



Profile

Since its foundation in 1879, The Akita Bank, Ltd. (the “Bank”) has contributed to the economic development of Akita Prefecture, northern Japan. It has pursued a consistent policy of working and prospering together with the local community. The Akita Bank Group (the “Group”) consists of the Bank, eight consolidated subsidiaries and one non-consolidated subsidiary. The Group has grown to become a comprehensive financial services institution, with operations now extending to substantial warranty and lease business services.

In the wake of Japan’s “Big Bang” in the financial sector, Japanese financial institutions have entered an era of fierce competition involving the restructuring of larger banks, the breaking down of traditional barriers within the financial sector, and diversifying services by utilizing information technology (IT).

In this business environment, the Bank is staying close to its customers, determined to respond appropriately to their needs. In so doing it fulfills its responsibilities as a regional financial institution. The Bank continues to do all in its power to establish the firmest relationship of trust with the communities that it serves.

Contents

| | |
|---|----|
| Financial Highlights | 1 |
| To Our Stockholders, Customers and Friends | 2 |
| Accelerate Benefit to the Community | 5 |
| Supporting Industry | 6 |
| Utilizing IT Effectively | 8 |
| Enhancing Customer Satisfaction | 10 |
| Additional Highlights of Fiscal 2000 | 12 |
| Five-year Summary | 13 |
| Financial Review | 14 |
| Consolidated Balance Sheets | 16 |
| Consolidated Statements of Income and Appropriation of Profit | 17 |
| Consolidated Statements of Earned Surplus | 17 |
| Consolidated Statement of Cash Flows | 18 |
| Notes to Consolidated Financial Statements | 19 |
| Report of Independent Certified Public Accountants | 24 |
| Non-consolidated Balance Sheets | 25 |
| Non-consolidated Statements of Income and Appropriation of Profit | 26 |
| Notes to Non-consolidated Financial Statements | 27 |
| Board of Directors and Corporate Auditors/ Corporate Data/Organization Chart | 28 |
| Directory/Worldwide Correspondent Banking Network | 29 |



In this annual report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ materially from those anticipated in these statements.

FINANCIAL HIGHLIGHTS

(Years ended March 31, 2000 and 1999)

| For the years ended March 31 | Millions of yen (Note 1) | | Thousands of U.S. dollars (Note 2) |
|---------------------------------|--------------------------|---------|---------------------------------------|
| | 2000 | 1999 | 2000 |
| Total income..... | ¥67,494 | ¥77,415 | \$635,844 |
| Total expenses..... | 59,637 | 71,559 | 561,822 |
| Income before income taxes..... | 7,857 | 5,855 | 74,022 |
| Net income..... | 4,388 | 2,290 | 41,339 |

| | Yen | U.S. dollars |
|---------------------------|--------|--------------|
| Net income per share..... | ¥21.14 | \$0.1991 |

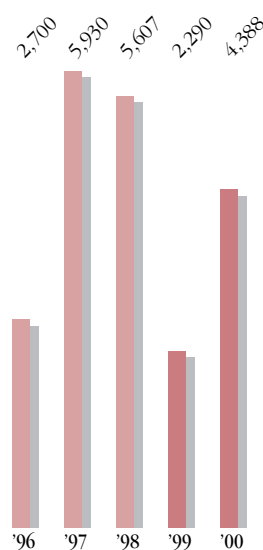
| As of March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------------|------------------------------|
| | 2000 | 1999 | 2000 |
| Total assets..... | ¥2,212,191 | ¥2,329,086 | \$20,840,241 |
| Deposits..... | 2,019,387 | 2,095,965 | 19,023,905 |
| Loans and bills discounted..... | 1,309,782 | 1,375,649 | 12,338,981 |
| Trading securities and securities..... | 586,610 | 512,744 | 5,526,243 |
| Stockholders' equity..... | 110,120 | 103,929 | 1,037,408 |

Notes: (1) In this annual report, the Japanese yen in millions are indicated with fractions omitted.

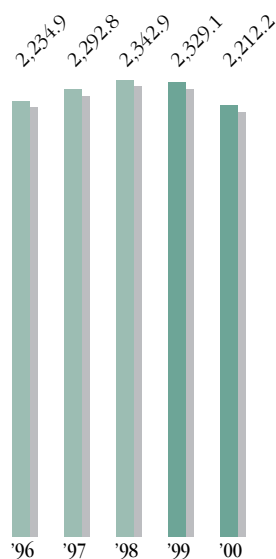
(2) U.S. dollar amounts are translated, for convenience only, at ¥106.15 = U.S.\$1.00, the rate prevailing as of March 31, 2000.

(3) Stockholders' equity ratio stood at 10.96% as of March 31, 2000 according to the domestic standard.

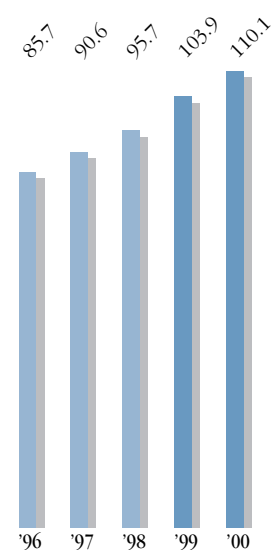
Net Income
(¥ millions)



Total Assets
(¥ billions)



Stockholders' Equity
(¥ billions)



Note: The data for 1998, 1997 and 1996 are non-consolidated as the Bank did not publish consolidated results for those fiscal years.

To Our Stockholders, Customers and Friends



Makoto Suwa
President

I am grateful for this opportunity to present our stockholders with the financial results of The Akita Bank, Ltd. for the term ended March 31, 2000 (“fiscal 2000”), and to outline the Bank’s strategy.

Business Environment

In fiscal 2000, the Japanese economy was characterized by continued sluggishness. Personal consumption was weak, affected by uncertainty in the employment market. However, overall demand was buoyed by public investment made by the central government as part of its efforts to stimulate the economy, and by the partial recovery of Asian economies following the financial turmoil of the late 1990s. Capital investment in the private sector, which had previously been weak, recovered to some extent, especially

in IT.

In Akita Prefecture, job insecurity is prevalent and personal consumption has continued weak as a consequence. However, low interest rates and tax-cutting measures have been effective in stimulating investment in housing. Capital investment has also been encouraged by good results in the manufacturing sector. Production of electronic components has been robust and signs of recovery can be seen in the machinery and metal products sectors. Sales of liquor were down from fiscal 1999 (ended March 31, 1999). Sales of plywood and timber gradually recovered. Automobile sales bottomed out in the first half of fiscal 2000 and recovered thereafter. Sales of personal computers increased but remain weak compared to previous highs.

In the financial services industry, mergers centering on the major banks continued, as did restructuring based on the breaking down of barriers between different financial fields. Strategic investment in IT increased and more companies announced their entry into banking. However, the business environment of financial institutions continued to deteriorate at an unprecedented speed.

Results for the Year

In fiscal 2000, we worked hard to lower costs and increase profitability, while at the same striving to satisfy the needs of our customers. As a result, although total income decreased 12.8% from fiscal 1999 to ¥67,494 million (US\$635.8 million), lower funding costs due to low interest rates and a fall in operating costs attributable to more efficient management enabled us to increase net income by 91.6% to ¥4,388 million (US\$41.3 million).

● Total Deposits

Despite historically low interest rates, our introduction of carefully tailored services, such as the high-interest “Akigin Tokudane Club,” based on a points system, resulted in steady growth in personal deposits. However, the total year-end balance, including negotiable certificates of deposit, was down ¥76.5 billion (US\$720.7 million) to ¥2,024.9 billion (US\$19,075.8 million) as a consequence of our running down low profit margin deposits. The average balance for fiscal 2000 increased ¥18.6 billion (US\$175.2 million) to

¥1,990.4 billion (US\$18,750.8 million).

● **Loans and Bills Discounted**

We focused on loans to small and medium-sized businesses in the prefecture, and on personal loans. However, demand for working capital was weak, and the balance of loans and bills discounted at the end of the year was ¥1,311.9 billion (US\$12,358.9 million), a ¥66.5 billion (US\$626.5 million) decrease from fiscal 1999. The average balance for fiscal 2000 increased ¥3.4 billion (US\$32.0 million) to ¥1,286.6 billion (US\$12,120.6 million), due mainly to housing loans.

● **Marketable Securities**

We underwrote national and local government bond issues during fiscal 2000. We read this market correctly, as their price increased. As a consequence, the year-end balance of marketable securities was ¥586.6 billion (US\$5,526.1 million), an increase of ¥86 billion (US\$810.2 million) over fiscal 1999. The average balance for fiscal 2000 was ¥564 billion (US\$5,313.2 million), an increase of ¥71.4 billion (US\$672.6 million) over fiscal 1999.

● **Foreign Exchange**

Trade-related foreign exchange transactions came to US\$197 million, an increase of US\$52 million over fiscal 1999. Total foreign exchange transactions, including capital transactions, decreased US\$10,518 million to US\$845 million. This decrease was attributable to a fall in deposits held in foreign currencies due to a decrease in market interest rates.

Profit Reform Plan

Our business environment is changing fast, and we are determined to remain abreast of such change. In Japan, we are in the final stages of our “Big Bang,” the move toward greater liberalization. The removal of barriers between different financial sectors, diversification of financial services based on IT, and preparation for new types of business such as Japanese versions of U.S. 401(k) employee pension plans are now well advanced. The introduction of current price accounting means that the criteria employed by the market for assessing banks are more focused on potential profitability and managerial strategies that can support profitability.

We are responding positively to this highly competitive environment. As well as seeking higher profitability by reducing poor-performing assets, and stimulating the local economy by providing support for local industries, we are currently reconstructing our entire business operations. Our basic policy is to provide customers with a comprehensive range of financial products at high levels of service. To this end we reviewed our “Profit Reform Plan” in November 1999. We are now focused on the following: Increasing deposits and loans; setting interest rates in accordance with credit risk profiles; shifting toward more profitable investments; reviewing our branch strategy; and reducing costs through greater efficiency and the sale of unused company land.

In fiscal 2000 we closed our Yamagata Branch and closed unprofitable CDs and ATMs at four sites. To better serve our customers, we also invested approximately ¥4.7 billion (US\$44.3 million) in new computer terminals, seal impression verification machines, advanced verification machines for foreign currency and other state-of-the-art equipment. We have integrated and simplified administrative procedures, and have introduced one-desk completion processing in branches. We have achieved the highest rate of office automation of any of the 64 regional banks, and as a result we have been able to convert branch counters from administrative sites to sales sites.

The much greater levels of efficiency achieved has resulted in the staff complement decreasing from 2,058 at the beginning of fiscal 1996 to 1,847 at the start of fiscal 2000.

Future Progress

Our goals for fiscal 2001 (ending March 31, 2001) are to achieve increased net income, to revitalize the regional economy by providing support to local companies, and to provide a comprehensive, high-quality product lineup fully attuned to the needs of our customers. In short, we will redouble our efforts to ensure that the goals of our Profit Reform Plan are met.

We will introduce fundamental improvements to our loan operations. Specifically, in August 2001, we will introduce a computerized system into all branches to enhance

efficiency. This system will enable us to perform financial diagnoses on our business associates, including forecasts of results for the next ten years. This is the first time in Japan that the IT and accounts functions have been brought together in such a comprehensive way.

Our strategy to enhance quality is continuing. We seek outstanding levels of customer satisfaction, and are enhancing the business capacity at each of our branches. In April 2000, we established our IT Strategy Office. With this office as a base of activities, we are making strategic use of IT to respond promptly to changes in the financial services sector. Also, to satisfy the increasingly diverse needs of our customers, we are expanding our business channels through Internet, telephone and mobile telephone banking, and are implementing “cross-selling,” the combining of several sales approaches, based on Customer Relationship Management and the effective use of data bases.

Introduction of these new forms of business demands employees with advanced skills, so we are adding to our general training programs. For example, we are raising the number of staff qualified as Financial Advisors so that they can deal more efficiently with loans and external relations.

A Regional Bank in Tohoku

The Bank has deep roots in its local community. Traditionally, the main industries of Akita Prefecture have been agriculture, forestry, liquor

production and mining. For many years we have won the custom of companies and individuals working in these industries.

Today, the electronic components manufacturing industry also plays a key part in the local economy. Akita Prefecture accounts for as much as 40% of the Japanese electronic components industry, and companies in this field are now among the Bank's main clients. Other emerging business sectors in the prefecture include telecommunications, tourism, and welfare and nursing. We have customers in all these fields, and reach into almost all corners of economic activity within the prefecture. Recently we have participated, from the initial planning stage, in various large-scale national construction projects, including the Akita Shinkansen, Akita Highway, Odate-Noshiro Airport, and Akita Port Container Route. It is a tribute to our strength and reputation that we won an overwhelming share of such business within Akita Prefecture.

We have a solid foundation in our home prefecture, and a strong presence beyond that base, too. Analysis of our deposits and loans portfolios indicates that our market share in our home prefecture is amongst the highest of any of the regional banks in the Tohoku district, northern Japan. Additionally, we conduct a great deal of business in other Tohoku prefectures and elsewhere.

Providing finance for local small and medium-sized companies

stimulates the regional economy and, in due course, enables us to expand our client base. We are therefore doing all we can to assist such companies by providing them with finance and information. We are constantly searching out companies with growth potential.

We are confident about the Tohoku district's prospects. We intend to deepen our roots in the region still further in order to secure strong growth in the 21st century.

Dividends

Given the special public responsibilities of banks, the basic policy of the Bank is to ensure that we retain sufficient reserves to ensure stability and financial soundness. Within that framework, we look to maintain steady dividends.

In May 1999, we celebrated the 120th anniversary of our foundation. As a token of our gratitude to our stockholders for their support, both the interim and final dividend included a commemorative dividend of ¥0.5 per share. The total dividend for fiscal 2000 is ¥6 per share. This comprises an interim dividend and a final dividend, both of ¥3 per share.

We shall continue to strive to live up to the expectations placed in us by our stockholders, and we look forward to your continued understanding and support.



Makoto Suwa
President



Akita
ccelerate
Bank
enefit to
the **C**hallenge
ommunity



Supporting Industry

Committed to the Development of Our Region

Playing a leading role in the economic development of Akita Prefecture and the wider Tohoku region is core to our mission.

The main contribution we can make is to provide finance to viable small and medium-sized businesses, the motor of most economies. The proportion of our commercial loans to such businesses at fiscal 2000 year-end was 83.8%, one of the highest figures for banks in the Tohoku region.

Stimulating the Regional Economy

The Bank benefits from a strong local economy, so it is in our own interest to do all we can to promote the development of Tohoku enterprises. We are currently implementing a corporate development campaign, “Growing Up 21,” at all our branches. Under this campaign, we aim to identify local firms with potential and to support their development. We offer the firms comprehensive financial services, including funding support, provision of information, and advice on responding to globalization.

To help firms implement manage-

rial improvement and rationalization programs, we assist them in accessing the low-interest and other “soft loan” schemes of the Akita Prefectural government, municipalities within the prefecture, and various central government agencies.

Strong in Retail Banking

We are cultivating our retail banking business, aimed at individual and corporate clients alike. The stronger our retail banking activities, the less susceptible we will be to downturns in the business cycle.

Economic Think Tank

In 1979, we established the Akita Economic Research Institute, Akita Prefecture’s first private think tank. We provide the institute’s entire budget. Since its establishment, the institute has conducted research into the industries and economy of Akita Prefecture, and published its findings in its magazine, *Akita Keizai* (“Akita Economic Report”). Its wide-ranging activities include the granting of “Awards for the Promotion of Small and Medium Businesses” to companies and organizations that have contributed significantly to the regional economy through their creative management activities.



Utilizing

IT Effectively

Working Smartly for Greater Efficiency

Making the most of advanced IT systems is a key part of our Profit Reform Plan. With regard to our internal management, IT allows us to reduce staff numbers, slash costs, enhance efficiency at branches and increase the potential for profit. We have already enhanced our computerization in the fields of lending, merchandise and services.

Computerized Lending System

In the three-year period beginning 1996, we began redevelopment of our IT infrastructure, including branch systems. We have also been implementing an IT strategy that meets the very demanding technical requirements of modern financial businesses, including the establishment of telephone, Internet and mobile telephone banking services.

We recently established a marketing system that carries out high-speed search and analysis of customer data.

In August 2000, we will complete the establishment of our Computerized Lending System.

Using this state-of-the-art system, we will be able to assess initial applications for credit approval, search and analyze financial data on companies, and execute lending, all within a single computer system. The system will bring about substantial cost savings and will speed up and improve lending operations and related services.

Seeking ISO 9001 Certification for On-line Services

In April 2000, we established an IT Strategy Office to improve the planning and execution of our IT strategy. Through this office, we are expanding our direct banking channels, rationalizing administrative work, and developing control systems based on the forecast that computer and mobile telephone use will become even more widespread. We have begun work on acquiring ISO 9001 certification for our quality control of on-line operational systems, the achievement of which would be a first for a financial institution.



Enhancing Customer Satisfaction

Superior Specialized Services

The needs of our customers are diversifying, and this presents us with a dilemma. On one hand, a “one-size-fits-all” approach at branches would not address changing customer demand adequately. On the other hand, customers must be able to expect uniform service in terms of availability and quality in all its aspects.

We are determined to provide high-quality specialized services in fields such as investment, inheritance and taxation. We will do so by restructuring our existing network of manned branches to provide advice and consulting services of a specialized nature in branches designated as regional bases. Instead of providing a full range of banking services at all branches, we are building a regional business structure based on the differentiation of branch functions. We are also expanding our branch network and continuing to improve our specialist services in order to better serve customers.

New Business System at Branches

In October 1999, we opened our Akita Higashi Chuo Branch, our first branch designated a regional base. Staff at this branch have specialized abilities and qualifications. They can provide an extensive range of banking services, including investment and corporate management consultancy services. The branch will establish links with surrounding branches (Tegata Branch and Myoden Branch) in order to serve the increasingly complex needs of customers in that locality.

More Cash Corners and ATMs

We are continuing to expand our unmanned cash corner network for greater customer convenience. We are concentrating particularly on setting up cash corners outside branches. As of fiscal 2000 year-end, we had established 190 such corners. We are also expanding our automated teller machine (ATM) network and lengthening ATM operating hours.

Additional Highlights of Fiscal 2000

Launch of Mobile Telephone Banking Services

In August 1999, we established a “Mobile Banking Service” and a “Home Security Banking Service” which enable account-holders to make balance inquiries, bank transfers, etc. The systems operate over mobile telephones compatible with NTT DoCoMo’s i-mode and Secom’s home security terminals.



Launch of Debit Card Service

In March 2000, we launched a debit card service. Our customers are now able to make purchases conveniently and with peace of mind. They can spend within the range allowed by their account balances without having to use cash.



Website Redesigned

Since its launch in September 1996, our website has had more than 85,000 visitors. In December 1999, we redesigned the site. It is now possible to join the Akigin Tokudane Club online and to use mail order services. The website’s address is <http://www.akita-bank.co.jp/>.

Installation of Foreign Currency Vending Machines

In February 2000, we installed at the Head Office easy-to-operate foreign currency vending machines which offer foreign currency and travelers’ checks. U.S. dollars can be obtained from the machines in four denominations.



Sign Language Service

We are the first financial institution in Akita Prefecture to offer a sign language service desk, where customers with hearing difficulties are served by a staff member who can use sign language. These desks are currently available at 26 branches in Akita City.



FIVE-YEAR SUMMARY

As of March 31

Millions of yen

| | 2000 | 1999 | 1998 | 1997 | 1996 |
|-------------------|---------|---------|---------|---------|---------|
| Total income..... | ¥67,494 | ¥77,415 | ¥70,860 | ¥69,970 | ¥74,936 |
| Net income | 4,388 | 2,290 | 5,607 | 5,930 | 2,700 |

Yen

| | 2000 | 1999 | 1998 | 1997 | 1996 |
|---------------------------|--------|--------|--------|--------|--------|
| Net income per share..... | ¥21.14 | ¥10.99 | ¥26.93 | ¥28.56 | ¥13.09 |

Percent

Income Ratio

| | 2000 | 1999 | 1998 | 1997 | 1996 |
|--|------|------|------|------|------|
| Net income to total assets | 0.19 | 0.09 | 0.24 | 0.26 | 0.12 |
| Net income to stockholders' equity | 4.09 | 2.20 | 6.01 | 6.72 | 3.18 |

Stockholders' Equity Ratio

| | 2000 | 1999 | 1998 | 1997 | 1996 |
|-------------------------|-------|-------|------|-------|-------|
| Domestic standard | 10.96 | 10.22 | 9.43 | — | — |
| BIS standard | — | — | — | 10.15 | 10.32 |

Notes: (1) In this annual report, the Japanese yen in millions are indicated with fractions omitted.

(2) The Bank's stockholders' equity ratio is calculated using the method set forth by the Ministry of Finance as specified in Article 14, Paragraph 2 of the Banking Law of Japan. Until the year ended March 31, 1998, the BIS standard was applicable to the ratio, which was calculated on a non-consolidated basis because the Bank did not utilize the consolidated figures. From the year ended March 31, 1999, the Bank adopted the domestic standard calculation method in line with the abolition of overseas offices as of March 1999.

(3) The data for 1998, 1997 and 1996 are non-consolidated as the Bank did not publish consolidated results for those fiscal years.

FINANCIAL REVIEW

Operating Results

For the year ended March 31, 2000 (“fiscal 2000”), the consolidated total income of The Akita Bank, Ltd. totaled ¥67,494 million (US\$635.8 million), a decrease of 12.8% from fiscal 1999, ended March 31, 1999. Total expenses were ¥59,637 million (US\$561.8 million), down ¥11,922 million (US\$112.3 million). This decrease was attributable to a reduction in funding costs due to low interest rates and a cut in operating costs as a result of greater management efficiency. Income before income taxes and minority interest amounted to ¥7,857 million (US\$74.0 million), up 34.2% over fiscal 1999. After allowing ¥2,439 million (US\$23.0 million) for deferred income taxes, net income amounted to ¥4,388 million (US\$41.3 million)

an increase of 91.6%.

Net income per share was ¥21.14 (US\$0.199), an increase of ¥10.15 (US\$0.096) over fiscal 1999.

Analysis of Financial Position

Total assets as of March 31, 2000 stood at ¥2,212,191 million (US\$20,840.2 million), a decrease of ¥116,895 million (US\$1,101.2 million) from the fiscal 1999 year-end.

As a consequence of the underwriting of national and local government bonds, and of investment based on our close attention to market trends, securities increased ¥86,064 million (US\$810.8 million) over fiscal 1999. However, a reduction of ¥101,366 million (US\$954.9 million) in call loans and a ¥12,198 million (US\$114.9 million) decrease

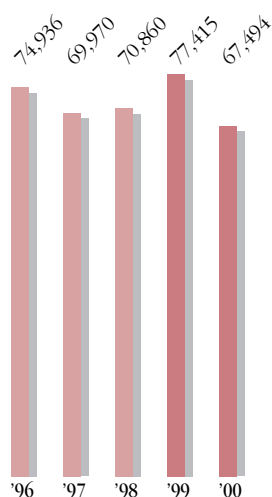
in trading account securities resulted in a decrease in total assets.

The Akita Bank, Ltd. made provision for the future in line with the Financial Supervisory Agency’s “Financial Inspection Manual,” and continued in its efforts to ensure a well-balanced portfolio of assets. As a result of the foregoing, reserve for possible loan losses was ¥41,407 million (US\$390.1 million).

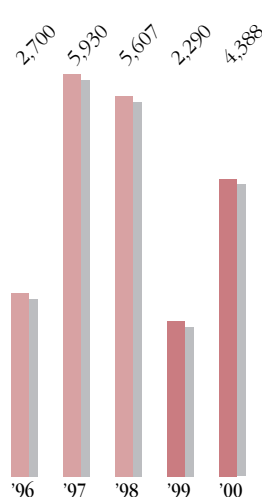
Total liabilities amounted to ¥2,098,039 million (US\$19,764.9 million), a decrease of ¥123,294 million (US\$1,161.5 million).

Stockholders’ equity amounted to ¥110,120 million (US\$1,037.4 million), an increase of ¥6,191 million (US\$58.3 million) over fiscal 1999. Stockholders’ equity ratio stood at 10.96%, up 0.74 points. Stockholders’ equity per share was

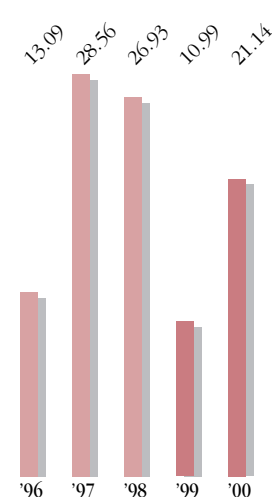
Total Income
(¥ millions)



Net Income
(¥ millions)



Net Income per Share
(¥)



Note: The data for 1998, 1997 and 1996 are non-consolidated as the Bank did not publish consolidated results for those years.

¥539.11 (US\$5.079), an increase of ¥40.32 (US\$0.380).

In order to improve capital efficiency and return profit to stockholders, The Akita Bank, Ltd. acquired in the market four million of its own shares, at a total purchase price of ¥1,694 million (US\$16.0 million), and retired them. As a result, its total number of shares issued as of March 31, 2000 was 204,481 thousand.

Cash Flow Analysis

Net cash provided from operating activities exceeded net cash used in investing and financing activities. Cash and cash equivalents as of March 31, 2000 stood at ¥94,608 million (US\$891.3 million), an increase of ¥41,871 million (US\$394.5 million).

Net cash provided by operating activities totaled ¥130,834 million (US\$1,232.5 million). This was due mainly to a net change in call loans, commercial paper and other debt purchased of ¥80,202 million (US\$755.6 million), interest income received on cash basis of ¥52,503 million (US\$494.6 million), and net change in due from banks (excluding due from Bank of Japan) of ¥47,783 million (US\$450.1 million).

Net cash used in investing activities totaled ¥86,125 million (US\$811.4 million). This was mainly expenditure for the acquisition of securities, which was partly offset by ¥98,035 million (US\$923.6 million) of income from the sale and redemption of securities.

Net cash used in financing activities totaled ¥2,848 million

(US\$26.8 million). This was due mainly to expenditure of ¥1,694 million (US\$16.0 million) on the purchase of The Akita Bank, Ltd.'s own stock, and dividends paid of ¥1,152 million (US\$10.9 million).

Information on Non-consolidated Results

In fiscal 2000, the non-consolidated total income of The Akita Bank, Ltd. amounted to ¥60,846 million (US\$573.2 million), a decrease of 14.0% from fiscal 1999. Net income totaled ¥4,356 million (US\$41.0 million), an increase of 93.0%. Total expenses amounted to ¥53,449 million (US\$503.5 million), a decrease of ¥12,052 million (US\$113.5 million) from fiscal 1999.

Net Income to Total Assets
(%)



Net Income to Stockholders' Equity
(%)



Stockholders' Equity Ratio
(%)



Note: The Bank's stockholders' equity ratio is calculated using the method set forth by the Ministry of Finance as specified in Article 14, Paragraph 2 of the Banking Law of Japan. Until the year ended March 31, 1998, the BIS standard was applicable to the ratio, which was calculated on a non-consolidated basis because the Bank did not utilize the consolidated figures. From the year ended March 31, 1999, the Bank adopted the domestic standard calculation method in line with the abolition of overseas offices as of March 1999.

CONSOLIDATED BALANCE SHEETS

(As of March 31, 2000 and 1999)

| | Millions of yen (Note 1) | | Thousands of U.S. dollars (Note 1) |
|--|--------------------------|-------------------|---------------------------------------|
| | 2000 | 1999 | 2000 |
| Assets | | | |
| Cash and due from banks..... | ¥ 105,411 | ¥ 111,322 | \$ 993,040 |
| Call loans | 46,610 | 147,976 | 439,099 |
| Commercial paper and other debt purchased..... | 94,570 | 73,406 | 890,910 |
| Trading account securities (Note 4)..... | 0 | 12,198 | 5 |
| Money held in trust..... | 1,317 | 1,746 | 12,409 |
| Securities (Note 5)..... | 586,610 | 500,546 | 5,526,238 |
| Loans and bills discounted (Note 6)..... | 1,309,782 | 1,375,649 | 12,338,981 |
| Foreign exchanges (Note 7)..... | 1,153 | 1,173 | 10,870 |
| Other assets (Note 8)..... | 20,309 | 21,081 | 191,325 |
| Premises and equipment (Note 9)..... | 32,585 | 26,216 | 306,976 |
| Customers' liabilities for acceptances and guarantees (Note 15)..... | 41,602 | 46,560 | 391,920 |
| Deferred tax assets..... | 13,645 | 11,206 | 128,547 |
| Reserve for possible loan losses..... | 41,407 | — | 390,084 |
| Total Assets | ¥2,212,191 | ¥2,329,086 | \$20,840,241 |
| Liabilities | | | |
| Deposits (Note 10)..... | ¥2,019,387 | ¥2,095,965 | \$19,023,905 |
| Call moneys..... | 1,977 | 5,113 | 18,629 |
| Borrowed money (Note 11)..... | 8,464 | 9,170 | 79,743 |
| Foreign exchanges (Note 12)..... | 5 | 10 | 52 |
| Other liabilities (Note 13)..... | 18,306 | 23,175 | 172,455 |
| Reserve for possible loan losses..... | — | 36,192 | — |
| Reserve for retirement allowances..... | 5,057 | 5,144 | 47,641 |
| Deferred tax liability on land revaluation (Note 14)..... | 3,238 | — | 30,511 |
| Acceptances and guarantees (Note 15)..... | 41,602 | 46,560 | 391,920 |
| Total Liabilities | ¥2,098,039 | ¥2,221,333 | \$19,764,859 |
| Minority Interests in Consolidated Subsidiaries | ¥ 4,030 | ¥ 3,823 | \$ 37,973 |
| Stockholders' Equity | | | |
| Common stock..... | ¥ 14,100 | ¥ 14,100 | \$ 132,838 |
| Capital surplus..... | 6,268 | 6,268 | 59,054 |
| Land revaluation difference (Note 14)..... | 4,660 | — | 43,906 |
| Earned surplus..... | 85,178 | 83,640 | 802,438 |
| Treasury stock..... | 1 | 0 | 15 |
| Parent bank's stock held by subsidiaries..... | 86 | 80 | 814 |
| Total Stockholders' Equity | 110,120 | 103,929 | 1,037,408 |
| Total Liabilities, Minority Interests in Consolidated Subsidiaries and Stockholders' Equity | ¥2,212,191 | ¥2,329,086 | \$20,840,241 |

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME AND APPROPRIATION OF PROFIT

(For the years ended March 31, 2000 and 1999)

| | Millions of yen (Note 1) | | Thousands of U.S. dollars (Note 1) |
|---|--------------------------|---------------|---------------------------------------|
| | 2000 | 1999 | 2000 |
| Income | | | |
| Interest income | | | |
| Interest on loans and discounts | ¥34,811 | ¥38,509 | \$327,947 |
| Interest and dividends on securities | 17,007 | 18,151 | 160,225 |
| Other interest income (Note 16) | 406 | 2,373 | 3,826 |
| Fees and commissions (Note 17) | 5,653 | 5,540 | 53,263 |
| Other operating income (Note 18) | 5,799 | 6,070 | 54,633 |
| Other income (Note 19) | 3,815 | 6,768 | 35,948 |
| Total Income | 67,494 | 77,415 | 635,844 |
| Expenses | | | |
| Interest expenses | | | |
| Interest on deposits | 5,256 | 8,867 | 49,516 |
| Interest on borrowings and rediscounts | 373 | 785 | 3,514 |
| Other interest expenses (Note 20) | 4,034 | 5,525 | 38,009 |
| Fees and commissions (Note 21) | 1,434 | 743 | 13,510 |
| Other operating expenses (Note 22) | 5,961 | 5,292 | 56,165 |
| General and administrative expenses | 30,355 | 32,690 | 285,964 |
| Other expenses (Note 23) | 12,222 | 17,655 | 115,141 |
| Total Expenses | 59,637 | 71,559 | 561,822 |
| Income before Income Taxes and Minority Interest | 7,857 | 5,855 | 74,022 |
| Income Taxes (Note 24) | | | |
| Current | 5,680 | 7,284 | 53,518 |
| Deferred | 2,439 | 3,991 | 22,978 |
| Total Income Taxes | 3,241 | 3,293 | 30,539 |
| Minority Interest in Net Income | 227 | 272 | 2,143 |
| Net Income | 4,388 | 2,290 | 41,339 |

CONSOLIDATED STATEMENTS OF EARNED SURPLUS

| | Millions of yen (Note 1) | | Thousands of U.S. dollars (Note 1) |
|--|--------------------------|----------------|---------------------------------------|
| | 2000 | 1999 | 2000 |
| Balance, Beginning of Year | ¥83,640 | ¥75,184 | \$787,944 |
| Increase in earned surplus — Due to exclusion of an affiliated company previously included in consolidated accounts | — | 7,215 | — |
| Dividends - Paid | 1,145 | 1,041 | 10,792 |
| Bonuses for directors and statutory auditors | 9 | 9 | 84 |
| Reduction of treasury stock by distribution of net profit | 1,694 | — | 15,967 |
| Net income | 4,388 | 2,290 | 41,339 |
| Balance, End of Year | ¥85,178 | ¥83,640 | \$802,438 |
| | | | |
| | | Yen (Note 1) | U.S. dollars (Note 1) |
| Net Income per Share | ¥ 21.14 | ¥ 10.99 | \$ 0.1991 |

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(As of March 31, 2000)

| | Millions of yen (Note 1) | Thousands of U.S. dollars (Note 1) |
|--|-----------------------------|---------------------------------------|
| | 2000 | 2000 |
| Cash Flows from Operating Activities | | |
| Income before income taxes and minority interest | ¥ 7,857 | \$ 74,022 |
| Depreciation and amortization..... | 2,608 | 24,574 |
| Net change in reserve for possible loan losses..... | 5,214 | 49,126 |
| Net change in reserve for retirement allowances | (87) | (820) |
| Interest income | (52,225) | (491,999) |
| Interest expenses | 9,663 | 91,040 |
| Net (gain) loss related to securities transactions..... | (324) | (3,057) |
| Net (income) loss from money held in trust..... | (244) | (2,298) |
| Net exchange (gain) loss..... | (97) | (922) |
| Net (gain) loss from disposition of premises and equipment..... | (282) | (2,659) |
| Net change in loans and bills discounted | 61,449 | 578,891 |
| Net change in deposits | (34,597) | (325,930) |
| Net change in negotiable certificates of deposit..... | (41,980) | (395,478) |
| Net change in call loans, commercial paper and other debt purchased..... | 80,202 | 755,560 |
| Net change in call money and borrowed money | (3,841) | (36,189) |
| Net change in due from banks (excluding due from Bank of Japan)..... | 47,783 | 450,146 |
| Net change in foreign exchanges (assets)..... | 20 | 189 |
| Net change in foreign exchanges (liabilities)..... | 81 | 763 |
| Interest income received on cash basis..... | 52,503 | 494,619 |
| Interest expenses paid on cash basis..... | (10,615) | (100,004) |
| Net change in trading account securities..... | 12,206 | 114,991 |
| Other, net | 4,765 | 44,893 |
| Sub-total | 140,060 | 1,319,458 |
| Income taxes paid..... | (9,226) | (86,916) |
| Net Cash Provided by (Used in) Operating Activities | ¥130,834 | \$1,232,541 |
| Cash Flows from Investing Activities | | |
| Purchases of securities..... | (183,796) | (1,731,474) |
| Proceeds from sales of securities | 31,746 | 299,074 |
| Proceeds from maturity of securities | 66,289 | 624,492 |
| Proceeds from money held in trust | 429 | 4,043 |
| Purchases of premises and equipment..... | (1,504) | (14,169) |
| Proceeds from sales of premises and equipment | 708 | 6,673 |
| Net Cash Provided by (Used in) Investing Activities | ¥(86,125) | \$ (811,360) |
| Cash Flows from Financing Activities | | |
| Dividends paid..... | (1,145) | (10,792) |
| Dividends paid for minority | (7) | (73) |
| Purchases of treasury stock | (1,694) | (15,967) |
| Net Cash Provided by (Used in) Financing Activities | ¥ (2,848) | \$ (26,832) |
| Effect of currency rate exchanges on cash and cash equivalents..... | 11 | 110 |
| Net increase (decrease) in cash and cash equivalents | 41,871 | 394,459 |
| Cash and cash equivalents at beginning of year..... | 52,736 | 496,815 |
| Cash and Cash Equivalents at End of Year | ¥ 94,608 | \$ 891,274 |

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Financial Statements:

The accompanying consolidated financial statements of The Akita Bank, Ltd. (the "Bank") and consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Accounting Standards for Banks issued by the Ministry of Finance of Japan and in accordance with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of international Accounting Standards. In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.15 to \$1, the rate of exchange in effect at March 31, 2000. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Principles of Consolidation

The consolidated financial statements include the accounts of The Akita Bank, Ltd. and its subsidiaries. The major consolidated subsidiaries are listed below.

The Akigin Business Service Ltd.
Akita Grand Lease Co., Ltd.
The Akita Guarantee Service, Ltd.
Akigin Staff Service Co., Ltd.
The Akigin Computer Service Co., Ltd.
The Akigin Property Research Service, Ltd.
The Akita International Card Co., Ltd.
Akita JCB Card Co., Ltd.

The consolidated financial statements do not include the accounts of The Akita Kyoritsu Co., Ltd., because the combined total assets, total income, net income and earned surplus would not have had a material effect on the consolidated financial statements.

3. Significant Accounting Policies:

(a) Trading Account Securities

Trading account securities listed on stock exchanges are valued at the lower of cost or market and unlisted securities are valued at cost.

The cost of trading account securities is determined under the moving average method.

(b) Securities

Securities listed on stock exchanges are valued at cost, except convertible bonds and stocks, which are stated at the lower of cost or market.

Unlisted securities are valued at cost.

The cost of securities is based on the moving average method.

Under the Accounting Standards for Banks, the Bank applies the same method as above for securities held in the money held in trusts, of which funds are principally invested in securities and separately managed from other beneficiaries.

(c) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the declining balance method over the estimated useful lives of properties under the

Japanese Income Tax Law, The straight line method is applied to buildings acquired after April 1, 1998 because of the Japanese Income Tax Law reforms.

The estimated useful lives of buildings were shortened by the revision of the Corporate Tax Law. The effect of this change was to increase income before income taxes and minority interest by ¥522 million.

For consolidated subsidiaries depreciation is computed mainly on the declining balance method by estimated useful life.

(d) Reserve for Possible Loan Losses

A reserve for possible loan losses is provided as follows, in conformity with the standard established in advance.

The Bank has established a credit rating system in accordance with the provisions set forth in the Guidelines issued by the Japanese Institute of Certified Public Accountants under which customers are classified into five categories for self assessment purposes such as "legal bankruptcy," "virtual bankruptcy," "possible bankruptcy," "caution" and "normal."

The Bank provided for reserve for possible loan losses at an amount deemed necessary to cover possible losses which is estimated based on the fair value of collateral and guarantee for the legal bankruptcy and the virtual bankruptcy category loans the fair value of collateral as well as other factors of solvency including borrower's future cash flows for the possible bankruptcy category loans and the actual past loss experience for the caution and the normal category loans.

The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the asset review and inspection division in accordance with the Bank's policy and rules for self assessment of asset quality.

For consolidated subsidiaries a reserve was provided based on the loan loss ratio, which is calculated for each loan using actual loan losses during a specified period in the past.

And "reserve for possible loan losses" is represented on the end of "assets" because of changing the Enforcement Regulations of Banking Law.

The effect of this change was to decrease assets by ¥41,407 million and liabilities by ¥41,407 million.

(e) Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the end of each fiscal year.

Foreign currency accounts held by consolidated subsidiaries are translated into the currency of the subsidiary at the exchange rate prevailing at the respective year-ends.

(f) Lease Transactions

Finance lease transactions, except for those which meet the conditions that the ownership of the leased assets is substantially transferred to the lessee, are accounted for on a basis similar to ordinary rental transaction.

(g) Reserve for Retirement Allowances and Pension Plan

Substantially all of the employees are entitled to lump-sum payments upon severance of employment or retirement. The Bank provides for the retirement allowances which would be paid if all employees voluntarily terminated their employment at the end of each fiscal year.

The Bank has the Adjusted Pension Plan, which is a funded plan to adjust the government welfare pension fund. As of March 31, 1999, its past service cost amounted to ¥735 million and was to be funded over 3 years and 4 months from that date.

(h) Consumption Tax

Transactions are recorded at the amounts not including

consumption tax, which is an indirect tax introduced on April 1, 1989.

(i) **Cash Flows**

For the purposes of the consolidated statements of cash flows, cash and cash equivalents represent cash and due from banks.

(j) **Net Income per Share**

Net income per share is computed by dividing net income by the weighted average number of shares outstanding during each year.

4. Trading Account Securities:

| March 31 | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|--------------------------------|--------------------------|---------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| National government bonds..... | ¥0 | ¥12,198 | \$5 |

5. Securities:

| March 31 | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|--------------------------------|--------------------------|----------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| National government bonds..... | ¥248,377 | ¥175,683 | \$2,339,876 |
| Local government bonds..... | 173,090 | 173,853 | 1,630,619 |
| Corporate bonds..... | 118,810 | 106,530 | 1,119,272 |
| Share stocks..... | 32,897 | 33,132 | 309,916 |
| Other securities..... | 13,141 | 11,143 | 123,805 |
| Securities lent..... | 291 | 201 | 2,747 |
| Total..... | ¥586,610 | ¥500,546 | \$5,526,238 |

Securities deposited as collateral: ¥2,268 million (\$21,365 thousand)
 Debt for collateral: Deposits ¥18,504 million (\$174,319 thousand)
 Others estimated: ¥73,003 million (\$687,734 thousand)

6. Loans and Bills Discounted:

(a) Loans and Bills Discounted as of March 31, 2000 and 1999 consisted of the following:

| March 31 | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|-----------------------|--------------------------|------------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Bills discounted..... | ¥ 33,692 | ¥ 36,253 | \$ 317,401 |
| Loans on notes..... | 346,618 | 381,451 | 3,265,367 |
| Loans on deeds..... | 772,818 | 781,924 | 7,280,433 |
| Overdrafts..... | 156,653 | 176,019 | 1,475,778 |
| Total..... | ¥1,309,782 | ¥1,375,649 | \$12,338,981 |

(b) **Non-Accrual Loans**

| March 31 | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|---|--------------------------|---------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Loans to companies | | | |
| Legally bankrupted..... | ¥16,441 | ¥24,362 | \$154,884 |
| Non-Accrual Loans..... | 10,716 | 7,589 | 100,951 |
| Loans past due over 3 months..... | 590 | 1,398 | 5,558 |
| Loans with interest reduced or exempted..... | 29,056 | 23,852 | 273,726 |

7. Foreign Exchanges—Assets:

| March 31 | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|------------------------------------|--------------------------|--------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Due from foreign banks..... | ¥ 120 | ¥ 154 | \$ 1,132 |
| Foreign exchange bills bought | 31 | 2 | 298 |
| Foreign exchange bills receivable | 1,001 | 1,017 | 9,439 |
| Total..... | ¥1,153 | ¥1,173 | \$10,870 |

Foreign Exchange Bills Bought represent foreign bills and checks bought and in the process of collection.

Foreign Exchange Bills Receivable represent bills receivable from customers which are related to imports financed by the Bank.

8. Other Assets:

| March 31 | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|--------------------------|--------------------------|---------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Domestic exchange | | | |
| settlement a/c, Dr. | ¥ 96 | ¥ 49 | \$ 909 |
| Prepaid expenses..... | 42 | 25 | 398 |
| Accrued income..... | 4,876 | 5,300 | 45,941 |
| Others..... | 15,293 | 15,705 | 144,077 |
| Total..... | ¥20,309 | ¥21,081 | \$191,325 |

9. Premises and Equipment

The accumulated depreciation of premises and equipment as of March 31, 2000 and 1999 amounted to ¥31,397 million (\$295,779 thousand) and ¥29,875 million, respectively.

10. Deposits:

| March 31 | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|------------------------------------|--------------------------|------------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Current deposits..... | ¥ 63,405 | ¥ 77,619 | \$ 597,324 |
| Ordinary deposits..... | 465,732 | 438,319 | 4,387,497 |
| Deposits at notice..... | 34,769 | 44,324 | 327,553 |
| Time deposits..... | 1,313,198 | 1,318,561 | 12,371,162 |
| Other deposits..... | 127,000 | 159,879 | 1,196,420 |
| Sub-total..... | 2,004,107 | 2,038,705 | 18,879,958 |
| Negotiable certificates of deposit | 15,280 | 57,260 | 143,947 |
| Total..... | ¥2,019,387 | ¥2,095,965 | \$19,023,905 |

11. Borrowed Money:

| March 31 | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|-----------------------|--------------------------|--------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Loans from banks..... | ¥8,464 | ¥9,170 | \$79,743 |
| Total..... | ¥8,464 | ¥9,170 | \$79,743 |

12. Foreign Exchanges—Liabilities:

| March 31 | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|------------------------------------|--------------------------|------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Foreign exchange bills sold | ¥5 | ¥10 | \$52 |
| Foreign exchange bills payable ... | 0 | — | 0 |
| Total | ¥5 | ¥10 | \$52 |

Foreign Exchange Bills Sold represent outstanding amounts in foreign currencies for outward remittances and sales proceeds of travelers' checks.

Foreign Exchange Bills Payable represent inward remittances pending payment to payees and proceeds of collections.

13. Other Liabilities:

| March 31 | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|--|--------------------------|---------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Domestic exchange settlement a/c, Cr. | ¥ 321 | ¥ 315 | \$ 3,024 |
| Income tax payable | 2,058 | 5,603 | 19,392 |
| Accrued expenses | 5,745 | 6,450 | 54,123 |
| Unearned income | 4,753 | 4,954 | 44,785 |
| Others | 5,427 | 5,852 | 51,129 |
| Total | ¥18,306 | ¥23,175 | \$172,455 |

14. Land Revaluation Difference:

Based on the Law Concerning Land Revaluation (Law No.34, promulgated on March 31, 1998), the Bank recorded their owned land at the fair value and related net unrealized gain, applicable income tax portion were reported as "Deferred tax liabilities on land revaluation" in liabilities and net of applicable income taxes were reported as "Land revaluation difference" in stockholders' equity.

Revaluation date: March 31, 2000.

Revaluation method as stated in Article 3, Section 3 of the Law Concerning Land Revaluation:

The value of land is based on the official notice prices calculated as directed by the public notification of the Commissioner of the National Tax Administration and as provided for in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2, Section 4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No.119, promulgated on March 31, 1998), after making reasonable adjustments, such as for location and quality of sites.

15. Acceptances and Guarantees:

The Bank provides guarantees for liabilities of its customers for payment of loans from other financial institutions. As a contra account, "Customers' Liabilities for Acceptances and Guarantees" are shown on the assets side, indicating the Bank's right of indemnity from the applicants.

16. Other Interest Income:

| | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|------------------------------------|--------------------------|--------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Interest on deposits with banks... | ¥ 77 | ¥ 625 | \$ 734 |
| Other interest income | 328 | 1,748 | 3,092 |
| Total | ¥406 | ¥2,373 | \$3,826 |

17. Fees and Commissions—Income:

| | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|----------------------------------|--------------------------|--------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Domestic and foreign exchange .. | ¥2,368 | ¥2,393 | \$22,315 |
| Others | 3,285 | 3,146 | 30,947 |
| Total | ¥5,653 | ¥5,540 | \$53,263 |

18. Other Operating Income:

| March 31 | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|--|--------------------------|--------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Gains on trading account securities | ¥ 8 | ¥ 90 | \$ 77 |
| Gains on sales of bonds | 220 | 475 | 2,072 |
| Gains on redemption of bonds.... | 163 | 64 | 1,543 |
| Gains on foreign exchange transactions | 97 | 66 | 922 |
| Others | 5,309 | 5,372 | 50,017 |
| Total | ¥5,799 | ¥6,070 | \$54,633 |

19. Other Income:

| | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|---|--------------------------|--------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Gains on sales of stocks and other securities | ¥2,651 | ¥6,098 | \$24,974 |
| Gains on money held in trust | 244 | 3 | 2,298 |
| Gains on dispositions of premises and equipment | 416 | 169 | 3,924 |
| Others | 504 | 498 | 4,750 |
| Total | ¥3,815 | ¥6,768 | \$35,948 |

20. Other Interest Expenses:

| | Millions of yen (Note 1) | | Thousands of U.S.dollars (Note 1) |
|----------------------------------|--------------------------|--------|--------------------------------------|
| | 2000 | 1999 | 2000 |
| Interest on interest-swaps | ¥1,115 | ¥ 868 | \$10,504 |
| Other interest expenses | 2,919 | 4,656 | 27,505 |
| Total | ¥4,034 | ¥5,525 | \$38,009 |

21. Fees and Commissions—Expenses:

| | Millions of yen (Note 1) | | Thousands of |
|----------------------------------|--------------------------|------|----------------------|
| | 2000 | 1999 | U.S.dollars (Note 1) |
| Domestic and foreign exchange .. | ¥ 389 | ¥390 | \$ 3,667 |
| Others | 1,044 | 353 | 9,843 |
| Total | ¥1,434 | ¥743 | \$13,510 |

22. Other Operating Expenses:

| | Millions of yen (Note 1) | | Thousands of |
|----------------------------------|--------------------------|--------|----------------------|
| | 2000 | 1999 | U.S.dollars (Note 1) |
| Losses on redemption of bonds .. | ¥ 927 | ¥ 462 | \$ 8,734 |
| Losses on sales of bonds..... | 176 | 32 | 1,658 |
| Others..... | 4,858 | 4,796 | 45,773 |
| Total | ¥5,961 | ¥5,292 | \$56,165 |

23. Other Expenses:

| | Millions of yen (Note 1) | | Thousands of |
|------------------------------------|--------------------------|---------|----------------------|
| | 2000 | 1999 | U.S.dollars (Note 1) |
| Provision for reserve | | | |
| for possible loan losses | ¥ 8,766 | ¥15,253 | \$ 82,584 |
| Written-off claims | 1,284 | 376 | 12,104 |
| Losses on sales of | | | |
| stocks and other securities | 398 | 743 | 3,749 |
| Losses on devaluation of | | | |
| stocks and other securities | 1,209 | 606 | 11,390 |
| Losses on money held in trust..... | 0 | 121 | 0 |
| Losses on dispositions of | | | |
| premises and equipment | 134 | 215 | 1,264 |
| Others..... | 429 | 339 | 4,046 |
| Total | ¥12,222 | ¥17,655 | \$115,141 |

24. Income Taxes

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The tax effects of significant temporary differences which result in deferred tax assets and liabilities at March 31, 2000 are as follows:

| | Millions of yen (Note 1) | | Thousands of |
|---------------------------------|--------------------------|---------|----------------------|
| | 2000 | 1999 | U.S.dollars (Note 1) |
| Deferred tax assets: | | | |
| Reserve for possible | | | |
| loan losses..... | ¥ 9,608 | ¥ 6,605 | \$ 90,513 |
| Reserve for retirement | | | |
| allowance | 1,387 | 1,324 | 13,066 |
| Depreciation | 1,602 | 1,726 | 15,091 |
| Deferred assets | 435 | 475 | 4,097 |
| Enterprise taxes payable | 177 | 478 | 1,667 |
| Others..... | 573 | 596 | 5,398 |
| Total deferred tax assets | 13,785 | 11,206 | 129,863 |
| Deferred tax liabilities: | | | |
| Allowance for compressed | | | |
| entry of fixed assets..... | (139) | — | (1,309) |
| Net deferred tax assets | 13,645 | 11,206 | 128,547 |

25. Lease Transaction

Finance lease transactions, except for those which meet the conditions that the ownership of the lease assets is substantially transferred to the lessee.

(a) Amounts equivalent to acquisition costs, accumulated depreciation and net balance as of March 31, 2000 concerning the finance lease assets are as follows:

| | Equipment |
|--------------------------|--------------------------------------|
| Acquisition costs | ¥22,000 million (\$207,253 thousand) |
| Accumulated depreciation | ¥10,768 million (\$101,441 thousand) |
| Net balance | ¥11,231 million (\$105,803 thousand) |

(b) Future payment obligations of finance lease expenses as of March 31, 2000 is as follows:

| | |
|------------------------------|------------------------------------|
| Portion due within one year: | ¥3,739 million (\$35,223 thousand) |
| Thereafter: | ¥7,491 million (\$70,569 thousand) |

(c) Lease expenses paid and amounts equivalent to depreciation expenses and interest expenses during fiscal year 2000 are as follows:

| | |
|--------------------------|------------------------------------|
| Lease payments received: | ¥4,242 million (\$39,962 thousand) |
| Depreciation expenses: | ¥4,242 million (\$39,962 thousand) |

Amounts equivalent to depreciation expenses are calculated by straight-line method over the period of finance lease.

26. Market Value Information

Book value and market value of securities

| | Millions of yen (Note 1) | | |
|-----------------------------|--------------------------|------------|--|
| | Market value | Book value | Difference between market value and book value |
| | 2000 | 2000 | 2000 |
| March 31 | | | |
| Trading account securities: | | | |
| Bonds..... | ¥ — | ¥ — | ¥ — |
| Investment securities: | | | |
| Bonds..... | 136,489 | 144,684 | 8,195 |
| Corporate stocks..... | 30,768 | 75,987 | 45,218 |
| Other..... | 1,726 | 1,822 | 95 |
| Sub-total..... | 168,984 | 222,494 | 53,509 |
| Total..... | ¥168,984 | ¥222,494 | ¥53,509 |

Notes: 1. The trading account securities and investment securities included in this table are listed securities. The bonds include national government and municipal bonds as well as corporate bonds. The market price for listed securities is primarily based on the closing price on the Tokyo Stock Exchange.
2. For unlisted securities, the appropriate market price can be calculated as detailed below.

| Unlisted Securities (for which an equivalent market price can be calculated) | Millions of yen (Note 1) | | |
|---|--------------------------|-------------------------|--|
| | Book value | Unrealized market value | Difference between market value and book value |
| | 2000 | 2000 | 2000 |
| March 31 | | | |
| Trading Account Securities: | | | |
| Bonds..... | ¥ 0 | ¥ 0 | ¥ 0 |
| Investment Securities: | | | |
| Bonds..... | 193,909 | 197,265 | 3,356 |
| Corporate Stocks..... | 847 | 1,094 | 247 |
| Other..... | 4,227 | 4,454 | 226 |
| Sub-total..... | 198,984 | 202,814 | 3,830 |
| Total..... | ¥198,984 | ¥202,814 | ¥3,830 |

Note: The appropriate market value for unlisted securities, in the case of over-the-counter market securities, is determined according to prices announced by the Japan Securities Dealers Association, for public bonds, according to prices calculated based on index yields published in an over-the-counter bond standards quote list announced by the Japan Securities Dealers Association, and for investment certificates of securities investment trusts, according to the standard price.

| March 31 | Millions of yen (Note 1) |
|---|--------------------------|
| | Book value |
| Securities excluded from "Market value of securities" | 2000 |
| Trading account securities: | |
| Bonds..... | ¥ — |
| Investment securities: | |
| Bonds..... | 215,391 |
| Corporate stocks..... | 1,281 |
| Other..... | 1,967 |

27. Off-Balance-Sheet Transactions

Derivatives and Forward Foreign Exchanges

| | Amount Equivalent to the Credit Risk | |
|---|--------------------------------------|-----------------------------------|
| | Millions of yen (Note 1) | Thousands of U.S.dollars (Note 1) |
| | 2000 | 2000 |
| March 31 | | |
| Interest rate and currency swaps..... | ¥381 | \$3,589 |
| Forward foreign exchanges transactions | 311 | 2,929 |
| Interest rate and currency options..... | — | — |
| Other derivatives..... | — | — |
| Total..... | ¥692 | \$6,519 |

The above amounts equivalent to the risk are calculated using the original exposure method, in accordance with international standards.

28. Statements of Cash Flows

Relationship between the closing balance of cash and cash equivalents, and the figure on consolidated balance sheets:

| March 31 | Millions of yen (Note 1) |
|--------------------------------|--------------------------|
| | 2000 |
| Cash and Due from Banks..... | ¥105,411 |
| Due without Interest..... | (6) |
| Ordinary Due..... | (655) |
| Fixed Due..... | (140) |
| Other Due..... | (10,000) |
| Cash and Cash Equivalents..... | ¥94,608 |

29. Subsequent Event

The appropriation of retained earnings applicable to the year ended March 31, 2000 was approved at the stockholders' meeting of the Bank held on June 29, 2000.

Century Ota Showa & Co.

Certified Public Accountants

1-1-3, Shiba Daimon, Minato-ku,
Tokyo, Japan

To The Board of Directors of The Akita Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Akita Bank, Ltd. as of March 31, 2000 and 1999, and the related consolidated statements of income, and cash flows for the years then ended, expressed in Japanese yen.

Our examinations were made in accordance with auditing standards generally accepted in Japan, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements mentioned above present fairly the financial position of The Akita Bank, Ltd. as of March 31, 2000 and 1999, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

Amounts expressed in U.S.dollars have been translated on the basis stated in Note 1 of the Notes to Consolidated Financial Statements.

June 29, 2000
Tokyo, Japan

Century Ota Showa & Co.

NON-CONSOLIDATED BALANCE SHEETS

(As of March 31, 2000, 1999 and 1998)

| | Millions of yen (Note 1) | | | Thousands of U.S. dollars (Note 1) |
|--|--------------------------|-------------------|-------------------|---------------------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Assets | | | | |
| Cash and due from banks | ¥ 105,107 | ¥ 110,882 | ¥ 258,500 | \$ 990,183 |
| Call loans..... | 46,610 | 147,976 | 83,099 | 439,099 |
| Commercial paper and other debt purchased | 94,570 | 73,406 | 66,027 | 890,910 |
| Trading account securities..... | 0 | 12,198 | 12,190 | 5 |
| Money held in trust | 1,317 | 1,746 | 2,191 | 12,409 |
| Securities | 586,633 | 500,567 | 488,439 | 5,526,457 |
| Loans and bills discounted..... | 1,311,937 | 1,378,444 | 1,349,286 | 12,359,281 |
| Foreign exchanges..... | 1,153 | 1,173 | 1,482 | 10,870 |
| Other assets..... | 6,121 | 6,516 | 9,623 | 57,669 |
| Premises and equipment..... | 32,269 | 25,810 | 25,910 | 303,996 |
| Customers' liabilities for acceptances and guarantees..... | 41,602 | 46,560 | 46,215 | 391,920 |
| Deferred tax assets | 13,119 | 10,848 | — | 123,592 |
| Reserve for possible loan losses | 40,154 | — | — | 378,283 |
| Total Assets | ¥2,200,289 | ¥2,316,133 | ¥2,342,968 | \$20,728,113 |
| Liabilities | | | | |
| Deposits..... | ¥2,024,910 | ¥2,101,480 | ¥2,136,739 | \$19,075,937 |
| Call moneys..... | 1,977 | 5,113 | 13,823 | 18,629 |
| Borrowed money | 171 | 178 | 6,174 | 1,614 |
| Foreign exchanges | 5 | 10 | 8 | 52 |
| Other liabilities | 13,365 | 18,510 | 13,329 | 125,914 |
| Reserve for possible loan losses | — | 35,339 | 25,912 | — |
| Reserve for retirement allowances..... | 4,998 | 5,085 | 5,055 | 47,088 |
| Deferred tax liability on land revaluation | 3,238 | — | — | 30,511 |
| Acceptances and guarantees..... | 41,602 | 46,560 | 46,215 | 391,920 |
| Total Liabilities | ¥2,090,270 | ¥2,212,281 | ¥2,247,259 | \$19,691,668 |
| Stockholders' Equity | | | | |
| Common stock | ¥ 14,100 | ¥ 14,100 | ¥ 14,100 | \$ 132,838 |
| Capital surplus | 6,268 | 6,268 | 6,268 | 59,054 |
| Legal reserve | 14,082 | 13,437 | 12,813 | 132,668 |
| Land revaluation difference..... | 4,660 | — | — | 43,906 |
| Voluntary reserve | 67,656 | 60,156 | 56,156 | 637,362 |
| Earned surplus | 3,249 | 9,888 | 6,369 | 30,614 |
| Total Stockholders' Equity | 110,018 | 103,852 | 95,708 | 1,036,444 |
| Total Liabilities and Stockholders' Equity | ¥2,200,289 | ¥2,316,133 | ¥2,342,968 | \$20,728,113 |

See Notes to Non-consolidated Financial Statements.

NON-CONSOLIDATED STATEMENTS OF INCOME AND APPROPRIATION OF PROFIT

(For the years ended March 31, 2000, 1999 and 1998)

| | Millions of yen (Note 1) | | | Thousands of U.S. dollars (Note 1) |
|--|--------------------------|----------------|----------------|---------------------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Income | | | | |
| Interest income | | | | |
| Interest on loans and discounts..... | ¥34,524 | ¥38,260 | ¥36,007 | \$325,240 |
| Interest and dividends on securities..... | 17,009 | 18,151 | 19,932 | 160,235 |
| Other interest income | 388 | 2,352 | 3,529 | 3,662 |
| Fees and commissions..... | 4,616 | 4,481 | 4,451 | 43,489 |
| Other operating income | 492 | 700 | 621 | 4,639 |
| Other income | 3,815 | 6,791 | 6,317 | 35,947 |
| Total Income | ¥60,846 | ¥70,737 | ¥70,860 | \$573,214 |
| Expenses | | | | |
| Interest expenses | | | | |
| Interest on deposits..... | 5,262 | 8,879 | 10,321 | 49,574 |
| Interest on borrowings and rediscounts | 196 | 559 | 1,241 | 1,846 |
| Other interest expenses | 4,033 | 5,524 | 3,168 | 38,001 |
| Fees and commissions..... | 1,699 | 1,558 | 1,618 | 16,008 |
| Other operating expenses..... | 1,103 | 495 | 606 | 10,392 |
| General and administrative expenses..... | 29,704 | 31,507 | 30,773 | 279,835 |
| Other expenses..... | 11,450 | 16,976 | 15,236 | 107,873 |
| Total Expenses | 53,449 | 65,501 | 62,968 | 503,532 |
| Income before Income Taxes..... | 7,396 | 5,236 | 7,893 | 69,682 |
| Income Taxes | | | | |
| Current..... | 5,310 | 6,890 | 2,285 | 50,031 |
| Deferred | 2,270 | 3,911 | — | 21,388 |
| Total Income Taxes..... | 3,040 | 2,979 | 2,285 | 28,642 |
| Net Income | 4,356 | 2,257 | 5,607 | 41,040 |
| Profit brought forward from previous term | 1,338 | 1,319 | 1,387 | 12,661 |
| Adjustment of retained earnings for newly applied accounting for tax allocation | — | 6,937 | — | — |
| Interim dividends..... | 625 | 521 | 521 | 5,891 |
| Legal reserve | 125 | 104 | 104 | 1,178 |
| Reduction of treasury stock by distribution of net profit ... | 1,694 | — | — | 15,967 |
| Earned Surplus at End of Term | ¥ 3,249 | ¥ 9,888 | ¥ 6,369 | \$ 30,614 |
| Appropriation of Profit (Non-Consolidated) | | | | |
| Earned surplus at end of term | ¥ 3,249 | ¥ 9,888 | ¥ 6,369 | \$ 30,614 |
| Profits appropriated as follows: | | | | |
| Legal reserve..... | 18 | 520 | 520 | 170 |
| Voluntary reserve | 199 | 7,500 | 4,000 | 1,874 |
| Dividends..... | 613 | 521 | 521 | 5,778 |
| Bonuses for directors and statutory auditors..... | 15 | 9 | 9 | 141 |
| Profit Carried Forward to Next Term..... | ¥ 2,404 | ¥ 1,338 | ¥ 1,319 | \$ 22,648 |
| | | Yen (Note 1) | | U.S. dollars (Note 1) |
| | 2000 | 1999 | 1998 | 2000 |
| Net Income per Share..... | ¥ 20.97 | ¥ 10.82 | ¥ 26.93 | \$ 0.1975 |

See Notes to Non-consolidated Financial Statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Financial Statements:

The accompanying financial statements of The Akita Bank, Ltd. (the "Bank") have been prepared in accordance with accounting principles and practices generally accepted in Japan under the requirements of the Japanese Commercial Code and other applicable rules and regulations.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in Japan in order to present them in a form more familiar to reader outside Japan. In addition, the accompanying notes include information which is not required under generally accepted accounting principles and practices generally accepted in Japan but is presented herein as additional information.

2. Yen and U.S. Dollar Amounts:

Under the Enforcement Regulations of Banking Law, all yen figures are rounded down to the nearest one million yen. Accordingly, breakdown figures may not add up to sums.

U.S. dollar amounts presented in the accompanying financial statements are included solely for convenience and should not be construed as representations that Japanese yen amounts have been or could in the future be converted into U.S. dollars. The rate of ¥106.15 to U.S. \$1, the prevailing market rate at the end of March, 2000, has been used for translation into U.S. dollar amounts in the financial statements.

Board of Directors and Corporate Auditors

President

Makoto Suwa

Senior Managing Directors

Takashi Shinkai
Kentaro Ashina

Managing Directors

Seietsu Fujiwara
Kenichi Hatakeyama

Directors

Hyokichi Tsuji
Toshio Kobayashi
Akio Takahashi
Kunihiro Chida
Shyuhei Noguchi
Takashi Ohashi
Fumio Karube

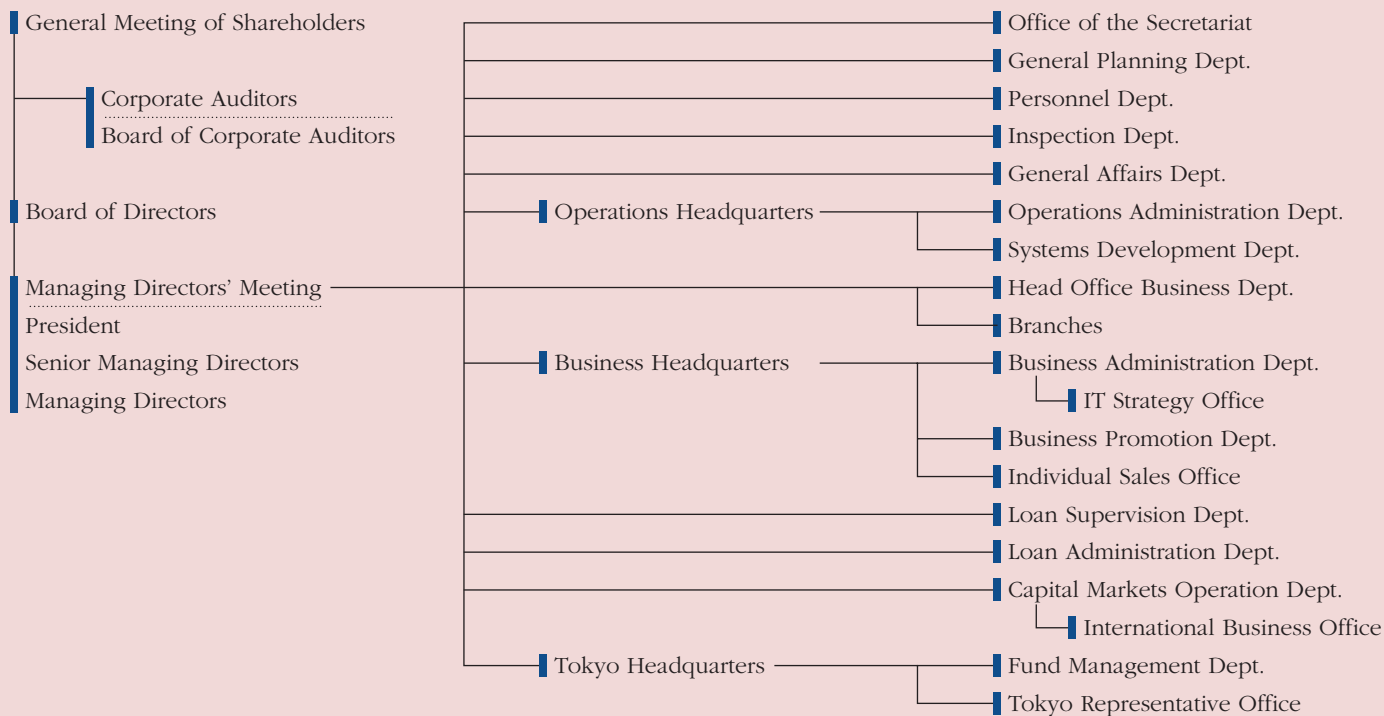
Corporate Auditors

Yasuhiko Watanabe
Akira Kobayashi
Hikoza Ito
Yasuo Kikuchi

Corporate Data

| | |
|---|---|
| Corporate Name | The Akita Bank, Ltd. |
| Head Office | 2-1, Sanno 3-chome, Akita 010-8655, Japan Phone: (018) 863-1212 |
| Established | January 1879 |
| Paid-in Capital | ¥14.1 billion |
| Number of Branches | 111 |
| Number of Employees | 1,701 |
| Number of Shares Issued and Outstanding | 204,481 thousand shares |
| Number of Stockholders | 10,294 |

Organization Chart



Head Office

2-1, Sanno 3-chome, Akita 010-8655, Japan
Phone: (018) 863-1212

Capital Markets Operation Department

General Manager: Chikara Takano

2-1, Sanno 3-chome, Akita 010-8655, Japan
Phone: (018) 867-1220
Fax: (018) 867-1223
Telex: 842261 AKIBK J
Cable Address: AKITABANK
S.W.I.F.T. Address: AKIT JP JT

Foreign Exchange Offices

Noshiro Branch

8-17, Kanmachi, Noshiro, Akita 016-0817, Japan
Phone: (0185) 52-7131

Odate Branch

19, Omachi, Odate, Akita 017-0841, Japan
Phone: (0186) 42-2255

Omagari Branch

2-30, Omachi, Omagari, Akita 014-0025, Japan
Phone: (0187) 63-1321

Yokote Branch

1- 3, Tanakamachi, Yokote, Akita 013-0024, Japan
Phone: (0182) 32-3150

Yuzawa Branch

1- 48, Yanagimachi 2-chome, Yuzawa 012-8604, Japan
Phone: (0183) 73-3111

Honjo Branch

35, Omachi, Honjo, Akita 015-0816, Japan
Phone: (0184) 22-0921

Sapporo Branch

6-1, Odorinishi 4-chome, Chuo-ku, Sapporo, Hokkaido 060-0042, Japan
Phone: (011) 241-9291

Morioka Branch

2-1, Chuo-dori 2-chome, Morioka, Iwate 020-0021, Japan
Phone: (0196) 24-3221

Sendai Branch

2-1, chuo 3-chome, Aoba-ku, Sendai, Miyagi 980-0021, Japan
Phone: (022) 225-8541

Koriyama Branch

14-29, Nakamachi, Koriyama, Fukushima 963-8004, Japan
Phone: (0249) 32-6400

Money Exchange Offices

Head Office, Akita Shiyakusho,
Omachi, Akita, Bakuromachi, Kencho,
Araya, Akita Ekimae, Tegata, Ushijima,
Nakadori, Hiroomote, Onoba,
Akita Higashi Chuo, Tsuchizaki,
Oga, Gojome, Noshiro Ekimae,
Noshiro-Minami, Kado, Futatsui,
Odate Ekimae, Takanosu, Kosaka,
Hanawa, Yuwa, Omagari Ekimae,
Kariwano, Jinguji, Kakunodate,
Tazawako, Rokugo, Yokote Ekimae,
Jumonji, Asamai, Honjo Ekimae,
Yashima, Kusakata, Nikaho, Fukushima,
Nichidai Kogakubumae Sub-branch,
Koriyama-Kita, Tokyo



Branch Network Total: 111

