

Financial Statements 2010

Year ended March 31, 2010



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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, 2010, 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.

With regard to the environment surrounding Japanese financial institutions, the economy is showing signs of recovery. However, the momentum for a self-sustaining recovery in domestic private demand has remained weak and despite indications of an improvement in companies' cash flows, small and medium-sized companies have continued to grapple with structural challenges. Amid these circumstances, it is crucial for the regional economy to ensure financial intermediary functions are properly deployed.

Specifically, regional financial institutions are expected to promote initiatives 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, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2010	2009	2010
ASSETS			
Cash and Due from Banks	¥ 80,330	¥ 64,555	\$ 863,393
Call Loans.....	10,158	—	109,180
Commercial Paper and Other Debt Purchased.....	8	15	86
Money Held in Trust	—	—	—
Trading Account Securities	—	—	—
Investment Securities.....	335,881	312,654	3,610,071
Loans and Bills Discounted.....	1,337,850	1,388,013	14,379,304
Foreign Exchanges.....	808	1,028	8,686
Other Assets.....	9,564	11,942	102,796
Premises and Equipment	19,086	18,326	205,139
Intangible Fixed Assets	949	1,001	10,202
Deferred Income Taxes.....	14,907	20,594	160,230
Customers' Liabilities for Acceptances and Guarantees	2,461	2,915	26,452
Reserve for Possible Loan Losses	(35,842)	(39,165)	(385,240)
Total Assets	¥ 1,776,162	¥ 1,781,883	\$ 19,090,305
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits	¥ 1,630,286	¥ 1,647,687	\$ 17,522,423
Negotiable Certificates of Deposits.....	—	—	—
Call Money	31	32	335
Other Liabilities.....	27,086	21,507	291,127
Reserve for Bonuses	658	871	7,074
Reserve for Retirement Benefits.....	6,214	6,084	66,798
Other Reserves.....	4,299	4,398	46,213
Deferred Income Tax Liability	—	—	—
Acceptances and Guarantees	2,461	2,915	26,452
Total Liabilities	¥ 1,671,037	¥ 1,683,497	\$ 17,960,424
Net Assets:			
Common Stock	¥ 38,300	¥ 38,300	\$ 411,650
Capital Surplus.....	34,600	34,600	371,885
Retained Earnings	26,260	22,421	282,247
Treasury Stock.....	(140)	(136)	(1,505)
Total Shareholders' Equity	¥ 99,020	¥ 95,185	\$ 1,064,278
Net Unrealized Gains on Securities.....	1,615	(1,385)	17,365
Net Deferred Losses on Hedging Instruments.....	(370)	(344)	(3,985)
Land Revaluation Excess	4,789	4,789	51,481
Total Valuation and Translation Adjustment	¥ 6,034	¥ 3,060	\$ 64,862
Minority Interests.....	68	140	739
Total Net Assets	¥ 105,124	¥ 98,386	\$ 1,129,880
Total Liabilities and Net Assets	¥ 1,776,162	¥ 1,781,883	\$ 19,090,305

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 ¥93.04 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, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2010	2009	2010
Ordinary Income			
Interest on Loans.....	¥ 32,178	¥ 35,159	\$ 345,852
Interest Dividends on Securities.....	3,005	3,422	32,304
Interest on Call Loans and Notes Purchased.....	32	134	352
Interest on Deposits.....	14	4	154
Other Interest.....	24	99	262
Income from Service Transactions.....	2,957	2,889	31,790
Other Business Income.....	3,047	891	32,760
Other Ordinary Income.....	1,051	2,662	11,297
Total Ordinary Income.....	42,312	45,263	454,775
Ordinary Expenses			
Interest on Deposits.....	4,175	5,765	44,882
Interest on Negotiable Deposits.....	—	4	—
Interest on Call Money and Notes Sold.....	0	2	4
Interest on Borrowings.....	0	—	0
Other Interest Payable.....	477	467	5,127
Service Transaction Expenses.....	1,883	1,981	20,240
Other Business Expenses.....	34	10	376
Operating Expenses.....	21,925	22,915	235,653
Transfer to Reserve for Possible Loan Losses.....	3,257	23,057	35,017
Other Ordinary Expenses.....	2,114	6,176	22,727
Total Ordinary Expenses.....	33,869	60,382	364,029
Ordinary Profit.....	8,443	(15,118)	90,746
Extraordinary Income			
Profit on Disposition of Personal and Real Property.....	—	—	—
Profit from Collection of Credit Redemptions.....	3	7	32
Other Extraordinary Profit.....	—	—	—
Total Extraordinary Income.....	3	7	32
Extraordinary Losses			
Losses on Disposition of Personal and Real Property.....	203	100	2,187
Other Extraordinary Losses.....	—	—	—
Total Extraordinary Expenses.....	203	100	2,187
Pre-Tax Net Income.....	8,242	(15,211)	88,591
Corporate Tax, Residence Tax, Enterprise Tax.....	48	155	523
Corporate Tax Adjustments.....	3,653	(6,185)	39,270
Minority Shareholder (Loss) Profit.....	(71)	(46)	(768)
Net Income.....	¥ 4,611	¥ (9,134)	\$ 49,565

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended March 31, 2010

(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, 2009	¥ 38,300	¥ 34,600	¥ 22,421	¥ (136)	¥ 95,185	¥ (1,385)	¥ (344)	¥ 4,789	¥ 3,060	¥ 140	¥ 98,386
Changes During the Period											
Net Income			4,611		4,611						4,611
Cash Dividends			(773)		(773)						(773)
Purchase of Treasury Stock				(3)	(3)						(3)
Net Changes of Other Than Shareholders' Equity						3,000	(26)		2,974	(71)	2,902
Total Changes During the Period	—	—	3,838	(3)	3,835	3,000	(26)	—	2,974	(71)	6,738
Balance at March 31, 2010	¥ 38,300	¥ 34,600	¥ 26,260	¥ (140)	¥ 99,020	¥ 1,615	¥ (370)	¥ 4,789	¥ 6,034	¥ 68	¥105,124

(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, 2009	\$411,650	\$371,885	\$240,990	\$ (1,471)	\$1,023,055	\$ (14,886)	\$ (3,699)	\$ 51,481	\$ 32,896	\$ 1,507	\$1,057,459
Changes During the Period											
Net Income			49,565		49,565						49,565
Cash Dividends			(8,308)		(8,308)						(8,308)
Purchase of Treasury Stock				(33)	(33)						(33)
Net Changes of Other Than Shareholders' Equity						32,251	(285)		31,966	(768)	31,197
Total Changes During the Period	—	—	41,256	(33)	41,223	32,251	(285)	—	31,966	(768)	72,421
Balance at March 31, 2010	\$411,650	\$371,885	\$282,247	\$ (1,505)	\$1,064,278	\$ 17,365	\$ (3,985)	\$ 51,481	\$ 64,862	\$ 739	\$1,129,880

CORPORATE DATA

Founded	April 1924
Paid-in Capital	¥38,300 million
Number of Employee	1,401 (As of March 31, 2010)

BOARD OF DIRECTORS

President	Norifusa Kagami	Auditors	Kazunori Yasuda
Deputy President	Michitoo Ishii		Takeshi Fujioka
Managing Directors	Toshio Mizuta		Hideki Oonomi
	Katsumi Osakabe		Katsuto Ohno
	Seiji Ogura		
	Hitoshi Ito		
Directors	Katsutoshi Uchida		
	Kazunori Yokosuka		
	Masaki Takayasu		
	Tomoo Ookanda		

(As of July 2010)



SERVICE NETWORK

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Phone: 03-3273-6221

Number of Branches 76

Foreign Exchange Offices 14

Securities and International Department

General Manager of Securities and International Department:

Hisanaga Maejima (As of July 2010)

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