ANNUAL REPORT 2007

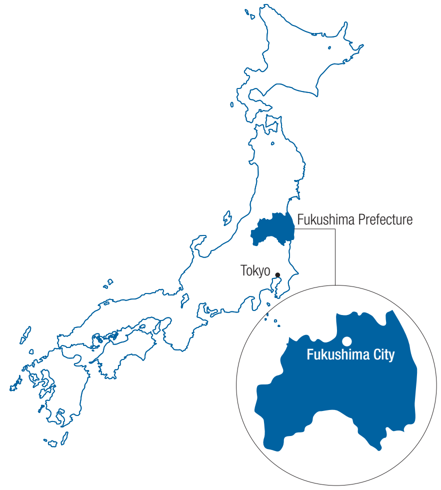
YEAR ENDED MARCH 31, 2007

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 2006 we initiated our new medium-term management plan “TOHO Breakthrough Plan 2006” as an action program. Our goal is to become Japan’s “Best Regional Bank in the 21st Century” (our long-term vision), which is evaluated positively by the market and its shareholders. We are aggressively addressing our customers’ increasingly diversified and sophisticated needs, devoting our full efforts to strengthening previously executed risk management capabilities, and providing active disclosure of our financial position. Toho Bank has received a long-term credit rating of 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, 2007, Toho Bank had total net assets of ¥129.1 billion (US$1,094 million) and total assets of ¥2,842.2 billion (US$24,076 million) (both figures on a consolidated basis), 1,915 employees, and a business network composed of 113 branches.

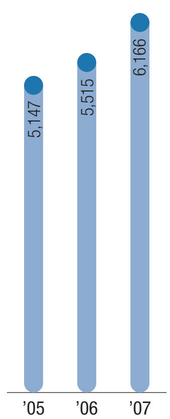


TOTAL ASSETS
¥ Billions

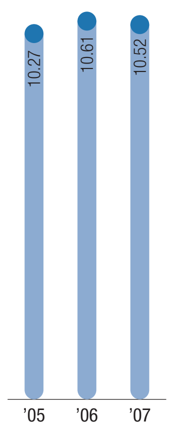
DEPOSITS
¥ Billions

LOANS AND BILLS DISCOUNTED
¥ Billions

NET INCOME
¥ Millions



CAPITAL ADEQUACY RATIO (NON-CONSOLIDATED)
%



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Business Overview

Financial and Economic Environment

During the fiscal year ended March 31, 2007, the Japanese economy on the whole maintained a gradual growth trend. Workers' incomes continued to show a mild increase as corporate profits remained at high levels and capital investment rose, while consumer spending retained its steady undertone.

The economy of Fukushima Prefecture, the main base of operations of Toho Bank, remained on a steady recovery track despite movements to cut back public works and revamp ordering methods, thanks to improved production activities and the employment situation reflecting stepped-up efforts to invite companies to establish operations in the prefecture and the resulting halt of the decline in land prices.

On the financial front, against the backdrop of the solid domestic economic situation, the Bank of Japan raised its policy interest rate twice, and the stock market maintained a stable trend on the whole.

In the financial sector, the management challenge shifted dramatically away from the bad-debt problem to customer protection, causing the operating environment to undergo significant change, as exemplified by the movement toward privatization of public financing institutions including Japan Post and enactment of the Financial Instruments and Exchange Law.

In this climate, regional banking institutions have implemented aggressive measures designed to improve profitability and customer convenience. These include moves toward a broader-scale management integration extending beyond the traditional business boundaries and provision of new services that satisfy diverse financing needs, while pushing ahead with community-based banking services.

Meanwhile, the tasks required of financial institutions as good corporate citizens have grown in scope and diversified more widely than before, to include the enhancement of management control (governance) aimed at establishing regulatory compliance and customer protection systems, and corporate social responsibility (CSR) activities.

Business Progress

Under these conditions, in April 2006 Toho Bank drew up the "TOHO Breakthrough Plan 2006," a medium-term management plan centered around the main theme of "increasing the regional presence and corporate value." Based on four major plans, namely, the "Top Line Strengthening Plan," "Regional Vitality Support Plan," "Job Satisfaction Enhancement Plan" and "Governance Strengthening Plan," the Bank instituted specific measures to achieve the goal of each plan while maintaining a focus on the "customer's perspective."

First, in the product and service area, we responded flexibly to the diverse needs of our customers. This entailed promptly raising the interest rate on savings accounts in the wake of the two-time increase in the Bank of Japan's policy rate, from the point of view of placing priority on returning profit to customers, In addition, we launched the "Testamentary Trust and Inheritance Consolidation Services" and "New Stage Support Plan" in response to advancement of the aging of society.

President
Seishi Kitamura

On the financing front, to satisfy a variety of financing needs of our customers who are sole proprietors, we introduced "Saiyusen," a business loan that does not require collateral or a third-party guarantor. Furthermore, we pursued the solutions business with an eye to making a regional contribution and staying in close touch with the community. This effort encompassed setting up a new business unit, the Corporate Business Division, to offer a "market entry guiding service" that assists companies in their public stock offering, as well as concluding a business cooperation agreement on environmental financing with Bank of Tokyo Mitsubishi-UFJ.

As for loan products designed for our individual customers, we started to offer a "housing loan with the three major diseases special contract" as well as a housing loan that finances relocation under the "Fukushima Settlement/Double Residency Promotion Project" of Fukushima Prefecture.

We also sought to offer products that meet the requirements of the various life stages of our customers. To this end, we enhanced the marketability of the "Toho Education Loan" to help parents with costs of education of children who will become the "next generation" and launched the "Toho Yutori Sozo (Affluence Creation) Loan," which provides support to senior citizens in their post-retirement lives.

In the area of CSR, we made aggressive efforts to fulfill the corporate social responsibility that is required of a regional banking institution. In terms of product and services, we offered preferential interest rate loans to companies and sole proprietors who practice CSR, and made available an educational loan with a "child-rearing support" preferential interest rate. We also created an investment trust product, "Natural Environment Protection Fund," also known as "Oze Kiko."

Furthermore, with a view to helping invigorate the regional economy and provide support to employment, Toho Bank has in the past initiated pioneering corporate "revival" teams to assist in the rebuilding of businesses from the "perspective" of the hot springs district. In addition to utilizing such schemes more extensively, we provided, for the first time in Fukushima

Prefecture, asset-based lending (ABL), a type of loan secured by assets such as finished goods inventory as a financing vehicle for regenerated companies.

Measures taken to improve customer convenience included opening of the Shirakawa Loan Center, the sixth in Fukushima Prefecture, which specializes in personal loans, establishment of additional asset management consultation counters, and extension of operating hours of ATMs located at our branches including the first three days of the New Year, in addition to making ATMs at convenience stores accessible 24 hours a day, 365 days a year.

For the purpose of customer protection, we implemented preventive measures against crime involving cash cards, such as detection of irregular ATM transactions, round-the-clock reporting of stolen or lost cards, compensation for cash-card crime victims and issuing of IC cash cards.

As for measures to augment our corporate governance structure, in an ongoing effort to ensure that we retain the deep trust of our stakeholders in the future, we continued to obtain ratings from external rating agencies and make public their results. As part of the effort to achieve greater management transparency, we held a “Toho Bank Business Operation Briefing,” an investor relations presentation targeting residents in Fukushima Prefecture. We also enhanced regulatory compliance and risk management systems in accordance with our “Basic Principle for Developing an Internal Control System.”

Thanks to the measures described above, Toho Bank ended the fiscal year with earnings that surpassed our original projection.

The Tasks Ahead

Looking at the future of the economic environment, we expect the Japanese economy to continue to grow, although future trends of the U.S. and Chinese economies are a concern. Likewise, the economy of Fukushima Prefecture is forecast to remain on a recovery track.

In this economic climate, Toho Bank makes it a fundamental management policy to carry out the social responsibility and public mission required of a regional bank, by winning a high degree of trust from local communities, customers and shareholders, engaging in community-based business activities with Fukushima Prefecture as the main base of operations, and ensuring “sound management practice.”

Toho Bank remains committed to striving to offer high-quality financing services so that it can respond actively to the increasingly diversified and sophisticated needs of its customers. The Bank will also work to achieve greater “regional presence” and “corporate value” by strengthening its ability to generate profit, improving the effectiveness of its internal control system through maintenance or enhancement of management soundness, and contributing to the prosperity of the local economy.

In line with the view described above, we will pursue realization of our long-term vision, “Best Regional Bank in the 21st Century,” and will continue to make aggressive efforts under the medium-term management plan to provide financing services that accurately match customer needs.

Specifically, in accordance with the “Top Line Strengthening Plan,” we will seek to strengthen the sales frontline that is the first point of contact with customers, with the aim of boosting customer convenience. Our effort seeks to satisfy the borrowing needs of our corporate customers as well as sole proprietor customers with a prompt and proactive financing stance and the proposal of solutions utilizing a wide variety of schemes. For our individual customers, we will make available a broad range of financial products such as loans, deposits, public bonds, investment trusts and insurance products to ensure that Toho Bank is a bank they will “go and see first” at each life event.

Based on the “Regional Vitality Support Plan,” we will aggressively implement CSR initiatives and engage in various activities that contribute to the region, society and environment. In addition, we will endeavor to achieve a dynamic regional society through management improvement support, business revitalization and customer service improvement while maintaining our focus on our customers’ perspective.

Under the “Job Satisfaction Enhancement Plan,” we will aim to build a vigorous corporate culture through enhancement of human resources development and efficient utilization of human resources.

Furthermore, in accordance with the “Governance Strengthening Plan,” we will work to improve or reinforce our internal control system to establish a corporate system that is both legal and efficient, so that we will win trust from all stakeholders.

Guided by our corporate slogan, “Keeping an eye on the region, serving the local community,” Toho Bank will continue to strive to fulfill its social responsibility as a regional financial institution, providing financing services that remain close to regional needs and engaging in active disclosure of information. We ask for the continuing support and encouragement of all our shareholders in these endeavors.

August 2007

北村清士

Seishi Kitamura
President

Consolidated Balance Sheets

As of March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2007	2006	**2007**
Assets:			
Cash and Due from Banks	**¥ 187,296**	¥ 81,096	**$ 1,586,583**
Call Loans and Bills Purchased	**51,180**	1,820	**433,549**
Commercial Paper and Other Debt Purchased	**2**	7	**19**
Trading Account Securities (Note 18)	**1,328**	2,062	**11,256**
Money Held in Trust	**13,200**	10,542	**111,821**
Securities (Notes 6 and 18)	**700,728**	846,683	**5,935,861**
Loans and Bills Discounted (Notes 4 and 7)	**1,854,162**	1,874,015	**15,706,590**
Foreign Exchange	**582**	417	**4,933**
Other Assets (Note 6)	**9,147**	23,164	**77,489**
Tangible Fixed Assets (Note 8)	**39,121**	—	**331,393**
Intangible Fixed Assets	**2,158**	—	**18,286**
Premises and Equipment (Notes 6 and 8)	**—**	43,037	**—**
Deferred Tax Assets (Note 14)	**13,597**	19,099	**115,184**
Customers' Liabilities for Acceptances and Guarantees (Notes 5 and 9)	**8,770**	16,004	**74,291**
Reserve for Possible Loan Losses	**(39,010)**	(57,280)	**(330,457)**
Total Assets	**¥2,842,266**	¥2,860,673	**$24,076,804**
Liabilities:			
Deposits (Note 6)	**¥2,665,973**	¥2,574,645	**$22,583,430**
Call Money and Bills Sold (Note 6)	**1,180**	105,870	**10,000**
Borrowed Money	**—**	2,798	**—**
Foreign Exchange	**216**	81	**1,835**
Bonds	**15,000**	15,000	**127,064**
Other Liabilities	**7,789**	8,190	**65,982**
Reserve for Bonuses for Directors and Corporate Auditors	**45**	—	**381**
Reserve for Employee Retirement Benefits (Note 15)	**8,915**	9,967	**75,523**
Reserve for Directors and Corporate Auditors Retirement Benefits	**534**	—	**4,524**
Deferred Tax Liabilities related to Land Revaluation (Note 14)	**4,688**	4,759	**39,716**
Acceptances and Guarantees (Note 5)	**8,770**	16,004	**74,291**
Total Liabilities	**2,713,113**	2,737,318	**22,982,750**
Net Assets:			
Common Stock	**18,684**	18,684	**158,276**
Capital Surplus	**8,819**	8,819	**74,713**
Retained Earnings	**89,259**	84,303	**756,117**
Common Stock Held in Treasury	**(211)**	(177)	**(1,791)**
Total Shareholders' Equity	**116,552**	111,630	**987,316**
Unrealized Gains on Available-for-Sale Securities, Net of Tax (Note 18)	**11,664**	9,232	**98,806**
Reserve for Land Revaluation, Net of Tax	**750**	854	**6,361**
Total Valuation and Translation Adjustments	**12,415**	10,087	**105,167**
Minority Interests	**185**	1,637	**1,569**
Total Net Assets	**129,153**	123,354	**1,094,054**
Total Liabilities and Net Assets	**¥2,842,266**	¥2,860,673	**$24,076,804**

See notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2007	2006	**2007**
Income:			
Interest Income:			
Interest on Loans and Discounts	**¥ 36,867**	¥35,313	**$312,300**
Interest and Dividends on Securities	**8,810**	10,214	**74,630**
Other Interest Income	**4**	3	**41**
Fees and Commissions	**11,060**	10,454	**93,694**
Other Operating Income	**6,704**	7,047	**56,797**
Other Income (Note 10)	**1,841**	5,011	**15,595**
Total Income	**65,288**	68,044	**553,059**
Expenses:			
Interest Expenses:			
Interest on Deposits	**2,547**	536	**21,578**
Interest on Borrowings and Rediscounts	**262**	707	**2,224**
Interest on Bonds	**186**	185	**1,575**
Other Interest Expenses	**362**	718	**3,068**
Fees and Commissions	**4,003**	3,872	**33,913**
Other Operating Expenses	**9,545**	7,741	**80,859**
General and Administrative Expenses	**35,500**	35,027	**300,724**
Other Expenses (Note 11)	**2,239**	8,820	**18,973**
Total Expenses	**54,647**	57,610	**462,917**
Income before Income Taxes	**10,641**	10,434	**90,141**
Provision for Income Taxes:			
Current	**67**	340	**567**
Deferred	**4,299**	4,342	**36,423**
Total Provision for Income Taxes	**4,366**	4,683	**36,990**
Income before Minority Interests	**6,274**	5,750	**53,150**
Minority Interests	**107**	235	**910**
Net Income (Note 16)	**6,166**	5,515	**52,240**
Unappropriated Retained Earnings Brought Forward	**—**	81,655	**—**
Cash Dividends	**—**	(1,113)	**—**
Bonuses to Directors and Corporate Auditors	**—**	(30)	**—**
Appropriation of Land Revaluation	**—**	(1,723)	**—**
Unappropriated Retained Earnings at the End of the Fiscal Year	**¥ —**	¥84,303	**$ —**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2007	2006	**2007**
Cash Flows from Operating Activities			
Income before Income Taxes	**¥ 10,641**	¥ 10,434	**$ 90,141**
Depreciation Expense	**7,298**	7,296	**61,824**
Loss on Impairment of Fixed Assets	**323**	919	**2,743**
Equity in Earnings of Affiliates	**(38)**	(18)	**(329)**
Net Increase (Decrease) in Reserve for Possible Loan Losses	**(18,103)**	(9,305)	**(153,352)**
Increase (Decrease) in Reserve for Bonuses for Directors and Corporate Auditors	**45**	—	**381**
Increase (Decrease) in Reserve for Employee Retirement Benefit	**(1,042)**	(1,683)	**(8,828)**
Increase (Decrease) in Reserve for Directors and Corporate Auditors Retirement Benefit	**534**	—	**4,524**
Interest Income	**(45,682)**	(45,531)	**(386,972)**
Interest Expenses	**3,358**	2,149	**28,446**
Securities-related Net (Gain) Loss	**1,124**	(2,752)	**9,523**
Net (Gain) Loss on Money Held in Trust	**110**	(242)	**936**
Net (Gain) Loss on Foreign Exchange	**(2)**	(15)	**(19)**
Net (Gain) Loss on Sale of Premises and Equipment	**—**	118	**—**
Net (Gain) Loss on Sale of Fixed Assets	**195**	—	**1,653**
Net (Gain) Loss on Decrease in Consolidated Subsidiaries	**(29)**	—	**(250)**
(Increase) Decrease in Trading Account Securities	**733**	264	**6,216**
(Increase) Decrease in Loans and Bills Discounted	**28,362**	(114,132)	**240,254**
Increase (Decrease) in Deposits	**83,458**	(14,540)	**706,974**
Increase (Decrease) in Negotiable Certificates of Deposit	**7,357**	(6,223)	**62,327**
Increase (Decrease) in Borrowings Excluding Subordinated Debt	**1,881**	256	**15,938**
(Increase) Decrease in Due from Banks Other than BOJ	**727**	(143)	**6,159**
(Increase) Decrease in Call Loans	**(49,354)**	30,058	**(418,078)**
Increase (Decrease) in Call Money and Other Fundings Related to Operating Activities	**(104,690)**	53,405	**(886,831)**
(Increase) Decrease in Foreign Exchange Assets	**(165)**	138	**(1,399)**
Increase (Decrease) in Foreign Exchange Liabilities	**135**	29	**1,148**
Interest Received	**46,350**	46,461	**392,636**
Interest Paid	**(2,378)**	(2,026)	**(20,150)**
All Other Operating Activities, Net	**(5,875)**	(8,056)	**(49,767)**
Sub-total	**(34,724)**	(53,140)	**(294,148)**
Income Taxes Paid	**(203)**	(887)	**(1,727)**
Net Cash Used in Operating Activities	**(34,928)**	(54,028)	**(295,875)**
Cash Flows from Investing Activities			
Purchase of Equity and Other Securities	**(116,530)**	(197,053)	**(987,131)**
Proceeds from Sales of Equity and Other Securities	**199,393**	172,244	**1,689,059**
Proceeds from Maturities of Securities	**64,936**	86,841	**550,074**
Increase in Money Held in Trust	**(3,300)**	(2,800)	**(27,954)**
Decrease in Money Held in Trust	**518**	—	**4,389**
Expenditures for Premises and Equipment	**—**	(986)	**—**
Expenditures for Tangible Fixed Assets	**(1,438)**	—	**(12,189)**
Proceeds from Sales of Premises and Equipment	**—**	89	**—**
Proceeds from Sales of Tangible Fixed Assets	**155**	—	**1,318**
Expenditures for Intangible Fixed Assets	**(570)**	—	**(4,830)**
Proceeds from Sales of Intangible Fixed Assets	**27**	—	**236**
Net Cash Provided by Investing Activities	**143,191**	58,335	**1,212,972**
Cash Flows from Financing Activities			
Dividends Paid	**(1,280)**	(1,113)	**(10,845)**
Dividends Paid to Minority Interests	**(8)**	(8)	**(68)**
Purchase of Treasury Stock	**(39)**	(44)	**(336)**
Proceeds from Sales of Treasury Stock	**5**	1	**45**
Net Cash Used in Financing Activities	**(1,322)**	(1,164)	**(11,204)**
Effect of Exchange Rate Changes in Cash and Cash Equivalents	**2**	15	**19**
Net Increase in Cash and Cash Equivalents	**106,943**	3,158	**905,912**
Cash and Cash Equivalents at Beginning of Fiscal Year	**78,036**	74,877	**661,048**
Cash and Cash Equivalents at End of Fiscal Year	**¥184,979**	¥ 78,036	**$ 1,566,961**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2007

	Millions of Yen									
	Shareholders' Equity					Valuation and Translation Adjustments				
	Common Stock	Capital Surplus	Retained Earnings	Common Stock Held in Treasury	Total Shareholders' Equity	Unrealized Gains on Available-for-Sale Securities, Net of Tax	Reserve for Land Revaluation, Net of Tax	Total Valuation and Translation Adjustments	Minority Interests	Total Net Assets
Balance as of March 31, 2006	¥ 18,684	¥ 8,819	¥ 84,303	¥ (177)	¥ 111,630	¥ 9,232	¥ 854	¥ 10,087	¥ 1,637	¥ 123,354
Changes of Items during the Period										
Dividends from Retained Earnings (*)			(667)		(667)					(667)
Dividends from Retained Earnings			(612)		(612)					(612)
Bonuses to Directors and Corporate Auditors (*)			(35)		(35)					(35)
Net Income for the Period			6,166		6,166					6,166
Acquisition of Treasury Stock				(40)	(40)					(40)
Disposal of Treasury Stock		0		4	5					5
Decrease in Consolidated Subsidiaries				1	1					1
Reversal of Land Revaluation Excess, Net of Tax			103		103					103
Net Change of Items other than Owners' Equity					—	2,432	(103)	2,328	(1,451)	876
Total Changes of Items during the Period	—	0	4,955	(34)	4,922	2,432	(103)	2,328	(1,451)	5,798
Balances as of March 31, 2007	**¥ 18,684**	**¥ 8,819**	**¥ 89,259**	**¥ (211)**	**¥ 116,552**	**¥11,664**	**¥ 750**	**¥ 12,415**	**¥ 185**	**¥ 129,153**

*Appropriation of Retained Earnings approved at the ordinary general meeting of shareholders in June 2006.

	Thousands of U.S. Dollars									
	Shareholders' Equity					Valuation and Translation Adjustments				
	Common Stock	Capital Surplus	Retained Earnings	Common Stock Held in Treasury	Total Shareholders' Equity	Unrealized Gains on Available-for-Sale Securities, Net of Tax	Reserve for Land Revaluation, Net of Tax	Total Valuation and Translation Adjustments	Minority Interests	Total Net Assets
Balance as of March 31, 2006	$158,276	$ 74,708	$714,137	$ (1,501)	$ 945,621	$78,204	$ 7,242	$ 85,447	$ 13,869	$ 1,044,938
Changes of Items during the Period										
Dividends from Retained Earnings (*)			(5,659)		(5,659)					(5,659)
Dividends from Retained Earnings			(5,187)		(5,187)					(5,187)
Bonuses to Directors and Corporate Auditors (*)			(296)		(296)					(296)
Net Income for the Period			52,240		52,240					52,240
Acquisition of Treasury Stock				(342)	(342)					(342)
Disposal of Treasury Stock		5		40	45					45
Decrease in Consolidated Subsidiaries				12	12					12
Reversal of Land Revaluation Excess, Net of Tax			880		880					880
Net Change of Items other than Owners' Equity					—	20,601	(880)	19,720	(12,299)	7,421
Total Changes of Items during the Period	—	5	41,979	(289)	41,694	20,601	(880)	19,720	(12,299)	49,116
Balances as of March 31, 2007	**$158,276**	**$ 74,713**	**$756,117**	**$(1,791)**	**$ 987,316**	**$98,806**	**$ 6,361**	**$105,167**	**$ 1,569**	**$ 1,094,054**

*Appropriation of Retained Earnings approved at the ordinary general meeting of shareholders in June 2006.

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

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

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

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The number of consolidated subsidiaries and affiliates for the years ended 31st March, 2007 and 2006 is as follows:

	2007	2006
Number of Consolidated Subsidiaries	**4**	5
Number of Affiliates Accounted for by the Equity Method	**5**	4

The Toho Lease Co., Ltd. was excluded from subsidiaries, and included in affiliates accounted for by the equity method in 2007, due to the decrease of voting rights.

(b) Trading account securities

Marketable trading account securities are stated at market value at the end of March 31, 2007.

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

(c) Securities

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

Available-for-sale securities are stated at market value at end of March 31, 2007 or, if quoted prices are not available, at cost or amortized cost using the moving average cost method.

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

Securities included in “Money held in trust” are also classified and stated in the same method stated above.

(d) Derivatives

The Bank’s derivatives are stated at fair value.

(e) Depreciation

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

Buildings: 2–40 years

Equipment: 2–20 years

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

Depreciation of the leased assets of The Toho Lease Co., Ltd. is calculated by the straight-line method over the lease terms.

(2) Depreciation of intangible fixed 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.

(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 “Reserve for Land Revaluation” in Net Assets section, and the deferred tax is included in Liabilities section as “Deferred Tax Liabilities related to Land Revaluation”.

The excess amount of the revalued carrying amount over the fair value of the lands revalued pursuant to the Article 10 of the Law was ¥10,809 million.

(g) Reserve for possible loan losses

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

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

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

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

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

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

(h) Reserve for bonuses for directors and corporate auditors

Reserve for bonuses for directors and corporate auditors is provided in the amount deemed accrued on the consolidated balance sheet date.

(i) Reserve for employee retirement benefits

The reserve for employee retirement benefits is provided to the extent that retirement benefit obligation at March 31, 2007 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) Reserve for directors and corporate auditors retirement benefits

Reserve for directors and corporate auditors retirement benefits is provided in the required amount at the end of fiscal year, based on internally established standards.

(k) Leases

Finance leases other than those which transfer the ownership of the leased property to the Bank are accounted for as operating leases.

(l) Method of hedge accounting

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

Until the year ended March 31, 2003, the Bank applied “macro hedge” accounting pursuant to the temporary treatment regulated by “Tentative Accounting and Auditing Treatment relating to Adoption of Accounting Standards for Financial Instruments for Banks” (JICPA Industry Audit Committee Report No.15), which manages interest rate risk associated with monetary assets and liabilities such as lending and deposits, using derivative transactions as a whole.

Deferred hedge losses on “macro hedge” have been amortized as funding expenses for a period of average remaining years (3.7 years) of the hedge effective from the year ended March 31, 2004.

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

(m) Accounting change

(1) Prior to March 31, 2006, Synthetic CDOs portion and the implied derivative portion were evaluated altogether and the unrealized gains (losses) were reflected in the consolidated statements of income. However, beginning from this fiscal year, the Bank modified its accounting procedure in accordance with ASBJ Guidance No.12 “Guidance on Accounting

for Other Compound Financial Instruments (Compound Financial Instruments Other than Those with Option to Increase Paid-in Capital)" (March 30, 2006). Starting this period, the bonds are stated at amortized costs and unrealized gains (losses), net of deferred tax liabilities, are included in net assets.

This modification does not have a significant impact on the consolidated balance sheets or consolidated statement of income.

(2) Prior to March 31, 2006, bonuses for directors and corporate auditors were recorded as a decrease in unappropriated profits. However, beginning from this fiscal year, the Bank modified its accounting procedure in accordance with ASBJ Statement No.4 "Accounting Standard for Bonuses to Directors" (November 29, 2005) that required Bonuses for directors and corporate auditors to be expensed as incurred. This change in accounting procedure caused a ¥45 million increase in General and Administrative Expenses and a ¥45 million decrease in Income before Income Taxes.

(3) Until the previous fiscal year, the Bank recognized directors and corporate auditor retirement benefits as expenses at the time of payment. However, in accordance with the public announcement of the "Accounting Standard for Directors' Bonus" (ASBJ Statement No.4, November 29, 2005) and the "Auditing Treatment relating to Reserve defined under the special Tax Measurement Law, Reserve defined under the Special Law and Reserve for Director and Corporate Auditor Retirement Benefits" (The Japanese Institute of Certified Public Accountants ("JICPA") Auditing and Assurance Practice Committee Report No.42, April 13, 2007), these benefits are recorded as "Reserve for Directors and Corporate Auditors Retirement Benefits" at the required amount at the end of the fiscal year, based on internally established standards. As a result, Income before Income Taxes decreased by ¥508 million, compared with the corresponding amounts under the previously applied method.

(4) In accordance with newly effective Accounting Standard Board of Japan Statement No.5 "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (December 9, 2005) and Accounting Standard Board of Japan Statement No.8 "Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (December 9, 2005), "Shareholders' Equity" was renamed as "Net Assets", and the consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

Certain reclassifications and rearrangements were made to the consolidated balance sheet as of March 31, 2006 to conform to the presentation of March 31, 2007.

(5) The appendix forms of the "Banking Law Enforcement Regulations" (Ministry of Finance Ordinance No.10, 1982) have been revised by the "Cabinet Office Ordinance to Amend Part of Detailed Enforcement Regulations on Mutual Loan Business Law and Banking Law" (Cabinet Office Ordinance No.60, April 28, 2006) and applied after April 1, 2006. As a result of the revision, the Bank has made certain adjustments to its terminology.

1. "Premises and equipment" was represented into "Tangible fixed assets" and "Intangible fixed assets".
2. "Software" which was included in "Other assets" was represented as "Software" in "Intangible fixed assets".
3. Former "Net (Gain) Losses on Sale of Premises and Equipment" is presented as "Net (Gain) Loss on Sale of Fixed Assets" following the new classification of former "Premises and Equipment" on the consolidated balance sheet into "Tangible Fixed Assets," and "Intangible Fixed Assets". Former "Expenditures for Premises and Equipment" is presented as "Expenditures for Tangible Fixed Assets" and former "Proceeds from Sales of Premises and Equipment" is presented as "Proceeds from Sales of Tangible Fixed Assets".

(6) Commencing with this fiscal year, the respective amounts of "Acceptances and Guarantees" and "Customers' Liabilities for Acceptances and Guarantees" relating to the liabilities for guarantees on corporate bonds which were issued by private placement (Article 2, Paragraph 3 of the Securities and Exchange Law) are netted, excluding the amounts guaranteed by the Credit Guarantee Corporations which have already netted, in accordance with the revision of the appendix forms of "Banking Law Enforcement Regulations" (Ministry of Finance Ordinance No.10, 1982) by the "Cabinet Office Ordinance to Amend Part of Banking Law Enforcement Regulations" (Cabinet Office Ordinance No.38, April 17, 2007) effective from the fiscal year which began on or after April 1, 2006.

As a result, both "Acceptances and Guarantees" and "Customers' Liabilities for Acceptances and Guarantees" decreased by ¥7,827 million, compared with corresponding amounts under the previously applied method.

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 ¥118.05=U.S.$1.00, the exchange rate prevailing on March 31, 2007. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Loans and Bills Discounted

Loans to borrowers in bankruptcy and delinquent loans totaled ¥6,066 million and ¥58,787 million, respectively, at March 31, 2007.

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

Delinquent loans are non-accrual loans other than loans to borrowers in bankruptcy or loans on which interest payments have been deferred in order to assist the restructuring of the borrowers.

Loans past due 3 months or more totaled ¥317 million.

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

Restructured loans totaled ¥16,517 million. Restructured loans are loans, other than loans to borrowers in bankruptcy or delinquent loans, on which the Bank has granted certain concessions such as a reduction of the contractual interest rates or principal or a deferral of payments of interest/principal, in order to assist the restructuring of the borrowers.

Loans to borrowers in bankruptcy, delinquent loans, loans past due 3 months or more and restructured loans amounted to ¥81,688 million in the aggregate.

Bills discounted are accounted for as financial transactions in accordance with ''Treatments in Accounting and Audit for Banks on Application of Accounting Standards for Financial 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 ¥22,388 million.

5. Acceptances and Guarantees

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

6. Pledged Assets

Assets pledged as collateral at March 31, 2007 and 2006 were as follows:

	Millions of Yen	
March 31	**2007**	2006
Pledged Assets:		
Securities	**¥ 4,109**	¥ 55,840
Liabilities Covered by Pledged Assets:		
Deposits	**102,868**	132,824
Bills Sold	**—**	51,300

In addition to the above, securities amount to ¥80,937 million and ¥82,284 million were pledged as collateral in connection with exchange settlements as of March 31, 2007 and 2006, respectively.

Deposits amounting to ¥973 million have been included in other assets as of March 31, 2007. Lease Deposits amounting to ¥1,373 million were included in premises and equipment as of March 31, 2006.

7. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, subject to compliance with the contractual conditions, the Bank or consolidated subsidiaries pledged to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank. The unused amount related to such facilities/contracts stood at ¥584,397 million and ¥587,604 million at March 31, 2007 and 2006, respectively. Of this amount, facilities/contracts which expire within one year or which are unconditionally cancelable at any time, totaled ¥572,435 million and ¥575,898 million at March 31, 2007 and 2006, respectively.

Most of these agreements will expire without the clients' having utilized the financial resources available to them, and the amount of the non-executed financing will not necessarily impact on the Bank or its consolidated subsidiaries' future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its subsidiaries 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 will demand collateral such as real estate or marketable securities at the date on which an agreement is entered into. In addition, after facilities/contracts are set forth the Bank will regularly assess the business status of the clients, based on predetermined internal procedures and, when prudent, will revise the agreements or reformulate their policies to maintain creditworthiness.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of Tangible Fixed Assets amount to ¥46,071 million, and Accumulated advanced depreciation on Tangible Fixed Assets amount to ¥1,053 million at March 31, 2007.

Accumulated depreciation of Premises and Equipment amount to ¥50,153 million, and Accumulated advanced depreciation on Premises and Equipment amount to ¥1,057 million at March 31, 2006.

9. 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 Securities Exchange Law is ¥7,827 million.

10. Other Income

Other income principally represents gain on sales of securities and gain on sales of tangible fixed assets.

11. Other Expenses

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

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 year:

Millions of yen

Area	Purpose of Use	Type	Losses
Fukushima Area	Branch premises 7 branches	Land, Buildings	¥ 76
	Idle assets 12 items	Land	101
Ibaragi Area	Branch premise 1 branch	Land	141
Niigata Area	Branch premise 1 branch	Building	4
Total			¥323

The Bank recognizes the estimated unrecoverable amount of its investment in its branch premises and idle assets as Loss on Impairment of Fixed Assets. 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.

12. Notes to Consolidated Statement of Changes in Net Assets

(Thousand Shares)

	Number of Shares as of March 31, 2006	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2007
Outstanding Shares				
Common Stock	223,249	—	—	223,249
Treasury Shares				
Common Stock*	403	77	14	466

*Increase in number of Common stock by 77 thousand shares was mainly due to acquisition of odd-lot shares. Decrease in number of Common stock by 14 thousand shares was mainly due to disposition of odd-lot shares.

Detailed information for cash dividends 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, 2006	Common Stock	668	¥3	March 31, 2006	June 28, 2006
Board of Directors on November 17, 2006	Common Stock	612	¥2.75	September 30, 2006	December 8, 2006

Dividends with record dates before March 31, 2007 and effective dates after April 1, 2007 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, 2007	Common Stock	724	Retained Earnings	3.25	March 31, 2007	June 27, 2007

13. Cash and Cash Equivalents

Reconciliation between Cash and Due from Banks in the consolidated balance sheets, and Cash and Cash Equivalents in the statements of cash flows at March 31, 2007 and 2006 were as follows:

	Millions of Yen	
March 31	**2007**	2006
Cash and Due from Banks	**¥187,296**	¥81,096
Ordinary Due from Banks	**(122)**	(38)
Fixed Due from Banks	**(2,000)**	(2,100)
Other	**(193)**	(920)
Cash and Cash Equivalents	**¥184,979**	¥78,036

14. Deferred Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen	
March 31	**2007**	2006
Deferred Tax Assets:		
Reserve for Possible Loan Losses	**¥ 12,974**	¥ 17,933
Reserve for Employee Retirement Benefits	**3,565**	3,983
Depreciation	**1,789**	1,849
Reserve for Land Revaluation	**2,511**	–
Bonus payable	**–**	486
Other	**3,949**	2,004
Valuation Allowance	**(4,027)**	(998)
Total Deferred Tax Assets	**20,762**	25,258
Deferred Tax Liabilities:		
Unrealized Gains on Available-for-Sale Securities	**(7,164)**	(6,159)
Reserve for Land Revaluation	**(4,688)**	–
Total Deferred Tax Liabilities	**(11,853)**	(6,159)
Net Deferred Tax Assets	**¥ 8,909**	¥ 19,099

Reserve for Land Revaluation is included in both "Deferred Tax Assets" and "Deferred Tax Liabilities" on the consolidated balance sheet as of March 31, 2007.

15. Retirement Benefits

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

(a) Retirement benefits obligation

	Millions of Yen	
March 31	**2007**	2006
Retirement Benefits Obligation	**¥(28,432)**	¥(29,008)
Plan Assets at Fair Value	**20,617**	19,009
Unfunded Retirement Benefits Obligation	**(7,814)**	(9,999)
Unrecognized Actuarial Loss	**(909)**	725
Unrecognized Prior Service Cost	**(191)**	(692)
Net Retirement Benefits Obligation	**(8,915)**	(9,967)
Prepaid Pension Cost	**—**	—
Reserve for Employee Retirement Benefits	**¥ (8,915)**	¥(9,967)

(b) Pension cost

	Millions of Yen	
Year ended March 31	**2007**	2006
Service Cost	**¥ 944**	¥ 958
Interest Cost	**578**	560
Expected Return on Plan Assets	**(379)**	(299)
Amortization of Prior Service Cost	**(501)**	(1,333)
Amortization of Actuarial Loss	**276**	502
Net Pension Cost	**¥ 918**	¥ 388
Total	**¥ 918**	¥ 388

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

Year ended March 31	**2007**	2006
(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

16. Per share information

Total net assets and net income per share for the years ended March 31, 2007 and 2006 was as follows:

	Yen	
Year ended March 31	**2007**	2006
Total Net Assets	**¥578.89**	¥546.03
Net Income per Share		
Primary	**27.67**	24.58
Diluted	**—**	—

17. Leases

Lessee;

Finance lease transactions as a lessee in which the ownership of the leased property is not transferred to the lessee as of March 31, 2007 are summarized as follows:

At March 31, 2007	Millions of Yen
Amounts Equivalent to Acquisition Costs:	
Tangible Fixed Assets	**¥1,776**
Intangible Fixed Assets	**738**
Total	**¥2,514**
Amounts Equivalent to Accumulated Depreciation:	
Tangible Fixed Assets	**¥ 963**
Intangible Fixed Assets	**363**
Total	**¥1,326**
Amounts Equivalent to Net Carrying Amount:	
Tangible Fixed Assets	**¥ 813**
Intangible Fixed Assets	**374**
Total	**¥1,187**

Lease payment relating to finance leases accounted for as operating leases amounted to ¥611 million for the year ended March 31, 2007.

The amount equivalent to depreciation related to leased assets has been computed using the straight-line method over the terms and amounted to ¥552 million for the year ended March 31, 2007.

The balance of future finance lease payments as of March 31, 2007 is as follows:

Year ended March 31	Millions of Yen
2008	¥ 451
2009 and Thereafter	795
Total	¥ 1,247

Lessor;

Finance lease transactions as a lessor in which the ownership of the leased property is not transferred to the lessee as of March 31, 2006 are summarized as follows:

At March 31, 2006	Millions of Yen
Acquisition Costs:	
Equipment	¥28,332
Other	3,511
Total	¥31,843
Accumulated Depreciation:	
Equipment	¥18,310
Other	2,200
Total	¥20,511
Net Carrying Amount:	
Equipment	¥10,021
Other	1,310
Total	¥11,332

Lease receipts relating to finance leases accounted for as operating leases amounted to ¥4,672 million for the years ended March 31, 2006.

Depreciation related to leased assets has been computed using the straight-line method over the terms of the respective leases and amounted to ¥4,139 million for the year ended March 31, 2006.

Undiscounted future minimum lease payments subsequent to March 31, 2006 for finance lease transactions accounted for as operating leases are summarized as follows:

Year ended March 31	Millions of Yen
2007	¥ 4,156
2008 and Thereafter	8,297
Total	¥ 12,454

18. Market Value Information

The tables below represent the securities and trading account securities.

(a) Trading account securities

	Millions of Yen	
March 31	**2007**	2006
Fair Value	**¥1,328**	¥2,062
Realized Gain Included in Earnings	**8**	(9)

(b) Held-to-maturity securities

	Millions of Yen	
March 31	**2007**	2006
National Government Bonds		
Book Value	**¥41,171**	¥41,389
Market Value	**40,946**	40,502
Net Unrealized Gain/(Loss)	**(225)**	(887)
Gross Unrealized Gain	**102**	—
Gross Unrealized Loss	**327**	887

(c) Available-for-sale securities

March 31, 2007	Millions of Yen				
	Amortized Cost	Fair Value	Net Unrealized Gain/(Loss)	Gross Unrealized Gain	Gross Unrealized Loss
Corporate Stock	**¥ 39,400**	**¥ 65,868**	**¥26,468**	**¥27,572**	**¥ 1,104**
Bonds	**521,906**	**515,180**	**(6,725)**	**1,066**	**7,792**
National Government	**299,647**	**293,192**	**(6,455)**	**117**	**6,572**
Local Government	**67,746**	**67,552**	**(194)**	**424**	**619**
Corporate	**154,513**	**154,436**	**(76)**	**524**	**601**
Other	**69,804**	**68,890**	**(913)**	**433**	**1,347**
Total	**¥631,111**	**¥649,940**	**¥18,828**	**¥29,073**	**¥10,244**

March 31, 2006	Millions of Yen				
	Amortized Cost	Fair Value	Net Unrealized Gain/(Loss)	Gross Unrealized Gain	Gross Unrealized Loss
Corporate Stock	¥ 36,802	¥ 67,389	¥30,586	¥30,843	¥ 256
Bonds	645,496	633,243	(12,253)	1,379	13,632
National Government	411,671	400,985	(10,685)	134	10,820
Local Government	85,242	84,774	(468)	783	1,251
Corporate	148,582	147,483	(1,099)	461	1,560
Other	98,143	95,204	(2,938)	329	3,268
Total	¥780,441	¥795,836	¥15,395	¥32,553	17,157

(Note) Loss on impairment was not recognized on the securities (Corporate Stock) classified as available-for-sale with their quoted market price available during fiscal 2007.
Loss on impairment is recognized on the specific identification basis in the following case:
i) Fair value of stock at year-end (interim period) is 50% below its carrying amount.
ii) Fair value of stock at year-end is 30% to 50% below its carrying amount, and the loss deemed unrecoverable after considering issuers' financial condition and the market price movement during the past specified period of time.

(d) Available-for-sale securities sold during fiscal 2007 and 2006

	Millions of Yen	
Year ended March 31	**2007**	2006
Proceeds from Sales	**¥199,351**	¥172,206
Realized Gain	**1,442**	4,953
Realized Loss	**2,547**	2,180

(e) Securities with their fair value not available

	Millions of Yen	
March 31	**2007**	2005
Stock of Affiliates	**¥ 436**	¥ 255
Available-for-Sale Securities		
Unlisted Stock	**1,352**	1,321
Corporate Bonds	**7,827**	7,880
Other	**—**	—

(f) Securities with their classification changed to others

None

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

March 31, 2007	Millions of Yen			
	Due in 1 Year or Less	Due in 1 to 5 Years	Due in 5 to 10 Years	Due after 10 Years
Bonds	**¥82,095**	**¥294,545**	**¥104,329**	**¥83,209**
National Government	**29,531**	**168,395**	**53,226**	**83,209**
Local Government	**7,848**	**40,434**	**19,268**	**—**
Corporate	**44,715**	**85,715**	**31,833**	**—**
Other Securities	**2,081**	**19,104**	**42,604**	**—**
Total	**¥84,176**	**¥313,650**	**¥146,933**	**¥83,209**

March 31, 2006	Millions of Yen			
	Due in 1 Year or Less	Due in 1 to 5 Years	Due in 5 to 10 Years	Due after 10 Years
Bonds	¥53,198	¥287,436	¥227,732	¥118,145
National Government	9,034	149,393	165,801	118,145
Local Government	14,381	48,944	21,448	—
Corporate	29,782	89,098	36,482	—
Other Securities	3,227	28,747	59,872	—
Total	¥56,425	¥316,183	¥283,605	¥118,145

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

March 31, 2007	Millions of Yen
Unrealized Gain before Income Tax Effect and	
Minority Interest Adjustments	**¥18,828**
Available-for-Sale Securities	**18,828**
Less: Deferred Tax Liability	**7,164**
Unrealized Gain before Minority Interest Adjustment	**11,663**
Less: Minority Interest	**—**
Equity of Unrealized Gain on Available-for-Sale Securities	
Owned by Affiliates That Are Accounted for under Equity Method	**0**
Unrealized Gain on Available-for-Sale Securities	**¥11,664**

March 31, 2006	Millions of Yen
Unrealized Gain before Income Tax Effect and	
Minority Interest Adjustments	¥15,390
Available-for-Sale Securities	15,395
Money Held in Trust	(4)
Less: Deferred Tax Liability	6,159
Unrealized Gain before Minority Interest Adjustment	9,231
Less: Minority Interest	(0)
Equity of Unrealized Gain on Available-for-Sale Securities	
Owned by Affiliates That Are Accounted for under Equity Method	0
Unrealized Gain on Available-for-Sale Securities	¥9,232

19. Derivative Transactions

(a) General

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

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

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

The major risks associated with derivative transactions are market risk, that is, the risks resulting from fluctuations in interest rates and foreign exchange, and credit risk, that is, the risk of counterparties defaulting on their contracts. The Bank does not enter into any speculative transactions.

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

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

(b) Fair value information

Derivative transactions accounted for by hedge accounting are excluded from the table.

(1) Interest-rate Derivatives

	Millions of Yen					
March 31	2007			2006		
Contract	Contract Amounts		Fair Value	Contract Amounts		Fair Value
	Total	Over 1 Year		Total	Over 1 Year	
Over-the-Counter Transactions						
Interest-rate Swap						
Receivable Fixed/						
Payable Floating	¥ 246	¥203	¥ 1	¥ 289	¥ 246	¥ (0)
Receivable Floating/						
Payable Fixed	¥3,246	¥703	¥(17)	¥6,833	¥3,246	¥(95)
Total			¥(16)			¥(96)

(2) Currency Derivatives

	Millions of Yen					
March 31	2007			2006		
Contract	Contract Amounts		Fair Value	Contract Amounts		Fair Value
	Total	Over 1 Year		Total	Over 1 Year	
Over-the-Counter Transactions						
Forward						
Exchange Contracts						
Sold	¥15,810	¥ —	¥ 72	¥17,743	¥ —	¥(80)
Bought	¥ 85	¥ —	¥ 0	¥ 150	¥ —	¥ 0
Total			¥ 72			¥(79)

20. Segment Information

(a) Segment information by type of business

Year ended or as of March 31, 2007	Millions of Yen					
	Banking Operations	Leases Operation	Others	Total	Elimination and Corporate Assets	Consolidated
Ⅰ. Total Income and Recurring Profits						
Total Income from						
Outside Customers	¥ 59,227	¥ 6,002	¥ 24	¥ 65,254	¥ —	¥ 65,254
Total Income from						
Intersegment Transactions	74	871	734	1,680	(1,680)	—
Total	¥ 59,302	¥ 6,874	¥759	¥ 66,935	(1,680)	¥ 65,254
Total Expenses	47,949	6,680	749	55,379	(1,716)	53,663
Income before Income Taxes	11,352	193	9	11,555	35	11,591
Ⅱ. Assets, Depreciation and Capital Expenses						
Assets	¥2,841,801	¥ —	¥275	¥2,842,076	¥ 190	¥2,842,266
Depreciation	2,421	4,812	6	7,240	58	7,298
Loss on Impairment of						
Fixed Assets	323	—	—	323	—	323
Capital Expenditures	2,045	5,324	2	7,372	—	7,372

Year ended or as of March 31, 2006	Millions of Yen				
	Banking Operations	Others	Total	Elimination and Corporate Assets	Consolidated
Ⅰ. Total Income and Recurring Profits					
Total Income from Outside Customers	¥ 62,462	¥ 5,580	¥ 68,043	¥ —	¥ 68,043
Total Income from					
Intersegment Transactions	96	1,500	1,597	(1,597)	—
Total	¥ 62,559	¥ 7,081	¥ 69,640	¥ (1,597)	¥ 68,043
Total Expenses	51,504	6,713	58,218	(1,691)	56,527
Income before Income Taxes	11,054	367	11,422	93	11,515
Ⅱ. Assets, Depreciation and Capital Expenses					
Assets	¥2,855,537	¥16,165	¥2,871,703	¥(11,030)	¥2,860,673
Depreciation	2,554	4,843	7,397	(101)	7,296
Loss on Impairment of Fixed Assets	919	—	919	—	919
Capital Expenditures	643	4,439	5,082	—	5,082

(1) “Leases Operation” was included in “Others” in the segment information as of March 31, 2006. However, since total income from lease operation exceeded 10% of the whole total income, beginning this year, “Leases Operation” is separately disclosed. This modification caused decrease of “Others”, ¥6,852 million decrease in “Total income”, ¥193 million decrease in “Income before Income Taxes”, ¥4,812 million decrease in “Depreciation”, ¥5,324 million decrease in “Capital Expenditures”, and the same amount increase of “Leases Operation” in each items.

(2) As stated in the Note 2 (a), The Toho Lease Co., Ltd. excluded from subsidiaries, and included affiliates accounted for by the equity method in 2007, due to the decrease of voting rights. This modification caused ¥16,091 million decrease of Assets in “Leases Operation”.

(3) As stated in the Note 2 (m), commencing with this fiscal year, the respective amounts of “Acceptances and Guarantees” and “Customers’ Liabilities for Acceptances and Guarantees” relating to the liabilities for guarantees on corporate bonds which were issued by private placement (Article 2 Paragraph 3 of the Securities and Exchange Law) are netted. This modification caused ¥7,827 million decrease of Assets in “Banking Operation”.

(b) Segment information by location

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

(c) Current revenue from international operations

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

ERNST & YOUNG SHINNIHON

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 consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income and cash flows for the years then ended, and the related consolidated statement of changes in net assets for the year ended March 31, 2007, all expressed in yen. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Toho Bank, Ltd. and consolidated subsidiaries at March 31, 2007 and 2006, 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, 2007 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.

Ernst & Young Shin Nihon

June 26, 2007

Board of Directors and Auditors

Chairman
Toshio Seya

President
Seishi Kitamura

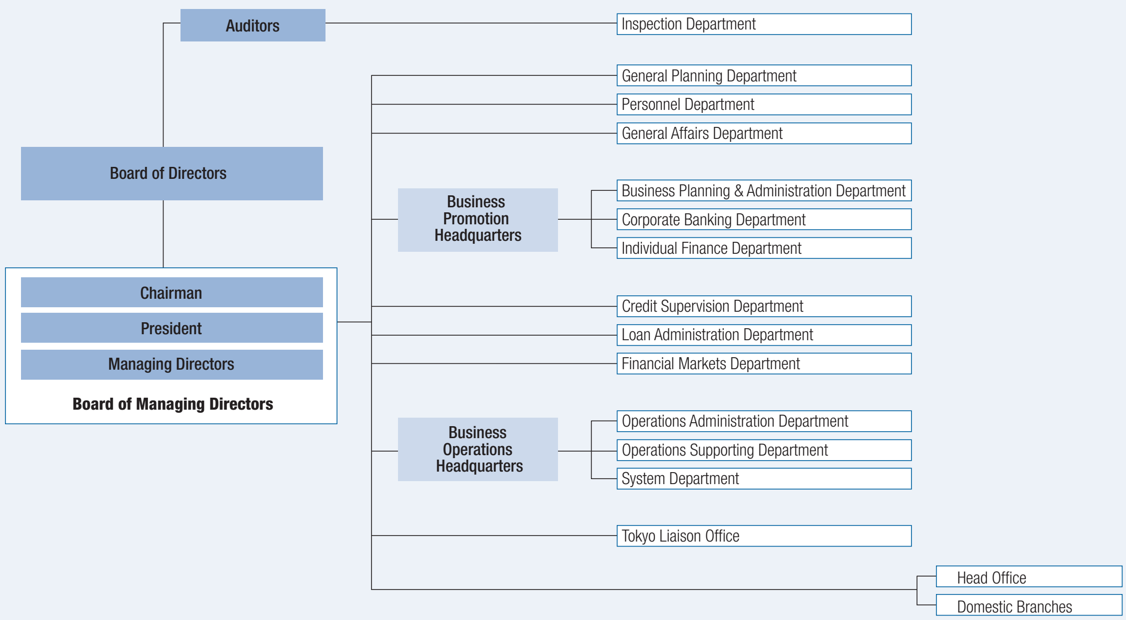
Managing Directors
Akira Kondo
Hiroyuki Motoyanagi
Tadashi Uchiyama
Hiroshi Endo
Tsugunobu Amano
Mamoru Sakuma

Directors
Toshikatsu Takaara
Masahiko Watanabe
Satoshi Saito
Shoichi Kushiya
Kensuke Abe

Standing Auditors
Kazuo Kawasaki
Kunihisa Takahashi

Auditors
Shinichi Saito
Yu Haga
Hachiro Hiraga

Organization



Network

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Facsimile: (024) 524-1583
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Foreign Exchange Offices: 14

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

Currency Exchange Offices: 57

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

SUBSIDIARIES AND AFFILIATES

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

(As of June 30, 2007)

THE TOHO BANK, LTD.

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