

ANNUAL
REPORT
2005

YEAR ENDED MARCH 31, 2005



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+ from Standard & Poor's, the international credit rating firm, which we have duly disclosed. Moreover, Japan Credit Rating Agency, Ltd. (JCR), one of Japan's representative rating agencies, assigned the bonds a senior long-term credit rating of "A."



As of March 31, 2005, Toho Bank had total shareholders' equity of ¥125.0 billion (US\$1,164 million) and total assets of ¥2,829.1 billion (US\$26,344 million) (both figures on a consolidated basis), 1,961 employees, and a business network composed of 116 branches and non-branch cash dispenser corners (ATM and CD) installed at 233 locations.

Consolidated Five-Year Summary

Years ended March 31	Millions of Yen				
	2005	2004	2003	2002	2001
Total Income	¥ 65,456	¥ 74,393	¥ 69,395	¥ 89,152	¥ 74,174
Income (Loss) before Income Taxes	8,725	7,343	8,039	4,302	(33,933)
Net Income (Loss)	5,147	4,028	3,084	1,998	(20,169)
At March 31	2005	2004	2003	2002	2001
Total Assets	¥2,829,174	¥2,850,103	¥2,774,465	¥2,851,251	¥2,845,917
Deposits	2,595,409	2,589,921	2,559,097	2,618,585	2,600,074
Loans and Bills Discounted	1,759,882	1,733,839	1,688,729	1,758,999	1,756,418
Securities.....	913,376	876,112	885,913	874,823	802,707
Total Shareholders' Equity.....	125,035	117,086	117,297	112,129	129,688

Contents

Message from the President	1
Consolidated Financial Review	3
Financial Statements	4
Board of Directors and Auditors/Organization/Network.....	12

Business Progress and Results

Financial and Economic Environment

During the fiscal year ended March 31, 2005, Japan's economy generally exhibited a gradual but positive recovery trend. Both growth in corporate earnings and an increase in investment were evident against the backdrop of economic expansion in the United States and East Asia, despite signs of bearish activity in Japan as the result of production adjustments in the IT sector and other factors.

On the other hand the economy in Fukushima Prefecture, Toho Bank's main base of operations, remained difficult, and the slump in personal consumption, cutbacks in public works investment and other economic factors were unchanged. Nevertheless, hints of a recovery in production activity in some industries were noted, and expectations of an economic recovery in the future continued to grow.

From a financial perspective, except for a period when long-term rates rose temporarily, interest rates moved stably at the end of the consolidated fiscal year as the Bank of Japan continued its monetary quantitative easing policy.

Elsewhere in the financial industry, efforts aimed at achieving sound operations continued unabated. These included the establishment of a cap on the government's guarantee for savings deposits, banks' all-out efforts to resolve their problem loans, and steps to rationalize management and boost equity capital. Given this background, a competitive environment quite distinct from the past continued to spread. Visible new characteristics included management integration, moves to establish business alliances extending beyond traditional business boundaries and the spread of novel business opportunities as the result of various forms of deregulation. Further proactive approaches aimed at increasing the soundness of bank management and enhancing customer convenience are anticipated. Banks are also facing greater demands to comply fully with laws and regulations and take actions from the perspective of shareholders and customers in response to enforcement of the Personal Information Protection Law, disclosure of corporate information, cash card counterfeiting problems and other concerns.

Business Progress

Based on this environment, Toho Bank sought to provide even higher-quality financial services, to enhance the relationship banking functions the Bank has developed over the years and respond vigorously and flexibly to the demands of its diversified and sophisticated customers. At the same time, we pursued efforts to increase the health of our assets and streamline operations even more aggressively as we sought to improve operating results, and worked to ensure trustworthiness by increasing management transparency.

First, to extend the range of options for our customers' asset management needs, on the product and service side we took steps to expand our lineup of investment trust and life insurance products, and established savings accounts for settlement purposes.

In addition, to provide customers with useful information when the government eliminated the traditional unlimited guarantee for savings deposits, we held asset management seminars periodically to offer consultations and other services as a means to propose asset management solutions.

From a financing perspective, on the other hand, we established various new business channels to quickly and flexibly meet the capital needs of our corporate and sole proprietor customers. These included opening our "Business Loan Plaza Koriyama Branch," a new branch specializing in business financing activities, and setting up a service to offer financing consultations via the Internet. We also created a new product utilizing a scoring model that does not rely excessively on collateral security or guarantees. In addition to forming syndicated loans, helping customers create private placement bond trusts and providing other traditional services, we aggressively implemented new approaches to small business finance such as helping boost operating results by creating a "medical care fee liquidation" scheme. The Bank achieved positive results in responding to business formation and new business support as well, including financing executed for venture firms in Fukushima Prefecture, by utilizing system financing and other resources and steadily providing support for venture firms, and as a result of actively introducing customers to the Tohoku Incubation Investment Limited Partnership, which is financed by Toho Bank.

Toho Bank also helped more customers realize the dream of owning their own home with loan products designed for individual customers, by utilizing a new credit examination system for housing loan applications, responding quickly to loan applications and adopting credit examination procedures that focus on the borrower's loan repayment capability. Finally, we developed products capable of meeting a wide range of customer needs, by creating packages such as a mixed-interest rate housing loan combining two types of interest rate systems and a housing loan product that added a cancer guarantee rider to the traditional group credit life insurance.

During the year, we opened our "Business Loan Plaza Koriyama Branch" as a new branch specializing in business financing. This brought the branch network to 105 branches, including 97 branches in Fukushima Prefecture, and 11 sub-branches as of the end of March 2005.

We also took steps to increase the number of non-branch cash dispenser corners (ATM and CD) our customers can use in addition to the 233 dispensers installed at the Bank's own facilities, by expanding our network through alliances with other institutions. This brought the number of



President *Toshio Seya*

cash dispenser corners available to Toho Bank customers to 33,000 locations throughout Japan. In particular, through our alliance with IY Bank Co., Ltd. and utilization of *PROBANK*, an accounting system from Fujitsu Limited that began operating in fiscal 2003, we created a system customers can utilize 24 hours a day, 365 days a year.

To address the need to improve the soundness of its assets, the Bank sought to strictly write off and provision for nonperforming loans based on appropriate asset assessments, and continued its efforts to provide customers with management support and reorganization assistance. This included use of The Industrial Revitalization Corporation of Japan (IRCJ) and the Fukushima Prefecture Small and Medium-size Enterprise Reorganization Support Center. To help invigorate the tourism industry, one of the main industries in Fukushima Prefecture, and revitalize the hot springs inn business in particular, Toho Bank focused on rebuilding the business from the "perspective" of an entire hot spring district rather than just providing management support from the "point," so to speak, of a single firm as it had in the past, and implemented various approaches to local industry development, such as sponsoring a "Symposium to Envision Tohoku Hot Spring Districts for the 21st Century."

With regard to efforts to enhance our equity capital, the Bank's capital adequacy ratio was over 10% as of the end of March 2005. This was the result of steps to increase internal reserves through the accumulation of stable earnings, and issuing fixed-term subordinated debt in December 2004 through a domestic public bond offering.

To respond to the trend toward greater management transparency, Toho Bank worked to improve shareholder, investor and customer trust in the Bank by newly acquiring a credit rating from Japan Credit Rating Agency, Ltd. (JCR), in addition to the rating received in past years from Standard & Poor's. During November 2004, we also held a "Toho Bank Business Operations Briefing" in two locations in Fukushima Prefecture. We used these venues to actively disclose information to our customers and shareholders in Fukushima Prefecture, which we regard as our main base of operations, and directly explain the current state of Toho Bank and the Bank's basic principles for the future.

The Tasks Ahead ➤

Looking at the future of the economic environment, we anticipate gradual growth in the Japanese economy as inventory adjustments are completed in the IT sector and the global economy maintains its expansionary trend centered on the United States and East Asia.

In Fukushima Prefecture, on the other hand, we expect conditions to improve as recovery activities gradually expand, even though the effects from negative factors such as cutbacks in public works investment and the hollowing-out of the industrial structure remain a concern.

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 will further promote "functional enhancement of locally based finance" based on our "Financial Reform Program," to further strengthen the Bank's management foundation and respond to our customers' trust and various needs, and continue to move forward with the creation of a solid relationship with the local region.

In its medium-term management plan from fiscal 2003, which is based on this concept, Toho Bank has focused on and sought to achieve its goal of being Japan's "Best Regional Bank in the 21st Century." During fiscal 2005, the final fiscal year of the plan, our basic policies will be to "strengthen earnings capability," "reduce nonperforming loans and credit costs" and "reorganize internal management," and we will work vigorously to establish a strong management base.

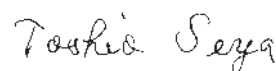
Specifically, we will respond to the borrowing needs of our corporate and individual customers from a business management and life planning perspective with a prompt and positive financing stance. We also will offer a wide range of products to customers who want diverse asset management, including alternatives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

At the same time, we will actively continue efforts to fulfill our relationship banking function as a regional financial institution, including providing detailed advice and beneficial business-related information during consultations with customers.

From the standpoint of business management infrastructure, which will serve as the foundation for these efforts, we will devote ourselves to offering services that truly ensure customer satisfaction, further broadening the skills and awareness of all of the Bank's employees and building a slim, flexible business organization based on our fundamental stance in the financial services industry. Moreover, new business opportunities are also expanding as the result of ongoing deregulation, and we will give the maximum consideration to our customers' needs and strive to enhance services.

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 2005



Toshio Seya
President

Deposits and Individual Deposits

In addition to providing deposits, we offered various services to meet our customers' diversified capital management needs. This included working actively to sell products such as public bonds, investment trusts and insurance products, and taking steps to build deposit assets. As a result, total deposits including negotiable certificates of deposit increased by ¥5.4 billion (US\$51 million) during the fiscal year, mainly for individuals' deposits, to ¥2,595.4 billion (US\$24,168 million).

Furthermore, the balance of assets held for investment in government bonds and investment trusts and in individual annuity insurance increased by ¥78.8 billion (US\$733 million) during the fiscal year to ¥250.7 billion (US\$2,334 million).

Loans and Consumer Loans

Based on its "program to enhance relationship banking functions," Toho Bank aggressively took steps to smooth the supply of capital to small and medium-sized local enterprises and provide support for corporate reorganizations, among other measures, and also focused on augmenting financing for individual customers. The balance of outstanding loans rose during the fiscal year by ¥26.0 billion (US\$242 million) as a result, to ¥1,759.8 billion (US\$16,387 million).

•Marketable Securities

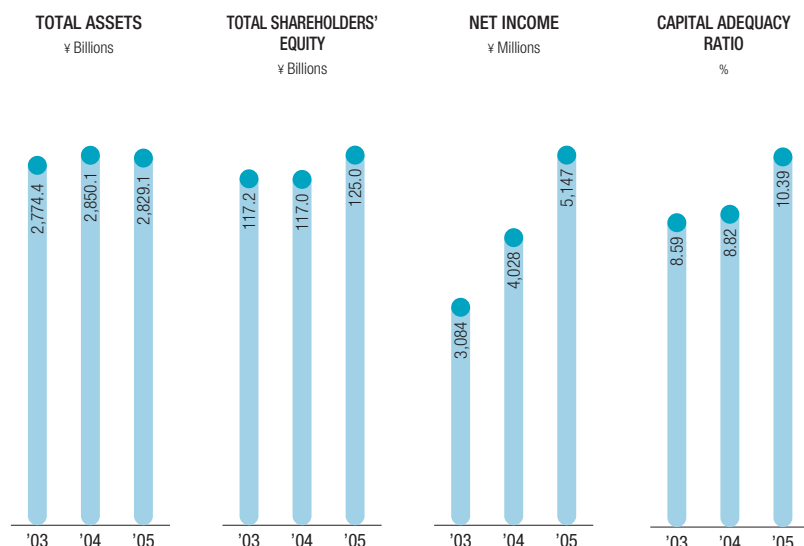
Marketable securities increased by ¥37.2 billion (US\$346 million) during the fiscal year, mainly from investment in government bonds, to ¥913.3 billion (US\$8,505 million). This was the result of efficient capital investment while carefully following the investment environment and market trends.

•Profit and Loss

In the face of a tough earnings environment against the backdrop of Japan's prolonged ultra-low interest rate monetary policy, Toho Bank sought to increase earnings by working diligently to invest capital efficiently, and through measures such as service transactions based on growth in deposit assets such as public bonds, investment trusts and insurance products. On the other hand, from the viewpoint of ensuring asset health, Toho Bank proactively increased its reserves against nonperforming loans and sought final resolution of nonperforming credits. Toho Bank was able to reduce the volume of write-downs compared with the previous consolidated fiscal year, however, and coupled with other factors this boosted ordinary income for the fiscal year ended March 31, 2005 by ¥6.4 billion (US\$59 million) compared with the previous consolidated fiscal year to ¥8.9 billion (US\$83 million), and increased net income for the consolidated fiscal year under review by ¥1.1 billion (US\$10 million) to ¥5.1 billion (US\$47 million).

Toho Bank's capital adequacy ratio based on domestic standards rose by 1.57 percentage points compared with the previous consolidated fiscal year to 10.39%. This reflected Toho Bank's efforts to increase internal reserves by accumulating stable earnings, and the issuance of fixed-term subordinated debt through a domestic public placement in December 2004.

Additional information concerning Toho Bank's operating results and financial condition for the fiscal year ended March 31, 2005 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, 2005 (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.....	¥ 50,372	¥14,880	¥35,491	¥35,491	100.00%	100.00%
B Doubtful	52,969	24,163	28,806	21,148	73.41%	85.54%
C Substandard	17,069	2,583	14,486	3,309	22.84%	34.51%
D Subtotal (A+B+C).....	120,411	41,627	78,783	59,949	76.09%	84.35%
E Normal.....	1,667,182					
Total (D+E).....	¥1,787,594					

Consolidated Balance Sheets

The Toho Bank, Ltd. and Consolidated Subsidiaries
As of March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2005	2004	2005
ASSETS			
Cash and Due from Banks	¥ 77,793	¥ 89,627	\$ 724,404
Call Loans and Bills Purchased	31,879	101,120	296,855
Commercial Paper and Other Debt Purchased	7	8	70
Trading Account Securities (Note 13).....	2,326	903	21,667
Money Held in Trust	7,511	10,022	69,949
Securities (Note 13).....	911,050	875,209	8,483,572
Loans and Bills Discounted (Note 4)	1,759,882	1,733,839	16,387,772
Foreign Exchange	555	734	5,170
Other Assets.....	23,476	23,632	218,613
Premises and Equipment.....	45,563	47,645	424,278
Deferred Tax Assets (Note 9)	20,558	25,950	191,436
Customers' Liabilities for Acceptances and Guarantees (Note 5).....	15,152	14,307	141,101
Reserve for Possible Loan Losses	(66,585)	(72,898)	(620,033)
Total Assets	¥2,829,174	¥2,850,103	\$26,344,860
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Deposits	¥2,595,409	¥2,589,921	\$24,168,074
Call Money and Bills Sold	52,465	99,904	488,548
Borrowed Money	2,542	2,729	23,670
Foreign Exchange	51	54	480
Bonds	15,000	—	139,677
Other Liabilities	8,871	9,149	82,608
Reserve for Employee Retirement Benefits (Note 10)	11,651	14,019	108,493
Deferred Tax Liabilities related to Land Revaluation	1,581	1,617	14,725
Acceptances and Guarantees (Note 5)	15,152	14,307	141,101
Total Liabilities	2,702,725	2,731,704	25,167,381
Minority Interests	1,414	1,313	13,170
Shareholders' Equity:			
Common Stock (Note 6).....	18,684	18,684	173,988
Capital Surplus	8,819	8,819	82,122
Retained Earnings	81,655	77,601	760,368
Reserve for Land Revaluation, Net of Tax	2,370	2,424	22,070
Unrealized Gains on Available-for-Sale Securities, Net of Tax (Note 13)	13,643	9,668	127,043
Common Stock Held in Treasury	(137)	(111)	(1,284)
Total Shareholders' Equity	125,035	117,086	1,164,308
Total Liabilities and Shareholders' Equity	¥2,829,174	¥2,850,103	\$26,344,860

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, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2005	2004	2005
Income:			
Interest Income:			
Interest on Loans and Discounts	¥35,042	¥35,107	\$326,315
Interest and Dividends on Securities	10,987	11,957	102,315
Other Interest Income	17	14	161
Fees and Commissions	9,920	9,360	92,381
Other Operating Income	7,414	8,959	69,038
Other Income (Note 7)	2,073	8,994	19,309
Total Income	65,456	74,393	609,521
Expenses:			
Interest Expenses:			
Interest on Deposits	523	607	4,871
Interest on Borrowings and Rediscounts	792	761	7,377
Interest on Bonds	54	-	507
Other Interest Expenses	746	735	6,954
Fees and Commissions	3,866	3,352	36,008
Other Operating Expenses	5,855	6,038	54,529
General and Administrative Expenses	36,104	37,037	336,199
Other Expenses (Note 8)	8,787	18,516	81,824
Total Expenses	56,731	67,049	528,272
Income before Income Taxes	8,725	7,343	81,248
Provision for Income Taxes:			
Current	769	618	7,165
Deferred	2,700	2,536	25,148
Total Provision for Income Taxes	3,470	3,155	32,314
Income before Minority Interests	5,255	4,188	48,934
Minority Interests	107	160	997
Net Income (Note 11)	5,147	4,028	47,937
Retained Earnings:			
Balance at Beginning of Year	77,601	74,675	722,613
Appropriation of Land Revaluation	54	43	505
Cash Dividends	(1,117)	(1,116)	(10,407)
Bonuses to Directors and Corporate Auditors	(30)	(30)	(279)
Balance at End of Year	¥81,655	¥77,601	\$760,368

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Toho Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2005	2004	2005
Cash Flows from Operating Activities			
Income before Income Taxes	¥ 8,725	¥ 7,343	\$ 81,248
Depreciation Expense	7,748	7,660	72,153
Equity in Earnings of Affiliates	(18)	(14)	(170)
Net Increase (Decrease) in Reserve for Possible Loan Losses	(6,312)	1,390	(58,782)
Increase (Decrease) in Reserve for Employee Retirement Benefit	(2,368)	(7,078)	(22,058)
Interest Income	(46,048)	(47,078)	(428,795)
Interest Expenses	2,116	2,104	19,710
Securities-related Net (Gain) Loss	(1,497)	(3,546)	(13,946)
Net (Gain) Loss on Money Held in Trust	(17)	(39)	(165)
Net (Gain) Loss on Foreign Exchange	(2)	19	(26)
Net (Gain) Loss on Sale of Premises and Equipment	204	533	1,907
Depreciation of Premises	21	-	196
(Increase) Decrease in Trading Account Securities	(1,423)	813	(13,253)
(Increase) Decrease in Loans and Bills Discounted	(26,043)	(45,110)	(242,513)
Increase (Decrease) in Deposits	31,556	19,018	293,852
Increase (Decrease) in Negotiable Certificates of Deposit	(26,069)	11,806	(242,753)
Increase (Decrease) in Borrowing Excluding Subordinated Debt	(187)	(188)	(1,741)
(Increase) Decrease in Due from Banks Other than BOJ	(448)	(261)	(4,171)
(Increase) Decrease in Call Loans	69,242	(90,014)	644,773
Increase (Decrease) in Call Money and Other Fundings Related to Operating Activities	(47,439)	55,307	(441,749)
(Increase) Decrease in Foreign Exchange Assets	179	(153)	1,670
Increase (Decrease) in Foreign Exchange Liabilities	(3)	(66)	(29)
Interest Received	47,494	48,723	442,261
Interest Paid	(1,860)	(2,166)	(17,323)
All Other Operating Activities, Net	(7,180)	(3,765)	(66,863)
Sub-total	368	(44,761)	3,430
Income Taxes Paid	(348)	681	(3,242)
Net Cash provided by (used in) Operating Activities	20	(44,080)	187
Cash Flows from Investing Activities			
Purchase of Equity and Other Securities	(265,282)	(265,187)	(2,470,273)
Proceeds from Sales of Equity and Other Securities	138,327	169,766	1,288,083
Proceeds from Maturities of Securities	99,314	95,569	924,799
Increase in Money Held in Trust	(2,500)	0	(23,279)
Decrease in Money Held in Trust	5,022	-	46,771
Expenditures for Premises and Equipment	(1,183)	(1,915)	(11,019)
Proceeds from Sales of Premises and Equipment	145	300	1,358
Net Cash used in Investing Activities	(26,155)	(1,467)	(243,560)
Cash Flows from Financing Activities			
Proceeds from Issuance of Subordinated Bonds	15,000	-	139,677
Dividends Paid	(1,117)	(1,116)	(10,407)
Dividends Paid to Minority Interests	(1)	(1)	(14)
Purchase of Treasury Stock	(31)	(24)	(290)
Proceeds from Sales of Treasury Stock	1	5	12
Net Cash provided by (used in) Financing Activities	13,850	(1,136)	128,977
Effect of Exchange rate Changes in Cash and Cash Equivalents	2	(19)	26
Net Decrease in Cash and Cash Equivalents	(12,282)	(46,704)	(114,368)
Cash and Cash Equivalents at Beginning of Fiscal Year	87,159	133,864	811,620
Cash and Cash Equivalents at End of Fiscal Year	¥ 74,877	¥ 87,159	\$ 697,251

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 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, 2005.

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, 2005 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" are also classified and stated in the same method stated above.

(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 ¥11,242 million.

(f) Reserve for possible loan losses

The reserve for possible loan losses of the Bank is 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, 2005 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 is being 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.

On October 1, 2004, the Bank received the approval from the Minister of Health, Labor and Welfare for return of substitutional portion of the governmental pension program.

(h) Method of hedge accounting

The Bank does not apply hedge accounting for interest rate risk arising from financial assets and liabilities.

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. 15), which manages interest rate risk associated with monetary assets and liabilities such as lending and deposits, using derivative transactions as a whole.

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, 2005 was ¥510 million.

The Bank adopts the "Treatment in Accounting and Auditing Concerning the Accounting Treatment of Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee, Report No. 25) regarding the accounting for foreign currency transactions. In order to evaluate the effectiveness, the Bank verifies the existence of equivalent foreign currency positions of the hedge instrument, against foreign-currency-denominated debts and credits, which is the hedge item.

(i) Change of presentation

Due to the revision of the Securities and Exchange Law of Japan (June 9, 2005), investments to limited partnership for investment are classified as "securities" whereas they were classified as "other assets" in the previous year. The amount of the investments as of March 31, 2005 was ¥492 million. Furthermore, gains/losses derived from the investments are classified as "Other Interest Income" of "Interest Income"/"Other Interest Expenses" of "Interest Expenses" in the accompanying consolidated statements of income.

(j) Additional information

As the local taxes assessed on the external indices were introduced from the fiscal year beginning on or after April 1, 2004, local taxes determined based on value added base and capital base are included in "General and Administrative Expenses" in the accompanying consolidated statements of income.

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 ¥107.39 = U.S.\$1.00, the exchange rate prevailing on March 31, 2005. 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 ¥18,139 million and ¥84,680 million, respectively, at March 31, 2005.

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 ¥440 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 ¥16,629 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 ¥119,889 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 ¥22,454 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 at March 31, 2005 is as follows:

- Authorized number of shares of common stock : 798,256 thousand shares
- Number of shares issued and outstanding: 223,249 thousand shares

7. Other Income

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

8. Other Expenses

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, 2005 and 2004 are summarized as follows:

March 31	Millions of Yen	
	2005	2004
Deferred Tax Assets:		
Reserve for Possible Loan Losses.....	¥21,303	¥23,327
Reserve for Employee Retirement Benefits	4,514	5,316
Depreciation of Premises and Equipment.....	1,921	1,939
Impairment of Stock	479	380
Other.....	1,903	1,933
Valuation Allowance	(461)	(498)
Total Deferred Tax Assets.....	29,661	32,398
Deferred Tax Liabilities:		
Unrealized Gains on Available-for-Sale Securities	(9,102)	(6,448)
Total Deferred Tax Liabilities.....	(9,102)	(6,448)
Net Deferred Tax Assets.....	¥20,558	¥25,950

10. Retirement Benefits

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

(a) Retirement benefits obligation

March 31	Millions of Yen	
	2005	2004
Retirement Benefits Obligation.....	¥(29,212)	¥(29,678)
Plan Assets at Fair Value	16,098	14,168
Unfunded Retirement Benefits Obligation.....	(13,113)	(15,509)
Unrecognized Cumulative Effect		
of Changes in Accounting Standard.....	—	—
Unrecognized Actuarial Loss	3,489	3,512
Unrecognized Prior Service Cost	(2,026)	(2,023)
Net Retirement Benefits Obligation.....	(11,651)	(14,019)
Prepaid Pension Cost	—	—
Reserve for Employee Retirement Benefits.....	¥(11,651)	¥(14,019)

(b) Pension cost

Year ended March 31	Millions of Yen	
	2005	2004
Service Cost	¥ 1,015	¥ 1,221
Interest Cost	560	871
Expected Return on Plan Assets.....	(262)	(281)
Amortization of Prior Service Cost	(1,142)	(980)
Amortization of Actuarial Loss.....	458	694
Cumulative Effect of Changes		
in Accounting Standard	—	—
Other	106	301
Net Pension Cost	735	1,827
Gain on Exemption of Substitutional Portion of the		
Governmental Pension Program	—	(5,669)
Total	¥ 735	¥(3,841)

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

Year ended March 31	Millions of Yen	
	2005	2004
(i) Assumed discount rate	2.0%	2.0%
(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 is being 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.		

11. Net Income per Share

Net income per share for the years ended March 31, 2005 and 2004 was as follows:

Year ended March 31	Yen	
	2005	2004
Net Income per Share		
Primary	¥22.95	¥17.92
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, 2005 and 2004, 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:

	Millions of Yen	
At March 31	2005	2004
Acquisition Costs:		
Equipment	¥28,027	¥30,774
Other	3,510	3,438
Total	¥31,538	¥34,213
Accumulated Depreciation:		
Equipment	¥17,682	¥20,314
Other	2,206	2,082
Total	¥19,888	¥22,397
Net Carrying Amount:		
Equipment	¥10,345	¥10,460
Other	1,304	1,355
Total	¥11,649	¥11,815

Lease receipts relating to finance leases accounted for as operating leases amounted to ¥4,754 million and ¥4,758 million for the years ended March 31, 2005 and 2004, respectively.

Depreciation related to leased assets has been computed using the straight-line method over the terms of the respective leases and amounted to ¥4,196 million and ¥4,176 million for the year ended March 31, 2005 and 2004.

Undiscounted future minimum lease payments subsequent to March 31, 2005 for finance lease transactions accounted for as operating leases are summarized as follows:

March 31, 2005	Millions of Yen
2006	¥ 4,564
2007 and Thereafter	8,477
Total	¥13,042
March 31, 2004	Millions of Yen
2005	¥ 4,641
2006 and Thereafter	8,689
Total	¥13,331

13. Market Value Information

The tables below represent the securities and trading account securities.

(a) Trading account securities

	Millions of Yen	
March 31	2005	2004
Fair Value	¥2,326	¥903
Realized Gain Included in Earnings	4	0

(b) Held-to-maturity securities

	Millions of Yen	
March 31	2005	2004
National Government Bonds		
Book Value	¥41,607	¥24,513
Market Value	42,072	23,967
Net Unrealized Gain/(Loss)	464	(546)
Gross Unrealized Gain	517	—
Gross Unrealized Loss	52	546

(c) Available-for-sale securities

	Millions of Yen				
March 31, 2005	Amortized Cost	Fair Value	Net Unrealized Gain/(Loss)	Gross Unrealized Gain	Gross Unrealized Loss
Corporate Stock	¥ 39,438	¥ 53,730	¥14,291	¥15,147	¥ 855
Bonds	703,694	713,125	9,430	10,327	897
National Government	439,319	443,461	4,141	4,958	816
Local Government	97,146	100,240	3,093	3,096	3
Corporate	167,227	169,423	2,195	2,273	77
Other	95,002	94,025	(976)	524	1,501
Total	¥838,135	¥860,881	¥22,745	¥25,999	¥3,253

	Millions of Yen				
March 31, 2004	Amortized Cost	Fair Value	Net Unrealized Gain/(Loss)	Gross Unrealized Gain	Gross Unrealized Loss
Corporate Stock	¥ 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

(Note) Loss on impairment amounted to ¥160 million was recognized on the securities (Corporate Stocks) classified as available-for-sale with their quoted market price available during fiscal 2005.

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

- Fair value of stock at year-end (interim period) is 50% below its carrying amount.
- Fair value of 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 2005 and 2004

	Millions of Yen	
Year ended March 31	2005	2004
Proceeds from Sales	¥138,325	¥169,765
Realized Gain	2,418	5,048
Realized Loss	647	1,233

(e) Securities with their fair value not available

	Millions of Yen	
March 31	2005	2004
Stock of Affiliates	¥ 236	¥ 219
Available-for-Sale Securities		
Unlisted Stock	1,303	1,358
Corporate Bonds	7,019	4,699
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, 2005	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	¥ 88,659	¥ 305,103	¥ 257,778	¥ 110,212
National Government	15,454	152,988	206,414	110,212
Local Government	26,700	57,795	15,743	—
Corporate	46,503	94,319	35,620	—
Other Securities	5,985	41,144	44,353	—
Total	¥ 94,644	¥ 346,248	¥ 302,131	¥ 110,212

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

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

March 31, 2005	Millions of Yen
Unrealized Gain before Income Tax Effect and	
Minority Interest Adjustments	¥22,745
Available-for-Sale Securities	22,745
Less: Deferred Tax Liability	9,102
Unrealized Gain before Minority Interest Adjustment	13,642
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	¥13,643

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

14. Derivative Transactions

(a) General

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

The Bank's derivative transactions are limited to highly liquid derivative contracts, and their objectives are primarily to reduce market risks associated with its assets and liabilities.

Furthermore, the Bank enters into bonds-related over-the-counter transactions for a short term as a part of its trading activities.

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 ¥434 million at March 31, 2005, 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			
	2005		2004	
	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	¥10,910	¥6,544	¥(307)	¥16,235
	¥10,910	¥6,544	¥(307)	¥(619)
Total		¥(307)		¥(619)

(2) Currency Derivatives

March 31	Millions of Yen			
	2005		2004	
	Contract Amounts	Fair Value	Contract Amounts	Fair Value
	Total	Over 1 Year	Total	Over 1 Year
Over-the-Counter Transactions				
Forward				
Exchange Contracts				
Sold	¥8,643	¥—	¥(178)	¥26
Bought	¥ 52	¥—	¥0	¥0
		¥(178)		¥0

15. Segment Information

(a) Segment information by type of business

Year ended or as of March 31, 2005	Millions of Yen				
	Banking Operations	Others	Total	Elimination and Corporate Assets	Consolidated
I. Total Income and Recurring Profits					
Total Income from Outside Customers	¥ 59,949	¥ 5,503	¥ 65,453	¥ —	¥ 65,453
Total Income from Intersegment Transactions	102	1,443	1,546	(1,546)	—
Total	¥ 60,052	¥ 6,947	¥ 66,999	¥ (1,546)	¥ 65,453
Total Expenses	51,269	6,692	57,961	(1,507)	56,453
Income before Income Taxes	8,782	255	9,038	(38)	8,999
II. Assets, Depreciation and Capital Expenses					
Assets	¥2,824,029	¥16,498	¥2,840,528	¥(11,353)	¥2,829,174
Depreciation	2,753	4,965	7,719	29	7,748
Capital Expenditures	934	4,977	5,911	—	5,911

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 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

(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



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

The Board of Directors
THE TOHO BANK, LTD.

We have audited the accompanying consolidated balance sheets of THE TOHO BANK, LTD. and consolidated subsidiaries as of March 31, 2005 and 2004, 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, 2005 and 2004, 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, 2005 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, 2005

Ernst & Young Shin Nihon

Board of Directors and Auditors

President
Toshio Seya

Deputy President
Seishi Kitamura

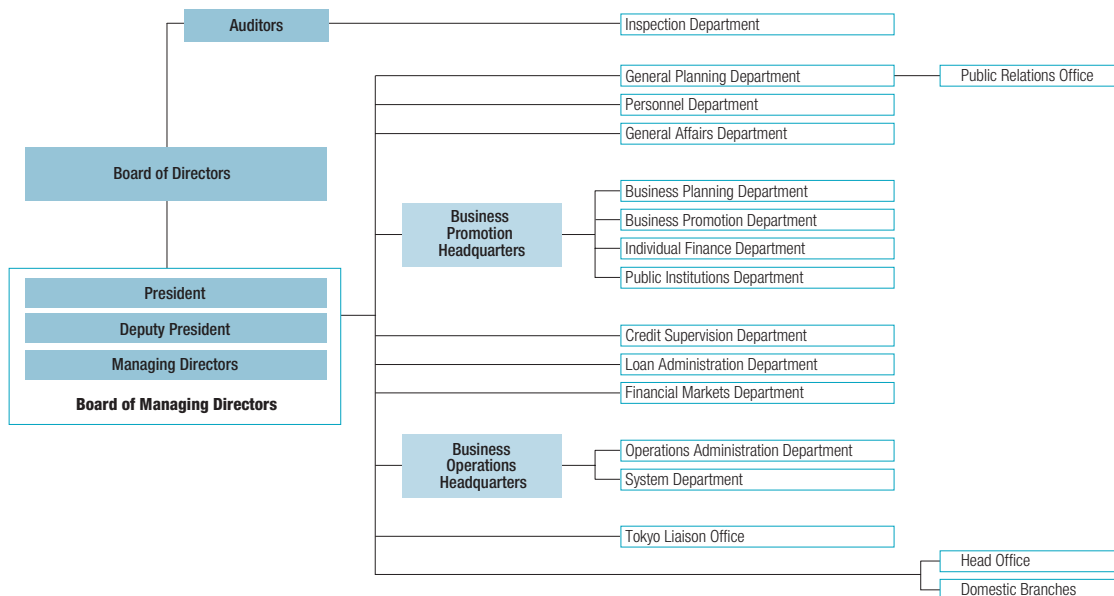
Managing Directors
Seiichi Sato
Akira Kondo
Hiroyuki Motoyanagi
Kiichi Yoshida
Tadashi Uchiyama

Directors
Fumitaka Sato
Hiroshi Endo
Tsugunobu Amano
Takao Aoyagi
Masaki Muto
Mamoru Sakuma

Standing Auditors
Takashi Matsuno
Kazuo Kawasaki

Auditors
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



THE TOHO BANK, LTD.

HEAD OFFICE

3-25, Ohmachi, Fukushima 960-8633, Japan Phone: (024) 523-3131

URL: <http://www.tohobank.co.jp/>