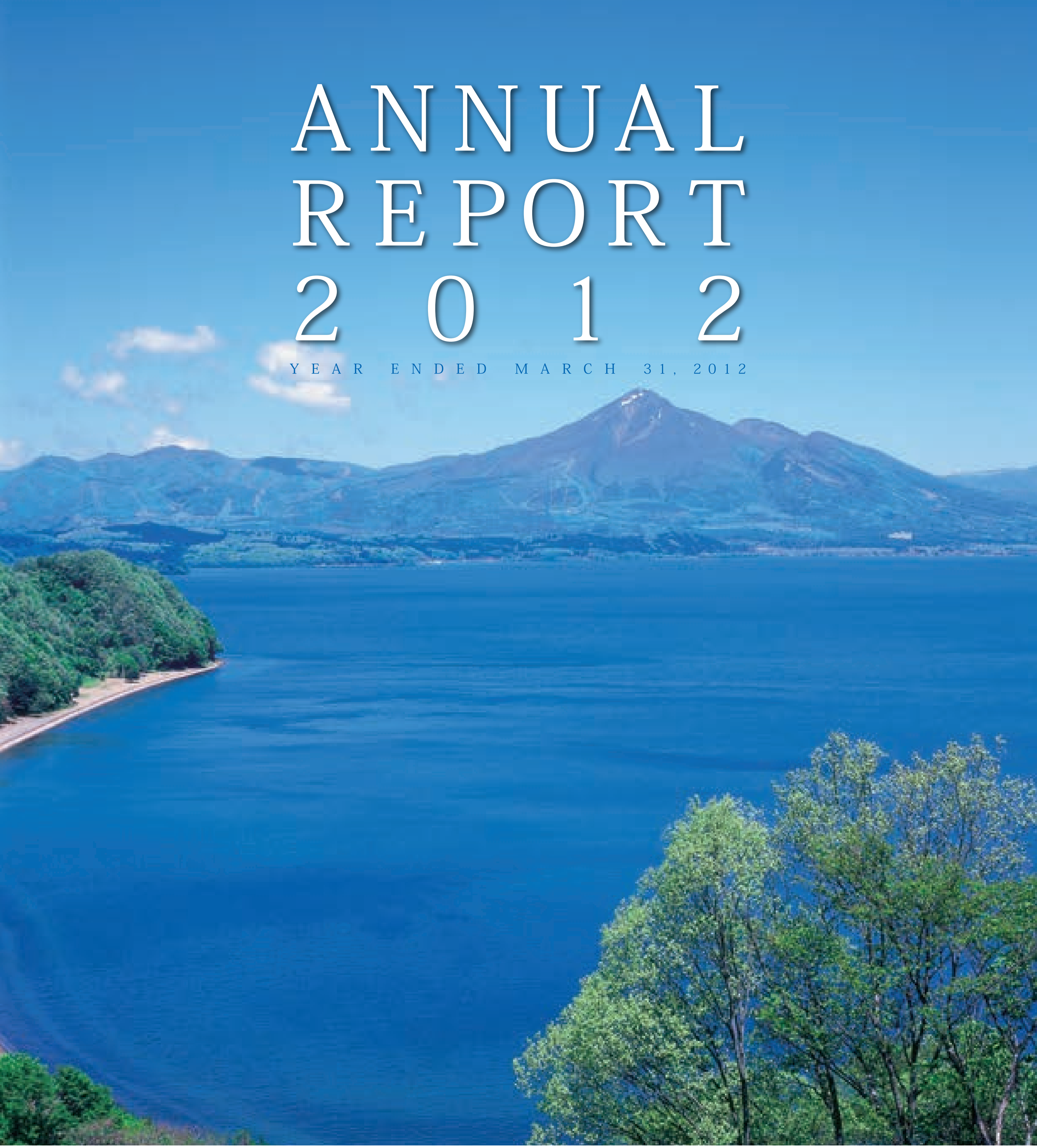
ANNUAL REPORT 2012

YEAR ENDED MARCH 31, 2012



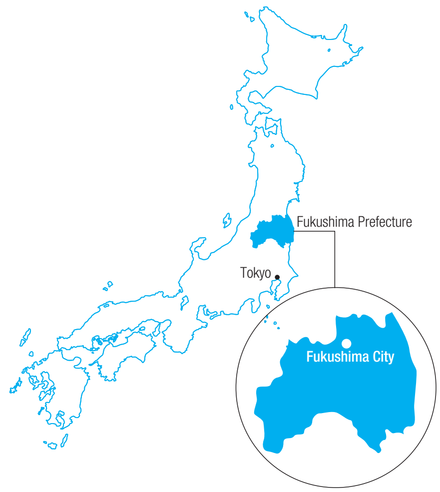
View of Lake Inawashiro and Mt.Bandai

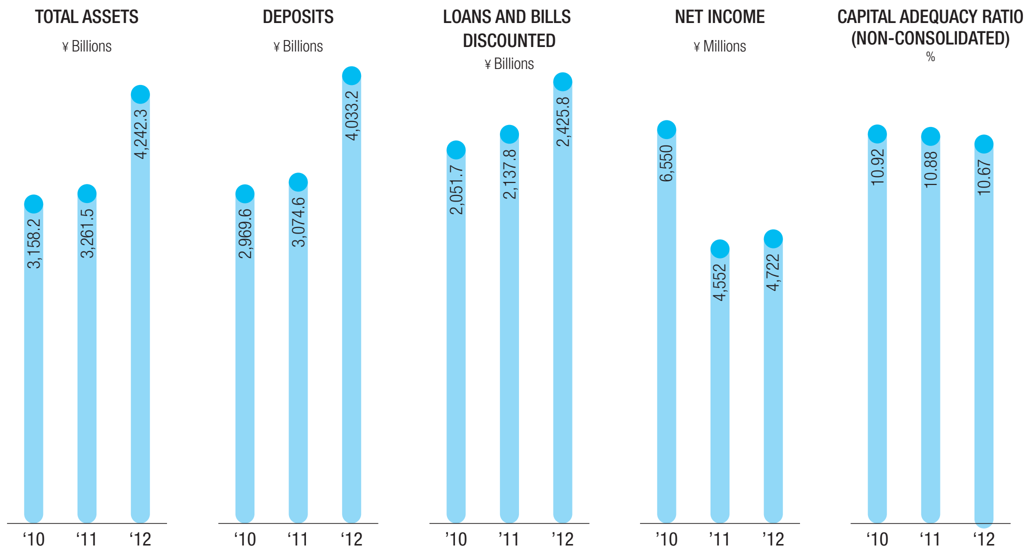
THE TOHO BANK,LTD.

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 2012 we initiated our new medium-term management plan, "Toho step-by-step Plan," 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, 2012, Toho Bank had total net assets of ¥147.1 billion (US$1,790 million) and total assets of ¥4,242.3 million (US$5,161.6 million) (both figures on a consolidated basis), 1,995 employees, and a business network composed of 113 branches.





Contents

Message from the President

President
Seishi Kitamura

Financial and Economic Environment

In the Japanese economy during the fiscal year ended March 31, 2012, consumer spending and housing investment increased steadily despite a significant drop immediately after the Great East Japan Earthquake. Production and public works spending also showed a trend toward recovery as demand for earthquake disaster reconstruction gradually increased. Meanwhile, there remains a risk that the Japanese economy will continue to face downward pressure from the European sovereign debt crisis, rising crude oil prices, and changes in overseas economies on the back of these factors, as well as the impact of the strong yen.

Economic conditions in Fukushima Prefecture, Toho Bank's principal operational base, were largely affected by stagnant corporate investment and decelerating overseas economies associated with the Great East Japan Earthquake. Yet housing investment and public works spending showed signs of recovery thanks to increasing investment relating to earthquake disaster reconstruction.

The financial environment remained steady as a whole even after the Great East Japan Earthquake, thanks to abundant money supply by the Bank of Japan. The Nikkei Stock Average remained weak, though it climbed above the ¥10,000 threshold in March for the first time in eight months.

Business Development

Toho Bank started the fiscal year ended March 31, 2011 under uncertainty over recovery from the Great East Japan Earthquake and accidents at nuclear power plants.

As of the beginning of the fiscal year ended March 31, 2012, Toho Bank has developed its "All Serves the Region," a new corporate message backed by the Bank's determination to concertedly work on regional reconstruction throughout its ranks, and has made various efforts toward recovery and reconstruction.

To assist customers hit by the earthquake, Toho Bank has established its "Counseling Service for Customers Hit by the Great East Japan Earthquake." Through this service, customers at any Toho Bank branch may ask the Bank for extensive counseling about deposits, investment trusts, the repayment of business financing and personal loans, and any other transactions (excluding temporarily closed branches).

To meet the various needs of funds for customers hit by the earthquake, Toho Bank has established public loans relating to the earthquake as a smooth source of funding for the region. Toho Bank has also made efforts to exercise financial brokerage functions more smoothly than before by revising the details of housing loans and housing renovation loans.

Toho Bank provides information on the transfer of offices, factories, etc. through cooperation with persons in charge of establishing new business facilities in Fukushima Prefecture and each municipality, and thereby has helped facilitate the resumption and continuance of business.

For entrepreneurs in the region who may have suffered damages caused by rumors, Toho Bank has expedited the expansion of sales channels by planning and supporting a mail order business for assisting reconstruction (the first shot, "Sasukene Fukushima!! (Don't Worry, Fukushima!!)"; (the second shot, "Koderanni Fukushima! (Really Good, Fukushima!)") and actively participating in business meetings in various regions. Toho Bank has also provided assistance to help attract consumers to tourism within the prefecture by planning the "Sasukene Fukushima! Koderanni Fukushima! Accommodation Campaign."

Summary of Business Results

Toho Bank has made all possible efforts to assist reconstruction mainly by actively providing funds toward reconstruction in the region. Toho Bank has also responded to drastic changes in the fund procurement environment resulting from the inflow of funds relating to reconstruction and has striven to enforce fund management. As a result, the business results for the fiscal year ended March 31, 2012 are as described below.

[Deposits and negotiable certificate of deposits, etc.]

Mainly thanks to the inflow of funds relating to reconstruction, deposits increased by ¥834.1 billion during the fiscal year and the balance at the end of the fiscal year was ¥3,801.8 billion. Total deposits, including negotiable certificates of deposits, increased by ¥958.6 billion during the fiscal year and the balance at the end of the fiscal year was ¥4,033.5 billion.

[Loans and bills discounted]

Toho Bank aggressively met demands for funds after the earthquake. As a result, loans and bills discounted increased by ¥288.0 billion during the fiscal year to ¥2,425.8 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 increased public loans with lower interest rates for assisting reconstruction, in addition to continuously low market interest rates and decreased income from the management of bonds (including government bonds). As a result, ordinary income decreased. Meanwhile, the amount of nonperforming loans decreased thanks to the smooth money supply to the regional economy and the reinforcement of efforts to support management. As a result, ordinary profit increased by ¥463 million from the previous fiscal year to ¥10,375 million. Net income increased by ¥208 million from the previous fiscal year to ¥4,686 million thanks to an increase of ordinary income, though the tentative tax burden associated with the tax revision increased.

Our Efforts in CSR (Corporate Social Responsibility) Activities

Toho Bank has actively worked on social action programs, activities for regional revitalization, and environmental activities for a long time. The Bank further improved its activities in the areas of corporate social responsibility (CSR) after the Great East Japan Earthquake.

With the aims of “creating a place for self-support and social participation” for disabled persons who desire to work, Toho Bank established “Toho Smile, Ltd.,” a subsidiary where most employees are disabled, in March 2012. This is the first company of its kind among financial institutions in the Tohoku region.

Matters to Address

Toho Bank has already started the “Toho Step-by-Step Plan,” a new medium-term management plan for the planning period from April 2012 to March 2015. We consider this period to be crucial for the achievement of the long-term goal toward the 75th anniversary (in the fiscal year ending March 31, 2016) of the Bank’s incorporation and expect it to become important for both Toho Bank and the region, as Fukushima Prefecture will also be moving into a transitional stage toward full-fledged reconstruction from the Great East Japan Earthquake during this planning period.

In the light of these circumstances, Toho Bank will make utmost efforts toward reconstruction and development in Fukushima Prefecture under this plan. We will also progress toward further growth as a key issue within today’s changing management circumstances and will endeavor to implement the initiatives under our basic policies of “Contributing to Fukushima toward Reconstruction,” “Steadily Implementing Our Growth Strategy,” and “Further Reinforcing Our Management Practices.”

August 2012

北村清士

S. Kitamura

Seishi Kitamura

President

Consolidated Balance Sheets

As of March 31, 2012 and 2011	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2012	2011	**2012**
Assets:			
Cash and due from banks (Notes 14 and 19)	**¥ 52,502**	¥ 81,748	**$ 638,792**
Call loans and bills bought (Note 19)	**570,512**	20,596	**6,941,388**
Monetary claims bought	**5,438**	3,852	**66,168**
Trading account securities (Notes 19 and 20)	**690**	605	**8,407**
Money held in trust	**29,461**	19,270	**358,459**
Securities (Notes 6, 10, 19 and 20)	**1,117,084**	954,153	**13,591,492**
Loans and bills discounted (Notes 4, 6, 7, 19 and 24)	**2,425,880**	2,137,806	**29,515,515**
Foreign exchanges	**1,084**	2,088	**13,197**
Other assets (Note 6)	**9,763**	9,965	**118,787**
Tangible fixed assets (Note 8)	**35,076**	35,620	**426,773**
Intangible fixed assets	**3,325**	2,192	**40,455**
Deferred tax assets (Note 15)	**10,087**	14,327	**122,736**
Customers' liabilities for acceptances and guarantees (Note 5)	**5,003**	4,637	**60,875**
Allowance for loan losses	**(23,566)**	(25,331)	**(286,726)**
Total assets	**¥4,242,345**	¥3,261,533	**$51,616,323**
Liabilities:			
Deposits (Notes 6 and 19)	**¥4,033,236**	¥3,074,644	**$49,072,103**
Call money and bills sold	**3,698**	—	**45,000**
Borrowed money (Notes 6 and 9)	**22,406**	17,981	**272,623**
Foreign exchanges	**182**	99	**2,218**
Other liabilities	**15,350**	9,510	**186,772**
Provision for directors' bonuses	**—**	28	**—**
Provision for retirement benefits (Note 16)	**10,581**	9,906	**128,743**
Provision for directors' retirement benefits	**401**	667	**4,887**
Provision for reimbursement of deposits	**262**	155	**3,189**
Provision for contingent loss	**292**	311	**3,556**
Provision for point card certificates	**79**	63	**971**
Provision for loss on disaster	**—**	235	**—**
Deferred tax liabilities for land revaluation (Note 15)	**3,708**	4,321	**45,123**
Acceptances and guarantees (Note 5)	**5,003**	4,637	**60,875**
Total liabilities	**4,095,204**	3,122,562	**49,826,064**
Net Assets:			
Capital stock	**23,519**	23,519	**286,156**
Capital surplus	**13,653**	13,653	**166,120**
Retained earnings	**103,825**	100,680	**1,263,232**
Treasury stock	**(536)**	(1,020)	**(6,528)**
Shareholders' equity	**140,461**	136,832	**1,708,981**
Valuation difference on available-for-sale securities (Note 20)	**5,782**	1,715	**70,357**
Revaluation reserve for land	**684**	212	**8,322**
Total accumulated other comprehensive income	**6,466**	1,928	**78,680**
Minority interests	**213**	209	**2,596**
Total net assets (Note 17)	**147,141**	138,970	**1,790,258**
Total liabilities and net assets	**¥4,242,345**	¥3,261,533	**$51,616,323**

See notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended March 31, 2012 and 2011	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2012	2011	**2012**
Income:			
Interest income:			
Interest on loans and discounts	**¥33,967**	¥35,547	**$413,276**
Interest and dividends on securities	**9,545**	9,707	**116,135**
Other interest income	**7**	0	**96**
Fees and commissions income	**10,340**	10,258	**125,811**
Other operating income	**2,598**	4,180	**31,621**
Other income (Note 11)	**2,501**	1,822	**30,440**
Total income	**58,961**	61,516	**717,381**
Expenses:			
Interest expenses:			
Interest on deposits	**2,324**	3,235	**28,278**
Interest on borrowings and rediscounts	**347**	351	**4,230**
Other interest expenses	**1**	1	**14**
Fees and commissions expenses	**5,044**	5,037	**61,379**
Other operating expenses	**92**	122	**1,131**
General and administrative expenses	**36,185**	36,354	**440,261**
Other expenses (Note 12)	**5,043**	8,874	**61,359**
Total expenses	**49,039**	53,978	**596,657**
Income before income taxes and minority interests	**9,922**	7,537	**120,724**
Income taxes:			
Current	**3,670**	781	**44,664**
Deferred	**1,522**	2,197	**18,528**
Total	**5,193**	2,978	**63,193**
Net income before minority interests	**4,728**	4,559	**57,530**
Minority interests in income	**6**	6	**78**
Net income (Note 17)	**¥ 4,722**	¥ 4,552	**$ 57,452**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2012 and 2011	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2012	2011	**2012**
Net income before minority interests	**¥4,728**	¥4,559	**$ 57,530**
Other comprehensive income (Note 22):			
Valuation difference on available-for-sale securities	**4,063**	(4,065)	**49,441**
Revaluation reserve for land	**537**	—	**6,535**
Share of other comprehensive income in affiliates accounted for by the equity method	**3**	0	**41**
Total other comprehensive income	**4,604**	(4,064)	**56,018**
Comprehensive income	**¥9,332**	¥ 494	**$113,549**
Total comprehensive income attributable to:			
Shareholders of the parent	**¥9,326**	¥ 487	**$113,470**
Minority interests	**6**	6	**78**
	¥9,332	¥ 494	**$113,549**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2012 and 2011

	Millions of Yen		Thousands of US Dollars (Note 3)
	2012	2011	**2012**
Shareholders' equity:			
Capital stock			
Balance at the end of previous period	**¥ 23,519**	¥ 23,519	**$ 286,156**
Changes of items during the period			
Total changes of items during the period	**—**	—	**—**
Balance at the end of the current period	**23,519**	23,519	**286,156**
Capital surplus			
Balance at the end of previous period	**13,653**	13,653	**166,120**
Changes of items during the period			
Total changes of items during the period	**—**	—	**—**
Balance at the end of the current period	**13,653**	13,653	**166,120**
Retained earnings			
Balance at the end of previous period	**100,680**	97,825	**1,224,968**
Changes of items during the period			
Dividends from retained earnings	**(1,642)**	(1,710)	**(19,980)**
Net income	**4,722**	4,552	**57,452**
Disposal of treasury stock	**(0)**	(0)	**(8)**
Reversal of land revaluation excess, net of tax	**65**	13	**799**
Total changes of items during the period	**3,144**	2,855	**38,263**
Balance at the end of the current period	**103,825**	100,680	**1,263,232**
Treasury stock			
Balance at the end of previous period	**(1,020)**	(182)	**(12,419)**
Changes of items during the period			
Acquisition of treasury stock	**(2)**	(1,080)	**(34)**
Disposal of treasury stock	**486**	242	**5,925**
Total changes of items during the period	**484**	(837)	**5,890**
Balance at the end of the current period	**(536)**	(1,020)	**(6,528)**
Shareholders' equity			
Balance at the end of previous period	**136,832**	134,815	**1,664,827**
Changes of items during the period			
Dividends from retained earnings	**(1,642)**	(1,710)	**(19,980)**
Net income	**4,722**	4,552	**57,452**
Acquisition of treasury stock	**(2)**	(1,080)	**(34)**
Disposal of treasury stock	**486**	242	**5,916**
Reversal of land revaluation excess, net of tax	**65**	13	**799**
Total changes of items during the period	**3,629**	2,017	**44,154**
Balance at the end of the current period	**140,461**	136,832	**1,708,981**

	Millions of Yen		Thousands of US Dollars (Note 3)
	2012	2011	**2012**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	**1,715**	5,780	**20,874**
Changes of items during the period			
Net changes of items other than shareholders' equity	**4,066**	(4,064)	**49,482**
Total changes of items during the period	**4,066**	(4,064)	**49,482**
Balance at the end of the current period	**5,782**	1,715	**70,357**
Revaluation reserve for land			
Balance at the end of previous period	**212**	225	**2,587**
Changes of items during the period			
Net changes of items other than shareholders' equity	**471**	(13)	**5,735**
Total changes of items during the period	**471**	(13)	**5,735**
Balance at the end of the current period	**684**	212	**8,322**
Accumulated other comprehensive income			
Balance at the end of previous period	**1,928**	6,006	**23,461**
Changes of items during the period			
Net changes of items other than shareholders' equity	**4,538**	(4,077)	**55,218**
Total changes of items during the period	**4,538**	(4,077)	**55,218**
Balance at the end of the current period	**6,466**	1,928	**78,680**
Minority interests:			
Balance at the end of previous period	**209**	206	**2,553**
Changes of items during the period			
Net changes of items other than shareholders' equity	**3**	3	**43**
Total changes of items during the period	**3**	3	**43**
Balance at the end of the current period	**213**	209	**2,596**
Total net assets:			
Balance at the end of previous period	**138,970**	141,027	**1,690,842**
Changes of items during the period			
Dividends from retained earnings	**(1,642)**	(1,710)	**(19,980)**
Net income	**4,722**	4,552	**57,452**
Acquisition of treasury stock	**(2)**	(1,080)	**(34)**
Disposal of treasury stock	**486**	242	**5,916**
Reversal of land revaluation excess, net of tax	**65**	13	**799**
Net changes of items other than shareholders' equity	**4,541**	(4,074)	**55,261**
Total changes of items during the period	**8,171**	(2,056)	**99,416**
Balance at the end of the current period	**¥147,141**	¥138,970	**$1,790,258**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2012 and 2011	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2012	2011	**2012**
Cash flows from operating activities			
Income before income taxes	**¥ 9,922**	¥ 7,537	**$ 120,724**
Depreciation expense	**2,018**	2,216	**24,554**
Impairment loss	**362**	35	**4,414**
Equity in earnings of affiliates	**(36)**	(74)	**(442)**
Net decrease in allowance for loan losses	**(1,765)**	(3,902)	**(21,481)**
Decrease in provision for directors' bonuses	**(28)**	(17)	**(340)**
Increase in provision for retirement benefits	**674**	619	**8,212**
(Decrease) increase in provision for directors' retirement benefits	**(265)**	43	**(3,230)**
Increase (decrease) in provision for reimbursement of deposits	**106**	(104)	**1,292**
(Decrease) increase in provision for contingent loss	**(19)**	117	**(233)**
Increase in provision for point card certificates	**16**	8	**198**
(Decrease) increase in provision for loss on disaster	**(235)**	235	**(2,860)**
Interest income	**(43,520)**	(45,255)	**(529,509)**
Interest expenses	**2,673**	3,588	**32,524**
Net loss (gain) on securities	**543**	(2,240)	**6,615**
Net gain on money held in trust	**(193)**	(176)	**(2,353)**
Net loss on foreign exchange	**1**	9	**22**
Net loss on sale of fixed assets	**58**	162	**712**
(Increase) decrease in trading account securities	**(85)**	67	**(1,042)**
Increase in loans and bills discounted	**(288,073)**	(86,019)	**(3,504,969)**
Increase in deposits	**834,152**	125,611	**10,149,075**
Increase (decrease) in negotiable certificates of deposit	**124,439**	(20,582)	**1,514,042**
Decrease (increase) in due from banks other than BOJ	**102**	(216)	**1,252**
Increase in borrowed money (excluding subordinated borrowings)	**4,425**	2,981	**53,842**
(Increase) decrease in call loans	**(551,501)**	97,181	**(6,710,084)**
Increase in call money	**3,698**	—	**45,000**
Decrease in foreign exchange assets	**1,003**	164	**12,206**
Increase in foreign exchange liabilities	**82**	6	**1,006**
Interest received	**44,576**	46,416	**542,360**
Interest paid	**(3,419)**	(4,037)	**(41,600)**
All other operating activities	**3,153**	1,069	**38,372**
Sub-total	**142,869**	125,446	**1,738,284**
Income taxes refund (paid)	**520**	(4,456)	**6,337**
Net cash provided by operating activities	**143,390**	120,990	**1,744,622**
Cash flows from investing activities			
Purchase of equity and other securities	**(379,438)**	(453,344)	**(4,616,598)**
Proceeds from sales of equity and other securities	**120,806**	243,575	**1,469,846**
Proceeds from maturities of securities	**100,160**	129,901	**1,218,649**
Increase in money held in trust	**(10,024)**	(10,000)	**(121,963)**
Expenditures for tangible fixed assets	**(1,014)**	(1,150)	**(12,337)**
Proceeds from sales of tangible fixed assets	**52**	7	**643**
Expenditures for intangible fixed assets	**(1,620)**	(492)	**(19,714)**
Net cash used in investing activities	**(171,076)**	(91,502)	**(2,081,475)**
Cash flows from financing activities			
Dividends paid	**(1,642)**	(1,710)	**(19,980)**
Dividends paid to minority interests	**(2)**	(2)	**(34)**
Repayments of lease obligations	**(152)**	(93)	**(1,851)**
Purchase of treasury stock	**(2)**	(1,079)	**(27)**
Proceeds from sales of treasury stock	**343**	209	**4,183**
Net cash used in financing activities	**(1,455)**	(2,676)	**(17,711)**
Effect of exchange rate changes in cash and cash equivalents	**(1)**	(9)	**(22)**
Net (decrease) increase in cash and cash equivalents	**(29,143)**	26,802	**(354,586)**
Cash and cash equivalents at beginning of fiscal year	**81,299**	54,496	**989,167**
Cash and cash equivalents at end of fiscal year (Note 14)	**¥ 52,156**	¥ 81,299	**$ 634,580**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements of The Toho Bank, Ltd. (the "Bank") and its consolidated subsidiaries (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.

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, 2012 and 2011 is as follows:

	2012	2011
Number of consolidated subsidiaries:	**2**	1
Number of affiliates accounted for by the equity method:	**5**	5

Changes in consolidation scope:
At March 31, 2012, TOHO Smile Co., Ltd., which was newly incorporated on March 1, 2012, was included in the consolidation scope.

(b) Trading account securities

Trading account securities are stated at fair value at the end of March 31, 2012.

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

(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 fair value at March 31, 2012 or, if the fair value is 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 subsidiaries 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, 2012 and 2011 pursuant to the Article 10 of the Law was ¥10,914 million and ¥10,918 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.

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

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) Accounting change

Accounting Changes and Error Corrections:

Effective April 1, 2011, the Bank adopted the Accounting Standard for Accounting Changes and Error Corrections (Accounting Standards Board of Japan (ASBJ) Statement No.24 issued on December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24 issued on December 4, 2009).

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 ¥82.19 = U.S.$1.00, the exchange rate prevailing on March 31, 2012. 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, 2012 and 2011 included the following loans:

	Millions of Yen	
March 31	**2012**	2011
Loans to borrowers in bankruptcy	**¥ 5,886**	¥ 6,170
Delinquent loans	**52,897**	48,642
Loans past due 3 months or more	**133**	305
Restructured loans	**1,897**	709
Total	**¥60,815**	¥55,827

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 ¥8,156 million and ¥9,985 million at March 31, 2012 and 2011, 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, 2012 and 2011 were as follows:

	Millions of Yen	
March 31	**2012**	2011
Pledged assets :		
Securities	**¥ 70,449**	¥101,606
Loans and bills discounted	**156,042**	20,000
Total pledged assets	**¥226,491**	¥121,606
Liabilities covered by pledged assets :		
Deposits	**¥ 14,083**	¥ 10,710
Borrowed money	**6,870**	—
Total liabilities covered by pledged assets	**¥ 20,953**	¥ 10,710

With regard to the amount of assets pledged with the Bank of Japan (“the BOJ”) included in the above table, such amount was previously stated at the amount corresponding to the agent guarantee amount based on treasury agent contracts and revenue agent contracts, but, effective from the year ended March 31, 2012, such amount is stated at the amount of assets pledged with the BOJ as collateral and such treatment was retroactively applied to the previous fiscal year. The amount of pledged assets under the previous treatment at March 31, 2011 is ¥4,054 million of Securities.

In addition to the above, Securities in the amount of ¥99,431 million and ¥97,037 million, and Other assets in the amount of ¥286 million and ¥nil were pledged as collateral in connection with exchange settlements as of March 31, 2012 and 2011, respectively.

Security deposit in the amount of ¥870 million and ¥892 million were included in Other assets as of March 31, 2012 and 2011, 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 ¥643,362 million and ¥619,682 million at March 31, 2012 and 2011, respectively. Of this amount, facilities/contracts which expire within one year at inception or which are unconditionally cancelable at any time, totaled ¥627,507 million and ¥604,112 million at March 31, 2012 and 2011, 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 ¥49,275 million and ¥48,269 million, and advanced depreciation on Tangible fixed assets amount to ¥1,026 million and ¥1,028 million at March 31, 2012 and 2011, 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 ¥23,156 million and ¥17,694 million at March 31, 2012 and 2011, 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, 2012 and 2011 included in other expenses, were ¥792 million and ¥3,689 million, respectively.

Other expenses also include Losses on sales of stocks and other securities in the amount of ¥1,288 million and ¥1,108 million, Losses on devaluation of stocks and other securities in the amount of ¥1,699 million and ¥618 million for the years ended March 31, 2012 and 2011, 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, 2012 and 2011:

(Millions of Yen)

Area	Purpose of use	Type	Losses	
			2012	2011
Fukushima Area	Branch premises	Land	¥198	¥ 0
	Company housing	Building	6	—
	Idle assets	Land	144	34
Other	Company housing	Building	12	—
Total			¥362	¥35

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 realizable 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 the amount of ¥2,130 million 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

Other expenses also included losses by the effect of adopting the Accounting Standard for Asset Retirement Obligations in the amount of ¥89 million for the year ended March 31, 2011.

13. Notes to Consolidated Statements of Changes in Net Assets

Changes in outstanding shares and treasury stock during the years ended March 31, 2012 and 2011 are summarized as follows:

(Thousand Shares)

	Number of Shares as of April 1, 2011	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2012
Outstanding Shares				
Common Stock	255,500	—	—	255,500
Treasury Stock				
Common Stock(*1&2)	3,422	12	1,732	1,701

(*1) Major component of an increase in the number of Treasury stock of 12 thousand shares was 9 thousand shares of acquisition of odd-lot shares. Decrease in the number of Treasury stock of 1,732 thousand shares was comprised of 1,729 thousand shares of disposition by an employee stock ownership plan (ESOP) trust and 3 thousand shares of disposition of odd-lot shares.

(*2) Treasury stock includes 1,244 thousand shares owned by ESOP trust at March 31, 2012.

(Thousand Shares)

	Number of Shares as of April 1, 2010	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2011
Outstanding Shares				
Common Stock	225,500	—	—	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.

Detailed information about cash dividends paid during the year ended March 31, 2012 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 27, 2011	Common Stock	819	¥3.25	March 31, 2011	June 28, 2011
Board of Directors on November 11, 2011	Common Stock	822	¥3.25	September 30, 2011	December 6, 2011

Note: 1. The total dividends resolved by the General Meeting of shareholders on June 27, 2011 do not include the dividends paid to the ESOP trust of ¥9 million, since the Bank's shares owned by ESOP trust is treated as treasury stock.
2. The total dividends resolved by the Board of Directors meeting on November 11, 2011 do not include the dividends paid to the ESOP trust of ¥6 million, since the Bank's shares owned by ESOP trust is treated as treasury stock.

Dividends with record dates on or before March 31, 2012 and effective dates after April 1, 2012 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 26, 2012	Common Stock	952	Other Retained Earnings	¥3.75	March 31, 2012	June 27, 2012

Note: The total dividends in the above table do not include the dividend payable to the ESOP trust of ¥ 4 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, 2012 and 2011, 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	**2012**	2011
Cash and due from banks	**¥52,502**	¥81,748
Ordinary due from banks	**(48)**	(214)
Other	**(297)**	(234)
Cash and cash equivalents	**¥52,156**	¥81,299

15. Deferred Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2012 and 2011 are summarized as follows:

	Millions of Yen	
March 31	**2012**	2011
Deferred tax assets:		
Allowance for loan losses	**¥ 6,533**	¥ 8,204
Provision for retirement benefits	**3,768**	3,964
Depreciation	**1,384**	1,573
Revaluation reserve for land	**2,169**	2,506
Others	**4,412**	3,954
Valuation allowance	**(4,486)**	(4,728)
Total deferred tax assets	**13,781**	15,474
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	**(3,657)**	(1,016)
Revaluation reserve for land	**(3,708)**	(4,321)
Others	**(36)**	(130)
Total deferred tax liabilities	**(7,402)**	(5,468)
Net deferred tax assets	**¥ 6,378**	¥10,005

The following summarizes the significant difference between the statutory tax rate and the Bank's effective tax rate for the years ended March 31, 2012 and 2011:

Year ended March 31	**2012**	2011
Statutory tax rate	**40.0%**	40.0%
Non-deductible expenses	**1.0**	1.2
Non-taxable dividend income	**(1.3)**	(2.1)
Per capita inhabitant taxes	**0.3**	0.4
Valuation allowance	**(0.7)**	0.0
Reduction of year-end deferred tax liabilities due to tax rate changes	**13.1**	—
Others	**0.1**	0.4
Effective tax rate	**52.5%**	39.9%

The adjustment to deferred tax assets and deferred tax liabilities due to changes in rate of the corporate tax and others:

On December 2, 2011, the "Act for Partial Amendment to the Income Tax Act, etc. for the purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011) were promulgated. Consequently, the corporate tax rate will be reduced and a special recovery tax will be imposed. In accordance with this tax reform, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, has been reduced from 40.02% to 37.41 % for temporary differences that are expected to be reversed during the period from April 1, 2012 through March 31, 2015 and 35.03% for temporary differences to be reversed on or after April 1, 2015. As a result, deferred tax assets are decreased by ¥781 million, and income taxes – deferred and valuation difference on available-for-sale securities are increased by ¥1,303 million and ¥521 million, respectively. Deferred tax liabilities on revaluation are decreased by ¥528 million and revaluation reserve for land are increased by the same amount.

16. Retirement Benefits

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

(a) Retirement benefits obligation

	Millions of Yen	
Year ended March 31	**2012**	2011
Retirement Benefits Obligation	**¥(31,286)**	¥ (31,239)
Plan Assets at Fair Value	**18,534**	18,407
Unfunded Retirement Benefits Obligation	**(12,752)**	(12,832)
Unrecognized Actuarial Loss	**2,170**	2,925
Net Retirement Benefits Obligation	**(10,581)**	(9,906)
Prepaid Pension Cost	**—**	—
Provision for Retirement Benefits	**¥(10,581)**	¥ (9,906)

(b) Net pension cost

	Millions of Yen	
Year ended March 31	**2012**	2011
Service Cost	**¥ 896**	¥ 846
Interest Cost	**623**	596
Expected Return on Plan Assets	**(367)**	(370)
Amortization of Prior Service Cost	**—**	—
Amortization of Actuarial Loss	**576**	563
Net Pension Cost	**¥1,729**	¥1,637

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

Year ended March 31	2012	2011
(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, 2012 and 2011 and net income per share for the years ended March 31, 2012 and 2011 were as follows:

	Yen	
As of March 31	2012	2011
Total net assets per share	**¥578.91**	¥550.46
Net income per share	**18.66**	18.02

Note 1: The bases for the computation of net assets per share are set out below.

	Millions of Yen	
As of or year ended March 31	2012	2011
Total net assets	**¥147,141**	¥138,970
Deduction from total net assets:	**213**	209
Minority interests	**213**	209
Net assets related to common stock	**146,927**	138,760
Number of common stock used to calculate net assets per share (1,000 shares)	**253,798**	252,077

Note 2: The bases for the computation of net income per share are set out below.

	Millions of Yen	
Year ended March 31	2012	2011
Net income	**¥ 4,722**	¥ 4,552
Amounts not belonging to common shareholders	**—**	—
Net income related to common stock	**4,722**	4,552
Weighted average number of common stock during the year (1,000 shares)	**253,016**	252,566

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, 2012 and 2011 are summarized as follows:

	Millions of Yen	
March 31	2012	2011
Amounts equivalent to acquisition costs:		
Tangible fixed assets	**¥153**	¥432
Intangible fixed assets	**—**	161
Total	**¥153**	¥593
Amounts equivalent to accumulated depreciation:		
Tangible fixed assets	**¥124**	¥349
Intangible fixed assets	**—**	135
Total	**¥124**	¥484
Amounts equivalent to net carrying amount:		
Tangible fixed assets	**¥ 29**	¥ 82
Intangible fixed assets	**—**	26
Total	**¥ 29**	¥108

Lease payment relating to finance leases accounted for as operating leases amounted to ¥91 million and ¥176 million for the years ended March 31, 2012 and 2011, respectively.

The amount equivalent to depreciation related to leased assets has been computed using the straight-line method over the terms and amounted to ¥78 million and ¥153 million for the years ended March 31, 2012 and 2011, respectively.

The amount of anticipated finance lease payments at March 31, 2012 and 2011 are as follows:

At March 31, 2012	Millions of Yen
2013	**¥22**
2014 and Thereafter	**10**
Total	**¥33**

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

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 combination of both 1 and 5 years) has been adopted. At March 31, 2012, the Group's market risk quantity (estimated loss) in total is ¥26,927 million. This measure is for the Bank alone, since outstanding balance and sensitivity of the consolidated subsidiaries' financial assets and liabilities are considered insignificant. The observation period in VaR for the Group's market risk quantity has been changed from 1 year to combination of both 1 and 5 years from the current fiscal year in order to reflect long-term price fluctuation to the market risk quantity. The market risk quantity at March 31, 2012 based on the previous observation period is ¥14,648 million (¥10,396 million at March 31, 2011, the end of previous fiscal year)

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, 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, 2012 and 2011 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, 2012	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 52,502	¥ 52,502	¥ —
(2) Call loans and bills bought	570,512	570,512	—
(3) Trading account securities	690	690	—
(4) Securities:			
Held-to-maturity securities	17,299	17,599	299
Available-for-sale securities	1,097,511	1,097,511	—
(5) Loans and bills discounted	2,425,880		
Allowance for loan losses(*1)	(23,311)		
	2,402,569	2,432,112	29,543
Total assets	¥4,141,086	¥4,170,929	¥29,842
(1) Deposits	¥3,801,741	¥3,802,566	¥ 825
(2) Negotiable certificates of deposits	231,494	231,494	—
Total liabilities	¥4,033,236	¥4,034,061	¥ 825
Derivative transactions(*2):			
Hedge accounting is not applied	¥ (380)	¥ (380)	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions	¥ (380)	¥ (380)	¥ —

March 31, 2011	Millions of Yen 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)	¥ —

(*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 ¥1,642 million and ¥4,479 million, and "Valuation difference on available-for-sale securities" by ¥1,067 million and ¥2,686 million, and to decrease "Deferred tax assets" by ¥575 million ¥1,792 million at March 31, 2012 and 2011, 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."

March 31	Millions of Yen 2012	2011
(i) Non-listed shares(*1)(*2)	**¥2,238**	¥2,126
(ii) Investments in associations(*3)(*4)	**34**	80
Total	**¥2,273**	¥2,207

(*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 ¥34 million and ¥4 million was posted for the years ended March 31, 2012 and 2011, 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.
(*4) Impairment loss on investments in associations in the amount of ¥46 million was posted for the year ended March 31, 2012.

(Note 3) Maturity analysis for claims and securities with contractual maturities subsequent to March 31, 2012

March 31, 2012	Millions of Yen 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	¥ 17,048	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	570,512	—	—	—	—	—
Securities:	78,886	266,466	343,354	107,517	278,295	3
Held-to-maturity securities	7,000	10,299	—	—	—	—
National government bonds in them	7,000	10,299	—	—	—	—
Available-for-sale securities with maturity	71,866	256,166	343,354	107,517	278,295	3
National government bonds in them	20,093	122,364	169,909	78,268	238,671	
Local government bonds in them	8,482	34,085	55,356	9,409	20,016	—
Corporate bonds in them	23,195	76,464	84,082	19,415	18,976	—
Loans(*)	675,886	529,782	419,137	214,991	251,448	212,763
Total	¥1,342,334	¥796,248	¥762,492	¥322,509	¥529,743	¥212,766

(*) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt (¥58,784 million), loans with no set maturities (¥63,085 million) are not included.

(Note 4) Maturity analysis for interest bearing liabilities subsequent to March 31, 2012

March 31, 2012	Millions of Yen					
	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(*)	¥3,598,272	¥178,889	¥24,552	¥12	¥14	¥—
Negotiable certificates of deposit	231,494	—	—	—	—	—
Total	¥3,829,767	¥178,889	¥24,552	¥12	¥14	¥—

(*) 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

March 31	Millions of Yen 2012	2011
Realized Gain Included in Earnings	¥3	¥5

(b) Held-to-maturity securities

March 31	Millions of Yen 2012	2011
National Government Bonds		
Carrying Amount	¥17,299	¥27,335
Fair Value	17,599	27,830
Net Unrealized Gain/(Loss)	299	494
Gross Unrealized Gain	299	494
Gross Unrealized Loss	—	—

(c) Available-for-sale securities

March 31, 2012	Millions of Yen		
	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their fair value over their amortized cost:			
Corporate Stock	¥ 13,951	¥ 9,964	¥ 3,987
Bonds:	904,956	893,565	11,390
National Government	602,211	595,376	6,835
Local Government	109,606	108,160	1,445
Corporate	193,137	190,029	3,108
Other	41,711	41,143	568
Sub-total	960,619	944,673	15,946
Securities with their fair value below their amortized cost:			
Corporate Stock	17,208	21,402	(4,193)
Bonds:	73,836	74,198	(362)
National Government	27,096	27,285	(189)
Local Government	17,744	17,765	(20)
Corporate	28,995	29,147	(151)
Other	45,847	47,805	(1,957)
Sub-total	136,892	143,405	(6,513)
Total	¥1,097,511	¥1,088,079	¥ 9,432

March 31, 2011	Millions of Yen		
	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

(d) Available-for-sale securities sold

March 31, 2012	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
Corporate Stock	¥ 2,458	¥ 52	¥1,288
Bonds:	115,595	2,264	—
National Government	115,425	2,264	—
Local Government	—	—	—
Corporate	170	0	—
Other	2,574	48	0
Total	¥120,628	¥2,365	¥1,289

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

(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 ¥1,618 million and ¥614 million was recognized on corporate stocks for the years ended March 31, 2012 and 2011, 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, 2012	Millions of Yen
Unrealized Gain before Income Tax Effect and Minority Interests Adjustments	**¥9,432**
Available-for-Sale Securities	**9,432**
Less: Deferred tax liabilities	**3,657**
Unrealized Gain before Minority Interests Adjustment	**5,774**
Less: Minority Interests	**—**
Equity of Unrealized Gain on Available-for-Sale Securities:	
Owned by Affiliates that are accounted for under the Equity Method	**7**
Valuation difference on available-for-sale securities	**¥5,782**

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

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					
	2012			2011		
	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	**¥32**	**¥—**	**¥ 0**	¥75	¥75	¥ 0
Receivable floating/payable fixed	**¥32**	**¥—**	**¥(0)**	¥75	¥75	¥(0)
Total			**¥ 0**			¥ 0

(2) Currency Derivatives

March 31	Millions of Yen					
	2012			2011		
	Contract Amounts		Fair Value	Contract Amounts		Fair Value
	Total	Over 1 Year		Total	Over 1 Year	
Over-the-Counter Transactions:						
Currency swap	**¥23,129**	**¥5,045**	**¥ (1)**	¥22,932	¥22,932	¥ (7)
Forward exchange contracts:						
Sold	**¥13,768**	**¥ —**	**¥(379)**	¥15,166	¥ —	¥(211)
Bought	**¥ 145**	**¥ —**	**¥ 0**	¥ 40	¥ —	¥ 0
			¥(380)			¥(219)

(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

		Millions of Yen		
		Contract Amounts		Fair Value
March 31, 2012	Main objective for hedge	Total	Over 1 Year	
Special treatment for interest rate swaps:				
Interest-rate swaps:				
Receivable floating/payable fixed	Loans to borrowers	**¥58,684**	**¥55,713**	**(*)**

(*) 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.

		Millions of Yen		
		Contract Amounts		Fair Value
March 31, 2011	Main objective for hedge	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.

22. Other Comprehensive Income

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of Yen
Unrealized gains on available-for-sale securities:	
Gain incurred during the year	¥6,097
Reclassification adjustment to net income	607
Amount before tax effect	6,704
Tax effect	(2,641)
Unrealized gains on available-for-securities	4,063
Revaluation reserve for land:	
Gain (loss) incurred during the year	—
Reclassification adjustment to net income	—
Amount before tax effect	—
Tax effect	537
Revaluation reserve for land	537
Share of other comprehensive income in affiliates accounted for by the equity method:	
Gain incurred during the year	3
Reclassification adjustment to net income	—
Share of other comprehensive income in affiliates accounted for by the equity method	3
Total other comprehensive income	¥4,604

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adoption of this accounting standard.

23. Segment Information

(a) Segment information

The Group has one segment, banking service, therefore segment information is not disclosed. The category "Other" described in the related information below includes software development.

(b) Related information

1. Information by services

Income regarding major services for the year ended March 31, 2012 is as follows:

	Millions of yen			
Year ended March 31, 2012	Lending	Securities and Investment	Other	Total
Ordinary income from external customers................	¥33,709	¥11,983	¥13,266	¥58,960

	Millions of yen			
Year ended March 31, 2011	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 statements of income for the years ended March 31, 2012 and 2011, therefore geographical income information are 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 sheets as of March 31, 2012 and 2011, therefore geographical tangible fixed assets information are 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

Related party transactions for the year ended March 31, 2012

(a) Transactions between the Bank and related parties

Transactions with executive officers of the Bank and major shareholders (limited to individual) and others:

Year ended March 31, 2012

Type	Name	Business	Voting share ownership (%)	Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance at March 31 2012 (¥million)
Director and close family members	Kiyoshi Hasegawa	Real estate rental	Nil	Creditor	Loans (Average) Interest received	67 1	Loans and bills discounted	65
	Toru Ito	Real estate rental	Nil	Creditor	Loans (Average) Interest received	100 1	Loans and bills discounted	141

Note: 1. Mr. Kiyoshi Hasegawa and Mr. Toru Ito are the close family members of Toshiro Hasegawa, a board member of the Bank.
2. The terms and conditions, and the business decisions are determined and made in the same way as other ordinary business.

(b) Transactions between the Bank's consolidated subsidiaries and related parties

None

Related party transaction for the year ended March 31, 2011

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

25. Subsequent Events

None

26. Supplementary schedule

[Schedule of bonds]

None

[Schedule of loans]

Category	Balance as of April 1, 2011 (Millions of Yen)	Balance as of March 31, 2012 (Millions of Yen)	Average interest rate (%)	Due date
Borrowed money:	¥17,981	¥22,406	1.49	—
Loans payable	17,981	22,406	1.49	From June 2012 to March 2019
Lease obligation:				
Due in one year or less	120	205	—	
Due after one year	328	574	—	From July 2013 to February 2019

Note: 1. Average interest rate is stated at weighted average interest rate on the interest rate and balance as of March 31, 2012.

2. Average interest rate is not stated for lease obligations, since the lease obligations are recorded inclusive of the interest portion in the consolidated balance sheet.

3. The repayment schedule of loans payable and lease obligations for five years subsequent to March 31, 2012, is summarized as follows:

	Millions of Yen				
	Due in one year or less	Due after one year through two years	Due after tow years through three years	Due after three years through four years	Due after four year through five years
Loans payable	¥6,870	¥ —	¥ —	¥ —	¥—
Lease obligation	205	¥178	154	121	¥74

Loans payable of ¥536 million was borrowed from The Sumitomo Trust and Banking Co., Ltd. for the purpose of ESOP to purchase the Bank's shares. Although necessary to repay in installments, because there is no provision with respect to the repayment amount under the contract, it is not included in the above.

Since banking business includes such operations as acceptance of deposits, and raising/use of funds from the call money and bills market, schedule of loans states the breakdown of "Borrowed money" and lease obligation included in "Other liabilities" in "Liabilities" of the consolidated balance sheet.

[Schedule of asset retirement obligations]

Schedule of asset retirement obligations is omitted because the amount of asset retirement obligations at the beginning and the end of the year ended March 31, 2012 are both less than one percent of the total of liabilities and net assets as of then.

Report of Independent Auditors

Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
The Toho Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Toho Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as of March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Toho Bank, Ltd. and its consolidated subsidiaries as of March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 18, 2012
Fukushima, Japan

Board of Directors and Auditors

President:
Seishi Kitamura

Senior Managing Director:
Hiroshi Endo

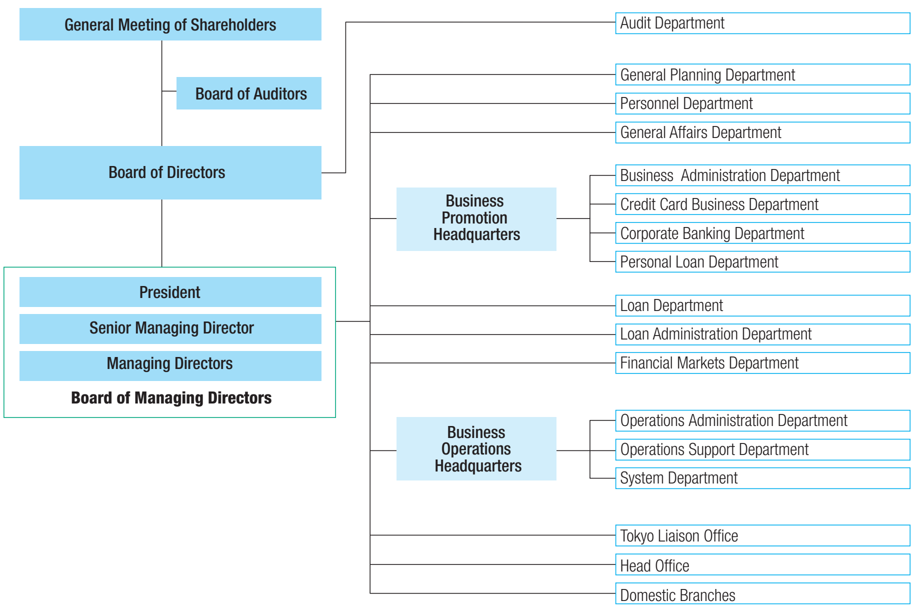
Managing Directors:
Kensuke Abe
Takahiro Kato
Shinsuke Tanno
Masayuki Sakaji
Seiji Takeuchi
Mitsuo Moriya

Directors:
Kuniyuki Kikuchi
Kenichi Kogure
Satoshi Aji
Toshiro Hasegawa
Atsushi Tsuchida
Minoru Sato
Shintaro Taguchi

Standing Auditors:
Hiroaki Suzuki
Kunio Ebata

Auditors:
Hiroshi Fukuda
Hisako Murase
Kazufumi Ioki

Organization



Network

SUBSIDIARIES AND AFFILIATES

Name	*Line of Business*	*Established in*	*Capital (Millions of yen)*	*Bank's Share in Capital (%)*
Toho Smile, Co., Ltd.	Printing and binding of business forms, etc.	2012	30	100
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, 2012)

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