

ANNUAL
REPORT
2004

YEAR ENDED MARCH 31, 2004



THE TOHO BANK, LTD.

Profile

As the leading bank in Fukushima Prefecture, Toho Bank has contributed to the prosperity of its local communities since being established in November 1941. In response to the trust placed in us by our customers and the market region we serve, in April 2003 we initiated our new medium-term management plan "TOHO Revolution Vision 2003" as an action program. Our goal is to become Japan's "Best Regional Bank in the 21st Century" (our long-term vision), which is evaluated positively by the market and its shareholders. We are aggressively addressing our customers' increasingly diversified and sophisticated needs, devoting our full efforts to strengthening previously executed risk management capabilities, and providing active disclosure of our financial position. Toho Bank has received a long-term credit rating of BBB+ and a short-term credit rating of A-2 from Standard & Poor's, the international credit rating firm, which we have duly disclosed.

As of March 31, 2004, Toho Bank had total shareholders' equity of ¥117.0 billion (US\$1,107 million) and total assets of ¥2,850.1 billion (US\$26,966 million) (both figures on a consolidated basis), approximately 2,000 employees, and a business network composed of 115 branches and non-branch cash dispenser corners (ATM and CD) installed at 237 locations.



Consolidated Five-Year Summary

	Millions of Yen				
Years ended March 31	2004	2003	2002	2001	2000
Total Income	¥ 74,393	¥ 69,395	¥ 89,152	¥ 74,174	¥ 80,135
Income (Loss) before Income Taxes	7,343	8,039	4,302	(33,933)	7,842
Net Income (Loss)	4,028	3,084	1,998	(20,169)	4,275
At March 31	2004	2003	2002	2001	2000
Total Assets	¥2,850,103	¥2,774,465	¥2,851,251	¥2,845,917	¥2,753,895
Deposits	2,589,921	2,559,097	2,618,585	2,600,074	2,528,831
Loans and Bills Discounted	1,733,839	1,688,729	1,758,999	1,756,418	1,711,025
Securities.....	876,112	885,913	874,823	802,707	709,539
Total Shareholders' Equity.....	117,086	117,297	112,129	129,688	123,608

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Business Progress and Results

Economic and Financial Environment ➤

During the fiscal year ended March 31, 2004, Japan's economy proceeded along the path to economic recovery. The initial impetus was provided by growth in firms' exports and increased production, against the backdrop of a global expansion that began in the United States, as Japan's government accelerated efforts to achieve various structural and regulatory reforms. The deflationary trend was unchanged, however, showing little visible signs of easing. In Fukushima Prefecture, Toho Bank's main base of operations, overall economic conditions remained difficult. The trend in curtailed public investment and reduced private consumption persisted, as the level of corporate bankruptcies remained high.

From a financial perspective, the Nikkei Stock Average gradually showed movement toward a recovery, as the Bank of Japan strengthened its quantitative easing policy aimed at ensuring a stable market. After sinking to its lowest point since the collapse of the bubble economy at the start of the fiscal year, during the second half the Nikkei recovered to the ¥11,000 level, which it had not achieved for about two years. In response to such bullish stock market conditions and other factors, long-term interest rates also edged upward.

Elsewhere, the financial industry adopted a two-pronged approach, as the government took action based on Article 102 of the Deposit Insurance Law to avoid a financial crisis and banks continued their all-out efforts to resolve problem loans. Given this background, a competitive environment quite distinct from the past continued to spread. Visible new characteristics included management integration and moves to establish business alliances extending beyond traditional business boundaries, and the spread of novel business opportunities as a result of various forms of deregulation. Issues recognized by financial institutions as demanding attention, including improvement of management soundness and greater enhancements to competitiveness, have become increasingly challenging.

Business Progress ➤

Based on this environment, to meet the diversified financial transaction needs of its customers Toho Bank sought to further strengthen the content of its services. At the same time, to improve even more the relationship banking the Bank has developed over the years as a regional financial institution, we moved aggressively to increase the health of our assets and consolidate our business infrastructure.

First, from a systems perspective, to enhance systems safety and reduce costs, in September 2003 we formally began operating *PROBANK*, the next-generation accounting system offered by Fujitsu Limited. By utilizing *PROBANK*, we have established a system capable of providing online services around the clock throughout the year, which

enables us to develop strategic, far-reaching businesses. Through our alliance with IY Bank Co., Ltd., our customers can now use their Toho Bank cash cards 24 hours a day, 365 days a year, at Seven-Eleven stores and other locations where an IY Bank ATM is installed. This arrangement is also a result of our introduction of *PROBANK*, and many customers have responded very favorably.

To address the broad range of our customers' asset management needs, on the product and the service side we took steps to expand our lineup of investment trust and life insurance products and to establish defined contribution pension plans (firm type). We also launched the "Toho Business Information Service" for corporate members who utilize the Internet, as a venue to disseminate valuable information to customers.

In financing-related products and services, we took a number of important steps. Products for business customers included "Toho Business Loan *Sokkatsu-Ryoku*" (which uses a scoring model), our "Toho Business Prosperity *Otorimatome* Loan" (emphasizing customer cash flows), and "TOHO *Genki* Dash III" (a product utilizing a special confirmation guarantee system through our alliance with the Credit Guarantee Corporation of Fukushima). In addition, to broaden our array of products that do not rely on excessive collateral or guarantees, we began providing "Toho Industrial Cluster Support Loans" as a financial support product for venture firms and other entities participating in a Ministry of Economy, Trade and Industry (METI) Industrial Cluster Plan. Toho Bank also responded positively to acceptance of the special corporate bond system for corporate bonds issued through private placements. In our loan products for individual customers as well, by introducing a new automated credit examination system for housing loans, and adopting credit examination procedures that emphasize a prompt response to applications and focus on the borrower's repayment capability, we achieved the ability to provide financing in excess of collateral appraised value. We also created "Toho Ladies' Housing Loan *Kirara*," a product that meets the growing needs of women who wish to purchase a house.

To expand the number of branches specializing in personal loans, during the year we opened the Loan Plaza Sukagawa Branch, our fifth in Fukushima Prefecture. As a result, at the end of the fiscal year under review, our branch network consisted of 115 branches, including 108 branches in Fukushima Prefecture.



President *Toshio Seya*

We also took steps to further improve customer convenience, by expanding our network of non-branch cash dispensers (ATM and CD) through alliances with IY Bank Co., Ltd. and Japan Post. This brought the number of cash dispenser corners Toho Bank customers can use to approximately 32,000 locations throughout Japan at the end of March 2004. At the same time, we reduced the number of locations for our non-branch cash dispensers by five to 237 sites, as a result of efforts to efficiently locate dispensers according to patterns of customer use.

To address the need to revitalize assets, we sought to strictly write off and provision for nonperforming loans, using stringent criteria based on appropriate asset assessments. The Bank also accelerated the final disposal of problem loans by selling some nonperforming loans for which we had already set aside a loan loss provision, and focused on efforts to provide customers with management support and advice. With regard to support for businesses in particular, to assist customers struggling with management issues we established an organization to provide support and advice, including business reorganization, centered on a project team set up within the credit analysis and management department. We also developed a forward-looking approach to new business creation and new business support. This included forming a Business Support Team, as a group specializing in supplying management information and advice to customers and others who will establish or have just opened a new business, and investing in the Tohoku Incubation Investment Limited Partnership, a fund established to invest in venture companies located in the Tohoku region, including Fukushima Prefecture, and regional promotion.

The Tasks Ahead ➤

Looking at the future of the economic environment, we anticipate a gradual increase in production and capital investment by firms as the global economy continues its expansion. Nevertheless, we believe still more time will be required for Japan to halt its deflationary trend. In Fukushima Prefecture, we remain concerned that structural adjustment pressures in the form of changes to industrial structures will act as a drag on the economy and have a continual effect on corporate management, even though moves toward recovery have appeared in some parts of the regional economy.

Faced with this economic environment, we believe our role as a regional financial institution is to contribute to the development of the local economy by offering effective financing. Simultaneously, we are taking steps to strengthen competitiveness and maintain and improve a sound management position and respond to our customers' trust and needs.

Our goal is to be Japan's "Best Regional Bank in the 21st Century" (our long-term vision). In response to the

trust placed in Toho Bank by our customers and market region, we will seek to build a financial group that is evaluated positively by the market and our shareholders. For fiscal 2004, we have stated that our basic policies are to "achieve a stable earnings structure," "restore assets to health," "build a small, efficient business management organization," "enhance relationship banking functions," and "strengthen efforts to improve customer satisfaction," and we are working zealously to establish a solid management foundation.

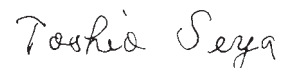
Specifically, we will respond to the borrowing needs of our corporate and individual customers from a business management and life planning perspective with a positive financing stance. We will also offer a wide range of products to customers who want diverse asset management including, in addition to deposits, alternatives such as government bonds, investment trusts and life insurance.

At the same time, we will continue to focus our efforts on developing an active approach as a regional financial institution, including providing detailed advice and beneficial business-related information during consultations with customers, while also working to return the Bank's asset portfolio to health and reduce the number of problem loans.

From the standpoint of management infrastructure as well, which will serve as the foundation for these efforts, we will devote ourselves to taking our customers' point of view and offering services that truly ensure satisfaction, and to building a slim, flexible business organization by further broadening the skills of all of the Bank's employees, based on our fundamental stance in the financial services industry. Moreover, new business opportunities are also expanding in the wake of ongoing deregulation, and we will give the utmost consideration to our customers' needs and strive to enhance services as we ascertain the activities we must address as a regional bank.

Toho Bank will continue its efforts in the future to ensure thorough compliance with laws and regulations, actively disclose information, and increase transparency. We look forward to continuing to receive the support and encouragement of all our shareholders in these endeavors.

August 2004



Toshio Seya
President

Deposits and Individual Deposits

As Japan's ultra-low interest environment remained unchanged, Toho Bank worked to increase its assets. In addition to providing deposits and negotiable certificates of deposit we offered a variety of financial instruments, including government bonds and investment trusts, to meet our customers' diversified asset management needs.

As a result, supported by individuals' deposits increase, total deposits including negotiable certificates of deposit increased by ¥30.8 billion (US\$291 million) during the fiscal year to ¥2,589.9 billion (US\$24,504 million).

On the other hand, the balance of assets held for investment in government bonds and investment trusts rose by ¥53.3 billion (US\$504 million) during the fiscal year to ¥165.1 billion (US\$1,562 million).

Loans and Consumer Loans

Making good use of relationship banking function as a regional financial institution, Toho Bank aggressively pursued steps to provide financing for local enterprises and individual customers, and also sought to broaden its lineup of products and services. On the other hand, Toho Bank took steps to restore its loan portfolio to health by pursuing collection or final disposition of nonperforming loans. As a result, the balance of outstanding loans increased during the fiscal year by ¥45.1 billion (US\$426 million) to ¥1,733.8 billion (US\$16,404 million).

•Marketable Securities

Marketable securities decreased by ¥9.8 billion (US\$92 million), mainly from a decrease in local government bonds and corporation bonds, to ¥876.1 billion (US\$8,289 million). This was the result of efforts to ensure stable earnings through efficient capital investment while carefully following the investment environment and market trends.

•Profit and Loss

As depressed demand for capital continued and razor-thin yields on investment capital remained unchanged, Toho Bank sought to ensure profitability in the face of a tough earnings environment through several measures, including enhanced investment capabilities, a broader range of service transactions, and reduced expenditures.

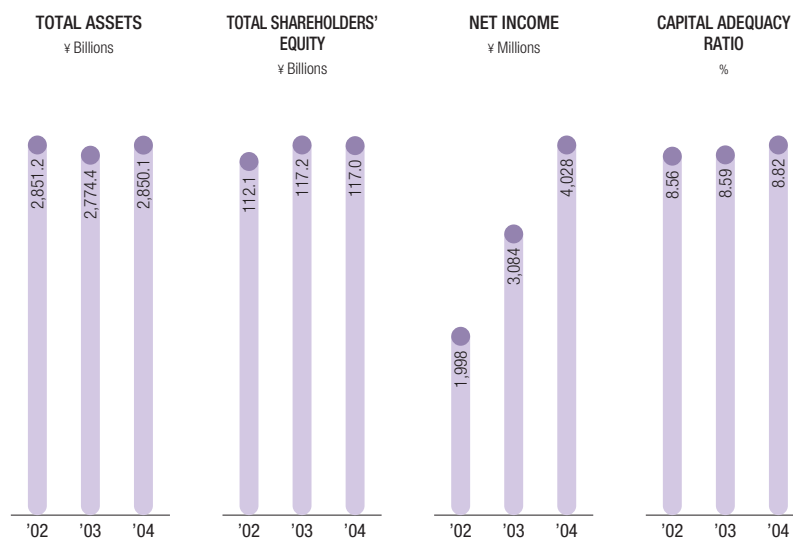
To avoid secondary loss from continuing asset deflation and stabilize profitability, Toho Bank positively executed selling some nonperforming loans. On the other hand, to strengthen appraisal of asset and credit risk management based on a plan to strengthen the function of relationship banking, the Bank adopted more strict criteria of evaluation of mortgage collateral.

As a result of above efforts to improve assets soundness, disposal cost of nonperforming loans increased and ordinary income for the fiscal year ended March 31, 2004 decreased by ¥6.2 billion (US\$58 million) to ¥2.5 billion (US\$24 million).

On the other hands, net income improved by ¥0.9 billion (US\$8 million) to ¥4.0 billion (US\$38 million). This performance reflected the gain on exemption of the substitutional portion of the governmental pension plan for ¥5,669 million.

Toho Bank's capital adequacy ratio based on domestic standards rose by 0.23 percentage point to 8.82% at the end of the fiscal year.

Additional information concerning Toho Bank's operating results and financial condition for the fiscal year ended March 31, 2004 may be found in English and Japanese on the Bank's Internet homepage (URL <http://www.tohobank.co.jp>).



Disclosure of Problem Assets Based on the Revitalization Law as of March 31, 2004 (Non-Consolidated)

	Millions of Yen					
	Exposure ①	Amount Covered ②	Uncovered Portion ③=①-②	Specific Reserves ④	Reserve Ratio ④/③	Coverage Ratio (②+④)/①
A Bankrupt and Quasi-bankrupt.....	¥ 51,382	¥14,523	¥36,858	¥36,858	100.00%	100.00%
B Doubtful	49,966	21,821	28,145	19,634	69.70%	82.90%
C Substandard	26,608	4,824	21,784	6,487	29.70%	42.50%
D Subtotal (A+B+C).....	127,956	41,169	86,787	62,980	72.50%	81.30%
E Normal	1,631,897					
Total (D+E).....	¥1,759,854					

Consolidated Balance Sheets

The Toho Bank, Ltd. and Consolidated Subsidiaries
As of March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2004	2003	2004
ASSETS			
Cash and Due from Banks	¥ 89,627	¥ 136,070	\$ 848,025
Call Loans and Bills Purchased	101,120	11,105	956,763
Commercial Paper and Other Debt Purchased	8	8	84
Trading Account Securities (Note 13).....	903	1,716	8,549
Money Held in Trust	10,022	9,990	94,831
Securities (Note 13).....	875,209	884,197	8,280,910
Loans and Bills Discounted (Note 4)	1,733,839	1,688,729	16,404,952
Foreign Exchange	734	581	6,950
Other Assets	23,632	24,209	223,598
Premises and Equipment	47,645	49,674	450,802
Deferred Tax Assets (Note 9)	25,950	26,434	245,530
Customers' Liabilities for Acceptances and Guarantees (Note 5).....	14,307	13,254	135,372
Reserve for Possible Loan Losses	(72,898)	(71,507)	(689,734)
Total Assets	¥2,850,103	¥2,774,465	\$26,966,637
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Deposits	¥2,589,921	¥2,559,097	\$24,504,891
Call Money and Bills Sold	99,904	44,596	945,261
Borrowed Money	2,729	2,917	25,820
Foreign Exchange	54	121	518
Other Liabilities	9,149	13,278	86,565
Reserve for Employee Retirement Benefits (Note 10)	14,019	21,098	132,651
Deferred Tax Liabilities Related to Land Revaluation	1,617	1,646	15,301
Acceptances and Guarantees (Note 5).....	14,307	13,254	135,372
Total Liabilities	2,731,704	2,656,010	25,846,383
Minority Interests	1,313	1,157	12,424
Shareholders' Equity:			
Common Stock (Note 6).....	18,684	18,684	176,786
Capital Surplus	8,818	8,818	83,440
Retained Earnings	77,601	74,675	734,236
Reserve for Land Revaluation, Net of Tax	2,424	2,468	22,942
Unrealized Gains on Available-for-Sale Securities, Net of Tax (Note 13)	9,668	12,746	91,477
Common Stock Held in Treasury	(111)	(95)	(1,056)
Proceeds from Sale of Treasury Stock	0	—	3
Total Shareholders' Equity	117,086	117,297	1,107,829
Total Liabilities and Shareholders' Equity	¥2,850,103	¥2,774,465	\$26,966,637

See notes to consolidated financial statements.

Consolidated Statements of Income and Retained Earnings

The Toho Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2004	2003	2004
Income:			
Interest Income:			
Interest on Loans and Discounts	¥35,107	¥35,011	\$332,174
Interest and Dividends on Securities	11,957	12,667	113,133
Other Interest Income	14	11	134
Fees and Commissions	9,360	8,848	88,561
Other Operating Income	8,959	10,890	84,772
Other Income (Note 7)	8,994	1,966	85,105
Total Income	74,393	69,395	703,881
Expenses:			
Interest Expenses:			
Interest on Deposits	607	937	5,747
Interest on Borrowings and Rediscounts	761	884	7,208
Other Interest Expenses	735	469	6,960
Fees and Commissions	3,352	2,826	31,716
Other Operating Expenses	6,038	5,435	57,130
General and Administrative Expenses	37,037	38,172	350,433
Other Expenses (Note 8)	18,516	12,630	175,199
Total Expenses	67,049	61,356	634,395
Income before Income Taxes	7,343	8,039	69,485
Provision for Income Taxes			
Current	618	1,096	5,856
Deferred	2,536	3,658	23,996
Total Provision for Income Taxes	3,155	4,754	29,852
Income before Minority Interests	4,188	3,284	39,633
Minority Interests	160	199	1,519
Net Income	4,028	3,084	38,113
Retained Earnings:			
Balance at Beginning of Year	74,675	72,572	706,552
Appropriation of Land Revaluation	43	164	413
Cash Dividends	(1,116)	(1,116)	(10,559)
Bonuses to Directors and Corporate Auditors	(30)	(30)	(283)
Balance at End of Year	¥ 77,601	¥74,675	\$734,236

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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The Toho Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2004	2003	2004
Cash Flows from Operating Activities			
Income before Income Taxes	¥ 7,343	¥ 8,039	\$ 69,485
Depreciation Expense	7,660	8,054	72,484
Equity in Earnings of Affiliates	(14)	(8)	(135)
Net Increase (Decrease) in Reserve for Possible Loan Losses	1,390	(992)	13,153
Increase (Decrease) in Reserve for Employee Retirement Benefit	(7,078)	(260)	(66,972)
Interest Income	(47,078)	(47,690)	(445,442)
Interest Expenses	2,104	2,291	19,916
Securities-related Net (Gain) Loss	(3,546)	(3,120)	(33,555)
Net (Gain) Loss on Money Held in Trust	(39)	6	(376)
Net (Gain) Loss on Foreign Exchange	19	16	184
Net (Gain) Loss on Sale of Premises and Equipment	533	308	5,045
(Increase) Decrease in Trading Account Securities	813	289	7,695
(Increase) Decrease in Loans and Bills Discounted	(45,110)	70,270	(426,814)
Increase (Decrease) in Deposits	19,018	(47,554)	179,944
Increase (Decrease) in Negotiable Certificates of Deposit	11,806	(11,934)	111,709
Increase (Decrease) in Borrowing Excluding Subordinated Debt	(188)	(927)	(1,778)
(Increase) Decrease in Due from Banks Other than BOJ	(261)	1,062	(2,474)
(Increase) Decrease in Call Loans	(90,014)	59,928	(851,684)
Increase (Decrease) in Call Money and Other Fundings Related to Operating Activities	55,307	8,587	523,303
(Increase) Decrease in Foreign Exchange Assets	(153)	767	(1,448)
Increase (Decrease) in Foreign Exchange Liabilities	(66)	61	(633)
Interest Received	48,723	50,879	461,003
Interest Paid	(2,166)	(3,193)	(20,498)
All Other Operating Activities, Net	(3,765)	(2,119)	(35,626)
Sub-total	(44,761)	92,759	(423,515)
Income Taxes Paid	681	(6,539)	6,443
Net Cash Provided by (Used in) Operating Activities	(44,080)	86,220	(417,071)
Cash Flows from Investing Activities			
Purchase of Equity and Other Securities	(265,187)	(355,571)	(2,509,108)
Proceeds from Sales of Equity and Other Securities	169,766	216,367	1,606,264
Proceeds from Maturities of Securities	95,569	132,010	904,242
Increase in Money Held in Trust	0	(10,000)	0
Expenditures for Premises and Equipment	(1,915)	(2,690)	(18,127)
Proceeds from Sales of Premises and Equipment	300	650	2,839
Net Cash Used in Investing Activities	(1,467)	(19,233)	(13,888)
Cash Flows from Financing Activities			
Dividends Paid	(1,116)	(1,116)	(10,559)
Dividends Paid to Minority Interests	(1)	(1)	(9)
Purchase of Treasury Stocks	(24)	(60)	(232)
Proceeds from Sales of Treasury Stock	5	—	48
Net Cash Used in Financing Activities	(1,136)	(1,178)	(10,754)
Effect of Exchange Rate Changes in Cash and Cash Equivalents	(19)	(16)	(184)
Net Increase in Cash and Cash Equivalents	(46,704)	65,792	(441,898)
Cash and Cash Equivalents at Beginning of Fiscal Year	133,864	68,072	1,266,574
Cash and Cash Equivalents at End of Fiscal Year	¥ 87,159	¥133,864	\$ 824,675

See notes to consolidated financial statements.

I. Basis of Presentation

The accompanying consolidated financial statements of The Toho Bank, Ltd. (the "Bank") and its consolidated subsidiaries and affiliates accounted for by the equity method have been prepared from the accounts and records maintained by them in accordance with accounting principles and practices generally accepted in Japan which are different in certain material respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying financial statements have been compiled from the financial statements filed with the Prime Minister as required by the Securities and Exchange Law of Japan and the Banking Law of Japan.

For the convenience of readers outside Japan, certain items presented in the original financial statements have been reclassified and rearranged.

The amounts indicated in millions of yen are rounded down by omitting amounts of less than one million. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Bank and five of its subsidiaries.

The Bank has four affiliates, which are accounted for by the equity method.

(b) Trading account securities

Marketable trading account securities are stated at market value at end of March 31, 2004.

The moving average cost method is used to determine the cost of securities disposed.

(c) Securities

Held-to-maturity debt securities are stated at amortized cost using the moving average cost method.

Available-for-sale securities are stated at market value at end of March 31, 2004 or, if quoted prices are not available, at cost or amortized cost using the moving average cost method.

Net unrealized gains (losses) on available-for-sale securities are included as a separate component of shareholders' equity, net of related tax effect.

Securities included in "Money held in trust" classified as trading are stated at market value at end of March 31, 2004.

(d) Derivatives

The Bank's derivatives are stated at fair value.

(e) Premises and equipment

(1) Depreciation is computed principally using declining-balance method over the estimated useful lives of assets. Estimated useful lives of 2 to 40 years are used on premises and 2 to 20 years for equipment, respectively.

Depreciation at the consolidated subsidiaries is computed principally using the declining-balance method over the estimated useful lives of assets.

(2) In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998 (the "Law"), the land used for business owned by the Bank was revalued at March 31, 2000, and the unrealized gains, net of related tax effect, are reported to "Reserve for Land Revaluation" in shareholders' equity section, and the deferred tax is included in Liabilities section as "Deferred Tax Liabilities related to Land Revaluation".

The excess amount of the revalued carrying amount over the fair value of the lands revalued pursuant to the Article 10 of the Law was ¥10,093 million.

(f) Reserve for possible loan losses

The reserve for possible loan losses of the Bank are made in accordance with the Bank's internal rules for self-assessment of asset quality and for providing reserve for possible credit losses. Pursuant to the rules, the reserve for possible loan losses has been provided for as described below.

For loans to borrowers which are classified as substantially bankrupt or which are bankrupt in the formal legal sense, a reserve is provided based on the amount remaining after deduction of the collateral considered to be disposable and an estimate of amounts recoverable under guarantees.

For loans to borrowers which, although not actually bankrupt in the legal sense, have experienced serious financial difficulties and whose failure is highly possible, a reserve is provided for the estimated unrecoverable amount based on the amount remaining after deduction of the collateral considered to be disposable and an estimate of amounts recoverable under guarantees.

For other loans, a reserve is provided based on the Bank's historical loan loss experience.

The above procedures for providing reserves follow the Bank's internally established rules for self-assessment of the quality of all the Bank's loan assets, which have been audited by the Inspection Department.

The reserves for possible loan losses of the consolidated subsidiaries are provided for necessary amount, which is based on historical loan loss experience and estimated collectibility of specific claims.

(g) Reserve for employee retirement benefits

The reserve for employee retirement benefits is provided to the extent that retirement benefit obligation at March 31, 2004 exceeds estimated plan assets. Amortization of prior service cost and actuarial loss is computed as follows:

Prior service cost shall be amortized using the straight-line method over a period of 3 years within the average remaining service period of active employees when incurred.

Actuarial loss shall be amortized from the succeeding fiscal year using the straight-line method over a period of 10 years within the average remaining service period of active employees at fiscal year of the incurrence.

The Bank obtained an approval of exemption from obligation to pay benefits for future employment services related to the substitutional portion of the governmental pension program by Ministry of Health, Labor and Welfare on August 29, 2003.

As result of this exemption, the Bank recognized a gain on exemption from above future pension obligation in the amount of ¥5,669 million in accordance with a traditional measurement of the accounting standard for employee's retirement benefits for the year ended March 31, 2004.

(h) Method of hedge accounting

Until the year ended March 31, 2003, the Bank applied "macro hedge" accounting pursuant to the temporary treatment regulated by "Treatments in Accounting and Audit for Banks on Application of Accounting Standards for Financial Institutes" (JICPA Industry Audit Committee Report No. 24), which manages interest rate risk associated with monetary assets and liabilities such as lending and deposits, using derivative transactions as a whole.

Effective the year ended March 31, 2004, the Bank has no longer applied "macro hedge" accounting. Deferred hedge losses on "macro hedge" have been amortized as funding expenses for a period of average remaining years (3.7 years) of the hedge effective the year ended March 31, 2004. Deferred hedge losses at March 31, 2004 were ¥807 million.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥105.69 = U.S.\$1.00, the exchange rate prevailing on March 31, 2004. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Loans and Bills Discounted

Loans to borrowers in bankruptcy and delinquent loans totaled ¥13,176 million and ¥87,571 million, respectively, at March 31, 2004.

Loans to borrowers in bankruptcy represent non-accrual loans, after the write-offs of loans deemed uncollectable to borrowers who are legally bankrupt, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance of the Corporation 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 3 months or more totaled ¥452 million.

Loans past due 3 months or more are loans on which interest or principal payments are 3 months or more past due, but which are not included in loans to borrowers in bankruptcy or delinquent loans.

Restructured loans totaled ¥26,155 million. Restructured loans are loans, other than loans to borrowers in bankruptcy or delinquent loans, on which the Bank has granted certain concessions such as a reduction of the contractual interest rates or principal or a deferral of payments of interest/principal, in order to assist the restructuring of the borrowers.

Loans to borrowers in bankruptcy, delinquent loans, loans past due 3 months or more and restructured loans amounted to ¥127,356 million in the aggregate.

Bills discounted are accounted for as financial transactions in accordance with "Treatments in Accounting and Audit for Banks on Application of Accounting Standards for Financial Institutes" (JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge commercial bills discounted and foreign exchange bought without restrictions, and their total face amount was ¥26,496 million.

5. Acceptances and Guarantees

All contingent liabilities arising from Acceptances and Guarantees are included in the account "Customers' Liabilities for Acceptances and Guarantees," which represents the Bank's right of indemnity from the applicants, and is presented as a contra-account on the assets side of the balance sheets.

6. Common Stock

Information pertaining to common stock is as follows:

- Authorized number of shares of common stock : 798,256 thousand shares
- Number of shares issued and outstanding: 223,249 thousand shares at March 31, 2004.

7. Other Income

Other income principally represents gain on sales of securities and gain on sales of premises and equipment.

For the year ended March 31, 2004, gain on exemption of the substitutional portion of the governmental pension plan for ¥5,669 million was included.

8. Other Income

Other expenses principally represent the provision for possible loan losses, loss on impairment of holding securities, and loss on sale of premises and equipment.

9. Deferred Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2004 and 2003 are summarized as follows:

	Millions of Yen	
March 31	2004	2003
Deferred Tax Assets:		
Reserve for Possible Loan Losses.....	¥23,327	¥23,071
Reserve for Employee Retirement Benefits	5,316	7,965
Depreciation of Premises and Equipment.....	1,939	1,966
Impairment of Stocks.....	380	553
Other.....	1,933	1,992
Valuation Allowance	(498)	(610)
Total Deferred Tax Assets.....	32,398	34,939
Deferred Tax Liabilities:		
Unrealized Gains on Available-for-Sale Securities	(6,448)	(8,504)
Total Deferred Tax Liabilities.....	(6,448)	(8,504)
Net Deferred Tax Assets.....	¥25,950	¥26,434

10. Retirement Benefits

The following information pertains to the Bank's defined benefits pension plan.

(a) Retirement benefits obligation

	Millions of Yen	
March 31	2004	2003
Retirement Benefits Obligation.....	¥(29,678)	¥(50,558)
Plan Assets at Fair Value.....	14,168	21,102
Unfunded Retirement Benefits Obligation.....	(15,509)	(29,455)
Unrecognized Cumulative Effect		
of Changes in Accounting Standard.....	—	—
Unrecognized Actuarial Loss.....	3,512	8,800
Unrecognized Prior Service Cost	(2,023)	(443)
Net Retirement Benefits Obligation.....	(14,019)	(21,098)
Prepaid Pension Cost.....	—	—
Reserve for Employee Retirement Benefits.....	¥(14,019)	¥(21,098)

(b) Pension cost

	Millions of Yen	
Year ended March 31	2004	2003
Service Cost.....	¥ 1,221	¥ 1,691
Interest Cost.....	871	1,175
Expected Return on Plan Assets.....	(281)	(394)
Amortization of Prior Service Cost.....	(980)	(443)
Amortization of Actuarial Loss.....	694	711
Cumulative Effect of Changes		
in Accounting Standard.....	—	—
Other.....	301	331
Net Pension Cost.....	1,827	3,072
Gain on Exemption of Substitutional Portion of the		
Governmental Pension Program.....	(5,669)	—
Total.....	¥(3,841)	¥(3,072)

(c) Actuarial assumption used to determine costs and benefits obligation

	Millions of Yen	
Year ended March 31	2004	2003
(i) Assumed discount rate.....	2.0%	2.5%
(ii) Expected rate of return on plan assets.....	2.0%	2.0%
(iii) Method of attributing expected retirement benefits to periods		
Straight line basis		
(iv) Amortization of prior service cost		
Prior service cost is being amortized using the straight-line method over a period of 3 years within the average remaining service period of active employees when incurred.		
(v) Amortization of actuarial loss		
Actuarial loss shall be amortized from the succeeding fiscal year using the straight-line method over a period of 10 years within the average remaining service period of active employees at fiscal year of the occurrence.		

II. Net Income per Share

Net income per share for the years ended March 31, 2004 and 2003 was as follows:

	Yen	
Year ended March 31	2004	2003
Net Income per Share		
Primary.....	¥17.92	¥13.69
Diluted.....	—	—

12. Leases (Lessor)

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net carrying amount of leased property at March 31, 2004 and 2003, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

Year ended March 31	Millions of Yen	
	2004	2003
Acquisition Costs:		
Equipment	¥30,774	¥30,875
Other	3,438	2,180
Total	¥34,213	¥33,055
Accumulated Depreciation:		
Equipment	¥20,314	¥20,617
Other	2,082	904
Total	¥22,397	¥21,522
Net Carrying Amount:		
Equipment	¥10,460	¥10,257
Other	1,355	1,275
Total	¥11,815	¥11,533

Lease receipts relating to finance leases accounted for as operating leases amounted to ¥4,758 million and ¥4,822 million for the years ended March 31, 2004 and 2003, respectively.

Depreciation related to leased assets has been computed using the straight-line method over the terms of the respective leases and amounted to ¥4,176 million and ¥4,191 million for the year ended March 31, 2004 and 2003.

Undiscounted future minimum lease payments subsequent to March 31, 2004 for finance lease transactions accounted for as operating leases are summarized as follows:

March 31, 2004	Millions of Yen
2005	¥ 4,641
2006 and Thereafter	8,689
Total	¥13,331
March 31, 2003	Millions of Yen
2004	¥ 4,466
2005 and Thereafter	8,644
Total	¥13,110

13. Market Value Information

The tables below represent the securities and trading account securities.

(a) Trading account securities

March 31	Millions of Yen	
	2004	2003
Fair Value	¥903	¥1,716
Unrealized Gain Included in Earnings	0	1

(b) Held-to-maturity securities

March 31	Millions of Yen	
	2004	2003
National Government Bonds		
Book Value	¥24,513	¥13,054
Market Value	23,967	13,279
Net Unrealized Gain/(Loss)	(546)	224
Gross Unrealized Gain	—	224
Gross Unrealized Loss	546	—

(c) Available-for-sale securities

March 31, 2004	Millions of Yen				
	Amortized Cost	Fair Value	Net Unrealized Gain/(Loss)	Gross Unrealized Gain	Gross Unrealized Loss
Corporate Stocks	¥ 37,810	¥ 49,147	¥ 11,336	¥ 12,342	¥ 1,006
Bonds	706,416	710,553	4,136	8,771	4,634
National Government	414,749	412,548	(2,201)	2,144	4,345
Local Government	115,456	119,903	4,447	4,447	0
Corporate	176,210	178,100	1,890	2,179	288
Other	84,312	84,955	643	842	199
Total	¥ 828,540	¥ 844,656	¥ 16,116	¥ 21,956	¥ 5,840

March 31, 2003	Millions of Yen				
	Amortized Cost	Fair Value	Net Unrealized Gain/(Loss)	Gross Unrealized Gain	Gross Unrealized Loss
Corporate Stocks	¥ 37,454	¥ 37,104	¥ (349)	¥ 4,499	¥ 4,849
Bonds	724,863	746,281	21,418	22,432	1,013
National Government	379,928	390,131	10,203	11,124	920
Local Government	143,638	151,031	7,392	7,392	—
Corporate	201,296	205,118	3,822	3,915	93
Other	83,692	83,874	182	877	694
Total	¥ 846,010	¥ 867,261	¥ 21,250	¥ 27,808	¥ 6,557

(Note) Loss on impairment amounting to ¥115 million was recognized on the securities (Corporate Stocks) classified as available-for-sale with their quoted market price available during fiscal 2004.

Loss on impairment is recognized on the specific identification basis in the following case:

- Fair value of a stock at year-end (interim period) is 50% below its carrying amount.
- Fair value of a stock at year-end is 30% to 50% below its carrying amount, and the loss deemed unrecoverable after considering issuers' financial condition and the market price movement during the past specified period of time.

(d) Available-for-sale securities sold during fiscal 2004 and 2003

March 31	Millions of Yen	
	2004	2003
Proceeds from Sales	¥169,765	¥211,312
Realized Gain	5,048	5,607
Realized Loss	1,233	145

(e) Securities with their fair value not available

March 31	Millions of Yen	
	2004	2003
Stocks of Affiliates	¥ 219	¥ 205
Available-for-Sale Securities		
Unlisted Stocks	1,358	1,387
Corporate Bonds	4,699	2,349
Other	240	—

(f) Securities with their classification changed to others

None

(g) Contractual maturities of available -for-sale securities and held-to-maturity securities

March 31, 2004	Millions of Yen			
	Due in 1 Year or Less	Due in 1 to 5 Years	Due in 5 to 10 Years	Due after 10 Years
Bonds	¥ 71,113	¥ 332,942	¥ 281,347	¥ 54,363
National Government	4,173	136,931	241,594	54,363
Local Government	25,545	75,463	18,894	—
Corporate	41,394	120,547	20,858	—
Other Securities	5,864	39,979	38,447	200
Total	¥ 76,978	¥ 372,921	¥ 319,794	¥ 54,563

March 31, 2003	Millions of Yen			
	Due in 1 Year or Less	Due in 1 to 5 Years	Due in 5 to 10 Years	Due after 10 Years
Bonds	¥ 69,404	¥ 344,196	¥ 303,693	¥ 44,392
National Government	1,333	106,122	251,623	44,106
Local Government	27,111	93,879	29,754	285
Corporate	40,958	144,194	22,314	—
Other Securities	7,364	32,382	41,777	—
Total	¥ 76,768	¥ 376,578	¥ 345,470	¥ 44,392

(h) Unrealized gain on available-for-sale securities

March 31, 2004	Millions of Yen
Unrealized Gain before Income Tax Effect and	
Minority Interest Adjustments	¥16,116
Available-for-Sale Securities	16,116
Less: Deferred Tax Liability	6,448
Unrealized Gain before Minority Interest Adjustment	9,668
Less: Minority Interest	—
Equity of Unrealized Gain on Available-for-Sale Securities	
Owned by Affiliates that are Accounted for under Equity Method	0
Unrealized Gain on Available-for-Sale Securities	¥ 9,668

March 31, 2003	Millions of Yen
Unrealized Gain before Income Tax Effect and	
Minority Interest Adjustments	¥21,250
Available-for-Sale Securities	21,250
Less: Deferred Tax Liability	8,504
Unrealized Gain before Minority Interest Adjustment	12,746
Less: Minority Interest	—
Equity of Unrealized Gain on Available-for-Sale Securities	
Owned by Affiliates that are Accounted for under Equity Method	0
Unrealized Gain on Available-for-Sale Securities	¥ 12,746

14. Derivative Transactions

(a) General

The Bank enters into various contracts, including interest rate swaps, currency swaps and forward exchange contracts.

The Bank's derivative transactions are limited to highly liquid derivative contracts, and their objectives are limited to hedging risks.

The major risks associated with derivative transactions are market risk, that is, the risks resulting from fluctuations in interest rates and foreign exchange, and credit risk, that is, the risk of counterparties defaulting on their contracts. The Bank does not enter into any speculative transactions. The credit risk stood at ¥71 million at March 31, 2004, which is calculated by the current exposure method, and represents a portion of the calculation of the capital adequacy ratio required under BIS standards.

For derivative transactions, the Bank has established internal procedures and controls. The Bank also has established internal policies for maximum limits on positions and unrealized losses in the market section of the Financial Markets Department.

Furthermore, the Bank strictly segregates the front office, which transacts the contracts, the back office, which processes the contracts, and the middle office, which exercises risk controls.

(b) Fair value information

Note that derivative transactions accounted for by hedge accounting are excluded from the table.

(1) Interest-rate Derivatives

March 31	Millions of Yen			
	2004		2003	
	Contract Amounts	Fair Value	Contract Amounts	Fair Value
	Total	Over 1 Year	Total	Over 1 Year
Over-the-Counter Transactions				
Interest-rate swap				
receivable floating/ payable fixed	¥16,235	¥10,910	¥(619)	¥—
Total		¥(619)		¥—

(2) Currency Derivatives

March 31	Millions of Yen			
	2004		2003	
	Contract Amounts	Fair Value	Contract Amounts	Fair Value
	Total	Over 1 Year	Total	Over 1 Year
Over-the-Counter Transactions				
Forward				
Exchange Contracts				
Sold	¥ 26	¥—	¥ 0	¥—
Bought	¥ 13	¥—	¥ 0	¥—
		¥ 0		¥—

15. Segment Information

(a) Segment information by type of business

Year ended or as of March 31, 2004	Millions of Yen				
	Banking Operations	Others	Total	Elimination and Corporate Assets	Consolidated
I Total Income and Recurring Profits					
Total Income from Outside Customers	¥ 63,325	¥ 5,394	¥ 68,719	¥ —	¥ 68,719
Total Income from Intersegment Transactions	108	1,378	1,486	(1,486)	—
Total	¥ 63,434	¥ 6,772	¥ 70,206	¥ (1,486)	¥ 68,719
Total Expenses	61,249	6,413	67,662	(1,521)	66,141
Income (Loss) before Income Taxes	2,184	358	2,543	34	2,578
II Assets, Depreciation and Capital Expenses					
Assets	¥2,844,868	¥15,925	¥2,860,793	¥(10,690)	¥2,850,103
Depreciation	2,808	4,869	7,677	(16)	7,660
Capital Expenditures	1,888	5,257	7,145	—	7,145

Year ended or as of March 31, 2003	Millions of Yen				
	Banking Operations	Others	Total	Elimination and Corporate Assets	Consolidated
I Total Income and Recurring Profits					
Total Income from Outside Customers	¥ 63,753	¥ 5,572	¥ 69,325	¥ —	¥ 69,325
Total Income from Intersegment Transactions	121	1,504	1,626	(1,626)	—
Total	¥ 63,875	¥ 7,076	¥ 70,952	¥ (1,626)	¥ 69,325
Total Expenses	55,436	6,714	62,150	(1,632)	60,518
Income (Loss) before Income Taxes	8,439	361	8,801	5	8,807
II Assets, Depreciation and Capital Expenses					
Assets	¥2,769,559	¥15,058	¥2,784,617	¥(10,151)	¥2,774,465
Depreciation	3,090	4,956	8,046	8	8,054
Capital Expenditures	2,149	5,362	7,512	—	7,512

(b) Segment information by location

Since there is no subsidiary abroad, segment information by location is not presented.

(c) Current revenue from international operations

Since the ratio of current revenue from international operations to consolidated revenue is not material, it is not presented.

Report of Independent Auditors



The Board of Directors
THE TOHO BANK, LTD.

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011
C.P.O. Box 1196, Tokyo 100-8641
Phone: 03-3503-1100
Fax: 03-3503-1197

We have audited the accompanying consolidated balance sheets of THE TOHO BANK, LTD. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Bank'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 TOHO BANK, LTD. and consolidated subsidiaries at March 31, 2004 and 2003, 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, 2004 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 3.

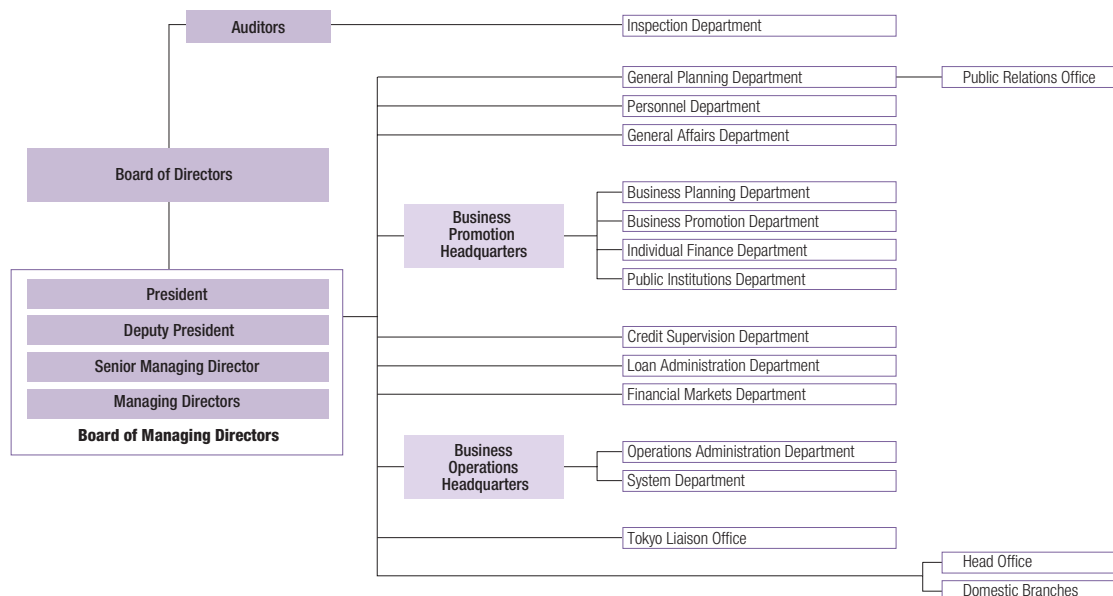
June 28, 2004

Shin Nihon & Co.

Board of Directors and Auditors

President	Deputy President	Senior Managing Director	Managing Directors	Directors	Standing Auditors	Auditors
Toshio Seya	Seishi Kitamura	Hiroaki Sato	Mikio Abe Seiichi Sato Akira Kondo	Shinichiro Saito Kiichi Yoshida Tadashi Uchiyama Fumitaka Sato Hiroshi Endo Tsugunobu Amano Takao Aoyagi	Hiroyuki Motoyanagi Takashi Matsuno	Shintaro Isayama Shinichi Saito Yu Haga

Organization



Network

FINANCIAL MARKETS DEPARTMENT
3-25, Ohmachi, Fukushima 960-8633, Japan
Phone: (024) 523-3131
Facsimile: (024) 524-1583
SWIFT: TOHOJPJT

Foreign Exchange Offices: 14

Head Office	Phone: (024) 523-3131
Hobara Branch	Phone: (024) 575-2121
Nihonmatsu Branch	Phone: (0243) 23-1133
Koriyama Branch	Phone: (024) 932-4811
Sukagawa Branch	Phone: (0248) 75-2101
Shirakawa Branch	Phone: (0248) 22-3131
Aizu Branch	Phone: (0242) 27-6511
Haramachi Branch	Phone: (0244) 22-2141
Soma Branch	Phone: (0244) 36-3131
Taira Branch	Phone: (0246) 23-2321
Onahama Branch	Phone: (0246) 53-2233
Tokyo Branch	Phone: (03) 3535-5835
Sendai Branch	Phone: (022) 227-3411
Shinjuku Branch	Phone: (03) 3365-0461

Currency Exchange Offices: 54

Kencho, Nakamachi, Iizaka, Kori, Yanagawa, Kawamata, Iino, Minami-Fukushima, Fukushima-Ekimae, Horai, Nishi-Fukushima, Fukushima Idai Byo-in, Koriyama-Nakamachi, Koriyama-Ohmachi, Koriyama-Ekimae, Koriyama-Minami, Motomiya, Miharu, Funehiki, Ono, Koriyama-Kita, Asaka, Koriyama-Oroshimachi, Saikon, Kuwano, Koriyama-Higashi, Kagamiishi, Yabuki, Ishikawa, Tanagura, Hanawa, Shirakawa-Nishi, Asakawa, Aizu-Ichinomachi, Aizu-Honmachi, Inawashiro, Shiokawa, Kitakata, Bange, Takada, Tajima, Takizawa, Odaka, Namie, Tomioka, Futaba, Naraha, Ohkuma, Taira-Nishi, Yumoto, Ueda, Nakoso, Iwaki-Izumi, Mito

SUBSIDIARIES AND AFFILIATES

Name	Line of Business	Established in	Capital (Millions of yen)	Bank's Share in Capital (%)
The Toho Business Service Co., Ltd.	Counting, transporting cash and maintenance of ATMs	1981	10	100
The Toho Real Estate Service Co., Ltd.	Real estate	1992	10	100
The Toho Staff Service Co., Ltd.	Delegation of personnel	1992	20	100
The Toho Lease Co., Ltd.	Leasing	1985	60	5
The Toho Information System Co., Ltd.	Developing software	1993	30	5
The Toho Computer Service Co., Ltd.	Calculation operations	1983	30	7.6
The Toho Credit Guarantee Co., Ltd.	Credit guaranteeing	1985	30	5
The Toho Card Co., Ltd.	Credit card	1985	30	5
The Toho Credit Service Co., Ltd.	Credit card	1990	30	5

(As of June 30, 2004)



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