



ANNUAL REPORT

2005

Year ended March 31, 2005

The Akita Bank, Ltd.

Profile

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.

Several issues that characterize our operating environment are expanding in scope and taking on a greater urgency in terms of management responses. The most pressing issues for regional banks are ongoing deregulation, a new pay-off system that eliminates blanket protection of deposits, and an action plan for relationship banking that requires regional banks to work harder to fulfill their social obligations to local communities. By providing high-quality products and services under these conditions, The 77 Bank will secure the unwavering trust of clients. 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, 2005 and 2004

For the years ended March 31	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Total income	¥ 48,345	¥ 48,928	\$ 450,190
Total expenses	41,643	39,819	387,781
Income before income taxes	6,702	9,108	62,409
Net income	3,888	4,604	36,209

	Yen		U.S. Dollars
Net income per share	¥ 19.52	¥ 23.11	\$ 0.1817

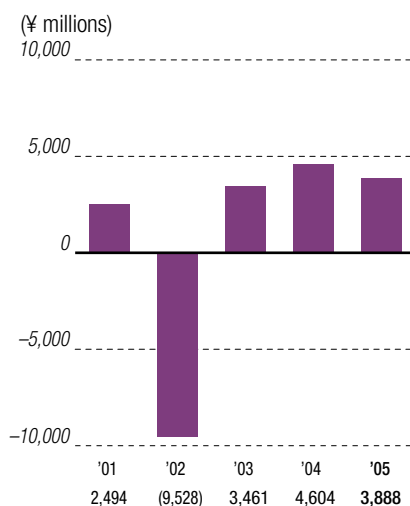
As of March 31	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Total assets	¥2,306,895	¥2,306,217	\$21,481,472
Deposits	2,038,496	2,043,692	18,982,181
Loans and bills discounted	1,279,813	1,279,440	11,917,432
Trading securities and securities	787,633	774,287	7,334,330
Stockholders' equity	128,535	125,033	1,196,902

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

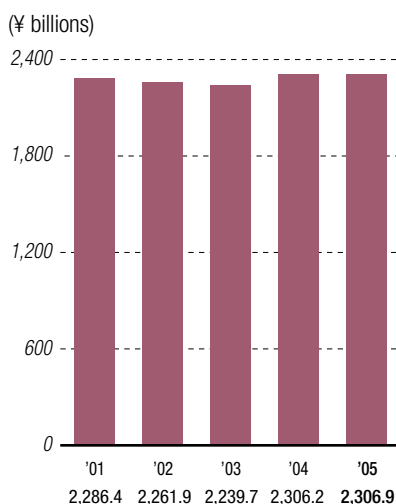
(2) U.S. dollar amounts are translated, for convenience only, at ¥107.39=U.S.\$1.00, the rate prevailing as of March 31, 2005.

(3) Stockholders' equity ratio stood at 11.67% as of March 31, 2005 according to the domestic standard.

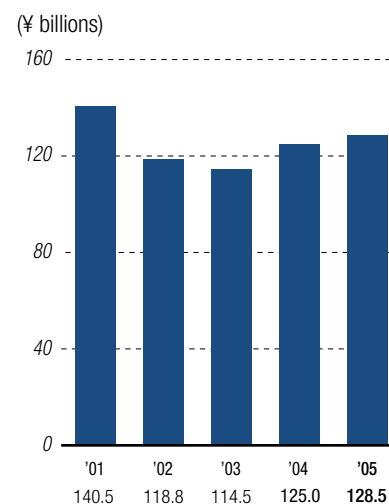
Net Income (Loss)



Total Assets



Stockholders' Equity



Consolidated Five-year Summary

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

	Millions of yen				
	2005	2004	2003	2002	2001
Total income	¥48,345	¥48,928	¥57,628	¥61,620	¥76,195
Net income (loss)	3,888	4,604	3,461	(9,528)	2,494
	Yen				
Net income (loss) per share	¥19.52	¥23.11	¥17.29	¥(47.49)	¥12.31
	Percent				
Income ratio					
Net income (loss) to total assets	0.16	0.19	0.15	(0.42)	0.10
Net income (loss) to stockholders' equity	3.07	3.84	2.97	(7.35)	1.99
Capital adequacy ratio					
Domestic standard	11.67	11.62	11.30	10.72	11.00

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, 2005 and 2004

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
ASSETS			
Cash and due from banks	¥ 86,925	¥ 77,793	\$ 809,438
Call loans	33,505	78,827	311,996
Commercial paper and other debt purchased	83,360	52,615	776,237
Trading account securities (Note 6)	405	59	3,775
Money held in trust (Note 7)	2,116	1,555	19,705
Securities (Note 8)	787,228	774,227	7,330,555
Loans and bills discounted (Note 9)	1,279,813	1,279,440	11,917,432
Foreign exchanges (Note 10)	962	1,090	8,959
Other assets (Note 11)	24,227	31,224	225,606
Premises and equipment (Note 12)	28,375	29,814	264,229
Customers' liabilities for acceptances and guarantees (Note 13)	14,653	15,505	136,452
Deferred tax assets (Note 14)	9,329	12,704	86,876
Allowance for possible loan losses	(44,007)	(48,641)	(409,795)
Allowance for losses on investment securities	—	—	—
Total assets	¥2,306,895	¥2,306,217	\$21,481,472
LIABILITIES			
Deposits (Note 15)	¥2,038,496	¥2,043,692	\$18,982,181
Call moneys	82,773	85,983	770,772
Borrowed money (Note 16)	6,155	6,163	57,322
Foreign exchanges (Note 17)	19	14	179
Other liabilities (Note 18)	22,481	15,892	209,340
Reserve for retirement benefits (Note 19)	6,167	6,160	57,432
Deferred tax liability on land revaluation (Note 20)	2,911	2,954	27,107
Acceptances and guarantees (Note 13)	14,653	15,505	136,452
Total liabilities	¥2,173,658	¥2,176,366	\$20,240,789
Minority interests in consolidated subsidiaries	¥ 4,701	¥ 4,817	\$ 43,779
STOCKHOLDERS' EQUITY			
Common stock	¥ 14,100	¥ 14,100	\$ 131,305
Capital surplus	6,269	6,269	58,380
Retained earnings	82,388	80,307	767,185
Land revaluation difference (Note 20)	4,294	4,358	39,990
Net unrealized holding on securities in investment (Note 21)	21,716	20,468	202,216
Treasury stock	(233)	(471)	(2,175)
Total stockholders' equity	¥ 128,535	¥ 125,033	\$ 1,196,902
Total liabilities, minority interests in consolidated subsidiaries and stockholders' equity	¥2,306,895	¥2,306,217	\$21,481,472

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, 2005 and 2004

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Income			
Interest income			
Interest on loans and discounts	¥24,314	¥25,480	\$226,416
Interest and dividends on securities	9,920	9,200	92,378
Other interest income (Note 22)	281	389	2,616
Fees and commissions (Note 23)	6,495	6,188	60,482
Other operating income (Note 24)	5,280	5,959	49,169
Other income (Note 25)	2,053	1,709	19,126
Total income	¥48,345	¥48,928	\$450,190
Expenses			
Interest expenses			
Interest on deposits	¥ 592	¥ 754	\$ 5,519
Interest on borrowings and rediscounts	292	357	2,726
Other interest expenses (Note 26)	1,319	1,341	12,289
Fees and commissions (Note 27)	1,845	1,537	17,181
Other operating expenses (Note 28)	6,254	5,010	58,243
General and administrative expenses	26,679	27,713	248,431
Other expenses (Note 29)	4,659	3,105	43,390
Total expenses	¥41,643	¥39,819	\$387,781
Income before income taxes and minority interest	¥ 6,702	¥ 9,108	\$ 62,409
Income taxes (Note 14)			
Corporate and inhabitant tax	223	225	2,078
Deferred	2,485	4,060	23,144
Total income taxes	¥ 2,708	¥ 4,286	\$ 25,222
Minority interest in net income	¥ 104	¥ 217	\$ 977
Net income	¥ 3,888	¥ 4,604	\$ 36,209
CAPITAL SURPLUS			
Balance at beginning of year	¥ 6,269	¥ 6,268	\$ 58,377
Increased capital surplus	0	0	2
Gains on disposition of treasury stocks	0	0	2
Decreased capital surplus	—	—	—
Balance at end of year	6,269	6,269	58,380
RETAINED EARNINGS			
Balance at beginning of year	¥80,307	¥76,678	\$747,815
Net income	3,888	4,604	36,209
Appropriation of land revaluation	64	36	599
Increased due to the change of the interest of consolidated subsidiaries	216	—	2,013
Cash dividends	(989)	(990)	(9,216)
Bonuses to directors and statutory auditors	(20)	(21)	(186)
Retirement of treasury stocks	(1,079)	—	(10,049)
Balance at end of year	¥82,388	¥80,307	\$767,185
	Yen (Note 1)	U.S. dollars (Note 1)	
Net income per share	¥ 19.52	¥ 23.11	\$ 0.1817

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Akita Bank, Ltd. and subsidiaries
As of March 31, 2005 and 2004

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Cash flows from operating activities			
Income before income taxes and minority interest	¥ 6,702	¥ 9,108	\$ 62,409
Depreciation and amortization	2,084	1,917	19,408
Net change in reserve for possible loan losses	(4,633)	(16,903)	(43,147)
Net change in reserve for losses on investment securities	—	(0)	—
Net change in reserve for bonus payment reserve	—	(1,067)	—
Net change in reserve for retirement benefit	7	(39)	68
Interest income	(34,516)	(35,071)	(321,411)
Interest expenses	2,205	2,453	20,534
Net (gain) loss related to securities transactions	(643)	163	(5,996)
Net (income) loss from money held in trust	(109)	(128)	(1,018)
Net exchange (gain) loss	(82)	(93)	(770)
Net (gain) loss from disposition of premises and equipment	102	216	953
Net change in loans and bills discounted	(8,315)	(500)	(77,433)
Net change in deposits	7,591	31,485	70,695
Net change in negotiable certificates of deposit	(12,788)	(20,343)	(119,080)
Net change in borrowed money	(7)	(736)	(71)
Net change in call loans, commercial paper and other debt purchased	14,578	10,084	135,750
Net change in call money and borrowed money	(3,210)	43,373	(29,894)
Net change in due from banks (excluding due from Bank of Japan)	15,129	(29,909)	140,883
Net change in foreign exchanges (assets)	128	43	1,198
Net change in foreign exchanges (liabilities)	81	58	756
Interest income received on cash basis	35,245	36,068	328,204
Interest expenses paid on cash basis	(2,035)	(2,837)	(18,952)
Net change in trading account securities	(325)	204	(3,032)
Other, net	21,258	29,957	197,958
Sub-total	38,447	57,500	358,013
Income taxes paid	(168)	(159)	(1,567)
Net cash provided by (used in) operating activities	¥ 38,278	¥ 57,340	\$ 356,446
Cash flows from investing activities			
Purchases of securities	¥(148,558)	¥(174,395)	\$(1,383,358)
Proceeds from sales of securities	35,873	24,204	334,050
Proceeds from maturity of securities	101,718	93,348	947,186
Purchases of money held in trust	(499)	(999)	(4,654)
Proceeds from money held in trust	—	—	—
Purchases of premises and equipment	(825)	(2,965)	(7,689)
Proceeds from sales of premises and equipment	101	36	949
Net cash provided by (used in) investing activities	¥ (12,190)	¥ (60,771)	\$ (113,515)
Cash flows from financing activities			
Dividends paid	¥ (989)	¥ (990)	\$ (9,216)
Dividends paid for minority	(7)	(7)	(71)
Purchases of treasury stock	(839)	(31)	(7,816)
Proceeds from sales of treasury stock	4	—	38
Net cash provided by (used in) financing activities	¥ (1,832)	¥ (1,024)	\$ (17,065)
Effect of currency rate exchanges on cash and cash equivalents	¥ 6	¥ 0	\$ 58
Net increase (decrease) in cash and cash equivalents	24,261	(4,454)	225,923
Cash and cash equivalents at beginning of year	41,130	45,585	383,001
Cash and cash equivalents at end of year (Note 31)	¥ 65,392	¥ 41,130	\$ 608,925

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 ¥107.39 to \$ 1.00, the rate of exchange in effect at March 31, 2005. 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 2004 financial statements to conform to the presentation for 2005.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Bank 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.

* The Akita Computer Service Co., Ltd. has changed its name to Akigin Office Service Co., Ltd. and decided to extend its business range by the resolution of the extraordinary shareholder's meeting held June 13, 2005.

3. Reclassification

Up to the last financial year, the Bank's interest in a kind of investment business association limited partnership was classified as "Other" in "Other Assets". But "the law that amends the securities and exchange law" defined the above interest as securities June 9, 2004. Accordingly, from this financial year, the above Bank's interest is reclassified as "Other" in "Securities".

Due to this reclassification, "Other assets" for the year ended March 31, 2005 decreased by the amount of ¥1,108 million and "Securities" increased by the same amount.

4. Supplemental Information

Effective for the year commencing April 1, 2004 thereafter, according to the "Revision of the Local Tax Law" (Legislation No. 9, 2003) on March 31, 2003, the business scale taxation, a part of enterprise tax, was introduced, which comprises "amount of added value" and "amount of capital". The amount of the business scale taxation calculated based on "amount of added value" and "amount of capital" is included in "General and administrative expenses" from

this fiscal year pursuant to "Practical Treatment for Presentation of External Based-Corporate Enterprise Taxes in the Statement of Income" (Accounting Standards Board, Practical Solution Report No. 12).

5. 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 for which the Bank has ability to hold to maturity are classified as securities being held to maturity and carried at amortized cost. Debt securities that the bank may not hold to maturity and marketable equity securities, other than those classified as trading account securities, are classified as securities available for sale, and are carried at their fair values of the balance sheet date. Non-marketable equity securities are stated at cost or 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 which is based on market quote.

(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 since the reform of the Japanese Income Tax Law in April 1, 1998.

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 the bank has 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) 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.

(h) Foreign Currency Translation

Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rate prevailing at the end of each fiscal year.

Foreign currency denominated assets and liabilities held by consolidated subsidiaries are translated into Japanese yen at the respective year-end foreign exchange rate.

(i) Hedge accounting

(1) Hedge against interest rate risk

Hedge accounting is not applied for exposures to fluctuations in interest rate arising from financial assets and liabilities.

(2) Hedge against currency movement risk

The deferred hedge method is applied for a currency movement risk arising from foreign currency denominated financial assets and liabilities.

(j) 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 of ordinary rental transaction.

(k) Consumption Tax

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

(l) Cash Flows

At the consolidated financial statements of cash flows, cash and cash equivalents represent cash and money deposited in Bank of Japan.

(m) Consolidated goodwill

When consolidated goodwill is computed, it is depreciated fully at the financial year it occurred.

6. Trading Account Securities

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
National government bonds	¥405	¥59	\$3,775

7. Money held in trust

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	Book Value	Book Value	Difference between Historical Cost and Book Value
March 31	2005	2004	2005
Money held in trust for investment	¥2,116	¥1,555	¥60
Money held in trust held-to-maturity	—	—	—
Others	—	—	—
Total	¥2,116	¥1,555	¥60

8. Securities

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
National government bonds	¥236,832	¥259,649	\$2,205,352
Local government bonds	145,161	119,283	1,351,723
Corporate bonds	296,517	291,420	2,761,126
Share stocks	57,338	57,130	533,927
Other securities	51,378	46,742	478,426
Total	¥787,228	¥774,227	\$7,330,555

Securities deposited as collateral:	¥108,159 million (\$1,007,161 thousand)
Debt for collateral: Deposits	¥26,679 million (\$248,433 thousand)
: Bill Sold	¥57,700 million (\$537,293 thousand)
: Call Money	¥20,000 million (\$186,237 thousand)
Others estimated:	¥79,137 million (\$736,916 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

	Millions of yen	
	Book Value	Difference between Historical Cost and Book Value
March 31	2005	2005
Securities for buying and selling	¥405	¥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, 2005.

(b) Marketable Other Securities

	Millions of yen		
	Historical Cost	Book Value	Difference between Historical Cost and Book Value
March 31	2005	2005	2005
Share stocks	¥ 31,132	¥ 57,338	¥26,205
National government bonds	232,290	236,832	4,542
Local government bonds	142,568	145,161	2,593
Corporate bonds	294,130	296,517	2,386
Others	72,675	73,384	708
Total	¥772,798	¥809,234	¥36,436

a. Book Value is the fair value based on the market value at March 31, 2005.

(c) Other Securities were sold at this financial year

	Millions of yen		
	Selling Price	Profit on Sale	Loss on Sale
March 31	2005	2005	2005
Other securities	¥29,190	¥1,387	¥684

(d) Non-marketable Securities

	Millions of yen
	Book Value
March 31	2005
Held-to-maturity securities	¥ —
Other securities:	
Unlisted stock (except over-the-counter)	1,332
Private placement straight bonds	2,624
Debt purchased	1,490
Foreign share stocks	28
Golf seat	7

(e) Information about the contractual maturities of held-to-maturity securities and other securities with contractual maturities at March, 2005 is as follows:

	Millions of yen			
	2005			
March 31	Within One year	After one year through five years	After five years through ten years	After ten years
National government bonds	¥ 37,545	¥113,634	¥21,746	¥63,906
Local government bonds	11,047	86,287	47,826	—
Corporate bonds	77,042	191,293	30,805	—
Others	34,122	18,721	6,438	1,727
Total	¥159,758	¥409,935	¥106,816	¥65,633

9. Loans and Bills Discounted

(a) Loans and Bills Discounted as of March 31, 2005 and 2004 consisted of the following subjects:

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
Bills discounted	¥ 16,762	¥ 18,113	\$ 156,092
Loans on notes	149,303	160,999	1,390,296
Loans on deeds	947,296	966,842	8,821,089
Overdrafts	166,449	133,484	1,549,952
Total	¥1,279,813	¥1,279,440	\$11,917,432

(b) Non-Accrual Loans

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
Loans to companies			
legally bankrupted	¥ 4,549	¥ 9,504	\$ 42,360
Non-accrual loans	76,220	74,825	709,758
Loans past due over 3 months	—	—	—
Loans with interest reduced or exempted	15,379	30,233	143,208

The aggregate face amount of banker's bill, commercial bill and documentary bill, which were acquired by discounting of a bill, are ¥16,768 million (\$156,143 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 customers within an amount of fixed credit line when they apply for loans unless they breach the condition of the contract. The amount of outstanding loans by this contract is ¥387,695 million (\$3,610 thousand). Of all the contracts, the one which term is within one year or which the bank can expire at any time the bank want in no conditions is amounted ¥387,695 million (\$3,610 thousand).

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

And the most of the contract has the article that the bank and the subsidiaries can refuse the application of loan and cut down the credit line if the financial situation changes or preservation of a claim is needed.

The collateral, such as real estate or securities has been collected when the contract was concluded if necessary. Furthermore, after the conclusion of the contract, the business results of the customers are regularly caught in accordance with the procedure of the bank, and if necessary the contract is reexamined or we take such measures as to require the customers much collateral.

10. Foreign Exchanges—Assets

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
Due from foreign banks	¥250	¥ 451	\$2,336
Foreign exchange bills bought	5	0	50
Foreign exchange bills receivable	705	638	6,572
Total	¥962	¥1,090	\$8,959

11. Other Assets

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
Domestic exchange settlement a/c, Dr.	¥ 41	¥ 41	\$ 390
Prepaid expenses	18	25	167
Accrued income	4,870	4,723	45,353
Others	19,297	26,433	179,694
Total	¥24,227	¥31,224	\$225,606

12. Premises and Equipment

The accumulated depreciation of premises and equipment as of March 31, 2005 and 2004 amounted to ¥33,490 million (\$311,854 thousand) and ¥33,046 million, respectively.

The guaranties and premiums of Premises and Equipment amounts to ¥601 million (\$5,601 Thousand).

13. 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.

14. 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)
	2005	2004	2005
March 31			
Deferred tax assets:			
Amount of loss carried	¥ 3,742	¥ 4,229	\$ 34,848
Reserve for retirement benefits	4,137	4,152	38,528
Reserve for possible loan losses	16,192	17,253	150,778
Depreciation	1,146	1,237	10,680
Deferred assets	7	20	72
Enterprise taxes payable	46	11	431
Others	1,164	2,056	10,843
Valuation allowance	(309)	(309)	(2,879)
Total deferred tax assets	26,128	28,651	243,302
Deferred tax liabilities:			
Net unrealized holding on securities in investment	(14,720)	(13,874)	(137,073)
Profit by the establishment of the trust of retirement benefits	(1,927)	(1,955)	(17,950)
Allowance for compressed entry of fixed assets	(150)	(116)	(1,402)
Total deferred tax liabilities	(16,798)	(15,946)	(156,426)
Net deferred tax assets	¥ 9,329	¥ 12,704	\$ 86,876

(2) 1. A reconciliation between the effective income tax rate applied to the consolidated financial statements and the statutory tax rate for the year ended March 31, 2004 were 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%
Actual effective tax rate	47.1%

2. A reconciliation between the effective income tax rate applied to the consolidated financial statements and the statutory tax rate for the year ended March 31, 2005 are as follows:

Annotation was omitted because the difference between the effective income tax rate applied to the consolidated financial statements and the statutory tax rate for the year ended March 31, 2005 was no more than 5% of the statutory tax rate for the year ended March 31, 2005.

15. Deposits

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
Current deposits	¥ 60,209	¥ 55,163	\$ 560,657
Ordinary deposits	770,119	734,528	7,171,244
Deposits at notice	10,361	14,661	96,481
Time deposits	1,049,125	1,090,412	9,769,302
Other deposits	118,582	106,040	1,104,219
Sub-total	2,008,397	2,000,805	18,701,905
Negotiable certificates of deposit	30,098	42,886	280,276
Total	¥2,038,496	¥2,043,692	\$18,982,181

16. Borrowed Money

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
Loans from banks	¥6,155	¥6,163	\$57,322
Total	¥6,155	¥6,163	\$57,322

17. Foreign Exchanges—Liabilities:

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
Foreign exchange bills sold	¥18	¥13	\$168
Foreign exchange bills payable	1	1	10
Total	¥19	¥14	\$179

18. Other Liabilities

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
Domestic exchange settlement a/c, Cr.	¥ 113	¥ 136	\$ 1,057
Income tax payable	239	184	2,230
Accrued expenses	2,399	2,404	22,344
Unearned income	4,236	4,226	39,448
Others	15,491	8,941	144,259
Total	¥22,481	¥15,892	\$209,340

19. Reserve for 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

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
Projected benefit obligation	¥(21,229)	¥(20,970)	\$ (197,681)
Plan assets at fair value	14,796	14,907	137,780
Unfunded retirements benefits obligation	(6,432)	(6,063)	(59,900)
Unrecognized actuarial loss	2,375	2,591	22,124
Prepaid pension expenses	2,110	2,688	19,656
Reserve for retirement benefits	¥ (6,167)	¥ (6,160)	\$ (57,432)

(b) Pension cost

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
Service cost	¥ 759	¥ 780	\$ 7,071
Interest cost	417	424	3,890
Expected return on plan assets	(172)	(118)	(1,609)
Amortization of prior service cost	—	—	—
Amortization of actuarial loss	374	834	3,487
Net periodic benefit costs	¥1,378	¥1,920	\$12,839

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

a. Discount rate	2.0%
b. Expected rate of return on plan assets	2.5%
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

20. 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: ¥4,158 million (\$38,726 thousand)

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

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
March 31			
Variance of the estimate	¥ 36,436	¥ 34,342	\$ 339,289
Other securities	36,436	34,342	339,289
Other money held in trust	—	—	—
Deferred tax liabilities	(14,720)	(13,874)	(137,073)
Net unrealized holding gains (losses) on securities in investment (before worth interests adjustment)	21,716	20,468	202,216
Worth minority interests In consolidated subsidiaries	—	—	—
Net unrealized holding on securities in investment	21,716	20,468	202,216

22. Other Interest Income

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Interest on deposits with banks	¥ 4	¥ 25	\$ 42
Other interest income	276	364	2,574
Total	¥281	¥389	\$2,616

23. Fees and Commissions—Income

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Domestic and foreign exchange	¥2,339	¥2,385	\$21,785
Others	4,155	3,802	38,697
Total	¥6,495	¥6,188	\$60,482

24. Other Operating Income

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Gains on trading account securities	¥ 19	¥ 0	\$ 185
Gains on sales of bonds	16	43	153
Gains on redemption of bonds	—	38	—
Gains on foreign exchange transactions	82	93	770
Others	5,161	5,782	48,060
Total	¥5,280	¥5,959	\$49,169

25. Other Income

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Gains on sales of stocks and other securities	¥1,370	¥ 84	\$12,763
Gains on money held in trust	109	128	1,018
Gains on dispositions of premises and equipment	19	13	182
Others	554	1,483	5,160
Total	¥2,053	¥1,709	\$19,126

26. Other Interest Expenses

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Interest on interest-swaps	¥ 431	¥ 617	\$ 4,019
Other interest expenses	888	723	8,270
Total	¥1,319	¥1,341	\$12,289

27. Fees and Commissions—Expenses

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Domestic and foreign exchange	¥ 392	¥ 405	\$ 3,650
Others	1,453	1,132	13,530
Total	¥1,845	¥1,537	\$17,181

28. Other Operating Expenses

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Losses on redemption of bonds	¥ —	¥ —	\$ —
Written-off bonds	—	—	—
Losses on sales of bonds	684	325	6,372
Others	5,570	4,684	51,870
Total	¥6,254	¥5,010	\$58,243

29. Other Expenses

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Provision for reserve for possible loan losses	¥3,323	¥ —	\$30,948
Written-off claims	220	381	2,052
Losses on sales of stocks and other securities	—	2	—
Losses on devaluation of stocks and other securities	58	2	547
Losses on money held in trust	—	0	—
Losses on dispositions of premises and equipment	122	229	1,136
Losses on sales of bad debts	586	1,131	5,462
Losses on renunciation of claims	—	1,077	—
Others	348	279	3,242
Total	¥4,659	¥3,105	\$43,390

30. 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, 2005 concerning the finance lease assets are as follows:

Acquisition Costs	¥22,519 million (\$209,698 thousand)
Accumulated Depreciation	¥14,115 million (\$131,444 thousand)
Net balance	¥ 8,403 million (\$ 78,254 thousand)

(b) Future payment obligations of finance lease expenses as of March 31, 2005 is as follows:

Portion due within one year:	¥3,427 million (\$31,913 thousand)
Thereafter:	¥6,730 million (\$62,674 thousand)

(c) Lease expenses paid and amounts to depreciation expenses during fiscal year 2005 are as follows:

Lease payments received:	¥3,860 million (\$35,951 thousand)
Depreciation expenses:	¥3,164 million (\$29,469 thousand)

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

31. Off-Balance-Sheet Transactions

(a) Information related to the transaction circumstances

The bank engages in derivative activities involving swaps, exchange contracts and options. Derivatives are used to manage its exposures to fluctuation in interest and foreign exchange rates.

Of derivatives the bank engages, Interest rate swaps is aimed to hedge against fluctuation in interest rate occurred by on-balance transactions. On the other hand, exchange contracts and currency options are aimed to manage to exposures to fluctuation in foreign exchange rate.

The effectiveness of hedging derivatives is assessed by confirming whether the hedging derivative instruments achieve offsetting fluctuating risk of interest rates from the hedged items.

Risks that interest rate swaps and exchange contracts have are credit risk. It is the possibility that the counterparty won't fulfill the contract. Of course, interest rate swaps have risk of fluctuating interest rates and, both exchange contracts and currency options have risk of fluctuating exchange rates. But since these derivatives are used to hedge the on-balance transactions, these risk will be offset by risk on-balance transactions have.

The risk amount that is included in the bank's transactions is listed below:

Kinds of derivatives	Amount Equivalent to the Credit Risk		
	Millions of yen (Note 1)	2004	Thousands of U.S. dollars (Note 1)
Interest rate swaps	¥588	¥ 683	\$5,483
Exchanges contracts	372	2,190	3,465
Currency options	5	—	47
Total	¥966	¥2,874	\$8,996

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

As stated above, derivative financial instruments contain some risks. To manage these risks, necessity of hedging transactions and the situation of derivative transactions are usually discussed at the managing directors' meeting.

(b) Additional information on interest rate swaps

Hypothetical principle of interest rate swap transactions and the average interest rate

Remaining Period	(As of March 31, 2005)		
	Within 1 year	After 1 year through 3 years	After 3 years through 5 years
<i>Recipient side</i>			
Hypothetical principle of fixed swaps	—	—	—
Average fixed interest rate receivable	(—)	(—)	(—)
Average variable interest rate payment	(—)	(—)	(—)
<i>Payer side</i>			
Hypothetical principle of fixed swap (million)	— (¥15,000)	¥25,000 (¥10,000)	¥22,000 (¥20,000)
Average fixed interest rate payment	— (1.22%)	0.39% (0.48%)	1.06% (0.39%)
Average variable interest rate receivable	— (0.06%)	0.06% (0.06%)	0.06% (0.06%)
Total (million)	— (¥15,000)	¥25,000 (¥10,000)	¥22,000 (¥20,000)

Figures in parentheses are those as of March 31, 2004.

(c) Additional information on fair values of transactions

1. Transaction related to interest rates

(As of March 31, 2005)

Classification	Kind	Contract amount	Over 1 year	Fair value	Appraisal profit or loss
Exchange	Interest rate forward				
	Writing	— (—)	— (—)	— (—)	— (—)
	Open interest	— (—)	— (—)	— (—)	— (—)
	Interest rate option	— (—)	— (—)	— (—)	— (—)
	Writing	— (—)	— (—)	— (—)	— (—)
	Open interest	— (—)	— (—)	— (—)	— (—)
	Over-the-counter	Interest Rate forward			
Writing		— (—)	— (—)	— (—)	— (—)
Open interest		— (—)	— (—)	— (—)	— (—)
Interest Rate swap					
Fixed Receive/ Variable Payment		— (—)	— (—)	— (—)	— (—)
Variable Receive/ Fixed Payment		47,000 (45,000)	47,000 (30,000)	-232 (213)	-232 (213)
Variable Receive/ Fixed Payment		— (—)	— (—)	— (—)	— (—)
Interest rate option					
Writing		— (—)	— (—)	— (—)	— (—)
Open interest		— (—)	— (—)	— (—)	— (—)
Other					
Writing		— (—)	— (—)	— (—)	— (—)
Open interest		— (—)	— (—)	— (—)	— (—)
Total		— (—)	— (—)	-232 (213)	-232 (213)

* 1. Transactions stated above are evaluated at fair values and profit or loss from evaluation is included in the consolidated statement of income.

* 2. Fair values of Over-The-Counter transactions are evaluated by discount present value.

* 3. Figures in parentheses are those as of March 31, 2004.

2. Transactions related to currencies

(As of March 31, 2005)

Classification	Kind	Contract amount	Over 1 year	Fair value	Appraisal profit or loss	
Exchange	Interest rate forward					
	Writing	— (—)	— (—)	— (—)	— (—)	
	Open interest	— (—)	— (—)	— (—)	— (—)	
	Interest rate option					
	Writing	— (—)	— (—)	— (—)	— (—)	
	Open interest	— (—)	— (—)	— (—)	— (—)	
	Over-the-counter	Currency swap	— (—)	— (—)	— (—)	— (—)
		Currency Contract				
		Writing	0 (57)	— (—)	0 (0)	0 (0)
		Open interest	53 (102)	— (—)	-0 (0)	-0 (0)
Currency Option						
Writing		7 (—)	— (—)	-4 (—)	-4 (—)	
Open interest		5 (—)	— (—)	1 (—)	1 (—)	
Other						
Writing		— (—)	— (—)	— (—)	— (—)	
Open interest		— (—)	— (—)	— (—)	— (—)	
Total	— (—)	— (—)	-3 (0)	-3 (0)		

* 1. Transactions stated above are evaluated at fair values and profit or loss from evaluation is included in the consolidated profit statement.

* 2. Fair values of Over-The-Counter transactions are evaluated by discount present value.

* 3. Figures in parentheses are those as of March 31, 2004.

3. Transactions related to stocks

N/A

4. Transactions related to bonds

N/A

5. Transactions related to commodities

N/A

6. Transactions related to credit derivatives

N/A

32. 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)
	2005	2004	2005
Cash and due from banks	¥ 86,925	¥ 77,793	\$ 809,438
Due without interest	(402)	(178)	(3,744)
Ordinary due	(454)	(344)	(4,231)
Fixed due	(140)	(140)	(1,303)
Negotiable due	(19,999)	(35,999)	(186,233)
Other due	(536)	—	(5,000)
Cash and Cash Equivalents	¥ 65,392	¥ 41,130	\$ 608,925

33. Segment Information

(1) Business segment information

1. The last consolidated fiscal year (Year ended March 31, 2004)

Year ended March 31, 2004	Millions of yen			Eliminated and unallocated corporate assets	Consolidated
	Banking business	Other	Total		
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. The last consolidated fiscal year (Year ended March 31, 2005)

Year ended March 31, 2005	Millions of yen			Eliminated and unallocated corporate assets	Consolidated
	Banking business	Other	Total		
I. Ordinary income					
(1) External customers	¥ 41,388	¥ 6,882	¥ 48,271	¥ —	¥ 48,271
(2) Intersegment	432	1,508	1,941	(1,941)	—
Total	41,821	8,390	50,212	(1,941)	48,271
Ordinary Expenses	35,040	8,131	43,172	(1,650)	41,521
Ordinary profit	6,780	259	7,040	(290)	6,749
II. Assets, depreciation and capital expenditure					
Assets	¥2,295,710	¥22,280	¥2,317,990	¥(11,095)	¥2,306,895
Depreciation	2,044	16	2,060	—	2,060
Capital Expenditure	606	14	621	—	621

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 oversea operations

Carrying ordinary income from oversea operations is omitted because the ratio of “ordinary income from oversea operations” to “Consolidated Ordinary income” is less than 10%.

34. Related Party Transactions

(a) The last financial year

There were not such related party transactions as should be specially mentioned.

(b) This financial year

1. Transactions with Parent companies or corporate shareholders

There was not such a transaction as should be specially mentioned.

2. Transactions with directors or individual major shareholders

Attribution	Name	Position	Rate of voting right	Content of transaction	Subject	Ending Balance
Directors	Yasuhiko Watanabe	The Bank's director	0.18%	Loans	Loans and Bills Discounted	42
	Masakatu Ise	The bank's Auditor	0.00%	Loans	Loans and Bills Discounted	4

* 1. Dealing conditions and ways of deciding dealing conditions
Dealing conditions and ways of deciding dealing conditions are same as those of ordinary customers

* 2. The unit of “Ending Balance” is millions of Yen.

3. Transactions with subsidiary companies

There was not such a transaction as should be specially mentioned.

4. Transactions with brother companies

There was not such a transaction as should be specially mentioned.

35. Information on Profits per Share

	Yen	
	Last Financial Year	This Financial Year
Net assets per share	¥630.58	¥654.37
Net profit per share	23.11	19.52
Net profit after adjusting potential stocks per share	—	—

* 1. The basis of calculating ‘Net profit per share’ and ‘net profit after adjusting potential stocks’ is as follow:

	Millions of yen	
	Last Financial Year	This Financial Year
Net profit per share		
Net profit	¥4,604	¥3,888
Net profit that is not belong to ordinary shareholders	20	19
Directors' bonus	20	19
Net profit which belongs to ordinary share	4,584	3,869
	Thousand	
Average number of ordinary shares during the fiscal year	198,281 shares	198,190 shares

* 2. Net profit after adjusting potential stocks per share is not stated because the bank doesn't have potential stocks.

36. Subsequent Event

The Appropriation of retained earnings applicable to the year ended March 31, 2005 was approved at the stockholders' meeting of the Bank held on June 29, 2005.

37. Supplementary statements

(a) Supplementary statement on bonds

N/A

(b) Supplementary Statement on borrowed money

	Ending Balance of Last Fiscal Year (Millions of Yen)	Ending Balance of This Fiscal Year (Millions of Yen)	Average Interest Rate (%)	Payment period
Borrowed money	6,163	6,155	1.16	—
Rediscounted bills	—	—	—	—
Borrowed money	6,163	6,155	1.16	April 2005~ December 2009

* 1. “Average interest rate” is calculated by using “interest rate” and “Ending balance” as of March 31, 2005.

* 2. Repayment amounts of borrowed money within 5 years after this closing date will be as follows:

	Millions of yen				
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years
Borrowed money	¥2,405	¥1,750	¥1,302	¥535	¥162

As Receiving deposits, procurement from call/bill markets and investment are done as operating activities in the banking business, above “supplementary statement on borrowed money” shows the breakdown of “Borrowed money” account in “Liability” showed at the consolidated balance sheet.

In addition, the bank isn't issuing commercial papers.

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, 2004 and 2005, 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, 2004 and 2005, 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, 2005 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.

Ernst & Young Shin Nihon

June 29, 2005



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