

# Annual Report 2011



## Stand up, Japan! “Nanakorobi-yaoki”

*It is a Japanese traditional proverb, which literally translates  
as ‘If you fall down seven times, stand up eight’ and  
expresses the spirit of ‘Never give up!’*

The Ehime Bank and its employees wish to express  
our deepest sympathy to everyone who has  
suffered as a result of the Great  
East Japan Earthquake.

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## Message from the President



### ■ The Founding Spirit

The Ehime Bank got its start in 1943 when five mutual financing associations in Ehime Prefecture merged to form the Ehime Mutual Financing Association. Since then, the bank has contributed to the development of the community without once forgetting the spirit of the mutual financial assistance. The philosophy behind mutual loans is one of caring for others, and its objectives are those of mutual assistance in the form of helping and cooperating with one another. This system was brought to Japan with Buddhism some 1,500 years ago. It is the origin of consumer financing in this country and forms the roots of our bank. Even today we still continue to treasure the spirit of our founders, who believed that putting the customer first and treating our employees well are the foundations for success.

### ■ Our Function and Mission as a Community Financial Institution

Approximately six months have passed since the Great East Japan Earthquake which shook the whole of Japan. The impact of the damage from this disaster is much greater than anything we have seen before, and unfortunately it appears that it will take a little more time before the route to economic recovery can be fully settled. In fact, the economic damages are incalculable. The G20 finance ministers and central bank governors noted at their meeting held in April that the question of whether Japan could smoothly recover from the earthquake, along with financial uncertainties in Europe and the situation in the Middle East and North Africa, represented a new global risk.

Even looking only at the local economy, we see that the after-effects of the disaster are far from inconsiderable. According to a study we conducted recently, approximately 60% of companies in the prefecture have been affected by such factors as difficulties in the procurement of raw materials and drops in sales. The economy will gradually move toward recovery mainly based on domestic consumption as the reconstruction effort progresses, but the situation is such that we cannot be optimistic.

I believe that now is the time for us to join hands and do whatever we can do. Naturally, as a community financial institution our bank will also contribute to the development of our local community and to the reconstruction of Japan. I believe that the tenacious spirit and technological prowess without peer in the world are the weapons of the Japanese people that will provide the motive force to surely get the country back on its feet.

### ■ Financial Performance for the Fiscal Year Ended March 2011

Looking first at revenue, investment earnings fell 1,773 million yen compared to the previous consolidated fiscal year mainly due to sluggish growth in the demand for capital owing to the extended economic slump. Operating income fell 838 million yen year-on-year to 42,975 million yen.

Turning to costs, ordinary expenses fell 1,408 million yen compared to the previous consolidated fiscal year to 35,859 million yen because of the decline in deposit interest rates along with our efforts to control credit risks.

As a result, ordinary profit rose 569 million yen compared to the previous consolidated fiscal year to 7,116 million yen, while net profit for the same period fell 655 million yen year-on-year to 2,895 million yen.

### ■ Management Vision

The effects of the Great East Japan Earthquake have been felt not only in the disaster zone but also to no small degree in Ehime Prefecture as well.

I believe that as the work of laying the foundations for reconstruction progresses we must remind ourselves that a local bank can only begin to build itself on a foundation of the very community it serves, and that more than ever before we must actively engage in initiatives aimed at revitalizing that community.

We are working to give full play to our ability to provide consulting services by moving ahead with projects aimed particularly at small and medium-sized businesses such as business consulting and providing support for opening new markets. At the same time, we are also working to collaborate and exchange personnel with outside organizations.

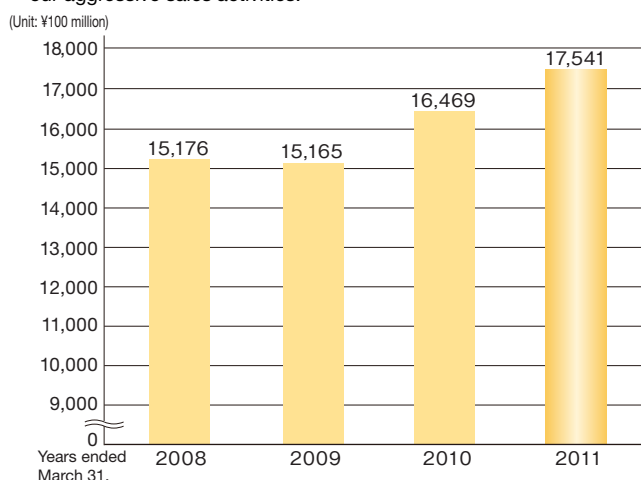
Accordingly, we need to manage our own affairs wisely to secure steady profits every quarter reliably and continuously.

We are working to construct a solid operational base by attracting total deposits in the two trillion yen range at the earliest possible date and to further strengthen risk management and become a low cost operation as possible based on the foundations of legal compliance.

# Business Overview

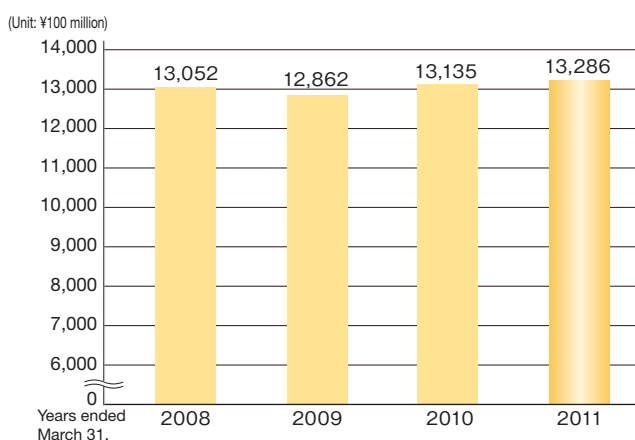
## Changes in Deposits (Including NCDs) (Consolidated Basis)

Deposits rose 1,072 hundred million yen (6.5%) year on year thanks to favorable trends in both corporate and personal deposits as a result of our aggressive sales activities.



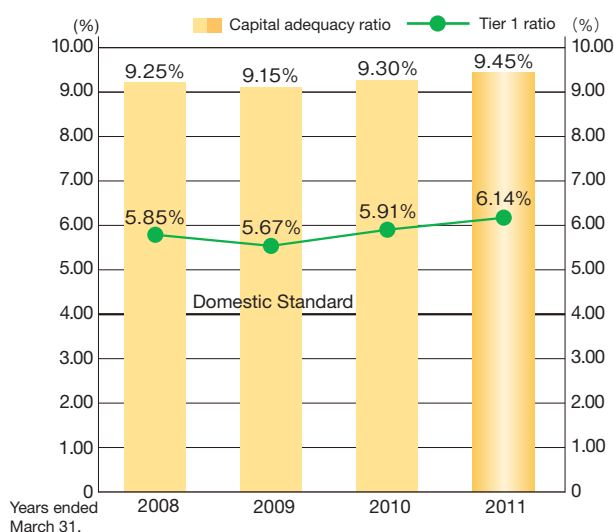
## Changes in Loans (Consolidated Basis)

The balance of loans rose 151 hundred million yen (1.1%) year on year, driven mainly by housing loans amid a slump in demand for capital among corporations.



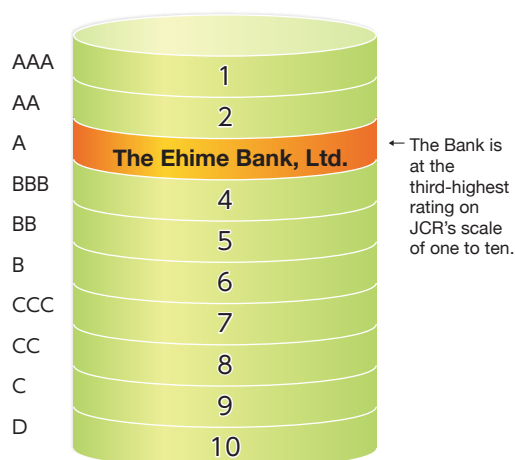
## Capital Adequacy Ratio (Consolidated Basis)

The capital adequacy ratio as of March 31, 2011, stood at 9.45% (0.15% up year-on-year). This is considerably higher than the domestic standard (4% or more) for banks that have branches only in Japan, and remains quite healthy.



## Credit Rating

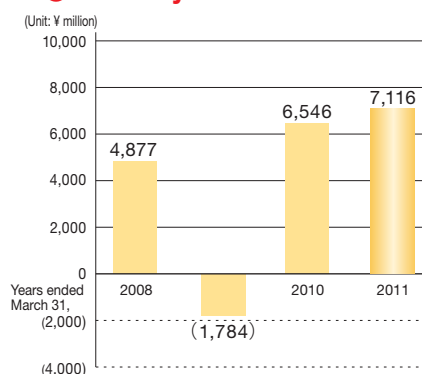
The Ehime Bank has earned an A- credit rating from the Japan Credit Rating Agency (JCR) for its long-term preferred debt. A is defined as "a high level of capacity to honor the financial commitment on the obligation."



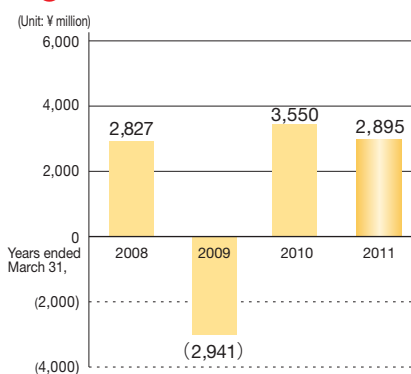
## Changes in Income (Consolidated Basis)

While the sluggishness of the business environment in which companies operate continued, our efforts to manage funds efficiently produced the performance outlined below.

### Ordinary Profit



### Net Income



# Corporate Governance

## ■ Corporate Governance Framework

The goals of corporate governance for the Ehime Bank are transparency in management and the maximization of corporate value. We are working in the following ways as our basic policy for the purpose of building and strengthening an organizational structure that can respond swiftly to changes in the environment surrounding management.

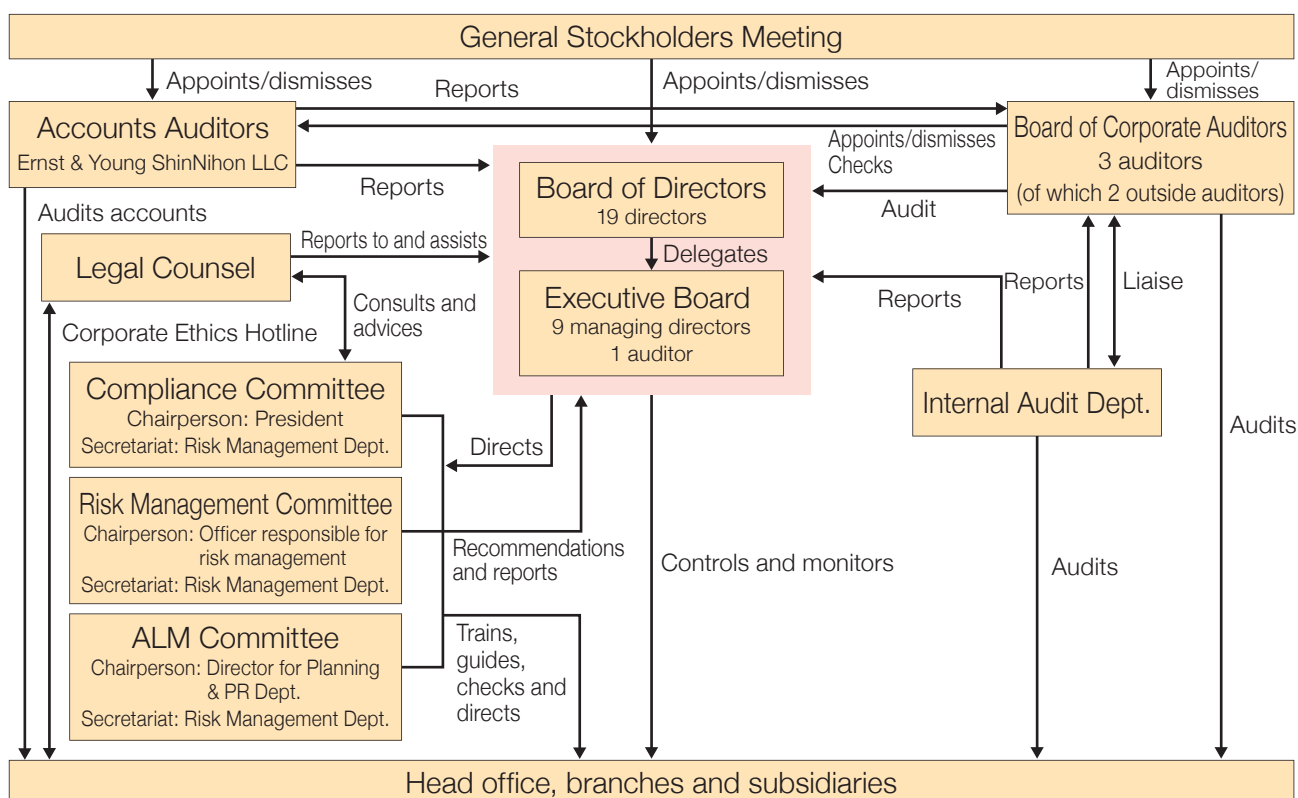
The Board of Directors meets once a month in principle to decide on important matters and monitor conditions regarding the execution of corporate business. Additionally, in accordance with the basic policies decided upon by the Board of Directors with the goals of speeding up decision making and improving the efficiency of business operations, an Executive Board composed chiefly of executive officers generally meets once a week to consider matters related to the execution of important corporate business.

With respect to business operations, the bank has created a Compliance Committee and a Risk Management Committee. Internal auditors also participate in committee meetings to monitor the status of operations.

The Ehime Bank operates under a corporate auditor system. Corporate auditors attend meetings of the Board of the Directors, and standing corporate auditors also attend meetings of the Executive Board. Auditors audit the execution of the duties in each.

We believe that through these systems our bank can insure appropriate corporate governance.

## (Corporate Governance Structure)



## ■ Maintaining Internal Control Systems and Risk Management System

We have a high degree of public nature as a community financial institution as well as the important responsibility and mission to contribute broadly to the economy and society. For that reason, in order to carry out our social responsibilities and our mission appropriately, we have worked hard to fully develop compliance systems and an internal management system that conforms to our “Basic Policy on the Construction of an Internal Control System.” We also want to make unshakeable the trust that our business partners, shareholders, and everyone in the local community have in the bank by actively disclosing business information in order to create management that is highly transparent.

# Corporate Governance

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## ■ Maintaining Compliance Framework

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The declaration on compliance the President issued in October 1999 ordained the bank's "Compliance Manual". To maintain our compliance systems, we are working to develop and enhance them through various measures. These include the establishment of a "Compliance Program" to assess implementation, systematically providing training to make the program known as widely as possible, and internal audits conducted by the Internal Audit Department to identify issues and provide guidance.

To bring all aspects of compliance together, we have created a Risk Management Department that carries out education, provides guidance, and conducts investigations regarding compliance matters for the entire group including its subsidiaries. The director of this department is the bank's Chief Compliance Officer.

We have appointed a Compliance Committee chaired by the President in order to develop and strengthen our compliance systems. The Compliance Committee reports to and brings matters up for discussion with the Board of Directors based on consultations regarding matters connected to legal compliance.

The bank has also created the "Corporate Ethics Hotline" to the Risk Management Department inside the bank and to a law firm outside the bank as measures for prevention and rapid discovery of illegal activities by executives and regular employees.

## ■ Maintaining Risk Management System

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The Ehime Bank has established Basic Standards for Risk Management and management policies and rules for each risk category in order to both quantitatively grasp to the extent possible all types of risk related to the execution of business, and to conduct business operations within a range that is suitably allowable.

The President designates a Representative Director as the bank's Risk Management Officer. To provide assistance to the Risk Management Officer, the Risk Management Department Director also serves as Assistant Risk Management Officer. The bank has also created a Risk Management Department that is charged with assessing risk throughout the bank and overseeing and assessing that risk management readiness is being handled appropriately.

We have established a Risk Management Committee chaired by the Risk Management Officer in order to assess, manage, and identify risk throughout the bank. The committee provides a system for receiving regular reports regarding risk conditions from each risk management department. We have also created a separate Asset-Liability Management (ALM) Committee for addressing market risks. Chaired by the Director for Planning and Advertising, this committee analyzes and identifies risks and reports on them to the Executive Board.

This structure also provides a system through which each risk management department reports to the Board of Directors on the results of regularly conducted self-evaluations on risk management readiness in order to guarantee the effectiveness of risk management.

# Stock Information

## Breakdown of Stockholders

(As of March 31, 2011)

(As of March 31, 2017)

|                                       | (1 trading unit = 1,000 shares) |                        |   |                 |  |             |                        |         | Less under trading unit share |
|---------------------------------------|---------------------------------|------------------------|---|-----------------|--|-------------|------------------------|---------|-------------------------------|
|                                       | National and local governments  | Financial institutions | Securities firms and other financial institutions | Other companies | Foreign corporations and other foreign investors |             | Individuals and others | Total   |                               |
|                                       |                                 |                        |   |                 | Others   | Individuals |                        |         |                               |
| Number of stockholders                | —                               | 63                     | 30  | 950             | 88   | 1           | 6,047                  | 7,179   | —                             |
| Number of shares owned (trading unit) | —                               | 72,005                 | 3,746   | 47,211          | 10,415   | 2           | 43,148                 | 176,527 | 1,290,664                     |
| Ratio of shares owned (%)             | —                               | 40.77                  | 2.12  | 26.77           | 5.90   | 0.00        | 24.44                  | 100.00  | —                             |

Notes: 1. The 573,894 treasury shares include 573 units of shares under "Individuals and others," and 894 individual shares under "Less under trading unit share." The figure of 573,894 shares is the actual number of treasury shares as of the last day of the fiscal year under review.

2. The "Other companies" column includes one unit of shares on the ledger of a security storage and transfer organization.

## Principal Stockholders

(As of March 31, 2011)

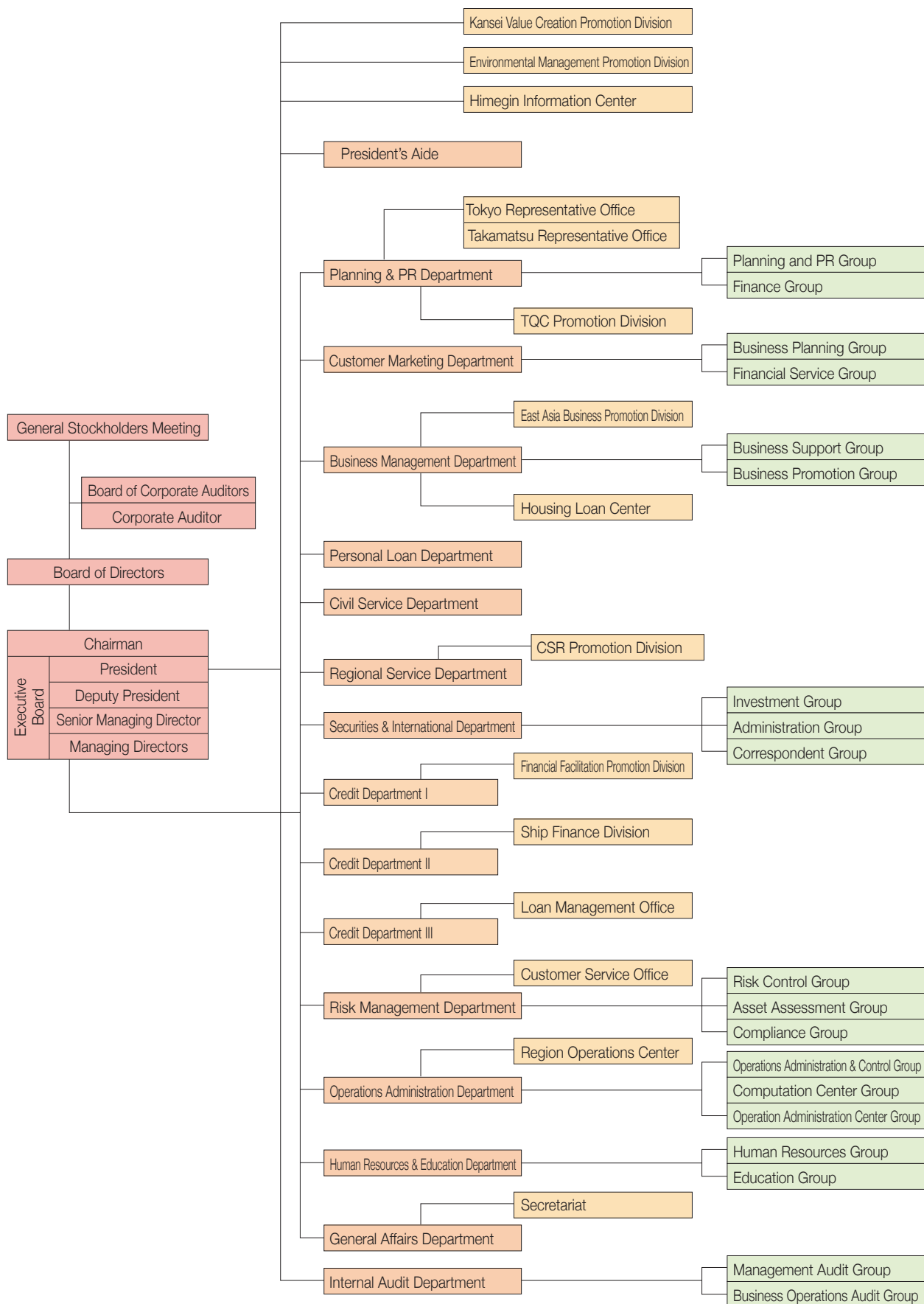
| Name   | Address   | Shareholdings (thousands) | Percentage of total shares outstanding (%) |
|--|---|---------------------------|--|
| Japan Trustee Services Bank, Ltd. (Trust Account)          | 1-8-11, Harumi, Chuo-ku, Tokyo                    | 10,037                    | 5.46                                       |
| Japan Trustee Services Bank, Ltd. (Trust Account 4)        | 1-8-11, Harumi, Chuo-ku, Tokyo                    | 9,450                     | 5.31                                       |
| Mizuho Corporate Bank, Ltd.                                | 1-3-3, Marunouchi, Chiyoda-ku, Tokyo              | 5,394                     | 3.03                                       |
| The Ehime Bank, Ltd., Employee Stock Ownership Association | 2-1, Katsuyama-cho, Matsuyama-shi, Ehime          | 5,107                     | 2.87                                       |
| Daio Paper Corporation                                     | 2-60, Mishima Kamiya-cho, Shikoku-chuo-shi, Ehime | 3,753                     | 2.11                                       |
| Sumitomo Insurance Company, Limited                        | 7-18-24, Tsukiji, Chuo-ku, Tokyo                  | 2,999                     | 1.68                                       |
| Sompo Japan Insurance Inc.                                 | 1-26-1, Nishi-shinjuku, Shinjuku-ku, Tokyo        | 2,795                     | 1.57                                       |
| The Master Trust Bank of Japan, Ltd. (Trust Account)       | 2-11-3, Hamamatsu-cho, Minato-ku, Tokyo           | 2,293                     | 1.28                                       |
| Daiwa Securities Group Inc.                                | 1-9-1, Marunouchi, Chiyoda-ku, Tokyo              | 2,292                     | 1.28                                       |
| The Bank of Nagoya, Ltd.                                   | 3-19-17, Nishiki, Naka-ku, Nagoya-shi, Aichi      | 2,291                     | 1.28                                       |
| Total  | —   | 46,413                    | 26.10                                      |

Note: Of the number of shares held by credit unions as listed above, the number of shares used in said banks' trust banking activities is as follows.

- Japan Trustee Services Bank, Ltd. (total of Trust Account and Trust Account 4): 19,487,000 shares
- The Master Trust Bank of Japan, Ltd. (Trust Account): 2,293,000 shares

# Organization

## Management Structure



(As of July 1, 2011)



# Outline of the Ehime Bank Group

## Overview of Group Companies

### THE EHIME BANK, LTD.

102 branches (including 8 sub-branches), 9 subsidiaries

#### Subsidiaries

(As of March 31, 2011)

| Name   | Address/<br>Telephone   | Services   | Foundation        | Capital or<br>Investment<br>to Capital<br>(millions of yen) | Share (%) |
|--|---|--|-------------------|---|-----------|
| (Consolidated Subsidiaries)  |   |  |                   |   |           |
| <b>Himegin Business Service Co., Ltd.</b>  | 5-6-1, Chifunemachi, Matsuyama, Ehime 790-0011, Japan<br>+81-(0)89-932-3486           | <ul style="list-style-type: none"> <li>Detailed check &amp; disposition of cash, etc.</li> <li>Money collection for specific clients</li> <li>Maintenance and Management of ATM facilities</li> <li>Pickup and delivery services of documents, etc., and traffic control of delivery vehicles</li> </ul> | July 2, 1984      | 10  | 100       |
| <b>Himegin Soft Co., Ltd.</b>  | 27-1, Minami-mochidamachi, Matsuyama, Ehime 790-0878, Japan<br>+81-(0)89-943-7767     | <ul style="list-style-type: none"> <li>Development of computer software</li> <li>Information processing by computers</li> <li>Management and administration of computer systems</li> <li>Sales of ancillary equipment associated with computer software</li> <li>Management of FB terminals</li> </ul>   | December 6, 1984  | 30  | 60        |
| <b>HIMEGIN Lease Co., Ltd.</b>   | 2-1, Katsuyama-cho, Matsuyama, Ehime 790-0878, Japan<br>+81-(0)89-933-8383            | <ul style="list-style-type: none"> <li>Leasing</li> <li>Investment</li> </ul>  | May 10, 1986      | 30  | 75        |
| <b>Ehime-JCB Co., Ltd.</b>   | 2-4-7, Katsuyama-cho Matsuyama, Ehime 790-0878, Japan<br>+81-(0)89-921-2303           | <ul style="list-style-type: none"> <li>Credit card services</li> <li>Credit guarantee services</li> </ul>  | January 29, 1987  | 50  | 90        |
| <b>Himegin Staff Support Co., Ltd.</b>   | Office: 1-13-4, Katsuyama-cho, Matsuyama, Ehime 790-0878, Japan<br>+81-(0)89-908-5010 | <ul style="list-style-type: none"> <li>Operations related to personnel dispatch (temporary labor and paid introduction of workplaces)</li> <li>Educational and training operations and administrative services to the Ehime Bank Group such as payroll calculation and employee benefits</li> </ul>      | April 8, 2008     | 30  | 100       |
| <b>Ehime Investment Co., Ltd.</b>  | 27-1, Minami-mochidamachi, Matsuyama, Ehime 790-0878, Japan<br>+81-(0)89-943-7767     | <ul style="list-style-type: none"> <li>Information services and consulting on corporate management</li> <li>Business restructuring support</li> <li>Advising and consulting on business transfer</li> <li>Investment in stocks and bonds for M&amp;A purposes</li> </ul>                                 | April 8, 2008     | 30  | 100       |
| (Non-Consolidated Subsidiaries Subject to the Equity Method)                     |   |  |                   |   |           |
| <b>Ehime Venture Fund 2004 Corporation Limited</b>                               | 2-1, Katsuyama-cho, Matsuyama, Ehime 790-8580, Japan<br>+81-(0)89-933-1111            | <ul style="list-style-type: none"> <li>Investment in venture companies</li> </ul>  | August 31, 2004   | 500   | —         |
| <b>Anonymous association* operated by Ehime Ship Finance Corporation Limited</b> | 3-1-1, Marunouchi, Chiyoda-ku, Tokyo  | <ul style="list-style-type: none"> <li>Special-purpose company</li> </ul>  | January 14, 2005  | 10  | —         |
| <b>Ehime Gaiya Fund Corporation Limited</b>                                      | 2-1, Katsuyamacho, Matsuyama, Ehime 790-8580, Japan<br>+81-(0)89-933-1111             | <ul style="list-style-type: none"> <li>Investment in agriculture, forestry and fisheries</li> </ul>  | November 28, 2006 | 500   | —         |

Note: Regarding this special-purpose company, the Bank regards it as a subsidiary although the Bank has no voting right nor legal control thereof. This is because all profits and losses of this anonymous association are attributable to the Bank.

# Consolidated Financial Statements

## Consolidated Balance Sheets

### ● Assets

(Unit: million yen)

|   | Previous FY<br>(As of March 31, 2010) | Current FY<br>(As of March 31, 2011) |
|---|---------------------------------------|--------------------------------------|
| <b>Assets</b>   |                                       |                                      |
| Cash and due from banks                               | 38,013                                | 64,406                               |
| Call loans and bills bought                           | 101,279                               | 125,064                              |
| Monetary claims bought                                | 132                                   | 93                                   |
| Trading account securities                            | 87                                    | 110                                  |
| Securities  | 285,322                               | 338,637                              |
| Loans and bills discounted                            | 1,313,540                             | 1,328,608                            |
| Foreign exchanges                                     | 2,920                                 | 5,734                                |
| Long-term leases and lease investments                | 6,580                                 | 5,883                                |
| Other assets  | 6,296                                 | 7,691                                |
| Tangible fixed assets                                 | 30,880                                | 30,483                               |
| Buildings   | 7,008                                 | 6,665                                |
| Land  | 22,232                                | 22,151                               |
| Lease assets  | 179                                   | 277                                  |
| Construction in progress                              | 2                                     | 44                                   |
| Other tangible fixed assets                           | 1,456                                 | 1,344                                |
| Intangible fixed assets                               | 966                                   | 743                                  |
| Software  | 591                                   | 381                                  |
| Lease assets  | 175                                   | 149                                  |
| Other intangible fixed assets                         | 198                                   | 211                                  |
| Deferred tax assets                                   | 9,669                                 | 8,442                                |
| Customers' liabilities for acceptances and guarantees | 9,578                                 | 7,872                                |
| Allowance for loan losses                             | (17,800)                              | (17,477)                             |
| <b>Total assets</b>                                   | <b>1,787,467</b>                      | <b>1,906,294</b>                     |

### ● Liabilities and Net Assets

(Unit: million yen)

|   | Previous FY<br>(As of March 31, 2010) | Current FY<br>(As of March 31, 2011) |
|---|---------------------------------------|--------------------------------------|
| <b>Liabilities</b>                                    |                                       |                                      |
| Deposits  | 1,611,715                             | 1,651,204                            |
| Negotiable certificates of deposits                   | 35,201                                | 102,973                              |
| Borrowed money  | 24,274                                | 34,473                               |
| Foreign exchanges                                     | 6                                     | 6                                    |
| Bonds payable   | 13,000                                | 13,000                               |
| Other liabilities                                     | 11,204                                | 13,101                               |
| Reserve for directors' bonuses                        | 40                                    | 55                                   |
| Reserve for retirement benefits                       | 43                                    | 41                                   |
| Reserve for directors' retirement benefits            | 323                                   | 361                                  |
| Reserve for loss due to returning interests           | 75                                    | 79                                   |
| Reserve for reimbursement of deposits                 | 58                                    | 57                                   |
| Deferred tax liabilities for land revaluation         | 5,647                                 | 5,607                                |
| Acceptances and guarantees                            | 9,578                                 | 7,872                                |
| <b>Total liabilities</b>                              | <b>1,711,168</b>                      | <b>1,828,837</b>                     |
| <b>Net Assets</b>                                     |                                       |                                      |
| Capital stock   | 19,078                                | 19,078                               |
| Capital surplus                                       | 13,213                                | 13,213                               |
| Retained earnings                                     | 33,884                                | 35,762                               |
| Treasury stock  | (207)                                 | (215)                                |
| Total stockholders' equity                            | 65,968                                | 67,838                               |
| Valuation difference on available-for-sale securities | 2,976                                 | 2,247                                |
| Deferred gains or losses on hedges                    | 0                                     | —                                    |
| Revaluation reserve for land                          | 6,855                                 | 6,808                                |
| Valuation and translation adjustments                 | 9,831                                 | 9,056                                |
| Minority interests                                    | 498                                   | 562                                  |
| <b>Total net assets</b>                               | <b>76,298</b>                         | <b>77,457</b>                        |
| <b>Total liabilities and net assets</b>               | <b>1,787,467</b>                      | <b>1,906,297</b>                     |

# Consolidated Financial Statements

## Consolidated Statements of Income

(Unit: million yen)

|  | Previous FY<br>( April 1, 2009 to )<br>( March 31, 2010 ) | Current FY<br>( April 1, 2010 to )<br>( March 31, 2011 ) |
|--|---|--|
| <b>Ordinary income</b>                                     | <b>43,813</b>   | <b>42,975</b>  |
| Interest income  | 34,367  | 32,593   |
| Interest on loans and discounts                            | 30,452  | 28,695   |
| Interest and dividends on securities                       | 3,475   | 3,387  |
| Interest on call loans and bills bought                    | 83  | 161  |
| Interest due from banks                                    | 67  | 8  |
| Other interest income                                      | 315   | 340  |
| Fees and commissions                                       | 3,728   | 3,269  |
| Other ordinary income                                      | 4,446   | 6,379  |
| Other income   | 1,271   | 732  |
| <b>Ordinary expenses</b>                                   | <b>37,267</b>   | <b>35,859</b>  |
| Interest expenses  | 4,415   | 3,284  |
| Interest on deposits                                       | 3,523   | 2,449  |
| Interest on negotiable certificates of deposit             | 180   | 176  |
| Interest on call money and bills sold                      | —   | 0  |
| Interest on payables under securities lending transactions | —   | 3  |
| Interest on borrowings and rediscounts                     | 375   | 310  |
| Interest on bonds  | 313   | 303  |
| Other interest expenses                                    | 22  | 40   |
| Fees and commissions payments                              | 2,125   | 1,931  |
| Other ordinary expenses                                    | 12  | 143  |
| General and administrative expenses                        | 23,530  | 23,761   |
| Other expenses   | 7,183   | 6,738  |
| Provision of allowance for loan losses                     | 1,655   | 992  |
| Other  | 5,527   | 5,746  |
| <b>Ordinary profit</b>                                     | <b>6,546</b>  | <b>7,116</b>   |
| <b>Extraordinary income</b>                                | <b>127</b>  | <b>24</b>  |
| Profit on disposal of noncurrent assets                    | 3   | 0  |
| Recoveries of written-off claims                           | 123   | 20   |
| Other  | 0   | 2  |
| <b>Extraordinary losses</b>                                | <b>162</b>  | <b>357</b>   |
| Loss on disposal of noncurrent assets                      | 39  | 171  |
| Impairment loss  | 122   | 120  |
| Other  | —   | 65   |
| <b>Income before income taxes</b>                          | <b>6,510</b>  | <b>6,782</b>   |
| <b>Income taxes—current</b>                                | <b>766</b>  | <b>2,345</b>   |
| <b>Income taxes—deferred</b>                               | <b>2,115</b>  | <b>1,475</b>   |
| <b>Total taxes and adjustments</b>                         | <b>2,882</b>  | <b>3,820</b>   |
| <b>Income before minority interests</b>                    |   | <b>2,962</b>   |
| <b>Minority interests in income</b>                        | <b>77</b>   | <b>66</b>  |
| <b>Net income</b>  | <b>3,550</b>  | <b>2,895</b>   |
| <b>Minority interests in income</b>                        |   | <b>66</b>  |
| <b>Income before minority interests</b>                    |   | <b>2,962</b>   |
| <b>Other comprehensive income</b>                          |   | <b>(731)</b>   |
| Net unrealized gains(losses) on other securities           |   | (731)  |
| Net deferred gains(losses) on hedge instruments            |   | (0)  |
| <b>Comprehensive income</b>                                |   | <b>2,230</b>   |
| Comprehensive income attributable to owners of the parent  |   | 2,166  |
| Comprehensive income attributable to minority interests    |   | 64   |

# Consolidated Financial Statements

## Consolidated Statements of Changes in Net Assets

(Unit: million yen)

|  | Previous FY<br>(April 1, 2009 to<br>March 31, 2010) | Current FY<br>(April 1, 2010 to<br>March 31, 2011) |
|--|---|--|
| <b>Stockholders' equity</b>                    |   |  |
| Capital stock                                  |   |  |
| Balance at the end of the previous fiscal year | 19,078  | 19,078   |
| Changes in the fiscal year                     |   |  |
| Net changes in the fiscal year                 | —   | —  |
| Balance at the end of the fiscal year          | 19,078  | 19,078   |
| <b>Capital surplus</b>                         |   |  |
| Balance at the end of the previous fiscal year | 13,213  | 13,213   |
| Changes in the fiscal year                     |   |  |
| Net changes in the fiscal year                 | —   | —  |
| Balance at the end of the fiscal year          | 13,213  | 13,213   |
| <b>Retained earnings</b>                       |   |  |
| Balance at the end of the previous fiscal year | 31,355  | 33,884   |
| Changes in the fiscal year                     |   |  |
| Cash dividends                                 | (1,063)   | (1,063)  |
| Net income                                     | 3,550   | 2,895  |
| Disposal of treasury stock                     | (0)   | (0)  |
| Reversal of land revaluation excess            | 41  | 46   |
| Net changes in the fiscal year                 | 2,528   | 1,877  |
| Balance at the end of the fiscal year          | 33,884  | 35,762   |
| <b>Treasury stock</b>                          |   |  |
| Balance at the end of the previous fiscal year | (199)   | (207)  |
| Changes in the fiscal year                     |   |  |
| Purchase of treasury stock                     | (8)   | (8)  |
| Disposal of treasury stock                     | 0   | 1  |
| Net changes in the fiscal year                 | (8)   | (7)  |
| Balance at the end of the fiscal year          | (207)   | (215)  |
| <b>Total stockholders' equity</b>              |   |  |
| Balance at the end of the previous fiscal year | 63,448  | 65,968   |
| Changes in the fiscal year                     |   |  |
| Cash dividends                                 | (1,063)   | (1,063)  |
| Net income                                     | 3,550   | 2,895  |
| Purchase of treasury stock                     | (8)   | (8)  |
| Disposal of treasury stock                     | 0   | 0  |
| Reversal of land revaluation excess            | 41  | 46   |
| Net changes in the fiscal year                 | 2,520   | 1,870  |
| Balance at the end of the fiscal year          | 65,968  | 67,838   |

|   | Previous FY<br>(April 1, 2009 to<br>March 31, 2010) | Current FY<br>(April 1, 2010 to<br>March 31, 2011) |
|---|---|--|
| <b>Total accumulated other comprehensive income:</b>                    |   |  |
| <b>Net unrealized gains(losses) on other securities:</b>                |   |  |
| Balance at the end of the previous fiscal year                          | 884   | 2,976  |
| Changes in the fiscal year  |   |  |
| Net changes in items other than stockholders' equity in the fiscal year | 2,091   | (729)  |
| Net changes in the fiscal year  | 2,091   | (729)  |
| Balance at the end of the fiscal year                                   | 2,976   | 2,247  |
| <b>Net deferred gains or losses on hedges:</b>                          |   |  |
| Balance at the end of the previous fiscal year                          | —   | 0  |
| Changes in the fiscal year  |   |  |
| Net changes in items other than stockholders' equity in the fiscal year | 0   | (0)  |
| Net changes in the fiscal year  | 0   | (0)  |
| Balance at the end of the fiscal year                                   | 0   | —  |
| <b>Land revaluation excess</b>  |   |  |
| Balance at the end of the previous fiscal year                          | 6,896   | 6,855  |
| Changes in the fiscal year  |   |  |
| Net changes in items other than stockholders' equity in the fiscal year | (41)  | (46)   |
| Net changes in the fiscal year  | (41)  | (46)   |
| Balance at the end of the fiscal year                                   | 6,855   | 6,808  |
| <b>Total accumulated other comprehensive income:</b>                    |   |  |
| Balance at the end of the previous fiscal year                          | 7,781   | 9,831  |
| Changes in the fiscal year  |   |  |
| Net changes in items other than stockholders' equity in the fiscal year | 2,050   | (775)  |
| Net changes in the fiscal year  | 2,050   | (775)  |
| Balance at the end of the fiscal year                                   | 9,831   | 9,056  |
| <b>Minority interests</b>   |   |  |
| Balance at the end of the previous fiscal year                          | 419   | 498  |
| Changes in the fiscal year  |   |  |
| Net changes in items other than stockholders' equity in the fiscal year | 79  | 63   |
| Net changes in the fiscal year  | 79  | 63   |
| Balance at the end of the fiscal year                                   | 498   | 562  |
| <b>Total net assets</b>   |   |  |
| Balance at the end of the previous fiscal year                          | 71,648  | 76,298   |
| Changes in the fiscal year  |   |  |
| Cash dividends  | (1,063)   | (1,063)  |
| Net income  | 3,550   | 2,895  |
| Purchase of treasury stock  | (8)   | (8)  |
| Disposal of treasury stock  | 0   | 0  |
| Reversal of land revaluation excess                                     | 41  | 46   |
| Net changes in items other than stockholders' equity in the fiscal year | 2,129   | (711)  |
| Net changes in the fiscal year  | 4,650   | 1,158  |
| Balance at the end of the fiscal year                                   | 76,298  | 77,457   |

# Consolidated Financial Statements

## Consolidated Statements of Cash Flows

(Unit: million yen)

|   | Previous FY<br>( April 1, 2009 to )<br>( March 31, 2010 ) | Current FY<br>( April 1, 2010 to )<br>( March 31, 2011 ) |
|---|---|--|
| <b>Cash Flows from Operating Activities</b>                                   |   |  |
| Income (loss) before income taxes and minority interests                      | 6,510   | 6,782  |
| Depreciation  | 974   | 978  |
| Losses on impairment of fixed assets  | 122   | 120  |
| Increase (decrease) in reserve for possible loan losses                       | 426   | (323)  |
| Increase (decrease) in reserve for directors' bonuses                         | 38  | 15   |
| Increase (decrease) in reserve for retirement benefits                        | (203)   | (2)  |
| Increase (decrease) in reserve for directors' retirement benefits             | (127)   | 38   |
| Increase (decrease) in reserve for reimbursement deposits                     | 3   | (0)  |
| Increase (decrease) in reserve for loss due to returning interests            | 18  | 3  |
| Interest income   | (34,367)  | (32,593)   |
| Interest expenses   | 4,415   | 3,284  |
| Securities losses (gains), net  | (1,124)   | (1,388)  |
| Foreign exchange losses (gains), net  | (6)   | (9)  |
| Losses (gains) on disposition of fixed assets                                 | 35  | 192  |
| Net decrease (increase) in trading securities                                 | 47  | (23)   |
| Net decrease (increase) in loans and bills discounted                         | (27,265)  | (15,068)   |
| Net increase (decrease) in deposits   | 128,651   | 39,488   |
| Net increase (decrease) in negotiable certificates of deposits                | 1,688   | 67,772   |
| Net increase (decrease) in borrowed money (excluding subordinated borrowings) | 1,505   | 10,199   |
| Net decrease (increase) in due from banks (excluding due from central banks)  | (3,058)   | 2,010  |
| Net decrease (increase) in call loans   | (92,189)  | (23,745)   |
| Net decrease (increase) in foreign exchange assets                            | 671   | (2,814)  |
| Net increase (decrease) in foreign exchange liabilities                       | (1)   | 0  |
| Interest and dividend income  | 34,315  | 32,600   |
| Interest expenses   | (4,454)   | (3,699)  |
| Other-net   | (166)   | 400  |
| Subtotal  | 16,462  | 84,221   |
| Cash refunded (paid) in income taxes  | 1,809   | (1,034)  |
| Net cash provided by (used in) operating activities                           | 18,272  | 83,186   |
| <b>Cash Flows from Investing Activities</b>                                   |   |  |
| Payments for purchase of securities   | (258,949)   | (399,181)  |
| Proceeds from sale of securities  | 97,463  | 200,459  |
| Proceeds from redemption of securities  | 96,295  | 145,642  |
| Payments for purchase of tangible fixed assets                                | (1,119)   | (698)  |
| Proceeds from sale of tangible fixed assets                                   | 205   | 155  |
| Payments for purchase of intangible fixed assets                              | (206)   | (101)  |
| Net cash provided by investing activities                                     | (66,311)  | (53,722)   |
| <b>Cash Flows from Financing Activities</b>                                   |   |  |
| Repayments of subordinated loans  | (1,000)   | —  |
| Proceeds from issuance of subordinated bonds                                  | 6,000   | 7,000  |
| Payments for redemption of subordinated bonds                                 | (6,000)   | (7,000)  |
| Cash dividends paid   | (1,062)   | (1,062)  |
| Cash dividends paid to minority shareholders                                  | (0)   | (0)  |
| Payments for repurchase of treasury stock                                     | (8)   | (8)  |
| Proceeds from sale of treasury stock  | 0   | 1  |
| Net cash provided by (used in) financing activities                           | (2,071)   | (1,070)  |
| <b>Foreign currency translation adjustments</b>                               | <b>6</b>  | <b>9</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                   | <b>(50,103)</b>   | <b>28,403</b>  |
| <b>Cash and cash equivalents at the beginning of the fiscal year</b>          | <b>84,678</b>   | <b>34,574</b>  |
| <b>Cash and cash equivalents at the end of the fiscal year</b>                | <b>34,574</b>   | <b>62,977</b>  |

## THE EHIME BANK, LTD.

|                         |   |
|-------------------------|---|
| ■ Year of Establishment | 1943  |
| ■ Paid in Capital       | ¥19,078 million                                   |
| ■ Number of Branches    | 102 (including 8 sub-branches)                    |
| ■ Number of Employees   | 1,460   |
| ■ Stock Listings        | Tokyo Stock Exchange<br>Osaka Securities Exchange |

### ■ Directory

#### Head Office

1, Katsuyama-cho 2-chome, Matsuyama, Ehime 790-8580, Japan  
Phone: +81-(0)89-933-1111 <http://www.himegin.co.jp/>

#### Securities & International Department

Phone: +81-(0)89-947-6090 Fax: +81-(0)89-947-6099  
SWIFT: HIMEJPJT E-mail: intl@himegin.co.jp

#### Foreign Exchange Offices

##### Head Office (Business Department)

1, Katsuyama-cho 2-chome, Matsuyama, Ehime 790-8580, Japan  
Phone: +81-(0)89-933-1111

##### Tokyo Branch

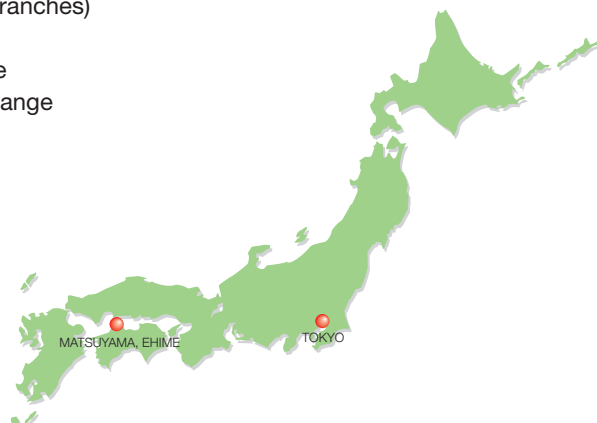
2-4, Iwamoto-cho 3-chome, Chiyoda-ku, Tokyo 101-0032, Japan  
Phone: +81-(0)3-3861-8151

##### Osaka Branch

13th floor Urban Ace Kitahama Bldg., 3-7, Hirano-machi 2-chome,  
Chuo-ku, Osaka 541-0046, Japan  
Phone: +81-(0)6-6203-5841

##### Mishima Branch

6-7, Mishima-chuo 3-chome, Shikoku-chuo, Ehime 799-0405, Japan  
Phone: +81-(0)896-23-2530



##### Imabari Branch

2-10, Taisho-cho 1-chome, Imabari, Ehime 794-0025, Japan  
Phone: +81-(0)898-32-4470

##### Hashihama Branch

2-1, Jibori 1-chome, Imabari, Ehime 799-2117, Japan  
Phone: +81-(0)898-41-9500

##### Hakata Branch

3437-3, Kinoura Ko, Hakata-cho, Imabari, Ehime 794-2305, Japan  
Phone: +81-(0)897-72-1155

##### Uwajima Branch

7-15, Sakaemachi-Minato 3-chome, Uwajima, Ehime 798-0031, Japan  
Phone: +81-(0)895-22-5730

### ■ Board of Directors & Corporate Auditors (as of July 1, 2011)

#### President

Kojiro Nakayama

#### Deputy President

Kimihide Ikeda

#### Senior Managing Director

Motohiro Honda

#### Managing Directors

Takeshi Shimamoto

Kenichi Tokumaru

Mitsuo Harada

Eiki Shimizu

Yujiro Shimada

Shoichi Hiasa

#### Directors

Masato Kono

Toshiharu Yoshioka

Masahiko Wakimizu

Masayoshi Okada

Osamu Fukutomi

Akihiro Endo

Morinobu Kihara

Tatsuro Sekiya

Akira Morimoto

Mitsuru Hino

#### Corporate Auditor

Eiji Saiki

#### Outside Corporate Auditors

Kunihiro Morita

Koichi Nishizawa