements to conform to the classifications and presentations in 2006.

In conformity with the Japanese Commercial Code (the "Code") 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 translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥117.47 to U.S.$1, the approximate rate of exchange at March 31, 2006. Such translation should not be construed as representation 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"). The number of consolidated subsidiaries as of March 31, 2006 and 2005 was seven companies.

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, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealised 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 stockholders' 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 stockholders' equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

d. Lease Assets—Lease assets included in other assets are stated at cost less accumulated depreciation. Depreciation of lease assets is mainly computed by the straight-line method over lease periods.

e. Premises and Equipment—Premises and equipment are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of premises and equipment 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 five to 31 years for buildings, and from five to 20 years for equipment.

f. Fixed Assets—In August 2002, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

In our banking operations, amounts equivalent to accumulated impairment losses are directly charged to assets employed for the operations in accordance with the relevant regulations (Enforcement Regulations to the Banking Law (1982, Ministry of Finance Order No. 10)).

The Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2005. The Companies reviews its fixed assets for impairment whenever events or changes in circumstances indicate that 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.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2006 by ¥834 million ($7,160 thousand).

g. Software—Capitalized cost of computer software developed/obtained for internal use is amortized by the straight-line method over the estimated useful lives of five years.

h. 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.

i. 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.

j. Employees' 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.

k. Leases—All leases are accounted for as operating 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.

l. 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.

m. Appropriations of Retained Earnings—Appropriations of retained earnings at each year end are reflected in the consolidated financial statements for the following year upon stockholders' approval.

n. 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 a 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.

o. 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 ¥9,363 million ($79,713 thousand) and 380,051 thousand shares for 2006 and ¥8,993 million and 380,159 thousand shares for 2005, 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.

p. New Accounting Pronouncements

Business Combination and Business Separation

In October 2003, the BAC issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the ASBJ issued "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations."

These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006. The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,
(b) the ratio of voting rights of each predecessor stockholder group after the business combination is nearly equal, and
(c) there are no other factors that would indicate any control exerted by any stockholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, the ASBJ issued “Accounting Standard for Stock Options” and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of stockholders’ equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general stockholders meeting. The ASBJ issued ASBJ Practical Issues Task Force No. 13, “Accounting treatment for Bonuses to Directors and Corporate Auditors,” which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

3. 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, 2006 and 2005 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Cash and due from banks	**¥149,492**	¥220,194	**$1,272,604**
Due from banks, excluding due from the Bank of Japan	**(970)**	(1,279)	**(8,265)**
Cash and cash equivalents at the end of year	**¥148,521**	¥218,915	**$1,264,339**

4. Trading Account Securities and Investment Securities

Trading account securities as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
National government bonds	**¥ 2,808**	¥7,681	**$ 23,909**
Local government bonds	**220**	98	**1,880**
Other securities	**16,998**		**144,707**
Total	**¥20,028**	¥7,779	**$170,498**

Investment securities as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
National government bonds	**¥1,092,935**	¥ 951,152	**$ 9,303,951**
Local government bonds	**151,347**	138,062	**1,288,392**
Corporate bonds	**381,327**	499,740	**3,246,168**
Equity securities	**202,079**	135,280	**1,720,266**
Other securities	**240,327**	198,993	**2,045,864**
Total	**¥2,068,017**	¥1,923,230	**$17,604,642**

The carrying amounts and aggregate fair values of securities at March 31, 2006 and 2005 were as follows:

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

	Millions of Yen			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				**¥ 20,028**
Available-for-sale:				
Equity securities	**¥ 63,192**	**¥136,075**		**199,267**
Debt securities	**1,631,628**	**5,320**	**¥30,718**	**1,606,230**
Other securities	**234,334**	**9,385**	**3,409**	**240,309**
Held-to-maturity	**6,905**	**1**	**50**	**6,856**

	Millions of Yen			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 24,779
Available-for-sale:				
Equity securities	¥ 62,112	¥69,916	¥ 159	131,869
Debt securities	1,550,931	22,962	616	1,573,277
Other securities	215,890	2,738	1,635	216,992
Held-to-maturity	5,408	23	1	5,429

	Thousands of U.S. Dollars			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				$ 170,498
Available-for-sale:				
Equity securities	$ 537,946	$1,158,382		1,696,328
Debt securities	3,889,742	45,291	$261,497	13,673,536
Other securities	1,994,844	79,897	29,028	2,045,713
Held-to-maturity	58,786	11	426	58,371

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2006 and 2005 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Available-for-sale:			
Equity securities	¥ 2,811	¥ 3,411	$ 23,937
Debt securities	12,474	10,270	106,188
Held-to-maturity	3,948	2,000	33,614
Other	17		151
Total	¥19,252	¥15,681	$163,891

Proceeds from sales of available-for-sale securities for the years ended March 31, 2006 and 2005 were ¥307,466 million ($2,617,402 thousand) and ¥48,586 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥935 million ($7,959 thousand) and ¥873 million ($7,435 thousand), respectively, for the year ended March 31, 2006 and ¥794 million and ¥302 million, respectively, for the year ended March 31, 2005.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2006 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	¥ 299,433	¥ 990	$ 2,549,022	$ 8,434
Due after one year through five years	761,433	9,675	6,481,940	82,369
Due after five years through 10 years	504,014	187	4,290,579	1,596
Due after 10 years	266,156		2,265,739	
Total	¥1,831,037	¥10,854	$15,587,281	$92,400

Unrealized gain on available-for-sale securities for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Valuation differences:			
Available-for-sale securities	¥116,653	¥ 93,205	$ 993,045
Available-for-sale held in trust	11,380	3,721	96,877
Deferred tax liabilities	(50,193)	(37,850)	(427,288)
Minority interests	(55)	(43)	(474)
Unrealized gain on available-for-sale securities	¥ 77,783	¥ 59,033	$ 662,159

5. Money Held in Trust

The carrying amounts and aggregate fair values of money held in trust at March 31, 2006 and 2005, were as follows:

	Millions of Yen			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥20,440
Available-for-sale	¥17,635	¥11,380		29,015

	Millions of Yen			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥19,453
Available-for-sale	¥16,635	¥3,721		20,357

	Thousands of U.S. Dollars			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				$174,007
Available-for-sale	$150,126	$96,877		247,004

6. Loans and Bills Discounted

Loans and bills discounted at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Bills discounted	¥ 28,690	¥ 31,117	$ 244,240
Loans on bills	310,402	346,558	2,642,399
Loans on deeds	2,225,038	2,256,472	18,941,330
Overdraft	502,622	568,730	4,278,727
Total	¥3,066,753	¥3,202,879	$26,106,699

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

¥28,825 million ($245,388 thousand) and ¥31,117 million at March 31, 2006 and 2005, respectively.

Loans and bills discounted at March 31, 2006 and 2005 included the following loans:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Loans to borrowers in bankruptcy	¥ 14,098	¥ 23,454	$ 120,017
Past due loans	112,762	124,844	959,929
Past due loans (three months or more)	631	519	5,372
Restructured loans	45,385	48,577	386,358
Total	¥172,878	¥197,396	$1,471,677

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 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, restructure loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

7. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Assets			
Foreign exchange bills bought	¥ 172	¥ 11	$ 1,465
Foreign exchange bills receivable	41	74	354
Due from foreign correspondent accounts	1,001	438	8,528
Total	¥1,215	¥523	$10,348

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Liabilities			
Foreign exchange bills sold	¥ 62	¥ 36	$ 530
Foreign exchange bills payable	118	77	1,009
Total	¥180	¥113	$1,539

8. Other Assets

Other assets at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Accrued income	¥ 8,510	¥ 7,682	$ 72,452
Prepaid expenses	56	39	481
Premises and equipment for lease—net of accumulated depreciation	30,777	30,608	262,001
Account receivable	21,082	500	179,467
Other	14,381	14,660	122,426
Total	¥74,808	¥53,490	$636,829

9. Premises and Equipment

The accumulated depreciation of premises and equipment at March 31, 2006 and 2005 amounted to ¥76,271 million ($649,283 thousand) and ¥79,175 million, respectively.

10. 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.

11. Assets Pledged

Assets pledged as collateral and their relevant liabilities at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Assets pledged as collateral:			
Investment securities	¥122,675	¥132,243	$1,044,315
Other assets	7		66
Relevant liabilities to above assets:			
Deposits	42,400	44,634	360,943
Payables under securities lending transactions	8,752	18,276	74,509

Additionally, investment securities amounting to ¥131,685 million ($1,121,012 thousand) and ¥131,885 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, 2006 and 2005, respectively.

Premises and equipment includes deposit for leased premises and equipment amounted to ¥919 million ($7,826 thousand) and ¥1,009 million at March 31, 2006 and 2005, respectively.

Other than the balance sheet items above, future lease receivables, which are off-balance sheet items, amounting ¥4,634 million ($39,456 thousand) and ¥4,663 million are pledged for borrowed money amounting to ¥3,325 million ($28,305 thousand) and ¥3,468 million at March 31, 2006 and 2005, respectively.

Also, another future lease receivables amounting to ¥14,217 million ($121,031 thousand) and ¥13,970 million are placed under quasi pledge arrangement for borrowed money amounting to ¥11,848 million ($100,859 thousand) and ¥11,642 million at March 31, 2006 and 2005, respectively.

12. 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. The unused amount of such contracts totals ¥1,421,639 million ($12,102,151 thousand) relating to these contracts, of which the amounts with the original agreement terms of less than one year were ¥1,399,979 million ($11,917,763 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.

13. Deposits

Deposits at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Current deposits	¥ 176,810	¥ 186,606	$ 1,505,154
Ordinary deposits	2,254,605	2,156,873	19,193,029
Deposits at notice	26,652	24,604	226,885
Time deposits	2,024,909	2,184,380	17,237,669
Negotiable certificates of deposit	226,280	241,610	1,926,279
Other deposits	238,269	249,578	2,028,344
Total	¥4,947,526	¥5,043,654	$42,117,363

14. Other Liabilities

Other liabilities at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Accrued expenses	¥ 6,955	¥ 6,514	$ 59,210
Unearned income	9,377	9,542	79,828
Income taxes payable	3,797	9,760	32,327
Accounts payable	25,733	4,193	219,063
Suspense receipt	5,779	9,932	49,203
Other	3,701	4,219	31,507
Total	¥55,344	¥44,162	$471,140

15. Liability for Employees' Retirement Benefits

The Companies have severance payment plans for employees.

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 liability (asset) for employees' retirement benefits at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligation	¥ 94,556	¥ 86,311	$ 804,943
Fair value of plan assets	(44,130)	(36,523)	(375,670)
Unrecognized net actuarial loss	(12,927)	(13,971)	(110,048)
Net liability	¥ 37,499	¥ 35,816	$ 319,223

The components of net periodic retirement benefit costs for the years ended March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service cost	¥ 1,903	¥ 2,032	$ 16,204
Interest cost	2,147	2,113	18,278
Expected return on plan assets	(1,278)	(1,208)	(10,882)
Recognized actuarial loss	1,994	2,026	16,977
Net periodic retirement benefit costs	¥ 4,766	¥ 4,964	$ 40,578

Assumptions used for the years ended March 31, 2006 and 2005 were set forth as follows:

	2006	2005
Discount rate	2.0%	2.5%
Expected rate of return on plan assets	3.5%	3.5%
Recognition period of actuarial gain/loss	10 years	10 years

16. Stockholders' Equity

Japanese banks are subject to the Code and to the Banking Law.

The Code requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing stockholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the stockholders' accounts.

The Banking Law provides that an amount at least 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 100% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 100% of common stock may be available for dividends by resolution of the stockholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of stockholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code and the Banking Law was ¥222,218 million ($1,891,704 thousand) as of March 31, 2006, based on the amount recorded in the Bank's general books of account.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes 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 four criteria, (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 prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors can declare dividends (except for dividends-in-kind) as far as the company has prescribed so in its articles of incorporation.

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. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also 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) Increase, Decrease and Transfer of Stated Capital, Reserve and Surplus

The revised 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 Code and the amended 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 Code. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. 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 stockholders' 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 stockholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of stockholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of stockholders' equity. Such items include stock acquisition rights, minority interest and any deferred gain or loss on derivatives qualified for hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

17. Other Operating Income

Other operating income for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Gain on sales and redemption of bonds and other securities	**¥ 841**	¥ 820	**$ 7,162**
Lease receipt	**12,581**	12,752	**107,101**
Other	**4,399**	4,099	**37,455**
Total	**¥17,822**	¥17,671	**$151,719**

18. Other Income

Other income for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Gains on sales of stocks and other securities	**¥ 206**	¥ 79	**$ 1,760**
Gains on sales of money held in trust	**1,909**	623	**16,257**
Gains on sales of premises and equipment	**622**	136	**5,297**
Other	**918**	1,081	**7,818**
Total	**¥3,657**	¥1,921	**$31,133**

19. Other Operating Expenses

Other operating expenses for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Losses on sales, redemption and devaluation of bonds and other securities	**¥ 989**	¥ 920	**$ 8,424**
Lease cost	**11,569**	11,587	**98,488**
Other	**4,884**	2,924	**41,577**
Total	**¥17,443**	¥15,431	**$148,490**

20. Other Expenses

Other expenses for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Losses on devaluation of stocks and other securities	¥ 18	¥ 124	$ 156
Bad debt losses	233	980	1,983
Losses on dispositions of money held in trust	11		102
Losses on sales of loans	3,116	1,239	26,530
Write down of premises		1,395	
Losses on impairment of fixed assets	841		7,160
Other	396	521	3,372
Total	¥4,617	¥4,260	$39,304

21. Income Taxes

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.3% for the years ended March 31, 2006 and 2005.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred tax assets:			
Reserve for possible loan losses	¥24,371	¥27,404	$207,473
Liability for employees' retirement benefits	15,095	14,163	128,504
Unrealized loss on available-for-sale securities	13,753	961	117,081
Premises and equipment (depreciation)	6,400	5,511	54,487
Losses on devaluation of stocks and other securities	3,576	3,891	30,448
Other	4,289	4,195	36,519
Less valuation allowance	(2,570)	(2,179)	(21,878)
Total	64,918	53,948	552,635
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	63,947	38,812	544,370
Premises and equipment (deferral gain on sales and replacement)	637	519	5,429
Total	64,584	39,331	549,799
Net deferred tax assets	¥ 333	¥14,617	$ 2,835

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2006 and 2005 is not disclosed because the each difference was immaterial (less than 5% of the normal statutory tax rate).

22. 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, 2006 and 2005 were ¥158 million ($1,346 thousand) and ¥5 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense and interest expense of finance lease that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2005 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Equipment and Other Assets		Equipment and Other Assets
	2006	2005	2006
Acquisition cost	¥5,488	¥ 15	$46,723
Accumulated depreciation	(167)	(12)	(1,425)
Net leased property	¥5,321	¥ 3	$45,297

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 884	¥3	$ 7,529
Due after one year	4,439		37,790
Total	¥5,323	¥3	$45,320

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Depreciation expense	¥155	¥5	$1,321
Interest expense	5		48
Total	¥160	¥5	$1,369

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, 2006 and 2005 were ¥12,158 million ($103,499 thousand) and ¥12,377 million, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	Equipment and Other Assets		Equipment and Other Assets
	2006	2005	2006
Acquisition cost	¥ 73,744	¥ 72,623	$ 627,770
Accumulated depreciation	(43,239)	(42,034)	(368,086)
Net leased property	¥ 30,505	¥ 30,589	$ 259,683

Future lease payments receivables under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Receivables:			
Due within one year	¥ 9,624	¥ 9,688	$ 81,935
Due after one year	21,712	21,279	184,838
Total	¥31,337	¥30,968	$266,773

Depreciation expense and interest income under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Depreciation expense	¥10,522	¥10,724	$89,575
Interest income	1,490	1,509	12,687

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, 2006 and 2005, future lease receivables including interest receivables under non-cancelable operating leases were as follows:

Future lease payment receivables:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 62	¥18	$ 535
Due after one year	102	35	875
Total	¥165	¥54	$1,410

23. 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 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 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 interest rate futures, 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.

In accordance with the Banking Law requirements of the capital adequacy ratio, credit risk equivalent which was measured using the current exposure method amounted to ¥3,796 million ($32,321 thousand) and ¥1,598 million at March 31, 2006 and 2005, respectively.

The Bank has established a standard of risk management including management approaches to each type of risks. 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, 2006 and 2005:

	Millions of Yen						Thousands of U.S. Dollars		
	2006			2005			2006		
	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	¥10,525	¥ 47	¥ 47	¥13,975	¥ (80)	¥ (80)	$ 89,597	$ 402	$ 402
Currency-related transaction:									
Currency swaps	1,877	3	3				15,983	33	33
Foreign exchange forward contracts:									
Selling	85,932	(919)	(919)	57,689	(1,801)	(1,801)	731,529	(7,823)	(7,823)
Buying	1,552	3	3	898	9	9	13,212	28	28
Currency options:									
Selling				108	(1)				
Buying				108	1				

Unrealized gains (losses) for the years ended March 31, 2006 and 2005 were recognized in the consolidated statements of income.

Derivatives which qualify for hedge accounting for the years ended March 31, 2006 and 2005 were not included 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.

24. Related Party Transactions

Related party transactions for the years ended March 31, 2006 and 2005 were as follows:

		Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars
Related Party	Account Classification	**2006**	2005	**2006**
HIGASHI NIHONKOGYOH CO., LTD*[1]	Loans and bills discounted	**¥4,016**	¥4,277	**$34,194**
Department Store Fujisaki Co., Ltd.*[2]	Loans and bills discounted	**6,042**	9,092	**51,442**
Fuji Styling Co., Ltd.*[2]	Loans and bills discounted	**373**	390	**3,179**
Fujisoken Co., Ltd.*[2]	Loans and bills discounted	**1**	1	**11**
Ikijariten Co., Ltd.*[2]	Loans and bills discounted	**235**	229	**2,002**
	Customers' liabilities for acceptances and guarantees	**70**	70	**595**

*Notes: *[1] HIGASHI NIHONKOGYOH CO., LTD. of which a corporate auditor of the Bank, Yuzuru Aoki, serves as chairman.*
**[2] Company whose majority of voting rights is owned by a director or his close relatives (including subsidiaries of such company).*
**[3] Terms are substantially the same as for similar transactions with third parties.*

25. Segment Information

(1) Business Segment Information

Information about operations in different business segments of the Companies for the years ended March 31, 2006 and 2005 was as follows:

a. Ordinary income

	Millions of Yen					
	2006					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	¥99,010	¥15,383	¥3,722	¥118,115		¥118,115
Intersegment income	491	1,784	1,642	3,917	¥(3,917)	
Total income	99,501	17,167	5,364	122,033	(3,917)	118,115
Ordinary expenses	83,346	15,944	4,665	103,956	(3,905)	100,050
Ordinary income	¥16,154	¥ 1,223	¥ 699	¥ 18,077	¥ (12)	¥ 18,065

b. Assets, depreciation, impairment loss and capital expenditures

	Millions of Yen					
	2006					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	¥5,519,425	¥39,450	¥21,871	¥5,580,746	¥(28,811)	¥5,551,935
Depreciation	3,305	11,791	26	15,124		15,124
Impairment loss	841			841		841
Capital expenditures	2,257	11,722	6	13,987	(93)	13,893

a. Ordinary income

	Thousands of U.S. Dollars					
	2006					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	$842,853	$130,956	$31,684	$1,005,495		$1,005,495
Intersegment income	4,180	15,189	13,982	33,353	$(33,353)	
Total income	847,034	146,146	45,667	1,038,848	(33,353)	1,005,495
Ordinary expenses	709,514	135,728	39,717	884,959	(33,250)	851,709
Ordinary income	$137,520	$ 10,417	$ 5,950	$ 153,888	$ (102)	$ 153,785

b. Assets, depreciation, impairment loss and capital expenditures

	Thousands of U.S. Dollars					
	2006					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	**$46,985,828**	**$335,830**	**$186,185**	**$47,507,844**	**$(245,266)**	**$47,262,578**
Depreciation	**28,140**	**100,382**	**226**	**128,748**		**128,748**
Impairment loss	**7,159**			**7,159**		**7,160**
Capital expenditures	**19,218**	**99,793**	**56**	**119,069**	**(794)**	**118,275**

a. Ordinary income

	Millions of Yen					
	2005					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	¥93,820	¥15,286	¥3,683	¥112,790		¥112,790
Intersegment income	512	1,702	1,592	3,807	¥(3,807)	
Total income	94,332	16,988	5,276	116,597	(3,807)	112,790
Ordinary expenses	77,452	16,078	4,832	98,363	(3,761)	94,602
Ordinary income	¥16,879	¥ 909	¥ 443	¥ 18,233	¥ (45)	¥ 18,188

b. Assets, depreciation and capital expenditures

	Millions of Yen					
	2005					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	¥5,585,575	¥41,259	¥21,537	¥5,648,373	¥(32,148)	¥5,616,224
Depreciation	3,843	12,023	26	15,893		15,893
Capital expenditures	2,463	12,867	20	15,352	(46)	15,305

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) Operating Income from International Operations

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

26. Subsequent Event

At the Bank's general stockholders meeting held on June 29, 2006, the Bank's stockholders approved the following:

Appropriations of retained earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.00 ($0.025) per share	**¥1,140**	**$9,705**
Bonuses to directors and corporate auditors	**29**	**246**

Independent Auditors’ Report

Deloitte.

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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, 2006 and 2005, and the related consolidated statements of income, stockholders’ 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 77 Bank, Ltd. and subsidiaries as of March 31, 2006 and 2005, 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 2. f, effective April 1, 2005, the consolidated financial statements have been prepared in accordance with the new accounting standard for impairment of fixed assets.

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 29, 2006

Capital Adequacy Ratios

THE 77 BANK, LTD. AND SUBSIDIARIES
March 31, 2006 and 2005

Consolidated (Domestic standard)

		Millions of Yen 2006	Millions of Yen 2005	Millions of U.S. Dollars 2006
Tier I capital:	Common stock	¥ 24,658	¥ 24,658	$ 209
	Capital surplus	7,841	7,838	66
	Retained earnings	249,561	242,462	2,124
	Minority interests	8,089	7,119	68
	Treasury stock	(1,586)	(1,511)	(13)
	Subtotal (A)	288,564	280,567	2,456
Tier II capital:	General reserve for possible loan losses	20,864	22,839	177
	Subtotal	20,864	22,839	177
	Position included in stockholders' equity (B)	16,094	16,523	137
Deductions:	Cross-holdings with other financial institutions (C)			
Total capital:	(A) + (B) − (C) = (D)	304,659	297,091	2,593
Risk-adjusted assets:	On-balance-sheet	2,530,301	2,598,152	21,539
	Off-balance-sheet	44,892	45,642	382
	Subtotal (E)	2,575,193	2,643,795	21,922
Capital adequacy ratio (Domestic standard) = (D)/(E) x 100 (%)		11.83	11.23	11.83

Non-Consolidated (Domestic standard)

		Millions of Yen 2006	Millions of Yen 2005	Millions of U.S. Dollars 2006
Tier I capital:	Common stock	¥ 24,658	¥ 24,658	$ 209
	Capital surplus	7,841	7,838	66
	Legal reserve	24,658	24,658	209
	Voluntary reserve	221,649	214,674	1,886
	Retained earnings carried forward	2,294	2,341	19
	Treasury stock	(1,556)	(1,481)	(13)
	Subtotal (A)	279,547	272,690	2,379
Tier II capital:	General reserve for possible loan losses	19,340	21,500	164
	Subtotal	19,340	21,500	164
	Position included in stockholders' equity (B)	15,926	16,358	135
Deductions:	Cross-holdings with other financial institutions (C)			
Total capital:	(A) + (B) − (C) = (D)	295,474	289,049	2,515
Risk-adjusted assets:	On-balance-sheet	2,503,368	2,571,746	21,310
	Off-balance-sheet	44,892	45,642	382
	Subtotal (E)	2,548,260	2,617,389	21,692
Capital adequacy ratio (Domestic standard) = (D)/(E) x 100 (%)		11.59	11.04	11.59

Non-Consolidated Balance Sheets (Parent Company)

THE 77 BANK, LTD.
March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Assets:			
Cash and due from banks	**¥ 149,318**	¥ 220,018	**$ 1,271,121**
Call loans and bills bought	**12,580**	50,550	**107,093**
Commercial paper and other debt purchased	**84,272**	87,091	**717,393**
Trading account securities	**20,028**	7,779	**170,498**
Money held in trust	**49,456**	39,810	**421,012**
Investment securities	**2,060,999**	1,917,732	**17,544,900**
Loans and bills discounted	**3,082,584**	3,221,000	**26,241,463**
Foreign exchange assets	**1,215**	523	**10,348**
Premises and equipment	**43,845**	45,919	**373,245**
Deferred tax assets		12,447	
Customers' liabilities for acceptances and guarantees	**46,223**	47,029	**393,493**
Other assets	**33,704**	12,523	**286,924**
Reserve for possible loan losses	**(64,903)**	(76,980)	**(552,515)**
Total	**¥5,519,325**	¥5,585,447	**$46,984,978**
Liabilities:			
Deposits	**¥4,951,814**	¥5,048,706	**$42,153,863**
Call money	**71,472**	70,405	**608,428**
Payables under securities lending transaction	**8,752**	18,276	**74,509**
Borrowed money	**277**	311	**2,361**
Foreign exchange liabilities	**180**	113	**1,539**
Liability for employees' retirement benefits	**37,090**	35,392	**315,748**
Deferred tax liabilities	**1,878**		**15,987**
Acceptances and guarantees	**46,223**	47,029	**393,493**
Other liabilities	**43,141**	32,322	**367,253**
Total liabilities	**5,160,831**	5,252,559	**43,933,184**
Stockholders' equity:			
Common stock	**24,658**	24,658	**209,914**
Capital surplus	**7,841**	7,838	**66,756**
Retained earnings:			
Legal reserve	**24,658**	24,658	**209,914**
Unappropriated	**225,113**	218,185	**1,916,351**
Unrealized gain on available-for-sale securities	**77,777**	59,028	**662,103**
Treasury stock	**(1,556)**	(1,481)	**(13,247)**
Total stockholders' equity	**358,494**	332,888	**3,051,793**
Total	**¥5,519,325**	¥5,585,447	**$46,984,978**

Non-Consolidated Statements of Income (Parent Company)

THE 77 BANK, LTD.
Years ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Income:			
Interest income:			
Interest on loans and discounts	¥ 54,744	¥55,324	$466,026
Interest on dividends on trading account and investment securities	24,657	21,024	209,907
Other	117	189	997
Fees and commissions	15,932	15,017	135,629
Other operating income	842	825	7,173
Other income	3,809	2,032	32,433
Total income	100,104	94,413	852,167
Expenses:			
Interest expense:			
Interest on deposits	1,371	1,510	11,679
Interest on call money	1,263	285	10,756
Other	1,676	701	14,275
Fees and commissions	5,105	4,553	43,461
Other operating expenses	3,269	1,541	27,830
General and administrative expenses	59,649	57,886	507,787
Provision of reserve for possible loan losses	7,797	8,877	66,382
Other expenses	4,352	3,931	37,055
Total expenses	84,487	79,288	719,229
Income before income taxes	15,616	15,125	132,938
Income taxes:			
Current	4,385	9,129	37,336
Deferred	1,992	(2,927)	16,958
Total income taxes	6,378	6,202	54,295
Net income	¥ 9,238	¥ 8,922	$ 78,643

	Yen		U.S. Dollars
Per share of common stock:			
Net income	¥24.22	¥23.39	$0.206
Cash dividends applicable to the year	6.00	6.00	0.051

Non-Consolidated Statements of Retained Earnings (Parent Company)

THE 77 BANK, LTD.
Years ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Balance, beginning of year	¥242,843	¥236,231	$2,067,284
Net income	9,238	8,922	78,643
Dividends paid, ¥6.00 ($0.051) per share in 2006 and ¥6.00 per share in 2005	(2,280)	(2,281)	(19,415)
Bonuses to directors and corporate auditors	(29)	(29)	(246)
Balance, end of year	¥249,772	¥242,843	$2,126,265

Loan Portfolio

Loan Portfolio by Industry

	Billions of Yen 2006	Billions of Yen 2005	Millions of U.S. Dollars 2006
Domestic offices *(Excluding Japan offshore banking accounts)*	¥3,082	¥3,221	$26,241
Manufacturing	259	290	2,211
Agriculture	4	5	36
Forestry	0	0	3
Fishery	12	13	105
Mining	2	2	17
Construction companies	169	191	1,439
Utilities	58	66	502
Information and communications	30	24	259
Transportation	56	56	478
Wholesale and retail	360	383	3,067
Financial institutions	243	308	2,069
Real estate companies	353	357	3,010
Services	365	365	3,110
Municipalities	443	394	3,773
Other	723	760	6,156
Japan's offshore banking accounts			
Financial institutions			
Total	¥3,082	¥3,221	$26,241

Loans by Collateral

	Billions of Yen 2006	Billions of Yen 2005	Millions of U.S. Dollars 2006
Securities	¥ 1	¥ 2	$ 14
Commercial claims	52	60	444
Commercial goods	0	0	0
Real estate	652	725	5,554
Subtotal	706	788	6,013
Guaranteed	1,181	1,244	10,054
Unsecured	1,195	1,188	10,174
Total [Subordinated loans]	¥3,082 [7]	¥3,221 [5]	$26,241 [61]

Reserve for Loan Losses

	Billions of Yen 2006	Billions of Yen 2005	Millions of U.S. Dollars 2006
General reserve for loan losses	¥19	¥21	$164
Specific reserve for estimated loan losses on certain doubtful loans	45	55	387
For non-resident loans			
Reserve for losses on specific overseas loans			
Total	¥64	¥76	$552

Risk-Monitored Loans

	Billions of Yen 2006	2006 Percentage of total	Billions of Yen 2005	2005 Percentage of total	Millions of U.S. Dollars 2006
Loans to borrowers under bankruptcy	¥ 13.5	0.43%	¥ 22.6	0.70%	$ 115
Past due loans	110.9	3.60	123.0	3.81	944
Accruing loans contractually past due three months or more	0.6	0.02	0.5	0.01	5
Restructured loans	45.3	1.47	48.4	1.50	386
Total	170.4	5.53	194.7	6.04	1,451
Balance of total loans	¥3,082.5	100.00%	¥3,221.0	100.00%	$26,241

Securities Portfolio

Investment Securities
(Average Balance)

	2006 Domestic	2006 International	2006 Total	2006 Percentage	2005 Domestic	2005 International	2005 Total	2005 Percentage
	Billions of Yen/%							
National government bonds	¥ 987	¥	¥ 987	[52.5]%	¥ 891	¥	¥ 891	[51.0]%
Local government bonds	154		154	[8.2]	154		154	[8.9]
Corporate bonds	446		446	[23.8]	449		449	[25.7]
Stocks	67		67	[3.6]	65		65	[3.7]
Other securities	47	176	224	[11.9]	38	148	186	[10.7]
Foreign bonds	/	176	176	[9.4]	/	148	148	[8.5]
Foreign stocks	/				/			
Total	¥1,704	¥176	¥1,880	[100.0]%	¥1,598	¥148	¥1,746	[100.0]%

Notes: 1. Investment securities loaned are categorized into each item.
2. Average balances of foreign currency transactions by domestic branches, which are included in international operations, are calculated based on the daily current method.

Public Bonds Underwritten

	Billions of Yen 2006	Billions of Yen 2005	Millions of U.S. Dollars 2006
National government bonds	¥ 8	¥12	$ 72
Local government bonds and government-guaranteed bonds	57	47	485
Total	¥65	¥60	$558

Sales Volume of Public Bonds and Investment Trusts

	Billions of Yen 2006	Billions of Yen 2005	Millions of U.S. Dollars 2006
National government bonds	¥40	¥18	$348
Local government bonds and government-guaranteed bonds	13	10	115
Total	¥54	¥29	$463
Investment trusts	¥36	¥10	$309

Public Bonds Dealings (Trading Account Securities)
Trading volume during the term

	Billions of Yen 2006	Billions of Yen 2005	Millions of U.S. Dollars 2006
National government bonds	¥708	¥365	$6,033
Local government bonds	3	0	26
Government-guaranteed bonds	10	6	85
Total	¥721	¥371	$6,145

Average Balances of Trading Account Securities

	Billions of Yen 2006	Billions of Yen 2005	Millions of U.S. Dollars 2006
National government bonds	¥3	¥7	$29
Local government bonds	0	0	1
Government-guaranteed bonds	0	0	0
Commercial paper	1		16
Total	¥5	¥7	$48

Off-Balance-Sheet Transactions

Derivatives and Foreign Exchange Forward Contracts

	Billions of Yen			
	Notional Amount/ Contract Value		Credit Risk/ Equivalent Amount	
	2006	2005	**2006**	2005
Interest rate swaps	**¥139**	¥149	**¥2**	¥1
Forward foreign exchange transactions	**97**	58	**1**	0
Other derivatives				
(caps)				
(currency option)		0		0
Total	**¥236**	¥208	**¥3**	¥1

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. The contract value of forward foreign exchange transactions with a maturity of 14 days or less, which has been subtracted from the credit risk equivalent amount under the aforementioned guidelines, is as follows:

	Billions of Yen	
	Contract Value	
	2006	2005
Foreign exchange forward contracts	**¥ 1**	¥ 0

Credit-Related Financial Instruments

	Billions of Yen	
	Contract Value	
	2006	2005
Commitments	**¥1,339**	¥1,282
Guarantees	**33**	36
Total	**¥1,373**	¥1,319

International Operations

Foreign Exchange Transactions

	Millions of U.S. Dollars	
	2006	2005
Foreign exchange transactions	**$2,493**	$2,624

Foreign Currency Assets

	Millions of U.S. Dollars	
	2006	2005
Domestic offices	**$1,262**	$998

Specific Overseas Loans

There are no applicable amounts.

Bank Data

THE 77 BANK, LTD.
As of March 31, 2006

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

141

Number of Employees

2,716

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$209 million)

Number of Stockholders

9,664

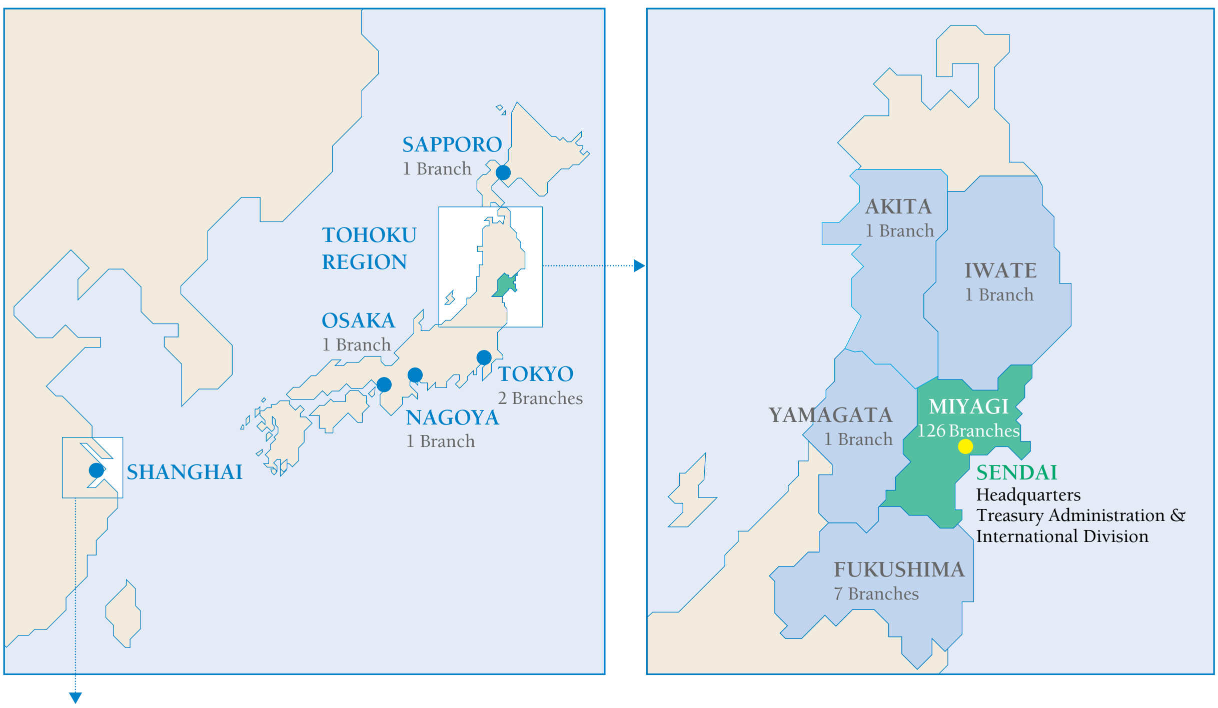
Shares Outstanding

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
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,346	2.43
Japan Trustee Services Bank, Limited (Trust Account)	8,928	2.32
The Master Trust Bank of Japan, Limited (Trust Account)	7,457	1.94
Japan Trustee Services Bank, Limited (Trust Account 4)	6,717	1.75
Mizuho Corporate Bank, Ltd.	6,651	1.73

Service Network



Shanghai Representative Office

(opened July 22, 2005)

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77 BANK

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