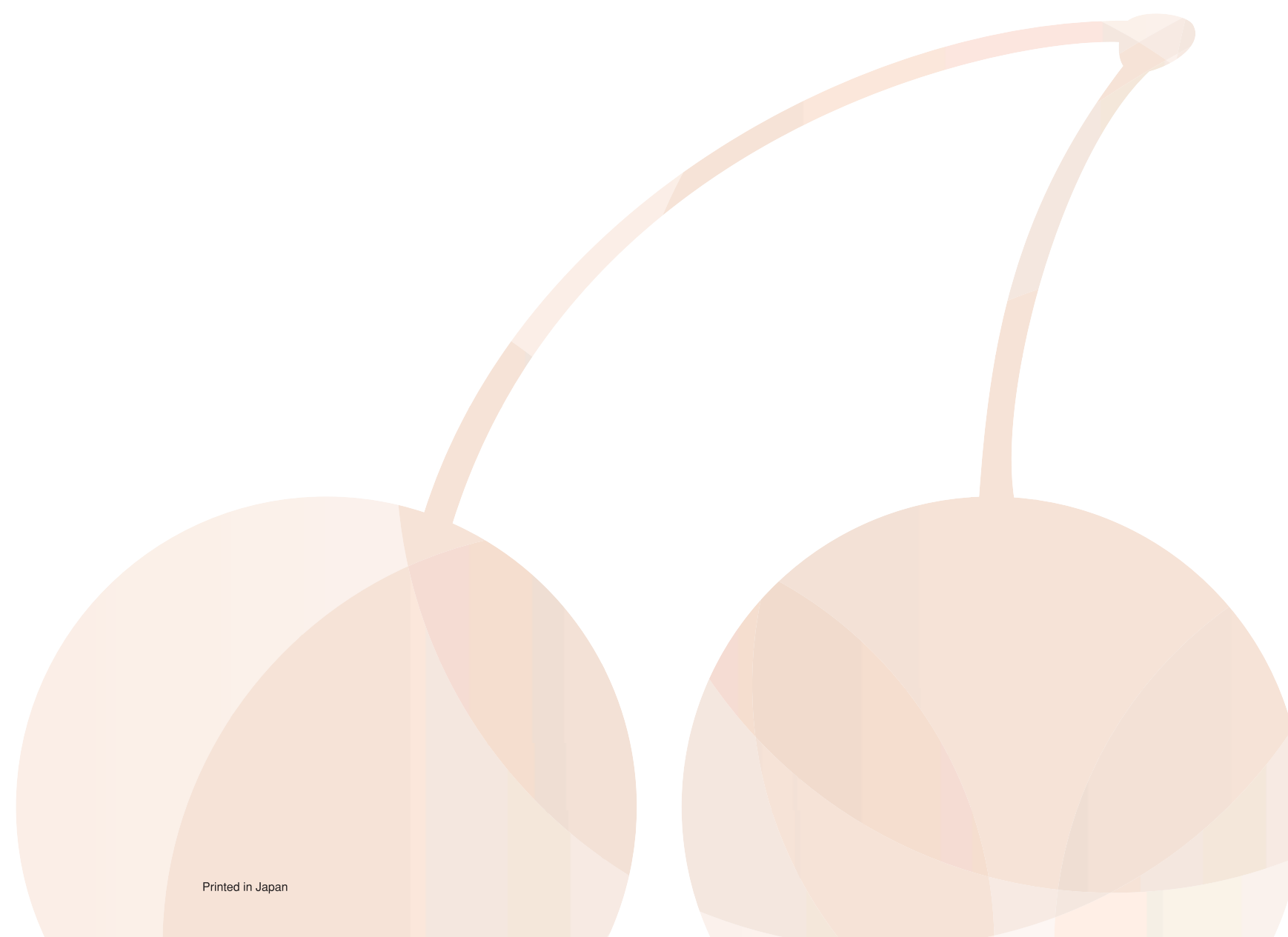


ANNUAL REPORT 2010

Year Ended March 31, 2010



Corporate Profile

Together with the region

The Yamagata Bank Ltd. (the "Bank") believes that contributing to the development of the regional economy and community through diverse activities is the fulfillment of its corporate social responsibility (CSR) as a regional bank. The Bank is aiming to raise corporate value by fulfilling its CSR and to be a valuable bank for the region which is the driving force of the new era.

Present local conditions

Yamagata Prefecture is separated into the four districts of Murayama (the location of the prefectural capital, Yamagata), Okitama, Mogami and Shonai based on history and geography. The prefecture is multipolar, and each of the four districts has distinctive economical and cultural features.

The primary economic sector of agriculture has several products with the highest share in Japan, including cherries, European pears and safflowers. Major products of the secondary sector of the prefecture's economy include information and communications equipment, electronic components and devices, and products with a sophisticated design, in the manner of Italian products, which are exported under the brand name of Yamagata Kobo. The tertiary sector of economic activity exploits Yamagata Prefecture's resources for tourism, which include hot springs. Yamagata Prefecture has a well-balanced diversity of industry, as described above.

The cities of Yamagata and Sendai (the biggest city in the Tohoku region) are located close to each other on either side of the prefectural border, which is very unusual. The two cities are growing increasingly closer through financial, cultural and political exchanges, with great benefits to the economy.

New enterprises to support the region in the 21st century are setting up, including a company in the organic light-emitting diode business in Yamagata Prefecture and a concentration of companies in the automobile-related business in Miyagi Prefecture.

History of Yamagata Bank

The Bank has been keenly contributing to the development of the economy and the community in Yamagata Prefecture as a leading bank in the prefecture since its establishment in 1896. The Bank has the highest share of deposits and loans in Yamagata Prefecture and is the designated bank of eighteen local governments in the prefecture, including the Yamagata Prefecture government.

The Bank has been pouring various business resources into the Sendai area which the Bank designated as a priority business promotion area in 1996. As a result, the Bank now has highest share of loans among the regional banks, including banks in the Second Association of Regional Banks, which are conducting business in Sendai but which do not have head offices in Miyagi Prefecture.

Concept of contributing to the region

The Bank believes that contributing to the region enhances its trustworthiness as a bank of safety and amity by maintaining the financial infrastructure in the region (in other words maintaining and improving financial soundness) and by providing funds and various services.

The Bank considers that stimulating the regional economy by providing valuable products and services and beneficial information to the regional community through the Bank's comprehensive financial information service is also contributing to the region.

The Bank deems that it is essential, as a good corporate body rooted in the region, to be involved in diverse voluntary activities such as the promotion of art, culture, sports, etc., and schemes for people's welfare and environmental conservation to materialize sustainable development together with the region.



Kichishige Hasegawa
President

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The Yamagata Bank, Ltd., and Consolidated Subsidiaries Financial Highlights and Ratios

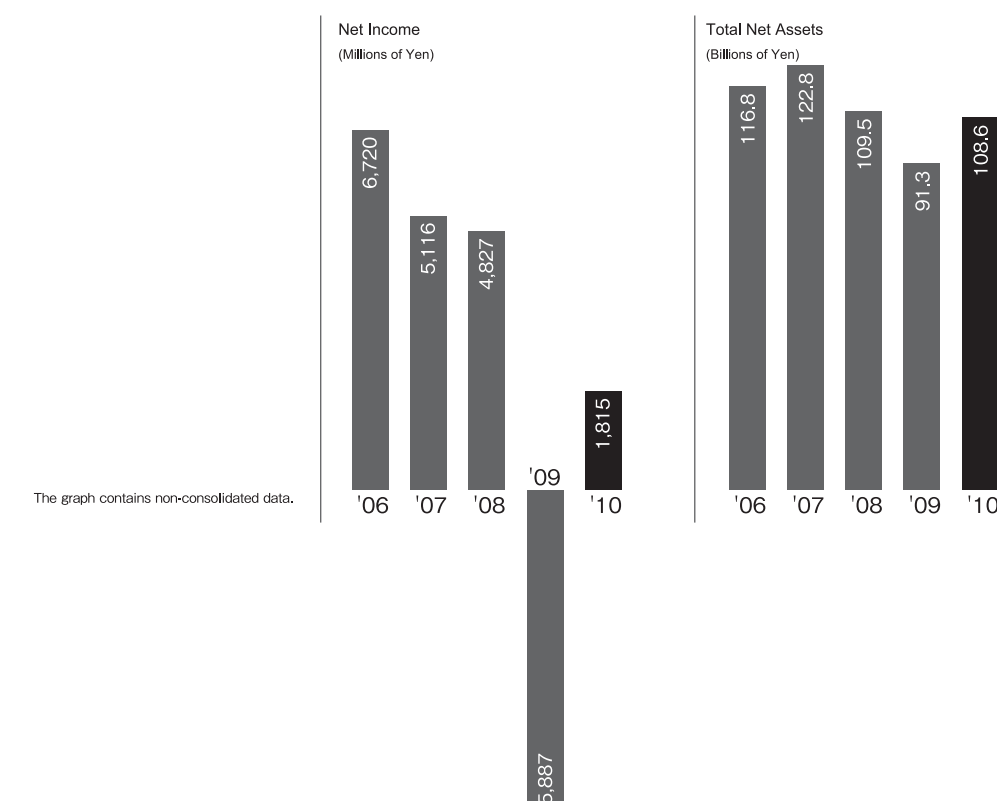
Yen: In millions except per share data and percentages

U.S.Dollars: In thousands except per share data and percentages

For the years ended March 31	Consolidated			Non-Consolidated		
	2010 (Yen)	2009 (Yen)	2010 (U.S. dollars)	2010 (Yen)	2009 (Yen)	
Total income.....	¥ 44,755	¥ 51,549	\$ 481,029	¥ 37,526	¥ 43,503	
Total expenses.....	40,270	62,405	432,824	33,951	54,715	
Net income (loss).....	2,078	(5,969)	22,334	1,815	(5,887)	
Amounts per share						
Net income	¥ 12.19	¥ (34.93)	\$ 0.13	¥ 10.65	¥ (34.45)	
Cash dividends declared during the year	—	—	—	6	6	
Net assets	638.78	535.62	6.86	636.99	535.37	
As of March 31						
Total assets	¥ 2,019,035	¥ 1,867,109	\$ 21,700,720	¥ 2,004,428	¥ 1,851,012	
Loans and bills discounted	1,212,711	1,174,888	13,034,297	1,221,675	1,186,843	
Total liabilities	1,905,445	1,771,462	20,479,847	1,895,811	1,759,663	
Deposits	1,859,201	1,723,208	19,982,813	1,865,928	1,729,801	
Total net assets	113,589	95,647	1,220,861	108,617	91,348	
Ratios:						
Consolidated						
Capital ratio	13.47%	12.95%				
Recurring income (loss) margin	10.20	(20.95)				
Shareholders' equity	5.62	5.12				

Note 1: U.S.dollars represent transactions, for the convenience of readers, at ¥93.04=U.S.\$1.00, the rate prevailing on March 31, 2010.

Note 2: Figures for 2009 and 2010 are shown according to domestic standards.



Message from Management

Management philosophy

To prosper together with the region
To satisfy all of our customers
To provide our staff with stability and opportunities

What is Yamagata Bank is aiming for

I am grateful for the continued patronage of our customers towards Yamagata Bank from the bottom of my heart. Last year, the Japanese economy started to recover slowly from the worldwide economic recession that began in autumn 2008 owing to reasons such as the recovery of the economy in China and other growing nations. Although private sector production continued to improve, investment in plant and equipment remained low because of the lingering, deeply-rooted doubts about the future. Concerning the economy in Yamagata Prefecture, the prefecture's major industry, electric machinery manufacturing, and the manufacturing of other products slowly improved, but generally production volumes were still lower than those of the previous year, and plant and equipment investment, made after checking the state of orders and sales, continued to decline this year. Personal consumption remained low, but showed some improvement. Employment and income conditions were severe, and this affected housing investment particularly. In the banking business, many banks strengthened business by borrowing public money and making capital increases, among other things. Regional banks are currently restructuring in ways such as business unification regardless of prefectural boundaries.

Under these circumstances, Yamagata Bank is making vigorous efforts to solve structural problems to allow a flexible response to changes in business conditions in accordance with the 16th long-term management plan called the "Yamagin Innovation Plan" that began in April 2009. We will raise our corporate value by setting management with corporate social responsibility that is apt for the new-age Yamagata Bank through enhancement in the provision of comprehensive financial information service in order to contribute to the region in diverse fields and the stimulation of the regional economy. In this, the second year of the plan, we will further enhance our face-to-face relationships with customers with the aim of seeking solutions to their problems, to raise their degree of satisfaction, and to help them with work rationalization and efficiency to lift productivity, and the strengthening of profitability.

We would be most grateful if you could continue to extend your support and patronage.

Managing with corporate social responsibility that is apt for the new-age Yamagata Bank

The management philosophy of Yamagata Bank, which has won respect throughout its history, is based on the aspects of the region, the customers and the employees, and influences the present corporate social

responsibility management.

The 16th long-term management plan called the "Yamagin Innovation Plan", which was launched in April last year, was drafted considering the Bank's corporate social responsibility as a regional bank based on the three aspects, and aims to raise corporate value by practicing management with corporate social responsibility that is apt for the new-age Yamagata Bank. The management philosophy of the Bank is regarded as a corporate social responsibility (CSR) charter in the plan and we ensure thorough commitment of management principles to meet the targets in the plan. The key issue of the plan is to materialize a new-age Yamagata Bank that is a regional bank apt for the new era, so the plan includes programs for structural reform.

The first and second years of the plan deal with the structural reform, so fiscal 2010 is the important year to complete the reform. All of the executives and employees of Yamagata Bank will unite to meet the targets of the long-term plan and to produce a splendid outcome in the final year.

CSR charters

The management philosophy of Yamagata Bank, which the bank has respected throughout its long history, also applies to CSR management in the current times. Under the 16th long-term management plan, various business problems will be solved by regarding the management philosophy as CSR charters.

To prosper with the region

From the aspect of the economy and social contributions (the meaning of our existence) Regional banks share a common destiny with their home region. They bear a responsibility to contribute to the growth of the economy of their region, which is permanent, regardless of the flow of the times. Today, the roles of regional banks are expanding, not only in financial aspects, but also in social aspects.

To satisfy all of our customers

From the aspect of our customers (customer satisfaction) The lifestyles of our customers are diversifying, which means that the requirements of each customer differ. We endeavor to raise our ability each and every day to solve customers' problems so that they will use our services for a long time.

To provide our staff with stability and opportunities

From the aspect of our employees (employee satisfaction) The satisfaction of our employees — who serve our customers — is vital to deliver good services to customers. Yamagata Bank is managed in a way whereby the employees are proud of working at the bank, are eager to complete their tasks and feel enthusiastic.

1. Expanding the sales base

- 1) Corporate customers
Yamagata Bank provides diverse financial services, including non-interest services, by strengthening our solutions business to solve the problems of our customers. We will expand and effectively use our networks (alliances) inside and outside of Yamagata Prefecture for comprehensive financial information services.
- 2) Personal customers
Yamagata Bank will improve the services at the offices that are specialized in housing loans and consultations, and raise the skills of the staff at such offices in order to deal with various consultations related to the life planning of personal customers.
- 3) Sales system
Yamagata Bank will establish a system whereby the staff working for the benefit of corporate customers share their knowledge, and a system whereby branches are able to offer special services to personal customers in their area to respond to customer requirements, which are becoming increasingly sophisticated. The bank is striving to decrease the amount of back office work at branches by about twenty percent, and to increase the amount of time available to serve customers.

2. Raising regional vitality

- 1) Promotion of the region
Yamagata Bank will raise economic effectiveness by strengthening collaboration with local public entities and by assisting projects and business through effective use of our networks, as a leading bank.
- 2) Support for corporate management and business reorganization
Yamagata Bank will enhance our support by using our know-how and by cooperating with specialists outside of the bank to fulfill our responsibility as a regional bank.
- 3) Conserving the environment and contributing to local communities
Yamagata Bank will enhance the activities it carries out to conserve the environment and to contribute to local communities, and will assist in such activities undertaken by our customers, as a leading bank.

3. Strengthening the business base

- 1) Risk management
Yamagata Bank will improve the level of risk assessment, to raise the effectiveness of management, and to make compliance and internal control highly practical and efficient.
- 2) Investment in securities

Yamagata Bank will rearrange its portfolio to bolster security against market fluctuations, reduce unrecognized losses, and increase unrecognized profits.

- 3) Increase in customer satisfaction
Yamagata Bank will improve the training of the employees, mainly to raise their ability to serve customers, in order to provide good quality service.

4. Organizational and personnel reform

- 1) Strengthening of public relations
Yamagata Bank will devise a sales system and a work management method so that our public relations staff have more opportunities to meet customers.
- 2) Revision of management and assessment
Yamagata Bank will revise cost and profit management and revenue management, and the method of branch assessment from the medium term and long term viewpoints, to allow the assessments to be based more on sales results and to appropriately allocate business resources.
- 3) Human resource development
Yamagata Bank will improve human resource development programs to suit the diversity of the employees, including increase in female managers and the realization of a better balance between work and social life.

Under these circumstances, the Yamagin Innovation Plan was devised in order for the structural reform of the Bank to overcome the difficult business conditions and to materialize a new-age Yamagata Bank, which is a regional bank apt for the new era.

The basic objectives of the plan are management with corporate social responsibility that is apt for the new-age Yamagata Bank, and (1) to solve the problems of our customers by making the most of the Bank's strengths as a reliable regional bank ("my main bank"), (2) to promote the regional economy by expanding and effectively using the Bank's networks (alliances), (3) to maintain and enhance safety and security, and to contribute to the sustainable development of local communities. Yamagata Bank is aiming to boost its corporate value by considering and fulfilling corporate social responsibility as a regional bank.



Kichishige Hasegawa
President

Review of Operations

The Conditions of Consolidated Accounts

The General situation of this term (from April 1, 2009 to March 31, 2010)

Deposits and negotiable certificates of deposit

The business continued to be conducted in a way that reached out to customers, which resulted in raising the balance of deposits and negotiable certificates of deposit by ¥135.9 billion during the year, lifting the year-end consolidated balance to ¥1,859.2 billion, the highest ever. Deposits by personal customers rose particularly well, and were up by ¥43.1 billion in the year.

Deposited assets

Particular efforts were made in the personal annuity insurance business. As a result, sales rose well, by ¥28.4 billion in the year. The year-end consolidated balance of the entire deposited assets also increased -- by ¥35 billion to ¥232.6 billion.

Loans

The consolidated balance of loans at the end of the fiscal year was up ¥37.8 billion on the previous year to ¥1,212.7 billion, the highest ever. Although private sector production remained low and demand for funds for plant and equipment investment, etc., also continued to stay low, the Bank strived to boost loans to local public entities and loans to assist companies in their funding conditions. Despite the fact that housing construction in the prefecture was not active, the balance

of housing loans increased by ¥5.6 billion during the year because of efforts to increase housing loans.

Securities

The Bank continued to strive to improve the portfolio to secure a steady revenue for the long-term, and invested assets with a focus on safety and liquidity considering movements in long-term interest rates. Consequently, the consolidated balance of securities at the end of the fiscal year was ¥627.9 billion, which was an increase of ¥62.4 billion on the previous year.

Profit and loss

Consolidated ordinary income dropped ¥6,728 million on the previous year to ¥44,729 million because of a decline in fund investment earnings that was largely due to reduced interest and dividends from securities, but also because of a lack of profit from selling shares, unlike the previous year. Consolidated ordinary expenses were down by ¥22,077 million on the previous year to ¥40,162 million owing to general cost cutting through rationalization and significant reduction in losses related to securities. The Bank bolstered support for customers to improve their management as the sluggish economy continued in the prefecture, and wrote off bad debts and transferred funds to the reserves as required to maintain the soundness of assets and strengthen the financial foundations. As a result, there was significant recovery from the consolidated ordinary loss and the consolidated net loss of the previous year, so in this fiscal year the consolidated ordinary profit of ¥4,566 million and the consolidated net income of ¥2,078 million rose.

Cash flow

Concerning the cash flow of the business, the inflow exceeded the outflow by ¥48.8 billion because of significant rises in deposits and certificates of deposit.

With regard to the cash flow of investments, outgoings generated by the acquisitions of securities, etc., exceeded incomings generated by sales and the redemptions of securities, etc., so the outflow exceeded the inflow by ¥44.5 billion.

Concerning the cash flow of financial activities, the outflow exceeded the inflow by ¥1 billion because of payments of dividends, etc.

The overall consolidated balance of cash and cash equivalents rose by ¥3.2 billion during the year, resulting in a balance at the end of the fiscal year of ¥33.4 billion.

Corporate Data

Management

(As of June 30, 2010)

President

Kichishige Hasegawa

Managing Directors

Shinichiro Miura
Seiji Kuroki
Toshinobu Suzuki
Tsutomu Yoshida
Yoshihiro Ishikawa

Corporate Auditors

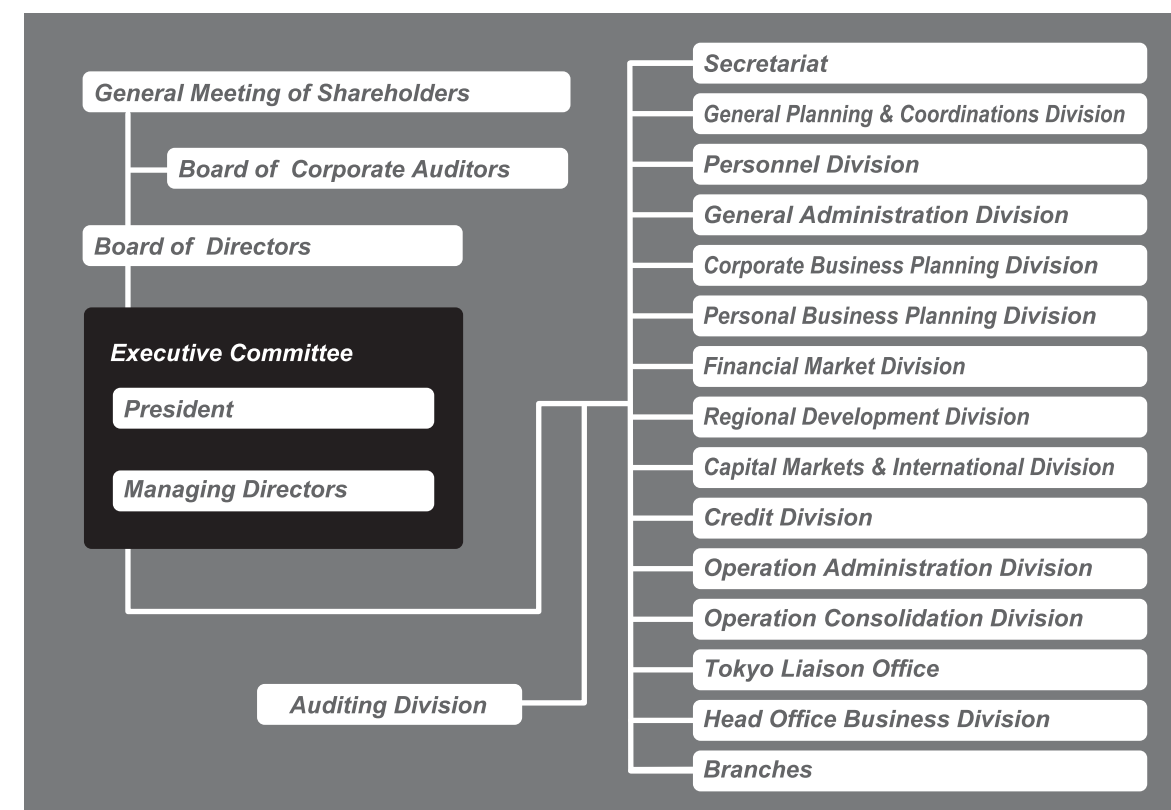
Takami Konta
Takashi Ajiki
Shinichi Nakayama
Bin Hamada
Yasumasa Gomi

Directors

Katsuhiko Nasu
Shigeo Tsutsumi
Tamon Nakagawa
Takashi Kimura
Hiromitsu Takahashi
Shigeki Taniguchi
Hitoshi Watanabe

Organization

(As of June 30, 2010)



Financial Statements

Consolidated Balance Sheets

As of March 31, 2010 and 2009

	2010 (Millions of yen)	2009 (Millions of yen)	2010 (Thousands of U.S. dollars)(Note 2)
Assets			
Cash and due from banks (Note 9)	¥ 34,022	¥ 31,306	\$ 365,670
Call loans and bills purchased	75,183	7,302	808,071
Trading securities (Note 5)	14	504	150
Securities (Notes 5 and 11)	627,938	565,484	6,749,118
Loans and bills discounted (Note 4)	1,212,711	1,174,888	13,034,297
Foreign exchange (Note 4)	415	718	4,460
Other assets (Note 11)	35,444	43,892	380,954
Tangible fixed assets	14,893	15,433	160,070
Buildings (Note 10)	3,786	4,012	40,692
Land (Note 6)	9,396	9,481	100,988
Construction in process	—	46	—
Other tangible fixed assets (Note 10)	1,710	1,893	18,379
Intangible fixed assets	1,628	865	17,497
Software	1,404	628	15,090
Other intangible fixed assets	224	236	2,407
Deferred tax assets (Note 14)	8,168	15,657	87,790
Customers' liabilities for acceptances and guarantees	23,434	23,806	251,870
Reserve for possible loan losses	(14,822)	(12,752)	(159,307)
Total assets	¥ 2,019,035	¥ 1,867,109	\$ 21,700,720

Liabilities and Net Assets

Liabilities:			
Deposits (Note 11)	¥ 1,859,201	¥ 1,723,208	\$ 19,982,813
Borrowed money (Note 11)	3,309	3,972	35,565
Foreign exchange	78	96	838
Other liabilities	13,220	13,213	142,089
Reserve for bonuses to directors and corporate auditors	20	—	214
Reserve for employees' retirement benefits (Note 16)	3,715	4,754	39,929
Reserve for directors and corporate auditors' retirement benefits	215	246	2,310
Reserve for losses on dormant deposit repayments	179	103	1,923
Reserve for losses on contingencies	140	112	1,504
Deferred tax liabilities arising from revaluation of land (Note 6)	1,928	1,946	20,722
Acceptances and guarantees	23,434	23,806	251,870
Total liabilities	¥ 1,905,445	¥ 1,771,462	\$ 20,479,847

Net Assets

Shareholders' equity (Notes 7 and 12):

	2010 (Millions of yen)	2009 (Millions of yen)	2010 (Thousands of U.S. dollars)(Note 2)
Common stock, without par value:			
Authorized - 298,350,000 shares			
Issued - 172,000,000 shares	¥ 12,008	¥ 12,008	\$ 129,062
Capital surplus	4,939	4,941	53,084
Retained earnings (Note 8)	86,440	85,376	929,062
Less treasury stock, at cost	(807)	(760)	(8,673)
Total shareholders' equity	102,581	101,565	1,102,547
Valuation, translation adjustments and others			
Unrealized holding gain on securities (Note 5)	6,001	(10,237)	64,499
Deferred gain (loss) on hedging instruments	(537)	(823)	(5,771)
Revaluation of land (Note 6)	877	886	9,426
Total valuation, translation adjustments and others	6,341	(10,174)	68,153
Minority interests	4,666	4,256	50,150
Total net assets	¥ 113,589	¥ 95,647	\$ 1,220,861
Total liabilities and net assets	2,019,035	1,867,109	21,700,720

Consolidated Statements of Income

For the years ended March 31, 2010 and 2009

	2010 (Millions of yen)	2009 (Millions of yen)	2010 (Thousands of U.S. dollars)(Note 2)
Income:			
Interest on loans and discounts	¥ 22,581	¥ 23,173	\$ 242,702
Interest and dividends on securities	6,480	7,496	69,647
Other interest	207	479	2,224
Fees and commissions	7,206	7,580	77,450
Other operating income	7,174	7,727	77,106
Other income	1,103	5,090	11,855
Total income	44,755	51,549	481,029
Expenses:			
Interest on deposits	3,004	4,412	32,287
Interest on borrowings and rediscounts	61	103	655
Other interest	913	735	9,812
Fees and commissions	2,140	2,091	23,000
General and administrative expenses	23,088	23,356	248,151
Other expenses	11,059	31,705	118,862
Total expenses	40,270	62,405	432,824
Income (loss) before income taxes and minority interests	4,485	(10,856)	48,205
Income taxes (Note 14)			
Current	335	377	3,600
Deferred (credit)	1,661	(5,531)	17,852
	1,996	(5,153)	21,453
Minority interests in earnings of consolidated subsidiaries	410	267	4,406
Net income (loss)	¥ 2,078	¥ (5,969)	\$ 22,334

Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2010

	Shareholders' equity (Millions of yen)					Shareholders' equity (Thousands of U.S.dollars)				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2009	¥ 12,008	¥ 4,941	¥ 85,376	¥ (760)	¥ 101,565	\$ 129,062	\$ 53,106	\$ 917,626	\$ (8,168)	\$ 1,091,627
Changes in the consolidated fiscal year										
Cash Dividends	—	—	(1,023)	—	(1,023)	—	—	(10,995)	—	(10,995)
Net income	—	—	2,078	—	2,078	—	—	22,334	—	22,334
Acquisition of treasury stocks	—	—	—	(54)	(54)	—	—	—	(580)	(580)
Disposition of treasury stocks	—	(1)	—	8	6	—	(10)	—	85	64
Reversal of land revaluation	—	—	9	—	9	—	—	96	—	96
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	—	—	—	—	—	—	—	—	—	—
Total	—	(1)	1,064	(46)	1,015	—	(10)	11,435	(494)	10,909
Balance as of March 31, 2010	¥ 12,008	¥ 4,939	¥ 86,440	¥ (807)	¥ 102,581	\$ 129,062	\$ 53,084	\$ 929,062	\$ (8,673)	\$ 1,102,547

	Valuation, translation adjustments and others (Millions of yen)						Valuation, translation adjustments and others (Thousands of U.S.dollars)					
	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments	Revaluation of land	Total valuation, translation adjustments and others	Minority interests	Total net assets	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments	Revaluation of land	Total valuation, translation adjustments and others	Minority interests	Total net assets
Balance as of March 31, 2009	¥ (10,237)	¥ (823)	¥ 886	¥ (10,174)	¥ 4,256	¥ 95,647	\$(110,027)	\$ (8,845)	\$ 9,522	\$(109,350)	\$ 45,743	\$ 1,028,020
Changes in the consolidated fiscal year												
Cash Dividends	—	—	—	—	—	(1,023)	—	—	—	—	—	(10,995)
Net income	—	—	—	—	—	2,078	—	—	—	—	—	22,334
Acquisition of treasury stocks	—	—	—	—	—	(54)	—	—	—	—	—	(580)
Disposition of treasury stocks	—	—	—	—	—	6	—	—	—	—	—	64
Reversal of land revaluation	—	—	—	—	—	9	—	—	—	—	—	96
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	16,238	286	(9)	16,515	410	16,926	174,527	3,073	(96)	177,504	4,406	181,921
Total	16,238	286	(9)	16,515	410	17,942	174,527	3,073	(96)	177,504	4,406	192,841
Balance as of March 31, 2010	¥ 6,001	¥ (537)	¥ 877	¥ 6,341	¥ 4,666	¥ 113,589	\$ 64,499	\$ (5,771)	\$ 9,426	\$ 68,153	\$ 50,150	\$ 1,220,861

Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2009

	Shareholders' equity (Millions of yen)					Shareholders' equity (Thousands of U.S.dollars)				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2008	¥ 12,008	¥ 4,937	¥ 92,270	¥ (394)	¥ 108,822	\$ 122,243	\$ 50,259	\$ 939,326	\$ (4,010)	\$ 1,107,828
Changes in the consolidated fiscal year										
Cash Dividends	—	—	(1,026)	—	(1,026)	—	—	(10,444)	—	(10,444)
Net income (loss)	—	—	(5,969)	—	(5,969)	—	—	(60,765)	—	(60,765)
Acquisition of treasury stocks	—	—	—	(424)	(424)	—	—	—	(4,316)	(4,316)
Disposition of treasury stocks	—	4	—	57	61	—	40	—	580	620
Reversal of land revaluation	—	—	101	—	101	—	—	1,028	—	1,028
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	—	—	—	—	—	—	—	—	—	—
Total	—	4	(6,894)	(366)	(7,257)	—	40	(70,182)	(3,725)	(73,877)
Balance as of March 31, 2009	¥ 12,008	¥ 4,941	¥ 85,376	¥ (760)	¥ 101,565	\$ 122,243	\$ 50,300	\$ 869,143	\$ (7,736)	\$ 1,033,950

	Valuation, translation adjustments and others (Millions of yen)						Valuation, translation adjustments and others (Thousands of U.S.dollars)					
	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments	Revaluation of land	Total valuation, translation adjustments and others	Minority interests	Total net assets	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments	Revaluation of land	Total valuation, translation adjustments and others	Minority interests	Total net assets
Balance as of March 31, 2008	¥ 670	¥ (871)	¥ 988	¥ 787	¥ 3,968	¥ 113,577	\$ 6,820	\$ (8,866)	\$ 10,058	\$ 8,011	\$ 40,394	\$ 1,156,235
Changes in the consolidated fiscal year												
Cash Dividends	—	—	—	—	—	(1,026)	—	—	—	—	—	(10,444)
Net income (loss)	—	—	—	—	—	(5,969)	—	—	—	—	—	(60,765)
Acquisition of treasury stocks	—	—	—	—	—	(424)	—	—	—	—	—	(4,316)
Disposition of treasury stocks	—	—	—	—	—	61	—	—	—	—	—	620
Reversal of land revaluation	—	—	—	—	—	101	—	—	—	—	—	1,028
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	(10,907)	48	(101)	(10,961)	287	(10,673)	(111,035)	488	(1,028)	(111,585)	2,921	(108,653)
Total	(10,907)	48	(101)	(10,961)	287	(17,930)	(111,035)	488	(1,028)	(111,585)	2,921	(182,530)
Balance as of March 31, 2009	¥ (10,237)	¥ (823)	¥ 886	¥ (10,174)	¥ 4,256	¥ 95,647	\$(104,214)	\$ (8,378)	\$ 9,019	\$(103,573)	\$ 43,326	\$ 973,704

Consolidated Statements of Cash Flows

For the years ended March 31, 2010 and 2009

	2010 (Millions of yen)	2009 (Millions of yen)	2010 (Thousands of U.S. dollars)(Note 2)
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 4,485	¥ (10,856)	\$ 48,205
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	1,344	1,337	14,445
Loss on impairment of fixed assets	32	—	343
Amortization of goodwill	—	35	—
Reserve for possible loan losses	2,069	3,033	22,237
Reserve for bonuses to directors and corporate auditors	20	(20)	214
Reserve for employees' retirement benefits	(1,038)	(2,016)	(11,156)
Reserve for directors and corporate auditors' retirement benefits	(31)	(13)	(333)
Reserve for losses on dormant deposits repayments	76	(47)	816
Reserve for losses on contingencies	28	74	300
Interest income	(29,270)	(31,149)	(314,595)
Interest expense	3,980	5,252	42,777
Gain on investment securities	590	16,024	6,341
Foreign exchange gain, net	(76)	(101)	(816)
Loss on disposal of fixed assets	72	81	773
Loans	(37,806)	(107,265)	(406,341)
Deposits	135,833	44,795	1,459,941
Borrowed money (excluding subordinated borrowings)	(662)	(775)	(7,115)
Due from banks (excluding due from Bank of Japan)	503	(360)	5,406
Call loans and bills purchased	(63,784)	53,324	(685,554)
Call money and bills sold	—	(460)	—
Trading securities	490	445	5,266
Foreign exchange assets	393	(355)	4,223
Foreign exchange liabilities	(20)	4	(214)
Interest received	29,386	30,904	315,842
Interest paid	(3,847)	(5,004)	(41,347)
Other	4,918	(3,558)	52,858
Subtotal	47,686	(6,672)	512,532
Income taxes paid	(438)	(3,069)	(4,707)
Income taxes refunded	1,590	—	17,089
Net cash used in operating activities	48,837	(9,742)	524,903
Cash flows from investing activities:			
Purchases of investment securities	(246,223)	(327,210)	(2,646,420)
Proceeds from sales of investment securities	147,424	187,029	1,584,522
Proceeds from redemption of investment securities	55,985	152,511	601,730
Expenditure for acquisition of tangible fixed assets	(921)	(1,286)	(9,898)
Income from sale of tangible fixed assets	87	826	935
Expenditure for acquisitions of intangible fixed assets	(894)	(387)	(9,608)
Income from sales of intangible fixed assets	0	1	0
Net cash provided by investing activities	(44,541)	11,484	(478,729)
Cash flows from financing activities:			
Dividends paid	(1,023)	(1,026)	(10,995)
Dividends paid to minority shareholders	(5)	(2)	(53)
Purchases of treasury stock	(54)	(424)	(580)
Proceeds from sales of treasury stock	6	61	64
Net cash used in financing activities	(1,076)	(1,391)	(11,564)
Effect of exchange rate changes on cash and cash equivalents	(4)	(1)	(42)
Net increase (decrease) in cash and cash equivalents	3,215	349	34,555
Cash and cash equivalents at beginning of year	¥ 30,259	¥ 29,910	\$ 325,225
Cash and cash equivalents at end of year (Note 9)	33,475	30,259	359,791

Notes to Consolidated Financial Statements

March 31, 2010

1. Basis of Presentation

The accompanying consolidated financial statements of The Yamagata Bank, Ltd.(the "Bank") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations and the Enforcement Regulation for the Banking Law of Japan (the "Banking Law") , and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP") , which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued for domestic purposes in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Act amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S.dollars) do not necessarily agree with the sums of the individual amounts.

2. U.S.Dollar Amounts

The Bank maintains its records and prepares its financial statements in yen. Amounts in U.S.dollars are presented solely for the convenience of readers outside Japan. The rate of 93.04=U.S.\$1.00, the rate of exchange in effect on March 31, 2010, has been used in translation. The translation should not be construed as a representation that yen could be converted into U.S.dollars at the above or any other rate.

3. Summary of Significant Accounting Policies

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its 7 subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Goodwill represents the difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition. Immaterial goodwill is charged to income when incurred.

b. Securities

Securities are classified into three categories: trading, held-to-maturity bonds, or other securities (securities available for sale). Trading account securities, which are purchased for trading purpose, are carried at market value and held-to-maturity bonds are carried at amortized cost. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Available-for-sale securities which do not have readily determinable fair value are carried at cost. Cost of securities sold is determined by the moving average method.

c. Derivative financial instruments

Derivatives are stated at fair market value.

d. Tangible fixed assets

The Bank recognizes depreciation by the decline-balance method applicable to each specific category of assets. The useful lives of buildings and equipment are summarized as follows:

Buildings 2 to 30 years
Equipment 2 to 15 years

Depreciation of tangible fixed assets of the consolidated subsidiaries is mainly computed using the decline-balance method over the estimated useful lives of respective assets.

e. Intangible fixed assets

Intangible fixed assets are depreciated by the straight-line method. Depreciation of the Bank's software which are used in-house is determined by the straight-line method based on the estimated useful lives which is applied by the Bank and consolidated subsidiaries (the estimated useful lives is mainly 5 years).

f. Leased assets

Leased assets on finance lease transactions that do not transfer ownership are depreciated over the useful life of assets, equal to the lease term, by the straight-line method with zero residual value or, where lease agreements stipulate guarantee of residual value, the guaranteed residual value. The Bank leases certain vehicle, computer equipment and other assets.

g. Foreign currency translation

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

h. Reserve for possible loan loss

The reserve for possible loan losses of the Bank is provided in accordance with internally established standards for write-offs and reserve provisions. The reserve for possible loan losses on loans to borrowers who are classified as substantially bankrupt or who are legally bankrupt is provided based on the amount remaining after deduction of the amounts expected to be recoverable from the disposal of collateral and amounts recoverable under guarantees. In addition, an allowance is provided for loans to borrowers who, although not legally bankrupt, are experiencing serious difficulties and whose failure is imminent. In such cases, a portion of this allowance is provided based on the amount remaining after deduction of the amounts expected to be recoverable from the disposal of collateral and the amounts recoverable under guarantees, and the balance of the allowance is provided after giving full consideration to the amount which the borrower is deemed capable of repaying. In the case of all other loans, the amount provided as an allowance is based on the Bank's historical percentage of actual defaults over a specific fixed period in the past.

The relevant departments assess the assets for all of the credit, based on self-assessment standards for assets, and an independent asset audit department audits the results of the assessments. We provide reserve described above based on the assessment results.

The reserve for possible loan losses is calculated based on the quality of the Bank's total loan assets, applying the Bank's internally established rules for the self-assessment of its assets.

i. Reserve for bonuses to directors and corporate auditors

A reserve for bonuses to directors and corporate auditors is provided in the amount accrued during the year, which is calculated based on the estimated amount of future bonus payment to directors and corporate auditors.

j. Employees' retirement benefits

The reserve for employees' retirement benefits at March 31, 2009 and 2008 is stated principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of March 31, 2009 and 2008, respectively.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized, primarily by the straight-line method over a period (5 years) which falls within the average remaining years of service of the active participants in the plans.

Prior service cost is amortized as incurred, primarily by the straight-line method over a period (5 years) which falls within the average remaining years of service of the active participants in the plans. Changes in accounting policies.

On July 31, 2008, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 19 "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)," which requires the companies to use the discount rate determined by reference to market yields at the end of the fiscal year on high quality bonds such as long-term Japanese government bonds, government agency bonds and high quality corporate bonds. Effective the year ended March 31, 2010, the Bank adopted this amendment. There is no effect of the change on the consolidated financial statements, since the Bank has been using the same discount rate as required by the amended standard.

k. Reserve for directors and corporate auditors' retirement benefits

A reserve for directors and corporate auditors retirement benefits is provided in the amount accrued during the year, which is calculated based on the estimated amount of future retirement payments to directors and corporate auditors.

l. Reserve for losses on dormant deposit repayments

A reserve for losses on dormant deposit repayments which are derecognized as liabilities is provided for the possible losses on the future claims of repayments based on the historical repayments experience.

m. Reserve for losses on contingencies

A reserve for losses on contingencies is provided for future estimated payments to the Credit Guarantee Corporations.

n. Leases

i. As lessee

Finance lease transactions which do not transfer ownership of the leased property to the lessee and were entered into before April 1, 2008 were accounted for as operating leases.

ii. As lessor

Finance lease revenue and related cost of revenue are recorded when the lease payment is received.

Investments in leased assets for finance lease transactions which do not transfer ownership of the leased property to the lessee and were entered into before April 1, 2008 was stated at the carrying value of the relevant fixed assets at March 31, 2008, pursuant to the paragraph 81 of Implementation Guidance No.16, "Implementation Guidance on Accounting Standard for Lease. If these lease transactions had been retroactively accounted for as ordinary sale transactions pursuant to paragraph 80 of the Guidance, income before income taxes and minority interests would have decreased by ¥109 million (\$1,171 thousand) for the year ended March 31, 2010.

o. Hedge accounting

i) Interest rate risk hedges

The Bank uses deferral hedges described in "Accounting and auditing for the application of financial instrument accounting standards in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report no. 24, referred to as Report no. 24 of the Industry Audit Committee) to hedge interest rate risks generated by the Bank's financial assets and liabilities. The effectiveness of hedges to offset market fluctuations is assessed for each hedged item (for example, deposits and loans) and its hedging instrument (such as interest rate swaps). Concerning hedges to fix the cash flow, the Bank identifies hedged items by grouping them based on interest rate indexes and on interest rate revision periods in

accordance with Report no. 24 of the Industry Audit Committee, and specifies interest rate swaps as hedging instruments. The Bank specifies hedges in such a way that the major conditions of hedged items and hedging instruments are almost the same, so we believe that our hedges are highly effective.

The Bank applies the exceptional method for interest rate swaps to certain assets and liabilities.

Concerning the loss of deferral hedge that was included in the consolidated balance sheet of this fiscal year, the loss of deferral hedge caused by the macro hedge we had used (a hedge using derivatives against interest rate risks of a large number of loans and deposits, etc.) in compliance with the "Tentative accounting and auditing for the application of financial instrument accounting standards in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report no. 15) was accounted for as a cost over the remaining period of the hedging instruments of the macro hedge. The loss of deferral hedge caused by the macro hedge at the end of this consolidated fiscal year was ¥502 million (before deduction of tax effect amount).

ii) Exchange rate fluctuation risk hedges

The hedge we use against exchange rate fluctuation risks, which are generated by our financial assets and liabilities in foreign currencies, is the deferral hedge described in "Accounting and auditing for transactions in foreign currencies, etc., in banking" (Report no. 25 of the Industry Audit Committee of the Japanese Institute of Certified Public Accountants, referred to as Report no. 25 of the Industry Audit Committee). We assess the effectiveness of the hedge by regarding currency swaps and foreign exchange swaps, which are conducted to reduce or eliminate exchange rate fluctuation risks generated by monetary claims and liabilities in foreign currencies, etc., as hedging instruments and by checking whether or not we have appropriate foreign currency positions for the hedging instruments to meet the hedged items (monetary claims and liabilities in foreign currencies, etc.).

p. Consumption tax and regional consumption tax

With respect to the Bank and the domestic consolidated subsidiaries, all amounts in the accompanying consolidated balance sheets are recorded exclusive of consumption tax and regional consumption tax.

q. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents consist of cash and due from the Bank of Japan.

r. Additional information

The bank and its consolidated subsidiaries apply revised "Accounting Standard for Financial instruments, "ASBJ Statement No.10, revised on March 10, 2008 and ASBJ Guidance No.19 "Implementation Guidance on Disclosures about Fair Value of Financial Instruments", revised on March 10, 2008, which became effective as of March 31, 2010.

4. Loans and Bills Discounted

Loans to borrowers under bankruptcy procedures and delinquent loans totaled ¥4,777 million (\$ 51,343 thousand) and ¥21,106 million (\$ 226,848 thousand), respectively, at March 31, 2010, and ¥4,217 million and ¥23,851 million, respectively, at March 31, 2009. A loan is placed on non-accrual status when substantial doubt as to the collectibility of its principal and interest is judged to exist, if payment is past due for a certain period of time, or for other reasons.

Loans to borrowers in bankruptcy represent non-accrual loans, after the charge-offs of loans deemed uncollectible, to borrowers who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraphs

3 and 4 of Enforcement Ordinance of the Corporation Income Tax Law.

Delinquent loans are non-accrual loans other than loans to borrowers in bankruptcy or loans on which interest payments have been deferred in order to assist the restructuring of the borrowers.

Loans past due for 3 months or more totaled ¥102 million (\$ 1,096 thousand) and ¥92 million at March 31, 2010 and 2009, respectively. Loans past due for 3 months or more are those whose principal or interest payments are 3 months or more past due but are not included in loans to borrower under bankruptcy procedures or delinquent loans.

Restructured loans totaled ¥4,435 million (\$ 47,667 thousand) and ¥4,720 million at March 31, 2010 and 2009, respectively. Restructured loans are those on which the Bank has granted certain concessions, such as a reduction of the contractual interest rate or principal amount or a deferral of interest/principal payments, in order to assist the restructuring of the borrowers. Excluded from restructured loans are loans to borrowers under bankruptcy procedures, other non-accrual loans, and loans past due for 3 months or more.

The total of loans to borrowers under bankruptcy procedures, other non-accrual loans, loans past due for 3 months or more and restructured loans amounted to ¥30,422 million (\$ 326,977 thousand) and ¥32,882 million at March 31, 2010 and 2009, respectively.

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing in Applying Accounting Standard for Financial Instruments in the Banking Industry" issued by the JICPA. The Bank has rights to sell or pledge accepted banker's acceptance bills, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. The face value of banker's acceptance bills, commercial bills, documentary bills

acquired at discount and foreign exchange bought at a discount was ¥9,559 million (\$ 102,740 thousand) and ¥12,606 million as of March 31, 2010 and 2009, respectively.

Overdraft protection on current accounts and contracts for loan commitments are agreements under which the Bank and the consolidated subsidiaries are bound to extend loans up to a prearranged amount, at the request of the customer, unless the customer is in breach of contract. The unutilized balance of such contracts amounted to ¥540,575 million (\$ 5,810,135 thousand) and ¥546,811 million as of March 31, 2010 and 2009, respectively, in which the balance of contracts that have a term of one year or less or are unconditionally cancelable at any time were ¥533,904 million and ¥537,604 million as of March 31, 2010 and 2009, respectively. Since many of these contracts are scheduled to expire without the rights having been exercised, any unutilized balance in itself does not necessarily affect the future cash flows of the Bank or its consolidated subsidiaries. A provision is included in many of these contracts which entitles the Bank and the consolidated subsidiaries to refuse the execution of such loans, or to reduce the maximum amount loaned under such contracts when there is a change in the borrowers' financial situation, or when there is the necessity to secure a claim, or when other similar factors arise. In addition, the Bank and its consolidated subsidiaries obtain, if needed, real estate or securities as collateral at the time the contracts are entered into and they subsequently monitor the borrowers' financial condition periodically based on, and in accordance with, the procedures established. If deemed necessary, specific measures such as amendments to the contracts are undertaken in order to control the credit risk.

5. Securities

Trading securities, marketable securities classified as held-to-maturity debt securities and other securities at March 31, 2010 are summarized as follows:

1. Trading securities

	Unrealized holding gain charged to current operations	Unrealized holding gain charged to current operations
	(Millions of yen)	(Thousands of U.S.dollars)
	¥ 0	\$ 0

2. Marketable held-to-maturity bonds (as of March 31, 2010)

	Type	Carrying value	Market value	Difference	Carrying Value	Market value	Difference
		Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Market value exceeding carrying value	Japanese government bonds	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
	Municipal bonds	—	—	—	—	—	—
	Short-term bonds	—	—	—	—	—	—
	Corporate bonds	7,787	7,971	183	83,695	85,672	1,966
	Other	—	—	—	—	—	—
	Subtotal	7,787	7,971	183	83,695	85,672	1,966
Market value not exceeding carrying value	Japanese government bonds	—	—	—	—	—	—
	Municipal bonds	—	—	—	—	—	—
	Short-term bonds	—	—	—	—	—	—
	Corporate bonds	2,368	2,332	(36)	25,451	25,064	(386)
	Other	—	—	—	—	—	—
	Subtotal	2,368	2,332	(36)	25,451	25,064	(386)
	Total	¥ 10,156	¥ 10,303	¥ 147	\$ 109,157	\$ 110,737	\$ 1,579

3. Marketable other securities (as of March 31, 2010)

	Type	Carrying value	Cost	Difference	Carrying value	Cost	Difference
		Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Carrying value exceeding cost	Stocks	¥ 20,088	¥ 14,092	¥ 5,995	\$ 215,907	\$ 151,461	\$ 64,434
	Bonds	410,221	402,541	7,679	4,409,082	4,326,536	82,534
	Japanese government bonds	205,361	202,212	3,149	2,207,233	2,173,387	33,845
	Municipal bonds	132,815	129,820	2,995	1,427,504	1,395,313	32,190
	Short-term bonds	—	—	—	—	—	—
	Corporate bonds	72,043	70,508	1,534	774,322	757,824	16,487
	Other	29,137	26,236	2,901	313,166	281,986	31,180
	Foreign bonds	26,471	24,997	1,473	284,512	268,669	15,831
	Other	2,666	1,238	1,428	28,654	13,306	15,348
	Subtotal	459,447	442,870	16,576	4,938,166	4,759,995	178,159
	Carrying value not exceeding cost	Stocks	9,705	11,186	(1,481)	104,309	120,227
Bonds	75,827	76,846	(1,019)	814,993	825,945	(10,952)	
Japanese government bonds	50,973	51,555	(582)	547,861	554,116	(6,255)	
Municipal bonds	695	697	(2)	7,469	7,491	(21)	
Short-term bonds	—	—	—	—	—	—	
Corporate bonds	24,158	24,593	(434)	259,651	264,327	(4,664)	
Other	76,781	80,802	(4,020)	825,247	868,465	(43,207)	
Foreign bonds	61,704	64,687	(2,982)	663,198	695,260	(32,050)	
Other	15,076	16,114	(1,037)	162,037	173,194	(11,145)	
Subtotal	162,314	168,835	(6,521)	1,744,561	1,814,649	(70,088)	
Total	¥ 621,761	¥611,706	¥ 10,054	\$ 6,682,727	\$6,574,656	\$ 108,061	

4.Sales proceeds and cost of held-to-maturity securities(corporate bonds) sold during the year ended March 31, 2010 are ¥51 million and ¥50 million , respectively. The sales are due to redemption of the securities.

5. Other securities sold during the year ended March 31, 2010

	Proceeds from Sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Stocks	¥ 4,777	¥ 396	¥ 349	\$ 51,343	\$ 4,256	\$ 3,751
Bonds	134,675	1,107	640	1,447,495	11,898	6,878
Japanese government bonds	117,297	1,001	640	1,260,715	10,758	6,878
Municipal bonds	16,378	92	—	176,031	988	—
Short-term bonds	—	—	—	—	—	—
Corporate bonds	1,000	13	—	10,748	139	—
Other	8,899	218	830	95,647	2,343	8,920
Total	¥ 148,353	¥ 1,720	¥ 1,820	\$ 1,594,507	\$ 18,486	\$ 19,561

6. Securities reclassified in the year ended March 31, 2010: Certain bonds which were classified as held-to-maturity securities were reclassified to other securities in the amount of ¥50 million(\$537 thousand) in the fiscal year ended March 31, 2010, because creditworthiness of the issuer of the bonds significantly deteriorated.

7. Other securities which have readily determinable fair value are devaluated to fair value, and the difference between cost and fair value is treated as loss for the fiscal year if fair value has significantly deteriorated compared with cost and fair value is unlikely to recover up to the acquisition cost. The impairment loss for the year ended March 31, 2010 was ¥513 million(\$5,513 thousand) (including ¥513 million(\$5,513 thousand) of equity securities). The criteria for determining whether a security's fair value has "significantly deteriorated" are: where a security whose fair value is 50% or less and where a security whose fair value exceeds 50% but is 70% or less of the acquisition cost, considering the quoted market price transition during a certain period in the past, business performance and other factors.

6. Revaluation of Land

Pursuant to the "Law Concerning the Revaluation of Land" (the "Law"), land used for the Bank's business operations was revalued on March 31, 2002. The excess of the revalued aggregate market value over the total book value (carrying amount) before revaluation was included in net assets at an amount net of the related tax effect at March 31, 2002. The corresponding income taxes were included in liabilities at March 31, 2002 as deferred taxes liability on revalued land.

The revaluation of the land was determined based on two method, the

official prices published by the Commissioner of the National Tax Authority in accordance with Article 2, Paragraph 4 of the "Enforcement Ordinance Concerning Land Revaluation," with certain necessary adjustments, and the appraisal by Real estate appraiser.

The difference between the total fair value of land for business operation purposes, which was revalued in accordance with Article 10 of the above-mentioned law, and the total book value of the land after the revaluation was ¥3,384 million (\$ 36,371 thousand) at March 31, 2010.

7. Shares Issued

The number of shares issued and changes during the year ended March 31, 2010 and 2009 are summarized as follows:

	Thousands of shares		Thousands of shares	
	2010	2009	2010	2009
	Treasury stock	Common stock issued	Treasury stock	Common stock issued
Beginning of the year	1,373	172,000	756	172,000
Increase during the year	123 ^{*1}	—	723 ^{**1}	—
Decrease during the year	14 ^{*2}	—	106 ^{**2}	—
End of the year	<u>1,482</u>	<u>172,000</u>	<u>1,373</u>	<u>172,000</u>

^{*1} 123 thousand shares were purchased for claims by the shareholders who owned less than the trade unit (1,000 shares).

^{*2} 14 thousand shares were sold for claims by shareholders who owned less than the trade unit (1,000 shares).

^{**1} 723 thousand shares were purchased for claims by the shareholders who owned less than the trade unit (1,000 shares).

^{**2} 106 thousand shares were sold for claims by shareholders who owned less than the trade unit (1,000 shares).

8. Dividends

Dividends for the year ended March 31, 2010 and 2009 are summarized as follows:

	November 13, 2009	June 25, 2009	November 14, 2008	June 26, 2008
	Resolution by the board of directors	Resolution by the general shareholders' meeting	Resolution by the board of directors	Resolution by the general shareholders' meeting
Total dividends	¥ 511 million	¥ 511 million	¥ 512 million	¥ 513 million
Dividend per share	¥ 3.0	¥ 3.0	¥ 3.0	¥ 3.0
Base date	September 30, 2009	March 31, 2009	September 30, 2008	March 31, 2008
Effective date	December 10, 2009	June 26, 2009	December 10, 2008	June 27, 2008
	November 13, 2009	June 25, 2009	November 14, 2008	June 26, 2008
	Resolution by the board of directors	Resolution by the general shareholders' meeting	Resolution by the board of directors	Resolution by the general shareholders' meeting
Total dividends	\$ 5,492 Thousand	\$ 5,492 Thousand	\$ 5,212 Thousand	\$ 5,222 Thousand
Dividend per share	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03
Base date	September 30, 2009	March 31, 2009	September 30, 2008	March 31, 2008
Effective date	December 10, 2009	June 26, 2009	December 10, 2008	June 27, 2008

Dividend of which base date belonged to the year ended March 31, 2010 and 2009 is summarized as follows:

	June 25, 2010		June 25, 2009	
	Resolution by the general shareholders' meeting	Resolution by the general shareholders' meeting	Resolution by the general shareholders' meeting	Resolution by the general shareholders' meeting
Total dividends	¥ 511 million	\$ 5,492 Thousand	¥ 511 million	\$ 5,202 Thousand
Dividend per share	¥ 3.0	\$ 0.03	¥ 3.0	\$ 0.03
Base date	March 31, 2010	March 31, 2010	March 31, 2009	March 31, 2009
Effective date	June 28, 2010	June 28, 2010	June 26, 2009	June 26, 2009

9. Cash Flows

Cash and cash equivalents stated in the consolidated statements of cash flows at March 31, 2010 and 2009 consisted of the following:

	2010		2009		2010	
	(Millions of yen)		(Thousands of U.S.dollars)		(Thousands of U.S.dollars)	
Cash and due from banks	¥ 34,022	¥ 31,306	\$ 365,670			
Deposits with banks other than the Bank of Japan	(546)	(1,045)	(5,868)			
Cash and cash equivalents	<u>¥ 33,475</u>	<u>¥ 30,259</u>	<u>\$ 359,791</u>			

10. Accumulated Depreciation

Accumulated depreciation totaled ¥24,931 million (\$ 267,960 thousand) and ¥24,803 million at March 31, 2010 and 2009, respectively.

11. Assets Pledged

Pledged assets and liabilities related to pledged assets as of March 31, 2010 and 2009 were summarized as follows:

	2010		2009		2010	
	(Millions of yen)		(Thousands of U.S.dollars)		(Thousands of U.S.dollars)	
Pledged assets:						
Securities	¥ 92,593	¥ 89,305	\$ 995,195			
Other assets	¥ 190	¥ —	\$ 2,042			

Liabilities related to the above

	2010		2009		2010	
	(Millions of yen)		(Thousands of U.S.dollars)		(Thousands of U.S.dollars)	
pledged assets:						
Deposits	¥ 22,565	¥ 4,451	\$ 242,530			
Borrowed money	¥ 120	¥ —	\$ 1,289			

In addition, securities totaling ¥61,742 million (\$ 663,607 thousand) and ¥60,473 million were pledged as collateral for settlement of exchange and futures transactions at March 31, 2010 and 2009, respectively.

Deposits included in other assets as of March 31, 2010 and 2009 were ¥365 million (\$ 3,923 thousand) and ¥371 million, respectively.

12. Shareholders' Equity

In accordance with the Banking Law of Japan, the Bank has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Banking Law of Japan provides that an amount equivalent to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and additional paid-in capital equals 100% of the common stock.

The Corporation Law of Japan provides that neither additional paid-in capital nor the legal reserve had been available for dividends, but both might be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Corporation Law of Japan also provides that if the total amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

There were no changes in the common stock and additional paid-in capital accounts for the two years ended March 31, 2010 and 2009.

13.Loss on Impairment

The Bank reviewed its long-lived assets by grouping into the units consisting of operating branches, idle assets, jointly used assets including head office, administrative centers, company housing and dormitories and each consolidated subsidiary for impairment and recognized loss on impairment of land in the amount of ¥32 million (\$343 thousand) for the year ended March 31, 2010. The recoverable amount used for measurement of loss on impairment was net selling price and computed mainly based on the real estate appraisal value.

14. Leases

Investments in leased assets at March 31, 2010 and 2009 are summarized as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S.dollars)
Gross lease receivables	¥ 10,816	¥ 12,057	\$ 116,251
Estimated residual values	522	618	5,610
Unearned interest income	(2,013)	(2,027)	(21,635)
Investments in leased assets	<u>¥ 9,325</u>	<u>¥ 10,648</u>	<u>\$ 100,225</u>

Maturities of lease receivables at March 31, 2010 are as follows:

Years ending March 31	(Millions of yen)	(Thousands of U.S.dollars)
2011	¥ 3,662	\$ 39,359
2012	2,792	30,008
2013	2,062	22,162
2014	1,360	14,617
2015	662	7,115
2016 and thereafter	276	2,966

Maturities of lease receivables at March 31, 2009 are as follows:

Years ending March 31	(Millions of yen)	(Thousands of U.S.dollars)
2010	¥ 4,060	\$ 41,331
2011	3,128	31,843
2012	2,203	22,426
2013	1,465	14,913
2014	785	7,991
2015 and thereafter	414	4,214

15. Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2010 and 2009 are summarized as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S.dollars)
Deferred tax assets:			
Reserve for possible loan losses	¥ 4,820	¥ 4,361	\$ 51,805
Reserve for employees' retirement benefits	1,486	1,901	15,971
Devaluation on securities	1,993	2,198	21,420
Depreciation and amortization	1,303	1,232	14,004
Tax loss carryforwards	3,087	4,208	33,179
Unrealized holding losses on securities	—	4,719	—
Other	929	2,384	9,984
Subtotal: deferred tax assets	<u>13,620</u>	<u>21,005</u>	<u>146,388</u>
Valuation allowance	(2,515)	(5,348)	(27,031)
Total: deferred tax assets	11,105	15,657	119,357
Unrealized holding gains on securities	2,936	—	31,556
Total: deferred tax liabilities	2,936	—	31,556
Net deferred tax assets	<u>¥ 8,168</u>	<u>¥ 15,657</u>	<u>\$ 87,790</u>

The differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2010 are summarized as follows: on the other hand, the difference for the year ended March 31, 2009 is not disclosed because net loss was recorded for the year.

Statutory tax rate	40.0%	Non-taxable income	(1.8%)
Valuation allowance	(2.7%)	Per capita inhabitants' tax rate	0.8%
Tax loss carryforward	5.1%	Others	2.3%
Non-taxable expenses	0.8%	Effective tax rate	44.5%

16. Business combination

Transactions under common control

Transactions under common control in the fiscal year ended March 31, 2010 were as follows:

Acquisition and spin off of credit card business by a company split Kinomi Kanzai Co., Ltd., which is one of the Bank's consolidated subsidiaries, spun off its credit card business to The Yamagin Card Service Co., Ltd. on March 19, 2010, in accordance with a resolution made at an extraordinary general meeting of the shareholders on February 10, 2010.

1.Reason for the split

Credit card business of Kinomi Kanzai Co., Ltd. was transferred to The Yamagin Card Service, which is the core company for credit card business in the Bank's group, to concentrate and flexibly deploy such business and to optimize business resources.

2.Nature of business subject to transaction

Credit card business

3.Form of the split

Absorption-type split with Kinomi Kanzai Co., Ltd. as the splitting company and The Yamagin Card Service as the successor company.

4.Timing of the split

March 19, 2010

5.Outline of the accounting

This transaction was accounted for as a transaction under common control based on the Accounting Standard for Business Combinations issued by the Business Accounting Council in Japan and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standard Guidance No.10) issued by the Accounting Standards Board of Japan.

17. Fair Value Information on Derivatives

(1)Derivative transactions to which hedge accounting is not applied Derivative transaction to which hedge accounting was not applied are set force in the table below. These items do not reflect the market risks of the derivative transactions.

Interest rate-related transactions	Contract amounts	Contract beyond one year	Fair value	Unrealized gain or (loss)
<March 31,2010>				
Over-the-counter:				
Swap:				
Receive-fixed/pay-floating	¥ 7,701	¥ 7,701	¥ (16)	¥ 34
Receive-floating/pay-fixed	7,701	7,701	(44)	(44)
<March 31,2010>				
Over-the-counter:				
Swap:				
Receive-fixed/pay-floating	\$ 82,770	\$ 82,770	\$ (171)	\$ 365
Receive-floating/pay-fixed	82,770	82,770	(472)	(472)
<March 31,2009>				
Over-the-counter:				
Swap:				
Receive-fixed/pay-floating	¥ 3,436	¥ 3,436	¥ 0	¥ 35
Receive-floating/pay-fixed	3,436	3,436	(24)	(24)

The above transactions are measured at fair value and the resulting gains or losses are included in the consolidated statements of income.

Currency-related transactions	Contract amounts	Contract beyond one year	Fair value	Unrealized gain or (loss)
<March 31,2010>				
Over-the-counter transactions:				
Forward exchange contracts				
Sold	¥ 136	—	¥ 0	¥ 0
Bought	39	—	0	0
<March 31,2010>				
Over-the-counter transactions:				
Forward exchange contracts				
Sold	\$ 1,461	—	\$ 0	\$ 0
Bought	419	—	0	0
<March 31,2009>				
Over-the-counter transactions:				
Forward exchange contracts				
Sold	¥ 155	—	¥ (1)	¥ (1)
Bought	99	—	0	0

1. The above transactions are measured at fair value and the resulting gains or losses are included in the consolidated statements of income.

2. Fair values are obtained using the discounted cash flow, etc.

Bond-related contracts	Contract amounts	Contract beyond one year	Fair value	Unrealized gain or (loss)
<March 31,2009>				
Listed Bond futures Sold	¥ 139	—	¥ 1	¥ 1

The above transactions are measured at fair value and the resulting gains or losses are included in the consolidated statements of income.

(2)Derivative transactions to which hedge accounting is applied Derivative transactions to which hedge accounting is applied are set force in the table below. These items below do not represent the market risks of the derivative transactions.

Interest rate-related transactions (as of March 31, 2010)

Hedge accounting method	Type	Major hedged item	Contract amounts Millions of yen	Contract amounts beyond one year Millions of yen	Fair value Millions of yen	Contract amounts Thousands of U.S.dollars	Contract amounts beyond one year Thousands of U.S.dollars	Fair value Thousands of U.S.dollars
Normal method	Interest rate swaps	Loans, deposits						
	receive-floating/pay-fixed		¥ 94,326	¥ 94,301	¥ (895)	\$ 1,013,822	\$ 1,013,553	\$(9,619)
Exceptional method	Interest rate swaps							
	receive-floating/pay-fixed		7,149	7,107	30	76,837	76,386	322
	Total		—	¥ —	¥ (865)	\$ —	\$ —	\$(9,297)

The above transactions apply deferral hedge accounting stipulated in JICPA Industry Audit Committee Report No.24, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking industry."

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

Currency-related transactions (as of March 31, 2010)

Hedge accounting method	Type	Major hedged item	Contract amounts Millions of yen	Contract amounts beyond one year Millions of yen	Fair value Millions of yen	Contract amounts Thousands of U.S.dollars	Contract amounts beyond one year Thousands of U.S.dollars	Fair value Thousands of U.S.dollars
Normal method	Currency swaps	Call loans in foreign currency	¥ 1,861	¥ —	¥ (12)	\$ 20,002	\$ —	\$ (128)
	Total		—	¥ —	¥ (12)	\$ —	\$ —	\$ (128)

The above transactions apply deferral hedge accounting stipulated in JICPA Industry Audit Committee Report No.25, "Treatment for Accounting and Auditing for Transactions in foreign currencies, in Banking industry."

The fair value is calculated based on the discounted present value.

2. Fair value of financial instruments

Carrying amount and fair value, as of March 31, 2010, and the difference between the values are shown in the table below. Unlisted stocks and others whose fair value is deemed to be extremely difficult to determine are not listed in the table (see Note 2). Accounts considered to be immaterial are omitted.

	Carrying amount Millions of yen	Fair Value Millions of yen	Difference Millions of yen
(1) Cash and due from banks	¥ 34,022	¥ 34,022	¥ —
(2) Call loans and bills purchased	75,183	75,183	—
(3) Securities			
Trading securities	2,999	2,999	—
Held-to-maturity bonds	10,156	10,303	147
Other securities	613,295	613,295	—
(4) Loans and bills discounted	1,212,711		
Reserve for possible (*1)	(12,613)		
loan losses	1,200,098	1,213,912	13,814
Total assets	1,935,755	1,949,717	13,961
(1) Deposits	1,795,120	1,796,700	1,579
(2) Negotiable certificates of deposit	64,081	64,082	0
Total liabilities	1,859,202	1,860,782	1,580
Derivatives transactions(*2)			
To which hedge accounting is not applied	(60)	(60)	—
To which hedge accounting is applied	(803)	(803)	—
Total derivatives	¥ (863)	¥ (863)	¥ —

	Carrying amount Thousand of dollars	Fair Value Thousand of dollars	Difference Thousand of dollars
(1) Cash and due from banks	\$ 365,670	\$ 365,670	\$ —
(2) Call loans and bills purchased	808,071	808,071	—
(3) Securities			
Trading securities	32,233	32,233	—
Held-to-maturity bonds	109,157	110,737	1,579
Other securities	6,591,734	6,591,734	—
(4) Loans and bills discounted	13,034,297		
Reserve for possible (*1)	(135,565)		
loan losses	12,898,731	13,047,205	148,473
Total assets	20,805,621	20,955,685	150,053
(1) Deposits	19,294,067	19,311,049	16,971
(2) Negotiable certificates of deposit	688,746	688,757	0
Total liabilities	19,982,824	19,999,806	16,981
Derivatives transactions(*2)			
To which hedge accounting is not applied	(644)	(644)	—
To which hedge accounting is applied	(8,630)	(8,630)	—
Total derivatives	\$ (9,275)	\$ (9,275)	\$ —

(*1) General reserve and specific reserve for possible loan losses corresponding to loans and bills discounted are deducted.

(*2) Derivative transactions recorded in other assets and other liabilities are presented on a net basis.

Note 1 Method to calculate fair values of financial instruments

Assets

(1) Cash and due from banks

Concerning due from banks without maturity, the carrying amount is reported as fair value because the fair value is approximately the same as the carrying amount. Concerning due from banks with maturity, the carrying amount is reported as fair value because the remaining periods are as short as less than one year, and the fair value is approximately the same as the carrying amount.

(2) Call loans and bills purchased

The carrying amount is reported as fair value for call loans and bills purchased because they have short maturity (less than one year), and the fair value is approximately the same as the carrying amount.

(3) Securities

Fair value of stocks is determined based on the exchange price, and that of bonds based on the exchange price or price quoted by the counter party

financial institutions. Fair value of investment trusts is determined based on the price publicly available. Fair value of privately placed guaranteed bonds is calculated by discounting the total amount of principal and interest at an interest rate deemed to be applicable to similar bonds by categories based on internal ratings and terms of the bonds.

As market quotation cannot be considered as fair value in consequence of examining the recent trading environment, the Bank decided to continue to report Japanese government bond with variable interest rate on the balance sheet at the reasonably calculated amounts. As a result, securities and net unrealized holding gain on other securities as of March 31, 2010 increased by ¥4,705 million (\$50,569 thousand) and by ¥2,823 million (\$30,341 thousand), respectively and deferred tax assets as of March 31, 2010 decreased by ¥1,882 million (\$20,227 thousand). The value of Japanese government bonds with variable interest rate calculated on a reasonable basis is determined by discounting the expected future cash flows, which are estimated based on factors such as yield of government bonds, and the discount rate based on the yield. The yield of government bonds and volatility of the yield are major parameters for determining the price.

Notes concerning securities by purpose of holding securities are set out in the Note5 "Securities".

(4) Loans and bills discounted

Fair value of loans and bills discounted is calculated by categorizing the loans based on the type, internal rating, term (the remaining period or the period between interest rate renewals), and then discounting the total of the principals and interest with a rate expected of a new similar loan. For loans with short remaining periods (less than one year), the carrying amount is reported as the fair value because the fair value is approximately the same as the carrying amount.

For receivables from "legally bankrupt", "virtually bankrupt" and "possibly bankrupt" borrowers, possible loan losses are estimated based on factors such as present value of expected future cash flow and expected amounts to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount net of the currently expected loan losses at the end of the year, such carrying amount is presented as fair value.

Concerning loans whose maturity dates were not set because they were limited to within the values of the collateral offered as security, the carrying amount is reported as fair value because the fair value is expected to be approximately the same as the carrying amount considering expected periods of repayments and the terms of interest rate.

Liabilities

(1) Deposits, and (2) negotiable certificates of deposit

Concerning demand deposits, the amounts to be paid if such deposits were withdrawn on the end of the year (book values) are regarded as fair value. Time deposits are separated by period, and the present value is calculated by discounting the future cash flow. The discount rate is the rate used for new deposit-taking. For those with short remaining periods (less than one year), their book value is reported as the fair value because the fair value is approximately the same as the book value.

Derivative transactions

Matters related to derivatives transactions are as stated in the Note 17 "Fair Value Information on Derivatives".

Note 2 Financial instruments whose fair value is deemed to be extremely difficult to determine were as follows. These were not included in the Asset "(3) Securities" in the above table, "Fair value of financial instruments".

Category	Carrying amount	
	Millions of yen	Thousand of dollars
Unlisted stocks (*1)	¥ 1,355	\$ 14,563
Investment in Partnerships (*2)	132	1,418
Total	¥ 1,487	\$ 15,982

(*1) Unlisted stocks are not subject to fair value disclosure because of the extreme difficulty in determining their fair values as they are not sold in the market.

(*2) In the case that partnership assets consist of unlisted stocks whose fair value is deemed to be extremely difficult to determine, investment in partnerships is not subject to fair value disclosure.

Note 3 Scheduled redemption amounts of financial assets and securities with maturities

	Due in one year or loss (Millions of yen)	Due after one year through three years (Millions of yen)	Due after three years through five years (Millions of yen)	Due after five years through seven years (Millions of yen)	Due after seven years through ten years (Millions of yen)	Due after ten years (Millions of yen)
Due from banks	¥ 34,022	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	75,183	—	—	—	—	—
Securities	52,018	172,423	109,665	50,109	145,843	58,394
Held-to-maturity bonds	1,745	3,589	3,555	1,265	—	—
Corporate bonds	1,745	3,589	3,555	1,265	—	—
Other securities with a maturity date	50,273	168,834	106,109	48,843	145,843	58,394
Japanese government bonds	24,101	68,219	27,526	14,794	89,720	31,971
Municipal bonds	7,809	33,744	37,545	22,642	24,510	7,258
Corporate bonds	7,837	39,167	26,431	4,184	17,182	1,398
Other	10,524	27,702	14,605	7,221	14,429	17,764
Loans and bills discounted (*)	351,451	228,295	164,323	92,051	105,798	245,143
Total	¥ 512,676	¥ 400,719	¥ 273,989	¥ 142,160	¥ 251,641	¥ 303,537

Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loan to "Legally bankrupt" borrowers, loan to "Virtually bankrupt" borrowers, loan to "Possibly bankrupt" borrowers, amounting to ¥25,646 million (\$275,644 thousand) is not included in the above table.

	Due in one year or loss (Thousands of U.S.dollars)	Due after one year through three years (Thousands of U.S.dollars)	Due after three years through five years (Thousands of U.S.dollars)	Due after five years through seven years (Thousands of U.S.dollars)	Due after seven years through ten years (Thousands of U.S.dollars)	Due after ten years (Thousands of U.S.dollars)
Due from banks	\$ 365,670	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	808,071	—	—	—	—	—
Securities	559,092	1,853,213	1,178,686	538,574	1,567,530	627,622
Held-to-maturity bonds	18,755	38,574	38,209	13,596	—	—
Corporate bonds	18,755	38,574	38,209	13,596	—	—
Other securities with a maturity date	540,337	1,814,638	1,140,466	524,967	1,567,530	627,622
Japanese government bonds	259,039	733,222	295,851	159,006	964,316	343,626
Municipal bonds	83,931	362,682	403,536	243,357	263,435	78,009
Corporate bonds	84,232	420,969	284,082	44,969	184,673	15,025
Other	113,112	297,742	156,975	77,611	155,083	190,928
Loans and bills discounted (*)	3,777,418	2,453,729	1,766,154	989,370	1,137,123	2,634,812
Total	\$ 5,510,275	\$ 4,306,953	\$ 2,944,851	\$ 1,527,944	\$ 2,704,653	\$ 3,262,435

Note 4 Scheduled repayment amounts of bonds, borrowed money and other interest bearing liabilities

	Due in one year or loss (Millions of yen)	Due after one year through three years (Millions of yen)	Due after three years through five years (Millions of yen)	Due after five years through seven years (Millions of yen)	Due after seven years through ten years (Millions of yen)	Due after ten years (Millions of yen)
Deposits (*)	¥ 1,586,570	¥ 164,793	¥ 43,756	¥ —	¥ —	¥ —
Negotiable certificates of deposit	64,081	—	—	—	—	—
Total	¥ 1,650,652	¥ 164,793	¥ 43,756	¥ —	¥ —	¥ —

	Due in one year or loss (Thousands of U.S.dollars)	Due after one year through three years (Thousands of U.S.dollars)	Due after three years through five years (Thousands of U.S.dollars)	Due after five years through seven years (Thousands of U.S.dollars)	Due after seven years through ten years (Thousands of U.S.dollars)	Due after ten years (Thousands of U.S.dollars)
Deposits (*)	\$ 17,052,558	\$ 1,771,205	\$ 470,292	\$ —	\$ —	\$ —
Negotiable certificates of deposit	688,746	—	—	—	—	—
Total	\$ 17,741,315	\$ 1,771,205	\$ 470,292	\$ —	\$ —	\$ —

*Demand deposits are included in "Due in one year or less".

22. Subsequent events

Acquisition and spin off of credit guarantee business by a company split Kinomi Kanzai Co., Ltd., which is one of the Bank's consolidated subsidiaries, spun off its credit card business to The Yamagin Credit Guarantee Service Co., Ltd. on March 19, 2010, in accordance with a resolution made at an extraordinary general meeting of the shareholders on February 10, 2010.

1.Reason for the split

Credit guarantee business of Kinomi Kanzai Co., Ltd. was transferred to The Yamagin Credit Guarantee Service, which is the core company for credit guarantee business in the Bank's group, to concentrate and flexibly deploy such business and to optimize business resources.

2.Nature of business subject to transaction

Credit guarantee business

3.Form of the split

Absorption-type split with Kinomi Kanzai Co., Ltd. as the splitting company and The Yamagin Credit Guarantee Service as the successor company.

4.Timing of the split

April 1, 2010

5.Outline of the accounting

This transaction was accounted for as a transaction under common control based on the Accounting Standard for Business Combinations (Accounting Standard No.21) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standard Guidance No.10) issued by the Accounting Standards Board of Japan.

Report of Independent Auditors

The Board of Directors
The Yamagata Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Yamagata Bank, Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Yamagata Bank, Ltd. and consolidated subsidiaries at March 31, 2010 and 2009, 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.

The U. S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U. S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

June 25, 2010

Ernst & Young Shinnihon LLC

Non-Consolidated Balance Sheets

As of March 31, 2010 and 2009

	2010 (Millions of yen)	2009 (Millions of yen)	2010 (Thousands of U.S.dollars)
Assets			
Cash and due from banks	¥ 34,015	¥ 31,240	\$ 365,595
Call loans and bills purchased.....	75,183	7,302	808,071
Trading securities	14	504	150
Securities	627,885	566,161	6,748,549
Loans and bills discounted	1,221,675	1,186,843	13,130,642
Foreign exchange	415	718	4,460
Other assets	17,617	21,813	189,348
Tangible fixed assets	14,202	14,572	152,644
Buildings	3,682	3,861	39,574
Land	9,286	9,344	99,806
Leased asset	19	25	204
Construction in process	—	46	—
Other tangible fixed assets	1,213	1,293	13,037
Intangible fixed assets	1,530	763	16,444
Software	1,312	544	14,101
Other intangible fixed assets	217	219	2,332
Deferred tax assets	7,273	14,821	78,170
Customers' liabilities for acceptances and guarantees	16,123	15,407	173,291
Reserve for possible loan losses.....	¥ (11,507)	¥ (9,137)	\$ (123,677)
Total assets	2,004,428	1,851,012	21,543,723
Liabilities and Net Assets			
Liabilities:			
Deposits	¥ 1,865,928	¥ 1,729,801	\$ 20,055,116
Borrowed money	52	—	558
Foreign exchange	78	96	838
Other liabilities.....	7,473	7,251	80,320
Reserve for bonuses to directors and corporate auditors	20	—	214
Reserve for employees' retirement benefits	3,692	4,712	39,681
Reserve for directors and corporate auditors' retirement benefits	194	231	2,085
Reserve for losses on dormant deposit repayments	179	103	1,923
Reserve for losses on contingencies	140	112	1,504
Deferred tax liabilities arising from revaluation of land	1,928	1,946	20,722
Acceptances and guarantees	¥ 16,123	¥ 15,407	\$ 173,291
Total liabilities	1,895,811	1,759,663	20,376,300
Net Assets			
Common stock			
Authorized - 298,350,000 shares			
Issued - 172,000,000 shares.....	¥ 12,008	¥ 12,008	\$ 129,062
Capital surplus	4,938	4,939	53,073
Retained earnings	86,136	85,334	925,795
Less treasury stock, at cost	(807)	(760)	(8,673)
Total Shareholder's equity.....	102,275	101,522	1,099,258
Unrealized holding gain on securities.....	6,001	(10,237)	64,499
Deferred gain (loss) on hedging instruments.....	(537)	(823)	(5,771)
Revaluation of land.....	877	886	9,426
Total of net assets	108,617	91,348	1,167,422
Total of liabilities and net assets.....	¥ 2,004,428	¥ 1,851,012	\$ 21,543,723

Non-Consolidated Statements of Income

For the years ended March 31, 2010 and 2009

	2010 (Millions of yen)	2009 (Millions of yen)	2010 (Thousands of U.S.dollars)
Income			
Interest on loans and discounts	¥ 22,526	¥ 23,166	\$ 242,110
Interest and dividends on securities	6,480	7,495	69,647
Other interest	203	432	2,181
Fees and commissions	5,704	5,856	61,306
Other income	2,608	6,550	28,030
Total income	37,526	43,503	403,331
Expenses:			
Interest on deposits	3,015	4,432	32,405
Interest on borrowings and rediscounts.....	3	19	32
Interest on loans.....	—	10	—
Other interest	909	730	9,769
Fees and commissions	2,041	1,992	21,936
General and administrative expenses	21,765	21,987	233,931
Other expenses	6,213	25,540	66,777
Total expenses	33,951	54,715	364,907
Income (loss) before income taxes	3,573	(11,211)	38,402
Income taxes:			
Current	36	39	386
Deferred (credit)	1,721	(5,363)	18,497
	1,757	(5,323)	18,884
Net income (loss)	¥ 1,815	¥ (5,887)	\$ 19,507
Amounts per share:	2010	2009	2010
	(yen)	(yen)	(U.S.dollars)
Net income (loss)	10.65	(34.45)	0.11
Net assets	636.99	535.37	6.84

Directory

Headquarters:

1-2, Nanokamachi 3-chome, Yamagata 990-8642,Japan
Phone: +81 23 623 1221

Capital Markets & International Division:

General Manager: Yuji Takashima
1-2, Nanokamachi 3-chome, Yamagata 990-8642,Japan
Phone: +81 23 634 7547
Fax: +81 23 625 7185
S.W.I.F.T.: YAMBJPJT

Foreign Exchange Offices:

Head Office

1-2, Nanokamachi 3-chome, Yamagata 990-8642,Japan
Phone: +81 23 623 1221

Yonezawa Branch

1-5, Monto-machi 3-chome, Yonezawa 992-0039,Japan
Phone: +81 238 22 2010

Nagai Branch

11-14, Sakae-machi, Nagai 993-0084,Japan
Phone: +81 238 88 2105

Sagaechuo Branch

2-33, Chuo 1-chome, Sagae 991-0021,Japan
Phone: +81 237 86 1141

Tendo Branch

9-1, Higashihoncho 1-chome, Tendo 994-0026,Japan
Phone: +81 23 653 3355

Shinjo Branch

2-16, Hon-cho, Shinjo 996-0027,Japan
Phone: +81 233 22 2461

Tsuruoka Branch

1-13, Hon-cho 2-chome, Tsuruoka 997-0034,Japan
Phone: +81 235 22 5530

Sakata Branch

10-1, Hon-cho 3-chome, Sakata 998-0043,Japan
Phone: +81 234 22 7222

Tokyo Branch

5-16, Kyobashi 2-chome, Chuo-ku, Tokyo 104-0031,Japan
Phone: +81 3 3567 1861

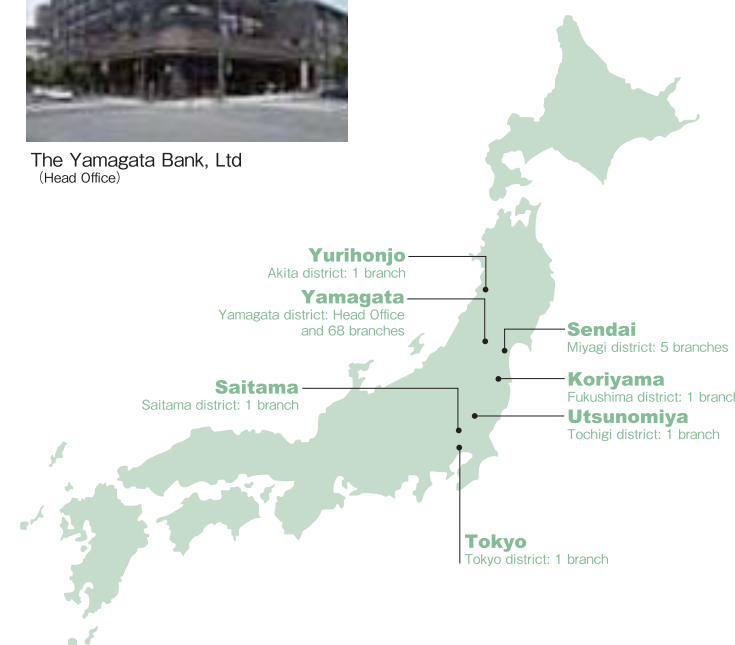
Money Exchange Offices: 67 (As of June 30, 2010)

Bank Data: (As of March 31, 2010)

Date of Incorporation: 1896
Authorized Shares: 298,350,000
Total Number of Stock Issued: 172,000,000
Number of Shareholders: 8,994
Number of Employees: 1,322



The Yamagata Bank, Ltd
(Head Office)



(Total: Head Office and 78 branches)
(As of July 1, 2010)



Cherries
Cherries are a special product of Yamagata Prefecture.
Stylized cherries are used as the symbol of The Yamagata Bank.