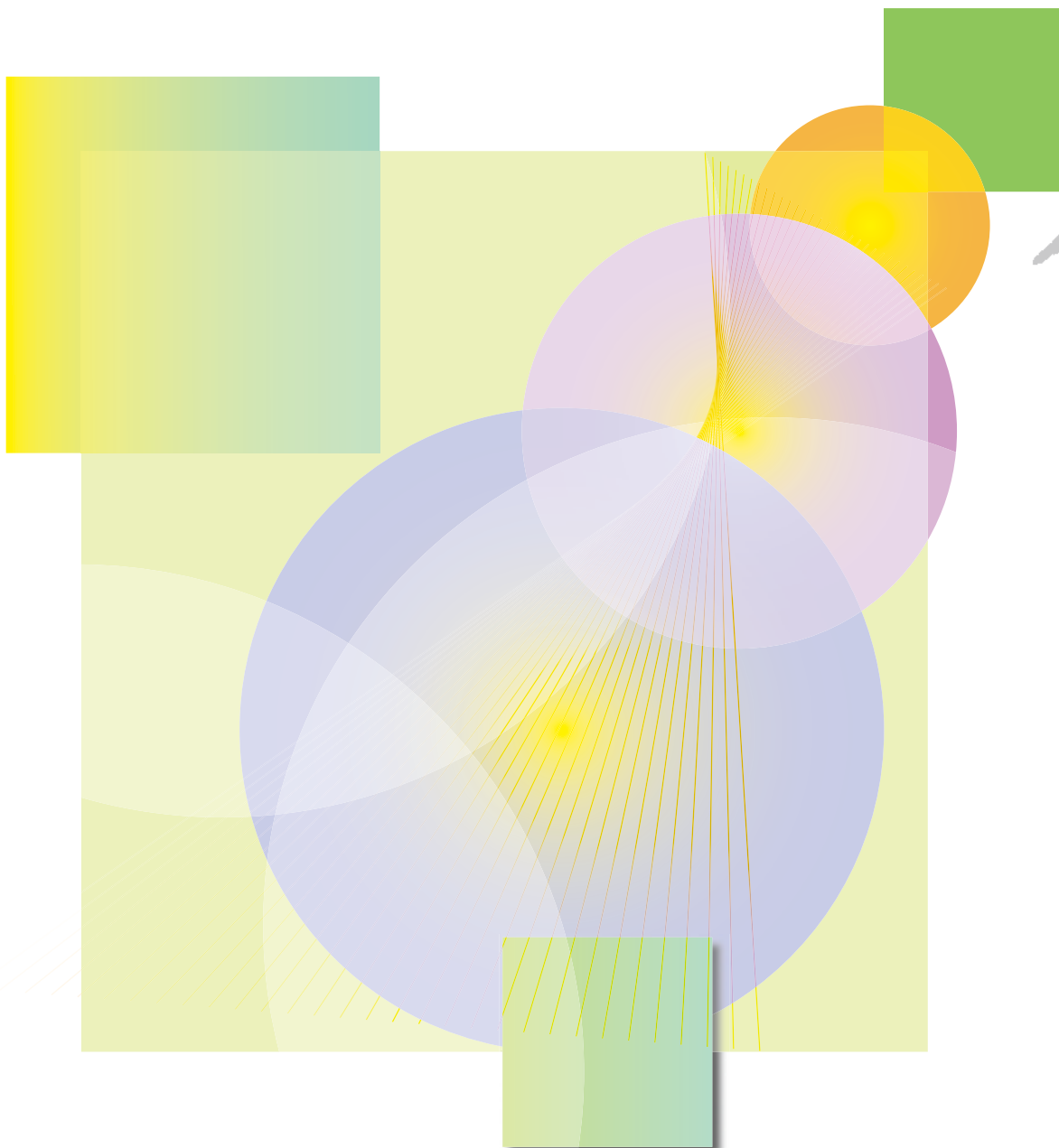


Financial Statements 2009

Year ended March 31, 2009



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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, 2009, 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 has launched the "NEW STEP Higashi-Nippon (a new step for customers)" medium-term management plan from April 2009. Under this plan, we aim to realize the stable and sustainable growth of Higashi-Nippon Bank through various measures such as further strengthening our relationship with customers through "face-to-face" interaction while engaging in locally based financial services in metropolitan areas centering on Tokyo. 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 customers' concerns and carefully provide appropriate guidance. Regional financial institutions also take a sincere and dedicated approach to helping local small and medium-sized businesses—our main customers—deal with the issues they face.

When making loans, for example, financial statements and other data undoubtedly serve as useful indicators that provide an accurate account of a company's management. Nonetheless, I believe that numbers alone do not reveal the entire story about a company. With our emphasis on face-to-face relationships, Higashi-Nippon Bank can provide customers with appropriate advice concerning changes in their business conditions and 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 facts and figures. 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 crucial issue in the environment surrounding Japanese financial institutions is to ensure financial intermediary functions are properly deployed during this unprecedented economic crisis.

Specifically, regional financial institutions are expected to facilitate financing for small and medium-sized companies based on their community-based finance business models and provide cost-conscious services that generate profits commensurate with these models. At the same time, they are also being asked to contribute to the complete revitalization of local communities through their human resources and information.

Amid this economic environment, Higashi-Nippon Bank recognizes that such circumstances provide a good opportunity to fully demonstrate our *raison d'être*, and I believe that Higashi-Nippon Bank can make its strong presence fully evident by steadily executing the "NEW STEP Higashi-Nippon" medium-term management plan.



Norifusa Kagami
President

CONSOLIDATED BALANCE SHEETS

As of March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2009	2008	2009
ASSETS			
Cash and Due from Banks.....	¥ 64,555	¥ 56,760	\$ 657,188
Call Loans	—	35,150	—
Commercial Paper and Other Debt Purchased	15	38	160
Money Held in Trust.....	—	—	—
Trading Account Securities	—	—	—
Investment Securities	312,654	292,282	3,182,877
Loans and Bills Discounted	1,388,013	1,399,194	14,130,244
Foreign Exchanges	1,028	649	10,473
Other Assets	11,942	10,283	121,581
Premises and Equipment.....	18,326	16,939	186,568
Intangible Fixed Assets	1,001	1,108	10,197
Deferred Income Taxes	20,594	15,260	209,655
Customers' Liabilities for Acceptances and Guarantees	2,915	3,348	29,676
Reserve for Possible Loan Losses.....	(39,165)	(19,963)	(398,707)
Total Assets	¥ 1,781,883	¥ 1,811,052	\$ 18,139,915
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits.....	¥ 1,647,687	¥ 1,666,295	\$ 16,773,775
Negotiable Certificates of Deposits	—	—	—
Call Money	32	69	330
Other Liabilities	21,507	22,916	218,950
Reserve for Bonuses	871	879	8,871
Reserve for Retirement Benefits	6,084	5,949	61,945
Other Reserves	4,398	4,070	44,777
Deferred Income Tax Liability	—	—	—
Acceptances and Guarantees	2,915	3,348	29,676
Total Liabilities	¥ 1,683,497	¥ 1,703,530	\$ 17,138,326
Net Assets:			
Common Stock	¥ 38,300	¥ 38,300	\$ 389,901
Capital Surplus	34,600	34,600	352,237
Retained Earnings	22,421	32,698	228,258
Treasury Stock.....	(136)	(116)	(1,394)
Total shareholders' equity	95,185	105,481	969,002
Net Unrealized Gains on Securities	(1,385)	(2,686)	(14,099)
Net Deferred Losses on Hedging Instruments	(344)	(268)	(3,504)
Land Revaluation Excess.....	4,789	4,789	48,761
Total valuation and translation adjustment	3,060	1,834	31,157
Minority Interests	140	204	1,428
Total Net Assets	¥ 98,386	¥ 107,521	\$ 1,001,588
Total Liabilities and Net Assets	¥ 1,781,883	¥ 1,811,052	\$ 18,139,915

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 ¥98.23 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, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2009	2008	2009
Ordinary Income:			
Interest on Loans	¥ 35,159	¥ 36,613	\$ 357,934
Interest Dividends on Securities	3,422	3,690	34,838
Interest on Call Loans and Notes Purchased	134	144	1,364
Interest on Deposits.....	4	0	42
Other Interest.....	99	159	1,012
Income from Service Transactions	2,889	3,446	29,414
Other Business Income	891	713	9,079
Other Ordinary Income	2,662	3,957	27,107
Total Ordinary Income	45,263	48,724	460,794
Ordinary Expenses:			
Interest on Deposits.....	5,765	5,283	58,697
Interest on Negotiable Deposits	4	—	48
Interest on Call Money and Notes Sold.....	2	20	30
Interest on Borrowings	—	0	—
Other Interest Payable.....	467	523	4,762
Service Transaction Expenses.....	1,981	2,198	20,173
Other Business Expenses	10	15	104
Operating Expenses	22,915	21,998	233,286
Transfer to Reserve for Possible Loan Losses	23,057	3,992	234,728
Other Ordinary Expenses.....	6,176	3,290	62,874
Total Ordinary Expenses	60,382	37,322	614,706
Ordinary Profit	(15,118)	11,402	(153,912)
Extraordinary Income:			
Profit on Disposition of Personal and Real Property	—	—	—
Profit from Collection of Credit Redemptions	7	84	79
Other Extraordinary Profit	—	—	—
Total Extraordinary Income.....	7	84	79
Extraordinary Losses:			
Losses on Disposition of Personal and Real Property	100	307	1,022
Other Extraordinary Losses	—	141	—
Total Extraordinary Expenses.....	100	449	1,022
Pre-Tax Net Income	(15,211)	11,036	(154,854)
Corporate Tax, Residence Tax, Enterprise Tax	155	3,570	1,580
Corporate Tax Adjustments.....	(6,185)	901	(62,971)
Minority Shareholder (Loss) Profit	(46)	(11)	(474)
Net Income	¥ (9,134)	¥ 6,575	\$ (92,989)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended March 31, 2009

(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, 2008.....	¥ 38,300	¥ 34,600	¥ 32,698	¥ (116)	¥105,481	¥ (2,686)	¥ (268)	¥ 4,789	¥ 1,834	¥ 204	¥107,521
Changes During the Period											
Net Income			(9,134)		(9,134)						(9,134)
Cash Dividends			(1,142)		(1,142)						(1,142)
Purchase of Treasury Stock				(20)	(20)						(20)
Net Changes of Other Than Shareholders' Equity						1,301	(75)		1,226	(64)	1,161
Total Changes During the Period	—	—	(10,276)	(20)	(10,296)	1,301	(75)	—	1,226	(64)	(9,135)
Balance at March 31, 2009	¥ 38,300	¥ 34,600	¥ 22,421	¥ (136)	¥ 95,185	¥ (1,385)	¥ (344)	¥ 4,789	¥ 3,060	¥ 140	¥ 98,386

(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, 2008.....	\$389,901	\$352,237	\$332,873	\$ (1,185)	\$1,073,825	\$ (27,352)	\$ (2,733)	\$ 48,761	\$ 18,676	\$ 2,083	\$1,094,585
Changes During the Period											
Net Income			(92,989)		(92,989)						(92,989)
Cash Dividends			(11,625)		(11,625)						(11,625)
Purchase of Treasury Stock				(208)	(208)						(208)
Net Changes of Other Than Shareholders' Equity						13,252	(770)		12,481	(655)	11,826
Total Changes During the Period	—	—	(104,615)	(208)	(104,823)	13,252	(770)	—	12,481	(655)	(92,997)
Balance at March 31, 2009	\$389,901	\$352,237	\$228,258	\$ (1,394)	\$969,002	\$ (14,099)	\$ (3,504)	\$ 48,761	\$ 31,157	\$ 1,428	\$1,001,588

CORPORATE DATA

Founded	April 1924
Paid-in Capital	¥38,300 million
Number of Employee	1,417 (As of March 31, 2009)

BOARD OF DIRECTORS

President	Norifusa Kagami	Auditors	Kazunori Yasuda
Deputy President	Kiyoshi Inoue		Takeshi Fujioka
Managing Directors	Osamu Nakajima		Hideki Oonomi
	Hiroshi Tasaka		Katsuto Ohno
	Toshio Mizuta		
	Katsumi Osakabe		
Directors	Seiji Ogura		
	Hitoshi Ito		
	Katsutoshi Uchida		
	Kazunori Yokosuka		

(As of July 2009)

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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