

THE YAMANASHI CHUO BANK



ANNUAL REPORT 2009

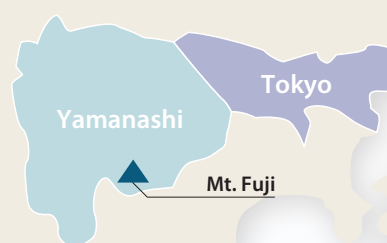
# Our Mission

## Region-Based Operations and Sound Management

Maintaining a close relationship with the communities in the region where we operate, we will contribute to the prosperity of the region and the development of its economy, with a commitment to sound management that enjoys the trust of our customers, while bolstering our business operations.



Head office



### Profile (as of March 31, 2009)

<b>Corporate Name:</b>	The Yamanashi Chuo Bank, Ltd.
<b>Head Office:</b>	20-8, Marunouchi 1-chome, Kofu, Yamanashi
<b>Established:</b>	December 1, 1941
<b>President:</b>	Toshihisa Ashizawa
<b>Common Stock:</b>	¥15,400 million
<b>Number of Shares Issued:</b>	189,915,000 shares
<b>Stock Listing:</b>	First Section of Tokyo Stock Exchange
<b>Long-Term Credit Rating:</b>	A+ (Rating and Investment Information, Inc.)
<b>Network:</b>	Domestic: 92 locations (Head Office and Branches: 89, District Offices: 3) Overseas: Hong Kong Representative Office
<b>Businesses:</b>	The Yamanashi Chuo Bank Group comprises the Yamanashi Chuo Bank and five consolidated subsidiaries. Centered on its core banking business, the Group provides an integrated financing service that includes a leasing and credit-card business. The Bank is the leading local bank in Yamanashi Prefecture, and its sphere of operations encompasses both the prefecture and the western part of the Tokyo metropolitan region.

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### Forward-looking statements

Statements contained in this report regarding the Bank's future performance do not constitute statements of historical fact, and are thus subject to a number of risks and uncertainties. Readers are therefore cautioned not to place undue reliance on forward-looking statements, as factors beyond the Bank's control and outside its ability to predict, including general economic conditions and market fluctuations, could cause results to diverge materially from the Company's projections.

# Consolidated Financial Highlights

The Yamanashi Chuo Bank, Ltd. and Consolidated Subsidiaries  
March 31, 2009, 2008, 2007, 2006 and 2005

	Millions of yen					Thousands of U.S. dollars
	2009	2008	2007	2006	2005	2009
<b>For the year</b>						
Total income	¥ 60,460	¥ 67,209	¥ 61,620	¥ 60,298	¥ 55,151	\$ 615,496
Total expenses	53,128	59,203	45,247	44,269	40,542	540,859
Income before income taxes and minority interests	7,331	8,005	16,372	16,028	14,608	74,637
Net income	5,774	4,252	7,721	7,382	6,112	58,786
<b>At year-end</b>						
Deposits	¥2,299,839	¥2,262,247	¥2,200,240	¥2,166,311	¥2,152,963	\$23,412,797
Loans and bills discounted	1,532,315	1,530,135	1,506,551	1,467,872	1,418,589	15,599,265
Investment securities	893,464	869,038	890,196	909,632	853,221	9,095,634
Total assets	2,605,532	2,602,302	2,595,307	2,567,475	2,531,467	26,524,817
Total equity	146,722	161,799	184,836	173,236	152,989	1,493,663
<b>Per share of common stock</b> (in yen and U.S. dollars)						
Basic net income	¥ 31.31	¥ 23.04	¥ 41.83	¥ 39.76	¥ 32.88	\$ 0.318
Cash dividends applicable to the year	6.00	5.00	6.00	5.00	5.00	0.061
<b>Ratio (%)</b>						
ROE	3.75	2.46	4.32	4.52	4.10	
Capital ratio	14.20	13.11	12.03	11.89	11.77	

Notes: 1. Yen figures are rounded down to the nearest million yen.

2. U.S. dollar figures have been converted from Japanese yen, solely for convenience, at the rate of ¥98.23=US\$1, the rate prevailing on March 31, 2009.

3. Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

4. From March 31, 2007, capital ratio has been calculated according to the Basel II criteria.

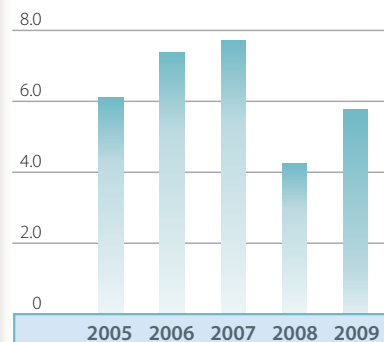
## Total assets

(¥ billion)



## Net income

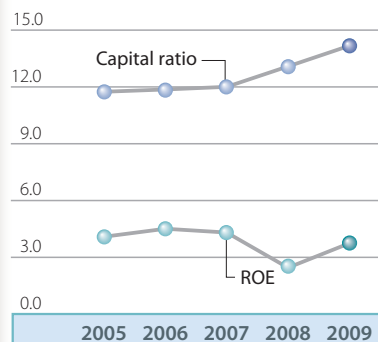
(¥ billion)



## ROE/Capital ratio

(Domestic standard)

(%)



# Message from the President



With increased lack of confidence among players in the global financial markets, rapidly declining share prices, a soaring yen exchange rate, and a downturn in real economies around the world, the operating environment for financial institutions is only becoming more difficult. Under the guidance of our “Evolution 2010 medium-term management plan” (April 2007 to March 2010), we aim to create a high-earnings structure and secure strong customer loyalty, while continuing to evolve and expand our financial services with the trust of our customers.

I would like to take this opportunity to thank our shareholders and other stakeholders for their steadfast support of the Bank and its Group companies. Hereunder, we present an overview of our business performance for fiscal 2008 (from April 2008 to March 2009), together with a report on our future management plans.

## Overview of fiscal 2008 performance

Looking back on the Japanese economy during fiscal 2008, we saw a worsening of the global recession, which had been triggered by the financial crisis in the United States. After the early autumn, exports and production in Japan recorded a deceleration at a pace never-before experienced. Consumer spending showed marked weakness due to the severe deterioration in employment and personal income conditions, resulting in a further downturn in business.

Financial conditions in Japan underwent major fluctuations during this period. The Nikkei average hit the lowest levels since the bursting of the Japanese economic bubble, while the yen’s foreign exchange rates reached their highest levels in 13 years.

The economy of Yamanashi Prefecture, the principal business base of Yamanashi Chuo Bank and its five group companies, inevitably experienced a continued decline in production — particularly in the machine industry — as the domestic economy stagnated. Consumer spending and capital investment remained weak, exerting a drag on demand, and making for a continued tough business environment.

Despite this financial and economic environment, the Yamanashi Chuo Bank management team and staff have come together under the banner of the Evolution 2010 medium-term management plan in pursuit of stronger earnings power and a deeper business foundation, while implementing measures to streamline business and create improved efficiencies.

During the reporting term, the medium-term plan contains a number of measures designed to strengthen our relationship banking functions through close collaboration with customers and other

business partners. Among these are the following three priority items:

1. measures to improve our financial and management support for corporate customers, based on the application of different financial products and services tailored to the particular condition and potential of each company;
2. the provision of financial support for small and medium-sized companies based on a thorough appraisal of the customer’s enterprise value; and
3. contributing to sustainable regional economic development through the collection, analysis and provision of information on the region.

These initiatives are all aimed at assisting the economic development of our local region and providing a higher-quality service to our customers.

As an initiative in providing useful information and business support, we held a number of seminars for our corporate customers, offering timely and profitable information on current topics. We enhanced interchange and alliances with local business support organizations, working to build greater business activity in the region and to perform regional development in step with the local community. We also hosted business conferences to help local businesses create and/or expand marketing channels.

For individuals, to respond to the diversity of asset management needs, we introduced new investment trust and insurance products, as well as offering asset management education through a variety of seminars. We maintained our preferential interest rate plan for education and mortgage loans, and offered other incidental services for mortgage loan customers.

As a result of our efforts, we recorded operating income of ¥60,333 million on a consolidated basis, a ¥6,872 million (10.2%)

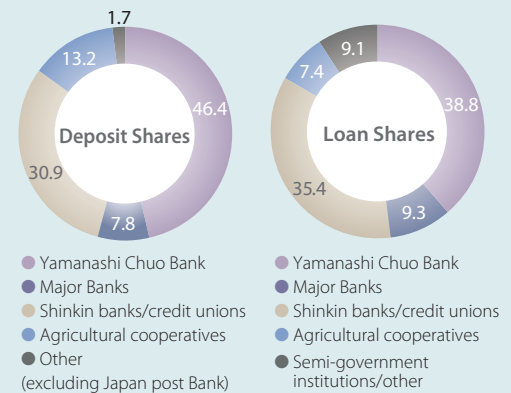
## The Economy of Yamanashi Prefecture — Our Business Base (fiscal 2008)

General Prefectural Production: **¥3,300 billion**  
 Real Growth Rate: **-1.3%**  
 Shipment Value of Production in Prefecture: **¥2,751 billion**

### Major Products and Their Share in Japanese Market

Products	Shipment Value (¥ billion)	Share (%)	Ranking
Wine	14.7	28.9	No. 1
Precious Metal Products	39.9	29.5	No. 1
Wafer Processing Equipment	168.9	18.5	No. 1
Mineral Water	19.9	22.2	No. 1
Other Industrial Robots	52.5	13.8	No. 2
Flat-Panel Display Manufacturing Equipment	64.9	9.1	No. 3
Components of Semiconductor Manufacturing Equipment	34.0	5.8	No. 3

Shares in Yamanashi Pref. (%)  
 (as of March 31, 2009)



year-on-year decrease. Operating profit on banking operations amounted to ¥7,383 million, representing a ¥980 million (11.7%) year-on-year decrease, while net income amounted to ¥5,774 million (US\$58 million), a ¥1,522 million (35.7%) year-on-year increase. Core net business profit on a non-consolidated basis amounted to ¥14,337 million, representing a year-on-year decrease of ¥3,017 million.

In the Bank's main accounts on a non-consolidated basis, the term-end balance of total deposits (including negotiable certificates of deposit) posted a year-on-year increase of ¥33,400 million, to ¥2,416,400 million (US\$24,599 million). Over-the-counter sales of Japanese Government Bonds and investment trusts posted a year-on-year decrease of ¥9,500 million, to ¥220,400 million.

Turning to loans, demand for funds remained weak, but we actively marketed loans to individuals, second-tier companies, and small and medium-sized enterprises. We also actively responded to loan demand from public bodies, including local governments. As a result, total loans increased by ¥800 million, to a term-end balance of ¥1,543,405 million (US\$15,712 million).

### Future management policies

As the impact of the global recession has continued to batter local economies, the outlook remains uncertain.

More deregulation and accompanying increased competition ranging beyond business type and region have created a mood of seriously cutthroat competition.

Given this shift in the environment, the management and staff of Yamanashi Chuo Bank have pulled together to achieve the goals under our Evolution 2010 medium-term management,

first launched in April 2007. We intend to use this plan to respond quickly and accurately to various business issues, making a great leap forward in our growth.

In line with our corporate philosophy, expressed in the motto "Region-Based Operations and Sound Management," we have adopted a basic strategy of offering solutions to all our customers' needs, such as lifestyle issues for individuals and management issues for corporate customers. Through these means, we aim to contribute to the economic development and prosperity of the regional community. We plan to continuously evolve and expand our financial services, thereby enhancing customer loyalty by earning the trust of our customers. In this way, we plan to build a low-cost, high-earnings structure.

To respond quickly with new features and services for our customers as well as to increase efficiency, Yamanashi Chuo Bank is working with other regional banks in the joint development of "Bank Vision," a next-generation computer system for core banking operations. We are presently working to complete this project and to transition to the new system in January 2011.

The managements and employees of the Bank and its five group companies are working together to realize the full spectrum of financial functions and offer our customers superior value-added financial services that will contribute to the advancement of the economy and the healthy functioning of the communities in our home region.

*T. Ashizawa*

Toshihisa Ashizawa  
 President

# Evolution 2010 Medium-Term Management Plan

## Overview

Our principal goal under the Evolution 2010 plan is to continuously evolve and expand our financial services so as to earn the trust of our customers. To achieve this goal, we base all our actions on the need to help our customers address their pressing issues.

We have therefore drawn up three basic strategies and five steps toward expanding our customer base, as detailed below, and all the Group's management and staff are working in unison to promote the objectives of the medium-term plan.

## Four Qualitative Objectives

1

### Taking the customer's viewpoint

We approach our activities and services from the customer's viewpoint. Win strong support from customers by offering high-quality services that satisfy customer needs with precisely the right timing.

2

### Helping realize prosperity for Yamanashi's industries and communities

We utilize our high-level expertise in financial solutions design, and our ability to provide detailed information by leveraging our extensive network of experts in a wide range of fields to revitalize industries and support the economic life of the entire regional community.

Through the exercise of our comprehensive financial abilities, we fulfill our responsibilities to regional society as a financial institution.

3

### Sound operations and strong earnings

We aim to be a preeminent banking institution, embracing sound management that constantly maintain an optimum asset portfolio and ensure a sustained high level of earnings.

4

### Responsive and responsible management

We will ensure the Bank's ability to constantly evolve and grow through rigorous corporate governance, and by fostering a corporate culture that puts prime emphasis on the principle of self-reliance.

## Schematic Diagram of Evolution 2010 (April 2007 – March 2010)

### Our aim under the plan

To continuously evolve and expand our financial services with the trust of our customers

Creating a high-earnings structure and securing strong customer loyalty

Offering the kind of added value our customers really want

### Three Basic Strategies

Retail banking solutions strategy

Corporate banking solutions strategy

Community revitalization solutions strategy

Leveraging the resources of the entire Bank to support our basic strategies

### Five steps toward expanding our customer base

More marketing channels

Greater focus on customer satisfaction

Strengthening dealing capability

Stronger internal control system

Nurturing skilled human resources

COMPLIANCE

Assuring financial security

## Three Basic Strategies

To become the bank of choice for potential customers, our basic policy will be to determine how we can provide the most appropriate solutions and work to strengthen relationships with individual and corporate customers, and the regional community.

### Retail Banking Solutions Strategy

We propose effective financial support programs to satisfy the needs of individuals, customized to their particular life stage and level of personal assets. By improving the convenience of our services, we hope to encourage more people to become loyal customers of the Bank.

- Respond to asset management & wealth-building needs
- Respond to funding needs for different life events
- Provide highly convenient services

### Corporate Banking Solutions Strategy

By providing exactly the sort of information and solutions looked for by the managements of customer enterprises, we help them expand their business bases or raise management efficiency. And we are there to extend the credit they need, when they need it.

- Strengthen the system for promoting transactions based on the size of the enterprise or the industry sector
- Strengthen information strategy and expand solution tools
- Establish and expand the infrastructure for promoting corporate transactions

### Community Revitalization Solutions Strategy

Through its fulfillment of the community-support functions of a regional bank over the course of many years, we have built up an effective network of liaison and collaborative relationships with local public bodies and business organizations, universities, and government-run financial institutions. We leverage this network to help revitalize regional industries and infuse greater competitiveness into local companies, thereby contributing to the revitalization of economic and social life in the whole region.

- Contribute to regional revitalization
- Take part in planning for revitalization of the regional community
- Contribute to the regional community
- Strengthen cooperation with local governments

## Quantitative Targets (non-consolidated)

(¥ billion, %)

March 31	Results 2009	Targets 2010
Net business profit on core operations	14.3	Above 18.5
Balance of loans (average for the term)	1,519	1,580
Balance of deposits* (average for the term)	2,375	2,380
Income from fees and commissions	6.4	8.2
Adjusted OHR (Operating expenses/core gross business profit)	65.95	50-60
ROA	0.55	At least 0.70
ROE	4.20	At least 6
Capital ratio	14.23	At least 10.50
Bad debt ratio (under Financial Rehabilitation Law)	4.24	4-5

\* Including negotiable certificates of deposit

# Community-Based Financial Services

The provision of community-based financial services is essential for the Bank, and our Evolution 2010 medium-term management plan (April 2007 – March 2010) embodies this principle. The Bank hopes that the proper implementation of the various measures planned under Evolution 2010 will lead to significant progress in turning the Bank into a truly community-based financial institution.

In line with this, we have drawn up specific targets to be achieved in the three priority fields of business described on the

next page, and are actively investing management resources toward that end. From here onward, we at Yamanashi Chuo Bank will continue working to assist the development of the region's economy and contribute to the prosperity of the regional community. We will push forward with community-based financial services through our efforts to farther raise the quality of the banks services to regional customers.

## Corporate growth assistance through collaboration with technological advisors

(April 2001 to March 2009)

Number of investment target and borrower enterprises, investment amount	167 ¥13.0 bn	In the field of corporate growth support, since employment of business advisors in April 2001, we have provided consulting services to 422 companies regarding expansion of marketing channels and evaluation of potential of business lines.
Number of business matching deals	55	

## Yamanashi Chugin Management Support Coordination Services,

and corporate customer support through business matching services (April 2005 to March 2009)

Number of companies that have received support (problem-solving) from Yamanashi Chugin Management Support Services	231	The coordination services utilizes a network of contacts linking the Bank with external institutions to offer corporate customers tailored proposals backed up by specialist know-how (Jan. 2006-March 2009)
Number of business matching deals successfully concluded via the Bank's network or Bank-sponsored business meetings	719	Business matching has been achieved by using the Bank's network to provide data on customer companies, as well as business fairs such as the Yamanashi Food Sector Business Matching Fair, the Tokyo Business Summit, etc. (FY2005-2008)

## Achievements in Support for Management Improvement (April 2008 to March 2009)

Debtors (excluding normal borrowers) as of the start of term: A	2,312
Of which, those receiving management improvement support: a	71
Of which, those upgraded their debtor categories as of the term-end: b	6
Of which, those drawing up reconstruction plans: c	48
Percentage receiving management improvement support: (a/A)	3.1%
Percentage upgraded: (b/a)	8.5%
Percentage drawing up reconstruction plans: (c/a)	67.6%



## 1. Customized financial support for corporate customers

### Overview of actions taken

We carefully analyze the business situation of our corporate customers, taking into account such factors as the customer's industrial sector and business scale, and provide management support including information and tailored solutions, customized to match the company's particular circumstances (e.g. start-up support for new ventures, restructuring for companies in trouble but deemed to possess recovery potential).

### Main items

- Enhancing start-up support
- Strengthening ability to offer restructuring advice program
- Improving capabilities in information collection and proposal design
- Strengthening business matching capabilities
- The reinforcement of promotion system for every type of industry
- Enhancing collaboration with subsidiary Yamanashi Chugin Management Support Coordination Services (see note) and outside institutions
- Strengthening our services in start-up and restructuring support fields through collaboration with subsidiary Yamanashi Chugin Management Consulting

Note: Yamanashi Chugin Management Support Coordination Services leverages a network of contacts with outside institutions to introduce customers with management issues to financial institutions with the relevant know-how. It draws up support service packages individually tailored to each customer's requirements, makes proposals, and acts together with the outside institution selected to solve customers' problems.

## 2. Close evaluation of enterprise value as part of credit screening process, and other methods ideal for use with small and medium-sized corporate customers

### Overview of actions taken

We aim to improve our credit screening capabilities. Through close communication with corporate customers, we will be able to more accurately evaluate the enterprise value of potential borrowers. To this end, we are working to nurture qualified personnel.

We are also strengthening our cooperation with various commercial and industrial organizations in the region as a means of widening our lineup of products and services for customer companies and helping them diversify their fund-raising methods.

### Main items

- Expanding our menu of loan products for second-tier corporations and SMEs based on a careful evaluation of their enterprise value
- Expanding our lineup of services for corporate customers
- Improving capabilities in the assessment of enterprise value by training highly specialized staff
- Upgrading systems for corporate banking
- Sophisticating our credit monitoring scheme (see note below)

Note: Regular and continuous communications with corporate customers so as to be ready to promptly provide active management support when needed, and take appropriate measures to secure claims.

## 3. Helping realize a sustainable regional economy through collection and provision of vital information

### Overview of actions taken

By leveraging a variety of networks, the Bank provides support that helps revitalize local industries and increase the competitiveness of local companies. At the same time, as an important regional financial institution, the Bank actively participates in initiatives to devise solutions to problems affecting the regional economy, thereby contributing to the improvement of life for everyone in the communities where it operates.

### Main items

- Helping revitalize local communities
- Participating in regional development projects
- Making contributions to community life
- Strengthening cooperation with local governments
- Providing information via Yamanashi Chugin Management Consulting
- Enhancing consulting capabilities for individual borrowers

## Corporate Banking

### Contributing to regional economic revitalization

In cooperation with external organizations, the Yamanashi Chuo Bank Group works to provide high-quality financial services through the construction of a support system for the founding and start-up phase of new businesses, as well as for business development and revitalization.

In the reporting term, ended March 2009, we continued to enhance funding services for local enterprises in the commercial and industrial sectors, the tourism and service sectors, and the agricultural sector. We also strengthened our capabilities in management consultation to assist the development of venture companies and facilitate lending without an excessive reliance on collateral and guarantors. A number of business matching events, as well as promotional events for agricultural produce and manufactured goods from Yamanashi Prefecture, were successfully held to achieve our goal.

During the term, the Bank held a large number of seminars to provide corporate managements with useful information regarding such matters of current concern as the entry into the agricultural sector, business succession, IT management/portal website utilization, merchandise trading, and national medical system reform/medical services fees.

The Bank has also stepped up cooperation and joint projects with several business support organizations, including the Yamanashi Industrial Support Foundation, various regional chambers of commerce, the Yamanashi branch of TKC (a tax payment support organization), and the Organization for Small & Medium Enterprises and Regional Innovation. At the same time, we have been certified as a “base business for regional power” by the Ministry of Economy, Trade and Industry in recognition of our industrial revitalization and regional development efforts in close coordination with individuals and companies in the region.

We also sponsored the Yamanashi Food Sector Business Matching Fair, and the Regional Banking Food Selection event, held a joint exhibition with our customers at the Tokyo Business Summit and the Supermarket Trade Show. All these events were aimed at expanding customers’ marketing channels to support their business operations.

In June 2008, to provide a smooth flow of funds to small and mediumsized enterprises in Yamanashi Prefecture, we developed

the “Swift 500” lending program for members of Commerce and Industry Associations and Chambers of Commerce through a tie-up with related associations within the prefecture, and with the Yamanashi Prefectural Credit Guarantee Association.

In December 2008, we stepped up support for local entrepreneurs through the new “Yamanashi Chugin Entrepreneur Support Loan-Fine Start” program. This program was launched with the cooperation of the Yamanashi Credit Guarantee Corporation and other business support organizations for the enhancement of regional power in the prefecture, including the Yamanashi Industrial Support Foundation, Society of Commerce & Industry Yamanashi, Yamanashi Prefectural Federation of Small Business Associations, and the Kofu Chamber of Commerce.

As a new support mechanism for corporate banking customers, we initiated our Agriculture Sector Entry Support Service, which was established to contribute to multifaceted business development and regional growth. We also launched our Business Succession Support Service, which provides comprehensive planning and support for business succession.

The balance of loans to small and medium-sized enterprises as of March 31, 2009 decreased ¥35.7 billion from the previous term, to stand at ¥518.7 billion, accounting for 34% of total lending.

The Bank will remain committed to providing support for local companies, which are the mainstay of the regional economy, with integrated financial services designed to meet their diverse requirements.



The fourth Yamanashi Food Sector Business Matching Fair



Yamanashi Food Products Business Promotional Exhibition in Hong Kong 2009

## Consumer Banking

### Commitment to improving loans and customer convenience

During the term we introduced the “retirement plan time deposit” product and new investment trust/insurance products in order to meet the ever-evolving asset management needs of our consumer banking customers. We also sponsored several asset management education seminars for our consumer banking customers. Last year, as one measure in our environmental preservation efforts, we introduced a “green” time deposit, which we continued to offer during the term.

To cater to our customers’ funding needs at certain crucial stages of their lives, we have continued to actively promote our education loan products carrying special interest rates, as well as preferential mortgage loan interest rate plans. At the same time, we introduced supplemental home loan services based on a program from the Regional Bank Home Loan Joint Research Society.

As a result, the balance of loans to individuals at year-end decreased ¥7.6 billion from the previous term, to stand at ¥397.6 billion, accounting for 26% of all loans. The balance of mortgage loans outstanding at term-end stood at ¥369.8 billion, down ¥3.6 billion from the previous term-end.



Seminar for senior citizens on personal asset management

## Western Tokyo Bloc

### Materializing tremendous growth potential

The Bank continued to develop the market in the western part of the Tokyo Metropolitan Area, which we refer to for marketing purposes as the Western Tokyo Bloc.

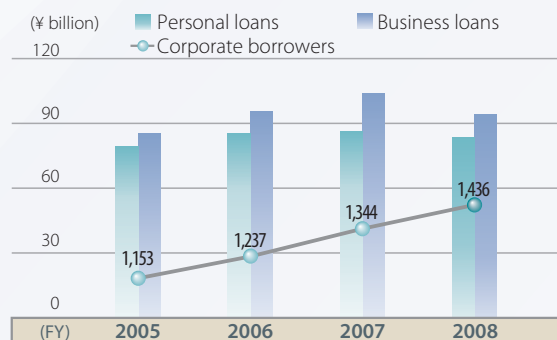
Bordering Yamanashi Prefecture to the east, the western part of Tokyo in which we operate is a large market, home to around 4.1 million people and 127,000 places of business, and has tremendous growth potential.

The Bank’s strategy involves turning this marketing bloc into a significant revenue base during the 21st Century. To this end, we are improving branch management, and developing an efficient marketing system that will allow us to focus on loan promotion. We will also be practicing the weighted allocation of management resources, among other measures, so as to develop our operations in this area and achieve profitability and efficiency greater than in Yamanashi Prefecture.

We opened a branch in the nearby town of Hamura in June 2008. With the new office, we now have 13 branches in the western Tokyo area, and our profile among local residents and companies is rising steadily.

Under the Bank’s current medium-term management plan we aim to grow our business in the Western Tokyo Bloc, targeting increases of ¥4.5 billion in personal loans and ¥37 billion in business loans over the plan period. The global recession negatively impacted our fiscal 2008 performance, with personal loans decreasing by ¥2.9 billion (3.3%) year-on-year to ¥83.5 billion, and business loans experiencing a year-on-year decrease of ¥9.7 billion (9.3%) to ¥94.2 billion. However, the number of separate recipients of business loans increased by 92 from the previous year for a total of 1,436 corporate borrowers now on our books. The loan RAROA (earnings after deduction of credit cost/loans), a prime indicator of profitability, was better than the equivalent for any of the districts of Yamanashi Prefecture, displaying the excellent profitability of our operations in the western Tokyo area.

### Loans and corporate borrowers in Western Tokyo Bloc



\* Local public bodies are included in corporate borrowers

# Financial Review (on a consolidated basis)

## Operating Environment

Looking back on the Japanese economy during fiscal 2008, we saw a worsening of the global recession, which had been triggered by the financial crisis in the United States. After the early autumn, exports and production in Japan recorded a deceleration at a pace never-before experienced. Consumer spending showed marked weakness due to the severe deterioration in employment and personal income conditions, resulting in a further downturn in business.

Financial conditions in Japan underwent major fluctuations during this period. The Nikkei average hit the lowest levels since the bursting of the Japanese economic bubble, while the yen's foreign exchange rates reached their highest levels in 13 years.

The economy of Yamanashi Prefecture, the principal business base of the Bank and its five group companies, inevitably experienced a continued decline in production — particularly in the machine industry — as the domestic economy stagnated. Consumer spending and capital investment remained weak, exerting a drag on demand, and making for a continued tough business environment.

## Overview of Earnings

In addition to increasing interest income, we worked to streamline overall business operations and strengthen earnings capability. We maintained our rigorous asset self-assessment policy, carrying out appropriate bad-debt write-offs and making provision for possible loan losses. At the same time, we strengthened support services for corporate customers, including consultation, and took measures to help corporate borrowers promptly turn around ailing businesses. Despite these efforts, total income (operating income plus extraordinary profit) amounted to ¥60.46 billion, representing a year-on-year decrease of ¥6.749 billion.

Meanwhile, total expenses (operating expenses plus extraordinary losses) amounted to ¥53.128 billion, representing a ¥6.075 billion year-on-year decrease. Consequently net income increased by 35.7% year-on-year, to ¥5.774 billion.

This meant that earnings per share stood at ¥31.31, and the return on equity was 3.7%. The capital ratio rose by 109 basis points from the previous term to stand at 14.20%.

## Overview of Earnings by Segment

The Yamanashi Chuo Bank Group consists of the Yamanashi Chuo Bank and its five consolidated subsidiaries. The Group's business has three segments: banking, leasing, and other business. Other business includes credit-card and venture capital businesses.

Operating income (here and below including inter-segment transactions) in the banking business amounted to ¥53.99 billion, representing a year-on-year decrease of ¥7.27 billion, due mainly to decreases in gain on sale of securities and call loan interest. Operating profit fell ¥2.13 billion year-on-year, amounting to ¥6.45 billion. This decrease was mainly due to loss on sale of government

bonds and increased loss on sale of securities, despite significant decreases in provisions for possible loan losses.

Operating income in the leasing business amounted to ¥6.87 billion, representing a ¥0.57 billion year-on-year increase, while operating profit came in at ¥0.16 billion, a ¥0.44 billion year-on-year increase, due principally to decreases in provisions for possible loan losses.

Operating income in the Other businesses amounted to ¥1.25 billion (¥0.04 billion year-on-year decrease), while operating profit increased by ¥0.06 billion year-on-year, reaching ¥0.07 billion.

## Overview of Principal Accounts

The balance of deposits increased by ¥37.5 billion during the period, amounting to ¥2,299.8 billion at the end of the period. This increase was the result of aggressive marketing aimed at increasing deposits from individual customers and improving lineup of products and services to respond promptly and appropriately to the various asset management needs of our customers.

Total deposits, including negotiable certificates of deposit, increased by ¥33.9 billion during the period, to ¥2,412.2 billion as of the balance-sheet date.

The total of over-the-counter sales of Japanese Government Bonds and investment trusts decreased during the period by ¥9.5 billion, falling to ¥220.4 billion at the term-end.

Despite weak funding demand the balance of loans and bills discounted increased by ¥2.1 billion during the period, to ¥1,532.3 billion at the end of the period. This was attributable primarily to our efforts to promote lending to small and medium-sized enterprises as well as to individual customers, in addition to our active response to funding demand from local government bodies.

The balance of investment securities increased during the period by ¥24.4 billion, amounting to ¥893.4 billion at term-end. This increase was primarily attributable to the Bank's cautious stance on investment in securities through close monitoring of the investment environment and market movements. The Bank continued to underwrite government-guaranteed bonds and municipal bonds.

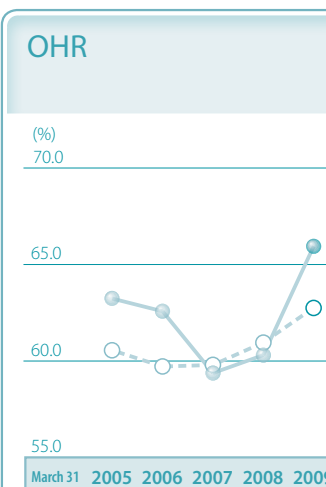
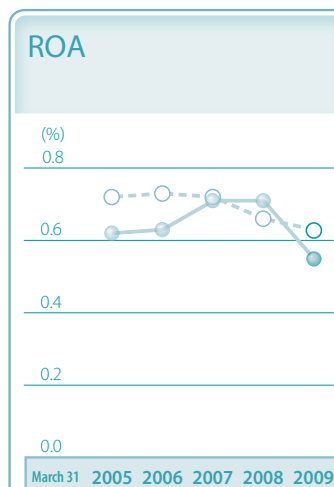
## Cash Flows

Cash and cash equivalents increased ¥69.8 billion year-on-year to ¥129.0 billion.

Net cash provided by operating activities amounted to ¥137.2 billion (compared with a net inflow of ¥29.5 billion in the previous term), mainly due to a decrease of ¥107.6 billion in call loans and an increase of ¥37.5 billion in deposits.

Net cash used in investing activities totaled ¥66.2 billion (compared with a net outflow of ¥21.5 billion in the previous term); ¥200.5 billion was used for the purchase of investment securities, while sales and redemptions of investment securities amounted to ¥139.1 billion.

Net cash used in financing activities amounted to ¥1.1 billion owing primarily to the payment of dividends (compared with a net outflow of ¥1.1 billion in the previous term).



ROA = Core net business profit / (Average Balance of Total Assets - Average Balance of Customers' Liabilities for Acceptances & Guarantees)  
 Capital Ratio = On a consolidated basis, domestic standard  
 OHR = Operating expenses / Core Gross Business Profit

Note: All except for the capital ratio are on a non-consolidated basis.

● Yamanashi Chuo Bank  
 ○ Average for Japanese regional banks

# Consolidated Balance Sheets

The Yamanashi Chuo Bank, Ltd. and Consolidated Subsidiaries  
As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Assets:</b>			
Cash and due from banks (Note 3)	¥ 129,280	¥ 59,362	\$ 1,316,099
Call loans and bills bought	2,017	104,011	20,541
Monetary claims bought (Note 5)	9,382	15,032	95,518
Trading securities (Note 4)	92	21	939
Investment securities (Notes 5 and 10)	893,464	869,038	9,095,634
Loans and bills discounted (Notes 6 and 7)	1,532,315	1,530,135	15,599,265
Foreign exchanges (Note 6)	361	465	3,681
Other assets (Note 10)	22,277	26,894	226,793
Premises and equipment (Note 8)	27,995	26,757	285,004
Intangible fixed assets (Note 9)	2,743	1,243	27,932
Deferred tax assets (Note 16)	9,226	832	93,924
Customers' liabilities for acceptances and guarantees (Note 11)	9,883	11,128	100,613
Allowance for possible loan losses	(33,509)	(42,621)	(341,131)
<b>Total</b>	<b>¥2,605,532</b>	<b>¥2,602,302</b>	<b>\$26,524,817</b>
<b>Liabilities:</b>			
Deposits (Notes 10 and 12)	¥2,299,839	¥2,262,247	\$23,412,797
Negotiable certificates of deposit	112,456	116,077	1,144,832
Call money and bills sold (Note 10)	11,591	11,882	118,000
Borrowed money (Notes 10 and 13)	901	1,491	9,178
Foreign exchanges	98	139	999
Other liabilities	15,683	29,128	159,663
Accrued bonuses to directors and corporate auditors	22	25	225
Reserve for employees' retirement benefits (Note 14)	7,141	7,174	72,703
Reserve for directors' and corporate auditors' retirement benefits	616	539	6,276
Reserve for reimbursement of deposits	355	149	3,621
Reserve for contingent losses	220	108	2,241
Deferred tax liabilities (Note 16)		409	
Acceptances and guarantees (Note 11)	9,883	11,128	100,613
Total liabilities	2,458,810	2,440,502	25,031,153
<b>Equity (Note 15):</b>			
Common stock—authorized, 398,000,000 shares; issued, 189,915,000 shares in 2009 and 2008	15,400	15,400	156,774
Capital surplus	8,307	8,294	84,567
Retained earnings (Note 22)	119,660	114,900	1,218,164
Unrealized gain on available-for-sale securities (Note 5)	5,402	25,112	55,000
Deferred loss on derivatives under hedge accounting			(2)
Treasury stock—at cost, 5,615,858 shares in 2009 and 5,450,669 shares in 2008	(2,497)	(2,397)	(25,422)
Total	146,272	161,308	1,489,081
Minority interests	450	490	4,582
Total equity	146,722	161,799	1,493,663
<b>Total</b>	<b>¥2,605,532</b>	<b>¥2,602,302</b>	<b>\$26,524,817</b>

See notes to consolidated financial statements.

# Consolidated Statements of Income

The Yamanashi Chuo Bank, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Income:</b>			
Interest income:			
Interest on loans and discounts	¥31,406	¥31,734	\$319,728
Interest and dividends on securities	11,886	12,221	121,004
Interest on call loans and bills bought	735	3,258	7,482
Other interest income	136	161	1,391
Fees and commissions	7,386	8,160	75,190
Other operating income	6,944	6,365	70,694
Other income (Note 17)	1,964	5,306	20,002
Total income	60,460	67,209	615,496
<b>Expenses:</b>			
Interest expense:			
Interest on deposits	5,389	5,237	54,871
Interest on negotiable certificates of deposit	541	562	5,514
Interest on call money and bills sold	292	533	2,977
Other interest expense	431	2,542	4,392
Fees and commissions	1,706	1,774	17,368
Other operating expenses	10,002	5,549	101,828
General and administrative expenses	28,578	27,204	290,936
Other expenses (Note 18)	6,185	15,799	62,970
Total expenses	53,128	59,203	540,859
<b>Income before income taxes and minority interests</b>	<b>7,331</b>	<b>8,005</b>	<b>74,637</b>
<b>Income taxes</b> (Note 16):			
Current	260	6,558	2,651
Deferred	1,323	(2,703)	13,471
Total income taxes	1,583	3,855	16,123
<b>Minority interests in net loss</b>	<b>(26)</b>	<b>(101)</b>	<b>(272)</b>
<b>Net income</b>	<b>¥ 5,774</b>	<b>¥ 4,252</b>	<b>\$ 58,786</b>

	Yen	U.S. dollars
<b>Per share of common stock</b> (Note 2. r):		
Basic net income	¥31.31	\$23.04
Cash dividends applicable to the year	6.00	0.06

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

The Yamanashi Chuo Bank, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Thousands	Millions of yen		
	Issued number of shares of common stock	Common stock	Capital surplus	Retained earnings
<b>Balance, March 31, 2007</b>	189,915	¥15,400	¥8,291	¥111,754
Net income				4,252
Cash dividends, ¥6.00 per share				(1,107)
Purchase of treasury stock (72,792 shares)				
Disposal of treasury stock (12,070 shares)			2	
Net change in the year				
<b>Balance, March 31, 2008</b>	189,915	15,400	8,294	114,900
Net income				<b>5,774</b>
Cash dividends, ¥5.5 per share				<b>(1,014)</b>
Purchase of treasury stock (335,957 shares)				
Disposal of treasury stock (170,768 shares)			<b>12</b>	
Net change in the year				
<b>Balance, March 31, 2009</b>	<b>189,915</b>	<b>¥15,400</b>	<b>¥8,307</b>	<b>¥119,660</b>

	Millions of yen					
	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Treasury stock	Total	Minority interests	Total equity
<b>Balance, March 31, 2007</b>	¥51,121	¥5	¥(2,352)	¥184,220	¥615	¥184,836
Net income				4,252		4,252
Cash dividends, ¥6.00 per share				(1,107)		(1,107)
Purchase of treasury stock (72,792 shares)			(50)	(50)		(50)
Disposal of treasury stock (12,070 shares)			5	8		8
Net change in the year	(26,008)	(5)		(26,014)	(125)	(26,140)
<b>Balance, March 31, 2008</b>	25,112		(2,397)	161,308	490	161,799
Net income				<b>5,774</b>		<b>5,774</b>
Cash dividends, ¥5.5 per share				<b>(1,014)</b>		<b>(1,014)</b>
Purchase of treasury stock (335,957 shares)			<b>(175)</b>	<b>(175)</b>		<b>(175)</b>
Disposal of treasury stock (170,768 shares)			<b>75</b>	<b>88</b>		<b>88</b>
Net change in the year	<b>(19,709)</b>			<b>(19,709)</b>	<b>(40)</b>	<b>(19,749)</b>
<b>Balance, March 31, 2009</b>	<b>¥ 5,402</b>		<b>¥(2,497)</b>	<b>¥146,272</b>	<b>¥450</b>	<b>¥146,722</b>

See notes to consolidated financial statements.

(Continued)

# Consolidated Statements of Changes in Equity (continued from the previous page)

The Yamanashi Chuo Bank, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Thousands of U.S. dollars (Note 1)		
	Common stock	Capital surplus	Retained earnings
<b>Balance, March 31, 2008</b>	\$156,774	\$84,437	\$1,169,704
Net income			<b>58,786</b>
Cash dividends, \$0.05 per share			<b>(10,327)</b>
Purchase of treasury stock (335,957 shares)			
Disposal of treasury stock (170,768 shares)		<b>129</b>	
Net change in the year			
<b>Balance, March 31, 2009</b>	<b>\$156,774</b>	<b>\$84,567</b>	<b>\$1,218,164</b>

	Thousands of U.S. dollars (Note 1)					
	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Treasury stock	Total	Minority interests	Total equity
<b>Balance, March 31, 2008</b>	\$255,648	\$(7)	\$(24,406)	\$1,642,152	\$4,993	\$1,647,146
Net income				<b>58,786</b>		<b>58,786</b>
Cash dividends, \$0.05 per share				<b>(10,327)</b>		<b>(10,327)</b>
Purchase of treasury stock (335,957 shares)			<b>(1,786)</b>	<b>(1,786)</b>		<b>(1,786)</b>
Disposal of treasury stock (170,768 shares)			<b>769</b>	<b>899</b>		<b>899</b>
Net change in the year	<b>(200,647)</b>	<b>4</b>		<b>(200,643)</b>	<b>(411)</b>	<b>(201,055)</b>
<b>Balance, March 31, 2009</b>	<b>\$ 55,000</b>	<b>\$(2)</b>	<b>\$(25,422)</b>	<b>\$1,489,081</b>	<b>\$4,582</b>	<b>\$1,493,663</b>

See notes to consolidated financial statements.



# Consolidated Statements of Cash Flows

The Yamanashi Chuo Bank, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Operating activities:</b>			
Income before income taxes and minority interests	¥ 7,331	¥ 8,005	\$ 74,637
Adjustments for:			
Income taxes paid	(5,700)	(6,240)	(58,029)
Depreciation and amortization	2,156	5,606	21,952
Loss on impairment of long-lived assets	4	78	45
(Decrease) increase in allowance for possible loan losses	(9,112)	11,619	(92,763)
Decrease in accrued bonuses to directors and corporate auditors	(2)	(14)	(30)
Decrease in reserve for employees' retirement benefits	(33)	(338)	(336)
Increase (decrease) in reserve for directors' and corporate auditors' retirement benefits	76	(94)	782
Increase in reserve for reimbursement of deposits	206	149	2,098
Increase in reserve for contingent losses	111	108	1,132
Interest income recognized on consolidated statements of income	(44,165)	(47,376)	(449,608)
Interest expense recognized on consolidated statements of income	6,655	8,875	67,756
Investment securities losses (gains)	6,504	(4,710)	66,217
Foreign exchange losses—net	271	1,791	2,761
Losses on disposal of premises and equipment	166	155	1,691
Net increase in loans	(2,180)	(23,583)	(22,201)
Net increase in deposits	37,591	62,007	382,685
Net decrease in negotiable certificates of deposit	(3,620)	(19,485)	(36,861)
Net (decrease) increase in borrowed money	(589)	315	(6,000)
Net increase in due from banks (excluding cash equivalents)	(41)	(10)	(420)
Net decrease (increase) in call loans and others	107,643	(4,989)	1,095,832
Net decrease in call money and others	(291)	(937)	(2,966)
Net decrease (increase) in foreign exchanges (assets)	104	(125)	1,061
Net (decrease) increase in foreign exchanges (liabilities)	(41)	34	(425)
Interest income (cash basis)	44,385	48,479	451,853
Interest expense (cash basis)	(6,337)	(7,944)	(64,517)
Other—net	(3,843)	(1,812)	(39,126)
Total adjustments	129,917	21,559	1,322,581
Net cash provided by operating activities	137,248	29,565	1,397,219
<b>Investing activities:</b>			
Purchases of investment securities	(200,580)	(186,644)	(2,041,951)
Proceeds from sales of investment securities	61,730	34,328	628,425
Proceeds from redemption of investment securities	77,453	133,300	788,490
Purchases of premises and equipment	(3,514)	(1,998)	(35,779)
Proceeds from sales of premises and equipment			
Purchases of intangible fixed assets	(1,342)	(570)	(13,664)
Proceeds from sales of intangible fixed assets	1		10
Net cash used in investing activities	(66,253)	(21,584)	(674,468)
<b>Financing activities:</b>			
Dividends paid	(1,014)	(1,107)	(10,327)
Payment of dividends to minority interests	(1)	(1)	(14)
Repurchases of treasury stock	(175)	(50)	(1,786)
Proceeds from sales of treasury stock	88	8	899
Net cash used in financing activities	(1,102)	(1,151)	(11,228)
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	<b>(16)</b>	<b>(5)</b>	<b>(165)</b>
<b>Net increase in cash and cash equivalents</b>	<b>69,876</b>	<b>6,824</b>	<b>711,356</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>59,142</b>	<b>52,317</b>	<b>602,077</b>
<b>Cash and cash equivalents, end of year (Note 3)</b>	<b>¥129,018</b>	<b>¥ 59,142</b>	<b>\$1,313,433</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

The Yamanashi Chuo Bank, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

## 1. Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of The Yamanashi Chuo Bank, Ltd. (the "Bank") and consolidated subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Banking Law of Japan, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. In addition, certain reclassifications made in the 2008 financial statements to conform to the classifications used in 2009.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98.23 to \$1, the exchange rate prevailing on March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts less than one million Japanese yen and one thousand U.S. dollars, except for per share information, have been truncated. As a result, the total may not be equal to the total of individual amounts.

## 2. Summary of significant accounting policies

### a. Consolidation

The consolidated financial statements included the accounts of the Bank and its five significant subsidiaries in 2009 and 2008.

Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, unless the companies have an immaterial effect on the accompanying consolidated financial statements.

On September 9, 2006, the Accounting Standards Board of Japan ("ASBJ") issued Practical Issues Task Force No.20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations." The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, Tokumei-Kumiai and other entities with similar characteristics. The Bank applies this task force and a collective investment vehicle is added to the subsidiaries in accordance with this task force in 2009 and 2008. However, this vehicle is not consolidated and the investment in this vehicle is not accounted for by the equity method due to its immateriality.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

### b. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

### c. Trading and investment securities

All applicable securities are classified and accounted for, depending on management's intent, as follows:

(1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity are reported at amortized cost, and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. The cost of securities sold is determined based on the moving-average method.

### d. Premises and equipment (excluding leased assets)

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of premises and equipment is primarily computed by the declining-balance method at rates based on the estimated useful lives of the assets while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 3 to 50 years for buildings and from 2 to 20 years for equipment.

### e. Intangible fixed assets (excluding leased assets)

Intangible fixed assets are amortized by straight-line method over the estimated useful lives.

### f. Leased assets

Leased assets employed in leasing transactions that are not deemed to transfer ownership of the leased assets to the lessee – both premises and equipment and intangible fixed assets – are depreciated by the straight-line method over the lease period. Residual value of those leased assets is zero unless any guaranteed amount is prescribed in the lease agreement.

### g. Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

### h. Foreign currency items

Foreign currency assets and liabilities are translated into yen at the exchange rates prevailing at the balance sheet date.

### i. Derivative and hedging activities

Derivative transactions are measured at fair value.

The Bank applies the deferred method of accounting to hedges of foreign exchange risks arising from foreign currency denominated monetary assets and liabilities in accordance with "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transaction in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

In deferred hedging activities, exchange swap transactions and similar transactions hedging the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies are assessed based on a comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

### j. Allowance for possible loan losses

The allowance for possible loan losses is stated in amounts considered to be appropriate based on management's judgment and an assessment of future losses estimated through the Bank's self assessment of the quality of all loans.

The Bank has a credit rating system and a self assessment system. These systems are used to assess the Bank's asset quality based on past experience of credit losses, possible credit losses, analysis of customers' conditions, such as business conditions, character and quality and the overall performance of the portfolio. All loans are subject to asset quality assessment conducted by the business-related divisions in accordance with the Self-Assessment Standards, and the results of the assessments are reviewed by the Asset Audit Division, which is independent from the business-related divisions, before the allowance amount is finally determined. All loans are classified into one of the five categories for self assessment purposes, "normal," "caution," "possible bankruptcy," "virtual bankruptcy" or "legal bankruptcy."

The allowance for possible loan losses is calculated based on the actual past loss ratio for "normal" and "caution" categories, and the fair value of the collateral for collateral-dependent loans and other factors, including the value of future cash flows for other self assessment categories.

The policy for the allowance for possible loan losses of consolidated subsidiaries is similar to the Bank's.

### k. Accrued bonuses to directors and corporate auditors

Accrued bonuses to directors and corporate auditors are provided in the amount of the estimated bonuses which are attributable to each fiscal year.

#### I. Retirement and pension plans

The Group has a non-contributory defined benefit pension plan and a lump-sum severance indemnity plan. Employees whose services with the Group are terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs.

The Group accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

#### m. Reserve for directors' and corporate auditors' retirement benefits

A reserve for directors' and corporate auditors' retirement benefits is provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

#### n. Reserve for reimbursement of deposits

Provision is made for possible losses on the future claims of withdrawal of deposits which were derecognized as liabilities under certain conditions in an amount deemed necessary based on the historical reimbursement experience.

#### o. Reserve for contingent losses

Reserve for contingent losses, which is provided for possible losses from contingent events, is calculated by estimation of the impact of these contingent events.

#### p. Lease transactions

**Lessor**—On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee should be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as lease investment assets.

The Bank applied the revised accounting standard effective April 1, 2008.

Revenues and cost of revenues are recognized when lease payments are made.

With regard to finance leases in which there is no transfer of ownership for which contracts were entered prior to April 1, 2008, the value of the leased assets in the amount recognized at the previous term-end minus accumulated depreciation is employed for the value of lease investment assets at the beginning of the reporting period.

The effect of this change on the Bank's consolidated balance sheets and consolidated statements of income is immaterial.

#### q. Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

#### r. Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The weighted-average number of common shares in the computation was 184,387 thousand shares for 2009 and 184,494 thousand shares for 2008.

Diluted net income per share is not disclosed because there are no outstanding potentially dilutive securities.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

#### s. New accounting pronouncements

**Asset retirement obligations**—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

### 3. Cash and cash equivalents

The reconciliation of the cash and due from banks in the consolidated balance sheets and the cash and cash equivalents at March 31, 2009 and 2008, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and due from banks	¥129,280	¥59,362	\$1,316,099
Due from banks, excluding due from Bank of Japan	(261)	(220)	(2,665)
Cash and cash equivalents	¥129,018	¥59,142	\$1,313,433

### 4. Trading securities

Trading securities at March 31, 2009 and 2008, consisted of national government bonds.

The fair values of trading securities at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Fair value of trading securities	¥92	¥21	\$939
Fair value loss included in income before income taxes and minority interests			

### 5. Investment securities

Investment securities at March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Japanese government bonds	¥346,392	¥369,174	\$3,526,346
Japanese municipal bonds	161,743	163,035	1,646,575
Japanese corporate bonds	288,745	183,200	2,939,486
Japanese stocks	53,226	74,996	541,856
Other securities	43,355	78,631	441,370
Total	¥893,464	¥869,038	\$9,095,634

The amount of guarantee obligations for privately-placed bonds (Item 3 of Article 2 of the Financial Instruments and Exchange Act), included in investment securities as of March 31, 2009 and 2008, were ¥4,314 million (\$43,917 thousand) and ¥5,390 million, respectively.

Differences between the carrying amount or the cost and fair value of investment securities at March 31, 2009 and 2008, were as follows. (Securities listed below include commercial paper which are included in "Monetary claims bought.")

#### Marketable held-to-maturity debt securities

	Millions of yen										Thousands of U.S. dollars				
	2009					2008					2009				
	Carrying amount	Fair value	Differences	Unrealized gain	Unrealized loss	Carrying amount	Fair value	Differences	Unrealized gain	Unrealized loss	Carrying amount	Fair value	Differences	Unrealized gain	Unrealized loss
Other securities						¥996	¥996								

#### Marketable available-for-sale securities

	Millions of yen									
	2009					2008				
	Cost	Fair value	Valuation differences	Unrealized gain	Unrealized loss	Cost	Fair value	Valuation differences	Unrealized gain	Unrealized loss
Japanese stocks	¥ 48,235	¥ 52,860	¥4,624	¥ 7,927	¥ 3,302	¥ 48,530	¥ 74,657	¥26,127	¥27,696	¥1,569
Bonds total	785,910	792,467	6,557	9,292	2,735	700,811	709,919	9,108	11,497	2,388
Japanese government bonds	343,940	346,392	2,452	4,842	2,389	365,427	369,174	3,747	5,960	2,212
Japanese municipal bonds	160,297	161,743	1,445	1,476	30	160,375	163,035	2,659	2,707	47
Japanese corporate bonds	281,672	284,331	2,658	2,973	314	175,008	177,710	2,701	2,830	128
Other	46,173	43,210	(2,962)	1,279	4,241	75,633	78,466	2,833	5,529	2,696
Total	¥880,318	¥888,538	¥8,219	¥18,499	¥10,279	¥824,975	¥863,044	¥38,068	¥44,723	¥6,654

	Thousands of U.S. dollars				
	2009				
	Cost	Fair value	Valuation differences	Unrealized gain	Unrealized loss
Japanese stocks	\$ 491,043	\$ 538,126	\$47,083	\$ 80,704	\$33,621
Bonds total	8,000,717	8,067,472	66,754	94,600	27,845
Japanese government bonds	3,501,379	3,526,346	24,966	49,295	24,329
Japanese municipal bonds	1,631,856	1,646,575	14,719	15,031	312
Japanese corporate bonds	2,867,481	2,894,550	27,068	30,273	3,204
Other	470,050	439,892	(30,157)	13,022	43,179
Total	\$8,961,811	\$9,045,491	\$83,680	\$188,327	\$104,647

#### Held-to-maturity debt securities sold

During the fiscal years ended March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cost of securities		¥1,000	
Proceeds from sales		1,000	
Gross realized gain			

The above securities were sold due to redemption by the issuer.

#### Available-for-sale securities sold

During the fiscal years ended March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Proceeds from sale	¥48,878	¥26,253	\$497,593
Gross realized gain	2,381	5,656	24,246
Gross realized loss	2,111	561	21,494

#### Securities whose fair value is not readily determinable

Principal items in securities whose fair value is not readily determinable at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Held-to-maturity debt securities— Unlisted Japanese corporate bonds	¥4,314	¥5,390	\$43,917
Available-for-sale securities: Unlisted Japanese stocks	366	339	3,729
Unlisted Japanese corporate bonds	100	100	1,018
Investment in capital of limited liability partnership	144	164	1,471

#### Redemption schedules of bonds held

The redemption schedules of bonds classified as securities available-for-sale and held-to-maturity at March 31, 2009 and 2008, were as follows:

	Millions of yen								Thousands of U.S. dollars			
	2009				2008				2009			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years	1 year or less	1 to 5 years	5 to 10 years	Over 10 years	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Bonds	¥86,200	¥370,429	¥321,211	¥19,040	¥71,643	¥367,080	¥238,229	¥38,456	\$877,537	\$3,771,045	\$3,269,994	\$193,830
Japanese government bonds	43,643	189,633	94,075	19,040	24,429	207,157	99,130	38,456	444,297	1,930,508	957,709	193,830
Japanese municipal bonds	25,277	68,505	67,960		30,134	69,188	63,711		257,328	697,399	691,847	
Japanese corporate bonds	17,279	112,290	159,175		17,078	90,733	75,387		175,911	1,143,136	1,620,437	
Other			15,584		2,991		15,895				158,649	
Total	¥86,200	¥370,429	¥336,795	¥19,040	¥74,634	¥367,080	¥254,125	¥38,456	\$877,537	\$3,771,045	\$3,428,644	\$193,830

Investment in unconsolidated subsidiary totaled ¥144 million (\$1,471 thousand) and ¥164 million as of March 31, 2009 and 2008, respectively.

## Details of net gain

The details of the net unrealized gain on available-for-sale securities at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Valuation difference (amount in the balance sheet—cost)—available-for-sale securities	<b>¥8,219</b>	¥38,068	<b>\$83,680</b>
Deferred tax liability	<b>(2,823)</b>	(12,950)	<b>(28,746)</b>
Net unrealized gain (before minority interests)	<b>5,396</b>	25,118	<b>54,934</b>
Minority interests	<b>6</b>	(5)	<b>66</b>
Net unrealized gain	<b>¥5,402</b>	¥25,112	<b>\$55,000</b>

## 6. Loans and bills discounted

Loans and bills discounted at March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Bills discounted	<b>¥ 10,600</b>	¥ 14,080	<b>\$ 107,913</b>
Loans on bills	<b>75,425</b>	70,965	<b>767,848</b>
Loans on deeds	<b>1,287,557</b>	1,293,562	<b>13,107,579</b>
Overdraft	<b>158,732</b>	151,527	<b>1,615,923</b>
Total	<b>¥1,532,315</b>	¥1,530,135	<b>\$15,599,265</b>

Loans and bills discounted at March 31, 2009 and 2008, included the following balances:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans to customers in bankruptcy	<b>¥12,302</b>	¥11,320	<b>\$125,238</b>
Past due loans	<b>52,038</b>	65,515	<b>529,757</b>
Accruing loans contractually past due three months or more	<b>382</b>	153	<b>3,897</b>
Restructured loans	<b>2,795</b>	7,215	<b>28,458</b>
Total	<b>¥67,518</b>	¥84,205	<b>\$687,353</b>

Loans to customers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporation Tax Law, and past due loans are defined as nonaccrual loans except for loans to customers in bankruptcy and loans of which the interest payments are deferred in order to assist in the financial recovery of a debtor in financial difficulties.

Accruing loans contractually past due three months or more, are loans on which the principal or interest is three months or more past due.

Restructured loans are loans for which the Bank is relaxing lending conditions, such as: reduction of the original interest rate, deferral of interest payment, extension of maturity date, or reduction of the amount of the debt or accrued interest.

The allowance for possible loan losses has not been deducted from the loan amounts shown above.

Bills discounted are accounted for as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge commercial bills discounted and foreign exchanges bought without restrictions, and their face amounts were ¥10,607 million (\$107,984 thousand) and ¥14,089 million at March 31, 2009 and 2008, respectively.

Loan participation agreements, under which the Bank has acquired the economic benefits and risks of the underlying loans from the original lender, were ¥2,000 million at March 31, 2008.

## 7. Loan commitments

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, up to the prescribed amount, as long as there is no violation of any condition established in the contract. The amount of unused commitments as of March 31, 2009 was ¥365,315 million (\$3,718,979 thousand) which includes commitments of ¥350,540 million (\$3,568,565 thousand) whose original contract terms were within one year or unconditionally cancelable at any time. The corresponding figures for March 31, 2008 were ¥398,901 million and ¥385,922 million.

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that allow the Bank to withdraw the commitment line offer or reduce the contract amounts in situations where economic conditions are changed, the Bank needs to secure claims, or other conditions are triggered. In addition, the Bank requires the customers to pledge collateral such as premises and securities, and takes necessary measures such as seizing the customers' financial positions, revising contracts when the need arises and securing claims after conclusion of the contracts.

## 8. Premises and equipment

Premises and equipment as of March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Land	<b>¥13,441</b>	¥13,247	<b>\$136,835</b>
Buildings	<b>8,966</b>	9,126	<b>91,280</b>
Leased assets	<b>589</b>		<b>6,000</b>
Construction in progress	<b>726</b>	209	<b>7,396</b>
Other	<b>4,272</b>	4,174	<b>43,491</b>
Total	<b>¥27,995</b>	¥26,757	<b>\$285,004</b>

Accumulated depreciation at March 31, 2009 and 2008, amounted to ¥32,343 million (\$329,264 thousand) and ¥31,556 million, respectively.

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. Premises and equipment were stated at cost less deferred gains of ¥1,073 million (\$10,932 thousand) at March 31, 2009 and 2008.

The Group reviewed its long-lived assets for impairment and recognized an impairment loss as other expense for certain unused premises due to a decrease of those net selling prices at disposition, and the carrying amount of the premises was written down to the recoverable amount. For the years ended March 31, 2009 and 2008, impairment losses were ¥4 million (\$4 thousand) and ¥78 million, respectively.

## 9. Intangible fixed assets

Intangible fixed assets as of March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Software	<b>¥ 256</b>	¥ 253	<b>\$ 2,606</b>
Software in progress	<b>1,893</b>	445	<b>19,273</b>
Leased assets	<b>52</b>		<b>535</b>
Other	<b>541</b>	544	<b>5,517</b>
Total	<b>¥2,743</b>	¥1,243	<b>\$27,932</b>

## 10. Assets pledged

Assets pledged as collateral at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Investment securities	¥15,262	¥294	\$155,380
Other assets (cash)	38		387

Liabilities related to the above pledged assets at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deposits	¥ 945	¥12,041	\$ 9,623
Call money and bills sold	11,591		118,000
Borrowed money	50	50	509

Investment securities totaling ¥156,340 million (\$1,591,571 thousand) and ¥128,821 million as of March 31, 2009 and 2008, respectively, and other assets totaling ¥5 million (\$57 thousand) and ¥16 million as of March 31, 2009 and 2008, respectively, were pledged as collateral for settlement of exchange and derivative transactions, or as margin on forward contracts.

Lease contract assets (total sum of lease investment assets included in Other assets and interest receivables on lease investment assets) for remaining lease periods, which were pledged as collateral for borrowed money of ¥691 million (\$7,040 thousand) and ¥941 million, were ¥1,187 million (\$12,085 thousand) and ¥1,563 million as of March 31, 2009 and 2008, respectively.

## 11. Customers' liabilities for acceptances and guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" are shown on the asset side representing the Bank's right of indemnity from the applicants.

## 12. Deposits

Deposits at March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current deposits	¥ 64,444	¥ 65,173	\$ 656,058
Ordinary deposits	1,103,809	1,085,263	11,236,985
Saving deposits	24,413	25,624	248,534
Deposits at notice	4,843	5,171	49,306
Time deposits	1,051,168	1,010,319	10,701,090
Other	51,160	70,694	520,821
Total	¥2,299,839	¥2,262,247	\$23,412,797

## 13. Borrowed money and lease obligations

The average interest rates on borrowed money for the periods ended March 31, 2009 and March 31, 2008 were 1.66% and 1.68%, respectively. These rates are the weighted average of interest rates on borrowed money outstanding as March 31, 2009 and 2008.

The average interest rate on lease obligations outstanding as of March 31, 2009 was 4.91%.

Annual maturities of borrowed money and lease obligations as of March 31, 2009 for the next five years were as follows:

Year Ending March 31	Borrowed money		Lease obligations	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2010	¥262	\$2,675	¥350	\$3,570
2011	368	3,746	267	2,725
2012	155	1,578	53	547
2013	93	947	3	34
2014	14	145	1	17

## 14. Employees' retirement benefits

The Group has a non-contributory defined benefit pension plan and a lump-sum severance indemnity plan. Employees whose services with the Group are terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs.

Reserve for employees' retirement benefits at March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥(21,158)	¥(21,052)	\$(215,399)
Fair value of plan assets	11,155	14,368	113,567
Funded status	(10,002)	(6,684)	(101,832)
Unrecognized actuarial loss	5,697	2,766	58,006
Unrecognized prior service cost	(456)	(527)	(4,650)
Net liability	(4,761)	(4,445)	(48,476)
Prepaid pension cost	2,379	2,729	24,227
Liability for retirement benefits	¥ (7,141)	¥ (7,174)	\$ (72,703)

The components of net periodic retirement benefit costs for the years ended March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥ 694	¥697	\$ 7,071
Interest cost	421	424	4,286
Expected return on plan assets	(218)	(251)	(2,219)
Amortization of actuarial loss	439	97	4,470
Amortization of prior service cost	(71)	(71)	(724)
Net periodic retirement benefit costs	¥1,265	¥897	\$12,884

Assumptions used for the years ended March 31, 2009 and 2008, are set forth as follows:

	2009	2008
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization period of prior service cost	10 years	10 years
Amortization period of actuarial gain/loss	10 years commencing from start of the subsequent fiscal year	10 years commencing from start of the subsequent fiscal year

## 15. Equity

Since May 1, 2006, Japanese banks have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act and the Banking Law of Japan that affect financial and accounting matters are summarized below:

### a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law of Japan provide certain limitations on the amounts available for dividends or the purchase of treasury stock.

#### b. Increases/decreases and transfer of common stock, reserve and surplus

The Banking Law of Japan requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 100% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

#### c. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are now presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

### 16. Income taxes

The Bank and consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.2% for the years ended March 31, 2009 and 2008. The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Allowance for possible loan losses	¥11,140	¥15,275	\$113,415
Losses on investment securities	4,028	3,672	41,014
Reserve for retirement benefits	3,953	3,802	40,245
Tax loss carryforwards	833		8,485
Depreciation	507	569	5,167
Other	3,699	3,108	37,666
Valuation allowance	(10,434)	(11,487)	(106,222)
Total deferred tax assets	13,729	14,941	139,772
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(2,823)	(12,950)	(28,746)
Other	(1,679)	(1,568)	(17,101)
Total deferred tax liabilities	(4,503)	(14,518)	(45,847)
Net deferred tax assets	¥ 9,226	¥ 422	\$ 93,924

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2009 and 2008 is as follows:

	2009	2008
Normal effective statutory tax rate	40.2%	40.2%
Valuation allowance	(16.3)	10.5
Income not taxable for income tax purposes	(3.7)	(3.3)
Expenses not deductible for income tax purposes	0.5	0.4
Other—net	0.9	0.3
Actual effective tax rate	21.6%	48.1%

### 17. Other income

Other income for the years ended March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Gain on sales of securities	¥1,406	¥4,804	\$14,317
Other	558	502	5,685
Total	¥1,964	¥5,306	\$20,002

### 18. Other expenses

Other expenses for the years ended March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Provision of allowance for possible loan losses	¥ 39	¥14,539	\$ 406
Loss on sales of claims	185	134	1,893
Net periodic retirement benefit costs	367	25	3,746
Loss on devaluation of stocks	3,711	404	37,788
Loss on sales of stocks	393		4,005
Loss on disposal of premises and equipment	166	155	1,691
Loss on impairment of long-lived assets	4	78	45
Loss on devaluation of claims	60	72	619
Other	1,254	388	12,773
Total	¥6,185	¥15,799	\$62,970

### 19. Lease transactions

#### Lessee

Finance leases that are not deemed to transfer ownership of the leased property to the lessee

##### (a) Details of lease assets

Premises and equipment—Principally office equipment  
Intangible fixed assets—Software

##### (b) Method of depreciation of leased assets

Leased assets are depreciated in accordance with the stipulations of 2. summary of significant accounting policies described in the Notes to Consolidated Financial Statements.

#### Lessor

##### (a) Details of lease investment assets for finance leases following:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Lease receivables	¥11,297	\$115,013
Estimated residual value		
Value of interest received	(1,317)	(13,416)
Lease investment assets	¥ 9,979	\$101,596

##### (b) Expected amount for the collection of lease receivables for finance leases following:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
1 year or less	¥ 3,786	\$ 38,543
1 to 2 years	3,008	30,627
2 to 3 years	2,202	22,423
3 to 4 years	1,371	13,958
4 to 5 years	581	5,922
Over 5 years	347	3,537
Total	¥11,297	\$115,013

## 20. Derivatives

### Nature of derivatives

The Bank uses derivative financial instruments, including interest rate swaps, foreign exchange forward contracts, interest rate futures, bond futures and options.

### The Bank's policy for using derivatives

The Bank uses derivatives carefully to respond to its client's diverse needs and to hedge against market risks, such as interest rate and foreign exchange rate fluctuations.

For certain derivative transactions, the Bank uses trading transactions within the contract limits which the Bank stipulates. The Bank does not enter into derivative transactions for speculative purposes.

### Purpose of derivatives

Derivative transactions are used on the basis of the Bank's policy for using derivatives indicated above.

Hedge accounting is applied to certain derivative transactions.

#### (a) Accounting for hedge activities

The deferral method was adopted for hedging activities.

#### (b) Hedging policy

In accordance with the internal rules of the Bank that comply with the "accounting standards for derivative financial instruments" and other regulations, risk from fluctuations in currency exchange rates is hedged. Hedged items and hedging instruments to which hedge accounting was applied for the fiscal year under review are as follows:

Hedged items:

Foreign-currency denominated assets—Loans, call loans

Hedging instruments:

Foreign currency swap

#### (c) Assessment of the effectiveness of hedging instruments

Effectiveness is assessed by comparisons of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

### Risk associated with derivatives

The major risks associated with derivative financial instruments are credit risk and market risk. Credit risk is the possible loss that may result from a counterparty's failure to perform according to the terms and conditions of the contract. To reduce credit risk, the Bank restricts the counterparties through internal regulation. Market risk is the possible loss that may result from market fluctuations such as interest rates and foreign exchange. The Bank does not anticipate significant losses because the main purpose of the Bank's derivative transactions is to hedge market fluctuations.

### Risk control system for derivatives

The Bank manages derivatives strictly in accordance with internal risk management regulations, including position limits and loss-cut rules, so as not to have a significant impact on the Bank's operating results.

The contract amount and fair value of derivatives as of March 31, 2009 and 2008, consisted of the following:

#### Foreign exchange forward contracts which are measured at fair value

	Millions of yen			2008 Contract amount
	2009 Contract amount	2009 Fair value	2009 Unrealized gain (loss)	
Forward contracts:				
Selling	¥184	¥(6)	¥(6)	¥261
Buying	259	6	6	312
	Thousands of U.S. dollars			
	2009 Contract amount	2009 Fair value	2009 Unrealized gain (loss)	
Forward contracts:				
Selling	\$1,881	\$(64)	\$(64)	
Buying	2,643	68	68	

The contract or notional amounts of derivatives which are shown in the above tables do not present the Bank's exposure to credit or market risk.

## 21. Related-party transactions

The accounting treatment stipulated in "Accounting Standards for Related Party Disclosures" (ASBJ Statement No. 11, October 17, 2006) and "Guidance on Application of Accounting Standards for Related Party Disclosures" (ASBJ Guidance No. 13, October 17, 2006) have been applied with effect from the reporting term.

This change has no effect on the scope of related-party transactions.

### Related-party transactions involving directors, corporate auditors and major stockholders (individuals only) of the parent bank

Relationship	Name	Address	Paid-in capital	Position	Voting rights	Details of business relationship	Transactions	Transaction amount	Accounting name	Year-end balance
				Corporate auditor of the Yamanashi Chuo Bank, simultaneously serving as legal advisor		Loan provision	Loan provision	—	Loans	¥264 million (\$2,687 thousand)
Statutory auditor	Toshihito Furuya	—	—			Compensation for legal advisory services	Interest income	¥5 million (\$50 thousand)	—	—
							Legal advisor contract concluded	¥2 million (\$20 thousand)	—	—

Notes: 1. The conditions as applied to general parties with which the Bank enters into transactions are applied.

2. Transactions from the commencement of the contractual relationship on June 27, 2008 to the balance-sheet date of March 31, 2009 are employed for the calculation of transaction amounts.

## 22. Subsequent event

The following appropriations of retained earnings at March 31, 2009 were approved at the Bank's shareholders meeting held on June 26, 2009:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥3.0 (\$0.03) per share	¥552	\$5,628



### 23. Business segment information

The Group is engaged in commercial banking, leasing and other businesses.

Information about business segments of the Group for the years ended March 31, 2009 and 2008, is as follows:

	Millions of yen					
	2009					
	Banking	Leasing	Other	Total	Eliminations/ corporate	Consolidated
Operating income:						
Operating income from customers	¥ 53,651	¥ 5,817	¥ 865	¥ 60,333		¥ 60,333
Internal operating income among segment	347	989	389	1,726	¥ (1,726)	
Total operating income	53,998	6,807	1,254	62,060	(1,726)	60,333
Operating expenses	47,539	6,641	1,177	55,358	(2,407)	52,950
Operating profit	¥ 6,458	¥ 165	¥ 77	¥ 6,701	¥ 681	¥ 7,383
Assets, depreciation, impairment loss and capital expenditures:						
Assets	¥2,604,008	¥13,480	¥10,715	¥2,628,203	¥(22,671)	¥2,605,532
Depreciation	2,137	13	5	2,156		2,156
Impairment loss	4			4		4
Capital expenditures	4,783	72	1	4,856		4,856

	Millions of yen					
	2008					
	Banking	Leasing	Other	Total	Eliminations/ corporate	Consolidated
Operating income:						
Operating income from customers	¥ 60,926	¥ 5,373	¥ 906	¥ 67,206		¥ 67,206
Internal operating income among segment	351	926	388	1,667	¥ (1,667)	
Total operating income	61,278	6,300	1,294	68,873	(1,667)	67,206
Operating expenses	52,683	6,581	1,284	60,549	(1,706)	58,842
Operating profit (loss)	¥ 8,594	¥ (281)	¥ 10	¥ 8,324	¥ 39	¥ 8,363
Assets, depreciation, impairment loss and capital expenditures:						
Assets	¥2,599,419	¥15,283	¥11,283	¥2,625,986	¥(23,684)	¥2,602,302
Depreciation	2,038	3,563	4	5,606		5,606
Impairment loss	78			78		78
Capital expenditures	1,961	5,696	0	7,658		7,658

	Thousands of U.S. dollars					
	2009					
	Banking	Leasing	Other	Total	Eliminations/ corporate	Consolidated
Operating income:						
Operating income from customers	\$ 546,177	\$ 59,221	\$ 8,811	\$ 614,210		\$ 614,210
Internal operating income among segment	3,537	10,077	3,961	17,576	\$ (17,576)	
Total operating income	549,715	69,298	12,773	631,786	(17,576)	614,210
Operating expenses	483,964	67,610	11,985	563,560	(24,510)	539,049
Operating profit	\$ 65,750	\$ 1,688	\$ 787	\$ 68,226	\$ 6,934	\$ 75,160
Assets, depreciation, impairment loss and capital expenditures:						
Assets	\$26,509,297	\$137,231	\$109,083	\$26,755,612	\$(230,795)	\$26,524,817
Depreciation	21,757	138	56	21,952		21,952
Impairment loss	45			45		45
Capital expenditures	48,695	735	12	49,443		49,443

Notes: 1. Operating income represents total income less certain special income included in other income in the accompanying consolidated statements of income.

2. Operating expenses represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of income.

3. As described in Note 2. p., new accounting standards for leasing transactions have been mandatory applied with effect from the fiscal year ended March 31, 2009.

This change has caused increases of ¥1,467 million (\$14,935 thousand) in assets employed in banking operations, ¥97 million (\$994 thousand) in depreciation, and ¥1,632 million (\$16,621 thousand) in capital expenditures compared with the application of the previous accounting standards. The effect of the change on operating income and expenses was immaterial.

For the Bank's leasing business, the change in accounting standards caused a decrease of ¥118 million (\$1,211 thousand) in operating expenses and a corresponding increase by the same amount in operating income. Depreciation expense decreased by ¥3,912 million (\$39,829 thousand), while capital expenditures decreased by ¥3,977 million (\$40,493 thousand). The effect of this change on the value of assets was immaterial.

## Independent Auditors' Report

To the Board of Directors of  
The Yamanashi Chuo Bank, Ltd.:

We have audited the accompanying consolidated balance sheets of The Yamanashi Chuo Bank, Ltd. (the "Bank") and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Yamanashi Chuo Bank, Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



June 15, 2009

# Corporate Data

(as of March 31, 2009)

**Common Stock:** ¥15,400 million

**Number of Shares:**

**Authorized** 398,000,000 shares  
**Issued** 198,000,000 shares

**Number of**

**Stockholders:** 6,772

**Stock Listing:**

First Section of Tokyo Stock Exchange

**Transfer Agent:**

Mitsubishi UFJ Trust & Banking Corporation

## Breakdown of Stockholders



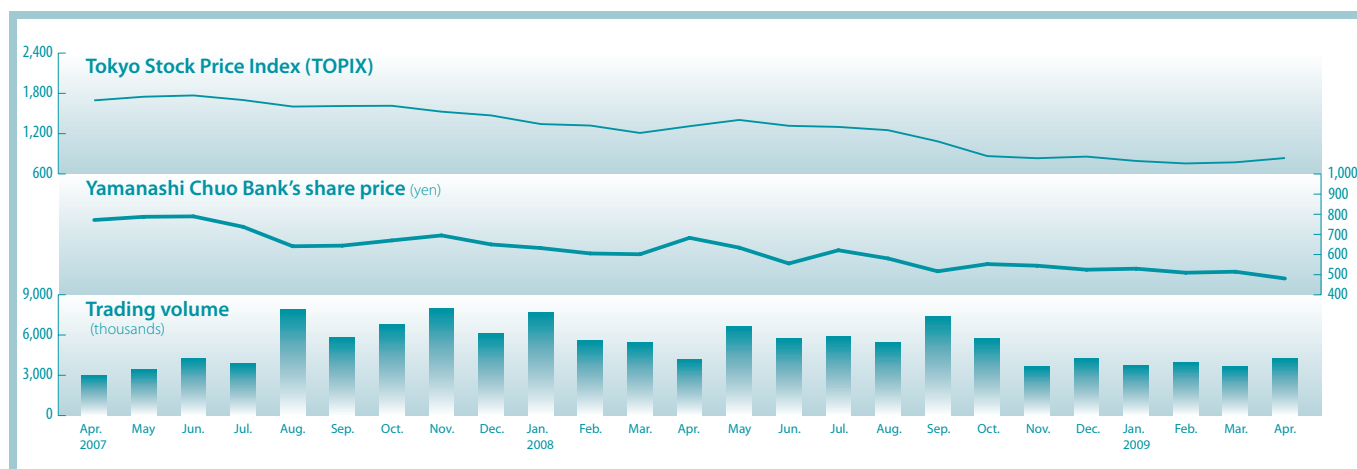
\*Shares (1 trading unit: 1,000 shares)

Note: The category "Individuals and others" contains treasury stock in the number of 5,615 trading units of shares.

## Major Stockholders

Name	Number of shares held (thousands)	Percentage of all shares issued (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,962	4.71
Japan Trustee Services Bank, Ltd. (Trustee Account)	8,129	4.28
Japan Trustee Services Bank, Ltd. (Trustee Account 4G)	6,417	3.37
Meiji Yasuda Life Insurance Company	6,047	3.18
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	5,600	2.94
The Yamanashi Chuo Bank, Ltd. Employees' Stockholdings	4,769	2.51
Sompo Japan Insurance Inc.	4,328	2.27
Mizuho Corporate Bank, Ltd.	3,736	1.96
The Joyo Bank, Ltd.	3,217	1.69
The Master Trust Bank of Japan, Ltd. (Trustee Account)	3,106	1.63
Total	54,313	28.59

## Yamanashi Chuo Bank's Share Price and Trading Volume on the Tokyo Stock Exchange



## Consolidated Subsidiaries

Name	Capital (Millions of yen)	Yamanashi Chuo Bank's share (%)	Lines of business
Yamanashi Chuo Guarantee Co., Ltd.	1,020	99.5	Loan guarantees
Yamanashi Chugin Lease Co., Ltd.	20	61.0	Leasing
Yamanashi Chugin DC Card Co., Ltd.	20	67.5	Credit cards
Yamanashi Chugin Business Service Co., Ltd.	10	100.0	Banking-related clerical services
Yamanashi Chugin Management Consulting Co., Ltd.	200	85.0	Consulting, investment

# Board of Directors and Corporate Auditors

(as of June 26, 2009)

## Chairman

Kentaro Ono

## President

Toshihisa Ashizawa

## Senior Managing Director

Nakaba Shindo

## Managing Directors

Yoshihiko Fukasawa

Mitsuyoshi Seki

## Directors

Akio Hosoda

Shigeo Kunugi

Noboru Arii

Masao Ando

Masanobu Tanaka

Akihiko Inoue

Masayuki Ogihara

Tadashi Kato

## Standing Corporate Auditors

Takehiko Sano

Yoshinori Iwama

## Corporate Auditors

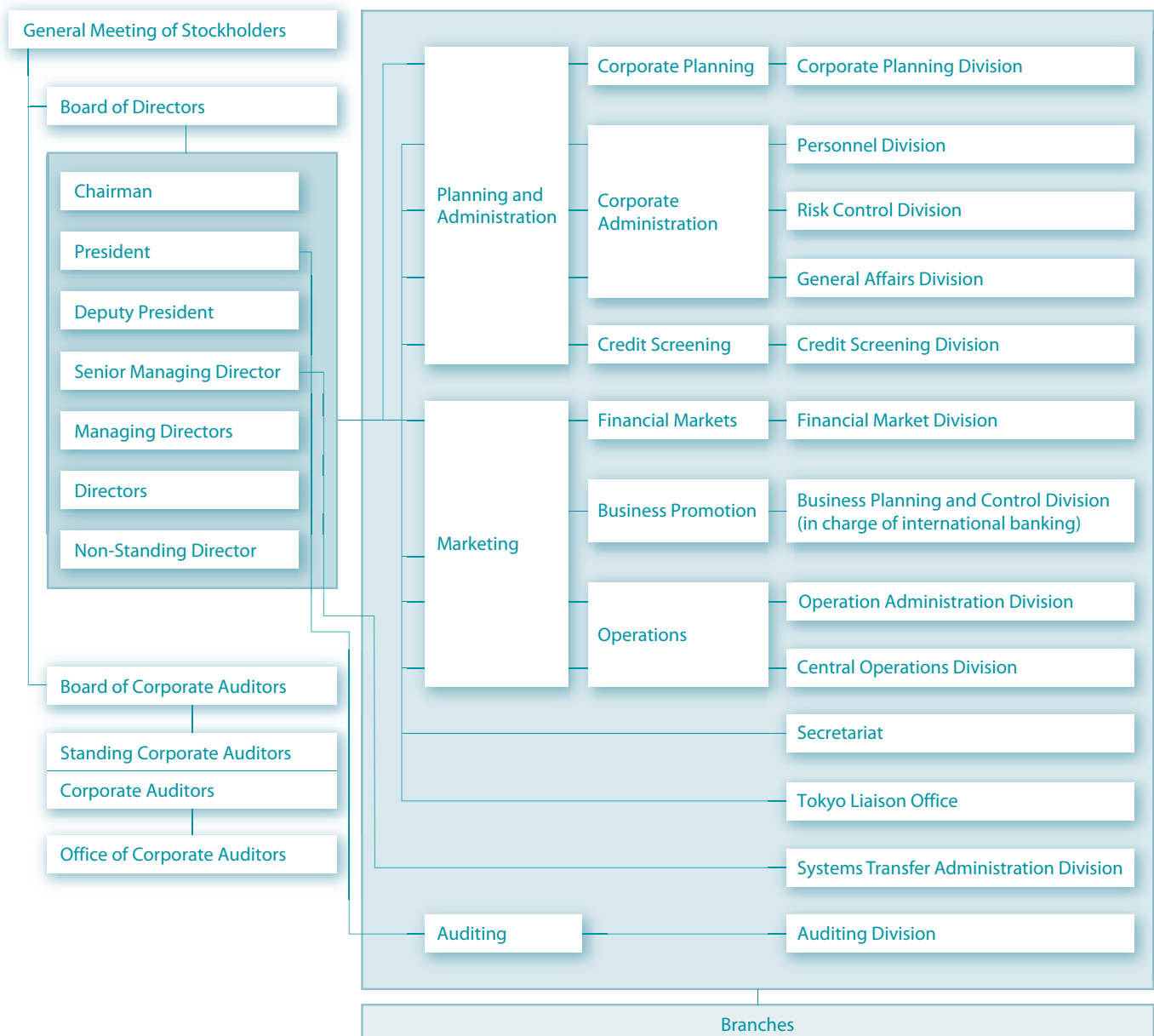
Tomomitsu Takeda

Soichi Takano

Toshihito Furuya

# Organization

(as of June 26, 2009)

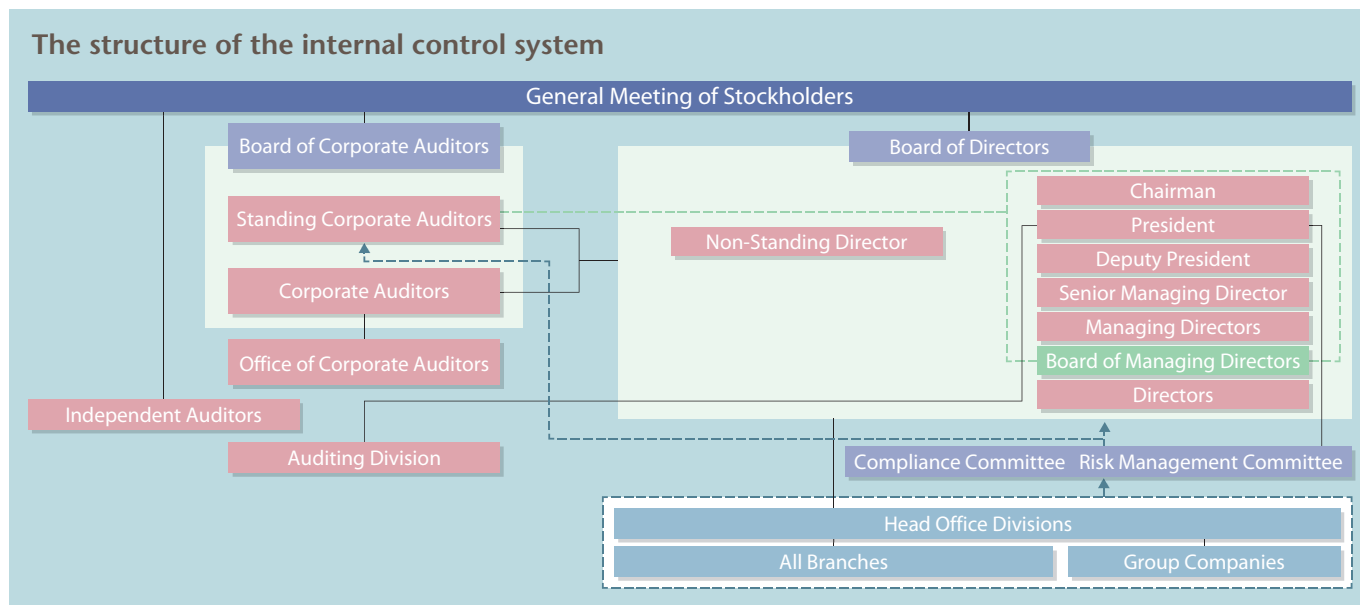


# Active Fulfillment of Corporate Social Responsibility

## Enhancing corporate governance

Yamanashi Chuo Bank is very aware of its social responsibility as a banking institution and its public-service mission in that role. Accordingly, it aims to secure the trust of the community it serves by such means as maintaining sound management and assuring transparency of management, seeking constantly to contribute to the prosperity of the local region and the development of its economy.

To fulfill its mission, the Bank has built a stronger internal control system and organizational structure to improve its management efficiency. All staff are committed to maintaining high ethical standards, and to enhancing corporate governance through ongoing initiatives and the active disclosure of corporate activities.



## Comprehensive risk management and compliance

In risk management, the Bank has classified the risks it faces into several categories, to ensure an accurate evaluation. At the same time, the ALM committee and the Risk Management Committee analyse the impact of each risk on the management of the Bank. We research and develop measurement procedures on credit risks and market risks for integrated risk management.

For compliance, we are taking steps to strengthen the compliance system, under the Compliance Committee, and promoting compliance efforts in each workplace by designating a compliance officer at Head Office and at each branch office. We have also drawn up a Compliance Program for each fiscal year and distributed our Compliance Manual to all officers and employees.

## Making contributions to the regional community

The Bank believes that contributing to the prosperity of its local region and developing its economy is an important mission, and therefore endeavors to consistently provide high-quality financial services and smooth funding. Under our Evolution 2010 medium-term management plan (April 2007 to March 2010), we will

continue to pursue the community-based finance business.

Additionally, to fulfill our duties as good corporate citizens, we proactively engage in cooperation and support activities in a wide range of fields such as social welfare, culture and the arts, sports, beautification of the living environment, and preservation of the natural environment. On top of engaging in such activities as a corporation, we also encourage our employees to participate in voluntary activities through special leave to conduct regional community contribution activities.



Scenes at the Shingenko Matsuri festival

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