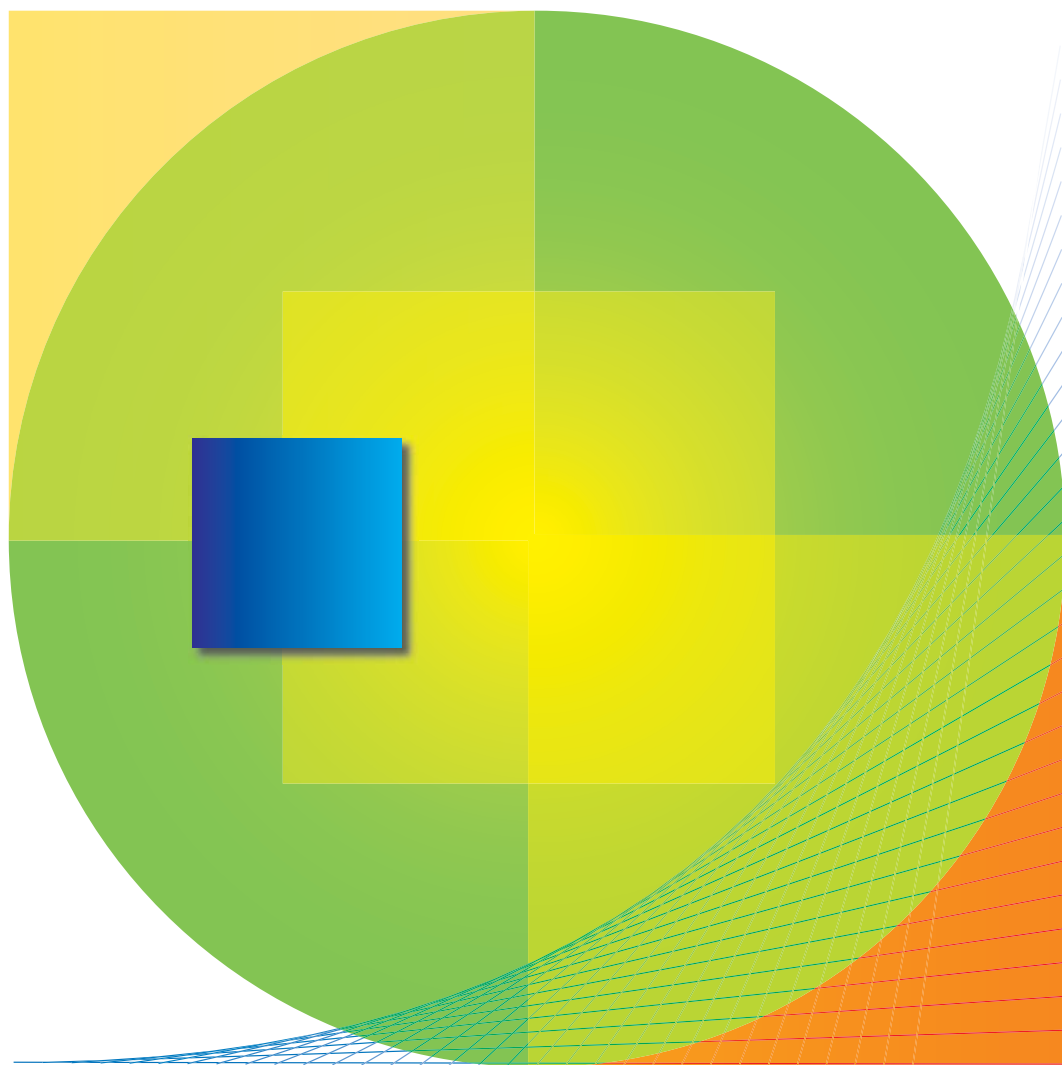


Financial Statements 2008

Year ended March 31, 2008



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THE HIGASHI-NIPPON BANK, LIMITED



CORPORATE PROFILE

Since its conception in 1924, Higashi-Nippon Bank has been deeply committed to the fundamental business philosophy of working to cultivate a prosperous regional community through sound banking practices and constructive contributions as a responsible corporation. As a regional financial institution devoted to this vital mission, the Bank has dynamically carried out the supply of top-caliber financial products and services designed to support the development and prosperity of the region where it does business.

Higashi-Nippon Bank's main operating territory is the greater metropolitan area made up of Tokyo and the five surrounding prefectures. As of March 31, 2008, the Bank operated a total of 76 branch offices, of which 45, including the head office, are located in the Tokyo area.

MESSAGE FROM THE MANAGEMENT

Higashi-Nippon Bank is currently implementing its Human Bank 2005 medium-term management plan. As implied by its name, this management plan emphasizes human communication—listening earnestly to the true voices of our customers and ascertaining their well-being—as the basis of all our customer transactions.

Higashi-Nippon Bank and other regional financial institutions have service areas that are limited in scope while the scale of their operations is matched to the size of their respective operating territories. Due to these characteristics, regional financial institutions are well positioned to courteously listen to details of customers' problems and carefully provide appropriate counseling. Regional financial institutions also take a sincere and enthusiastic approach to helping local small and medium-sized business—who are primary customers—deal with the problems they face.

When making loans, for example, financial statements and other data undoubtedly serve as useful indicators that provide an accurate narration of a company's management. Nonetheless, I believe that numbers alone do not reveal the entire story about a company as a whole. With our emphasis on face-to-face relationships, Higashi-Nippon Bank can provide customers with appropriate advice concerning changes in their business conditions and as well as accurately identify the underlying causes of such changes. In other words, by nurturing close relationships with customers, we can correctly recognize those areas of their operations where numerical information is meaningful as well as other aspects of their operations not readily reflected only by numbers. For precisely this reason, we are confident that Higashi-Nippon Bank's capabilities in credit screening of small and medium-sized companies are on par with those of so-called megabanks.

Higashi-Nippon Bank's role extends beyond the mere provision of funds. Today, managers of small and medium-sized companies face a wide array of challenging issues. Higashi-Nippon Bank aims to provide total responses to these issues and we believe this objective can be attained only through "face-to-face interaction with customers to ensure their feelings are communicated."

When comparing the Japanese economy to Mt. Fuji, small and medium-sized companies form the broad base of the economy. The Japanese economy's rise to majestic heights, or in other words the readiness of Japanese companies to face global competition, can be attributed specifically to the existence of these

small and medium-sized companies, which provide support as the base of the economy by offering their high levels of technologies and productivity. Financial institutions such as Higashi-Nippon Bank thus play an indispensable role by providing funds to these companies. Above all, Higashi-Nippon Bank thoroughly adheres to its stance of lending funds entrusted by local depositors to locally based customers who require such funds. Higashi-Nippon Bank boasts a high deposit-loan ratio that ranks as one of the highest among Japanese banks. Moreover, approximately 65% of our lending volume consists of loans made to small and medium-sized businesses. No other bank in Japan of a similar scale as Higashi-Nippon Bank boasts such figures.

By actively promoting the circulation of locally procured funds in this manner, we are contributing to the prosperity of the regional community while injecting vitality into the region's small and medium-sized companies. This circulation of funds, in turn, enables the base of the Japanese economy to be maintained in a healthy state.

The environment surrounding Japanese financial institutions is characterized by increasing downside risks in the domestic and overseas economies due to such factors as market turmoil accompanying the subprime loan problem and the slowing of the U.S. economy. Under these conditions, in regional economies it will become increasingly crucial to assure the proper utilization of finance intermediary functions that include facilitating financing for small and medium-sized companies.

Especially noteworthy, regional financial institutions are establishing and bolstering their community-based finance business models as they ascertain customer needs and provide cost-conscious services that generate profits commensurate with these models. At the same time, regional financial institutions are being asked to contribute to the complete revitalization of local communities through their human resources and information.

Amid this environment, I believe Higashi-Nippon Bank can demonstrate its solid presence by steadily executing the Human Bank 2005 medium-term management plan.



Norifusa Kagami
President

CONSOLIDATED BALANCE SHEETS

As of March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	2008
ASSETS			
Cash and Due from Banks.....	¥ 56,760	¥ 89,908	\$ 566,530
Call Loans	35,150	—	350,836
Commercial Paper and Other Debt Purchased	38	58	383
Investment Securities	292,282	293,609	2,917,284
Loans and Bills Discounted	1,399,194	1,408,089	13,965,411
Foreign Exchanges	649	849	6,481
Other Assets	10,283	10,129	102,636
Premises and Equipment.....	16,939	17,171	169,070
Intangible Fixed Assets	1,108	1,131	11,064
Deferred Income Taxes	15,260	10,574	152,312
Customers' Liabilities for Acceptances and Guarantees	3,348	3,774	33,422
Reserve for Possible Loan Losses.....	(19,963)	(20,813)	(199,259)
Total Assets	¥ 1,811,052	¥ 1,814,484	\$ 18,076,176
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits.....	¥ 1,666,295	¥ 1,668,365	\$ 16,631,357
Call Money.....	69	101	695
Other Liabilities	22,916	21,216	228,734
Reserve for Bonuses	879	823	8,778
Reserve for Retirement Benefits	5,949	5,994	59,384
Other Reserves	4,070	3,910	40,631
Acceptances and Guarantees	3,348	3,774	33,422
Total Liabilities	¥ 1,703,530	¥ 1,704,186	\$ 17,003,003
Net Assets:			
Common Stock	¥ 38,300	¥ 38,300	\$ 382,273
Capital Surplus	34,600	34,600	345,346
Retained Earnings	32,698	27,265	326,361
Treasury Stock.....	(116)	(101)	(1,162)
Total Shareholders' Equity.....	105,481	100,063	1,052,818
Net Unrealized Gains on Securities	(2,686)	5,274	(26,816)
Net Deferred Losses on Hedging Instruments	(268)	(75)	(2,680)
Land Revaluation Excess.....	4,789	4,789	47,807
Total Valuation and Translation Adjustment	1,834	9,989	18,310
Minority Interests	204	244	2,042
Total Net Assets	¥ 107,521	¥ 110,297	\$ 1,073,172
Total Liabilities and Net Assets	¥ 1,811,052	¥ 1,814,484	\$ 18,076,176

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to the sum totals given.

2. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥100.19 to U.S. \$1.00, the prevailing rate at the end of fiscal year.

3. These financial statements were prepared in accordance with Japanese accounting standards.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	2008
Ordinary Income:			
Interest on Loans	¥ 36,613	¥ 33,849	\$ 365,436
Interest Dividends on Securities	3,690	3,438	36,836
Interest on Call Loans and Notes Purchased	144	66	1,438
Interest on Deposits.....	0	0	2
Other Interest	159	164	1,593
Income from Service Transactions	3,446	3,500	34,398
Other Business Income	713	1,403	7,118
Other Ordinary Income	3,957	2,818	39,502
Total Ordinary Income	48,724	45,242	486,325
Ordinary Expenses:			
Interest on Deposits.....	5,283	2,402	52,734
Interest on Call Money and Notes Sold.....	20	7	207
Interest on Borrowings	0	0	0
Other Interest Payable	523	417	5,223
Service Transactions Expenses.....	2,198	2,278	21,942
Other Business Expenses	15	831	154
Operating Expenses	21,998	21,570	219,570
Transfer to Reserve for Possible Loan Losses	3,992	2,746	39,845
Other Ordinary Expenses.....	3,290	2,143	32,839
Total Ordinary Expenses	37,322	32,399	372,517
Ordinary Profit	11,402	12,842	113,807
Extraordinary Income:			
Profit from Collection of Credit Redemptions	84	38	838
Total Extraordinary Income	84	38	838
Extraordinary Losses:			
Losses on Disposition of Personal and Real Property	307	82	3,072
Other Extraordinary Losses	141	—	1,416
Total Extraordinary Expenses	449	82	4,488
Pre-Tax Net Income	11,036	12,798	110,157
Corporate Tax, Residence Tax, Enterprise Tax.....	3,570	3,801	35,640
Corporate Tax Adjustments.....	901	959	9,002
Minority Shareholder (Loss) Profit	(11)	15	(112)
Net Income	¥ 6,575	¥ 8,022	\$ 65,627

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended March 31, 2008

(Millions of Yen)

	Total Shareholders' Equity					Total Valuation and Translation Adjustments				Minority Interests	Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Net Unrealized Losses on Securities	Net Deferred Losses on Hedging Instruments	Land Revaluation Excess	Total Valuation and Translation Adjustments		
Balance at March 31, 2007	¥ 38,300	¥ 34,600	¥ 27,265	¥ (101)	¥100,063	¥ 5,274	¥ (75)	¥ 4,789	¥ 9,989	¥ 244	¥110,297
Changes During the Period											
Net Income			6,575		6,575						6,575
Cash Dividends			(1,142)		(1,142)						(1,142)
Purchase of Treasury Stock				(14)	(14)						(14)
Net Changes of Other Than Shareholders' Equity						(7,961)	(193)		(8,155)	(39)	(8,194)
Total Changes During the Period	—	—	5,433	(14)	5,418	(7,961)	(193)	—	(8,155)	(39)	(2,776)
Balance at March 31, 2008	¥ 38,300	¥ 34,600	¥ 32,698	¥ (116)	¥105,481	¥ (2,686)	¥ (268)	¥ 4,789	¥ (1,834)	¥ 204	¥107,521

(Thousands of U.S. Dollars (Note 2))

	Total Shareholders' Equity					Total Valuation and Translation Adjustments				Minority Interests	Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Net Unrealized Losses on Securities	Net Deferred Losses on Hedging Instruments	Land Revaluation Excess	Total Valuation and Translation Adjustments		
Balance at March 31, 2007	\$382,273	\$345,346	\$272,133	\$ (1,015)	\$998,738	\$ 52,647	\$ 749	\$ 47,807	\$ 99,706	\$ 2,439	\$1,100,885
Changes During the Period											
Net Income			65,627		65,627						65,627
Cash Dividends			(11,400)		(11,400)						(11,400)
Purchase of Treasury Stock				(147)	(147)						(147)
Net Changes of Other Than Shareholders' Equity						(79,464)	(1,930)		(81,395)	(396)	(81,792)
Total Changes During the Period	—	—	54,227	(147)	54,079	(79,464)	(1,930)	—	(81,395)	(396)	(27,712)
Balance at March 31, 2008	\$382,273	\$345,346	\$326,361	\$ (1,162)	\$1,052,818	\$ (26,816)	\$ (2,680)	\$ 47,807	\$ (18,310)	\$ 2,042	\$1,073,172

CORPORATE DATA

Founded	April, 1924
Paid-in Capital	¥38,300 million
Number of Employee	1,399 (As of March 31, 2008)

BOARD OF DIRECTORS

President	Norifusa Kagami	Auditors	Seizaburo Iizuka
Senior Managing Directors	Kiyoshi Inoue Yasuaki Hagiwara		Kazunori Yasuda Hideki Oonomi
Managing Directors	Osamu Nakajima Hiroshi Tasaka Toshio Mizuta		Katsuto Ohno
Directors	Kohei Inaishi Katsumi Osakabe Seiji Ogura Hitoshi Ito		

(As of July, 2008)

SERVICE NETWORK

Head Office 11-2, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8238, Japan
Phone: 03-3273-6221

Number of Branches 76

Foreign Exchange Offices 14

Securities and International Department

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