

A N N U A L  
R E P O R T

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Year ended March 31, 2004



2004

## Profile

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Since its establishment in 1879, The Akita Bank, Ltd., has worked diligently to extend comprehensive financial services geared to the funding requirements of clients in Akita Prefecture. These efforts are underpinned by a philosophy that seeks to contribute to regional prosperity and help the Bank achieve growth as a financial institution in tune with the economic development of the community.

The Akita Bank Group, which comprises the Bank and seven consolidated subsidiaries, maintains a full line of financial services and provides guarantee and leasing services hinging on the banking business.

The operating environment for domestic regional financial institutions has become increasingly difficult and now requires banks to ensure higher asset quality and greater operational clarity. To overcome obstacles in our path and secure the unwavering trust of clients, we are building a strong profit structure and applying a client's perspective to the development and promotion of high-quality services. Employees and executives alike are totally committed to upholding this trust and will strive to contribute to greater social and economic prosperity in Akita Prefecture.

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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.*

# Consolidated Financial Highlight

The Akita Bank, Ltd. and subsidiaries  
Years ended March 31, 2004 and 2003

For the years ended March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Total income	¥48,928	¥57,628	\$462,941
Total expenses	39,819	51,239	376,761
Income before income taxes	9,108	6,389	86,180
Net income	4,604	3,461	43,563

	Yen	U.S. dollars
Net income per share	¥23.11	\$0.2186

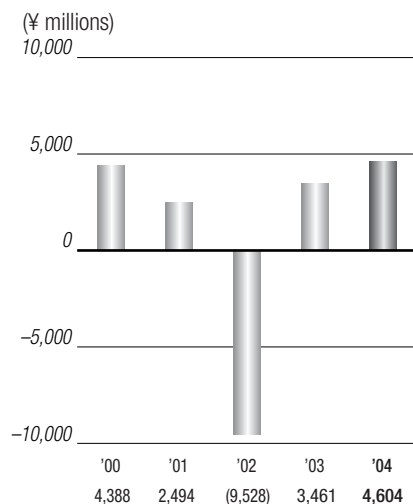
As of March 31	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Total assets	¥2,306,217	¥2,239,698	\$21,820,586
Deposits	2,043,692	2,032,551	19,336,669
Loans and bills discounted	1,279,440	1,296,486	12,105,593
Trading securities and securities	774,287	707,113	7,326,020
Stockholders' equity	125,033	114,568	1,183,022

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

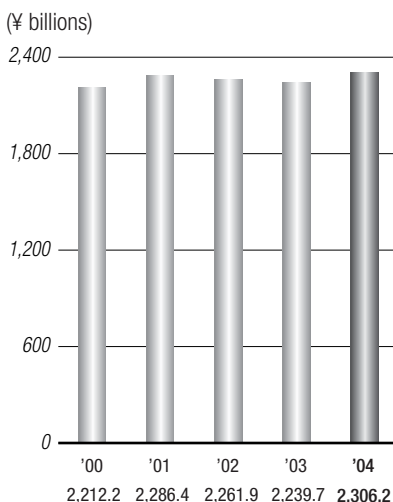
(2) U.S. dollar amounts are translated, for convenience only, at ¥105.69=U.S.\$1.00, the rate prevailing as of March 31, 2004.

(3) Stockholders' equity ratio stood at 11.62% as of March 31, 2004 according to the domestic standard.

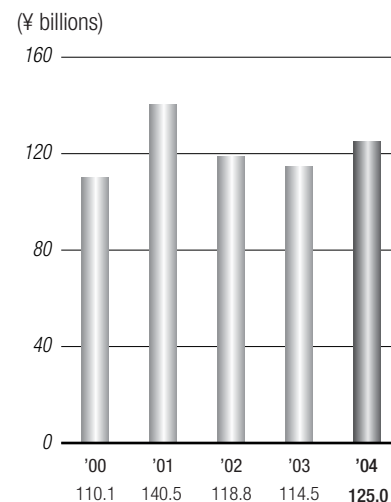
## Net Income (Loss)



## Total Assets



## Stockholders' Equity



## Consolidated Five-year Summary

The Akita Bank, Ltd. and subsidiaries  
As of March 31

	Millions of yen				
	2004	2003	2002	2001	2000
Total income	<b>¥48,928</b>	¥57,628	¥61,620	¥76,195	¥67,494
Net income (loss)	<b>4,604</b>	3,461	(9,528)	2,494	4,388
	Yen				
Net income (loss) per share	<b>¥23.11</b>	¥17.29	¥(47.49)	¥12.31	¥21.14
	Percent				
<b>Income ratio</b>					
Net income (loss) to total assets	<b>0.19</b>	0.15	(0.42)	0.10	0.19
Net income (loss) to stockholders' equity	<b>3.84</b>	2.97	(7.35)	1.99	4.10
<b>Capital adequacy ratio</b>					
Domestic standard	<b>11.62</b>	11.30	10.72	11.00	10.96

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 by domestic standards.

# Consolidated Balance Sheets

The Akita Bank, Ltd. and subsidiaries  
As of March 31, 2004 and 2003

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
<b>ASSETS</b>			
Cash and due from banks	¥ 77,793	¥ 52,339	\$ 736,051
Call loans	78,827	103,058	745,841
Commercial paper and other debt purchased	52,615	38,468	497,828
Trading account securities (Note 4)	59	264	566
Money held in trust	1,555	446	14,716
Securities (Note 5)	774,227	706,849	7,325,453
Loans and bills discounted (Note 6)	1,279,440	1,296,486	12,105,593
Foreign exchanges (Note 7)	1,090	1,134	10,321
Other assets (Note 8)	31,224	38,072	295,433
Premises and equipment (Note 9)	29,814	29,020	282,098
Customers' liabilities for acceptances and guarantees (Note 17)	15,505	17,636	146,703
Deferred tax assets	12,704	21,466	120,206
Allowance for possible loan losses	(48,641)	(65,544)	(460,228)
Allowance for losses on investment securities	(0)	(0)	(0)
<b>Total assets</b>	<b>¥2,306,217</b>	<b>¥2,239,698</b>	<b>\$21,820,586</b>
<b>LIABILITIES</b>			
Deposits (Note 10)	¥2,043,692	¥2,032,551	\$19,336,669
Call moneys	85,983	42,610	813,545
Borrowed money (Note 11)	6,163	6,900	58,317
Foreign exchanges (Note 12)	14	49	136
Other liabilities (Note 13)	15,892	10,528	150,365
Bonus payment reserve (Note 3)	—	1,067	—
Reserve for retirement benefits (Note 14)	6,160	6,199	58,286
Deferred tax liability on land revaluation (Note 15)	2,954	2,979	27,955
Acceptances and guarantees (Note 17)	15,505	17,636	146,703
<b>Total liabilities</b>	<b>¥2,176,366</b>	<b>¥2,120,523</b>	<b>\$20,591,981</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>¥ 4,817</b>	<b>¥ 4,607</b>	<b>\$ 45,582</b>
<b>STOCKHOLDERS' EQUITY</b>			
Common stock	¥ 14,100	¥ 14,100	\$ 133,417
Capital surplus	6,269	6,268	59,316
Retained earnings	80,307	76,678	759,844
Land revaluation difference (Note 15)	4,358	4,395	41,242
Net unrealized holding on securities in investment (Note 16)	20,468	13,569	193,662
Treasury stock	(471)	(444)	(4,460)
<b>Total stockholders' equity</b>	<b>¥ 125,033</b>	<b>¥ 114,568</b>	<b>\$ 1,183,022</b>
<b>Total liabilities, minority interests in consolidated subsidiaries and stockholders' equity</b>	<b>¥2,306,217</b>	<b>¥2,239,698</b>	<b>\$21,820,586</b>

See notes to consolidated financial statements.

# Consolidated Statements of Income and Retained Earnings

The Akita Bank, Ltd. and subsidiaries  
For the years ended March 31, 2004 and 2003

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
<b>Income</b>			
Interest income			
Interest on loans and discounts	¥25,480	¥26,948	\$241,087
Interest and dividends on securities	9,200	10,979	87,053
Other interest income (Note 18)	389	356	3,688
Fees and commissions (Note 19)	6,188	6,207	58,551
Other operating income (Note 20)	5,959	7,255	56,383
Other income (Note 21)	1,709	5,880	16,176
<b>Total income</b>	<b>¥48,928</b>	<b>¥57,628</b>	<b>\$462,941</b>
<b>Expenses</b>			
Interest expenses			
Interest on deposits	¥ 754	¥ 1,265	\$ 7,140
Interest on borrowings and rediscounts	357	187	3,381
Other interest expenses (Note 22)	1,341	1,986	12,688
Fees and commissions (Note 23)	1,537	1,309	14,547
Other operating expenses (Note 24)	5,010	6,735	47,406
General and administrative expenses	27,713	27,569	262,215
Other expenses (Note 25)	3,105	12,184	29,381
<b>Total expenses</b>	<b>¥39,819</b>	<b>¥51,239</b>	<b>\$376,761</b>
<b>Income before income taxes and minority interest</b>	<b>¥ 9,108</b>	<b>¥ 6,389</b>	<b>\$ 86,180</b>
<b>Income taxes</b> (Note 26)			
Current	225	204	2,133
Deferred	4,060	2,525	38,422
<b>Total income taxes</b>	<b>¥ 4,286</b>	<b>¥ 2,729</b>	<b>\$ 40,555</b>
<b>Minority interest in net income</b>	<b>¥ 217</b>	<b>¥ 197</b>	<b>\$ 2,061</b>
<b>Net income</b>	<b>¥ 4,604</b>	<b>¥ 3,461</b>	<b>\$ 43,563</b>
<b>RETAINED EARNINGS</b>			
<b>Balance at beginning of year</b>	¥76,678	¥74,142	\$725,500
Appropriation of land revaluation	36	68	346
Cash dividends	(990)	(994)	(9,376)
Bonuses to directors and statutory auditors	(21)	—	(198)
<b>Balance at end of year</b>	<b>¥80,307</b>	<b>¥76,678</b>	<b>\$759,844</b>
	Yen (Note 1)		U.S. dollars (Note 1)
<b>Net income per share</b>	<b>¥23.11</b>	<b>¥17.29</b>	<b>\$0.2186</b>

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

The Akita Bank, Ltd. and subsidiaries  
As of March 31, 2004 and 2003

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interest	¥ 9,108	¥ 6,389	\$ 86,180
Depreciation and amortization	1,917	1,675	18,146
Net change in reserve for possible loan losses	(16,903)	(8,136)	(159,934)
Net change in reserve for allowance for losses on investment securities	(0)	(7)	(6)
Net change in reserve for bonus payment reserve	(1,067)	(289)	(10,104)
Net change in reserve for retirement benefit	(39)	(423)	(373)
Interest income	(35,071)	(38,284)	(331,829)
Interest expenses	2,453	3,439	23,210
Net (gain) loss related to securities transactions	163	1,921	1,546
Net (income) loss from money held in trust	(128)	31	(1,219)
Net exchange (gain) loss	(93)	(100)	(888)
Net (gain) loss from disposition of premises and equipment	216	137	2,047
Net change in loans and bills discounted	(500)	(10,907)	(4,734)
Net change in deposits	31,485	(44,474)	297,903
Net change in negotiable certificates of deposit	(20,343)	21,938	(192,487)
Net change in borrowed money	(736)	71	(6,968)
Net change in call loans, commercial paper and other debt purchased	10,084	(13,041)	95,411
Net change in call money and borrowed money	43,373	26,006	410,380
Net change in due from banks (excluding due from Bank of Japan)	(29,909)	22,215	(282,990)
Net change in foreign exchanges (assets)	43	(500)	413
Net change in foreign exchanges (liabilities)	58	(126)	550
Interest income received on cash basis	36,068	40,369	341,263
Interest expenses paid on cash basis	(2,837)	(4,203)	(26,850)
Net change in trading account securities	204	555	1,939
Other, net	29,957	(4,707)	283,442
Sub-total	57,500	(452)	544,048
Income taxes paid	(159)	(315)	(1,513)
<b>Net cash provided by (used in) operating activities</b>	<b>¥ 57,340</b>	<b>¥ (768)</b>	<b>\$ 542,534</b>
<b>Cash flows from investing activities</b>			
Purchases of securities	¥(174,395)	¥(168,407)	\$(1,650,068)
Proceeds from sales of securities	24,204	84,019	229,014
Proceeds from maturity of securities	93,348	88,871	883,230
Purchases of money held in trust	(999)	—	(9,460)
Proceeds from money held in trust	—	—	—
Purchases of premises and equipment	(2,965)	(1,315)	(28,057)
Proceeds from sales of premises and equipment	36	142	345
<b>Net cash provided by (used in) investing activities</b>	<b>¥ (60,771)</b>	<b>¥ 3,310</b>	<b>\$ (574,996)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	¥ (990)	¥ (994)	\$ (9,367)
Dividends paid for minority	(7)	(7)	(73)
Purchases of treasury stock	(31)	(431)	(298)
<b>Net cash provided by (used in) financing activities</b>	<b>¥ (1,024)</b>	<b>¥ (1,433)</b>	<b>\$ (9,693)</b>
Effect of currency rate exchanges on cash and cash equivalents	¥ 0	¥ (6)	\$ 6
Net increase (decrease) in cash and cash equivalents	(4,454)	1,101	(42,147)
Cash and cash equivalents at beginning of year	45,585	44,483	431,309
<b>Cash and cash equivalents at end of year (Note 29)</b>	<b>¥ 41,130</b>	<b>¥ 45,585</b>	<b>\$ 389,162</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

The Akita Bank, Ltd. and subsidiaries

## 1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by The Akita Bank, Ltd. The accompanying consolidated financial statements of The Akita Bank, Ltd. (the "Bank") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Securities and Exchange Law of 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 ¥105.69 to \$ 1.00, the rate of exchange in effect at March 31, 2004. 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.

In addition, the notes to the consolidated financial statements include information, which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassification have been made in the 2003 financial statements to conform to the presentation for 2004.

## 2. Principles of Consolidation

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

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

## 3. Significant Accounting Policies

### (a) Trading Account Securities

Trading account securities are carried at market value and the cost of securities sold is determined by the moving average method.

### (b) Securities

Debt securities held-to-maturity are carried at amortized cost using the moving average method. Marketable classified as other securities are stated at market value as of the balance sheet date and the cost of securities sold is determined by the moving average method. Unrealized gain or loss on marketable securities classified as other securities is included as component of shareholders' equity, net of the applicable taxes. Non-marketable securities classified as other securities are stated at cost and the cost of securities sold has been determined by the moving average method, or at amortized cost.

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.

### (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 using 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 major items are as follows:

Buildings : 3–50 years

Equipment: 3–20 years

Depreciation of premises and equipment owned by other consolidated subsidiaries is mainly computed using the straight line method over the estimated useful lives of respective assets.

### (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 (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 are estimated based on the fair value of collateral and guarantee for the legal bankruptcy and the virtual bankruptcy category loans 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 are 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) Bonus Payment Reserve

Arrearages of employee bonuses were included in the bonus payment reserve account until last fiscal year. But this fiscal year they are included in the accrued expenses of other liability account because the Akita bank changes the calculation system of the employee bonus. Therefore the amount of bonus payment reserve decreases 1,059 million yen and the amount of other liability increases the same amount.

### (h) Reserve for retirement benefits

Reserve for employee retirement benefits is calculated based on the



actuarial computation, which uses the present value of the projected benefit obligation and pension assets, due to employees' credited years of services at the balance sheet data. Unrecognized net actuarial gain or loss is amortized from the next fiscal year using the straight-line method over certain years (mainly 10 years) within the average remaining service period of active employees.

#### (i) Foreign Currency Translation

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

Foreign currency accounts held by consolidated subsidiaries are translated into Japanese yen at the exchange rate prevailing at their respective balance sheet data.

#### (j) Hedge accounting

##### (1) Hedge for interest rate risk

The Akita bank doesn't apply a hedge accounting for interest rate risks arising from financial assets and liabilities.

##### (2) Hedge for currency movement risk

The Akita bank applies the deferred hedge method for a currency movements risk arising from financial assets and liabilities in foreign currencies.

#### (k) 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.

#### (l) Consumption Tax

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

#### (m) Cash Flows

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

### 4. Trading Account Securities

March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
National government bonds	¥59	¥264	\$566

### 5. Securities

March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
National government bonds	¥259,649	¥261,927	\$2,456,708
Local government bonds	119,283	109,064	1,128,616
Corporate bonds	291,420	258,365	2,757,318
Share stocks	57,130	38,532	540,547
Other securities	46,742	38,960	442,264
Total	¥774,227	¥706,849	\$7,325,453

Securities deposited as collateral: ¥55,926 million (\$529,153 thousand)  
 Debt for collateral: Deposits ¥22,240 million (\$210,434 thousand)  
   : Bill sold ¥48,800 million (\$461,727 thousand)  
 Others estimated: ¥77,966 million (\$737,693 thousand)

Next information includes "Securities", "Trading Account Securities", Negotiable Certificates of Due from Banks in "Cash and Due from Banks", "Commercial Paper", the part of "Other Debt Purchased" and the investment firm equity fund in "Other Assets".

#### (a) Trading Account Securities

March 31	Millions of yen	
	Book Value	Difference between Historical Cost and Book Value
2004	2004	
Securities for buying and selling	¥59	¥0

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, 2004.

#### (b) Marketable Other Securities

March 31	Millions of yen		
	Historical Cost	Book Value	Difference between Historical Cost and Book Value
2004	2004	2004	
Share stocks	¥ 30,131	¥ 55,254	¥25,122
National government bonds			
bonds	255,970	259,649	3,678
Local government bonds	117,426	119,283	1,856
Corporate bonds	287,755	289,097	1,341
Others	84,351	86,694	2,342
Total	¥775,636	¥809,979	¥34,342

a. Book Value is the fair value based on the market value at March 31, 2004.

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

	Millions of yen		
	Selling Price	Profit on Sale	Loss on Sale
2004	2004	2004	
Other securities	¥24,404	¥128	¥328

#### (d) Non-marketable Securities

March 31	Millions of yen
	Book Value
2004	
Held-to-maturity securities	¥ —
Other securities:	
Unlisted stock (except over-the-counter)	1,876
Private placement straight bonds	2,322
Debt purchased	5,838
Foreign share stocks	28
Golf seat	9

(e) Information about the contractual maturities of held-to-maturity securities and other securities with contractual maturities at March, 2004 is as follows:

March 31	Millions of yen			
	2004			
	Within One year	After one year through five years	After five years through ten years	After ten years
National government bonds	¥ 41,324	¥148,312	¥18,132	¥51,879
Local government bonds	16,619	74,339	28,324	—
Corporate bonds	41,470	226,500	23,449	—
Others	51,343	21,564	9,690	813
<b>Total</b>	<b>¥150,757</b>	<b>¥470,716</b>	<b>¥79,597</b>	<b>¥52,693</b>

## 6. Loans and Bills Discounted

(a) Loans and Bills Discounted as of March 31, 2004 and 2003 consisted of the following:

March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Bills discounted	¥ 18,113	¥ 19,991	\$ 171,383
Loans on notes	160,999	181,201	1,523,321
Loans on deeds	966,842	950,568	9,147,910
Overdrafts	133,484	144,725	1,262,978
<b>Total</b>	<b>¥1,279,440</b>	<b>¥1,296,486</b>	<b>\$12,105,593</b>

(b) Non-Accrual Loans

March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Loans to companies			
legally bankrupted	¥ 9,504	¥15,209	\$ 89,926
Non-accrual loans	74,825	85,164	707,972
Loans past due over 3 months	—	—	—
Loans with interest reduced or exempted	30,233	26,948	286,058

The aggregate face amount of banker's bill, commercial bill and documentary bill, which were acquired by discounting of a bill, are ¥18,114 million (\$171,389 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 ¥405,176 million (\$3,833,635 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 does 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 changes 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)
	2004	2003	2004
Due from foreign banks	¥ 451	¥ 510	\$ 4,274
Foreign exchange bills bought	0	3	5
Foreign exchange bills receivable	638	620	6,041
<b>Total</b>	<b>¥1,090</b>	<b>¥1,134</b>	<b>\$10,321</b>

## 8. Other Assets

March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Domestic exchange settlement			
a/c, Dr.	¥ 41	¥ 15	\$ 391
Prepaid expenses	25	28	240
Accrued income	4,723	4,334	44,693
Others	26,433	33,693	250,108
<b>Total</b>	<b>¥31,224</b>	<b>¥38,072</b>	<b>\$295,433</b>

## 9. Premises and Equipment

The accumulated depreciation of premises and equipment as of March 31, 2004 and 2003 amounted to ¥33,046 million (\$312,669 thousand) and ¥33,538 million, respectively.

The guaranties and foregift of Premises and Equipment amounts to ¥666 million (\$6,310 Thousand).

## 10. Deposits

March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Current deposits	¥ 55,163	¥ 56,486	\$ 521,935
Ordinary deposits	734,528	687,616	6,949,834
Deposits at notice	14,661	15,824	138,721
Time deposits	1,090,412	1,092,384	10,317,082
Other deposits	106,040	117,008	1,003,315
Sub-total	2,000,805	1,969,320	18,930,889
Negotiable certificates of deposit	42,886	63,230	405,780
<b>Total</b>	<b>¥2,043,692</b>	<b>¥2,032,551</b>	<b>\$19,336,669</b>

## 11. Borrowed Money

March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Loans from banks	¥6,163	¥6,900	\$58,317
Total	¥6,163	¥6,900	\$58,317

## 12. Foreign Exchanges—Liabilities:

March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Foreign exchange bills sold	¥13	¥32	\$123
Foreign exchange bills payable	1	17	13
Total	¥14	¥49	\$136

## 13. Other Liabilities

March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Domestic exchange settlement a/c, Cr.	¥ 136	¥ 125	\$ 1,286
Income tax payable	184	119	1,747
Accrued expenses	2,404	1,471	22,748
Unearned income	4,226	4,085	39,986
Others	8,941	4,727	84,596
Total	¥15,892	¥10,528	\$150,365

## 14. Retirement benefits

Reserve for retirement benefits 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.

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

According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Bank applied for the exemption from obligation to pay benefits for future employment services related to the substitutional portion of the governmental pension program, which would result in the transfer of the pension obligations and related assets to the government by the subsequent application.

The Bank obtained an approval of exemption from future obligation by Ministry of Health, Labor and Welfare on March 1, 2004.

## (a) Retirement benefits obligation

March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Projected benefit obligation	¥(20,970)	¥(21,297)	\$(198,419)
Plan assets at fair value	14,907	10,639	141,051
Unfunded retirements benefits obligation	(6,063)	(10,657)	(57,368)
Unrecognized actuarial loss	2,591	8,020	24,516
Reserve for retirement benefits	¥ (6,160)	¥ (6,199)	\$(58,286)

## (b) Pension cost

March 31	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Service cost	¥ 780	¥ 957	\$ 7,387
Interest cost	424	970	4,014
Expected return on plan assets	(118)	(454)	(1,122)
Amortization of prior service cost	—	—	—
Amortization of actuarial loss	834	470	7,891
Net periodic benefit costs	¥1,920	¥1,944	\$18,170

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

a. Discount rate	2.0%
b. Expected rate of return on plan assets	2.0%
c. Term allocation method of expected retirement benefits	Straight line basis over the period
d. Amortization period of prior service cost	—
e. Recognition period of actuarial gain/loss	10 years

## 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: ¥3,156 million (\$29,861 thousand)

## 16. Net Unrealized Holding Gains (Losses) on Securities in Investment

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
March 31			
Variance of the estimate	¥ 34,342	¥22,767	\$ 324,937
Other securities	34,342	22,767	324,937
Other money held in trust	—	—	—
Deferred tax liabilities	(13,874)	(9,198)	(131,274)
Net unrealized holding gains (losses) on securities in investment (before worth interests adjustment)	20,468	13,569	193,662
Worth minority interests			
In consolidated subsidiaries	—	(0)	—
Net unrealized holding on securities in investment	20,468	13,569	193,662

## 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

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Interest on deposits with banks	¥ 25	¥104	\$ 241
Other interest income	364	252	3,447
Total	¥389	¥356	\$3,688

## 19. Fees and Commissions—Income

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Domestic and foreign exchange	¥2,385	¥2,424	\$22,574
Others	3,802	3,782	35,977
Total	¥6,188	¥6,207	\$58,551

## 20. Other Operating Income

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Gains on trading account securities	¥ 0	¥ 9	\$ 6
Gains on sales of bonds	43	1,860	413
Gains on redemption of bonds	38	—	366
Gains on foreign exchange transactions	93	100	888
Others	5,782	5,285	54,708
Total	¥5,959	¥7,255	\$56,383

## 21. Other Income

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Gains on sales of stocks and other securities	¥ 84	¥ 772	\$ 799
Gains on money held in trust	128	21	1,219
Gains on dispositions of premises and equipment	13	5	125
Others	1,483	5,080	14,031
Total	¥1,709	¥5,880	\$16,176

## 22. Other Interest Expenses

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Interest on interest-swaps	¥ 617	¥1,120	\$ 5,847
Other interest expenses	723	865	6,841
Total	¥1,341	¥1,986	\$12,688

## 23. Fees and Commissions—Expenses

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Domestic and foreign exchange	¥ 405	¥ 405	\$ 3,836
Others	1,132	904	10,710
Total	¥1,537	¥1,309	\$14,547

## 24. Other Operating Expenses

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Losses on redemption of bonds	¥ —	¥ —	\$ —
Written-off bonds	—	2,099	—
Losses on sales of bonds	325	—	3,080
Others	4,684	4,636	44,326
Total	¥5,010	¥6,735	\$47,406

## 25. Other Expenses

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Provision for reserve for possible loan losses	¥ —	¥ 6,432	\$ —
Written-off claims	381	728	3,612
Losses on sales of stocks and other securities	2	15	25
Losses on devaluation of stocks and other securities	2	2,439	20
Losses on money held in trust	0	53	0
Losses on dispositions of premises and equipment	229	142	2,173
Losses on sales of bad debts	1,131	1,743	10,706
Losses on renunciation of claims	1,077	—	10,195
Others	279	629	2,648
<b>Total</b>	<b>¥3,105</b>	<b>¥12,184</b>	<b>\$29,381</b>

## 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.

(1) The tax effects of significant temporary differences that result in deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Deferred tax assets:	¥ 4,229	¥ 1,344	\$ 40,014
Reserve for retirement benefits	4,152	2,118	39,287
Reserve for possible loan losses	17,253	23,956	163,247
Net unrealized holding on securities in investment	0	0	0
Depreciation	1,237	1,394	11,708
Deferred assets	20	63	191
Enterprise taxes payable	11	6	112
Others	2,056	3,872	19,459
Valuation allowance	(309)	—	(2,931)
<b>Total deferred tax assets</b>	<b>28,651</b>	<b>32,757</b>	<b>271,088</b>
Deferred tax liabilities:			
Net unrealized holding on securities in investment	(13,874)	(9,198)	(131,274)
Profit by the establishment of the trust of retirement benefits	(1,955)	(1,979)	(18,500)
Allowance for compressed entry of fixed assets	(116)	(112)	(1,106)
Others	—	—	—
<b>Total deferred tax liabilities</b>	<b>(15,946)</b>	<b>(11,290)</b>	<b>(150,882)</b>
<b>Net deferred tax assets</b>	<b>¥ 12,704</b>	<b>¥ 21,466</b>	<b>\$ 120,206</b>

(2) A reconciliation of the effective income tax rate reflected in the accompanying consolidated statement of operations to the statutory tax rate for the year ended March 31, 2004 was as follows:

Statutory tax rate	41.0%
Expenses not permanently deductible for income tax purposes	0.4%
Income not taxable for income tax purposes	(1.3%)
Valuation allowance	3.4%
Others	3.6%
<b>Actual effective tax rate</b>	<b>47.1%</b>

## 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, 2004 concerning the finance lease assets are as follows:

	Equipment
Acquisition Costs	¥19,916 million (\$188,442 thousand)
Accumulated Depreciation	¥ 9,651 million (\$ 91,323 thousand)
<b>Net balance</b>	<b>¥10,264 million (\$ 97,119 thousand)</b>

(b) Future payment obligations of finance lease expenses as of March 31, 2004 is as follows:

Portion due within one year:	¥3,408 million (\$32,249 thousand)
Thereafter:	¥6,856 million (\$64,869 thousand)

(c) Lease expenses paid and amounts equivalent to depreciation expenses and interest expenses during fiscal year 2004 are as follows:

Lease payments received:	¥3,950 million (\$37,380 thousand)
Depreciation expenses:	¥3,950 million (\$37,380 thousand)

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

## 28. 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)	
March 31	2004	2003	2004
Interest rate and currency swaps	¥ 683	¥225	\$ 6,462
Forward foreign exchanges transactions	2,190	437	20,720
Interest rate and currency options	—	—	—
Other derivatives	—	—	—
<b>Total</b>	<b>¥2,874</b>	<b>¥662</b>	<b>\$27,192</b>

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

## 29. Statements of Cash Flows

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

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Cash and due from banks	¥ 77,793	¥52,339	\$ 736,051
Due without interest	(178)	(285)	(1,692)
Ordinary due	(344)	(328)	(3,256)
Fixed due	(140)	(140)	(1,324)
Negotiable due	(35,999)	(6,000)	(340,615)
Other due	—	—	—
Cash and Cash Equivalents	¥ 41,130	¥45,585	\$ 389,162

## 30. Segment Information

### (1) Business segment information

Year ended	Millions of yen				
	Banking business	Other	Total	Eliminated and unallocated corporate assets	Consolidated
March 31, 2004					
I. Ordinary income					
(1) External customers	¥ 41,209	¥ 6,714	¥ 47,923	¥ —	¥ 47,923
(2) Intersegment	142	1,680	1,822	(1,822)	—
Total	41,351	8,394	49,745	(1,822)	47,923
Ordinary Expenses	34,071	7,957	42,029	(2,439)	39,590
Ordinary profit	7,279	436	7,716	616	8,333
II. Assets, depreciation and capital expenditure					
Assets	¥2,294,733	¥21,542	¥2,316,276	¥(10,058)	¥2,306,217
Depreciation	1,895	22	1,917	—	1,917
Capital Expenditure	2,667	44	2,712	—	2,712

Notes: 1. "Other" includes leasing, credit card, Computer service and so on.

2. Instead of "Sales amount" and "Operating profit", "Ordinary income" and "Ordinary profit" are carried.

### (2) Geographic segment information

Carrying geographic segment information is omitted because the ratios of "total domestic ordinary income" and "total domestic assets" to "total income of all segment" and "total assets of all segment" are both over 90%.

### (3) Ordinary income from overseas operations

Carrying ordinary income from overseas operations is omitted because the ratio of "ordinary income from overseas operations" to "Consolidated Ordinary income" is less than 10%.

## 31. Subsequent Event

The Appropriation of retained earnings applicable to the year ended March 31, 2004 was approved at the stockholders' meeting of the Bank held on June 29, 2004.

## Report of Independent Auditors

**THE BOARD OF DIRECTORS**

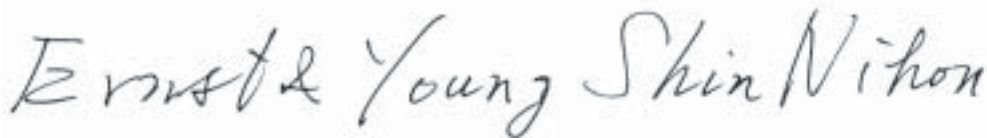
**THE AKITA BANK, LTD.**

We have audited the accompanying consolidated balance sheets of The Akita Bank, Ltd. and consolidated subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of income, retained earnings, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Akita Bank, Ltd. and consolidated subsidiaries at March 31, 2003 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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 1.

The image shows a handwritten signature in black ink that reads "Ernst & Young Shin Nihon". The signature is written in a cursive, flowing style.

June 29, 2004