



Kosaburo Daidoji, Chairman



Kazuo Harada, President

We would like to thank all of you for your patronage of the Michinoku Bank. This year we have again prepared our Annual Report 2003 to provide you with a greater insight into our bank. It is our hope that this annual report will give all who read it an understanding of our opinion and recent performance of the Michinoku Bank.

The banking industry is engulfed in a whirlwind of change exemplified by a wave of consolidation and restructuring among major financial institutions, and the emergence of new entrants from other industries. At the Michinoku Bank we are doing our utmost to improve our operating efficiency and solidify our management structure in order to meet the challenges that such a changing environment poses. In doing so, however, we never lose sight of the important societal responsibility and public mission with which banks are entrusted. We are boldly endeavoring to meet your expectations by providing higher quality financial services in response to changes in the environment.

Economic Environment

During fiscal 2002 (April 1, 2002 through March 31, 2003) the Japanese economy showed some signs of improvement in manufacturing with an increase in exports. Nevertheless, strong uncertainties concerning the global economy prevented us from seeing a true recovery, as domestic demand continued to be weak and the economy continued to falter.

The economy of Aomori Prefecture, which is our core area of business, suffered from a decline in bidding prices for major brands of independently distributed rice, given the abundant harvest nationwide for rice, which is a primary industry product. Moreover, the market price for apples produced in 2002 was less on average than the previous year, as a result of problems such as the reports of use of unregistered agrochemicals throughout Japan. Fishing also experienced catches that were less than those recorded in the previous year, both in volume and monetary value, as a result of the combined effects of poor squid catches and the denial of permission for Japanese boats to fish off of

the coast of Argentina.

Personal consumption showed some activity in sales of high priced home electronics products such as large televisions encouraged by the impact of the World Cup Soccer Tournament, but seasonal goods such as air conditioners and fans did not fare well as they were affected by unusual weather conditions. Overall sales at large volume retailers continued to be lackluster, as was the case last year, including a decline in sales of food products and apparel at department stores. Passenger automobiles continued to experience solid sales of light vehicles, but sales overall were poor with a lack of sales for regular sized vehicles.

Manufacturing activities benefited from improvement in foreign demand during the first half of the fiscal year, as some industries began to recover, including increased rates of operation in electrical machinery and steel. During the latter half of the year, however, uncertainties began to appear particularly in exports, and sales began to fall off so that overall sales were essentially the same as in the previous year.

In capital investments some companies began to make investments in areas such as opening new stores, although the dominant trend in this sector was caution because of the delay in recovery of demand.

In the public sector fiscal restraint by regional governments continued to keep public capital investment at lower levels overall than last year, while in the housing market investment remained slack as concerns about the uncertain earnings environment kept homeowners, the core component in this market, from making investments.

In summary, therefore, the economy in Aomori

Prefecture, our core business territory, continues to require urgent attention as domestic demand remained poor and corporate bankruptcies have become frequent. Nevertheless we are experiencing a favorable economic impact from the opening of the Hachinohe Station on the Tohoku Shinkansen super-express train, particularly in tourism, and there are noticeable signs that the economy in Aomori Prefecture may be on the rise.

The environment surrounding the banking industry includes an evident decline in the credibility of major banks and the banking industry as a whole given the extended poor climate and deflationary economy. For this reason the overall banking industry is facing calls to restore its credibility and to engage in business activities which will improve the integrity of the financial system.

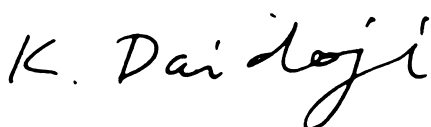
Issues and Challenges

Amid the current intensification of competition across the traditional boundaries between sectors, we aim to meet your expectations through a proactive approach. We are promoting improved asset quality and taking aggressive action to strengthen our financial condition. These efforts include cutting costs through such means as shared use of computer systems.

We aspire to be a “Family Bank” that truly benefits society and is trusted by the local community. Toward this end, we intend to strive in unison to proactively meet local needs with an ever broader array of financial services.

In closing, we request your continued and undiminished support and guidance.

July 2003



Kosaburo Daidoji,
Chairman



Kazuo Harada,
President