



THE MICHINOKU BANK, LTD.

**ANNUAL REPORT 2009**

The Michinoku Bank, Head Office, Business Division



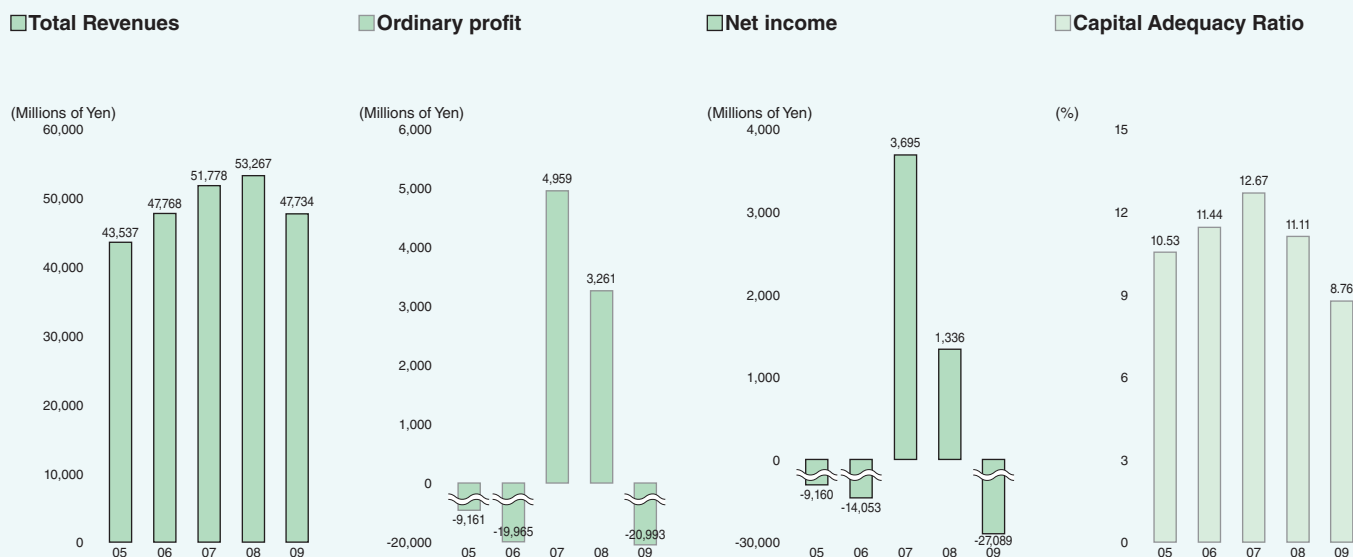
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## Consolidated Financial Highlights

Years Ended March 31	Millions of Yen				
	2009	2008	2007	2006	2005
Total Revenues .....	¥ 47,734	¥ 53,267	¥ 51,778	¥ 47,768	¥ 43,537
Ordinary Profit .....	(20,993)	3,261	4,959	(19,965)	(9,161)
Net Income .....	(27,089)	1,336	3,695	(14,053)	(9,160)
Shareholders' Equity .....	46,715	75,511	81,941	79,837	91,157
Total Assets .....	1,825,806	1,858,537	1,857,565	1,898,480	1,964,482
Cash Flows from Operating Activities .....	(20,122)	(68,700)	62,598	(28,536)	130,430
Cash Flows from Investing Activities .....	34,430	64,697	(77,863)	(15,988)	(199,723)
Cash Flows from Financing Activities .....	(5,002)	2,748	(6,797)	11,510	(811)
Cash and Cash Equivalents at End of Year .....	36,655	27,353	28,599	50,562	82,616
Book Value per Share (¥)* .....	270.46	463.91	530.67	516.80	588.35
Net Income per Share (¥)* .....	(189.28)	8.86	23.93	(90.95)	(59.12)
Capital Adequacy Ratio (%) .....	8.76	11.11	12.67	11.44	10.53
Return on Equity (%) .....	(51.1)	1.8	4.6	(16.4)	(9.8)
Price Earnings Ratio (Times) .....	-	33	17	-	-
Number of Employees .....	1,538	1,476	1,481	1,465	1,458

\* From the fiscal year ended March 31, 2003, the Bank and its domestic subsidiaries have applied "Accounting Standard for Net Income Per Share" (Financial Accounting Standard No. 2) and "Implementation Guidance for Accounting Standard for Net Income Per Share" (Financial Accounting Standards Implementation Guidance No. 4) issued by the Accounting Standards Board of Japan.

With respect to capital adequacy ratio, the Bank adopted the BIS criteria until the fiscal year ended March 31, 2007; however, it has applied Domestic standard since the fiscal year ended March 31, 2008.



## Message from the Management



First, I would like to express my appreciation to you for your patronage of the Michinoku Bank. The 2009 Annual Report is designed to provide you with in-depth information and insights concerning the Bank's performance and prospects.

The Bank registered a considerable loss for the year ended March 31, 2009, mainly due to the sale and aggressive impairment of marketable securities that underwent a significant and irrecoverable decline in market value, in order to ensure stable future performance amid lingering concerns of further deterioration in economic, as well as financial market, conditions. Further, given the year's performance, we have regrettably decided to reduce the annual dividend by ¥3 per share from the previous year to ¥3 per share from the perspective of sustaining stable dividends, while maintaining and reinforcing the Bank's financial standing. We firmly believe that as a result of these measures, we will be able to ensure stable performance that is less likely to be impacted by the financial market conditions.

All the more so since our operational base is now experiencing unprecedented difficulties, we believe that it is our mission as a regional financial institution to make even greater collective efforts to support our local communities in order to energize our "home land" pursuant to the "Resolutions of the Michinoku Bank" declared in October 2008.

The Bank's Second Medium-Term Business Plan "Challenge to Achieve the Next Stage—Exercising Collective Strength" was launched in April 2009, covering the three-year period from April 2009 to March 2012. Priority objectives under the plan include "reinforcement of sales capabilities," "reinforcement of earning powers," and "invigoration of human resources and organizations and enhancement of expertise." The Bank will steadily implement various such measures toward realization to be the "foremost bank in the region."

At the Michinoku Bank, all officers and employees are making a concerted effort to earn the trust of the people in the region and to deliver satisfaction. In these endeavors, we would greatly appreciate your continued support and patronage.

July 2009

A handwritten signature in black ink, reading "Yasuo Sugimoto". The signature is written in a cursive, flowing style.

Yasuo Sugimoto,  
President

## **Status of Corporate Governance**

### **Basic Approach**

We recognize that the establishment of a reliable corporate governance system attuned to the changes in the operating environment is one of the most critical tasks for management.

For the Bank to grow and prosper far into the future, it is important to enhance operating efficiency and secure sound management while responding to the changing operating environment. To this end, management believes it is necessary to continue to strengthen and fine-tune the governance system. In addition, the Bank is reinforcing its internal controls to inculcate the corporate governance policy throughout the Bank and ensure thorough implementation of the policy.

## **Management Organization and Internal Control Systems**

### **Board of Corporate Auditors**

The Board of Corporate Auditors consists of six corporate auditors (two full-time corporate auditors and four part-time corporate auditors), five of whom are outside auditors. The Board audits the directors' execution of business. All six corporate auditors attend meetings of the Board of Directors, and the full-time corporate auditors attend other important business meetings. To reinforce the auditing structure, the Corporate Auditors' Office has been established as a dedicated organization directly under the control of the Board of Corporate Auditors. In addition to periodically obtaining audit reports from the accounting auditor, corporate auditors conduct on-site audits as necessary, and employ various measures to ensure sound and efficient auditing.

### **Board of Directors**

With regard to the management decision-making function, the Board of Directors meets regularly once each month and convenes additional meetings as necessary to make decisions on important matters concerning management of

the Bank. The Board of Directors consists of eight directors, two of whom are outside directors.

### **Management Committee**

The Management Committee, consisting of the full-time directors, discusses matters delegated by the Board of Directors and takes decisions on them. To ensure rapid decision-making, the Committee meets regularly once each week and otherwise as necessary.

### **Internal Control Committee**

To reinforce corporate governance, the Bank has established the Internal Control Committee, consisting of the chairman of the Board of Directors, the president, the other representative directors, and a few outside experts selected and appointed by the Board of Directors, by which the appropriateness of business management necessary for improving its internal control systems is reviewed, with multiple viewpoints from the outside experts.

### **Internal Auditing**

Internal auditing consists of on-site audits of the business of headquarters, branches, and consolidated subsidiaries performed by the Audit Division and self-assessment audits reviewed by the Audit Division's Asset Audit Office. The audit results are reported to the representative directors and the Board of Directors.

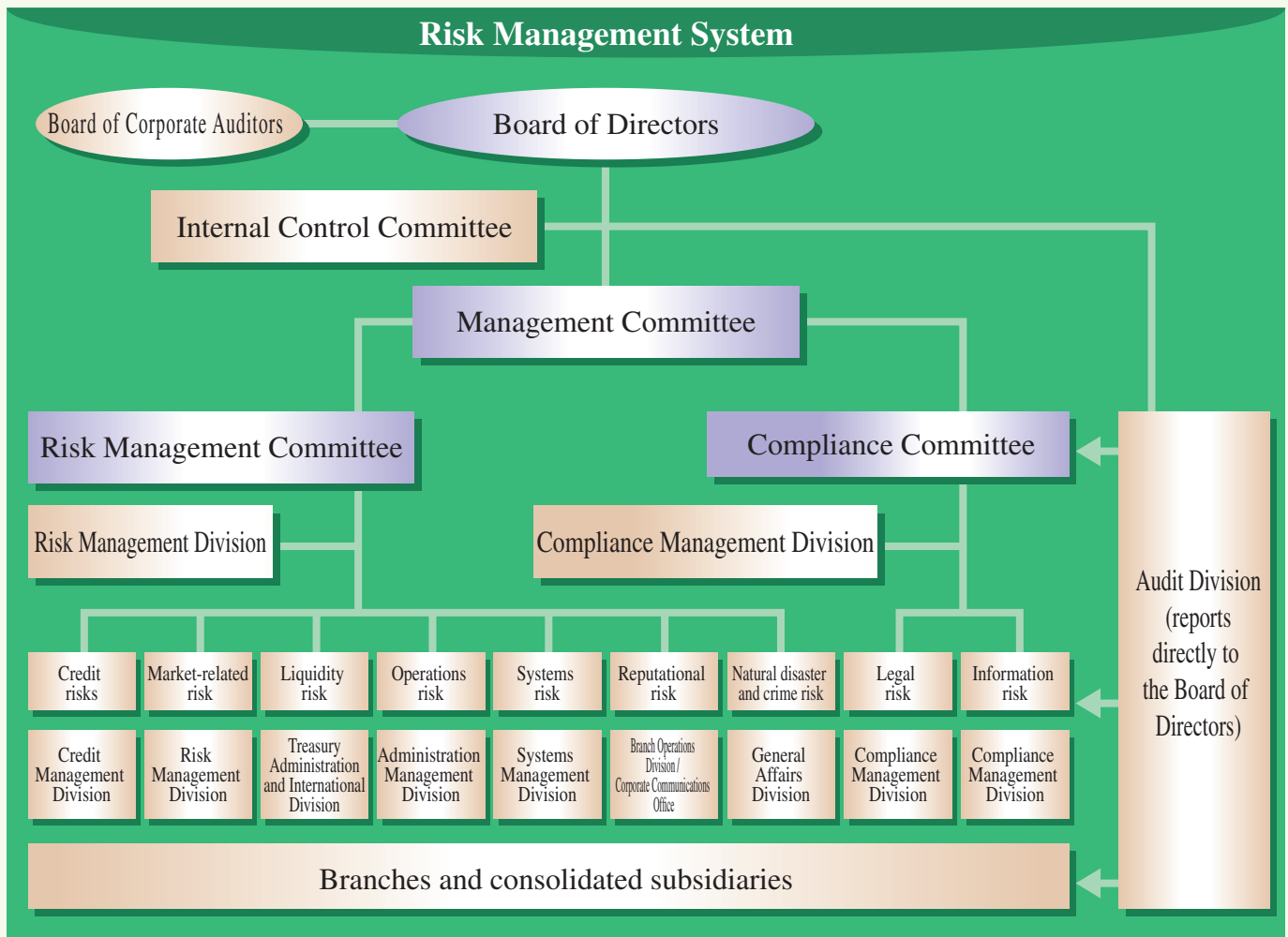
### **Accounting Auditor**

The Bank has put in place systems and procedures to ensure provision of accurate management information to the accounting auditor and performance of rigorous audits.

### Risk Management System at The Michinoku Bank

Management of an enterprise entails the risk of various forms of loss, including diminution or loss of value of owned assets. For financial institutions, which hold customer assets in safekeeping, management of business risks is a task involving greater responsibility than for other companies. The Bank has established the Risk Management Division and the Compliance Management Division each to manage its risk management systems and compliance

systems, as well as General Management Divisions for each of risk categories. The Bank has also established the Risk Management Committee and the Compliance management Committee as forums where all bank divisions engage in cross-organizational discussion and deliberation on risk management and compliance. To ensure sound management, the Bank has established the Internal Control Committee to supervise risk management.



As of August 1, 2009

## Financial Review

### (Financial and Economic Climate)

In September 2008, Lehman Brothers collapsed amid growing concerns over a worldwide recession stemming from the low-credit mortgage loan (subprime loan) problem in the U.S., and its shockwaves threw the world into financial and economic turmoil. Despite various bailout measures taken by governments of countries around the world since then, the outlook remains uncertain and the situation continues to be extremely tough.

During the same period, the Japanese economy was directly affected by the financial and economic turmoil: for example, the impact of sluggish domestic and overseas demand—especially in the manufacturing industry such as automotive and electric machinery sectors—translated into dramatic production cutbacks, employment adjustments, etc., and led to a substantial deterioration in corporate earnings and extremely poor business confidence in the domestic economy.

Likewise, the local economy of Aomori Prefecture—where the Bank's principal operations are based—is facing a progressively harsh situation, and local companies' business confidence is substantially deteriorating: for example, corporate bankruptcies have reached unusually high levels both in number and in amount, and in February 2009, the effective ratio of job offers to applicants in Aomori Prefecture became the worst in the nation. As for personal consumption, sales of flat-screen televisions were solid, but sales of mass retailers, new car registration, housing investments, etc. were invariably at low levels, as consumers are becoming increasingly protective of their current lifestyles and more conservative in their spending habits.

### (Business Results)

In such economic climate, the Michinoku Bank's consolidated business performance in the fiscal year ended March 31, 2009 was as follows. Due to the impact of the turmoil in the financial markets since last autumn, a large amount of unrealized losses in securities held by the Bank had accrued. For the purpose of ensuring stable business performance in the future, the Bank sold and aggressively wrote off securities whose market price plummeted and was deemed unlikely to recover, and consequently recorded securities-related losses in the amount of ¥19.5 billion. In addition, the Bank recorded ¥8.6 billion in credit expenses, due to the increase in bad debt written off stemming from the stagnation of the local economy, and as a result of topping up reserves as a preventive measure. Consequently, the Bank recorded an ordinary loss of ¥20.9 billion, a decrease of ¥24.1 billion from the previous year.

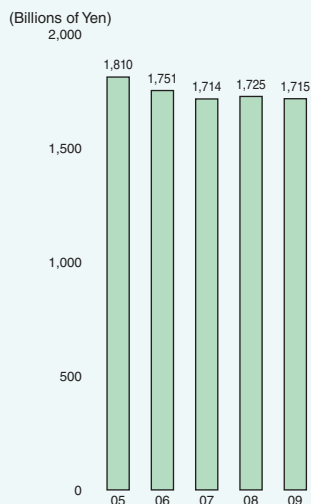
The Bank recorded a net loss of ¥27.0 billion, a decrease of ¥28.3 billion from the previous year, due to the decrease in ordinary profit, in addition to the conservative accounting of deferred tax assets.

### (Cash Flow)

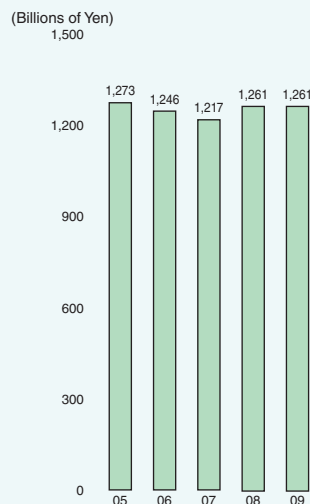
Net cash used in operating activities amounted to ¥20.1 billion, an increase of ¥48.6 billion year-on-year, and net cash provided by investing activities amounted to ¥34.4 billion, a decrease of ¥30.2 billion year-on-year, due in part to the increase attributable to the sale and redemption of securities being diverted to call loans. Net cash used in financing activities amounted to ¥5.0 billion, a decrease of ¥7.7 billion year-on-year, partly due to the redemption of subordinated loans and stock buyback.

As a result, cash and cash equivalents as of March 31, 2009 amounted to ¥36.6 billion, an increase of ¥9.3 billion from March 31, 2008.

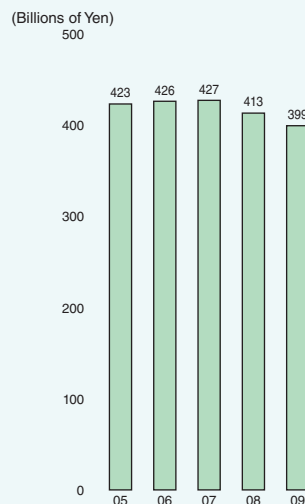
#### Deposits



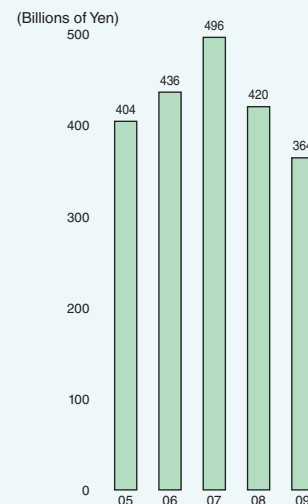
#### Loans and bills discounted



#### Consumer loans to individuals



#### Securities



## Consolidated Balance Sheets

As of March 31, 2009 and 2008	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
<b>ASSETS</b>			
Cash and Due from Banks .....	¥ 47,121	¥ 39,334	\$ 479,704
Call Loans .....	106,598	87,084	1,085,193
Commercial Paper and Other Debt Purchased.....	7,579	9,119	77,160
Trading Account Securities (Note 5) .....	186	72	1,895
Money Held in Trust .....	19,994	19,996	203,552
Securities (Note 5) .....	364,972	420,513	3,715,487
Loans and Bills Discounted (Note 7).....	1,261,379	1,261,568	12,841,077
Foreign Exchange .....	638	452	6,504
Other Assets (Note 10).....	8,878	6,978	90,385
Tangible Fixed Assets .....	12,230	12,846	124,505
Intangible Fixed Assets .....	1,565	1,346	15,941
Deferred Tax Assets (Note 21).....	13,888	19,877	141,385
Customers' Liabilities for Acceptances and Guarantees (Note 16).....	12,879	13,976	131,115
Reserve for Possible Loan Losses (Note 2) .....	(32,106)	(34,630)	(326,850)
<b>Total Assets</b> .....	<b>¥ 1,825,806</b>	<b>¥ 1,858,537</b>	<b>\$ 18,587,059</b>
<b>LIABILITIES</b>			
Deposits (Notes 8 and 13).....	¥ 1,715,730	¥ 1,752,305	\$ 17,466,464
Call Money.....	–	60	–
Borrowed Money (Note 14).....	11,000	5,500	111,982
Foreign Exchange .....	17	240	178
Bond (Note 2) .....	15,000	15,000	152,702
Other Liabilities (Note 16).....	10,987	9,771	111,854
Reserve for Employee Bonuses (Note 2).....	1,195	1,279	12,165
Reserve for Employees' Retirement Benefits (Notes 2 and 17) .....	10,131	10,044	103,145
Reserve for Retirement Benefits for Directors and Corporate Auditors .....	208	146	2,118
Reserve for Return of Dormant Deposits.....	670	576	6,821
Reserve for Contingent Loss.....	323	184	3,296
Reserve for Loss on Interest Repayment .....	67	–	687
Deferred Tax Liabilities (Note 21).....	–	0	–
Deferred Tax Liabilities for Revaluation Reserve for Land (Note 2) .....	879	940	8,952
Acceptances and Guarantees.....	12,879	13,976	131,115
<b>Total Liabilities</b> .....	<b>¥ 1,779,091</b>	<b>¥ 1,783,025</b>	<b>\$ 18,111,485</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common Stock (Note 18) .....	¥ 24,167	¥ 24,167	\$ 246,034
Capital Surplus.....	19,775	19,775	201,317
Retained Earnings .....	1,645	30,954	16,752
Treasury Stock .....	(2,665)	(3,798)	(27,132)
Total Shareholders' Equity.....	42,923	71,099	436,972
Unrealized Gains (Losses) on Securities Available for Sale.....	(4,323)	(4,096)	(44,013)
Deferred Gains or Losses on Hedges.....	(277)	(217)	(2,825)
Revaluation Reserve for Land, Net of Taxes (Note 2) .....	318	374	3,243
Foreign Currency Translation Adjustment.....	–	286	–
Total Valuation and Translation Adjustments .....	(4,282)	(3,652)	(43,595)
Minority Interests.....	8,074	8,064	82,197
<b>Total Shareholders' Equity</b> .....	<b>46,715</b>	<b>75,511</b>	<b>475,574</b>
<b>Total Liabilities and Shareholders' Equity</b> .....	<b>¥ 1,825,806</b>	<b>¥ 1,858,537</b>	<b>\$ 18,587,059</b>

Accompanying notes are an integral part of these financial statements.

## Consolidated Statements of Income

For the Years Ended March 31, 2009 and 2008	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
<b>INCOME</b>			
Interest on:			
Loans and Discounts .....	¥ 29,735	¥ 30,001	\$ 302,714
Securities .....	6,018	5,599	61,265
Other .....	520	831	5,299
Fees and Commissions .....	6,030	6,350	61,393
Other Income (Note 19) .....	5,429	10,483	55,270
<b>Total Income</b> .....	<b>¥ 47,734</b>	<b>¥ 53,267</b>	<b>\$ 485,942</b>
<b>EXPENSES</b>			
Interest on:			
Deposits .....	¥ 4,924	¥ 4,854	\$ 50,130
Borrowings and Rediscounts .....	305	464	3,110
Other .....	366	132	3,734
Fees and Commissions .....	3,730	3,871	37,973
Other Operating Expenses .....	11,184	602	113,856
General and Administrative Expenses .....	26,822	28,512	273,054
Other Expenses:			
Reserve for Possible Loan Losses .....	4,163	3,164	42,381
Other (Note 20) .....	17,561	8,096	178,782
<b>Total Expenses</b> .....	<b>¥ 69,057</b>	<b>¥ 49,698</b>	<b>\$ 703,023</b>
<b>Income (Loss) before Income Taxes</b> .....	<b>(21,323)</b>	<b>3,568</b>	<b>(217,080)</b>
<b>Income Taxes – Current (Note 21)</b> .....	<b>46</b>	<b>233</b>	<b>470</b>
<b>Income Taxes – Deferred (Note 21)</b> .....	<b>5,510</b>	<b>1,819</b>	<b>56,095</b>
<b>Minority Interests in Income</b> .....	<b>208</b>	<b>180</b>	<b>2,125</b>
<b>Net Income (Loss)</b> .....	<b>¥(27,089)</b>	<b>¥ 1,336</b>	<b>\$(275,772)</b>

Accompanying notes are an integral part of these financial statements.

## Consolidated Statement of Changes in Net Assets

For the Years Ended March 31, 2009 and 2008	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
<b>Shareholders' equity</b>			
<b>Common stock</b>			
Balance at the end of previous period .....	¥ 24,167	¥ 24,167	\$ 246,034
Changes of items during the period			
Total changes of items during the period.....	–	–	–
Balance at the end of current period .....	24,167	24,167	246,034
<b>Capital surplus</b>			
Balance at the end of previous period .....	19,775	19,775	201,317
Changes of items during the period			
Total changes of items during the period.....	–	–	–
Balance at the end of current period .....	19,775	19,775	201,317
<b>Retained earnings</b>			
Balance at the end of previous period .....	30,954	30,766	315,118
Changes of items during the period			
Dividends from retained earnings.....	(436)	(1,161)	(4,440)
Net income (loss).....	(27,089)	1,336	(275,772)
Disposal of treasury stock .....	(34)	(113)	(355)
Retirement of treasury stock.....	(1,804)	–	(18,370)
Reversal of revaluation reserve for land, net of taxes.....	56	126	572
Total changes of items during the period.....	(29,308)	187	(298,366)
Balance at the end of current period .....	1,645	30,954	16,752
<b>Treasury stock</b>			
Balance at the end of previous period .....	(3,798)	(937)	(38,664)
Changes of items during the period			
Increase due to change in equity interest.....	(4)	–	(42)
Acquisition of treasury stock.....	(769)	(3,208)	(7,831)
Disposal of treasury stock .....	101	348	1,036
Retirement of treasury stock.....	1,804	–	18,370
Total changes of items during the period.....	1,132	(2,860)	11,532
Balance at the end of current period .....	(2,665)	(3,798)	(27,132)
<b>Total shareholders' equity</b>			
Balance at the end of previous period .....	71,099	73,772	723,806
Changes of items during the period			
Dividends from retained earnings.....	(436)	(1,161)	(4,440)
Net income (loss).....	(27,089)	1,336	(275,772)
Increase due to change in equity interest.....	(4)	–	(42)
Acquisition of treasury stock.....	(769)	(3,208)	(7,831)
Disposal of treasury stock .....	66	234	680
Retirement of treasury stock.....	–	–	–
Reversal of revaluation reserve for land, net of taxes.....	56	126	572
Total changes of items during the period.....	(28,175)	(2,672)	(286,834)
Balance at the end of current period .....	¥ 42,923	¥ 71,099	\$ 436,972

## Consolidated Statement of Changes in Net Assets

For the Years Ended March 31, 2009 and 2008	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Valuation and translation adjustments			
Net unrealized gains on securities available for sale			
Balance at the end of previous period .....	¥ (4,096)	¥ 6,764	\$ (41,707)
Changes of items during the period			
Net changes in the items other than shareholders' equity .....	(226)	(10,861)	(2,306)
Total changes of items during the period.....	(226)	(10,861)	(2,306)
Balance at the end of current period .....	(4,323)	(4,096)	(44,013)
Deferred gains or losses on hedges			
Balance at the end of previous period .....	(217)	–	(2,211)
Changes of items during the period			
Net changes in the items other than shareholders' equity .....	(60)	(217)	(614)
Total changes of items during the period.....	(60)	(217)	(614)
Balance at the end of current period .....	(277)	(217)	(2,825)
Revaluation reserve for land, net of taxes			
Balance at the end of previous period .....	374	501	3,815
Changes of items during the period			
Reversal of revaluation reserve for land, net of taxes.....	(56)	(126)	(572)
Total changes of items during the period.....	(56)	(126)	(572)
Balance at the end of current period .....	318	374	3,243
Foreign currency translation adjustments			
Balance at the end of previous period .....	286	903	2,921
Changes of items during the period			
Net changes in the items other than shareholders' equity .....	(286)	(616)	(2,921)
Total changes of items during the period.....	(286)	(616)	(2,921)
Balance at the end of current period .....	–	286	–
Total valuation and translation adjustments			
Balance at the end of previous period .....	(3,652)	8,169	(37,181)
Changes of items during the period			
Reversal of revaluation reserve for land, net of taxes.....	(56)	(126)	(572)
Net changes in the items other than shareholders' equity .....	(573)	(11,695)	(5,842)
Total changes of items during the period.....	(630)	(11,821)	(6,414)
Balance at the end of current period .....	(4,282)	(3,652)	(43,595)
Minority interests			
Balance at the end of previous period.....	8,064	–	82,095
Changes of items during the period			
Net changes in the items other than shareholders' equity.....	10	8,064	102
Total changes of items during the period .....	10	8,064	102
Balance at the end of current period .....	8,074	8,064	82,197
Total net assets			
Balance at the end of previous period.....	75,511	81,941	768,720
Changes of items during the period			
Dividends from retained earnings .....	(436)	(1,161)	(4,440)
Net income (loss) .....	(27,089)	1,336	(275,772)
Increase due to change in equity interest .....	(4)	–	(42)
Acquisition of treasury stock .....	(769)	(3,208)	(7,831)
Disposal of treasury stock .....	66	234	680
Reversal of revaluation reserve for land, net of taxes .....	–	–	–
Net changes in the items other than shareholders' equity.....	(563)	(3,630)	(5,740)
Total changes of items during the period .....	(28,795)	(6,430)	(293,146)
Balance at the end of current period .....	¥ 46,715	¥ 75,511	\$ 475,574

# Consolidated Statements of Cash Flows

For the Years Ended March 31, 2009 and 2008	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (Loss) before Income Taxes and Other Adjustments .....	¥ (21,323)	¥ 3,568	\$ (217,080)
Depreciation and Amortization .....	1,409	1,328	14,346
Impairment loss .....	261	378	2,666
Amortization of goodwill .....	–	601	–
Equity in Loss (Gain) of Affiliates .....	(0)	68	(4)
Net Increase (Decrease) in Reserve for Possible Loan Losses .....	(2,524)	(299)	(25,967)
Net Increase (Decrease) in Reserve for Employee Bonuses .....	(84)	44	(863)
Net Increase (Decrease) in Liability for Employees' Retirement Benefits .....	87	124	888
Increase in Reserve for Retirement Benefits for Directors and Corporate Auditors .....	62	(96)	631
Increase in Reserve for Return of Dormant Deposits .....	93	576	948
Increase in Reserve for Contingent Loss .....	139	184	1,422
Increase in Reserve for Loss on Interest Repayment .....	67	–	687
Interest Income Recognized on Statement of Income .....	(36,274)	(36,433)	(369,278)
Interest Expenses Recognized on Statement of Income .....	5,596	5,451	56,975
Gain on Sale of Consolidated Subsidiaries .....	–	(2,078)	–
Net (Gain) Loss Related to Securities .....	19,524	(4,955)	198,761
Net (Gains) Losses from Money Held in Trust .....	(1,395)	122	(14,210)
Foreign Exchange Loss .....	3	(7)	31
Net Loss on Sale of Premises and Equipment .....	174	190	1,774
Net Decrease (Increase) in Loans .....	189	(44,722)	1,929
Net Increase in Deposits .....	(9,574)	13,593	(97,468)
Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Debt) .....	9,000	–	91,621
Net Decrease (Increase) in Due from Banks Other than The Bank of Japan .....	1,515	(9,964)	15,426
Net Decrease (Increase) in Call Loans .....	(17,973)	(28,292)	(182,977)
Net Increase (Decrease) in Call Money .....	(60)	(1,545)	(611)
Net Decrease (Increase) in Foreign Exchange Assets .....	(186)	(514)	(1,893)
Net Increase (Decrease) in Foreign Exchange Liabilities .....	(223)	(3)	(2,272)
Interest Received .....	34,962	36,716	355,921
Interest Paid .....	(4,719)	(4,089)	(48,043)
Others .....	1,154	1,272	11,752
Subtotal .....	(20,099)	(68,781)	(204,616)
Refund of Income Taxes .....	5	287	53
Income Taxes Payable .....	(28)	(206)	(287)
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b>(20,122)</b>	<b>(68,700)</b>	<b>(204,850)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of Stock and Other Securities .....	(753,604)	(791,472)	(7,671,840)
Proceeds from Sales of Stock and Other Securities .....	190,420	105,628	1,938,519
Proceeds from Redemption of Bonds .....	597,670	747,487	6,084,402
Increase in Money Held in Trust .....	–	(271)	–
Decrease in Money Held in Trust .....	1,376	142	14,016
Purchases of Tangible Fixed Assets .....	(828)	(2,320)	(8,438)
Purchases of Intangible Fixed Assets .....	(682)	(955)	(6,948)
Proceeds from Sales of Tangible Fixed Assets .....	110	238	1,129
Purchase of investments in subsidiaries resulting in change in scope of consolidation .....	(32)	–	(327)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation .....	–	6,219	–
<b>Net Cash Provided by (Used in) Investing Activities .....</b>	<b>34,430</b>	<b>64,697</b>	<b>350,511</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Subordinated Debt .....	(3,500)	(1,000)	(35,630)
Proceeds from stock issuance to minority shareholders .....	–	8,000	–
Dividends Paid .....	(436)	(1,161)	(4,440)
Cash dividends paid to minority shareholders .....	(350)	(115)	(3,567)
Purchases of Treasury Stock .....	(769)	(3,208)	(7,831)
Proceeds from Sales of Treasury Stock .....	53	234	544
<b>Net Cash Used in Financing Activities .....</b>	<b>(5,002)</b>	<b>2,748</b>	<b>(50,926)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents .....</b>	<b>(3)</b>	<b>7</b>	<b>(31)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>	<b>9,302</b>	<b>(1,246)</b>	<b>94,703</b>
<b>Cash and Cash Equivalents at Beginning of Year .....</b>	<b>27,353</b>	<b>28,599</b>	<b>278,458</b>
<b>Cash and Cash Equivalents at End of Year .....</b>	<b>¥ 36,655</b>	<b>¥ 27,353</b>	<b>\$ 373,162</b>

Accompanying notes are an integral part of these financial statements.

# Notes to Consolidated Financial Statements

## 1. Basis of Presentation

The accompanying consolidated financial statements of The Michinoku Bank, Ltd., (the “Bank”) and its consolidated subsidiaries (collectively referred to as the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different from International Financial Reporting Standards in certain respects as to application and disclosure requirements. These principles and practices derive from several sources including, but not limited to Financial Statements Regulations and Consolidated Financial Statements Regulations promulgated by the Cabinet Office, the statements and guidelines issued by the Accounting Standards Board of Japan and the Business Accounting Deliberation Council and industry practices for banks in Japan.

Certain items presented in the consolidated financial statements filed with the Financial Services Agency in Japan have been reclassified for the convenience of readers outside Japan.

The yen figures disclosed in the consolidated financial statements are expressed in millions of yen and have been rounded down. Consequently, differences may exist between the sum of the rounded figures and the totals listed in the annual report.

## 2. Summary of Significant Accounting Policies

### (1) Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and all of its subsidiaries listed below, after the elimination of all significant inter-company transactions, balances, and unrealized profit. Consolidated subsidiaries

Domestic Subsidiaries

- Michinoku Service Center Co., Ltd.
- Michinoku Office Service Co., Ltd.
- Michinoku Total Management Co., Ltd.
- Michinoku Credit Guarantee, Ltd.
- Michinoku Preferred Capital Cayman Limited

### (2) Non-consolidated subsidiaries

Not applicable.

Investments in the following affiliates are accounted for using the equity method.

- Michinoku Capital Co., Ltd.

### (3) Affiliates not accounted for by the equity-method

Not applicable.

## 3. Fiscal years of consolidated subsidiaries

### (1) Fiscal year-ends of consolidated subsidiaries

March 31: 6 subsidiaries

### (2) Financial Instruments

#### 1) Trading Account Securities

Trading account securities purchased for trading purposes are stated at market value at the fiscal year-end. The sales value is calculated by the moving-average method.

#### 2) Securities

Debt securities being held to maturity are stated at amortized cost determined by the moving-average method. Investments in affiliated companies are valued on a cost basis using the moving-average method. Other securities (securities available for sale) of which the current value can be estimated are stated at market value at the fiscal year-end and other non-marketable securities are stated at cost or amortized cost computed by the moving-average method. Unrealized

gains and losses on securities are, net of income taxes, included in shareholders' equity. Sales value is calculated by the moving-average method.

Securities held as trust assets included in money held in trust for trading purposes are stated at market value.

### (3) Derivative Transactions

Derivative transactions are stated at fair value.

### (4) Premises and Equipment

#### 1) Tangible fixed assets (excluding leased assets)

Depreciation of buildings and equipment is computed using the declining-balance method at the rates principally based on the following estimated useful lives:

Buildings 3 years to 50 years

Equipment and furniture 2 years to 20 years

Depreciation of buildings acquired after April 1, 1998, is computed by the straight-line method.

#### 2) Intangible fixed assets (excluding leased assets)

Costs of computer software developed or obtained for internal use are deferred and amortized using the straight-line method over the estimated useful lives of 5 years.

### (5) Reserve for Possible Loan Losses

For the year ended March 31, 2007, the reserve for possible loan losses is provided as follows, pursuant to the internal rules for self-assessment of asset quality and internal rules for providing reserves for credit losses:

- 1) The reserve for claims to debtors who are legally bankrupt (due to bankruptcy, restructuring, suspension of transactions with banks under clearing houses' rules, etc.) or virtually bankrupt is provided based on the amount remaining after deductions of the expected amount to be collected through the disposal of collateral or through the execution of guarantees.
- 2) The reserve for claims to debtors who are not currently legally bankrupt but are likely to become bankrupt is provided based on the necessary amount considering the solvency assessment of the amounts remaining after deductions of the expected amount to be collected through the disposal of collateral or through the execution of guarantees.
- 3) The reserve for claims to debtors other than the above is provided based on default rates, calculated using the actual defaults during a certain period in the past.
- 4) The special reserve for loans to certain developing countries is provided based on the amount of expected or potential losses due to the economic situations in the respective countries.
- 5) All claims are assessed by the branches and credit supervision division based on the internal rules for self-assessment of asset quality. The asset examination team, which is independent of the branches and credit supervision division, audits these self-assessments, and the reserve is provided based on the audit results.
- 6) For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been written off and totals ¥14,914 million (US\$151,836 thousand).
- 7) The reserve for possible loan losses of consolidated subsidiaries is provided in the amounts deemed necessary to cover such losses, principally based on past experience and management's assessment of the loan portfolio and estimated collectibility of specific claims.

**(6) Reserve for Employees' Bonuses**

Reserve for employees' bonuses is provided for the payments of bonuses to employees based on estimated amounts of the future payments attributable to the current fiscal year.

**(7) Reserve for Employees' Retirement Benefits**

Reserve for employees' retirement benefits is provided based on the estimated retirement benefit obligation and the pension assets at the end of the fiscal year. Prior service cost is amortized using the straight-line method over the average estimated remaining years of service of the eligible employees (5 years). Net actuarial gain (loss) is amortized using the straight-line method over the average estimated remaining years of service of the eligible employees (5 years) following the year in which the gain or loss is recognized.

**(8) Reserve for Retirement Benefits for Directors and Corporate Auditors**

Reserve for retirement benefits for directors and corporate auditors is provided for the payment of retirement benefits for directors and corporate auditors based on estimated amounts of retirement benefit obligations for directors and corporate auditors that are deemed to have been accrued by the end of the fiscal term.

**(9) Standards of Accounting for Reserve for Return of Dormant Deposits**

Reserve for return of dormant deposits is provided to prepare for depositors' requests for the repayment of deposits that are no longer recorded as liabilities, in the amount deemed necessary based on an estimate of losses incurred according to future repayment requests.

**(10) Standards of Accounting for Reserve for Contingent Loss**

Reserve for contingent loss is provided for the payment of obligations subject to the responsibility sharing system with Credit Guarantee Corporations based on amounts of future payment that is estimated in accordance with the depreciation and reserve standard set forth in advance and that is deemed necessary.

**(11) Standards of Accounting for Reserve for Loss on Interest Repayment**

Reserve for loss on interest repayment is provided to prepare for requests for the repayment of interest on loans exceeding the Interest Rate Restriction Act associated with consolidated subsidiaries' credit card operations, in the amount deemed necessary based on an estimate of the future repayment amount calculated by using such factors as the actual repayment rate in the past.

**(12) Foreign Currency Translation**

The Bank's assets and liabilities denominated in foreign currencies are translated into Japanese yen using the primarily applicable rate of exchange effective at the balance sheet date.

Consolidated subsidiaries' assets and liabilities denominated in foreign currencies are translated into Japanese yen using the applicable rate of exchange effective at the respective balance sheet date.

**(13) Lease Transactions**

Finance leases concerning the Bank and its consolidated domestic subsidiaries in which the lease transaction commencement date falls in the fiscal year starting before April 1, 2008, other than those by which the ownership of the leased assets are deemed to be transferred to the lessee, are accounted for as regular operating leases.

**(14) Significant Hedge Accounting**

The Bank adopts deferred hedge accounting for hedge transactions on interest rate risk that arises from financial assets and liabilities.

The Bank employs hedge that offsets fluctuation in the rates of

fixed interest bonds which are classified into other securities in compliance with the comprehensive hedge policies set forth in the "Practical Guidance of Accounting for Financial Instruments" (The Japanese Institute of Certified Public Accountants (JICPA) Accounting System Committee Report No. 14). The Bank assesses hedge effectiveness by grouping and specifying financial assets as hedged items and interest rate swap transactions as hedging instruments by a certain remaining period.

**(15) Consumption Tax**

The National Consumption Tax and the Local Consumption Tax are excluded from transaction amounts.

**(16) Assets and Liabilities of Consolidated Subsidiaries**

Assets and liabilities of consolidated subsidiaries are valued using the full mark-to-market method.

**(17) Amortization of goodwill and negative goodwill**

Goodwill is amortized in lump-sum during the fiscal year in which it is incurred.

**(18) Statements of Cash Flows**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash and demand deposit with the Bank of Japan.

**4. Japanese Yen and U.S. Dollar Amounts**

The Bank maintains its accounting records in yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetic results of translating yen into dollars on the basis of ¥98.23 to US\$1, the approximate effective rate of exchange as of March 31, 2009. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities originated in yen have been or could be readily converted, realized, or settled in dollars at the given rate or at any other rate.

## Notes to Consolidated Financial Statements

### 5. Securities

#### (1) Market Value of Securities

Market value and valuation differences of securities are as follows:

##### (a) Trading securities

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Amount in the balance sheet .....	¥ 186	¥ 72	\$ 1,861
Valuation gain included in income before income taxes .....	0	0	0

##### (b) Debt securities being held to maturity with market values

	Millions of Yen				
	2009				
	Balance sheet amount	Market value	Difference	Gain	Loss
Government bonds .....	¥ 1,999	¥ 2,010	¥ 10	¥ 10	¥ -

	Thousands of U.S. Dollars (Note 4)				
	2009				
	Balance sheet amount	Market value	Difference	Gain	Loss
Government bonds .....	\$ 20,355	\$ 20,462	\$ 106	\$ 106	\$ -

##### (c) Marketable securities available for sale

	Millions of Yen				
	2009				
	Cost	Balance sheet amount	Valuation differences	Gain	Loss
Stock .....	¥ 17,291	¥ 15,053	¥ (2,237)	¥ 263	¥ 2,501
Bonds .....	291,428	293,387	1,958	2,551	592
Government bonds .....	143,359	144,022	663	959	295
Municipal bonds .....	81,572	82,026	453	665	211
Short-term corporate bonds .....	-	-	-	-	-
Corporate bonds .....	66,497	67,338	841	926	85
Others .....	51,114	47,051	(4,062)	-	4,062
Total .....	¥ 359,834	¥ 355,492	¥ (4,341)	¥ 2,814	¥ 7,156

	Thousands of U.S. Dollars (Note 4)				
	2009				
	Cost	Balance sheet amount	Valuation differences	Gain	Loss
Stock .....	\$ 176,026	\$ 153,246	\$ (22,780)	\$ 2,684	\$ 25,465
Bonds .....	2,966,801	2,986,744	19,942	25,972	6,029
Government bonds .....	1,459,424	1,466,180	6,755	9,765	3,010
Municipal bonds .....	830,421	835,042	4,621	6,770	2,149
Short-term corporate bonds .....	-	-	-	-	-
Corporate bonds .....	676,955	685,521	8,566	9,436	870
Others .....	520,352	478,990	(41,361)	-	41,361
Total .....	\$ 3,663,180	\$ 3,618,980	\$ (44,199)	\$ 28,656	\$ 72,856

1. Balance sheet amounts are stated at fair value based on the market prices at the fiscal year-end.

2. "Gain" and "Loss" are components of "Valuation differences".

3. Of marketable securities available for sale with market value, securities whose market value is significantly lower than the purchase cost and cannot be expected to recover to the purchase cost are recorded at market value for presentation in the balance sheet and the valuation differences are recognized as impairment losses for the fiscal year.

During the fiscal year ended March 31, 2009, impairment losses of ¥17,285 million were recorded for marketable securities available for sale with market value, which were all stocks.

The Bank's criteria for judgment of a significant decrease in market value is as stated below:

- Stock whose market value decreased 50% or more from the purchase cost.
- Stock whose market value decreased 30% or more and less than 50% and whose market price has been lower than a certain level

	Millions of Yen				
	2008				
	Cost	Balance sheet amount	Valuation differences	Gain	Loss
Stock .....	¥ 25,622	¥ 26,014	¥ 392	¥ 2,880	¥ 2,488
Bonds .....	354,151	353,374	(776)	2,204	2,981
Government bonds .....	140,605	137,888	(2,716)	133	2,849
Municipal bonds .....	76,211	77,275	1,063	1,093	29
Short-term corporate bonds .....	38,492	38,477	(15)	0	15
Corporate bonds .....	98,841	99,733	891	977	85
Others .....	37,914	33,553	(4,360)	55	4,415
Total .....	¥ 417,688	¥ 412,943	¥ (4,745)	¥ 5,139	¥ 9,885

1. Balance sheet amounts are stated at fair value based on the market prices at the fiscal year-end.

2. "Gain" and "Loss" are components of "Valuation differences".

3. Of marketable securities available for sale with market value, securities whose market value is significantly lower than the purchase cost and cannot be expected to recover to the purchase cost are recorded at market value for presentation in the balance sheet and the valuation differences are recognized as impairment losses for the fiscal year.

During the fiscal year ended March 31, 2008, impairment losses of ¥258 million were recorded for marketable securities available for sale with market value, which were all stocks.

The Bank's criteria for judgment of a significant decrease in market value is as stated below:

- Stock whose market value decreased 50% or more from the purchase cost.
- Stock whose market value decreased 30% or more and less than 50% and whose market price has been lower than a certain level

	As of March 31, 2009	As of March 31, 2008
(d) Held-to-maturity securities with available market values .....	<b>Not applicable</b>	Not applicable
(e) Held-to-maturity securities sold during or after the end the fiscal year .....	<b>Not applicable</b>	Not applicable
(f) Securities whose categories were transferred .....	<b>Not applicable</b>	Not applicable

### (2) Securities Available for Sale Sold

Securities available for sale sold in the fiscal year are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Proceeds from sale .....	¥ 170,320	¥ 95,148	\$ 1,733,890
Gain .....	2,769	6,013	28,190
Loss .....	2,818	420	28,697

### (3) Securities for which the Fair Value is not Readily Determinable

Principal items in securities for which fair value is not readily determinable are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Debt Securities being held to maturity .....			
Non-listed corporate bonds .....	¥ 3,720	¥ 3,770	\$ 37,870
Other Securities .....			
Non-listed stocks .....	2,647	2,858	26,952
Non-listed foreign securities .....	200	199	2,043
Loan trust beneficiary rights .....	6,182	8,600	62,938
Equity in investment limited partnerships .....	894	741	9,107
Investment in affiliates .....	17	-	177

### (4) Maturity Schedule of Bonds Held

The maturity schedule of bonds classified as securities available for sale and being held to maturity is as follows:

	Millions of Yen			
	2009			
	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years
Bonds .....	¥ 80,216	¥ 104,102	¥ 82,475	¥ 32,323
Government bonds .....	69,972	28,161	15,575	32,323
Municipal bonds .....	1,396	29,711	50,918	-
Short-term corporate bonds .....	-	-	-	-
Corporate bonds .....	8,847	46,229	15,981	-
Others .....	2,884	11,639	5,732	6,632
Total .....	¥ 83,101	¥ 115,742	¥ 88,207	¥ 38,955

	Thousands of U.S. Dollars (Note 4)			
	2009			
	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years
Bonds .....	\$ 816,623	\$ 1,059,785	\$ 839,612	\$ 329,054
Government bonds .....	712,333	286,688	158,566	329,054
Municipal bonds .....	14,217	302,469	518,355	-
Short-term corporate bonds .....	-	-	-	-
Corporate bonds .....	90,073	470,628	162,690	-
Others .....	29,364	118,492	58,357	67,518
Total .....	\$ 845,988	\$ 1,178,278	\$ 897,970	\$ 396,572

	Millions of Yen			
	2008			
	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years
Bonds .....	¥ 157,061	¥ 82,903	¥ 87,054	¥ 30,125
Government bonds .....	89,353	3,494	14,915	30,125
Municipal bonds .....	1,279	20,968	55,026	-
Short-term corporate bonds .....	38,477	-	-	-
Corporate bonds .....	27,950	58,440	17,111	-
Others .....	-	11,912	11,920	7,969
Total .....	¥ 157,061	¥ 94,815	¥ 98,975	¥ 38,094

## Notes to Consolidated Financial Statements

### 6. Derivative Financial Instruments

#### (1) Status of Transactions

The Bank employs derivative transactions, including forward exchange contracts, bond futures contracts and options, stock-index futures contracts and options and interest rate swap, primarily for the purpose of mitigating the price risk of securities and hedging exchange risk associated with its assets and liabilities denominated in foreign currencies. The Bank enters into derivative transactions for the purpose of short-term gains upon prior approval of management and sets position limited loss-cutting rules for such derivative transactions.

The Bank adopts deferred hedge accounting for hedge transactions on interest rate risk. In order to perform deferred hedge, the Bank sets forth a basic policy on hedge and policy on assessment of hedge effectiveness in accordance with the "Practical Guidance of Accounting for Financial Instruments" (The Japanese Institute of Certified Public Accountants (JICPA) Accounting System Committee Report No. 14). During the fiscal year ended March 31, 2008, hedge accounting was applied to other securities as hedged items and interest rate swap transactions as hedging instruments. The Bank assesses hedge effectiveness by grouping and specifying financial assets as hedged items and interest rate swap transactions as hedging instruments by a certain remaining period.

Derivatives embedded in compound financial instruments are stated at fair value by distinguishing them from underlying financial assets as deemed appropriate.

(Suspension of Hedge Accounting)

The Bank had conventionally applied deferred hedge accounting as its hedge accounting method for hedge transactions against interest rate risks, but suspended hedge accounting based on the judgment that there was no hedge effectiveness as at March 31, 2009.

Changes in the amount of valuation difference of hedging instruments since the suspension of hedge accounting are accounted for as expenses in the fiscal year ended March 31, 2009.

#### (2) Fair Value of Transactions

##### (a) Interest Rate Related Transactions

	Millions of Yen							
	As of March 31, 2009				As of March 31, 2008			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:								
Interest rate swaps								
Payable fixed rate/								
Receivable floating rate.....	¥ 10,000	¥ 10,000	¥ (273)	¥ (273)	¥ 10,000	¥ 10,000	¥ (274)	¥ (274)
Over-the-counter:								
Interest rate swaps								
Payable fixed rate/								
Receivable floating rate .....	¥ 46,869	¥ 46,869	¥ (734)	¥ 84	¥ -	¥ -	¥ -	¥ -
Total .....	¥ -	¥ -	¥ (1,008)	¥ (188)	¥ -	¥ -	¥ (274)	¥ (274)

	Thousands of U.S. Dollars (Note 4)			
	As of March 31, 2009			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Interest rate swaps				
Payable fixed rate/Receivable floating rate.....	\$ 101,801	\$ 101,801	\$ (2,785)	\$ (2,785)
Over-the-counter:				
Interest rate swaps				
Payable fixed rate/Receivable floating rate.....	\$ 477,135	\$ 477,135	\$ (7,482)	\$ (7,482)
Total .....	\$ -	\$ -	\$ (10,267)	\$ (10,267)

##### (b) Foreign Exchange Related Transactions

	Millions of Yen							
	As of March 31, 2009				As of March 31, 2008			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:								
Foreign exchange forward contracts:								
Sold .....	¥ 196	¥ -	¥ (0)	¥ (0)	¥ -	¥ -	¥ -	¥ -
Bought.....	¥ 9	¥ -	¥ 0	¥ 0	¥ 79	¥ -	¥ 0	¥ 0

	Thousands of U.S. Dollars (Note 4)			
	As of March 31, 2009			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Foreign exchange forward contracts:				
Sold .....	\$ 1,995	\$ -	\$ (4)	\$ (4)
Bought.....	\$ 99	\$ -	\$ 0	\$ 0

Notes: 1. The above transactions were revalued at the end of the years and the related gain and loss figures are reflected in the accompanying consolidated statements of income.

2. Market values are based on the discounted cash flow method.

	As of March 31, 2008	As of March 31, 2007
(c) Equity Related Transactions .....	<b>Not applicable</b>	Not applicable
(d) Bond Related Transactions.....	<b>Not applicable</b>	Not applicable
(e) Commodities Related Transactions .....	<b>Not applicable</b>	Not applicable
(f) Credit Derivatives Transactions .....	<b>Not applicable</b>	Not applicable

## 7. Loans and Bills Discounted

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Bills Discounted.....	¥ 4,469	¥ 6,388	\$ 45,498
Loans on Bills .....	66,756	72,490	679,593
Loans on Deeds.....	1,043,558	1,036,498	10,623,619
Overdrafts.....	146,595	146,190	1,492,365
Total .....	¥ 1,261,379	¥ 1,261,568	\$ 12,841,077

### (1) Nonaccrual Loans

Loans to legally bankrupt borrowers, on which the Bank stopped accruing interest under Japanese tax laws, as of March 31, 2009 and 2008, totaled ¥5,464 million (US\$55,629 thousand) and ¥6,609 million, respectively. Other delinquent loans, on which the Bank also stopped accruing interest under Japanese tax laws, totaled ¥50,345 million (US\$512,522 thousand) and ¥58,405 million, respectively, as of March 31, 2009 and 2008. Other delinquent loans are nonaccrual loans other than loans to customers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of debtors facing financial difficulties.

### (2) Loans Contractually Overdue 3 Months or More

The Bank does not have any loans past due three months or more.

“Loans past due three months or more” refers to loans where the principal or interest is overdue for three months or more from the next day of the payment date specified under the contract and those that do not fall under loans to legally bankrupt borrowers and delinquent loans.

### (3) Restructured Loans

Restructured loans as of March 31, 2009 and 2008, were ¥3,081 million (US\$31,371 thousand) and ¥11,411 million, respectively. Restructured loans represent loans with concessional interest rates and loans with negotiated terms regarding timing of interest and principal payments.

Nonaccrual Loans, loans contractually past due three months or more and restructured loans totaled ¥58,881 million (US\$599,523 thousand) and ¥76,427 million, respectively, as of March 31, 2009 and 2008.

The amounts reflected in (1) to (3) above represent the gross receivable amounts prior to reduction for the reserve for possible loan losses.

### (4) Discounts of Notes

The Bank treats discounts of notes as financial transactions in accordance with the Industry Audit Committee Report No. 24 “Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry.” Accordingly, the Bank has a right to dispose of commercial notes received and foreign bills bought by means of sale or use as collateral at its discretion. Face value of such notes as of March 31, 2009 and 2008, amounts to ¥4,471 million (US\$45,518 thousand) and ¥6,394 million, respectively.

## 8. Assets Pledged

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Assets pledged as collateral			
Securities.....	¥ 33,369	¥ 1,172	\$ 339,710
Loans.....	¥ 7,937	-	\$ 80,805
Cash.....	¥ 32	¥ 31	\$ 328
Liabilities related to the above pledged assets			
Deposit .....	¥ 5,642	¥ 1,184	\$ 57,440
Borrowed Money .....	¥ 9,000	-	\$ 91,621

In addition, securities as of March 31, 2009 and 2008, totaling ¥55,523 million (US\$534,698 thousand) and ¥50,190 million, respectively, were pledged as collateral for the settlement of exchange and short money transactions or as variation margin for futures transactions. Leased deposits at March 31, 2009 and 2008, of ¥447 million (US\$4,550 thousand) and ¥482 million, were included in Other Assets respectively.

## 9. Loan Commitments

Contracts for overdraft facilities and loan commitment limits are those under which the Bank lends to customers up to the prescribed limits in response to their loan applications as long as there is no violation of any condition in the contracts. The undrawn amount within the limits of these contracts as of March 31, 2009 and 2008, totaled ¥235,983 million (US\$2,402,357 thousand) and ¥224,739 million, respectively. Of these, contracts whose original contract periods are one year or less (or which are unconditionally revocable at any time) as of March 31, 2009 and 2008, amount to ¥233,519 million (US\$2,377,273 thousand) and ¥219,905 million, respectively.

Since many of these commitments expire without being drawn down, the undrawn amount does not necessarily represent a future cash requirement. Most of these contracts have conditions such that the Bank can refuse the customer's loan application or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in the customer's creditworthiness). At the inception of the contract, the Bank obtains real estate, securities, etc. as collateral if such is considered necessary. Subsequently, the Bank performs periodic reviews of the customer's business results based on internal rules, and implements the necessary measures to reconsider conditions in the contract and/or require additional collateral or guarantees.

## 10. Other Assets

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Prepaid Expenses .....	¥ 53	¥ 56	\$ 546
Accrued Income .....	2,651	2,698	26,995
Derivative Financial Instruments .....	-	0	-
Other .....	6,173	4,223	62,843
Total .....	¥ 8,878	¥ 6,978	\$ 90,385

## Notes to Consolidated Financial Statements

### 11. Tangible Fixed Assets

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Net Book Value			
Buildings .....	¥ 3,179	¥ 3,332	\$ 32,372
Land .....	6,935	7,095	70,603
Construction in progress .....	135	23	1,379
Other tangible fixed assets .....	1,979	2,395	20,149
Total .....	¥ 12,230	¥ 12,846	\$ 124,505

#### (Land Revaluation)

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998, the land used for business owned by the Bank has been revalued, and the net amount on the revaluation of land, net of deferred tax, is reclassified to "Revaluation Reserve for Land, Net of Taxes" in Shareholders' Equity and the relevant deferred tax is included in "Deferred Tax Liabilities for Revaluation Reserve for Land." in Liabilities.

Date of Revaluation : March 31, 2002

The method of revaluation is as follows:

Under Article 3-3 of the Law concerning Revaluation of Land, the land price for the revaluation is determined based on the official notice prices assessed and published by the National Land Agency of Japan (currently, the Ministry of Land, Infrastructure and Transport), after appropriate adjustments for the shape of the land and the timing of the assessment. The current market value of the revalued land is lower by ¥1,338 million (US\$13,630 thousand) than the book value of the land after revaluation.

### 12. Intangible Fixed Assets

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Software .....	¥ 1,226	¥ 1,079	\$ 12,480
Other intangible fixed assets .....	339	267	3,460
Total .....	¥ 1,565	¥ 1,346	\$ 15,941

### 13. Deposits

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Current Deposits .....	¥ 35,285	¥ 41,364	\$ 359,213
Ordinary Deposits .....	658,090	647,721	6,699,486
Savings Deposits .....	55,543	56,653	565,445
Deposits at Notice .....	6,715	10,929	68,368
Time Deposits .....	945,041	952,551	9,620,697
Other Deposits .....	15,053	16,084	153,252
Total .....	¥ 1,715,730	¥ 1,725,305	\$ 17,466,464

### 14. Borrowed Money

Borrowed money includes subordinated debt (subject to a subordination agreement under which the obligation is issued as subordinated to performance of other obligations) in the amount of ¥2,000 million (US\$111,982 thousand).

Borrowed money is subordinated borrowings as of March 31, 2008, of ¥5,500 million.

### 15. Bonds

Bonds are subordinated bonds amounting to ¥15,000 million (US\$152,702 thousand).

### 16. Other Liabilities

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Domestic Exchange Settlement .....	¥ 24	¥ 6	\$ 250
Accrued Expenses .....	3,829	3,180	38,981
Unearned Income .....	4,427	4,712	45,072
Reserve for Taxes .....	59	152	608
Derivative Financial Instruments .....	1,009	638	10,272
Other .....	1,637	1,082	16,669
Total .....	¥ 10,987	¥ 9,771	\$ 111,854

## 17. Reserve for Employees' Retirement Benefits

The Bank has defined benefit pension plans and lump-sum severance payment plans, which are defined-benefit plans. One of the Bank's consolidated subsidiaries has lump-sum severance payment plans.

The funded status and amounts recognized in the consolidated balance sheets are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Projected benefit obligations.....	¥ (19,463)	¥ (19,330)	\$ (198,139)
Fair value of plan assets.....	5,823	7,250	59,282
Projected benefit obligations in excess of plan assets.....	(13,639)	(12,079)	(138,857)
Unrecognized net actuarial loss.....	3,435	1,928	34,971
Unrecognized prior service cost.....	72	106	740
Net liability recognized.....	¥ (10,131)	¥ (10,044)	\$ (103,145)
Prepaid pension cost.....	-	-	-
Reserve for employees' retirement benefits.....	¥ (10,131)	¥ (10,044)	\$ (103,145)

Net pension expense related to the retirement benefits for the years ended March 31, 2009 and 2008, was as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Service cost.....	¥ 522	¥ 533	\$ 5,314
Interest cost.....	367	366	3,738
Expected return on plan assets.....	(157)	(212)	(1,601)
Amortization of prior service cost.....	33	26	345
Amortization of actuarial losses.....	481	601	4,898
Other.....	(42)	(41)	(429)
Total.....	¥ 1,204	¥ 1,274	\$ 12,266

\* Pension expenses of consolidated subsidiaries that apply the convention are all included in "service cost."

Assumptions used in the calculation of the above information for the years ended March 31, 2009 and 2008, were as follows:

	2009	2008
Discount rate.....	1.90%	1.90%
Expected rate of return on plan assets.....	2.17%	2.53%
Method of attributing the projected benefits to periods of services.....	Straight-line basis	Straight-line basis
Amortization of prior service cost.....	5 years	5 years
Amortization of unrecognized actuarial differences.....	5 years from next fiscal year	5 years from next fiscal year

## 18. Common Stock

Information with respect to common stock of the Bank at March 31, 2008 and 2007, is as follows:

	Thousands of Shares	
	2009	2008
Number of Shares:		
Authorized.....	300,000	300,000
Issued and Outstanding.....	150,895	155,895

## 19. Other Income

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Gain on sale and redemption of bonds.....	¥ 384	¥ 254	\$ 3,916
Gain on sale of equity securities.....	1,158	4,652	11,794
Gain on Sale of Consolidated Subsidiaries.....	-	2,078	-
Other.....	3,885	3,497	39,558
Total.....	¥ 5,429	¥ 10,483	\$ 55,270

## 20. Other Expenses — Other

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Loss on sale of equity securities.....	¥ 2,432	¥ 165	\$ 24,762
Write-down for stocks.....	8,902	289	90,629
Loan amortization.....	3,130	1,848	31,870
Loss on transfer of receivables.....	1,215	1,113	12,372
Other.....	1,880	4,678	19,148
Total.....	¥ 17,561	¥ 8,096	\$ 178,782

## Notes to Consolidated Financial Statements

### 21. Income Taxes

The tax allocation of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008, is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Deferred Tax Assets: .....	¥ 37,132	¥ 28,928	\$ 378,015
Reserve for possible loan losses.....	15,074	15,902	153,456
Reserve for employees' retirement benefits.....	4,096	4,061	41,701
Net valuation difference of securities available for sale .....	2,893	3,996	29,455
Amortization of securities.....	6,930	1,078	70,548
Deficit carried forward for tax purposes.....	5,026	768	51,168
Impairment loss on fixed assets.....	500	572	5,091
Reserve for employee bonuses.....	483	517	4,920
Loss on valuation of other assets .....	330	378	3,360
Depreciation.....	413	322	4,205
Reserve for Return of Dormant Deposits.....	270	233	2,757
Amortization of goodwill.....	145	194	1,484
Deferred Gains or Losses on Hedges.....	188	147	1,917
Enterprise tax payable.....	3	31	34
Other .....	777	723	7,912
Valuation allowance .....	(22,143)	(7,060)	(225,427)
Deferred Tax Liabilities: .....	(1,100)	(1,990)	(11,202)
Retained earnings of foreign subsidiaries.....	-	(6)	-
Net valuation difference of securities available for sale .....	(1,100)	(1,983)	(11,202)
Other .....	-	-	-
Net Deferred Tax Assets.....	¥ 13,888	¥ 19,877	\$ 141,385

The reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2009 is as follows:

The figure for fiscal 2008 is not stated because a loss before income taxes is reported.

### 22. Consolidated Statements of Cash Flows

Relations between cash and cash equivalents at fiscal year-end and amounts of items on the consolidated balance sheet

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Cash deposit.....	¥ 47,121	¥ 39,334	\$ 479,704
Time deposit.....	(10,000)	(10,000)	(101,801)
Other .....	(465)	(1,980)	(4,740)
Cash and cash equivalents.....	¥ 36,655	¥ 27,353	\$ 373,162

### 23. Lease Commitments and Contingent Liabilities

Finance lease contracts, other than those by which the ownership of the leased assets is to be transferred to lessees, are accounted for by a method similar to the operating lease method.

Lease rental expenses on finance lease contracts without ownership-transfer for the years ended March 31, 2009 and 2008, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Lease Rental Expenses.....	¥ 3,560	¥ 4,425	\$ 36,243

The amounts of outstanding future lease payments due at March 31, 2009 and 2008, excluding the interest portion, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Future Lease Payments			
Within one year.....	¥ 484	¥ 593	\$ 4,928
Over one year.....	448	917	4,564
Total .....	¥ 932	¥ 1,510	\$ 9,493

Assumptions as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets (machinery and equipment), are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Acquisition.....	¥ 3,560	¥ 4,425	\$ 36,243
Accumulated Depreciation.....	2,702	3,021	27,510
Net Book Value .....	857	1,404	8,732
Depreciation.....	647	898	6,590

## 24. Segmental information

### Business segment information

Fiscal year ended March 31, 2008, and fiscal year ended March 31, 2009

Other than banking operations, certain consolidated subsidiaries are engaged in non-banking businesses such as credit card business, which account for a minuscule portion of the Bank's business segments as a whole. For this reason, business segment information is not stated.

### Geographical segment information

Fiscal year ended March 31, 2008, and fiscal year ended March 31, 2009

As Japan accounts for more than 90% of aggregated ordinary income of all segments and of aggregated amount of assets of all segments, geographical segment information is not stated.

### Ordinary income of international operations

Fiscal year ended March 31, 2008, and fiscal year ended March 31, 2009

As ordinary income of international operations accounts for less than 10%, information on ordinary income of international operations is not stated.

## 25. Related-party transactions

### Fiscal year from April 1, 2007, to March 31, 2008

#### (1) Parent Company and Major Corporate Shareholders

Not applicable.

#### (2) Officers and principal individual shareholders

Attribute	Name	Address	Paid-in capital (Millions of yen)	Business or occupation	Ratio of voting rights (%)	Relationship		Transaction content	Transaction amount (Millions of yen)	Item	Balance at fiscal year-end
						Concurrent holding of directors' posts	Business relationship				
Officers	Yoshihiro Sakaki	—	—	Corporate Auditor of the Bank	—	—	—	Guarantees of loans (*1)	66	—	—
	Kenzo Osaka	—	—	Corporate Auditor of the Bank	Direct 0.00	—	—	Provision of loans Receipt of interest Guarantees of loans (*2)	(4) 1 (8)	Loans Accrued income —	29 0 —
Company of which the majority of voting rights are owned by a director or his/her close relatives (including subsidiary of such company)	Maruyo Seafood Co., Ltd. (*3)	Hachinohe-shi, Aomori prefecture	99	Marine product processing	Direct 0.18	No	Extending of credit	Provision of loans	106	Loans	1,619
								Guarantees of debt	(39)	Payment	155
	Michinoku Management Accounting Center Ltd. (*4)	Aomori-shi, Aomori prefecture	3	Accounting firm	—	No	Extending of credit	Underwriting of bonds	—	Guarantee	—
								Receipt of interest, etc.	14	endorsement Bonds Accrued income	300 3
							Provision of loans	(8)	Loans	237	
							Receipt of interest	7	Accrued income	0	

(\*1) Yoshihiro Sakaki, Corporate Auditor of the Bank, provides the Bank with debt guarantee for loans amounting to ¥1,619 million, and payment guarantee amounting to ¥155 million to Maruyo Seafood Co., Ltd., a third party.

(\*2) Kenzo Osaka, Corporate Auditor of the Bank, provides the Bank with debt guarantee for loans to Michinoku Management Accounting Center Ltd., a third party, amounting to ¥237 million.

(\*3) Yoshihiro Sakaki, Corporate Auditor of the Bank, and his close relatives own 60.7% of the voting rights. The Bank has underwritten and guaranteed the bonds issued by Maruyo Seafood Co., Ltd.

(\*4) Kenzo Osaka, Corporate Auditor of the Bank, and his close relatives own 100% of the voting rights.

(\*5) Trading conditions and the policy for determining trading conditions for the above-mentioned individuals and companies are determined in the same manner as for ordinary transactions.

#### (3) Subsidiaries

Not applicable.

#### (4) Fellow subsidiaries

Not applicable.

### Fiscal year from April 2008, to March 31, 2009

(Additional Information)

The Bank has applied the "Accounting Standard for Related Party Disclosures" (Accounting Standards Board of Japan (ASBJ) Statement No. 11, October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13, October 17, 2006), effective from the fiscal year ended March 31, 2009. As a result, transactions, etc. between consolidated subsidiaries and related parties have been added to the conventional list of mandatory disclosure items.

#### 1. Related-party transactions

##### (1) Transactions between the company submitting consolidated financial statements and its related parties

(a) Parent company and principal corporate shareholders, etc. of the company submitting consolidated financial statements

Not applicable.

(b) Non-consolidated subsidiaries and affiliates, etc. of the company submitting consolidated financial statements

Not applicable.

(c) Companies, etc. whose parent company is the same as the company submitting consolidated financial statements and subsidiaries, etc. of other affiliates of the company submitting consolidated financial statements

Not applicable.

## Notes to Consolidated Financial Statements

### (d) Officers and principal individual shareholders of the company submitting consolidated financial statements

Attribute	Name	Address	Paid-in capital or contribution (Millions of yen)	Business or occupation	Ratio of voting rights (%)	Relationship with related party	Transaction content	Transaction amount (Millions of yen)	Item	Balance at fiscal year-end (Millions of yen)
Officers	Yoshihiro Sakaki	—	—	Corporate Auditor of the Bank	—	Guarantee for third party credit transactions	Guarantee of loans (*1)	(426)	—	—
	Masami Toriyabe	—	—	Corporate Auditor of the Bank	Direct 0.00	Guarantee for third party credit transactions	Provision of loans Receipt of interest Guarantee of loans (*2)	(15) 0 (39)	Loans — —	— — —
	Yasuo Azuma	—	—	Corporate Auditor of the Bank	—	Third party is party to credit transactions	Guarantee of debt (*3)	7	—	—
Company of which the majority of voting rights are owned by a director or his/her close relatives	Maruyo Seafood Co., Ltd. (*4)	Hachinohe-shi, Aomori prefecture	99	Marine product processing	Direct 0.19	Credit transactions	Provision of loans	(394)	Loans	1,224
							Guarantee of debt	(31)	Payment guarantee endorsement	123
	Yamau Toriyabe Shoten, Co., Ltd. (*5)	Aomori-shi, Aomori prefecture	34	Real estate leasing and management	Direct 0.00	Credit transactions	Underwriting of bonds	—	Bonds	300
							Receipt of interest	15	Accrued income	2
	Yamau Toriyabe Harborside Warehouse Co., Ltd. (*6)	Aomori-shi, Aomori prefecture	10	Warehousing	—	Credit transactions	Provision of loans	(39)	Loans	427
							Receipt of interest	11	Accrued income	0

(\*1) Yoshihiro Sakaki, Corporate Auditor of the Bank, provides the Bank with debt guarantee for loans amounting to ¥1,224 million, and payment guarantee amounting to ¥123 million to Maruyo Seafood Co., Ltd., a third party.

(\*2) Masami Toriyabe, Corporate Auditor of the Bank, provides the Bank with debt guarantee for loans to Yamau Toriyabe Harborside Warehouse Co., Ltd., a third party, amounting to ¥427 million.

(\*3) Guarantee of debt involves transactions with Tohoku Chemical Co., Ltd., a third party, in which Yasuo Azuma, Corporate Auditor of the Bank, has the right of representation, and the balance of payment guarantee at the fiscal year-end was ¥46 million.

(\*4) Yoshihiro Sakaki, Corporate Auditor of the Bank, and his close relatives own 65.9% of the voting rights. The Bank has underwritten and guaranteed the bonds issued by Maruyo Seafood Co., Ltd.

(\*5) Masami Toriyabe, Corporate Auditor of the Bank, and his close relatives own 100.0% of the voting rights.

(\*6) Masami Toriyabe, Corporate Auditor of the Bank, and his close relatives own 100.0% of the voting rights.

(\*7) Trading conditions and the policy for determining trading conditions for the above-mentioned individuals and companies are determined in the same manner as for ordinary transactions.

### (2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and its related parties

(a) Parent company and principal corporate shareholders, etc. of the company submitting consolidated financial statements

Not applicable.

(b) Non-consolidated subsidiaries and affiliates, etc. of the company submitting consolidated financial statements

Not applicable.

(c) Companies, etc. whose parent company is the same as the company submitting consolidated financial statements and subsidiaries, etc. of other affiliates of the company submitting consolidated financial statements

Not applicable.

(d) Officers and principal individual shareholders of the company submitting consolidated financial statements

Not applicable.

## 2. Notes to parent company or important affiliates

### (1) Parent company information

Not applicable.

### (2) Condensed financial statements of important affiliates

Not applicable.

## 26. Information about Shares

	Yen		U.S. Dollars (Note 4)
	2009	2008	2009
Book Value per Share.....	¥ 270.46	¥ 463.91	\$ 2.75
Net Income per Share.....	(189.28)	8.86	(1.92)

Basis for calculation

### (1) Net Income per Share

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2009	2008	2009
Net income .....	¥ (27,089)	¥ 1,336	\$ (275,772)
Amount not attributable to common shareholders .....	—	—	—
Net income per share of common stock.....	¥ (27,089)	¥ 1,336	\$ (275,772)

Thousands of Shares

	2009	2008
Average number of common stock shares outstanding during the year .....	143,115	150,896

**(2) Net Assets per Share**

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	<b>2009</b>	2008	<b>2009</b>
Total net assets .....	¥ <b>46,715</b>	¥ 75,511	\$ <b>475,574</b>
Amount excluded from total net assets .....	<b>8,074</b>	8,064	<b>82,197</b>
(Minority Interests) .....	<b>(8,074)</b>	(8,064)	<b>(82,197)</b>
Net assets pertaining to common stock at end of year .....	¥ <b>38,641</b>	¥ 67,447	\$ <b>393,376</b>
	Thousands of Shares		
	<b>2009</b>	2008	
Number of shares of common stock at end of year used for the calculation of net assets per share .....	<b>142,870</b>	145,387	

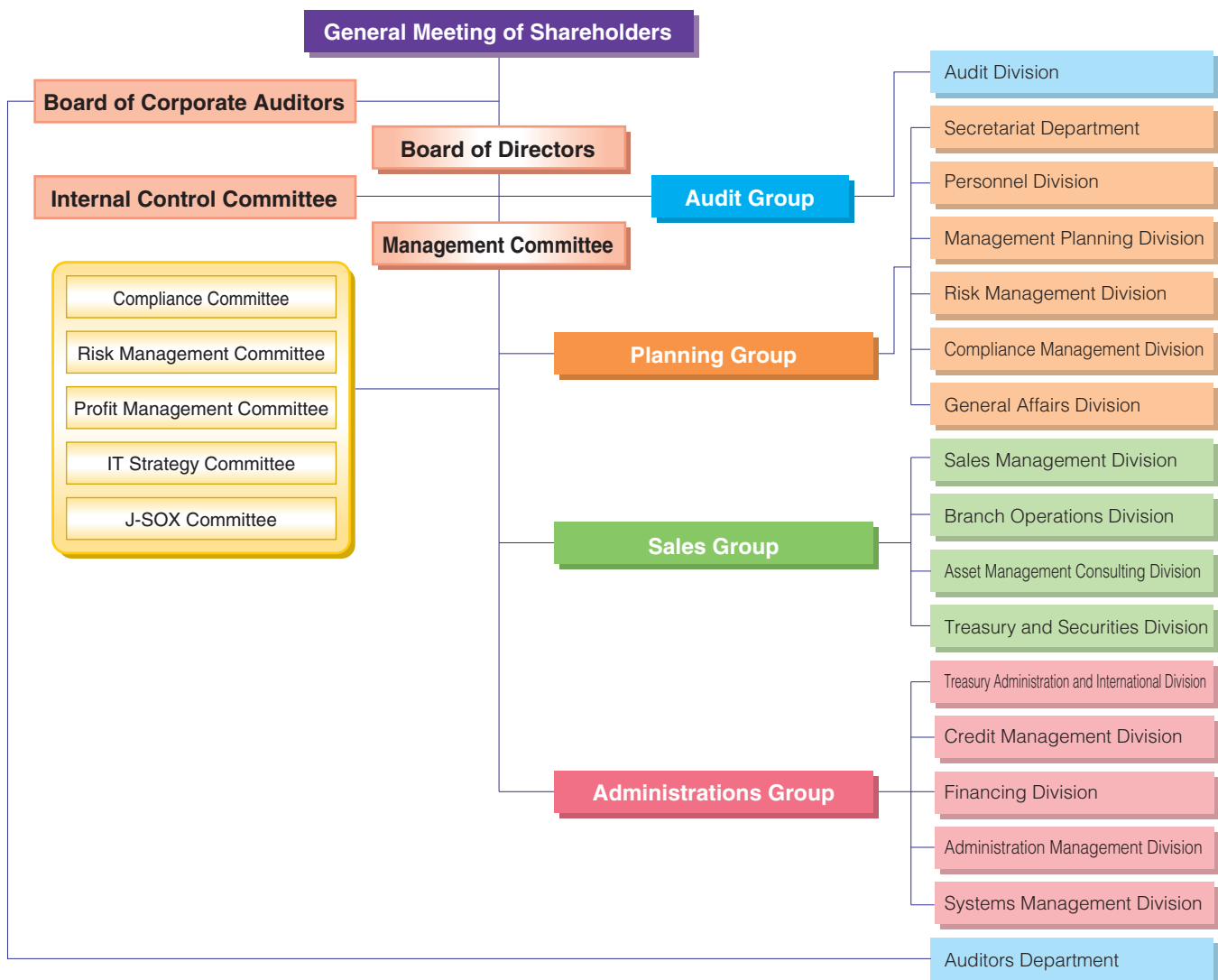
**(3) Data on fully diluted net income per share is not stated, as there are no potential shares outstanding.**

From the year ended March 31, 2003, the Bank adopts “Accounting Standard for Net Income Per Share” (Financial Accounting Standard No. 2) and “Implementation Guidance for Accounting Standard for Net Income Per Share” (Financial Accounting Standards Implementation Guidance No. 4) issued by the Accounting Standards Board of Japan.

# Organizations and Officers

(As of July 1, 2009)

## Organization Chart



## Officers (As of July 1, 2009)

### Chairman

Sumio Uesugi

### President and Chief Executive Officer

Yasuo Sugimoto

### Executive Vice President and Chief

Executive Officer

Susumu Terao

### Director and Managing Executive Officer

Fuminori Narumi

Kunihiro Takada

Takashi Kumachi

### Director

Toru Yanagiya

Takayuki Umase

### Managing Executive Officer

Masahiro Kato

### Managing Executive Officer

General Manager, Treasury and Securities Division

Soichi Fukui

### Executive Officer

General Manager, General Affairs Division

Norihisa Kogawa

### Executive Officer

General Manager, Head Office

Tsutomu Inaniwa

### Executive Officer

General Manager, Hakodate Branch Office

Hiroaki Furukawa

### Executive Officer

General Manager, Hirosaki Business Div.

Masaaki Sato

### Executive Officer

General Manager, Administration Management Division

Akihiko Matsuki

### Senior Corporate Auditor

Ikuo Sato

Hisashi Ishida

### Corporate Auditor

Yoshihiro Sakaki

Taiji Shirato

Yasuo Azuma

Masami Toriyabe

Notes:

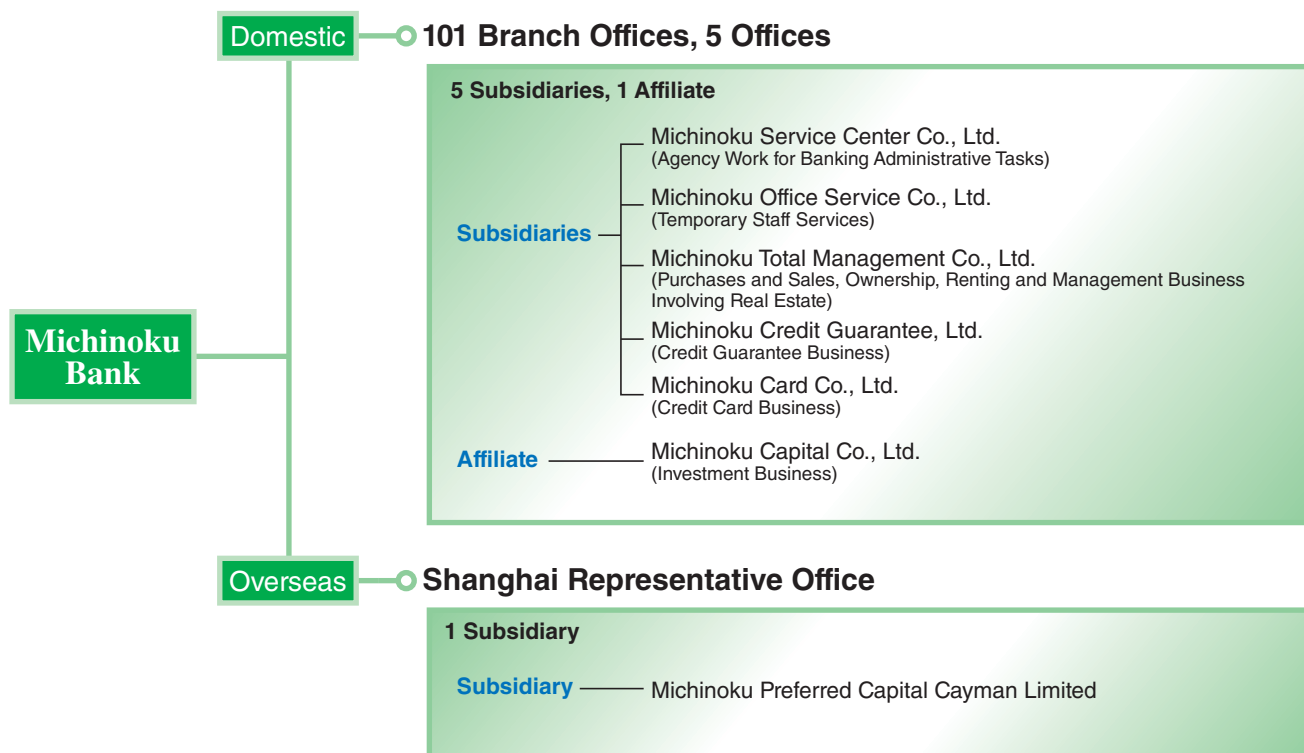
1. Toru Yanagiya and Takayuki Umase are outside directors as provided for in Item 15, Article 2 of the Company Law of Japan.
2. Ikuo Sato, Yoshihiro Sakaki, Taiji Shirato, Yasuo Azuma and Masami Toriyabe are outside auditors as provided for in Item 16, Article 2 of the Company Law of Japan.

## Corporate Group

(As of March 31, 2009)

### Organization Chart of Activities by the Corporate Group

The corporate group consists of six subsidiaries and one affiliate. These companies offer financial services such as agency work in banking administrative tasks as well as dispatch of temporary staff, primarily for the banking business.



#### Notes:

1. The Board of Directors resolved to proceed with the plan to dissolve Michinoku Total Management Co., Ltd. at a meeting held on November 16, 2007.
2. The Bank acquired additional shares of Michinoku Card Co., Ltd. and included the company in the scope of consolidation from the fiscal year ended March 31, 2009.
3. Michinoku Finance (Hong Kong), Ltd. was excluded from the scope of consolidation because the company was dissolved on March 23, 2009.

## Overseas and Domestic Network

(As of July 31, 2009)

### Head Office

1-3-1, Katta, Aomori 030-8622  
Phone: (81) 17-774-1111  
Facsimile: (81) 17-722-2113

### Treasury Administration & International Division

1-3-1, Katta, Aomori 030-8622  
Phone: (81) 17-774-1130  
Facsimile: (81) 17-722-2113  
S.W.I.F.T.: MCHI JP JT

### Representative Offices

#### Shanghai Representative Office

28th Floor, HSBC Tower,  
1000 Lujiazui Ring Road,  
Pudong New Area,  
Shanghai, 200120  
P.R. China  
Phone: (86) 21-6841-0698  
Facsimile: (86) 21-6841-0758

### Number of Branch Offices

	Head Office & Branch Offices	Offices	Representative Offices
Aomori Prefecture	83	5	—
Outside Aomori Prefecture	18	—	—
Overseas	—	—	1
Total	101	5	1



<http://www.michinokubank.co.jp/>



In recognition of its efforts to address environmental issues, Michinoku Bank obtained international certification ISO 14001 for its head office and all of its domestic branch offices.