ANNUAL REPORT 2011

YEAR ENDED MARCH 31, 2011

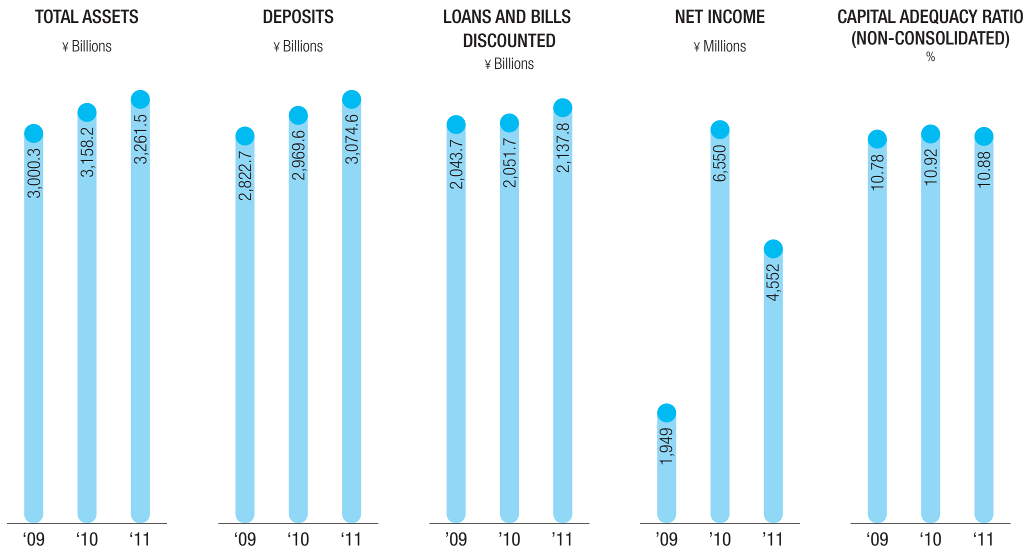
AIZU Tsurugajo Castle

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 2009 we initiated our new medium-term management plan, “Region’s Best Bank Plan 2009,” as an action program. Our goal is embodied as the slogan “Big, strong and tough–serving the region with passion, serving customers with sincerity and caring for people” (our long-term vision). 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 A– 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, 2011, Toho Bank had total net assets of ¥138.9 billion (US$1,671 million) and total assets of ¥3,261.5 million (US$39,224 million) (both figures on a consolidated basis), 2,007 employees, and a business network composed of 113 branches.



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Message from the President

President
Seishi Kitamura

Financial and Economic Environment

The Japanese economy showed a trend toward recovery during the fiscal year ended March 31, 2011, buoyed by pickups in consumer spending and housing investment and steadily increasing exports and production. Some production activity significantly dropped, however, after the Great East Japan Earthquake on March 11, 2011. Exports and domestic private-sector demand were also affected to some degree.

Business Development

Under these circumstances, Toho Bank set a long-term goal of being “Big, strong, and tough,” a slogan representing the image to which the Bank aspires, and also strived to achieve its medium-term management plan, the “Region’s Best Bank Plan 2009.”

To boost levels of convenience for individual customers even further, Toho Bank started providing individual customers with person-to-person services by bank tellers at windows on Saturdays and Sundays at its Koriyama-kita branch, from April 2010.

In transactions with corporate customers, Toho Bank endeavored to meet the diverse financing needs of business managers and improve consulting functions by engaging in intensive marketing activities focused on identifying business challenges, with the aim of assisting business managers in solving various management problems such as M&A and business succession.

Moreover, in view of economic globalization, Toho Bank further reinforced its international operations and focused on activities to assist corporate customers to expand overseas, by hosting the “Asia Business Seminar” and so on.

Turning to branch strategy, Toho Bank integrated the Fukushima oroshimachi branch and Fukushima chuo shijo branch, and opened the Kita-fukushima branch as a new core branch in the northeastern region of Fukushima City. We elaborated the design and functional aspects of the new branch to enable customers to use it more conveniently, adding new features such as a general reception desk, a conversation salon, and a self-operation corner.

In the area of corporate social responsibility (CSR), our efforts to address environmental issues included tree-planting activities at two locations within the prefecture through volunteer activities by officers, employees, and their families. As a result of these activities, we became the first entity in the prefecture to be certified under the carbon dioxide absorption certification system, in August 2010. In the area of regional activation, in light of our commitment to improving financial and economic education in Fukushima Prefecture, Toho Bank will provide Fukushima University with a course on regional finance from 2011.

Results of Operations

[Deposits and negotiable certificates of deposits, etc.]

Toho Bank has endeavored to provide financial products to meet customers' diverse financial needs. As a result, total deposits, including negotiable certificates of deposits, increased by ¥105.0 billion during the fiscal year, to ¥3,074.8 billion.

[Loans and bills discounted]

Toho Bank aggressively met demands for loans to corporations and business owners, including local companies, and also endeavored to increase loans for individual customers, including housing loans. As a result, loans and bills discounted increased by ¥86.0 billion during the fiscal year to ¥2,137.8 billion.

[Income/loss]

The balance of loans and bills discounted and securities steadily increased. This effect, however, was offset by decreased interest income mainly attributable to declining investment yields associated with changes in interest rates and the increased amount of nonperforming loans mainly associated with the downturn in the growth of the regional economy and the indirect impacts of the Great East Japan Earthquake. As a result, ordinary income decreased by ¥712 million from the previous fiscal year to ¥9,912 million. Net income decreased by ¥2,286 million from the previous fiscal year to ¥4,477 million, mainly because we posted credit expenses in connection with the Great East Japan Earthquake and repair expenses, etc. for branches in extraordinary loss.

August 2011

北村清士

Seishi Kitamura

President

Consolidated Balance Sheets

As of March 31, 2011 and 2010	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2011	2010	**2011**
Assets:			
Cash and due from banks (Notes 14 and 19)	**¥ 81,748**	¥ 54,729	**$ 983,148**
Call loans and bills bought (Note 19)	**20,596**	118,109	**247,705**
Monetary claims bought	**3,852**	3,521	**46,332**
Trading account securities (Note 20)	**605**	673	**7,279**
Money held in trust	**19,270**	9,113	**231,760**
Securities (Notes 6, 10, 19 and 20)	**954,153**	881,228	**11,475,085**
Loans and bills discounted (Notes 4, 7 and 19)	**2,137,806**	2,051,786	**25,710,244**
Foreign exchanges	**2,088**	2,252	**25,111**
Other assets (Note 6)	**9,965**	8,988	**119,846**
Tangible fixed assets (Note 8)	**35,620**	36,223	**428,383**
Intangible fixed assets	**2,192**	2,212	**26,364**
Deferred tax assets (Note 15)	**14,327**	13,865	**172,304**
Customers' liabilities for acceptances and guarantees (Note 5)	**4,637**	4,738	**55,776**
Allowance for loan losses	**(25,331)**	(29,234)	**(304,648)**
Total assets	**¥3,261,533**	¥3,158,209	**$39,224,694**
Liabilities:			
Deposits (Notes 6 and 19)	**¥3,074,644**	¥2,969,615	**$36,977,083**
Borrowed money (Note 9)	**17,981**	15,000	**216,254**
Foreign exchanges	**99**	93	**1,197**
Other liabilities	**9,510**	12,933	**114,377**
Provision for directors' bonuses	**28**	45	**336**
Provision for retirement benefits (Note 16)	**9,906**	9,287	**119,139**
Provision for directors' retirement benefits (Note 2)	**667**	623	**8,024**
Provision for reimbursement of deposits (Note 2)	**155**	260	**1,875**
Provision for contingent loss (Note 2)	**311**	193	**3,746**
Provision for point card certificates (Note 2)	**63**	55	**764**
Provision for loss on disaster (Note 2)	**235**	—	**2,826**
Deferred tax liabilities for land revaluation (Note 15)	**4,321**	4,335	**51,971**
Acceptances and guarantees (Note 5)	**4,637**	4,738	**55,776**
Total liabilities	**3,122,562**	3,017,182	**37,553,372**
Net Assets:			
Capital stock	**23,519**	23,519	**282,853**
Capital surplus	**13,653**	13,653	**164,202**
Retained earnings	**100,680**	97,825	**1,210,826**
Treasury stock	**(1,020)**	(182)	**(12,275)**
Shareholders' equity	**136,832**	134,815	**1,645,606**
Valuation difference on available-for-sale securities (Note 20)	**1,715**	5,780	**20,633**
Revaluation reserve for land	**212**	225	**2,557**
Total accumulated other comprehensive income	**1,928**	6,006	**23,191**
Minority interests	**209**	206	**2,523**
Total net assets	**138,970**	141,027	**1,671,321**
Total liabilities and net assets	**¥3,261,533**	¥3,158,209	**$39,224,694**

See notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2011	2010	**2011**
Income:			
Interest income:			
Interest on loans and discounts	**¥35,547**	¥38,203	**$427,508**
Interest and dividends on securities	**9,707**	9,275	**116,750**
Other interest income	**0**	0	**8**
Fees and commissions income	**10,258**	9,861	**123,369**
Other ordinary income	**4,180**	2,646	**50,272**
Other income (Note 11)	**1,822**	2,856	**21,912**
Total income	**61,516**	62,844	**739,822**
Expenses:			
Interest expenses:			
Interest on deposits	**3,235**	4,654	**38,910**
Interest on borrowings and rediscounts	**351**	392	**4,224**
Interest on bonds	**—**	131	**—**
Other interest expenses	**1**	0	**22**
Fees and commissions expenses	**5,037**	4,844	**60,584**
Other ordinary expenses	**122**	184	**1,478**
General and administrative expenses	**36,354**	37,025	**437,219**
Other expenses (Note 12)	**8,874**	5,347	**106,726**
Total expenses	**53,978**	52,582	**649,167**
Income before income taxes and minority interests	**7,537**	10,261	**90,654**
Income taxes:			
Current	**781**	3,884	**9,402**
Deferred	**2,197**	(176)	**26,422**
Total	**2,978**	3,707	**35,825**
Net income before minority interests	**4,559**		**54,828**
Minority interests in income	**6**	4	**80**
Net income (Note 17)	**¥ 4,552**	¥ 6,550	**$ 54,748**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2011	2010	**2011**
Net income before minority interests (Note 22)	**¥4,559**	¥—	**$54,829**
Other comprehensive income			
Valuation difference on available-for-sale securities	**(4,065)**	—	**(48,890)**
Share of other comprehensive income in affiliates accounted for by the equity method	**0**	—	**0**
Total other comprehensive income	**(4,064)**	—	**(48,886)**
Comprehensive income	**¥ 494**	¥—	**$ 5,943**
Total comprehensive income attributable to (Note 22) :			
Shareholders of the parent	**¥ 487**	¥—	**$ 5,863**
Minority interests	**6**	—	**81**
	¥ 494	¥—	**$ 5,943**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2011 and 2010	Millions of Yen		Thousands of US Dollars (Note 3)
	2011	2010	**2011**
Shareholders' equity:			
Capital stock			
Balance at the end of previous period	**¥ 23,519**	¥ 18,684	**$ 282,853**
Changes of items during the period			
Issuance of common stock	**—**	4,834	**—**
Total changes of items during the period	**—**	4,834	**—**
Balance at the end of the current period	**23,519**	23,519	**282,853**
Capital surplus			
Balance at the end of previous period	**13,653**	8,818	**164,202**
Changes of items during the period			
Issuance of common stock	**—**	4,834	**—**
Total changes of items during the period	**—**	4,834	**—**
Balance at the end of the current period	**13,653**	13,653	**164,202**
Retained earnings			
Balance at the end of previous period	**97,825**	92,425	**1,176,490**
Changes of items during the period			
Dividends from retained earnings	**(1,710)**	(1,324)	**(20,567)**
Net income	**4,552**	6,550	**54,748**
Disposal of treasury stock	**(0)**	(1)	**(2)**
Reversal of land revaluation excess, net of tax	**13**	175	**157**
Total changes of items during the period	**2,855**	5,399	**34,335**
Balance at the end of the current period	**100,680**	97,825	**1,210,826**
Treasury stock			
Balance at the end of previous period	**(182)**	(152)	**(2,199)**
Changes of items during the period			
Acquisition of treasury stock	**(1,080)**	(39)	**(12,993)**
Disposal of treasury stock	**242**	8	**2,916**
Total changes of items during the period	**(837)**	(30)	**(10,076)**
Balance at the end of the current period	**(1,020)**	(182)	**(12,275)**
Shareholders' equity			
Balance at the end of previous period	**134,815**	119,776	**1,621,347**
Changes of items during the period			
Issuance of common stock	**—**	9,669	**—**
Dividends from retained earnings	**(1,710)**	(1,324)	**(20,567)**
Net income	**4,552**	6,550	**54,748**
Acquisition of treasury stock	**(1,080)**	(39)	**(12,993)**
Disposal of treasury stock	**242**	7	**2,914**
Reversal of land revaluation excess, net of tax	**13**	175	**157**
Total changes of items during the period	**2,017**	15,038	**24,259**
Balance at the end of the current period	**136,832**	134,815	**1,645,606**

	Millions of Yen		Thousands of US Dollars (Note 3)
	2011	2010	**2011**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	**5,780**	(4,832)	**69,519**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(4,064)**	10,613	**(48,885)**
Total changes of items during the period	**(4,064)**	10,613	**(48,885)**
Balance at the end of the current period	**1,715**	5,780	**20,633**
Revaluation reserve for land			
Balance at the end of previous period	**225**	401	**2,715**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(13)**	(175)	**(157)**
Total changes of items during the period	**(13)**	(175)	**(157)**
Balance at the end of the current period	**212**	225	**2,557**
Accumulated other comprehensive income			
Balance at the end of previous period	**6,006**	(4,431)	**72,234**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(4,077)**	10,437	**(49,043)**
Total changes of items during the period	**(4,077)**	10,437	**(49,043)**
Balance at the end of the current period	**1,928**	6,006	**23,191**
Minority interests:			
Balance at the end of previous period	**206**	204	**2,477**
Changes of items during the period			
Net changes of items other than shareholders' equity	**3**	1	**46**
Total changes of items during the period	**3**	1	**46**
Balance at the end of the current period	**209**	206	**2,523**
Total net assets:			
Balance at the end of previous period	**141,027**	115,549	**1,696,059**
Changes of items during the period			
Issuance of common stock	**—**	9,669	**—**
Dividends from retained earnings	**(1,710)**	(1,324)	**(20,567)**
Net income	**4,552**	6,550	**54,748**
Acquisition of treasury stock	**(1,080)**	(39)	**(12,993)**
Disposal of treasury stock	**242**	7	**2,914**
Reversal of land revaluation excess, net of tax	**13**	175	**157**
Net changes of items other than shareholders' equity	**(4,074)**	10,438	**(48,997)**
Total changes of items during the period	**(2,056)**	25,477	**(24,738)**
Balance at the end of the current period (Note 14)	**¥138,970**	¥141,027	**$1,671,321**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2011 and 2010	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2011	2010	**2011**
Cash flows from operating activities			
Income before income taxes	**¥ 7,537**	¥ 10,261	**$ 90,654**
Depreciation expense	**2,216**	2,359	**26,662**
Impairment loss	**35**	258	**423**
Equity in earnings of affiliates	**(74)**	(43)	**(894)**
Net decrease in allowance for loan losses	**(3,902)**	(574)	**(46,933)**
(Decrease) increase in provision for directors' bonuses	**(17)**	17	**(204)**
Increase in provision for retirement benefits	**619**	961	**7,448**
Increase in provision for directors' retirement benefits	**43**	20	**520**
(Decrease) increase in provision for reimbursement of deposits	**(104)**	99	**(1,255)**
Increase (Decrease) in provision for contingent loss	**117**	(11)	**1,415**
Increase in provision for point card certificates	**8**	12	**100**
Increase in provision for loss on disaster	**235**	—	**2,826**
Interest income	**(45,255)**	(47,479)	**(544,267)**
Interest expenses	**3,588**	5,180	**43,157**
Securities-related net gain	**(2,240)**	(2,201)	**(26,942)**
Net gain on money held in trust	**(176)**	(41)	**(2,117)**
Net loss on foreign exchange	**9**	6	**111**
Net loss on sale of fixed assets	**162**	100	**1,956**
Decrease in trading account securities	**67**	307	**817**
Increase in loans and bills discounted	**(86,019)**	(8,037)	**(1,034,515)**
Increase in deposits	**125,611**	113,028	**1,510,659**
(Decrease) Increase in negotiable certificates of deposit	**(20,582)**	33,805	**(247,533)**
(Increase) Decrease in due from banks other than BOJ	**(216)**	106	**(2,608)**
Increase in borrowed money (excluding subordinated borrowings)	**2,981**	—	**35,857**
Increase (Decrease) in call loans	**97,181**	(66,613)	**1,168,749**
Decrease (Increase) in foreign exchange assets	**164**	(748)	**1,978**
Increase (Decrease) in foreign exchange liabilities	**6**	(62)	**78**
Interest received	**46,416**	48,692	**558,229**
Interest paid	**(4,037)**	(5,346)	**(48,554)**
All other operating activities	**1,069**	799	**12,857**
Sub-total	**125,446**	84,856	**1,508,678**
Income taxes paid	**(4,456)**	(3,601)	**(53,592)**
Net cash provided by operating activities	**120,990**	81,254	**1,455,085**
Cash flows from investing activities			
Purchase of equity and other securities	**(453,344)**	(318,071)	**(5,452,124)**
Proceeds from sales of equity and other securities	**243,575**	121,749	**2,929,353**
Proceeds from maturities of securities	**129,901**	93,427	**1,562,256**
Increase in money held in trust	**(10,000)**	(2,900)	**(120,264)**
Decrease in money held in trust	**—**	1,350	**—**
Expenditures for tangible fixed assets	**(1,150)**	(1,111)	**(13,838)**
Proceeds from sales of tangible fixed assets	**7**	41	**92**
Expenditures for intangible fixed assets	**(492)**	(771)	**(5,922)**
Net cash (used in) provided by investing activities	**(91,502)**	106,286	**(1,100,448)**
Cash flows from financing activities			
Proceeds from issuance of common stock	**—**	9,669	**—**
Payments for redemption of subordinated bonds	**—**	(15,000)	**—**
Dividends paid	**(1,710)**	(1,324)	**(20,567)**
Dividends paid to minority interests	**(2)**	(2)	**(34)**
Repayments of lease obligations	**(93)**	(62)	**(1,120)**
Purchase of treasury stock	**(1,079)**	(38)	**(12,985)**
Proceeds from sales of treasury stock	**209**	7	**2,523**
Net cash used in financing activities	**(2,676)**	(6,750)	**(32,183)**
Effect of exchange rate changes in cash and cash equivalents	**(9)**	(6)	**(111)**
Net increase (decrease) in cash and cash equivalents	**26,802**	(31,789)	**322,342**
Cash and cash equivalents at beginning of fiscal year	**54,496**	86,285	**655,404**
Cash and cash equivalents at end of fiscal year (Note 14)	**¥ 81,299**	¥ 54,496	**$ 977,746**

See notes to consolidated financial statements.

1. Basis of Presentation

The accompanying consolidated financial statements of The Toho Bank, Ltd. (the "Bank") and its consolidated subsidiary (collectively the "Group") 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 consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Law of Japan and the Banking Law of Japan.

Under Japanese GAAP, either a consolidated statement of comprehensive income or a consolidated statement of income and comprehensive income is required from the year ended March 31, 2011. The Bank has presented other comprehensive income in a separate consolidated statement of comprehensive income. In addition, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Pro forma information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 22. "Net income before minority interests" is presented in the consolidated statement of income from the year ended March 31, 2011 in accordance with the Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Presentation of Financial Statements pursuant to the Accounting Standard for Consolidated Financial Statements (Accounting Standard Board of Japan Statement No. 22, December 26, 2008).

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

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies (affiliates) over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The number of consolidated subsidiaries and affiliates at March 31, 2011 and 2010 is as follows:

	2011	2010
Number of consolidated subsidiaries:	**1**	1
Number of affiliates accounted for by the equity method:	**5**	5

(b) Trading account securities

Marketable trading account securities are stated at market value at the end of March 31, 2011.

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 March 31, 2011 or, if quoted prices are considered to be extremely difficult to obtain, at cost using the moving average cost method.

Valuation difference on available-for-sale securities is presented as a separate component of net assets, net of related tax effect.

Securities included in "Money held in trust" are also classified and accounted for in the same method as stated above.

(d) Derivatives

The Bank's derivatives are stated at fair value.

(e) Depreciation

(1) Depreciation of Tangible fixed assets of the Bank (except lease assets) is computed under the declining-balance method. The estimated useful lives of assets are as follows:

Buildings: 2–40 years
Others: 2–20 years

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

(2) Depreciation of Intangible fixed assets (except lease assets) is computed under the straight-line method. Development costs for internally used software are capitalized and depreciated under the straight-line method over the estimated useful lives of primarily 5 years.

(3) Depreciation of Lease assets pertaining to finance lease transactions other than those in which the lease is deemed to transfer ownership of leased property to the lessee, included in "Tangible fixed assets" and "Intangible fixed assets," is computed under the straight-line method and on assumptions that the lease term is equal to the useful life and that there is no residual value except where residual value guarantees are stipulated in lease contracts.

(f) Revaluation of land

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 "Revaluation reserve for land" in the Net Assets section, and the deferred tax is included in the Liabilities section as "Deferred tax liabilities for land revaluation".

The excess amount of the revalued carrying amount over the fair value of the lands revalued at March 31, 2011 and 2010 pursuant to the Article 10 of the Law was ¥10,918 million and ¥9,979 million, respectively.

(g) Allowance for loan losses

The Allowance for 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 Allowance for 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 Audit Department.

For loans to certain borrowers whose credit worthiness information or the condition of collateral assets cannot be readily available due to the Great East Japan Earthquake, provisions are made by a simplified method considering their credit risk.

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

(h) Provision for directors' bonuses

The provision for directors' bonuses is provided in the amount deemed accrued on the consolidated balance sheet date.

(i) Provision for retirement benefits

The Provision for retirement benefits is provided to the extent that retirement benefit obligation at the balance sheet date 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.

(j) Provision for directors' retirement benefits

The provision for directors' retirement benefits is provided in the required amount at the end of fiscal year, based on internally established standards.

(k) Provision for reimbursement of deposits

The provision for reimbursement of deposits is provided for the reimbursement of dormant deposits which were recognized as income to depositors, based on the estimated reimbursement loss in accordance with the past reimbursement records.

(l) Provision for contingent loss

The provision for contingent loss is provided for against possible losses from contingencies, which are not covered by other specific provisions.

(m) Provision for point card certificates

The provision for point card certificates is provided based on a reasonable estimate for expected future purchases to be made by customers with reward points, which are granted as they charge purchases to co-branded credit cards issued by the Bank.

(n) Provision for loss on disaster

The provision for loss on disaster is provided for estimated expenses for repair of the Banks' branch premises and houses for employees damaged by the Great East Japan Earthquake which occurred on March 11, 2011.

(o) Leases

Finance lease transactions, commenced prior to April 1, 2008, other than those in which the lease is deemed to transfer ownership of leased property to lessees are accounted for based on the former accounting standard applicable to operating lease transactions.

(p) Method of hedge accounting

The Bank applies special treatment of hedge accounting for interest rate swaps for interest rate risk arising from certain financial assets and liabilities.

(q) Accounting for employee shareholding association trust

On May 10, 2010, the Board of Directors passed a resolution in favor of creating an employee stock ownership plan (ESOP) trust with the aim of elevating the corporate value of the Group over the medium and long term by increasing employees' awareness of the Group's business results and by encouraging stepped-up execution of business leading to a higher share price of the Group.

An ESOP trust was set up by the Bank with employees that subscribe the ESOP and meet certain requirements as beneficiaries. The ESOP trust acquires, from the market, such number of shares of the Bank's stock as the ESOP is expected to acquire over a certain period in the future. Subsequently, the ESOP trust sells the shares to the ESOP on a predetermined date in each month. The gain from sales to ESOP, if any, will be accumulated by the ESOP trust until the completion of the trust period and will be distributed to the beneficiaries stipulated in the trust agreement.

As for the ESOP trust's borrowing to acquire the shares of the Bank, the compensation agreement is made among the ESOP trust, the Bank, and the lender where, if the ESOP trust is unable to pay off the debt, the Bank repays the remaining debt to the lender on behalf of the ESOP trust. For the acquisition and disposition of such shares, since the Bank guarantees the ESOP trust's debt and from a conservative point of view to reflect the economic substance of these transactions, the Bank and the ESOP trust are treated as an integrated account. Thus, the shares, assets, liabilities, income and expense owned by the ESOP trust are included in the Bank's consolidated financial statements.

The number of the Bank's shares owned by the ESOP trust at March 31, 2011 is 2,973,000 shares.

(r) Accounting change

Asset Retirement Obligations

Effective April 1, 2010, the Bank adopted the Accounting Standard for Asset Retirement Obligations (Accounting Standards Board of Japan (ASBJ) Statement No. 18 issued on March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21 issued on March 31, 2008). The effect of adopting this new standard was to decrease income before income taxes and minority interests by ¥73 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 ¥83.15 = U.S.$1.00, the exchange rate prevailing on March 31, 2011. 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 and bills discounted at March 31, 2011 and 2010 included the following loans:

	Millions of Yen	
March 31	**2011**	2010
Loans to borrowers in bankruptcy	**¥ 6,170**	¥ 5,112
Delinquent loans	**48,642**	56,275
Loans past due 3 months or more	**305**	191
Restructured loans	**709**	2,571
Total	**¥55,827**	¥64,150

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 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 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.

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 Instruments for Banks” (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 ¥9,985 million and ¥11,462 million at March 31, 2011 and 2010, respectively.

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 consolidated balance sheets.

6. Pledged Assets

Assets pledged as collateral at March 31, 2011 and 2010 were as follows:

	Millions of Yen	
March 31	**2011**	2010
Pledged Assets :		
Securities	**¥ 4,053**	¥ 3,846
Liabilities covered by pledged assets :		
Deposits	**10,710**	39,652

In addition to the above, Securities in the amount of ¥97,037 million and ¥82,912 million were pledged as collateral in connection with exchange settlements as of March 31, 2011 and 2010, respectively.

Security deposit in the amount of ¥892 million and ¥974 million were included in Other assets as of March 31, 2011 and 2010, respectively.

7. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, unless there is no breach of contract by the counterparty, the Bank or its consolidated subsidiary is required to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank or its consolidated subsidiary. The unused amount related to such facilities/contracts stood at ¥619,682 million and ¥607,564 million at March 31, 2011 and 2010, respectively. Of this amount, facilities/contracts which expire within one year at inception or which are unconditionally cancelable at any time, totaled ¥604,112 million and ¥595,883 million at March 31, 2011 and 2010, respectively.

Most of these agreements expire without the clients’ having utilized the financial resources available under the facilities/contracts, and the unused amount does not necessarily impact the Bank or its consolidated subsidiary’s future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its subsidiary to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank or its consolidated subsidiary demands collateral such as real estate or marketable securities at the date on which the aforementioned agreement is entered into. In addition, after facilities/contracts are set forth, the Bank or its consolidated subsidiary regularly assesses the business status of the clients, based on predetermined internal procedures and, when prudent, revises the agreements or reformulates policies to maintain creditworthiness.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of Tangible fixed assets amount to ¥48,269 million and ¥48,315 million, and advanced depreciation on Tangible fixed assets amount to ¥1,028 million and ¥1,028 million at March 31, 2011 and 2010, respectively.

9. Borrowed Money

Borrowed money comprises borrowings made under special conditions under which repayment is subordinate to other classes of debt.

10. Guarantees for Corporate Bonds

The amount of the guarantees for privately placed bonds in corporate bonds in accordance with Paragraph 3 of Article 2 of the Financial Instruments and Exchange Law totaled ¥17,694 million and ¥11,934 million at March 31, 2011 and 2010, respectively.

11. Other Income

Other income principally represents gain on sales of stocks and other securities and gain on money held in trust.

12. Other Expenses

Other expenses principally represent provision for possible loan losses, loss on sales of stocks and other securities, loss on devaluation of stocks and other securities, loss on impairment of fixed assets and disaster loss.

Provision for possible loan losses for the years ended March 31, 2011 and 2010, included in other expenses, were ¥3,689 million and ¥2,408 million, respectively.

Other expenses also include Losses on sales of stocks and other securities in the amount of ¥1,108 million and ¥665 million, Losses on devaluation of stocks and other securities in the amount of ¥618 million and ¥788 million for the years ended March 31, 2011 and 2010, respectively.

The differences between the recoverable amount and the book value of the following assets were recognized as loss on impairment of fixed assets during the fiscal years ended March 31, 2011 and 2010:

(Millions of Yen)

Area	Purpose of use	Type	Losses	
			2011	2010
Fukushima Area	Branch premises	Land	¥ 0	¥ —
		Building	—	4
	Idle assets	Land	34	0
Miyagi Area	Branch premises	Land	—	226
Other	Branch premises	Land and Building	—	26
Total			¥35	¥258

The Bank recognizes the estimated unrecoverable amount in its branch premises and idle assets as Impairment loss. For the purposes of identifying impaired assets, the assets of an individual branch are grouped as a unit.

As for idle assets, the individual asset is assessed as a unit for the purposes of identification.

The recoverable amount is calculated based on net realized value. Net realizable value is calculated based on the valuation by road rating and on the appraisal value, etc., less estimated cost of disposal.

The Bank suffered ¥2,130 millions of losses for the year ended March 31, 2011 caused by the Great East Japan Earthquake that occurred on March 11, 2011 and included in other expenses. The breakdown of the disaster losses on disaster is as follows:

Year ended March 31, 2011	(Millions of Yen)
Allowance for loan losses	¥1,814
Losses on removal of fixed assets	15
Provision for loss on disaster	235
Other	65
Total	¥2,130

13. Notes to Consolidated Statements of Changes in Net Assets

Changes in outstanding shares and treasury stock during the years ended March 31, 2011 and 2010 are summarized as follows:

(Thousand Shares)

	Number of Shares as of March 31, 2010	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2011
Outstanding Shares				
Common Stock	255,500	—	—	255,500
Treasury Stock				
Common Stock(*)	435	3,849	863	3,422

(*) Increase in the number of Treasury stock of 3,849 thousand shares was comprised of 3,835 thousand shares of acquisition by ESOP trust and 12 thousand shares of acquisition of odd-lot shares. Decrease in the number of Treasury stock of 863 thousand shares was comprised of 862 thousand shares of disposition by ESOP trust and 1 thousand shares of disposition of odd-lot shares.

(Thousand Shares)

	Number of Shares as of March 31, 2009	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2010
Outstanding Shares				
Common Stock(*1)	221,000	34,500	—	255,500
Treasury Stock				
Common Stock(*2)	352	103	19	435

(*1) Increase in the number of Common stock of 34,500 thousand shares was comprised of 30,000 thousand shares of public offering and 4,500 thousand shares of a third-party allotment.

(*2) Increase in the number of Common stock of 103 thousand shares was mainly due to acquisition of odd-lot shares. Decrease in the number of Common stock of 19 thousand shares was due to disposition of odd-lot shares.

Detailed information about cash dividends paid during the year ended March 31, 2011 is as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 22, 2010	Common Stock	893	¥3.50	March 31, 2010	June 23, 2010
Board of Directors on November 12, 2010	Common Stock	817	¥3.25	September 30, 2010	December 8, 2010

Note: The total dividends resolved by the Board of Directors meeting on November 12, 2010 do not include the dividends paid to the ESOP trust of ¥12 million, since the Bank's shares owned by ESOP trust is treated as treasury stock.

Dividends with record dates on or before March 31, 2011 and effective dates after April 1, 2011 are listed as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 27, 2011	Common Stock	819	Other Retained Earnings	¥3.25	March 31, 2011	June 28, 2011

Note: The total dividends in the above table do not include the dividend payable to the ESOP trust of ¥ 9 million, since the Bank's shares owned by ESOP trust is treated as treasury stock.

14. Cash and Cash Equivalents

A reconciliation between Cash and due from banks in the consolidated balance sheets at March 31, 2011 and 2010, and Cash and cash equivalents in the consolidated statements of cash flows for the years then ended was as follows:

	Millions of Yen	
March 31	**2011**	2010
Cash and due from banks	**¥81,748**	¥54,729
Ordinary due from banks	**(214)**	(67)
Other	**(234)**	(164)
Cash and cash equivalents	**¥81,299**	¥54,496

15. Deferred Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2011 and 2010 are summarized as follows:

	Millions of Yen	
March 31	**2011**	2010
Deferred tax assets:		
Allowance for loan losses	**¥ 8,204**	¥10,454
Provision for retirement benefits	**3,964**	3,716
Depreciation	**1,573**	1,640
Revaluation reserve for land	**2,506**	2,510
Others	**3,954**	3,995
Valuation allowance	**(4,728)**	(4,701)
Total deferred tax assets	**15,474**	17,615
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	**(1,016)**	(3,689)
Revaluation reserve for land	**(4,321)**	(4,335)
Others	**(130)**	(60)
Total deferred tax liabilities	**(5,468)**	(8,085)
Net deferred tax assets	**¥10,005**	¥9,530

The following summarizes the significant difference between the statutory tax rate and the Bank's effective tax rate for the years ended March 31, 2011 and 2010:

Year ended March 31	**2011**	2010
Statutory tax rate	**40.0%**	40.0%
Non-deductible expenses	**1.2**	0.8
Non-taxable dividend income	**(2.1)**	(2.4)
Per capita inhabitant taxes	**0.4**	0.3
Valuation allowance	**0.0**	(3.5)
Others	**0.4**	0.1
Effective tax rate	**39.9%**	35.3%

16. Retirement Benefits

The following information pertains to the defined benefits pension plans of the Bank and its consolidated subsidiary.

(a) Retirement benefits obligation

	Millions of Yen	
Year ended March 31	**2011**	2010
Retirement Benefits Obligation	**¥(31,239)**	¥ (29,900)
Plan Assets at Fair Value	**18,407**	18,552
Unfunded Retirement Benefits Obligation	**(12,832)**	(11,347)
Unrecognized Actuarial Loss	**2,925**	2,060
Net Retirement Benefits Obligation	**(9,906)**	(9,287)
Prepaid Pension Cost	**—**	—
Provision for Retirement Benefits	**¥ (9,906)**	¥ (9,287)

(b) Net pension cost

	Millions of Yen	
Year ended March 31	**2011**	2010
Service Cost	**¥ 846**	¥ 857
Interest Cost	**596**	595
Expected Return on Plan Assets	**(370)**	(347)
Amortization of Prior Service Cost	**—**	—
Amortization of Actuarial Loss	**563**	717
Net Pension Cost	**¥1,637**	¥1,822

(c) Actuarial assumptions and basis of calculation to determine costs and benefits obligation

Year ended March 31	**2011**	2010
(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.

17. Per Share Information

Total net assets as of March 31, 2011 and 2010 and net income per share for the years ended March 31, 2011 and 2010 were as follows:

	Yen	
As of or year ended March 31	**2011**	2010
Total net assets per share	**¥550.46**	¥552.10
Net income per share	**18.02**	27.84

18. Leases

Lessee:

Finance lease transactions other than those in which the lease is deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions as permitted by the new accounting standard at March 31, 2011 and 2010 are summarized as follows:

	Millions of Yen	
March 31	**2011**	2010
Amounts equivalent to acquisition costs:		
Tangible fixed assets	**¥432**	¥713
Intangible fixed assets	**161**	161
Total	**¥593**	¥874
Amounts equivalent to accumulated depreciation:		
Tangible fixed assets	**¥349**	¥512
Intangible fixed assets	**135**	104
Total	**¥484**	¥616
Amounts equivalent to net carrying amount:		
Tangible fixed assets	**¥ 82**	¥200
Intangible fixed assets	**26**	57
Total	**¥108**	¥258

Lease payment relating to finance leases accounted for as operating leases amounted to ¥176 million and ¥201 million for the years ended March 31, 2011 and 2010, respectively.

The amount equivalent to depreciation related to leased assets has been computed using the straight-line method over the terms and amounted to ¥153 million and ¥173 million for the years ended March 31, 2011 and 2010, respectively.

The amount of anticipated finance lease payments at March 31, 2011 and 2010 are as follows:

At March 31, 2011	Millions of Yen
2012	**¥ 88**
2013 and Thereafter	**33**
Total	**¥121**

At March 31, 2010	Millions of Yen
2011	¥165
2012 and Thereafter	118
Total	¥284

19. Financial Instruments and Related Disclosure

(a) Overall situation concerning financial instruments

(1) Policy for financial instruments

The Group is providing banking and other financial operations including lease business. Funds raised from these operations are used primarily to offer commercial and mortgage loans and to invest in marketable securities. The Group's primary funding sources are deposits, but it may also borrow funds in the financial markets to meet day-to-day short-term funding needs. As a result, it holds financial assets and liabilities whose economic values fluctuate with interest rate changes. To minimize adverse effects of interest rate fluctuations, an asset-liability management (ALM) system is in place to ensure comprehensive management of assets and liabilities with various durations under different market conditions. The Group also uses derivative transactions primarily to hedge the adverse fluctuation in the value of assets and liabilities against market risks, and the derivative transactions utilized in the hedge activities are limited to instruments with high market liquidity.

(2) Nature and extent of risks arising from financial instruments

Financial assets held by the Group consist mainly of loans extended to business entities and individuals in Japan, which entail credit risk, that is, the Group may find it difficult to recover the principal amounts of loans and interests thereon due to borrowers' bankruptcy or deteriorating business. General economic conditions in Fukushima Prefecture, the Group's primary geographical area of operations, may also exert adverse impact on borrowers' businesses and values of collaterals pledged. Marketable securities in which the Group invests are primarily bonds and equity shares, which subject the Group to credit risk (deterioration of financial conditions of issuers) and market risk (fluctuations in interest rates and prices).

The Group also faces liquidity risk in connection with borrowed funds and call money, that is, the Group might find it difficult to honor promises of payment on due dates if it cannot tap into financial markets to raise needed funds under certain environments. Moreover, the Group's borrowings are based on variable rates, which expose the Group to risks associated with interest rate fluctuations.

Aside from derivative instruments (i.e., interest rate and currency swaps) distributed directly to customers, the Group may enter into interest rate swaps as required by its ALM to hedge its borrowings. Derivative transactions qualified for hedge accounting are accounted for separately using the hedge accounting standards. To secure foreign-currency denominated funds for currency-related services, the Group may utilize currency swaps and foreign exchange forward contracts, which come with inherent market risk (risk of losses by the Group if interest rates and foreign exchange make adverse movements) and credit risk (risk of losses by the Group in the event of default by the counterparty). The Group is not engaged in leveraged derivative transactions noted for large volatility of the contract's fair value out of proportion to the price fluctuation of the underlying asset.

(3) Risk management system for financial instruments

(i) To manage credit risk, the Group has established credit risk management rules and a framework governing credit review required for each loan, credit limits, internal credit ratings, guarantees and collaterals in addition to procedures to deal with problem loans. The state of such risk and risk management is periodically reported to the Board of Directors upon examination by the ALM Committee.

Credit risk associated with issuers of marketable securities and counterparty risk relating to derivative transactions are managed by periodic monitoring of credit ratings and fair value.

(ii) The Group manages market risk (interest rate risk, price fluctuation risk and foreign exchange risk) as part of its ALM operations, which, among others, calls for quantification of various risks, risk limits to be set within a manageable scope in line with the Group's financial strength, and proper risk distribution to secure optimized profits. Risk management techniques and procedures used by the Group for the market risks are stipulated in the Group's market risk management rules. They include Value at Risk (VaR), asset-liability analyses by maturity, interest rate sensitivity analyses, and simulated risk analyses to assess potential impact of interest rate fluctuations from various angles. To reduce price fluctuation risk, the rules require a limit on the amount of securities to be held and a stop-loss level to be set up for each type of securities. In addition, ALM guidelines are prepared every six months, and the ALM Committee conducts reviews and examinations. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

To calculate VaR for the market risk, the delta method (holding period varies from one month to one year, depending on risk categories such as interest rates and shares, confidence level of 99%, observation period of 1 year) has been adopted. At March 31, 2011, the Group's market risk quantity (estimated loss) in total is ¥10,396 million. This measure is for the Bank alone, since outstanding balance and sensitivity of the consolidated subsidiary's financial assets and liabilities are considered insignificant. The Group conducts back test to compare the actual income to VaR calculated by the model in order to verify the model. As a result of back test conducted in 2010, the Group concludes the model captures the market risk with sufficient accuracy. However, VaR is a statistic measure of market risk quantity based on the past fluctuations of market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly, under extraordinary circumstances.

For derivative transactions, an internal control framework is in place by separating the execution team, the team responsible for assessing effectiveness of transactions as hedging instruments and the back office from one another. The quantified risks, aggregate size of derivative transactions and the results of profit/loss revaluation are reported to the ALM Committee on a monthly basis. The state of risk and risk management is reported periodically to the Board of Directors upon examination by the ALM Committee.

(iii) To control liquidity risk, the Group, having formulated its liquidity risk management rules, conducts daily analyses of the status of funding and the results of fund management activities, in addition to periodic funding tolerance checks under diverse scenarios. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

(4) Supplemental explanation for fair value of financial instruments

Financial instruments are stated at amounts based on market prices or reasonably computed amounts in the case of the absence of observable market prices. The computation of the amounts thereof is based on certain assumptions. Therefore, the amounts derived may differ if other assumptions are used.

(b) Fair value of financial instruments

The amount shown on the consolidated balance sheets, the corresponding fair value and their difference as of March 31, 2011 and 2010 for each financial instrument category are provided below. It should be noted that non-listed shares for which fair value is extremely difficult to obtain are not included in the following tables (see Note 2). Also items whose account balance on the consolidated balance sheets are immaterial are not included in the following disclosure.

	Millions of Yen		
March 31, 2011	Book value	Fair value	Difference
(1) Cash and due from banks	**¥ 81,748**	**¥ 81,748**	**¥ —**
(2) Call loans and bills bought	**20,596**	**20,596**	**—**
(3) Trading account securities	**605**	**605**	**—**
(4) Securities:			
Held-to-maturity securities	**27,335**	**27,830**	**494**
Available-for-sale securities	**924,610**	**924,610**	**—**
(5) Loans and bills discounted	**2,137,806**		
Allowance for loan losses(*1)	**(25,166)**		
	2,112,640	**2,139,643**	**27,002**
Total assets	**¥3,167,537**	**¥3,195,034**	**¥27,497**
(1) Deposits	**¥2,967,588**	**¥2,969,163**	**¥ 1,575**
(2) Negotiable certificates of deposits	**107,055**	**107,055**	**—**
Total liabilities	**¥3,074,644**	**¥3,076,219**	**¥ 1,575**
Derivative transactions(*2):			
Hedge accounting is not applied	**¥ (218)**	**¥ (218)**	**¥ —**
Hedge accounting is applied	**—**	**—**	**—**
Total derivative transactions	**¥ (218)**	**¥ (218)**	**¥ —**

	Millions of Yen		
March 31, 2010	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 54,729	¥ 54,729	¥ —
(2) Call loans and bills bought	118,109	118,109	—
(3) Trading account securities	673	673	—
(4) Securities:			
Held-to-maturity securities	40,517	41,260	743
Available-for-sale securities	838,683	838,683	—
(5) Loans and bills discounted	2,051,786		
Allowance for loan losses(*1)	(28,969)		
	2,022,817	2,049,828	27,010
Total assets	¥3,075,529	¥3,103,283	¥27,753
(1) Deposits	¥2,841,977	¥2,844,261	¥ 2,284
(2) Negotiable certificates of deposits	127,638	127,638	—
Total liabilities	¥2,969,615	¥2,971,899	¥ 2,284
Derivative transactions(*2):			
Hedge accounting is not applied	¥ (294)	¥ (294)	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions	¥ (294)	¥ (294)	¥ —

(*1) Allowance for loan losses (general reserve) and allowance for loan losses (case-specific reserve) provided for loans are deducted to compare with the corresponding fair value.

(*2) The derivative transactions reported under "Other assets" and "Other liabilities" in the consolidated balance sheets are stated on a net basis in the above table.

Net credit/debit arising from derivative transactions is stated on a net basis, and accounts with net debits in the aggregate are indicated by parentheses.

(Note 1) Valuation method of financial instruments

Assets

(1) Cash and due from banks

Cash and due from banks with no maturities is stated at the book value, since the book value approximates fair value. Cash and due from banks with set maturities is carried at the present value of future cash flows estimated by maturity category that are discounted at the assumed interest rate applicable to new deposits at the balance sheet date.

(2) Call loans and bills bought

They are due within one year and are stated at the book value, which approximates fair value.

(3) Trading account securities

The bonds and other securities, including government and municipal/public bonds held as sales agents thereof, are stated at the value announced by Japan Securities Dealers Association or quoted by financial institutions with which the Bank transacts business.

(4) Securities

Equity shares are stated at prices at applicable stock exchanges, and bonds are stated at the value announced by Japan Securities Dealers Association. Investment trusts are stated at the publicized base prices or the base prices quoted by financial institutions with which the Bank transacts business. Investments in associations, if the fair value of assets held by such associations is obtainable, are stated at fair value on a pro rata basis in proportion of the interests held in such associations' net assets. The fair value of privately placed bonds guaranteed by the Bank is computed in a manner similar to the loans described below.

Certain floating-rate national government bonds are noted for wide spreads between bid and offer prices and therefore, the market price should not necessarily be regarded as the fair value. The Bank determines the fair value of such bonds at a reasonably computed value detailed below based on a reasonable estimate made by the Bank's management at the end of the consolidated fiscal year-end.

The effect of the above treatment was to increase "Securities" by ¥4,479 million and ¥5,311 million, and "Valuation difference on available-for-sale securities" by ¥2,686 million and ¥3,185 million, and to decrease "Deferred tax assets" by ¥1,792 million ¥2,125 million at March 31, 2011 and 2010, respectively, in comparison to the amounts that would have been reported otherwise.

The Group uses the discounted cash flow method to arrive at a reasonably computed value of floating-rate national government bonds, by estimating future cash flows from bond yields among other factors and discounting the future cash flows to the present by a discount rate based on bond yields. Factors serving as variables are bond yields and yield volatility of such bonds.

(5) Loans and bills discounted

Loans are grouped by type and internal credit rating, and the fair value of a group of loans is computed by discounting the aggregate principal/interest amount by the theoretical value of an interest rate that reflects the expected loss rate of each borrower's category. For loans due within one year, the book value is stated as the fair value, since the book value is presumed to approximate the fair value.

The fair value of the loans to which the special accounting treatment of hedge accounting for interest rate swaps is applied is evaluated together with their hedging instruments (i.e., interest rate swaps). For loans extended to bankrupt, effectively bankrupt and potentially bankrupt borrowers, estimated loss given default are computed based on expected recoverable amounts through the disposal of the collaterals and execution of guarantees. Therefore, their fair values are stated at the amounts derived by subtracting the estimated loss given default from the carrying amounts of loans as of the consolidated balance sheet date, since the book value is presumed to approximate the fair value.

Loans with no set maturities, such as loan facilities where loans are provided within a certain limit determined by pledged collateral value, are stated at their book values, as the book value is presumed to approximate fair value, based on the expected repayment periods, interest rate conditions and other terms and conditions.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposits

Demand deposits are stated at amounts payable (i.e., book value if demanded on the consolidated balance sheet date). To arrive at the fair value of time deposits and others, deposits are grouped by deposit type, and the present value of expected future cash flows for each such group is computed by discounting the total of principals and interests. Discount rates applied are those applicable to new deposits accepted by the Bank at the balance sheet date. For deposits and certificates of deposits due within one year, they are stated at their book values, which are presumed to approximate the fair values.

Derivative transactions

Derivative transactions include interest rate swaps, currency swaps and foreign exchange forward contracts. They are stated at the prices at exchanges or at prices computed from their discounted present values, among others.

(Note 2) The fair values of the following financial products are extremely difficult to determine and, therefore, are not included in "Assets (4) Available-for-sale securities."

	Millions of Yen	
	March 31, 2011	March 31, 2010
(i) Non-listed shares(*1)(*2)	**¥2,126**	¥1,946
(ii) Investments in associations(*3)	**80**	80
Total	**¥2,207**	¥2,027

(*1) The fair values of non-listed shares, which have no readily available market prices, are extremely difficult to determine. Therefore, they are excluded from fair-value disclosure.
(*2) Impairment loss on non-listed shares in the amount of ¥4 million and ¥52 million was posted for the years ended March 31, 2011 and 2010, respectively.
(*3) For investments in associations, assets included in the asset portfolios of such associations are excluded from fair-value disclosure, if the fair values of such assets, including real estate, are extremely difficult to determine.

(Note 3) Maturity analysis for claims and securities with contractual maturities subsequent to March 31, 2011

	Millions of Yen					
March 31, 2011	Due in 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Due from banks	¥ 23,702	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	20,596	—	—	—	—	—
Securities:	95,701	170,796	241,035	121,008	273,746	10,704
Held-to-maturity securities	10,034	17,301	—	—	—	—
National government bonds in them	10,034	17,301	—	—	—	—
Available-for-sale securities with maturity	85,667	153,494	241,035	121,008	273,746	10,704
National government bonds in them	33,383	61,130	92,356	101,618	231,347	10,704
Local government bonds in them	7,626	20,862	45,829	3,934	14,254	—
Corporate bonds in them	34,765	44,926	71,667	12,358	28,144	—
Loans(*)	547,401	452,304	366,431	157,756	184,414	299,952
Total	¥687,401	¥623,100	¥607,467	¥278,764	¥458,160	¥310,656

(*) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt (¥54,812 million), loans with no set maturities (¥74,734 million) are not included.

(Note 4) Maturity analysis for interest bearing liabilities subsequent to March 31, 2011

	Millions of Yen					
March 31, 2011	Due in 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Deposits(*)	¥2,755,694	¥190,283	¥21,587	¥12	¥11	—
Negotiable certificates of deposit	107,055	—	—	—	—	—
Total	¥2,862,750	¥190,283	¥21,587	¥12	¥11	—

(*) Demand deposits are disclosed under "Due in 1 year or Less".

20. Fair Value Information

The tables below represent the securities and trading account securities:

(a) Trading account securities

	Millions of Yen	
March 31	**2011**	2010
Fair Value	**¥605**	¥673
Realized Gain Included in Earnings	**5**	4

(b) Held-to-maturity securities

	Millions of Yen	
March 31	**2011**	2010
National Government Bonds		
Carrying amount	**¥27,335**	¥40,517
Fair Value	**27,830**	41,260
Net Unrealized Gain/(Loss)	**494**	743
Gross Unrealized Gain	**494**	743
Gross Unrealized Loss	**—**	—

(c) Available-for-sale securities

	Millions of Yen		
March 31, 2011	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their fair value over their amortized cost:			
Corporate Stock	**¥ 14,306**	**¥ 11,447**	**¥2,858**
Bonds:	**595,464**	**586,776**	**8,687**
National Government	**380,564**	**375,704**	**4,859**
Local Government	**57,968**	**57,109**	**858**
Corporate	**156,931**	**153,961**	**2,969**
Other	**47,543**	**46,846**	**696**
Sub-total	**657,313**	**645,069**	**12,243**
Securities with their fair value below their amortized cost:			
Corporate Stock	**17,093**	**22,769**	**(5,675)**
Bonds:	**219,447**	**221,547**	**(2,099)**
National Government	**149,975**	**151,433**	**(1,458)**
Local Government	**34,541**	**34,885**	**(344)**
Corporate	**34,931**	**35,227**	**(296)**
Other	**30,755**	**32,496**	**(1,740)**
Sub-total	**267,296**	**276,812**	**(9,515)**
Total	**¥924,610**	**¥921,882**	**¥2,727**

	Millions of Yen		
March 31, 2010	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their fair value over their amortized cost:			
Corporate Stock	¥ 20,420	¥ 14,501	¥5,918
Bonds:	518,410	509,312	9,097
National Government	248,083	243,275	4,808
Local Government	68,561	67,601	960
Corporate	201,764	198,435	3,329
Other	45,556	44,786	769
Sub-total	584,386	568,601	15,785
Securities with their fair value below their amortized cost:			
Corporate Stock	19,293	23,438	(4,145)
Bonds:	207,635	208,368	(733)
National Government	169,424	169,938	(513)
Local Government	7,942	7,980	(38)
Corporate	30,267	30,448	(180)
Other	27,368	28,809	(1,441)
Sub-total	254,296	260,616	(6,319)
Total	¥838,683	¥829,217	¥9,465

(d) Available-for-sale securities sold

March 31, 2011	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
Corporate Stock	**¥ 3,621**	**¥ 108**	**¥1,108**
Bonds:	**232,095**	**3,848**	**—**
National Government	**227,451**	**3,703**	**—**
Local Government	**4,123**	**124**	**—**
Corporate	**520**	**20**	**—**
Other	**7,670**	**207**	**29**
Total	**¥243,387**	**¥4,163**	**¥1,137**

March 31, 2010	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
Corporate Stock	¥ 8,026	¥1,321	¥665
Bonds:	102,987	2,048	—
National Government	80,051	1,495	—
Local Government	22,895	552	—
Corporate	40	0	—
Other	10,902	234	0
Total	¥121,917	¥3,604	¥666

(e) Securities with their classification changed to others

None

(f) Loss on impairment

Certain "Available-for-sale securities" with fair value are stated at fair value on the consolidated balance sheets, and the difference between the acquisition cost and the fair value is recognized as a loss ("impairment loss") for the consolidated fiscal year, if the fair value has significantly deteriorated compared with the acquisition cost and if it is further concluded that there would be little possibility of the recovery in fair value to the acquisition cost.

The loss on impairment in the amount of ¥614 million and ¥736 million was recognized on corporate stocks for the years ended March 31, 2011 and 2010, respectively.

The criteria for determining whether the decline in the fair value is "significantly deteriorated" are as follows: Individual securities whose fair values are 50% or less of the acquisition cost at the end of the consolidated fiscal year (or interim period), or securities whose fair values exceed 50% but are 70% or less of the acquisition prices and whose past share price movements for certain set periods, and the issuers' business conditions indicate little prospect of recovery in their fair value.

(g) Valuation difference on available-for-sale securities

March 31, 2011	Millions of Yen
Unrealized Gain before Income Tax Effect and Minority Interests Adjustments	**¥2,727**
Available-for-Sale Securities	**2,727**
Less: Deferred tax liabilities	**1,016**
Unrealized Gain before Minority Interests Adjustment	**1,711**
Less: Minority Interests	**—**
Equity of Unrealized Gain on Available-for-Sale Securities:	
Owned by Affiliates that are accounted for under the Equity Method	**4**
Valuation difference on available-for-sale securities	**¥1,715**

March 31, 2010	Millions of Yen
Unrealized Gain before Income Tax Effect and Minority Interests Adjustments	¥9,465
Available-for-Sale Securities	9,465
Less: Deferred tax liabilities	3,689
Unrealized Gain before Minority Interests Adjustment	5,776
Less: Minority Interests	—
Equity of Unrealized Gain on Available-for-Sale Securities:	
Owned by Affiliates that are accounted for under the Equity Method	4
Valuation difference on available-for-sale securities	¥5,780

21. Derivatives

(a) Derivatives transactions to which hedge accounting is not applied

The contract amount at the consolidated balance sheet date or the notional amount as stipulated in contracts for each transaction type and, as well as fair value, net gains or losses, and methods used for deriving the fair value are indicated below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

(1) Interest-rate Derivatives

March 31	Millions of Yen					
	2011			2010		
	Contract Amounts		Fair Value	Contract Amounts		Fair Value
	Total	Over 1 Year		Total	Over 1 Year	
Over-the-Counter Transactions:						
Interest-rate swaps:						
Receivable fixed/payable floating	**¥75**	**¥75**	**¥ 0**	¥117	¥75	¥ 1
Receivable floating/payable fixed	**¥75**	**¥75**	**¥(0)**	¥117	¥75	¥(0)
Total			**¥ 0**			¥ 0

(2) Currency Derivatives

March 31	Millions of Yen					
	2011			2010		
	Contract Amounts		Fair Value	Contract Amounts		Fair Value
	Total	Over 1 Year		Total	Over 1 Year	
Over-the-Counter Transactions:						
Currency swap	**¥22,932**	**¥22,932**	**¥ (7)**	¥24,088	¥24,088	¥ 21
Forward exchange contracts:						
Sold	**¥15,166**	**¥ —**	**¥(211)**	¥11,380	¥ —	¥(318)
Bought	**¥ 40**	**¥ —**	**¥ 0**	¥ 92	¥ —	¥ 1
			¥(219)			¥(295)

(b) Derivatives transactions to which hedge accounting is applied

The contract amount at the consolidated balance sheet date or the notional amount as stipulated in contracts for each transaction type and method of hedge accounting, as well as fair value, net gains or losses, and methods used for deriving the fair value are indicated below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

Interest-rate Derivatives

March 31, 2011	Main objective for hedge	Millions of Yen		
		Contract Amounts		Fair Value
		Total	Over 1 Year	
Special treatment for interest rate swaps:				
Interest-rate swaps:				
Receivable floating/payable fixed	Loans to borrowers	**¥69,478**	**¥61,242**	**(*)**

(*) Special treatment for interest rate swaps is handled with objective loans to borrowers together as a part of it, accordingly its fair value is included in fair value of loans to borrowers concerned.

March 31, 2010	Main objective for hedge	Millions of Yen		
		Contract Amounts		Fair Value
		Total	Over 1 Year	
Special treatment for interest rate swaps:				
Interest-rate swaps:				
Receivable floating/payable fixed	Loans to borrowers	¥72,355	¥69,478	(*)

(*) Special treatment for interest rate swaps is handled with objective loans to borrowers together as a part of it, accordingly its fair value is included in fair value of loans to borrowers concerned.

22. Consolidated statement of comprehensive income

(1) Pro forma information of other comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of yen
Other comprehensive income:	
Valuation difference on available-for- securities	¥10,609
Share of other comprehensive income in affiliates	3
accounted for by the equity method	
Total other comprehensive income	¥10,613

(2) Pro forma information of total comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of yen
Total comprehensive income attributable to:	
Shareholders of the parent	¥17,163
Minority interests	4
Total	¥17,167

23. Segment Information

(a) Segment information

Effective the year ended March 31, 2011, the Group has adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008).

The Group has one segment, banking service, therefore segment information is not disclosed.

(b) Related information

1. Information by services

Income regarding major services for the year ended March 31, 2011 is as follows:

Year ended March 31, 2011	Millions of yen			
	Lending	Securities and Investment	Other	Total
Ordinary income from external customers...............	¥35,397	¥13,863	¥12,255	¥61,516

Note: ordinary income is stated as equivalent to sales of general enterprises.

2. Geographical information

(i) Income

Income from external domestic customers exceeded 90% of total income on the consolidated statement of income for the year ended March 31, 2011, therefore geographical income information is not disclosed.

(ii) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheet as of March 31, 2011, therefore geographical tangible fixed assets information is not disclosed.

3. Major customer information

It is difficult to reasonably determine the ratio of ordinary income for each major customer, therefore major customer information is not disclosed.

Information on impairment of fixed assets for each reportable segment:

There is no information to be reported on impairment of fixed assets for each reportable segment.

Information on amortization of goodwill and its remaining balance for each reportable segment:

There is no information to be reported on amortization of goodwill and its remaining balance.

Information related to gain on negative goodwill for each reportable segment:

There is no information to be reported for gain on negative goodwill.

24. Related Party Transactions

There were no material related party transactions to be disclosed for the year ended March 31, 2011 and 2010.

25. Subsequent events

None

Report of Independent Auditors

ERNST & YOUNG

Ernst & Young ShinNihon LLC

Report of Independent Auditors

The Board of Directors
The Toho Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Toho Bank, Ltd. and a consolidated subsidiary as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, 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 a consolidated subsidiary at March 31, 2011 and 2010, 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, 2011 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 27, 2011

Ernst & Young ShinNihon LLC

A member firm of Ernst & Young Global Limited

Board of Directors and Auditors

President:
Seishi Kitamura

Senior Managing Director:
Hiroshi Endo

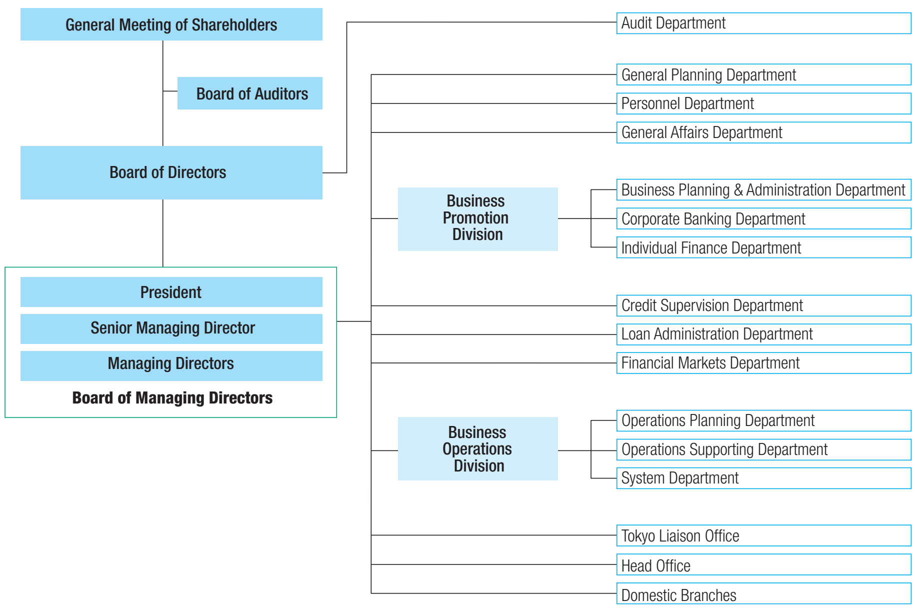
Managing Directors:
Masahiko Watanabe
Kensuke Abe
Shoichi Kushiya
Takahiro Kato
Takahiko Abe
Shinsuke Tanno

Directors:
Kuniyuki Kikuchi
Kenichi Kogure
Mitsuo Moriya
Seiji Takeuchi
Masayuki Sakaji
Satoshi Aji
Toshiro Hasegawa

Standing Auditors:
Hiroaki Suzuki
Kunio Ebata

Auditors:
Fujiatsu Makino
Hiroshi Fukuda
Hisako Murase

Organization



Network

SUBSIDIARIES AND AFFILIATES

Name	*Line of Business*	*Established in*	*Capital (Millions of yen)*	*Bank's Share in Capital (%)*
The Toho Information System Co., Ltd.	Developing software	1993	30	5
The Toho Lease Co., Ltd.	Leasing	1985	60	5
The Toho Computer Service Co., Ltd.	Calculation operations	1983	30	7.69
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, 2011)

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