

# Annual Report 2001

Year ended March 31, 2001

**The Akita Bank, Ltd.**



## Profile

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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.

Today, Japanese banks face an adverse business environment characterized by intense competition and regulatory changes. In response, the Bank has reorganized its management structure. All Bank staff members are determined to maintain the absolute trust which we have earned from the public, and will do so by placing the changing needs of customers first.

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*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, 2001 and 2000)

For the years ended March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Total income.....	¥76,196	¥67,494	\$614,982
Total expenses.....	71,373	59,637	576,055
Income before income taxes.....	4,822	7,857	38,926
Net income .....	2,494	4,388	20,137

	Yen		U.S. dollars
Net income per share.....	¥12.31	¥21.14	\$0.0993

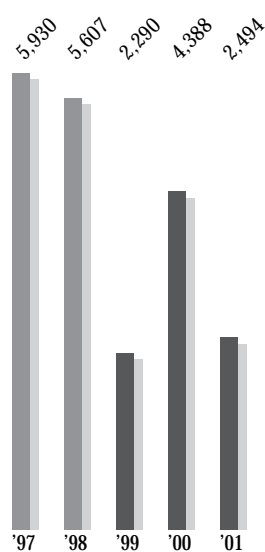
As of March 31	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Total assets .....	¥2,286,401	¥2,212,191	\$18,453,601
Deposits .....	2,059,266	2,019,387	16,620,394
Loans and bills discounted .....	1,290,572	1,309,782	10,416,244
Trading securities and securities .....	670,832	586,610	5,414,305
Stockholders' equity.....	140,479	110,120	1,133,813

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

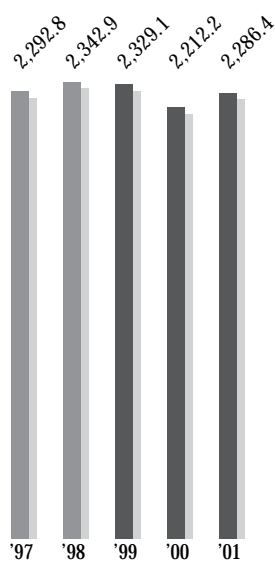
(2) U.S. dollar amounts are translated, for convenience only, at ¥123.9 = U.S.\$1.00, the rate prevailing as of March 31, 2001.

(3) Stockholders' equity ratio stood at 11.00% as of March 31, 2001 according to the domestic standard.

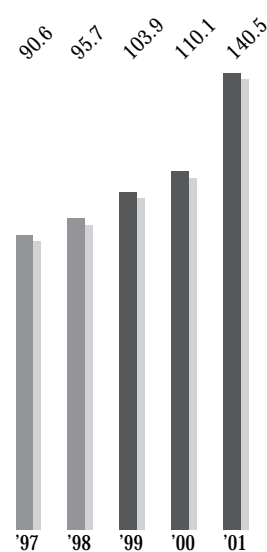
**Net Income**  
(¥ millions)



**Total Assets**  
(¥ billions)



**Stockholders' Equity**  
(¥ billions)



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

# FIVE-YEAR SUMMARY

As of March 31

	Millions of yen				
	2001	2000	1999	1998	1997
Total income.....	¥76,195	¥67,494	¥77,415	¥70,860	¥69,970
Net income .....	2,494	4,388	2,290	5,607	5,930
	Yen				
Net income per share.....	¥12.31	¥21.14	¥10.99	¥26.93	¥28.56
	Percent				
<b>Income Ratio</b>					
Net income to total assets .....	0.10	0.19	0.09	0.24	0.26
Net income to stockholders' equity.....	1.99	4.10	2.20	6.01	6.72
<b>Capital Adequacy Ratio</b>					
Domestic standard .....	11.00	10.96	10.22	9.43	—
BIS standard .....	—	—	—	—	10.15

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

(2) The Bank's Capital adequacy 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 amendment of the Banking Law of Japan as of March 31 1998.

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

# CONSOLIDATED BALANCE SHEETS

(As of March 31, 2001 and 2000)

Assets	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2001	2000	2001
Cash and due from banks.....	¥ 90,112	¥ 105,411	\$ 727,297
Call loans .....	63,201	46,610	510,098
Commercial paper and other debt purchased.....	121,632	94,570	981,698
Trading account securities (Note 4) .....	18	0	145
Money held in trust.....	1,551	1,317	12,518
Securities (Note 5) .....	670,814	586,610	5,414,159
Loans and bills discounted (Note 6) .....	1,290,572	1,309,782	10,416,244
Foreign exchanges (Note 7) .....	726	1,153	5,865
Other assets (Note 8) .....	22,389	20,309	180,709
Premises and equipment (Note 9) .....	31,274	32,585	252,417
Customers' liabilities for acceptances and guarantees (Note 17) .....	39,032	41,602	315,030
Deferred tax assets.....	878	13,645	7,087
Less: Reserve for possible loan losses.....	45,802	41,407	369,674
<b>Total Assets</b> .....	<b>¥2,286,401</b>	<b>¥2,212,191</b>	<b>\$18,453,601</b>
<b>Liabilities</b>			
Deposits (Note 10) .....	¥2,059,266	¥2,019,387	\$16,620,394
Call moneys .....	1,726	1,977	13,932
Borrowed money (Note 11) .....	8,187	8,464	66,079
Foreign exchanges (Note 12) .....	4	5	33
Other liabilities (Note 13) .....	22,794	18,306	183,976
Reserve for retirement allowances .....	—	5,057	—
Reserve for retirement Benefits (Note 14) .....	7,416	—	59,862
Deferred tax liability on land revaluation (Note 15) .....	3,155	3,238	25,467
Acceptances and guarantees (Note 17) .....	39,032	41,602	315,030
<b>Total Liabilities</b> .....	<b>¥2,141,583</b>	<b>¥2,098,039</b>	<b>\$17,284,776</b>
<b>Minority Interests in Consolidated Subsidiaries</b> .....	<b>¥ 4,337</b>	<b>¥ 4,030</b>	<b>\$ 35,011</b>
<b>Stockholders' Equity</b>			
Common stock .....	¥ 14,100	¥ 14,100	\$ 113,808
Capital surplus.....	6,268	6,268	50,594
Land revaluation difference (Note 15) .....	4,540	4,660	36,647
Earned surplus.....	85,433	85,178	689,537
Net Unrealized Holding on Securities in Investment (Note 16) .....	30,232	—	244,004
Treasury stock .....	0	1	5
Parent bank's stock held by subsidiaries .....	95	86	773
<b>Total Stockholders' Equity</b> .....	<b>¥ 140,479</b>	<b>¥ 110,120</b>	<b>\$ 1,133,813</b>
<b>Total Liabilities, Minority Interests in Consolidated Subsidiaries and Stockholders' Equity</b> .....	<b>¥2,286,401</b>	<b>¥2,212,191</b>	<b>\$18,453,601</b>

See Notes to Consolidated Financial Statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

(As of March 31, 2001)

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2001	2000	2001
<b>Cash Flows from Operating Activities</b>			
Income before income taxes and minority interest .....	¥ 4,822	¥ 7,857	\$ 38,926
Depreciation and amortization .....	2,132	2,608	17,212
Net change in reserve for possible loan losses .....	4,395	5,214	35,473
Net change in reserve for retirement allowances .....	(5,057)	(87)	(40,816)
Net change in reserve for retirement benefit .....	7,416	—	59,862
Interest income .....	(50,058)	(52,225)	(404,026)
Interest expenses .....	9,361	9,663	75,558
Net (gain) loss related to securities transactions .....	(7,157)	(324)	(57,764)
Net (income) loss from money held in trust .....	73	(244)	594
Net exchange (gain) loss .....	(120)	(97)	(969)
Net (gain) loss from disposition of premises and equipment .....	136	(282)	1,101
Net change in loans and bills discounted .....	9,163	61,449	73,957
Net change in deposits .....	(63,970)	(34,597)	(516,308)
Net change in negotiable certificates of deposit .....	103,850	(41,980)	838,175
Net change in call loans, commercial paper and other debt purchased .....	(43,653)	80,202	(352,326)
Net change in call money and borrowed money .....	(251)	(3,841)	(2,028)
Net change in due from banks (excluding due from Bank of Japan) ..	(42,469)	47,783	(342,771)
Net change in foreign exchanges (assets) .....	427	20	3,447
Net change in foreign exchanges (liabilities) .....	132	81	1,066
Interest income received on cash basis .....	50,086	52,503	404,250
Interest expenses paid on cash basis .....	(9,777)	(10,615)	(78,911)
Net change in trading account securities .....	(10)	12,206	(86)
Other, net .....	8,559	4,765	69,083
Sub-total .....	(22,245)	140,060	(179,541)
Income taxes paid .....	(5,008)	(9,226)	(40,425)
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b>¥ (27,253)</b>	<b>¥ 130,834</b>	<b>\$ (219,966)</b>
<b>Cash Flows from Investing Activities</b>			
Purchases of securities .....	¥(152,567)	¥(183,796)	\$(1,231,379)
Proceeds from sales of securities .....	53,827	31,746	434,446
Proceeds from maturity of securities .....	71,783	66,289	579,367
Purchases of money held in trust .....	(233)	—	(1,886)
Proceeds from money held in trust .....	—	429	—
Purchases of premises and equipment .....	(1,320)	(1,504)	(10,656)
Proceeds from Sales of premises and equipment .....	362	708	2,923
<b>Net Cash Provided by (Used in) Investing Activities .....</b>	<b>¥ (28,148)</b>	<b>¥ (86,125)</b>	<b>\$ (227,185)</b>
<b>Cash Flows from Financing Activities</b>			
Dividends paid .....	¥ (1,118)	¥ (1,145)	\$ (9,027)
Dividends paid for minority .....	(7)	(7)	(62)
Purchases of treasury stock .....	(1,226)	(1,694)	(9,901)
<b>Net Cash Provided by (Used in) Financing Activities .....</b>	<b>¥ (2,352)</b>	<b>¥ (2,848)</b>	<b>\$ (18,990)</b>
Effect of currency rate exchanges on cash and cash equivalents .....	¥ (13)	¥ 11	\$ (108)
Net increase (decrease) in cash and cash equivalents .....	(57,768)	41,871	(466,251)
Cash and cash equivalents at beginning of year .....	94,608	52,736	763,589
<b>Cash and Cash Equivalents at End of Year .....</b>	<b>¥ 36,840</b>	<b>¥ 94,608</b>	<b>\$ 297,338</b>

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 ¥123.9 to \$1, the rate of exchange in effect at March 31, 2001. 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 are carried at fair value with unrealized Holding gain and losses included in earnings.

### (b) Securities

Held-to-maturity securities are amortized or accumulated to face value. Other securities with a fair value are carried at fair value with unrealized Holding gain and losses excluded from earnings and reported as a net amount in a separate component of stockholders' equity until realized. Other securities without a fair value are carried at cost or are amortized or accumulated to face value. The cost of other securities is determined under the moving average method.

Securities held in the money held in trusts, of which funds are principally invested in securities and separately managed from other beneficiaries are carried at fair value with unrealized Holding gain and losses included in earnings.

Effective April 1, 2000, the Bank adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, installment accounts receivable shall be recorded at fair value less related interest income.

The effect of this change was to decrease Income before Income Taxes and Minority Interest by ¥818 million (\$6,603 thousand).

The Bank recorded other securities and other money held in trust at the fair value and related net unrealized holding, net of applicable income taxes were reported as "Net Unrealized Holding on Securities in Investment" in stockholders' Equity.

### (c) Derivatives

Derivatives are carried at fair value with unrealized holding gain and losses included in earnings.

### (d) 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.

Incidentally the principal useful life is listed below

Buildings : 3-50years

Equipment : 3-20years

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

### (e) Software

Depreciation of the software used on the bank and consolidated subsidiaries is computed on the straight line method over the estimated useful lives properties (mainly 5 years).

### (f) 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 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.

The consolidated subsidiaries provided for reserve for possible loan losses at amount deemed necessary to cover possible losses which is estimated based on the loan loss ratio, which is calculated for each ordinary loan using actual loan losses during a specified period in the past, and based on the fair value of collateral and guarantee for the specific loans like the possible bankruptcy category loans.

**(g) Reserve for Retirement Benefits**

Effective April 1, 2000, the Bank adopted "Accounting Standard for Retirement Benefits" issued by the Business Accounting Deliberation Council. Under this standard, this reserve is provided at the amount which would be required to be paid if all eligible employees retired voluntarily at the end of the period concerned, based on the estimated retirement benefit obligation and the pension assets.

The effect of this change was to decrease Income before Income Taxes and Minority Interest by ¥3,951 million (\$3,188 thousand).

And the reserve for retirement allowances and payable for past service liabilities of the employees' pension plans are included in the reserve for retirement benefits.

Furthermore, the bank has established the trust of the retirement benefit.

**(h) 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.

Effective April 1, 2000, the consolidated subsidiaries adopted the revised "Accounting Standard for Foreign Currency Transaction" issued by the Business Accounting Deliberation Council.

As a result of the application of this standard, there was little effect on net income for the year ended March 31, 2001.

**(i) 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.

**(j) Consumption Tax**

Transactions are recorded at the amounts not including consumption tax, which is an indirect tax introduced on April 1, 1989.

**(k) Cash Flows**

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

**(l) 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)
	2001	2000	2001
National government bonds.....	¥18	¥ -	\$145

**5. Securities:**

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
National government bonds.....	¥254,050	¥248,377	\$2,050,451
Local government bonds.....	188,899	173,090	1,524,615
Corporate bonds.....	148,535	118,810	1,198,837
Share stocks .....	56,722	32,897	457,806
Other securities.....	22,605	13,141	182,448
Securities lent.....	—	291	—
Total .....	¥670,814	¥586,610	\$5,414,159

Securities deposited as collateral: ¥2,415 million (\$19,494 thousand)  
 Debt for collateral: Deposits ¥11,097 million (\$89,568 thousand)  
 Others estimated: ¥82,580 million (\$666,506 thousand)

Next information includes "Securities", "Trading Account Securities", Negotiable Certificates of Due from Banks in "Cash and Due from Banks", "Commercial Paper" and the part of "Other Dept Purchased".

**(a) Securities for buying and selling**

March 31	Millions of yen	
	Book value	Difference between Historical Cost and Book Value
Securities for buying and selling .....	¥18	¥1

- a. Difference between Historical Cost and Book Value was included in Income and Expenses at this financial year.
- b. Book Value is the fair value based on the market value at March 31, 2001.

**(b) Marketable Other Securities**

March 31	Millions of yen		
	Historical Cost	Book value	Difference between Historical Cost and Book Value
Share stocks .....	¥29,014	¥55,343	¥26,329
National government bonds.....	242,104	254,050	11,946
Local government bonds.....	179,586	188,899	9,312
Corporate bonds.....	142,436	146,791	4,355
Others.....	23,278	22,576	(701)
Total .....	616,420	667,662	51,242

- a. Book Value is the fair value based on the market value at March 31, 2001.

**(c) Other Securities were sold at this financial year**

Other Securities.....	Millions of yen		
	Selling Price	Profit on Sale	Loss on Sale
	2001	2001	2001
	¥44,199	¥8,561	¥228

**(d) Non-marketable Securities**

March 31	Millions of yen
	Book Value
Held-to-maturity securities .....	¥ —
Other securities:	
Unlisted stock(except over-the-counter).....	1,378
Private placement straight bonds.....	1,744
Dept purchased.....	56,340
Foreign share stocks .....	14
Golf seat.....	14

(e) Information about the contractual maturities of held-to-maturity securities and other securities with contractual maturities at March, 2001 is as follows:

March 31	Millions of yen			
	2001			
	Within One year	After one year through five years	After five years through ten years	After ten years
National government bonds.....	¥ 32,086	¥149,265	¥ 69,698	¥3,000
Local government bonds.....	24,694	89,373	74,694	137
Corporate bonds.....	37,272	89,304	21,958	—
Others.....	57,224	11,888	2,753	5
Total.....	¥151,277	¥339,832	¥169,105	¥3,142

## 6. Loans and Bills Discounted:

(a) Loans and Bills Discounted as of March 31, 2001 and 2000 consisted of the following:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Bills discounted.....	¥ 36,418	¥ 33,692	\$ 293,938
Loans on notes.....	313,111	346,618	2,527,128
Loans on deeds.....	796,074	772,818	6,425,139
Overdrafts.....	144,967	156,653	1,170,038
Total.....	¥1,290,572	¥1,309,782	\$10,416,244

(b) Non-Accrual Loans

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Loans to companies legally bankrupted .....	¥ 9,863	¥16,441	\$ 79,608
Non-accrual loans.....	18,364	10,716	148,218
Loans past due over 3 months.....	51	590	417
Loans with interest reduced or exempted .....	47,303	29,056	381,789

The aggregate face amount of banker's bill, commercial bill and documentary bill, which were acquired by discounting of a bill, are ¥36,418 million (\$293,938 thousand).

The bank is under the Commitment Line Contract about overdraft facilities and loans to some customers. Under this contract, the bank has to lend loans to the customer for a fixed credit line unless they breach the condition of this contract when they apply for loans. The amount of outstanding loans by the contract is ¥394,051 million (\$3,180,398 thousand). The contract term of them is within one year. And, the bank can expire absolutely these contracts at an optional time.

Furthermore, the amount not always affect the future cash flow, because the most of these contracts will expire without extension of loan.

And under the most of the contract, the bank can refuse the loan application and can cut the credit line if the financial situation change or for preservation a claim, at a good excuse. The collateral has been collected at the conclusion of the contract in necessary, furthermore, the business results of the customers are regularly caught by the procedure of the bank, and the contract is reexamined if necessary, the measures of credit control are taken.

## 7. Foreign Exchanges—Assets:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Due from foreign banks.....	¥140	¥ 120	\$1,130
Foreign exchange bills bought ....	3	31	25
Foreign exchange bills receivable	583	1,001	4,710
Total .....	¥726	¥1,153	\$5,865

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)
	2001	2000	2001
Domestic exchange settlement a/c, Dr. ....	¥ 81	¥ 96	\$ 660
Prepaid expenses.....	42	42	341
Accrued income.....	5,799	4,876	46,811
Others.....	16,465	15,293	132,896
Total .....	¥22,389	¥20,309	\$180,709

## 9. Premises and Equipment

The accumulated depreciation of premises and equipment as of March 31, 2001 and 2000 amounted to ¥32,321 million (\$260,868 thousand) and ¥31,397 million, respectively.

The guaranties and foregift of Premises and Equipment amounts to ¥734 million (\$5,929 Thousand).

## 10. Deposits:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Current deposits.....	¥ 75,504	¥ 63,405	\$ 609,399
Ordinary deposits .....	493,570	465,732	3,983,623
Deposits at notice .....	38,132	34,769	307,771
Time deposits.....	1,225,646	1,313,198	9,892,226
Other deposits.....	107,281	127,000	865,872
Sub-total.....	1,940,136	2,004,107	15,658,893
Negotiable certificates of deposit	119,130	15,280	961,501
Total.....	¥2,059,266	¥2,019,387	\$16,620,394

## 11. Borrowed Money:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Loans from banks .....	¥8,187	¥8,464	\$66,079
Total .....	¥8,187	¥8,464	\$66,079

## 12. Foreign Exchanges—Liabilities:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Foreign exchange bills sold .....	¥4	¥5	\$32
Foreign exchange bills payable ...	0	0	0
Total .....	¥4	¥5	\$33

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

Foreign Exchange Bills Payable represents 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)
	2001	2000	2001
Domestic exchange settlement a/c. Cr. ....	¥ 166	¥ 321	\$ 1,340
Income tax payable .....	7,389	2,058	59,638
Accrued expenses.....	4,959	5,745	40,026
Unearned income .....	4,364	4,753	35,227
Others.....	5,915	5,427	47,743
Total .....	¥22,794	¥18,306	\$183,976

## 14. Reserve for Retirement Allowances and Pension Plan

Principal pension plan are unfunded defined benefit pension plans. Under the plans, employees are entitled to lump-sum payments upon severance of employment or retirement.

In addition to the above plans, the Bank and consolidated subsidiaries have contributory defined benefit pension plans (employees' pension fund stipulated by the Japanese Welfare Pension Insurance Law) covering substantially all employees.

The funded status of the Bank's pension plans as 31 March 2001 is summarized as follows:

March 31	Millions of yen (Note 1)	Thousands of U.S.dollars (Note 1)
	2001	2001
Projected benefit obligation .....	¥(32,657)	\$(263,582)
Plan assets at fair value .....	23,052	186,057
Funded status.....	(9,605)	(77,524)
Unrecognized actuarial loss .....	2,188	17,661
Net amount recognized in the consolidated balance sheet.....	¥ (7,416)	\$ (59,862)

- The above include the acting portion of welfare pension funds.
- The consolidated subsidiaries estimated retirement benefit obligation by simplified method.

Components of net pension and severance cost for all defined benefit plans as 31 March, 2001 were as follows:

March 31	Millions of yen (Note 1)	Thousands of U.S.dollars (Note 1)
	2001	2001
Service cost .....	¥ 1,305	\$10,534
Interest cost.....	937	7,564
Expected return on plan assets.....	(671)	(5,422)
Amortization of net loss of transition difference .....	9,406	75,920
Net periodic benefit cost.....	¥10,707	\$86,417

- Service Cost include the retirement benefit cost of the subsidiaries which adopts the simplified method.

Actuarial assumptions and the basis used in accounting for the Bank's plans are principally as follows:

- Discount rate is 3.0%
- Expected rate of return on plan assets is 4.0%
- The anticipated retirement benefits are admeasured to each term by the straight-line method.
- Actuarial loss is amortized using the straight-line method over 10 years from next consolidated financial year, which is within the estimated average remaining service years of employees.
- Net loss of transition difference in the amount of ¥9,406 (\$75,920 thousand) is amortized in one lump sum in this consolidated financial year.

## 15. 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.

Difference between the market value and the book value after the revaluation: ¥862 million (\$6,962 thousand)

## 16. Net Unrealized Holding on Securities in Investment

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Variance of the estimate .....	¥51,242		\$413,576
Other securities .....	51,242		413,576
Other money held in trust .....	—		—
Deferred tax liabilities .....	(21,009)		(169,566)
Net unrealized holding on securities in investment (before worth interests adjustment)	30,232		244,009
Worth minority interests .....	0		5
In consolidated subsidiaries			
Net unrealized holding on securities in investment .....	30,232		244,004

## 17. 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.

## 18. Other Interest Income:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Interest on deposits with banks ..	¥ 562	¥ 77	\$4,537
Other interest income .....	521	328	4,205
Total .....	¥1,083	¥406	\$8,742

## 19. Fees and Commissions—Income:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Domestic and foreign exchange ..	¥2,451	¥2,368	\$19,783
Others .....	3,293	3,285	26,582
Total .....	¥5,744	¥5,653	\$46,366

## 20. Other Operating Income:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Gains on			
trading account securities .....	¥ 6	¥ 8	\$ 53
Gains on sales of bonds .....	1,144	220	9,238
Gains on redemption of bonds .....	0	163	0
Gains on foreign exchange transactions .....	120	97	969
Others .....	5,475	5,309	44,189
Total .....	¥6,746	¥5,799	\$54,451

## 21. Other Income:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Gains on sales of			
stocks and other securities .....	¥ 7,418	¥2,651	\$ 59,875
Gains on money held in trust .....	—	244	1
Gains on dispositions of			
premises and equipment .....	44	416	361
Trust of the retirement benefit .....	5,715	—	46,126
Others .....	467	504	3,772
Total .....	¥13,646	¥3,815	\$110,137

## 22. Other Interest Expenses:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Interest on interest-swaps .....	¥ 998	¥1,115	\$ 8,056
Other interest expenses .....	3,559	2,919	28,728
Total .....	¥4,557	¥4,034	\$36,784

## 23. Fees and Commissions—Expenses:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Domestic and foreign exchange ..	¥ 394	¥ 389	\$ 3,181
Others .....	1,051	1,044	8,483
Total .....	¥1,445	¥1,434	\$11,665

## 24. Other Operating Expenses:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Losses on redemption of bonds ..	¥ 0	¥927	\$ 0
Losses on sales of bonds.....	224	176	1,658
Others.....	5,443	4,858	43,930
Total .....	¥5,667	¥5,961	\$45,741

## 25. Other Expenses:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Provision for reserve for possible loan losses.....	¥14,284	¥8,766	\$115,290
Written-off claims .....	615	1,284	4,970
Losses on sales of stocks and other securities....	5	398	42
Losses on devaluation of stocks and other securities....	699	1,209	5,644
Losses on money held in trust.....	73	—	595
Losses on dispositions of premises and equipment .....	181	134	1,463
Net periodic benefit cost.....	9,406	—	75,920
Others.....	271	429	2,190
Total .....	¥25,537	¥12,222	\$206,117

## 26. Income Taxes

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial report in 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 that result in deferred tax assets and liabilities at March 31, 2001 are as follows:

March 31	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Deferred tax assets:			
Reserve for retirement benefits.....	¥ 5,380	¥ —	\$ 43,425
Reserve for possible loan losses.....	15,436	9,608	124,590
Reserve for possible loan losses.....	—	1,387	—
Net unrealized holding on securities in investment	495	—	4,000
Depreciation .....	1,615	1,602	13,037
Deferred assets .....	292	435	2,359
Enterprise taxes payable .....	645	177	5,208
Others.....	997	573	8,050
Total deferred tax assets .....	24,863	13,785	200,673
Deferred tax liabilities:			
Net unrealized holding on securities in investment	(21,504)	—	173,566
Profit by the establishment of the trust of retirement benefits .....	(2,343)	—	18,911
Allowance for compressed entry of fixed assets.....	(137)	(139)	(1,107)
Total deferred tax liabilities ..	(23,985)	—	(193,585)
Net deferred tax assets .....	¥ 878	¥13,645	\$ 7,087

## 27. Lease Transaction

Finance lease transactions, except for those that 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, 2001 concerning the finance lease assets are as follows:

	Equipment
Acquisition Costs	¥21,292 million (\$171,851 thousand)
Accumulated Depreciation	¥10,238 million (\$ 82,633 thousand)
Net balance	¥11,054 million (\$ 89,218 thousand)

(b) Future payment obligations of finance lease expenses as of March 31, 2001 is as follows:

Portion due within one year:	¥3,762 million (\$30,368 thousand)
Thereafter:	¥7,291 million (\$58,849 thousand)

(c) Lease expenses paid and amounts equivalent to depreciation expenses and interest expenses during fiscal year 2001 are as follows:

Lease payments received:	¥4,140 million (\$33,417 thousand)
Depreciation expenses:	¥4,140 million (\$33,417 thousand)

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

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## 28. Off-Balance-Sheet Transactions

Derivatives and Forward Foreign Exchanges

March 31	Amount Equivalent to the Credit Risk		
	Millions of yen (Note 1)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Interest rate and currency swaps.	¥326	¥381	\$2,638
Forward foreign exchanges transactions .....	305	311	2,464
Interest rate and currency options	—	—	—
Other derivatives .....	—	—	—
Total .....	¥632	¥692	\$5,102

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

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## 29. 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)		Thousands of U.S.dollars (Note 1)
	2001	2000	2001
Cash and due from banks .....	¥90,112	¥105,411	\$727,297
Due without interest.....	(56)	(6)	(453)
Ordinary due.....	(631)	(655)	(5,098)
Fixed due .....	(150)	(140)	(1,210)
Other due.....	(52,434)	(10,000)	(423,196)
Cash and Cash Equivalents .....	¥36,840	¥ 94,608	\$297,338

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## 30. Subsequent Event

The Appropriation of retained earnings applicable to the year ended March 31, 2001 was approved at the stockholders' meeting of the Bank held on June 28, 2001.

***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, 2001 and 2000, 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, 2001 and 2000, 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.

The U.S.dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31,2001 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 2 to the consolidated financial statements.

Tokyo,Japan  
June 28,2001

*Century Ota Showa & Co.*





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