



Annual Report 2014

Year ended March 31, 2014

Hokuhoku Financial Group, Inc.

Company outline (as of March 31, 2014)

Company name: Hokuohoku Financial Group, Inc.

Date of establishment: September 26, 2003

Location of head office: 1-2-26 Tsutsumicho-dori, Toyama City

Purpose of business: Management and control of subsidiaries and affiliates and ancillary and related business

Capital: ¥70,895 million

Shares issued and outstanding:

Common stock.....	1,351,630,146
Preferred stock (Type 5).....	107,432,000

Exchange listings: Tokyo Stock Exchange (First Section)

Sapporo Securities Exchange

This document contains forward-looking statements. Statements of this kind do not constitute guarantees of future performance, as factors such as changes in the operating environment may cause actual performance to differ.

The figures stated in this document are, in principle, rounded down to the nearest whole unit.

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Profile

Since its establishment in 1877, Hokuriku Bank has developed an extensive network of branches throughout the Hokuriku district. On account of trade through the Kitamae-bune or “Northbound Ships,” branches extended to the major cities of Hokkaido, enabling the bank to meet customers’ needs. The Hokkaido Bank, which was established in 1951, has developed a network of branches throughout Hokkaido, and built a firm business structure centered on individuals and small and medium-sized enterprises.

The Hokuriku Bank, Ltd. and The Hokkaido Bank, Ltd. underwent management integration in September 2004 to form the HokuHoku Financial Group Inc., which today operates a super-regional financial network that encompasses the Hokuriku region, Hokkaido, and Japan’s three major metropolitan areas (Tokyo, Osaka, and Nagoya areas).

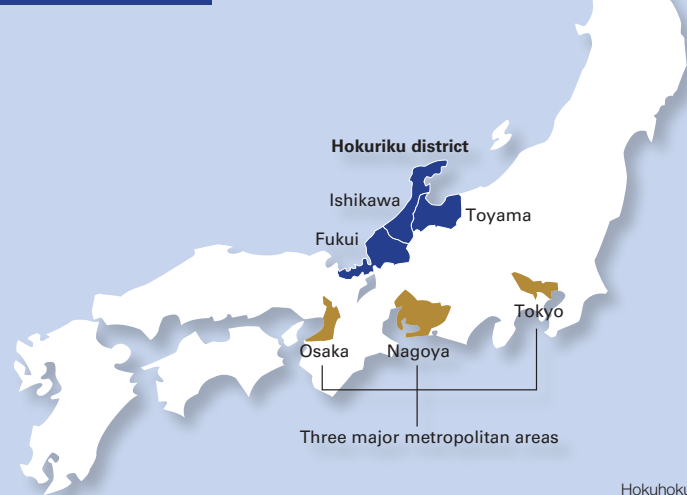
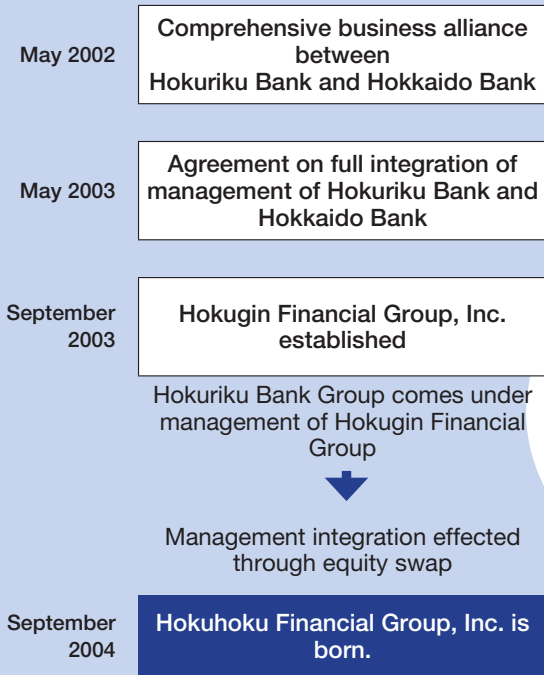
The operations of the HokuHoku Financial Group extend beyond the limits of a single district.

Our extensive network is outlined below.

Hokuriku district	149 branches
Toyama prefecture	91 branches
Ishikawa prefecture	36 branches
Fukui prefecture.....	22 branches
Hokkaido	159 branches
Three major metropolitan areas	16 branches
Tokyo and Yokohama.....	9 branches
Nagoya.....	3 branches
Osaka and Kyoto.....	4 branches
Others (Sendai, Niigata, Nagano, Takayama) ...	4 branches
Overseas	9 offices

- New York Representative Office (Hokuriku Bank)
- Yuzhno-Sakhalinsk Representative Office (Hokkaido Bank)
- Vladivostok Representative Office (Hokkaido Bank)
- London Representative Office (Hokuriku Bank)
- Singapore Representative Office (Hokuriku Bank)
- Bangkok Representative Office (Hokuriku Bank)
- Dalian Representative Office (Hokuriku Bank)
- Shanghai Representative Office (Hokuriku Bank)
- Shenyang Representative Office (Hokkaido Bank)

(As of June 30, 2014)



MESSAGE FROM THE MANAGEMENT



(from left)
Yoshihiro Sekihachi
Chairman
*(concurrently serving as president of
The Hokkaido Bank, Ltd.)*

Eishin Ihori
President
*(concurrently serving as president of
The Hokuriku Bank, Ltd.)*

We would like to express our sincere appreciation to all our customers for their continued patronage to the Hokuohoku Financial Group.

The Hokuohoku Financial Group was formed on September 1, 2004, as the first wide-area financial group comprising regional banks. Based on its networks in the Hokuohoku area (Toyama, Ishikawa and Fukui prefectures), Hokkaido and Japan's three metropolitan areas, the Group has contributed to the economic development of the areas in which it operates and has supported the prosperity of local people in their daily lives. Over the last 10 years, the Group has completed repayment of public fund, a concern for management, and achieved shared use of core IT systems, enabling it to provide high-quality efficient services. Having achieved our target of ¥10 trillion in deposits, we have made significant progress toward our goal of stabilizing our business foundation.

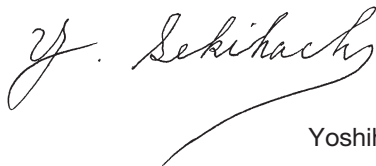
Turning to the current business environment in Hokuohoku and Hokkaido, we see prospects of improved earnings at local enterprises, as government growth strategies including financial easing by the Bank of Japan gradually take effect across the region and the regional economy gears itself for launch of the Hokuohoku Shinkansen (Bullet Train) line next spring. However, interest rates are expected to stay at low levels, and the earnings environment for financial institutions is set to remain severe.

Against this backdrop, the Group is taking measures to strengthen marketing capabilities and improve management efficiency under the "GO for IT!" medium-term management plan. In fiscal 2013, the first year of the plan, consolidated net income was ¥27.3 billion, ahead of the target. In light of this achievement, we increased the term-end dividend by ¥0.25 to ¥4.00 per common share.

Aiming to become a close and reliable financial group for local customers, we are committed to providing high-quality financial services. Through these activities, we are working to bolster enterprise value by strengthening our profitability and financial position.

We ask for your continued support and encouragement in our future business endeavors.

July 2014



Yoshihiro Sekihachi
Chairman



Eishin Ihori
President

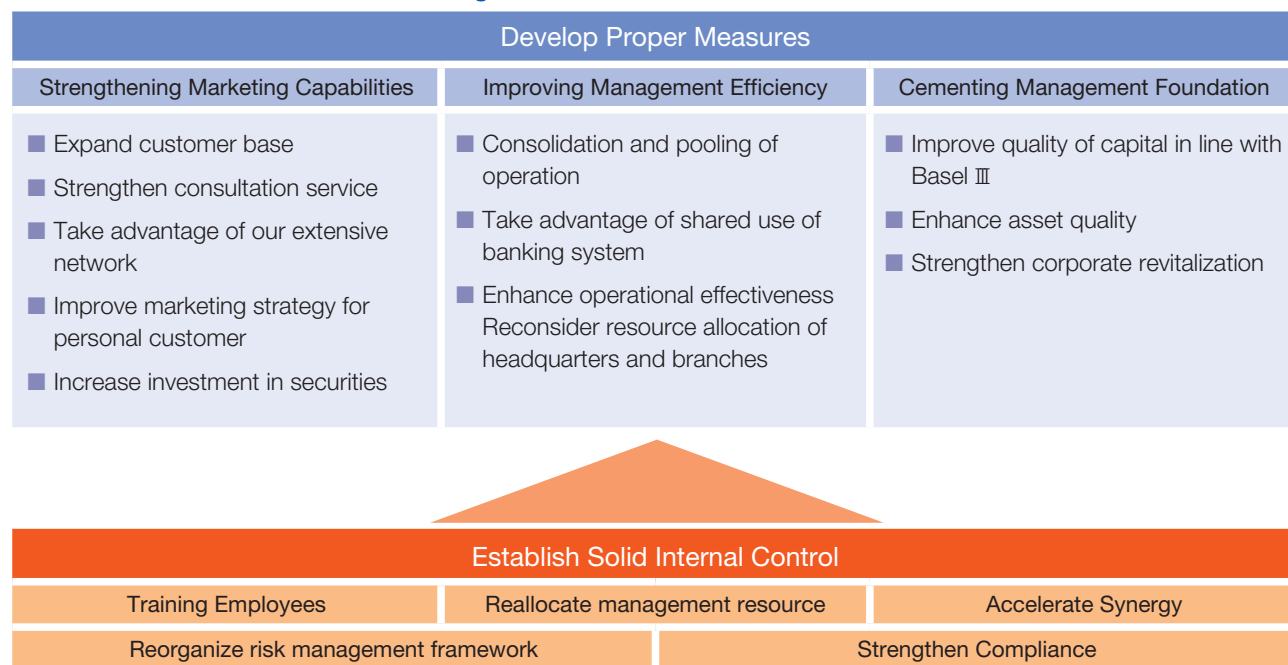
MEDIUM-TERM MANAGEMENT PLAN

In April 2014, the Group launched the “GO for IT!” medium-term management plan, and designated the three-year period of the plan as a term for establishing an optimized business strategy for sustainable growth. We remain committed to the existing management policies of “Strengthening Marketing Capabilities” and “Improving Management Efficiency” along with “Cementing Management Foundation.” In addition, we will raise our corporate value by obtaining the trust of local customers and contributing to the revitalization of the regional economy.

Overview of the Medium-Term Management Plan

Title	GO for IT!
Period	3 Years (April 2013–March 2016)
Position	A term for establishing an optimized business strategy for sustainable growth
Target Corporate Profile	Close and Reliable Financial Group for Local Customers
Basic Policies in Management Plan	<ol style="list-style-type: none"> 1. Establish solid management foundation for sustainable growth under changing business circumstances by constructing close relationship with regional customers and effective internal control 2. Keep on “Strengthening Marketing Capabilities” and “Improving Management Efficiency” and “Cementing Management Foundation” 3. Raise our corporate value by obtaining the trust of local customers and contributing to the revitalization of the regional economy.

Basic Policies of Medium-Term Management Plan “GO for IT!”



Fiscal 2015 Numerical Targets (Total of 2 banks)

	FY2013 (Result)	FY2014 (Result)	FY2015 (Target)
Deposits	¥9,790.3 Bn	¥10,129.2 Bn	¥10,110.0 Bn
Loans	¥7,277.8 Bn	¥7,344.0 Bn	¥7,480.0 Bn
Core net business profits	¥50.3 Bn	¥48.2 Bn	¥47.0 Bn
Net income (Consolidated)	¥18.1 Bn	¥27.3 Bn	¥18.5 Bn
Capital adequacy ratio (Consolidated)	11.88%	12.31%	10% or above
OHR (Core gross business profit basis)	65.37%	66.08%	67%
NPL Ratio	3.11%	2.67%	Below 3%

Strengthening Marketing Capabilities

▼ Strategies

Expand customer base	<ul style="list-style-type: none"> • Further increase customer accounts • Become the main bank and promote cross sale of various financial products
Strengthen consultation service	<ul style="list-style-type: none"> • Accumulate knowledge and promote sales in priority industries (Agriculture, Healthcare, Welfare, Environment, Renewable energy) • Private Banking, M&A, Business Succession
Take advantage of our extensive network	<ul style="list-style-type: none"> • Enhance business-matching information services and support of customers' overseas business development
Improve marketing strategy for personal customer	<ul style="list-style-type: none"> • Effective sales promotion based on account-holder category • Activate service channels other than face-to-face transactions • Review organizational structure and strengthen our sales system for investment trust and insurance products
Increase investment in securities	<ul style="list-style-type: none"> • Supplement decreased interest revenue from corporate loans

Improving Management Efficiency

▼ Strategies

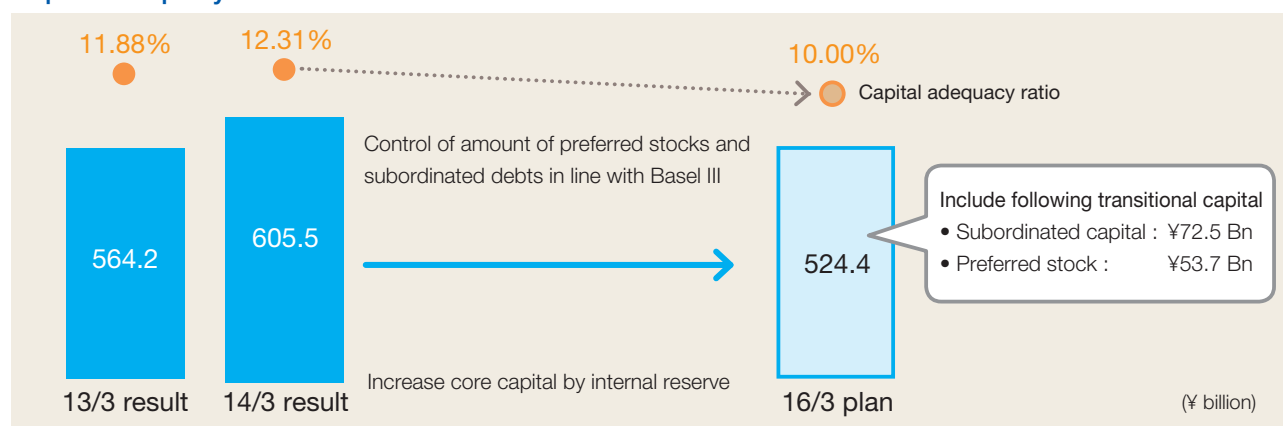
Consolidation and pooling of operation	<ul style="list-style-type: none"> • Establish more efficient cost structure as a top-level financial group among regional banks (Consolidation of operation in headquarters, Shared back office, Collaboration in product development and advertising) • Improve operational efficiency through integrated management
Take advantage of shared use of banking system	<ul style="list-style-type: none"> • Increase number of banks sharing use of banking system (3 banks >> 4 banks) and pursue additional cost reduction • Joint development of subsystems and continuous integration of business process
Enhance operational effectiveness Reconsider resource allocation of headquarters and branches	<ul style="list-style-type: none"> • Optimize business process in branches and headquarters • Redeploy strategically key personnel to priority areas

Cementing Management Foundation

▼ Strategies

Capital management	<ul style="list-style-type: none"> • Improve quality of capital in line with Basel III • Develop capital operations for higher equity value
Enhance asset quality	<ul style="list-style-type: none"> • Raise proportion of asset with a low risk-weighting
Strengthen corporate revitalization	<ul style="list-style-type: none"> • Alliance with external organizations • Active use of regional revitalization fund

Capital adequacy ratio



Dividend Policy

Dividends for common equities

Steady increase in dividends

- Maintain a 30% or above dividend payout ratio and aim for step-by-step increase in dividend by increasing earnings.
- Maintain an about 10% capital adequacy ratio by building up internal reserves based on the reduced inclusion of preferred stocks, subordinate capitals and other items through gradual application of Basel III regulations.

PERFORMANCE HIGHLIGHTS

Summary of Operations (Hokuhoku Financial Group, Inc.; on a consolidated basis)

(¥ billion)

	FY2013		FY2012
		Change	
Ordinary income	190.9	(8.1)	199.1
Ordinary profits	49.4	20.1	29.3
Net income	27.3	9.2	18.1
Capital adequacy ratio*	12.31%		11.88%

* Calculation of capital adequacy ratio is based on Basel III for the year ended March 31, 2014, and based on Basel II for the year ended March 31, 2013 and years before that.

In the fiscal year ended March 31, 2014, Hokuhoku FG recorded ordinary income (consolidated basis) of ¥190.9 billion, down ¥8.1 billion year-on-year, and ordinary profits increased by ¥20.1 billion to ¥49.4 billion. Net income for the year rose by ¥9.2 billion to ¥27.3 billion.

The capital adequacy ratio was 12.31% at the year-end on a consolidated basis.

The Group paid a fiscal year-end dividend of the designated ¥7.5 per share for shareholders of preferred share (type 5). Although an interim dividend was not paid, a fiscal year-end dividend of ¥4.00 per share was paid to common shareholders, an increase of ¥0.25 from the previous year.

Summary of Operations (Hokuriku Bank and Hokkaido Bank)

(¥ billion)

	Hokuriku Bank and Hokkaido Bank		
	FY2013	Change	FY2012
Ordinary income	178.0	(6.6)	184.6
Core gross business profits	142.2	(3.2)	145.5
Expenses	94.0	(1.0)	95.1
Core net business profits	48.2	(2.1)	50.3
Credit costs	(1.3)	(18.4)	17.0
Ordinary profits	48.5	18.5	30.0
Net income	27.5	7.9	19.5

Core gross business profits decreased by ¥3.2 billion to ¥142.2 billion year-on-year, with the decrease of both interest income and fees and commissions. However, the decline in core business profits was pegged at ¥2.1 billion, for a total of ¥48.2 billion, due to a ¥1.0 billion decline in expenses.

Ordinary profits increased by ¥18.5 billion to ¥48.5 billion year-on-year, reflecting a ¥18.4 billion decrease in credit cost.

As a result, net income for the year increased by ¥7.9 billion to ¥27.5 billion.

(¥ billion)

	Hokuriku Bank		
	FY2013	Change	FY2012
Ordinary income	97.7	(5.2)	103.0
Core gross business profits	77.0	(5.2)	82.3
Expenses	50.5	(0.3)	50.9
Core net business profits	26.4	(4.9)	31.4
Credit costs	(4.2)	(13.6)	9.3
Ordinary profits	30.4	12.0	18.3
Net income	17.8	5.5	12.3
Capital adequacy ratio*	12.40%		11.78%

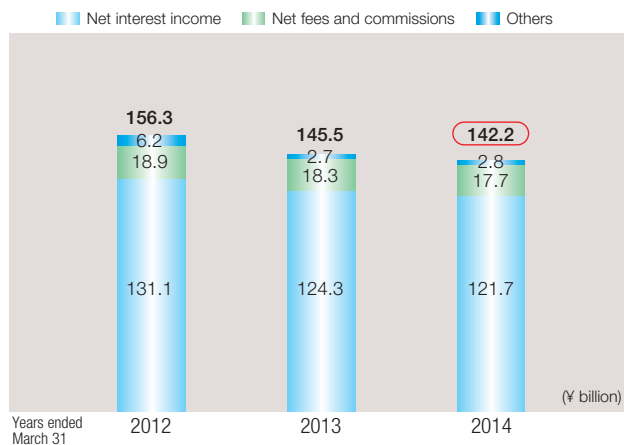
* Calculation of capital adequacy ratio is based on Basel III for the year ended March 31, 2014, and based on Basel II for the year ended March 31, 2013 and years before that.

(¥ billion)

	Hokkaido Bank		
	FY2013	Change	FY2012
Ordinary income	80.2	(1.4)	81.6
Core gross business profits	65.2	2.0	63.1
Expenses	43.4	(0.7)	44.2
Core net business profits	21.7	2.8	18.9
Credit costs	2.8	(4.7)	7.6
Ordinary profits	18.0	6.4	11.6
Net income	9.6	2.4	7.2
Capital adequacy ratio*	10.76%		11.23%

Core Gross Business Profits (Both banks)

Net interest income decreased by ¥2.6 billion year-on-year to ¥121.7 billion, due to a decrease in interest on loans.



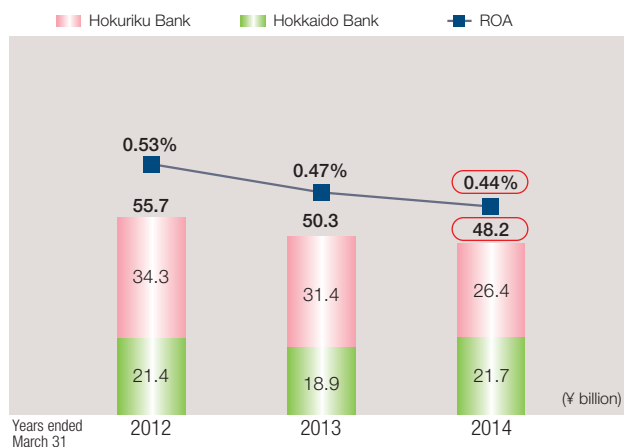
Net fees and commissions decreased by ¥500 million to ¥17.7 billion year-on-year, due chiefly to a decline in commissions on insurance sales.

Other income came in, at the same level as in the previous year, ¥2.8 billion.

As a result, core gross business profits fell by ¥3.2 billion to ¥142.2 billion.

- Core gross business profits = net interest income + net fees and commissions + other net operating income; Equivalent to gross profit margin in the case of companies other than banks.
- Net interest income = income from interest on loans, receivable bonds and dividends on equity shares, after deduction of interest on deposits
- Net fees and commissions = fees and commissions received relating to remittance, investment trust and insurance sales agency businesses after deduction of corresponding expenses
- Other net operating income = income from foreign exchange transactions and derivatives transactions

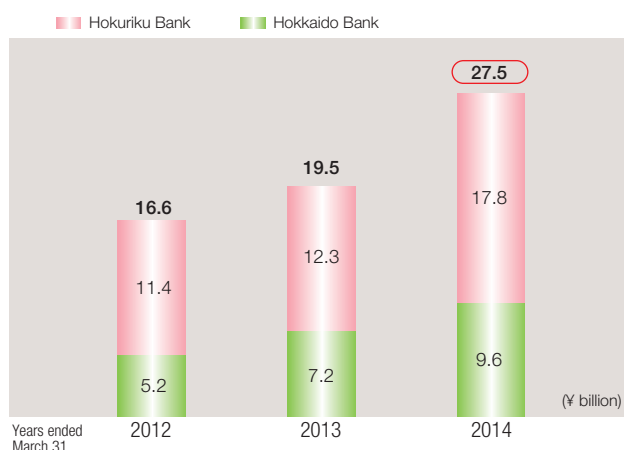
Core Net Business Profits (Both banks)



Although core gross business profits fell by ¥3.2 billion year-on-year, core net business profits declined by only ¥2.1 billion to ¥48.2 billion, due to a ¥1.0 billion decrease in expenses.

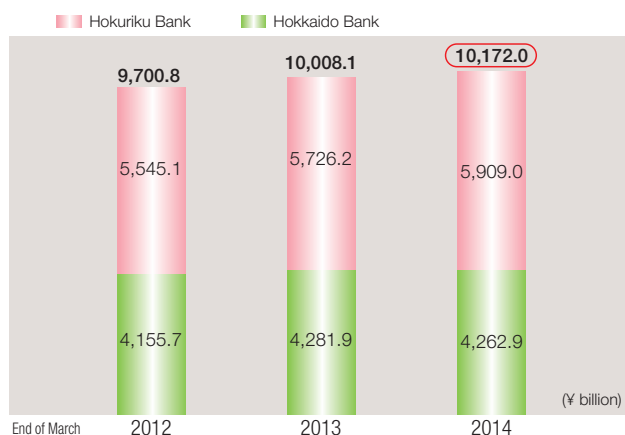
- Core net business profits = core gross business profit minus expenses. Equivalent to operating income in the case of companies other than banks, this indicates a bank's achievements in its core banking field.
- ROA = Core net business profits divided by total assets (average for the term). This figure indicates the effectiveness of employment of assets in the generation of profits; the higher the figure the better.

Net Income (Both banks)



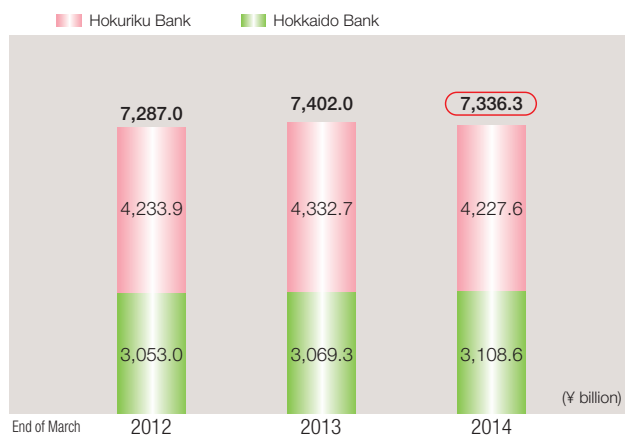
Ordinary profits increased by ¥18.5 billion year-on-year to ¥48.5 billion and net income rose by ¥7.9 billion to ¥27.5 billion, due to a ¥18.4 billion decrease in credit costs.

Deposits (Including negotiable certificates of deposit) (Both banks)



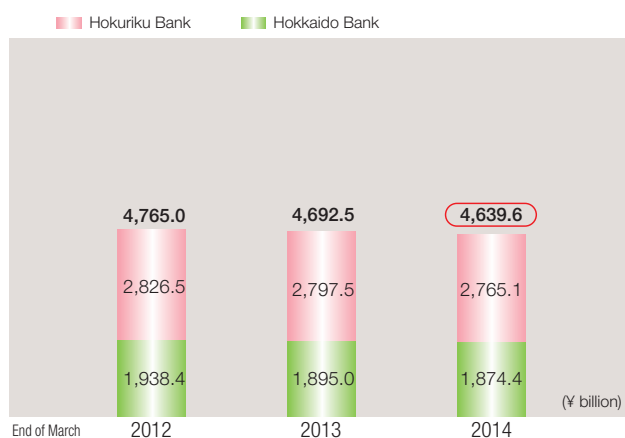
Deposits increased by ¥163.8 billion to ¥10,172.0 billion compared with the end of the previous term, due to an increase mainly in individual customers.

Loans and Bills Discounted (Both banks)



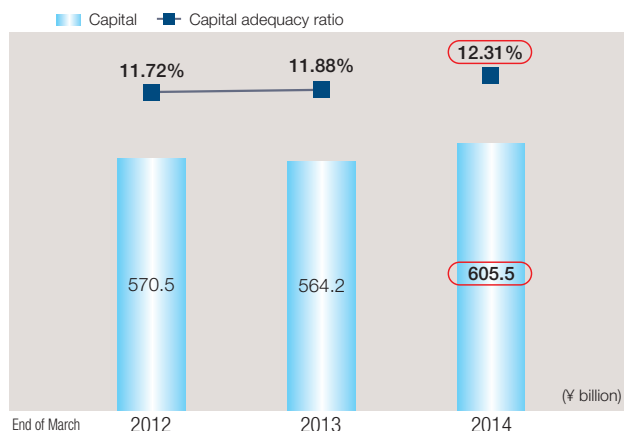
Loans and bills discounted fell by ¥65.7 billion to ¥7,336.3 billion compared with the end of the previous term, due to a decline in corporate loans, which more than offsets an increase in housing loans.

Outstanding Loans to SMEs (Both banks)



Lending to small and medium-sized enterprises declined by ¥52.9 billion from the previous year-end to ¥4,639.6 billion. Despite our measures to act as the driver of regional financial services, funding demand recovery was weak.

Capital Adequacy Ratio (Hokuhoku Financial Group, Inc.; on a consolidated basis)



The capital adequacy ratio, an indicator of financial soundness, stood at 12.31%.

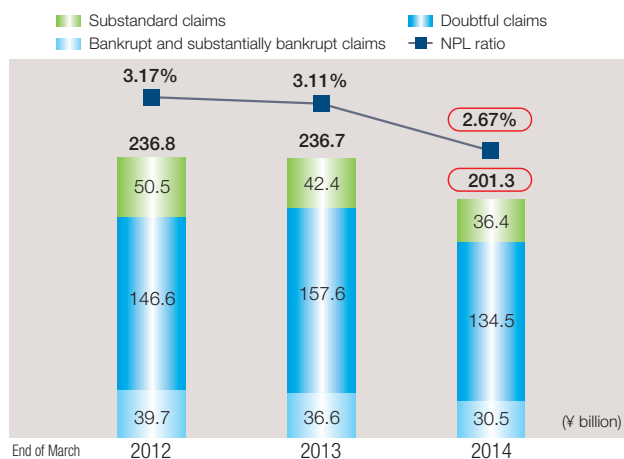
* Calculation of capital adequacy ratio is based on Basel III for the year ended March 31, 2014, and based on Basel II for the year ended March 31, 2013 and years before that.

● Capital adequacy ratio

This ratio indicates the proportion of the bank's regulatory capital (capital stock, capital surplus, retained earnings and supplementary elements) to its risk-weighted assets. The higher the ratio, the healthier its financial position.

Disclosed Claims under the Financial Reconstruction Law (Both banks)

Disclosed Claims under the Financial Reconstruction Law fell by ¥35.3 billion to ¥201.3 billion, compared with the end of the previous fiscal year. The NPL ratio dropped by 0.44 percentage point to 2.67%.



● Disclosed Claims under the Financial Reconstruction Law: The bank classifies both loans and other assets in line with the stipulations of the Financial Reconstruction Law.

● Claims subject to disclosure: loans, customers' liabilities for acceptances and guarantees, foreign exchanges, accrued interest, suspense payments, securities loaned, private bonds with the Bank's own guarantees (regarding claims on obligors requiring caution, loans and private bonds with the Bank's own guarantees only).

Substandard claims This category is defined as claims on borrowers requiring caution under asset self-assessment. This category comprises past due loans (three months or more) and restructured loans under the Banking Law.

Doubtful claims This category is defined as claims on potentially bankrupt borrowers under asset self-assessment. The execution of contracts on repayment of the principal and payments of interest is highly doubtful.

Bankrupt and substantially bankrupt claims This category is defined as the sum of claims on bankrupt borrowers and effectively bankrupt borrowers.

● NPL ratio: Indicates NPLs (under the Financial Reconstruction Law) as a percentage of total credit. The lower the ratio, the sounder the credit portfolio.

Ratings



"Ratings" are determined by ratings agencies, third-party institutions with no vested interest in the companies they rate, and indicate a company's creditworthiness and ability to fulfill obligations in concise signs.

Hokuhoku Financial Group Inc., Hokuriku Bank and Hokkaido Bank have obtained "A (single A flat)" ratings from both Japan Credit Rating Agency, Ltd.(JCR) and Rating and Investment Information, Inc.(R&I), and are considered as being highly creditworthy.

We will strengthen our system of corporate governance and increase management transparency.

Basic approach

The holding company and all its member companies regard strengthening and upgrading corporate governance as one of its top management priorities. We have drawn up a basic policy — our management philosophy — covering all our activities including management strategy-setting and decision-making. We share basic values and philosophies through the Hokuhoku Financial Group Code of Conduct, for the increase of corporate value and the further economic development of the Hokuriku and Hokkaido regions.

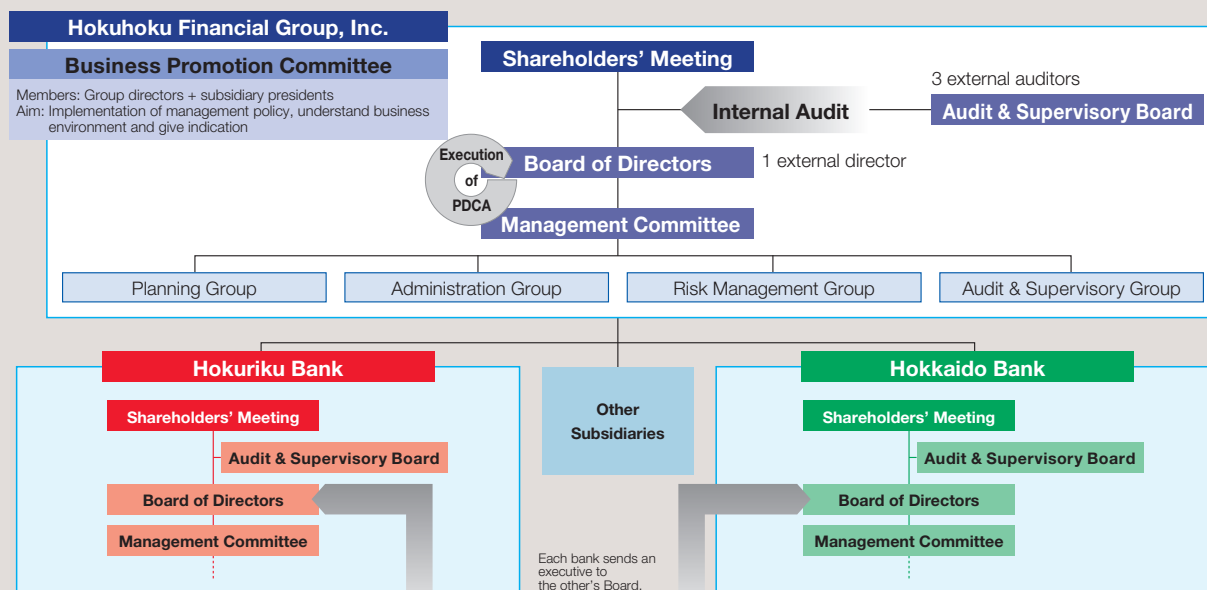
Corporate governance

We have established a quick decision-making system with the Shareholders' Meeting and Board of Directors at the top, and day-to-day operational authority delegated by internal rules. Bodies such as the Management Committee are able to respond quickly to specific and detailed matters based on basic policies set by the Board of Directors. Furthermore, separately from the Management Committee, a Business Promotion Committee, handling dissemination of business policy among Group companies, has been established.

We employ a corporate auditor system and also appoint

one external director. Additionally, in order to strengthen our group governance structure and, as a holding company, to ensure that management is appropriately carried out, directors from each of our principal subsidiaries, Hokuriku Bank and Hokkaido Bank, are appointed to each others' boards to promote mutual understanding and checks and balances.

In this way, we have built a cyclic mechanism for effective decision-making, implementation, evaluation, and improvements. Additionally, the Board of Directors decides basic policies on internal controls, and is taking the steps needed to create an effective internal control system.



1. Board of Directors

Responsible for decisions related to important management policies involving the Group as a whole; and for overseeing the general management, and risk management and auditing conducted by the holding company and its subsidiaries.

2. Audit & Supervisory Board

Determines auditing policies and assigns specific duties to particular statutory auditors, and monitors the performance of duties by the directors.

Three of the four members of the board are external auditors, ensuring a high degree of independence in auditing activities.

3. Management Committee

Composed of full time directors of the Company, this body makes decisions — based on the basic policies laid down by the Board of Directors — on matters relating to operational policies involving the entire Group and on the implementation of highly important tasks by specific divisions.

4. Business Promotion Committee

Composed of the full-time directors and presidents of subsidiaries; is responsible for disseminating major issues and management policies affecting the whole Group, as well as keeping track of business results at each company, to ensure appropriate conduct of business.

Basic policy on internal controls

1. Ensuring that Directors perform their duties in conformity with the law and with our articles of incorporation

In addition to settling matters involving the law or the articles of incorporation, the Board of Directors decides on basic management policy and major issues affecting conduct of operations, sets up organizations and systems, and supervises performance of duties by directors. It also recommends external directors for appointment at Shareholders' Meetings, and ensures more rigorous checks and balances.

Audit & Supervisory Board Members attend important meetings including those of the Board of Directors, investigate the Company's operations and financial position, and audit the performance of duties by directors from an independent standpoint.

2. Storage and management of information relating to performance of duties by directors

Based on its own regulations and document management rules, the Board of Directors creates systems for storage and management of information regarding performance of duty by directors.

3. Setting up rules and other systems that ensure management of risk of losses

The Board of Directors decides on basic risk management policy and regulations, and establishes management systems, based on an assessment of the degree of risk to which the Company and Group companies are exposed, and of the significance of risk-control measures. We have compiled a contingency plan and established a crisis management system for unexpected events and risks such as natural disasters.

Each company in the Group conducts due risk management in close partnership with risk management departments of other Group members, following the Group's basic policy.

4. Ensuring efficient performance of duties by directors

The Board of Directors sets overall organizational standards for basic tasks and assignment of duties to operational entities, and the Company and all Group members have systems enabling well-organized and efficient conduct of business operations.

The Management Committee coordinates business operations in a prompt and effective way, based on delegation of authority and assignment of duties by the Board of Directors.

To this end, it makes active use of teleconferencing and other telecommunications-based systems.

5. Ensuring that employees conform to the law and the articles of incorporation in the performance of duties

The Board of Directors regards compliance as one of management's most important tasks and recognizes that an incomplete compliance system could weaken our business foundation. In view of this, we have established a set of rules to serve as a basic policy and compliance charter.

Based on the above charter, the Company and Group members carry out their business in partnership, and in a fair and honest way.

Additionally, the Board of Directors determines basic customer protection management policies, and develops

management policies and structures for the protection of customer interests.

The Company and Group members set up a whistleblower and consultation hot line for executives and employees who uncover unlawful and wrongful behavior.

The Company has no connections with anti-social elements that threaten public order or security, and avoids all business dealings with such groups. In addition, the Company makes every effort to prevent money laundering, ever mindful of the possibility that monetary transactions conducted through financial institutions could be used for criminal or terrorist purposes.

6. Ensuring the appropriateness of operations within the Group

The Board of Directors is responsible for overall Group management, compiling the Group management regulations, preparing frameworks for agenda-setting and reporting for each Group company with regard to important matters, and receiving reports from internal auditing departments on the findings of audits into the status of legal observance and risk management and the propriety and effectiveness of business operations.

We also have in place mechanisms to ensure the propriety of financial reporting, enabling accurate and clear statements of our financial position and business results.

7. Deployment of employees as assistants to Audit & Supervisory Board Members

When receiving a request from a Audit & Supervisory Board Members for help in the conduct of auditing duties, the Board of Directors shall respect the auditor's views and provide the necessary personnel based on required expertise. In addition, to ensure the independence of these employees vis a vis the Board of Directors, prior agreement of the Audit & Supervisory Board is required for personnel transfers and disciplinary measures.

8. Reporting by the Board of Directors and employee assistants to the Audit & Supervisory Board Members, and other reporting to the Audit & Supervisory Board Members

Board of directors sets reporting system to the Audit & Supervisory Board Members by directors as below.

- (1) Directors shall report to the Audit & Supervisory Board whenever matters that could cause significant losses to the Company are discovered.
- (2) An effective and flexible reporting system shall be established for reporting to the Audit & Supervisory Board by directors and employees, on the matters designated in advance by the Audit & Supervisory Board Members and directors.
- (3) The Audit & Supervisory Board Members may request reports from the directors or employees as needed.

9. Ensuring effective auditing by Audit & Supervisory Board Members

The Board of Directors shall give due acknowledgement to the importance and usefulness of auditing by the Audit & Supervisory Board Members, and if the Audit & Supervisory Board Members request creation of a system for smoother and more effective performance of auditing duties, they shall give this due consideration. The Audit & Supervisory Board shall conduct regular meetings with representative directors and accounting auditors.

We are strengthen internal auditing to ensure sound management of the Group

Basic philosophy

The Group believes that establishment of internal auditing mechanisms that effectively meet requirements according to the scale and nature of operations, regulations applied to the Group's businesses and categories of risk, are indispensable for due legal observance by the Group, protection of customers' interest and risk management. Based on this conviction, the Group and its subsidiary banks (The Hokuriku Bank, Ltd. and The Hokkaido Bank, Ltd.) have established an internal auditing department.

The internal auditing department of each Group member is guaranteed to work independently from other departments, with its mechanism of checks and balances.

Groupwide Measures

The Company has established an Audit Group to verify the appropriateness and effectiveness of the internal auditing of each Group member and to control its internal audit activities. In line with basic policy and rules on internal audits compiled by the Board of Directors, the Audit Group carries out internal audits on the Company and its (non-banking) subsidiaries and affiliates, and receives reports from Hokuriku Bank and Hokkaido Bank on results of internal audits and matters requiring improvement measures. Furthermore, when necessary, it carries out integrated assessment and management of the status of internal auditing for the whole Group through on-site bank investigations, guidance and reports.

Results of internal audits at Group companies are

periodically reported to the Board of Directors promptly when needed. In particular, mechanisms are in place for prompt reporting to the Board of Directors of events that could have significant impact on the management of the Group.

Based on the basic policy and rules for internal auditing at each bank, audits are also carried out at Hokuriku Bank and Hokkaido Bank into the operations and assets of their head offices, branches and subsidiaries. In conducting audits, internal audit plans are made (in terms of frequency and depth) after assessments of legal observance, protection of customer interest and risk management at each department audited.

When necessary, the audit departments of both banks and the Audit Group of the Company conduct joint audits, in order to strengthen and streamline overall Group auditing.

APPROACH TO COMPLIANCE

We ensure more rigorous observance of laws and social norms

Basic policy

The Company regards compliance as one of our most important management priorities and recognizes that an incomplete compliance system could weaken our business foundation. Therefore, the Board of Directors established a basic compliance policy to ensure our business activities are fair and honest.

System

To establish a compliance system, the Group has established a compliance charter, put in place organizational structures and arranged joint measures by the Group and each member company.

The Risk Management Group has been designated as the Compliance General Section responsible for overseeing compliance within the Group, and the head of the Risk Management Group leads the Compliance General Section.

Compliance officers are deployed to each branch of subsidiary banks and each Group member company, to implement training and awareness-raising policies regarding compliance in the workplace. Subsidiary banks have established Compliance General Section and compliance committees, whose role is to assess progress in compliance measures and make improvements.

Basic policy on compliance

1. Recognition of the Group's basic mission and social responsibilities

As a regional financial institution, the Group recognizes its public duties and social responsibilities and strives to gain greater trust through the conduct of sound business operations.

2. Providing quality financial services

By providing high-quality, integrated financial services, the Group will contribute to the stable economic and social development of the operating regions and to a better life for its customers.

3. Strict observance of laws and regulations

The Group strictly observes all relevant laws and regulations, and conducts business in a trustworthy and honest way that conforms to its own standards of corporate ethics and to social norms.

4. Elimination of ties with anti-social elements

The Group contributes to a healthy society by resolutely refusing to associate or work with anti-social elements that threaten social peace and security.

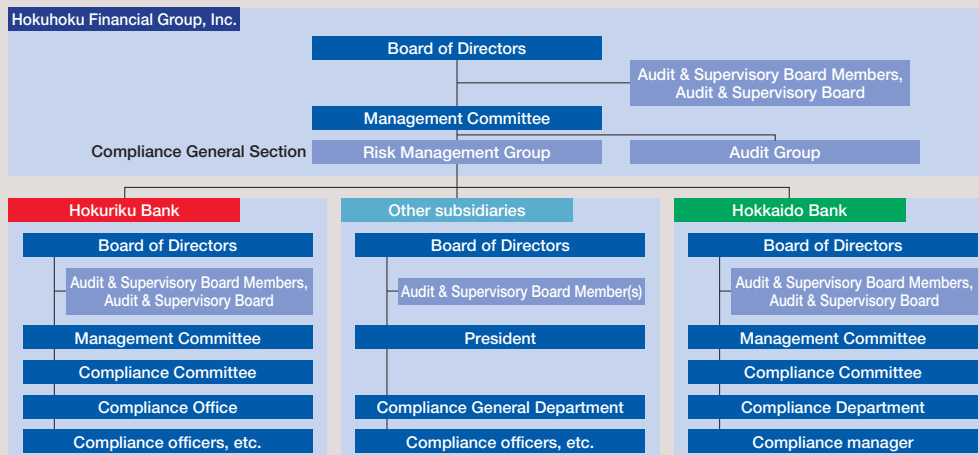
5. Ensuring management transparency

The Group aims for a highly transparent management and organizational culture through accurate disclosure and swift decision-making.

Compliance manual and compliance program

To ensure rigorous compliance, we have formulated a compliance manual (code of conduct) compiling all the fundamental issues which executives and employees should observe. This manual is distributed to executives and all staff members and in-house seminars and training sessions are conducted to ensure thorough familiarity with the content.

In addition, every year the Board of Directors decides upon a Compliance Program which is a detailed action plan implemented to maintain the compliance structure. The Board receives regular reports on the state of the Program's execution, ensuring that compliance procedures are put into practice.



Measures to accelerate customer protection and customer convenience

To protect customers' assets, information and other interests, the Group has established policies and basic rules for the management of customer protection.

Furthermore, in order to provide pertinent explanations to our customers in accordance with the Japanese Financial Instruments and Exchange Act and other laws, and to properly handle customer claims and consultations through customer consultation office, which serves as points of contact, we have formulated protocols and an appropriate response structure, based on five separate considerations.

The Compliance General Section of every Group member is the office responsible for overall management of customer protection. Compliance officials at each Group member work in partnership for ongoing review

of management systems, problem resolution and data analysis, through which various improvement policies may be drawn up and implemented.

Measures for protection of personal information

In the financial industry, ensuring the safety of information assets is of absolute importance for gaining customer trust. We are committed to rigorously protecting any and all customer information in our custody and preventing its leakage.

Especially in the area of personal information, the Group has formulated a personal information protection declaration, which is disclosed on our website, in order to comply with the Personal Information Protection Act and other laws. We endeavor to gain the maximized level of trust from our customers as a financial institution that can contribute to regional society.

Basic rules of management of customer protection

Explaining to the customer
Customer service support
Protection of customer data
Outsourcing
Conflict of interest

Policies for management of customer protection

In line with the law and regulations, we will provide adequate explanation of financial products and sufficient information to enable our customers to fully understand the nature of our products.
We will listen carefully to customer complaints and give advice in an appropriate way.
Information concerning customers shall be acquired in a lawful way and securely managed.
In outsourcing operations relating to transactions with customers, we will duly supervise suppliers to protect customer information and interests.
We will take measures to avoid prejudicing customer interests in transactions with us, and take due measures where the risk of interest conflict arises.

Measures to deal with anti-social elements

To continue to justify the trust of the public, and offer appropriate and sound financial services, the Group has established a basic policy on dealing with anti-social elements.

In addition, each Group Company has deployed officers to address the issue of organized crime syndicates. While coordinating with law enforcement, we have implemented firm measures for dealing with anti-social elements, and are determined to avoid all contact with groups that threaten the peace and security of social order.

We, Hokuhoku Financial Group, position the measures to prevent financial crimes, such as money laundering, as an important management issue. By clarifying the division of internal roles on the basis of our anti-money laundering policy, we have built the control system that enables us to take effective measures at the right time with regard to inspecting transactions, reporting suspicious transactions and managing correspondent relationships. Moreover, while educating the officers and employees through training, we strive to improve the system by performing audits of the internal compliance with our anti-money laundering policy.

Whistleblower protection system

The Group has set up a whistleblower and consultation hot line and developed a framework for strengthening the compliance system including checks and balances in order to promptly detect and counteract any unlawful and wrongful behavior.

Anti-money laundering and measures to deal with financial crime

In recent years, bank card theft and "furikomi" (phishing) fraud cases have increased. Subsidiary banks have strengthened security measures to nip this problem in the bud. The banks properly reimburse victims of such scams based on legislation mandating their relief.

Financial alternative disputes resolution (ADR) system

In order to promptly and properly respond to customer opinions and complaints, our subsidiary banks have concluded agreements with the Japanese Bankers Association, which is a designated dispute resolution organization.

This designated dispute resolution organization works to resolve disputes from a fair and neutral position.

Name of designated dispute resolution organization: Japanese Bankers Association Inquiries: Japanese Bankers Association Customer Relations Center Telephone number: 0570-017109 or 03-5252-3772
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RISK MANAGEMENT SYSTEM

We strive to building a risk management system appropriate to the type and scale of risk to which we are exposed.

Hokuhoku Financial Group's general risk management system

Financial services are becoming more diversified and complex, and financial institutions are exposed to a wide range of risk. In order to protect customer deposits and justify the trust of our shareholders and creditors, we at Hokuhoku Financial Group recognize that risk management — ensuring proper resource allocation and risk taking in balance with earnings targets while keeping risk amounts within the range of the Group's managerial capacity — is one of our most important management tasks, and as such have in put place a risk management system.

The parent company and each Group company have created its own basic risk management policy for various risks, established a risk management department, and prepared regulations, and are working as a whole toward integrated risk management through close cooperation between these departments.

At our subsidiary banks, which have the highest risk exposure within the Group, we have categorized risk for management purposes as: credit risk, market risk, liquidity risk and operational risk, which we manage through our Asset Liability Management Committees and Comprehensive Risk Management Committees. Operational risk is further divided into administrative and system risk, and micro-managed primarily by dedicated operating risk panels. Additionally, the audit department conducts inspections to verify the appropriateness and effectiveness of the risk management system.

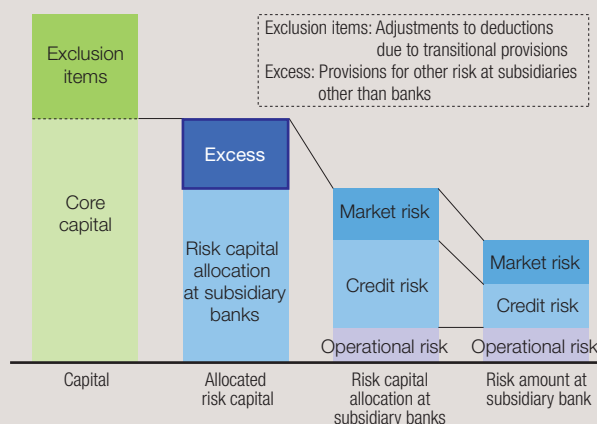
As the risk management general department for the entire Group, the Risk Management Group at the parent company, bases its activities on the type and scale of risk faced by each Group member. After receiving risk management status reports, the department duly issues instructions including for the improvement of regulations and system, to each Group member, and delivers reports outlining response policies regarding risk status and issues faced by the Group to the Board of Directors and other senior management. In this way, soundness of operations is assured.



Allocation of risk capital

The Group quantifies, in as integrated manner as possible, the various types of risks that occur in its operations, and manages the risks to ensure that the total amount of risk is kept within the range of the Group's management capacity.

After subsidiary banks numerically quantify credit risk, market risk and operational risk and estimate maximum potential loss for each of the risks, risk capital allocations are undertaken using core capital as the source of funding. Risk is thus controlled and managed within a range permissible in banking operations.



In addition to checking the risk capital allocation plans for the subsidiary banks, the Group confirms that amounts in excess of risk capital allocations are sufficient to cover risk affecting subsidiaries other than the subsidiary banks, and risks not included in our assumptions. Through this measure and by monitoring actual risk amounts, the Group ensures that no inappropriately large risks are taken relative to capital on a groupwide basis.

We carry out stress tests to calculate the extent of expected losses under certain scenarios, such as unusually deteriorating business conditions or excessive market fluctuations. In this way, we periodically examine the substantiality of our capital position against risk that cannot be easily perceived.

Credit risk management

Basic policy

Credit risk is the risk that, as a result of such factors as the deterioration of a customer's business situation, it will become impossible to recover principal or receive interest as initially contracted. For banks, whose role is to act as financial intermediaries, this is an unavoidable risk, but in Hokuhoku Financial Group, we endeavor to maintain and enhance asset soundness through the development and strengthening of a management structure for credit risk.

Management system

To maintain and enhance soundness of each asset portfolio, we apply unified system of internal ratings and asset self-assessment at both subsidiaries. We promptly and accurately appraise credit risk through the systems, and, when necessary, carry out write-offs and provisions to reserves for possible loan losses.

Subsidiary banks each have their own credit risk management systems, while the parent company manages such risk on a Groupwide basis.

Subsidiary banks strictly separate business promotion and credit screening both in organizational structure and the staffing of executives responsible for them. This is done to ensure that rigorous credit screening, provision and credit management are independently operated from business promotion.

When making individual judgements on credit provision, rigorous screening is carried out in accordance with standards and principles in our credit policy. For this purpose, screening systems are enhanced by improved computerized support and training and other policies are adopted for improving credit-screening capabilities.

To explain more concretely, detailed analysis and screening of individual loan applications is appropriately undertaken at each bank branch, and if a manager lacks the authority to give approval, further analysis and screening is conducted by the head office credit screening department. Officers specializing in particular industries and regions are deployed in the credit screening department, ensuring a system of consultation and guidance tailored to the needs of individual branches, based on borrower characteristics.

Internal ratings system

To enable objective appraisal of credit risk in lending operations, the subsidiary banks have introduced an internal ratings system. Using 15 credit ratings based on financial data and qualitative information regarding borrower creditworthiness, the system enables ongoing monitoring of changes in rating.

Based on the ratings generated by the internal ratings system at the subsidiary banks, we compute credit risk and forecast loss rates for each individual borrower category, and then ensure that interest rates duly match risk. In conformity to Groupwide management rules for credit limits, we seek to enhance credit risk management by such means as curbing the risk of credit concentration in terms of the aggregate of on-balance-sheet and off-balance-sheet credits.

Internal rating	Borrower categorization by asset self-assessment
S	—
A	Normal borrowers
B	
C	
D	
E	
F	
N	
J	Borrowers requiring caution
G	
H	Substandard borrowers
I	
X	
Y	Borrowers threatened with bankruptcy
Z	Substantially bankrupt borrowers
	Bankrupt borrowers

Asset self-assessment, write-offs and provisions to reserves for possible loan losses

Based on preset standards, subsidiary banks conduct self-assessments of asset portfolios (primarily loans).

Self-assessment aims at more precise evaluation of assets and enhancing asset soundness. Self-assessment is a prerequisite for appropriate write-offs and provisions to reserves for possible loan losses, as required by business accounting principles in Japan.

The Group has unified standards for write-offs and provisions to reserves for possible loan losses. For loans other than those specified below (including loans to borrowers requiring caution), provision is made to the reserves for possible loan losses based on the historical loan-loss ratio over a particular past period. For loans to borrowers threatened

with bankruptcy, a provision is made to specific reserves, in the amount deemed necessary, after exclusion of amounts that may be recoverable through collateral and guarantees. For loans to bankrupt and substantially bankrupt borrowers, provision is made in the full amount at issue to the specific reserve, excluding amounts that may be recoverable through collateral and guarantees.

Corporate rehabilitation

After making a loan to a corporate customer, we endeavor to prevent defaults leading to bad debt through follow-up reviews of the borrower's business performance and plans, and to ensure asset soundness through dedicated management for bad debt and strengthened support for corporate rehabilitation.

Market risk management

Basic policy

Market risk is the risk of incurring losses due to fluctuations in the value of assets and liabilities held by the Group, or the earnings generated by the Group, that are caused by fluctuations in various risk factors in the market, such as interest rates, stock prices, and foreign exchange rates.

At the subsidiary banks, where market risk is critical to transactions, we have created regulations for market risk management and assets and liabilities are subject to asset-liability management (ALM), so that Hokuhoku Financial Group controls such risk in order to ensure stable earnings.

Types of risk and management system

(1) Interest-Rate Risk

Bonds and other marketable securities, deposits and loans are exposed to the risks of declining profits or incurring losses due to interest rate fluctuations in the operating environment where there are different interest rates or time structures between assets and liabilities. The subsidiary banks have set regulations on interest rate management to disperse risk, and their ALM Committees control interest-rate risk appropriately.

The sections in charge of risk management assess risk level daily, using such indicators as value-at-risk (VaR), the largest predicted loss that is possible given a fixed confidence interval, and others. They also periodically run gap analysis and duration analysis (a measure for evaluating the sensitivity of the asset's price to interest rate movements) to monitor interest-rate risk. The results are reported and reviewed at ALM Committees for implementation of necessary measures.

To ensure that the subsidiary banks are not exposed to excessive interest risk, we set various investment ceilings

for bonds and other securities based on risk capital allocation under VaR, and manage both the balance and risk level of marketable securities. We have also set rules for when losses (unrealized and realized) are mounting.

We have established a system of checks on the business units in charge of transacting market-related business (front office), the processing departments (back office) and the risk management group (middle office). The front office conducts operations in strict observance of management policies and ceiling amounts stipulated by the Management Committee. The middle office continuously monitors risk levels and observance of various rules and sets "trigger points" to enable early defusing of risk issues. They discuss measures to respond to these issues at ALM Committees and regularly report to the Management Committee.

When market prices fluctuate significantly, making it impossible to accurately assess risk levels or raising the prospect of unforeseen risk, we periodically carry out stress tests to calculate the extent of expected losses under certain scenarios.

(2) Stock Price Fluctuation Risk

Among securities, stock prices are exposed to the risk of declining asset prices arising from fluctuations in market prices. However, as with management of interest-rate risk, we have set various ceilings and monitor at-risk amounts. We conduct strict management by regularly reporting to relevant committees including the Management Committee.

We also review stock holdings, not only in pre-screening them, but periodically monitoring the market conditions and financial positions of individual corporations after we have acquired the holdings.

(3) Foreign Exchange Rate Risk

Foreign currency assets and liabilities are exposed to the risk that losses will be incurred because the price of exchange differs from the price that was initially planned. To reduce such risk, we regularly monitor the international

situation and major forex indicators in Europe and the US, and conduct risk management with due consideration of the maturity of individual assets and liabilities. We also use currency swaps.

(4) Derivative Transactions Risk

To meet the various needs of customers, and for ALM/hedging purposes, the subsidiaries separately engage in foreign currency derivative transactions such as swaps and options, as well as interest rate swaps, caps, forward interest-rate-related derivatives and other interest-rated based derivatives.

Derivatives are exposed to various kinds of market risk. Through daily management of the market value of our positions and risk evaluation, we ensure losses do not exceed certain thresholds.

Liquidity risk management

Liquidity risk refers to the risk of incurring losses (fund procurement risk) when it becomes difficult to secure the requisite funds or when it becomes necessary to procure funds at interest rate much higher than usual, or to risks incurred when transactions cannot be conducted or must be conducted at prices that are much more disadvantageous than normal due to market disruptions or other factors (market liquidity risk).

The subsidiary banks, where liquidity risk originates, stipulate regulations on liquidity risk management, and maintain adequate levels of high-liquidity assets that are readily convertible into cash, such as government bonds, and monitor daily with regard to liquidity risk based on benchmarks for various different categories. To prepare for sudden liquidity risk, we have in place mechanisms for periodically reporting and discussing liquidity risk through the ALM Committees, at each stage of the event.

By precisely assessing management and procurement levels at subsidiary banks, We ensure smooth fund procurement.

Operational risk management

Basic policy

Operational risk refers to the risk of losses arising because operational processes, the conduct of executives and employees, or computer systems are inappropriate, or because of external events.

The Group categorizes operational risk as follows. We take ongoing measures to correctly recognize, appraise and manage each type of risk, and avoid or reduce losses significantly affecting business activities.

Administrative risk	Risk of losses due to executives and employees neglecting to carry out accurate business processes, causing an accident, or committing an illegal act
System risk	Risk of losses due to system failures such as the crashing and malfunction of computer systems, and misuse of computers
Legal risk	Risk of losses due to breaches of obligations resulting from negligence toward customers
Personnel risk	Risk of losses due to unfair or discriminatory behavior in personnel management
Tangible asset risk	Risk of losses due to natural disasters damaging tangible assets
Reputational risk	Risk of losses due to a decline in trust in the Group caused by deterioration in its reputation or the spreading of unjustified rumors

Management structure

We have compiled rules for management of operational risk. In addition to categorization of risks, we have laid down basic processes for the management of such risks.

At our subsidiary banks, operating risk panels meet each month, to analyze the causes of and discuss solutions for various operational risks based on data from actually occurred or prevented incidents, such as administrative errors and failings leading to customer complaints, data leakage, computer system failures and phishing fraud. Potential risks are then evaluated and risk reduction policies taking account of all eventualities are discussed.

Status reports and results of discussions concerning operational risk are reported to management of the subsidiary banks and to the parent company. By comparing actual losses arising from operational risk and allocated risk capital, we ensure our risk management system functions properly.

Through internal auditing, we likewise aim to ensure effective checks and balances, and establish measures to prevent administrative errors from happening again, with evaluation of their effectiveness. With reporting of results to management and related departments, we are establishing a Plan, Do, Check and Act (PDCA) cycle for business improvement.

Risk management systems by major category

• Administrative risk management

The Group has closely analyzed the cause of administrative incidents and problems and discussed measures to prevent recurrence, so as to prevent accidents and problems in administrative operations and maintain quality of operation

in terms of promptness and accuracy. At the same time, we endeavor to raise administrative operation standards by setting rules for proper processing, improving administrative processing systems, dispatching advisory staff from the head office, centralizing clerical work at branches and introducing equipment to automate procedures.

• System risk management

With the increasing sophistication of financial business and the growth in transaction volumes, it is becoming more important to ensure that computer systems cannot fail and that they always operate stably.

The Group has formulated basic rules for system risk management (System Risk Standards) and other regulations, and has established a rigorous management and operating structure with a variety of backup and other security management measures in place.

Contingency plan

The Group has compiled crisis management manual (Contingency Plan) etc. to ensure that, in the unlikely event of a large-scale disaster or other emergency, its impact is minimized and business operations can be continued. We now have a full response procedure in place, including information-gathering and centralized crisis instruction and command mechanisms.

At subsidiary banks, we have drawn up a Business Continuation Plan (BCP), which enables us to continue to perform our required settlement function in the event of an earthquake, outbreak of a new strain of influenza or other disaster.

Fundamental approach to group CSR

1. Basic stance

The Hokuohoku Financial Group has positioned the fulfillment of the Group's corporate social responsibility as one of its highest management priorities. Guided by our overall corporate philosophy, we aim always to comply with the law and observe generally accepted principles of ethical behavior. The principal purpose of existence of the Group is to serve as a linchpin of the communities in which it operates by fulfilling its role as a financial services group doing business across a wide area of the country. In addition, we take seriously our obligation to contribute to the realization of a thriving economy and a sustainable society by means of active involvement in environmental preservation, as well as other activities that benefit society as a whole.

2. Definitions

1) CSR

The Hokuohoku Financial Group views its corporate social responsibilities not simply as the duty to pursue economic gains for the good of the regional economy and to contribute to the development of a sustainable society. We see our social responsibilities as also encompassing efforts to address the wide range of environmental and social issues affecting our stakeholders.

2) Our Stakeholders

We define our stakeholders as being all persons and institutions whose interests are closely linked to those of the Group, including our customers, shareholders, and employees, as well as the wider community of which we are all members.

To meet diversifying customer needs

While fostering close links between the Group and the regions we serve, we will listen to customer opinions and take measures to make our branches more appealing and to offer better services.

Upgraded online banking services

With the addition of upgraded screen designs and new functionality in online banking services offered at the Hokuriku Bank and the Hokkaido Bank, the Group has expanded our services to make them even more convenient. We have also taken measures to strengthen security, enabling customers to use our services in full confidence.

Further measures to improve customer convenience have been taken by the Hokkaido Bank, which now allows online opening of ordinary deposit accounts, while customers of the Hokuriku Bank can now make online provisional applications for housing loans.

Upgrading of two sub-branches of the Hokuriku Bank and one of the Hokkaido Bank to full branch status.

The Hokuriku Bank YKK and Hakodate Higashi sub-branches, as well as the Kitami Tonden sub-branch of the Hokkaido Bank, have been upgraded into full branches.

In tandem with the upgrade, we are now able to offer a more comprehensive range of services, as branches take over a wider range of roles.



Upgrading ceremony for YKK Branch

The new Otofuke branch

In December 2013, The Hokkaido Bank opened a new branch at Otofuke, Hokkaido. In the Tokachi District, it is our first new branch opening since the Obihiro-Nishi branch in December 1987.

We have upgraded consultation services, with the installation of individualized consultation booths and deployment of consulting specialists in asset management in the branch.



Opening ceremony

Support regional economic development through wide area networks across Japan and some overseas locations

The Hokuhoku Financial Group aims to help spur regional economic growth by further strengthening wide-area networks spanning the Hokuriku, Hokkaido and three major metropolitan areas of Japan, as well as overseas networks.

■ Hokuhoku FG	■ Hokuriku Bank	■ Hokkaido Bank
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Agreements with overseas municipal and other government organizations

China	■ Shanghai	■ Liaoning	■ Guangdong
	■ Ningbo	■ Dalian Sub-Council of CCPT*	
	■ Yingkou	■ Jinzhou New Area	
	■ Dalian	■ Suzhou	■ Wuxi
	■ Kunshan	■ Shaoxing City	
	■ Shenyang	■ Changchun	■ Harbin
	■ Shenyang Sub-Council of CCPT*		
	■ Shenyang Municipal Tourism Administration		
	■ Liaoning Provincial Bureau of SMEs		
	Other Asian areas	■ Vietnam govt.	
	■ The Board of Investment of Thailand		
	■ Indonesia Investment Coordinating Board		
Russia	■ Khabarovsk	■ Sakhalin	■ Amur Oblast
	■ Yuzhno-Sakhalinsk		

* CCPT: Council for the Promotion of International Trade

Alliances with overseas banks and other partners

China	■ Bank of Communications, PRC		
	■ Bank of China	■ Bank of Shanghai	
	■ Liaoning Radio and Television		
Other	■ KASIKORNBANK (Thailand)		
Asian areas	■ State Bank of India	■ Vietcombank	
	■ Bank Negara Indonesia		
	■ Financial Information Service Co., Taiwan		
	■ CTBC Financial Holding Co., Ltd.		
Russia	■ Sberbank	■ VTB 24 Bank	■ VTB Bank
Europe	■ Standard Chartered Bank	■ Deutsche Bank	
Others	■ Nippon Export and Investment Insurance		
	■ Mizuho Corporate Bank		
	■ Tokio Marine & Nichido Fire Insurance Co., Ltd.		
	■ The Yamaguchi Bank, Ltd.		
	■ Ernst & Young ShinNihon LLC		
	■ Aioi Nissay Dowa Insurance Co., Ltd.		
	■ Sompo Japan Insurance Inc.		
	■ Tokio Marine & Nichido Fire Insurance Co., Ltd.		
	■ NIPPONKOA Insurance Company, Limited		
	■ Mitsui Sumitomo Insurance Company, Limited		

Business-matching: Events held in fiscal 2013

Year	Month	Location	Industry	No. of exhibitors	No. of sessions
■ Hokuriku Bank					
2013	6	London, UK	Food and beverage products	6	—
	8	Singapore	Food and beverage products	6	89
	9	Shanghai, China	General manufacturing	15	207
	10	Dalian, China	Machinery, food and beverage products, everyday products	7	32
	11	Dalian, China	Machinery, other industrial manufactures and food products	8	91
	12	Wuxi, China	Machinery, autoparts and electronic components	20	122
■ Hokkaido Bank					
2013	6	Held 8 times around Hokkaido	Food products	106 companies	255
	11	Sapporo, Hokkaido	The "Sixth Industrialization" industrial policy	80 in total	Over 300
2014	2	Sapporo, Hokkaido	Food products	14	32

Association of bank clients (as of March 31, 2014)

	No. of companies
■ Hokuriku Bank	
Hokuriku Choujou Association	1,122
Hokuhoku ASEAN Association	150
Shanghai Choujou Association	356
Dalian Choujou Association	70
■ Hokkaido Bank	
Hokkaido Choujou Association	242

More dialog and better disclosure

We continuously communicate with investors and analysts for better disclosure.

IR meetings for investors and analysts

November 2013: Fiscal 2013 interim results (Tokyo)

May 2014: Fiscal 2013 results (Tokyo)

IR overseas roadshow

November 2013: Europe (London, Edinburgh, Dublin, Frankfurt)

North America (Boston, New York, Toronto, Montreal)

IR meetings for individual investors

June 2014: Two cities in Hokuriku (Toyama and Kanazawa) and

two cities in Hokkaido (Sapporo and Asahikawa)

General meeting of shareholders

June 2014: 11th ordinary general meeting of shareholders

(Toyama, with live broadcast to Sapporo)

Advancing with regional communities

We take part in social contribution activities.

Financial education

- All-Japan high-school quiz in finance and economy "Economics Koshien," in Hokkaido, Toyama and Fukui prefectures
- Management school for the managers who will form the next generation of business leaders
- Dispatch of lecturers to high schools and universities
- Internships

Support for industry-academia cooperation

The Group has concluded cooperation agreements with universities in the region, and is supporting industry-academia cooperation by taking on an intermediary role in joint research and use of its results with local companies, and by promoting business matching based on intellectual property assets.

Support for arts and culture

- Arranging and supporting concerts
- Establishment of art galleries



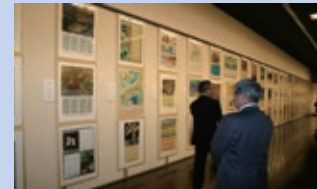
Lilac Concert



The concert in HOKUGIN GALLERIE MILLET

• The Hokkaido Bank Collection exhibition

The Hokkaido Bank Collection exhibit was held from November 29 to December 15, 2013 in Asahikawa. The purpose of the presentation was to showcase the pictures and sculptures held by the Hokkaido Bank in Asahikawa, the birthplace of the bank, and to enable the public in the city and also the Northern Hokkaido area to appreciate those artworks.



• The Etchu Owara dance in the Toyama Festival

Every August, employees from the branches in Toyama city and also the bank headquarters take part in the street dancing that accompanies the Etchu Owara dance in the Toyama Festival, the greatest festival of Toyama Prefecture. In fiscal 2013, 150 staff members took part, winning the top prize.



Etchu Owara dance

Helping conserve the regional environment

Measures undertaken as a financial institution

Environmentally-friendly housing loans, intermediary role in carbon-rights trading, lending based on environmental ratings.

Helping reduce greenhouse gases

Adoption of casual dress code for summer, introduction of solar power generation and water-heating facilities, and reduction of paper usage through a shift to electronic account record systems and document management systems.

Further environmental protection activities

- Establishment of rooftop garden systems
- Forest campaign

At Hokkaido Bank, project members are taking the lead in thinking about and working on environmental issues through the creation of forests.

In September 2013, the 5th tree-planting was held in "Dogin Forest." Branches also cooperated with local governments in tree-planting activities.



Forest campaign

Hokuriku Bank

1. Hokuriku product exhibition in London

From June 10 to June 30, 2013, the bank organized a produce exhibition in London in partnership with Japan Centre, the largest Japanese food trader in Europe. At this event, Japan Centre sales staff handled marketing, including demonstration sales, in place of bank customers, with the assistance of the London Representative Office of The Hokuriku Bank.

Aiming to expand their marketing channels in Europe, six food-producing companies from the three prefectures of the Hokuriku area operated booths at the event.



Demonstration sale

2. Signing of partnership agreement with Hokkaido Prefecture

On July 26, 2013, a partnership agreement was signed with Hokkaido Prefecture in a joint initiative aimed at stimulating industrial development in the island, thereby revitalizing the prefectural economy.

To commemorate the signing, the Otaru Product Exhibition was jointly held in Korinbo Daiwa (Kanazawa, Ishikawa Prefecture) with the aim of supporting marketing of produce from Hokkaido, under a partnership with Hokkaido Prefecture, Otaru City and Association of Otaru Product. Looking ahead, the bank will continue supporting local companies expanding marketing channels overseas and entering overseas markets, and will support initiatives by the Hokkaido International Business Center.



3. Toyama-Nagano Business Exchange Meeting on Food

Ahead of the opening of the Hokuriku Shinkansen bullet train line in March 2015, the Group helped organize the “Toyama-Nagano Business Exchange Meeting on Food” under the sponsorship of Toyama Prefecture, as a showcase of the produce of Toyama and Nagano prefectures for buyers of both prefectures, as well as from the Tokyo area.

The opening of the new line is expected to cut the journey time between the two prefectures to 50 minutes. As the resulting economic exchange is expected to greatly revitalize the region, lively business negotiations took place.



4. Wuxi Business Meeting

A business meeting was held with the Wuxi Municipal Bureau of Commerce, Jiangsu Province, China, with which an economic cooperation agreement has been signed, enabling the bank to play an intermediary role in transactions with our client companies and their business partners in China. Wuxi City is a major producer of auto parts and electronic parts, as well as machinery and related components. The aim of the session was to help Japanese companies locate parts and equipment suppliers, and companies to which they can outsource manufacturing. This was a particularly in-depth meeting, including factory visits in China.



5. Operational alliance with the Indonesia Investment Coordinating Board

The bank has entered into an operational alliance with the Indonesia Investment Coordinating Board (Badan Koordinasi Penanaman Modal–BKPM), with the aim of supporting Japanese companies setting up operations within Indonesia. Through this alliance, which follows a similar agreement with the major Indonesian bank Bank Negara, we have created Indonesia investment and financing structures, and have further strengthened our support for customers expanding into Indonesia.



6. Conclusion of the “Comprehensive Partnership and Cooperation Agreement” with Toyama Prefecture

The bank has signed the “Comprehensive Partnership and Cooperation Agreement” with Toyama Prefecture, covering 11 areas including industrial revitalization, stimulation of tourism, culture, sports and disaster prevention. In the past, the Bank only had operational alliances with individual overseas prefectural offices, but with relations further deepening in the run-up to the opening of the Hokuriku Shinkansen line in March 2015, our commitment to regional revitalization has been stepped up.



Hokkaido Bank

1. “Thailand Business Seminar”

In June 2013, the Group organized the “Thailand Business Seminar” jointly with the Office of Commercial Affairs Royal Thai Embassy, Kasikorn Bank and Dogin Regional Research Institute Co., Ltd. A total of 105 bank customers with an interest in business in Thailand participated in the event.

Many participants later expressed positive sentiments about offshoring, after hearing talks on entering the Thai market and pathways to success, suggesting a high level of interest in entering this market.



2. Russian Business Study Group

The bank organized a study meeting to make available information regarding business in Russia to those of its customers with an interest in the Russian Far East. Lecturers from the Japan Association for Trade with Russia & NIS were invited. The lively exchanges of opinions in discussions after the lectures suggested deep interest in business in Russia.



3. “Special business meetings on food in Hokkaido” held at various locations all over the prefecture

Business meetings aimed at supporting the broadening of marketing channels for processed marine food, drawing on the characteristic strengths of the region, were held on eight occasions by the bank. In fiscal 2013, the Bank responded to consultation needs of exhibiting companies by inviting experts on food product development and design, an area many participants sought information on, in addition to arranging individual business talk between buyers and exhibiting companies.



Hakodate session

4. The “Sixth Industrialization” Business Forum in Tohoku and Hokkaido.

This two-day forum on the themes of partnership between Hokkaido and the Tohoku region, and on the “sixth industrialization” was organized in partnership with 10 regional banks from the Tohoku region. On the first day, basic lectures were given to deepen awareness regarding the “sixth industrialization” concept, with panel discussions. On the second day, 80 companies from the Tohoku region and Hokkaido engaged in lively business talks aimed at identifying pathways to realization of the “sixth industrialization” concept.



At the Forum

5. “Challenge to Vietnam: Food export support seminar and business meeting”

The bank arranged seminars given by experts in Vietnamese matters, and business meetings with invited wholesale food buyers from Vietnam. Speakers gave very meaningful advice, including points to bear in mind when doing business in Vietnam, and what is expected of Japanese companies in that country. Business talks were very practical, showing effectiveness of food-tasting sessions held on the previous day.



At the seminar

At the meeting

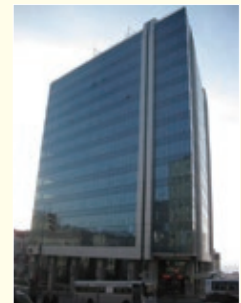
6. Establishment of a representative office in Vladivostok, Russia

In March 2014, the bank opened the second representative office in the Far East and Russian coastal region of Vladivostok.

Having clocked up remarkable growth as the hub of the Russian federal government’s Far East development drive, the city of Vladivostok is now regarded by enterprises in Hokkaido as holding great potential in terms of expansion of business opportunity. By drawing on synergistic benefits with the representative office established five years previously in Yuzhno-Sakhalinsk, the Bank will continue to proactively support customers with businesses in Russia.



Opening ceremony



Exterior of the office

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Assets			
Cash and due from banks (Notes 3 and 30).....	¥ 844,182	¥ 553,744	\$ 8,202,320
Call loans and bills bought (Note 30).....	85,734	135,426	833,017
Monetary claims bought (Note 30).....	80,161	86,864	778,874
Trading assets (Note 4).....	5,007	7,228	48,650
Money held in trust (Note 5).....	7,759	4,000	75,395
Securities (Notes 6, 12 and 30).....	2,493,619	2,509,794	24,228,721
Loans and bills discounted (Notes 7, 12, 13 and 30).....	7,323,290	7,387,934	71,155,170
Foreign exchanges (Note 8).....	14,506	10,616	140,952
Other assets (Note 12).....	98,254	109,182	954,671
Tangible fixed assets (Note 9).....	103,563	106,211	1,006,257
Intangible fixed assets (Note 10).....	32,905	38,098	319,717
Deferred tax assets (Note 27).....	11,378	24,141	110,552
Customers' liabilities for acceptances and guarantees (Note 11).....	73,661	79,728	715,720
Allowance for loan losses.....	(59,218)	(73,742)	(575,386)
Total assets	¥11,114,807	¥10,979,231	\$107,994,630
 Liabilities and equity			
Liabilities			
Deposits (Notes 12, 14 and 30).....	¥10,147,805	¥ 9,982,864	\$ 98,598,964
Call money and bills sold (Note 12).....	57,273	40,345	556,488
Trading liabilities (Note 4).....	1,434	2,052	13,936
Borrowed money (Notes 12, 15 and 30).....	121,797	252,551	1,183,418
Foreign exchanges (Note 8).....	151	123	1,471
Bonds payable (Note 16).....	58,000	33,000	563,544
Other liabilities.....	123,643	84,703	1,201,353
Reserve for employee retirement benefits (Note 17).....	—	9,829	—
Liability for retirement benefits (Note 17).....	14,961	—	145,367
Reserve for directors' and audit & supervisory board members' retirement benefits.....	328	684	3,187
Reserve for contingent losses.....	2,499	3,033	24,285
Reserve for reimbursement of deposits.....	1,252	1,256	12,172
Deferred tax liabilities for revaluation.....	6,872	7,506	66,778
Acceptances and guarantees (Note 11).....	73,661	79,728	715,720
Total liabilities	10,609,681	10,497,680	103,086,683
 Equity (Notes 18, 19 and 21)			
Capital stock.....	70,895	70,895	688,836
Capital surplus.....	148,193	148,197	1,439,891
Stock acquisition rights (Note 20).....	191	107	1,860
Retained earnings.....	222,995	201,138	2,166,689
Treasury stock.....	(1,529)	(1,547)	(14,859)
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities.....	61,301	52,630	595,620
Deferred gains (losses) on hedges.....	(194)	(301)	(1,894)
Revaluation reserve for land (Note 9).....	8,182	9,340	79,501
Defined retirement benefit plans.....	(6,077)	—	(59,047)
Total	503,957	480,461	4,896,597
Minority interests.....	1,168	1,089	11,350
Total equity	505,125	481,550	4,907,947
Total liabilities and equity	¥11,114,807	¥10,979,231	\$107,994,630

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income			
Interest income:			
Interest on loans and discounts	¥106,400	¥112,396	\$1,033,819
Interest and dividends on securities	22,053	21,058	214,277
Interest on receivables under resale agreements	2	2	19
Interest on deposits with other banks	819	352	7,962
Other interest income	992	1,063	9,648
Fees and commissions	37,067	37,396	360,156
Trading income.....	573	325	5,572
Other ordinary income (Note 23)	15,072	23,503	146,448
Other income (Note 25)	8,171	3,038	79,401
Total income.....	191,153	199,136	1,857,302
Expenses			
Interest expense:			
Interest on deposits	5,359	7,608	52,075
Interest on payables under securities lending transactions	0	2	6
Interest on borrowings and rediscounts	2,114	2,319	20,549
Interest on bonds payable	655	588	6,371
Other interest expense	744	350	7,235
Fees and commissions	14,342	13,876	139,355
Other ordinary expenses (Note 24).....	8,753	9,543	85,050
General and administrative expenses.....	105,212	106,185	1,022,275
Provision of allowance for loan losses	—	16,058	—
Other expenses (Note 26).....	6,636	13,841	64,484
Total expenses	143,820	170,374	1,397,400
Income before income taxes and minority interests.....	47,333	28,761	459,902
Income taxes (Note 27):			
Current.....	5,875	4,119	57,093
Deferred	14,062	6,467	136,634
Net income before minority interests.....	27,394	18,174	266,175
Minority interests in net income.....	61	69	601
Net income	¥ 27,332	¥ 18,105	\$ 265,574
	Yen		U.S. dollars
Per share of common stock (Notes 2-t and 22)			
Basic net income.....	¥19.20	¥12.19	\$0.19
Diluted net income.....	19.18	12.19	0.19
Cash dividends applicable to the year.....	4.00	3.75	0.04

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net income before minority interests.....	¥27,394	¥18,174	\$266,175
Other comprehensive income (Note 28).....	8,795	25,461	85,460
Valuation difference on available-for-sale securities.....	8,642	25,741	83,973
Deferred gains (losses) on hedges	106	(286)	1,038
Share of other comprehensive income of associates accounted for using equity method	46	6	449
Total comprehensive income	¥36,190	¥43,635	\$351,635
Comprehensive income attributable to owners of the parent	36,110	43,550	350,863
Comprehensive income attributable to minority interests	79	85	772

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Thousands		Millions of yen				
	Issued number of shares of common stock	Issued number of shares of preferred stock	Capital stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
Balance as of April 1, 2012	1,391,630	107,432	¥70,895	¥153,188	¥ —	¥189,845	¥ (605)
Changes during the period							
Cash dividends.....	—	—	—	—	—	(6,822)	—
Net income.....	—	—	—	—	—	18,105	—
Purchases of treasury stock.....	—	—	—	—	—	—	(5,932)
Disposals of treasury stock.....	—	—	—	(0)	—	—	0
Retirement of treasury stock.....	(40,000)	—	—	(4,990)	—	—	4,990
Reversal of revaluation reserve for land.....	—	—	—	—	—	10	—
Net changes in the year.....	—	—	—	—	107	—	—
Balance as of March 31, 2013	1,351,630	107,432	¥70,895	¥148,197	¥107	¥201,138	¥(1,547)
Changes during the period							
Cash dividends.....	—	—	—	—	—	(6,634)	—
Net income.....	—	—	—	—	—	27,332	—
Purchases of treasury stock.....	—	—	—	—	—	—	(17)
Disposals of treasury stock.....	—	—	—	(4)	—	—	35
Retirement of treasury stock.....	—	—	—	—	—	—	—
Reversal of revaluation reserve for land.....	—	—	—	—	—	1,158	—
Net changes in the year.....	—	—	—	—	83	—	—
Balance as of March 31, 2014	1,351,630	107,432	¥70,895	¥148,193	¥191	¥222,995	¥(1,529)

	Millions of yen						
	Accumulated other comprehensive income				Total	Minority interests	Total equity
Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Defined retirement benefit plans				
Balance as of April 1, 2012	¥ 26,898	¥ (15)	¥9,351	¥ —	¥449,557	¥1,003	¥450,561
Changes during the period							
Cash dividends.....	—	—	—	—	(6,822)	—	(6,822)
Net income.....	—	—	—	—	18,105	—	18,105
Purchases of treasury stock.....	—	—	—	—	(5,932)	—	(5,932)
Disposals of treasury stock.....	—	—	—	—	0	—	0
Retirement of treasury stock.....	—	—	—	—	—	—	—
Reversal of revaluation reserve for land.....	—	—	—	—	10	—	10
Net changes in the year.....	25,731	(286)	(10)	—	25,541	85	25,627
Balance as of March 31, 2013	¥ 52,630	¥(301)	¥9,340	¥ —	¥480,461	¥1,089	¥481,550
Changes during the period							
Cash dividends.....	—	—	—	—	(6,634)	—	(6,634)
Net income.....	—	—	—	—	27,332	—	27,332
Purchases of treasury stock.....	—	—	—	—	(17)	—	(17)
Disposals of treasury stock.....	—	—	—	—	30	—	30
Retirement of treasury stock.....	—	—	—	—	—	—	—
Reversal of revaluation reserve for land.....	—	—	—	—	1,158	—	1,158
Net changes in the year.....	8,671	106	(1,158)	(6,077)	1,626	79	1,705
Balance as of March 31, 2014	¥ 61,301	¥(194)	¥8,182	¥(6,077)	¥503,957	¥1,168	¥505,125

Thousands of U.S. dollars (Note 1)					
	Capital stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
Balance as of March 31, 2013	\$688,836	\$1,439,933	\$ 1,044	\$1,954,322	\$ (15,034)
Changes during the period					
Cash dividends	—	—	—	(64,464)	—
Net income	—	—	—	265,574	—
Purchases of treasury stock	—	—	—	—	(166)
Disposals of treasury stock	—	(42)	—	—	341
Retirement of treasury stock	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	11,257	—
Net changes in the year	—	—	816	—	—
Balance as of March 31, 2014	\$688,836	\$1,439,891	\$1,860	\$2,166,689	\$(14,859)

Thousands of U.S. dollars (Note 1)							
Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance as of March 31, 2013	\$511,370	\$(2,931)	\$90,758	\$ —	\$4,668,298	\$10,581	\$4,678,879
Changes during the period							
Cash dividends	—	—	—	—	(64,464)	—	(64,464)
Net income	—	—	—	—	265,574	—	265,574
Purchases of treasury stock	—	—	—	—	(166)	—	(166)
Disposals of treasury stock	—	—	—	—	299	—	299
Retirement of treasury stock	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	11,257	—	11,257
Net changes in the year	84,250	1,037	(11,257)	(59,047)	15,799	769	16,568
Balance as of March 31, 2014	\$595,620	\$(1,894)	\$79,501	\$(59,047)	\$4,896,597	\$11,350	\$4,907,947

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
1. Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 47,333	¥ 28,761	\$ 459,902
Depreciation	8,564	9,090	83,216
Impairment losses	2,142	405	20,819
Amortization of goodwill	2,102	2,113	20,426
Equity in losses (gains) of affiliates	(1)	(0)	(17)
Increase (decrease) in allowance for loan losses	(14,523)	(5,710)	(141,113)
Increase (decrease) in reserve for contingent losses	(534)	59	(5,191)
Increase (decrease) in reserve for employee retirement benefits	(9,829)	618	(95,508)
Increase (decrease) in liability for retirement benefits	14,961	—	145,367
Increase (decrease) in reserve for directors' and audit & supervisory board members' retirement benefits	(356)	11	(3,462)
Increase (decrease) in reserve for reimbursement of deposits	(3)	(147)	(33)
Interest income	(130,268)	(134,872)	(1,265,726)
Interest expense	8,875	10,870	86,235
Losses (gains) on securities	(2,097)	(414)	(20,382)
Losses (gains) on money held in trust	41	(67)	407
Losses (gains) on foreign exchange	(960)	(1,357)	(9,337)
Losses (gains) on sales of fixed assets	154	164	1,498
Net decrease (increase) in trading assets	2,221	774	21,585
Net increase (decrease) in trading liabilities	(618)	(138)	(6,007)
Net decrease (increase) in loans and bills discounted	64,644	(115,236)	628,107
Net increase (decrease) in deposits	94,168	250,620	914,971
Net increase (decrease) in negotiable certificates of deposit	70,771	61,982	687,638
Net increase (decrease) in borrowed money (excluding subordinated borrowed money) ...	(125,754)	77,765	(1,221,867)
Net decrease (increase) in due from banks (excluding deposits with the Bank of Japan) ...	14,348	(14,706)	139,419
Net decrease (increase) in call loans, bills bought, commercial paper and other debt purchased	56,395	(42,105)	547,956
Net increase (decrease) in call money and bills sold	16,928	(23,928)	164,480
Net decrease (increase) in foreign exchanges (assets)	(3,890)	74	(37,800)
Net increase (decrease) in foreign exchanges (liabilities)	27	51	269
Interest income-cash basis	110,504	113,605	1,073,689
Interest expense-cash basis	(10,814)	(12,600)	(105,078)
Other, net	42,505	10,020	412,999
Subtotal	257,038	215,703	2,497,462
Income taxes paid	(5,753)	(4,506)	(55,905)
Net cash provided by (used in) operating activities	251,285	211,196	2,441,557
2. Cash flows from investing activities:			
Purchases of securities	(333,634)	(937,155)	(3,241,689)
Proceeds from sales of securities	169,289	695,672	1,644,865
Proceeds from redemption of securities	193,526	255,911	1,880,361
Purchases of money held in trust	(13,719)	(51)	(133,302)
Proceeds from sales of money held in trust	9,910	—	96,296
Proceeds from fund management	22,053	21,126	214,277
Purchases of tangible fixed assets	(3,654)	(3,176)	(35,510)
Proceeds from sales of tangible fixed assets	43	29	420
Purchases of intangible fixed assets	(1,186)	(1,096)	(11,528)
Purchases of stocks of subsidiaries	—	(17)	—
Net cash provided by (used in) investing activities	42,628	31,242	414,190
3. Cash flows from financing activities:			
Proceeds from issuance of subordinated borrowed money	15,000	—	145,744
Repayment of subordinated borrowed money	(20,000)	(12,500)	(194,326)
Proceeds from issuance of subordinated bonds	25,000	—	242,907
Repayment of subordinated bonds	—	(1,500)	—
Expenditures for fund procurement	(2,539)	(2,752)	(24,674)
Dividends paid	(6,634)	(6,822)	(64,464)
Dividends paid to minority shareholders	(0)	(0)	(4)
Purchases of treasury stock	(17)	(5,932)	(166)
Proceeds from disposals of treasury stock	0	0	6
Net cash provided by (used in) financing activities	10,808	(29,506)	105,023
4. Effect of exchange rate changes on cash and cash equivalents	64	74	625
5. Net increase (decrease) in cash and cash equivalents	304,786	213,006	2,961,395
6. Cash and cash equivalents at beginning of the period	439,187	226,181	4,267,274
7. Cash and cash equivalents at end of the period (Note 3)	¥743,974	¥439,187	\$7,228,669

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, the Enforcement Regulation for the Banking Act and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account may not be equal to the combined total of the individual items. The U.S. dollar amounts are then rounded to thousand dollars.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Hokuhoku Financial Group, Inc. (the "Company") 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 ¥102.92 to U.S. \$1, the rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of March 31, 2014 include the accounts of the Company and its 12 subsidiaries (together, the "Group").

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

An investment in one associated company is accounted for by the equity method.

Assets and liabilities of newly consolidated subsidiaries are valued at fair value at the respective dates of acquisition, and goodwill is amortized using the straight-line method over 20 years.

b. Cash and Cash Equivalents

For the purpose of reporting cash flows, "Cash and cash equivalents" consists of "Cash" and "Due from the Bank of Japan."

c. Trading Purpose Transactions

"Transactions for trading purposes" (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency

exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade-date basis.

Trading securities and monetary claims bought for trading purposes are stated at fair value at the balance sheet date. Trading-related financial derivatives, such as swaps, futures, and options are stated at amounts that would be received or paid for settlement if such transactions were terminated at the balance sheet date.

Income and losses on trading purpose transactions are recognized on a trade-date basis and recorded as "Trading income" or "Trading losses."

Trading income and losses include interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims bought, and derivatives between the balance sheet dates.

d. Securities

Securities are classified and accounted for, based principally on the Groups' intent, as follows: (a) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed by the straight-line method and (b) available-for-sale securities, which are not classified as trading purpose securities or held-to-maturity securities, are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Available-for-sale securities for which fair value is not reliably determined are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust are recorded in the same manner as securities mentioned above.

e. Tangible Fixed Assets (excluding Lease Assets)

Tangible fixed assets are stated at cost less accumulated depreciation. The Company and its consolidated banking subsidiaries (the subsidiaries hereafter referred to as the "Banks") depreciate their equipment based on the declining-balance method and their premises principally based on the straight-line method. The estimated useful lives of major assets are as follows: (1) buildings: 6 to 50 years and (2) equipment: 3 to 20 years.

Consolidated non-banking subsidiaries depreciate their equipment and premises principally based on the declining-balance method over their expected useful lives.

f. Intangible Fixed Assets (excluding Lease Assets)

Intangible fixed assets are depreciated based on the straight-line method. Capitalized software for internal use owned by consolidated subsidiaries is depreciated using the straight-line method over its estimated useful life (mainly 5 years).

g. Lease Assets

Lease assets under non-transfer ownership finance lease contracts (in which the ownership of leased assets is not transferred to the lessee; included in tangible fixed assets and intangible fixed assets) are depreciated on a straight-line basis over the lease period with a residual value of zero when contracted amounts for residual value are specified.

h. Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Allowance for Loan Losses

The Banks provide an allowance for loan losses which is determined based on management's judgment and an assessment of future losses based on their self-assessment systems. These systems reflect past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, the value of collateral or guarantees, and other pertinent indicators.

The Banks have implemented a self-assessment system to determine the quality of its assets. 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 Banks' policy and guidelines for the self-assessment of asset quality.

The Banks have established a credit rating system under which customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes: "normal," "in need of caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

For loans to borrowers classified as legal bankruptcy or virtual bankruptcy, the Banks fully provide the net amount of loans and estimated collectible amounts by collateral or guarantees. Regarding loans to borrowers classified as possible bankruptcy, a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.

For the borrower classified as possible bankruptcy or being with restructured loans with a certain amount of the unsecured portion of claims or a certain amount of the credit, if cash flows from collection of principals and interests can be reasonably estimated, the Banks provided the difference between the present values of these cash flows discounted at the initial contractual interest rate and the book values of loans (the "DCF" method).

For other loans, a general allowance is provided based on the historical loan loss ratio.

The Company and its consolidated non-banking subsidiaries determine the allowance for loan losses by a similar self-assessment system as that of the Banks.

For collateralized or guaranteed claims to borrowers who are in "virtual bankruptcy" or "legal bankruptcy," the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible directly from those claims. The deducted amounts were ¥84,264 million (\$818,738 thousand) and ¥106,892 million at March 31, 2014 and 2013, respectively.

Change in accounting estimates

Effective from the year ended March 31, 2014, because of the elaboration of the estimate of the expected loss rate and the unification of the allowance for loan losses calculation method, for the borrower classified as possible bankruptcy with a certain amount of the unsecured portion of claims, if cash flows from collection of principals and interests can be reasonably estimated, the Banks provided the difference between the present values of these cash flows discounted at the initial contractual interest rate and the book values (the "DCF" method).

The effect of this change in accounting estimate was to decrease income before income taxes and minority interests by ¥2,524 million (\$24,529 thousand).

j. Accounting Method for Retirement Benefits

In calculating retirement benefit obligations, the straight-line basis is used as a method of attributing expected retirement benefits to the period up to the end of this fiscal year.

The unrecognized prior service cost is amortized using the straight-line method over eight years within the employees' average remaining service period at incurrence.

The unrecognized actuarial (gains) losses are amortized using the straight-line method over eight or nine years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

The unrecognized transitional obligation from the initial application of the new accounting standard for employee retirement benefits of ¥28,196 million (\$273,967 thousand) is amortized primarily using the straight-line method over 15 years.

k. Reserve for Directors' and Audit & Supervisory Board Members' Retirement Benefits

A reserve for directors' and audit & supervisory board members' retirement benefits is provided for payment of retirement benefits to directors and audit & supervisory board members in the amount deemed accrued at the fiscal year end, based on the estimated amount of benefits.

The Company and the Banks abolished their directors' and audit & supervisory board members' retirement benefits system at the board of directors' meeting on May 11, 2012, and resolved to provide a lump-sum payment of retirement benefits of directors and audit & supervisory board members at the general meeting of shareholders on June 26, 2012. According to these resolutions, the lump-sum payment of retirement benefits of directors and audit & supervisory board members shall be effectuated upon the retirement of each individual director and audit & supervisory board member. Reserve for directors' and audit & supervisory board members' retirement benefits was ended in June 2012, and the entire remaining amount is included in "reserve for directors' and audit & supervisory board members' retirement benefits."

l. Reserve for Contingent Losses

A reserve for contingent losses is provided for possible losses in accordance with the Joint Responsibility System of Credit Guarantee Corporations and possible losses from contingencies not covered by other specific reserves.

m. Reserve for Reimbursement of Deposits

A reserve for reimbursement of deposits which were not previously recognized as liabilities under certain conditions is provided for possible losses on the future claims of withdrawal based on historical reimbursement experience.

n. Stock Options

In December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance. This standard requires companies to recognize compensation expense for employee stock options based on the fair value of the stock options at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

o. Income Taxes

The provision for income taxes is computed based on pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

p. Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen mainly at the exchange rate prevailing as of the balance sheet date.

q. Derivatives and Hedging Activities

Derivatives are stated at fair value. Derivative transactions that meet hedge accounting criteria are primarily accounted for under the deferral method whereby unrealized gains and losses are deferred until maturity as deferred gains (losses) on hedges accounting in a separate component of equity.

The Banks hedge interest rate risks arising from their financial assets and liabilities by employing the technique known as "individual hedging" that establishes a specific position to directly hedge a particular item. Such hedges, limited to certain assets and liabilities, are accounted for by the deferred method or, where appropriate interest rate swaps are involved, by the special rule method.

The effectiveness of hedges is assessed as follows: the Banks specify the hedged items according to their risk management regulations, with the aim of centralizing hedging instruments, and verify the extent to which the exposure of interest rate risks on hedged items is mitigated.

The Banks hedge currency exchange fluctuation risks arising from their foreign currency denominated financial assets and liabilities. Such hedges are accounted for by the deferred method specified in the "Accounting and Auditing Treatments in Banking Business in Accounting for Foreign Currency Denominated Transactions and

Others" (JICPA Industry Audit Committee Report No. 25).

The effectiveness of these hedges is assessed as follows: where currency swap transactions and exchange swap transactions are used as hedging instruments to offset exchange fluctuation risks arising from foreign currency denominated financial assets and liabilities, hedge effectiveness is assessed by verifying the agreement of the amounts of the designated hedging instruments corresponding to the hedged foreign currency financial assets and liabilities.

The Company and consolidated non-banking subsidiaries are not engaged in hedging operations using derivative transactions.

r. Consumption taxes

The Company and its domestic consolidated subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method whereby receipts and payments of consumption taxes are not included in the transaction amounts and, accordingly, consumption tax amounts do not affect the measurement of profit or loss transactions. However, deducting off the subject to the consumption tax to tangible fixed assets are summed up to the cost in this fiscal year.

s. Finance lease

Sales and cost of sales are accounted when lease payments are paid.

t. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at time of issuance) with an applicable adjustment for interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the fiscal year.

u. Changes in Accounting Policies

Accounting Standard for Retirement Benefits — In May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the revised accounting standard, actuarial gains or losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive

income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or assets (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April

1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥14,961 million (\$145,367 thousand) was recorded as of March 31, 2014, and deferred tax assets for the year ended March 31, 2014, increased by ¥3,324 million (\$32,303 thousand), and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥6,077 million (\$59,047 thousand).

v. New Accounting Pronouncements

Accounting Standard for Retirement Benefits — Same as “u. Changes in Accounting Policies” above.

The Group expects to apply (u. (c)) above from April 1, 2014, and retained earnings at the beginning of the annual period beginning on April 1, 2014, are expected to decrease by ¥1,864 million (\$18,118 thousand).

3. Cash and Cash Equivalents

The reconciliation of “Cash and cash equivalents” in the consolidated statement of cash flows and “Cash and due from banks” in the consolidated balance sheet as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and due from banks.....	¥844,182	¥553,744	\$8,202,320
Due from banks except for deposits with the Bank of Japan	(100,208)	(114,557)	(973,651)
Cash and cash equivalents	¥743,974	¥439,187	\$7,228,669

4. Trading Assets and Liabilities

Trading assets and liabilities as of March 31, 2014 and 2013 consisted of the following:

Trading Assets	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Trading securities	¥2,835	¥3,971	\$27,548
Trading-related financial derivatives	2,171	3,257	21,102
Total	¥5,007	¥7,228	\$48,650

Trading Liabilities	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Trading-related financial derivatives	¥1,434	¥2,052	\$13,936
Total	¥1,434	¥2,052	\$13,936

5. Money Held in Trust

Money held in trust for trading purposes as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Amounts recorded in the consolidated balance sheet	¥ 7,759	¥ 4,000	\$ 75,395
Valuation gain (loss) included in consolidated statement of income	12	27	120

There was no money held in trust for other purposes as of March 31, 2014 and 2013.

6. Securities

Securities as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Japanese national government bonds	¥1,423,713	¥1,463,775	\$13,833,209
Japanese local government bonds	416,514	460,528	4,046,971
Japanese corporate bonds.....	337,568	338,492	3,279,908
Japanese corporate stocks.....	182,149	145,237	1,769,815
Other securities	133,674	101,760	1,298,818
Total	¥2,493,619	¥2,509,794	\$24,228,721

As of March 31, 2014 and 2013, securities included equity investments in non-consolidated subsidiaries that amounted to ¥669 million (\$6,508 thousand) and ¥740 million, respectively.

In the following description, in addition to "Securities," also presented are trading account securities which are classified as "Trading assets" in the consolidated balance sheet and beneficiary claims on loan trusts which are classified as "Monetary claims bought" in the consolidated balance sheet.

Valuation gain or loss on trading account securities included in income before income taxes and minority interests was ¥3 million (\$35 thousand) and ¥17 million as of March 31, 2014 and 2013, respectively.

The amounts on consolidated balance sheet, aggregate fair value and unrealized gains (losses) on held-to-maturity debt securities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		
	Amount on consolidated balance sheet	Estimated fair value	Net unrealized gains (losses)
March 31, 2014			
Fair value exceeding amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds	¥ 75,114	¥ 78,372	¥3,257
Japanese corporate bonds.....	43,904	44,243	339
Total	¥119,018	¥122,616	¥3,597
Fair value below amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds	¥ 2,504	¥ 2,498	¥ (5)
Japanese corporate bonds.....	25,567	25,461	(105)
Total	28,071	27,960	(110)
Grand total	¥147,090	¥150,576	¥3,486

	Millions of yen		
	Amount on consolidated balance sheet	Estimated fair value	Net unrealized gains (losses)
March 31, 2013			
Fair value exceeding amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds	¥ 77,627	¥ 81,141	¥3,513
Japanese corporate bonds.....	27,432	27,671	238
Total	¥105,060	¥108,812	¥3,751
Fair value below amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds	¥ 10	¥ 10	¥ (0)
Japanese corporate bonds.....	25,648	25,407	(240)
Total	25,658	25,417	(240)
Grand total	¥130,718	¥134,230	¥3,511

	Thousands of U.S. dollars		
	Amount on consolidated balance sheet	Estimated fair value	Net unrealized gains (losses)
March 31, 2014			
Fair value exceeding amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds	\$ 729,835	\$ 761,489	\$31,654
Japanese corporate bonds	426,585	429,887	3,302
Total	<u>\$1,156,420</u>	<u>\$1,191,376</u>	<u>\$34,956</u>
Fair value below amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds	\$ 24,332	\$ 24,276	\$ (56)
Japanese corporate bonds	248,416	247,394	(1,022)
Total	<u>272,748</u>	<u>271,670</u>	<u>(1,078)</u>
Grand total	<u>\$1,429,168</u>	<u>\$1,463,046</u>	<u>\$33,878</u>

The amounts on consolidated balance sheet, acquisition or amortized cost and unrealized gains (losses) on available-for-sale securities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
March 31, 2014			
Amount on consolidated balance sheet exceeding acquisition or amortized cost:			
Japanese corporate stocks	¥ 128,738	¥ 83,961	¥44,777
Bonds:			
Japanese government bonds	1,339,592	1,311,426	28,166
Japanese local government bonds	393,063	384,497	8,565
Japanese corporate bonds	241,696	237,897	3,798
Total bonds	<u>1,974,352</u>	<u>1,933,821</u>	<u>40,531</u>
Other securities	153,601	145,678	7,922
Total	<u>¥2,256,692</u>	<u>¥2,163,461</u>	<u>¥93,230</u>
Amount on consolidated balance sheet below acquisition or amortized cost:			
Japanese corporate stocks	¥ 23,484	¥ 27,704	¥ (4,220)
Bonds:			
Japanese government bonds	6,502	6,503	(0)
Japanese local government bonds	23,451	23,490	(39)
Japanese corporate bonds	26,400	26,504	(104)
Total bonds	<u>56,353</u>	<u>56,498</u>	<u>(144)</u>
Other securities	51,905	54,254	(2,348)
Total	<u>131,743</u>	<u>138,457</u>	<u>(6,714)</u>
Grand total	<u>¥2,388,435</u>	<u>¥2,301,919</u>	<u>¥86,516</u>

March 31, 2013	Millions of yen		
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
Amount on consolidated balance sheet exceeding acquisition or amortized cost:			
Japanese corporate stocks.....	¥ 81,828	¥ 52,178	¥29,650
Bonds:			
Japanese government bonds	1,288,858	1,257,305	31,553
Japanese local government bonds	449,000	437,607	11,392
Japanese corporate bonds.....	268,796	263,999	4,796
Total bonds	2,006,654	1,958,912	47,742
Other securities	135,274	127,234	8,039
Total	¥2,223,757	¥2,138,325	¥85,432
Amount on consolidated balance sheet below acquisition or amortized cost:			
Japanese corporate stocks.....	¥ 33,253	¥ 39,408	¥ (6,155)
Bonds:			
Japanese government bonds	97,279	98,113	(834)
Japanese local government bonds	11,527	11,534	(6)
Japanese corporate bonds.....	16,614	16,772	(157)
Total bonds	125,422	126,419	(997)
Other securities	44,740	46,478	(1,738)
Total	203,416	212,307	(8,891)
Grand total	¥2,427,174	¥2,350,632	¥76,541

March 31, 2014	Thousands of U.S. dollars		
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
Amount on consolidated balance sheet exceeding acquisition or amortized cost:			
Japanese corporate stocks.....	\$ 1,250,859	\$ 815,792	\$435,067
Bonds:			
Japanese government bonds	13,015,863	12,742,190	273,673
Japanese local government bonds	3,819,113	3,735,884	83,229
Japanese corporate bonds.....	2,348,392	2,311,482	36,910
Total bonds	19,183,368	18,789,556	393,812
Other securities	1,492,435	1,415,456	76,979
Total	\$21,926,662	\$21,020,804	\$905,858
Amount on consolidated balance sheet below acquisition or amortized cost:			
Japanese corporate stocks.....	\$ 228,178	\$ 269,188	\$ (41,010)
Bonds:			
Japanese government bonds	63,180	63,190	(10)
Japanese local government bonds	227,858	228,242	(384)
Japanese corporate bonds.....	256,514	257,528	(1,014)
Total bonds	547,552	548,960	(1,408)
Other securities	504,328	527,149	(22,821)
Total	1,280,058	1,345,297	(65,239)
Grand total	\$23,206,720	\$22,366,101	\$840,619

Information on available-for-sale securities, which were sold during the years ended March 31, 2014 and 2013 was as follows:

March 31, 2014	Millions of yen		
	Proceeds	Realized gains	Realized losses
Japanese corporate stocks.....	¥ 16,394	¥1,242	¥693
Bonds:			
Japanese government bonds	102,429	1,295	31
Japanese local government bonds	31,023	0	5
Japanese corporate bonds.....	9,367	43	—
Total bonds	142,820	1,339	37
Other securities	5,762	380	—
Total	¥164,977	¥2,962	¥730

March 31, 2013	Millions of yen		
	Proceeds	Realized gains	Realized losses
Japanese corporate stocks	¥ 4,509	¥ 335	¥203
Bonds:			
Japanese government bonds	615,944	8,104	525
Japanese local government bonds	41,000	1,371	2
Japanese corporate bonds	19,090	378	0
Total bonds	676,035	9,854	528
Other securities	2,031	94	1
Total	¥682,576	¥10,284	¥733

March 31, 2014	Thousands of U.S. dollars		
	Proceeds	Realized gains	Realized losses
Japanese corporate stocks	\$ 159,290	\$12,068	\$6,736
Bonds:			
Japanese government bonds	995,234	12,586	308
Japanese local government bonds	301,434	7	58
Japanese corporate bonds	91,021	425	—
Total bonds	1,387,689	13,018	366
Other securities	55,991	3,700	—
Total	\$1,602,970	\$28,786	\$7,102

Impairment losses on available-for-sale securities amounted to ¥176 million (\$1,714 thousand) and ¥9,024 million as of March 31, 2014 and 2013, respectively.

An impairment of securities is recognized if the decline in fair value is substantial and the decline is determined to be other than temporary. To assess whether or not a decline in fair value but also the classification of the security issuer which is used in the self-assessment of asset quality as follows:

- (1) For issuers who are classified as borrowers under “in need of caution,” “possible bankruptcy,” “virtual bankruptcy,” “legal bankruptcy.”
 - Stocks: where the fair value is lower than the acquisition cost.
 - Bonds: where the fair value declines by over 30% compared to the amortized cost or acquisition cost.
- (2) For issuers who are classified as borrowers under “normal.”
 - Stocks and bonds: where the fair value declines by 50% or more compared to the amortized cost or acquisition cost, or the fair value declines by over 30% but less than 50% compared to the amortized cost or acquisition cost and market prices remaining below certain level.

Reconciliation of valuation difference on available-for-sale securities to the amounts included in “valuation difference on available-for-sale securities,” presented as a separate component of net assets as of March 31, 2014 and 2013, in the consolidated balance sheet, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Valuation difference before taxes on available-for-sale securities	¥86,516	¥76,541	\$840,619
Deferred tax liabilities	(25,227)	(23,894)	(245,118)
Valuation difference on available-for-sale securities (before adjustment)	61,288	52,646	595,501
Amounts attributable to minority interests	(60)	(43)	(592)
The Company’s portion of valuation difference on available-for-sale securities of equity method investees	73	27	711
Amounts recorded in the consolidated balance sheet	¥61,301	¥52,630	\$595,620

7. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Bills discounted.....	¥ 52,979	¥ 61,971	\$ 514,762
Loans on bills	345,643	355,627	3,358,367
Loans on deeds	6,061,731	6,140,092	58,897,510
Overdrafts	862,935	830,243	8,384,531
Total	¥7,323,290	¥7,387,934	\$71,155,170

Loans and bills discounted include loans to borrowers in bankruptcy, past due loans, past due loans (three months or more) and restructured loans. The amounts of these loans were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans to borrowers in bankruptcy ...	¥ 8,475	¥ 12,049	\$ 82,347
Past due loans	159,017	184,445	1,545,057
Past due loans (three months or more).....	585	101	5,692
Restructured loans.....	35,814	42,310	347,982
Total	¥203,892	¥238,908	\$1,981,078

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Order for Enforcement of the Corporation Tax Act.

Past due loans are nonaccrual loans which include loans classified as “possible bankruptcy” and “virtual bankruptcy.”

Nonaccrual loans are defined as loans (after the partial charge-off of claims deemed uncollectible) which the Banks have stopped accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans are classified either as “possible bankruptcy” or “virtual bankruptcy” under the Banks’ self-assessment guidelines.

In addition to past due loans as defined above, certain other loans classified as “in need of caution” under the Banks’ self-assessment guidelines include past due loans (three months or more) which consist of loans which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Group relaxes lending conditions by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower’s reorganization. Restructured loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

These amounts represent the gross amounts before deduction of the allowance for loan losses.

Bills discounted are accounted for as financial transactions in accordance with “Accounting and Auditing treatment of Accounting Standards for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 24). The Banks have a right to sell or repledge as collateral such discounted bills at their discretion. The total face value of bank acceptance bills, commercial bills, documentary bills and foreign currency bills bought, which were obtained at a discount, were ¥55,489 million (\$539,151 thousand) and ¥63,561 million as of March 31, 2014 and 2013, respectively.

As of March 31, 2014 and 2013, loans and bills discounted included the portion of loans extended to original borrowers based on loan participation agreements, as permitted by the JICPA Accounting Committee Report No. 3, in the amount of ¥1,500 million (\$14,574 thousand) and ¥1,500 million, respectively.

8. Foreign Exchanges

Foreign exchanges as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets			
Due from foreign banks.....	¥10,221	¥ 7,379	\$ 99,314
Foreign exchange bills bought.....	2,510	1,589	24,388
Foreign exchange bills receivable...	1,775	1,647	17,250
Total	¥14,506	¥10,616	\$140,952
Liabilities			
Due to foreign banks.....	¥ 22	¥ 28	\$ 218
Foreign exchange bills sold.....	93	60	904
Foreign exchange bills payable	35	34	349
Total	¥ 151	¥ 123	\$ 1,471

9. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Buildings	¥ 33,637	¥ 34,449	\$ 326,828
Land.....	62,521	64,443	607,475
Lease assets	774	756	7,530
Construction in progress.....	360	45	3,504
Other tangible fixed assets	6,269	6,515	60,920
Total	¥103,563	¥106,211	\$1,006,257

Accumulated depreciation amounted to ¥103,784 million (\$1,008,400 thousand) and ¥101,975 million as of March 31, 2014 and 2013, respectively.

The book value of tangible fixed assets adjusted for gains on sales of replaced assets amounted to ¥3,875 million (\$37,659 thousand) and ¥3,886 million as of March 31, 2014 and 2013, respectively.

Under the “Act Concerning Land Revaluation,” Hokuriku Bank, Ltd. revalued its own land for business operations as of March 31, 1998. The revaluation gain is included in net assets as “Revaluation reserve for land.” The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥21,379 million (\$207,732 thousand) and ¥23,364 million as of March 31, 2014 and 2013, respectively.

10. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Software.....	¥ 9,960	¥12,877	\$ 96,782
Goodwill.....	21,898	24,000	212,773
Lease assets.....	296	462	2,877
Other intangible fixed assets.....	749	758	7,285
Total.....	¥32,905	¥38,098	\$319,717

11. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees in liabilities on the consolidated balance sheet. As a contra account, customers' liabilities for acceptances and guarantees are also shown in assets, which represent the Banks' right of indemnity from the applicants.

Guarantee obligations on securities issued by private placement (pursuant to Article 2, Clause 3 of the Japanese Financial Instruments and Exchange Act) amounted to ¥105,129 million (\$1,021,467 thousand) and ¥101,131 million as of March 31, 2014 and 2013, respectively.

12. Assets Pledged

Assets pledged as collateral and their relevant liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets pledged as collateral:			
Securities.....	¥386,711	¥390,030	\$3,757,398
Loans and bills discounted.....	150,249	314,064	1,459,871
Relevant liabilities to above assets:			
Deposits.....	¥ 26,962	¥ 27,139	\$ 261,973
Call money and bills sold.....	30,000	30,000	291,489
Borrowed money.....	19,415	145,703	188,647

In addition to the assets presented above, the following assets were pledged as collateral relating to transactions on exchange settlements or as substitutes for futures transaction margins as of March 31, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Securities.....	¥144,350	¥157,563	\$ 1,402,549
Other assets.....	210	210	2,044

In addition to the above, initial margins for futures transactions, cash collateral paid for financial instruments and guarantee deposits are included in "Other assets" in the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Initial margins for futures transactions.....	¥ 6	¥ 6	\$ 68
Cash collateral paid for financial instruments.....	200	200	1,943
Guarantee deposits.....	3,767	3,900	36,606

13. Loan Commitments

Overdraft facility and loan commitment contracts with customers to lend up to prescribed limits response to customers' applications for a loan, as long as there is no violation of any condition within the contracts. The unused amount of such contracts totals ¥2,244,753 million (\$21,810,663 thousand) and ¥2,260,093 million as of March 31, 2014 and 2013, respectively, of which amounts with original agreement terms of less than one year are ¥2,206,638 million (\$21,440,324 thousand) and ¥2,221,859 million as of March 31, 2014 and 2013, respectively.

Since many of the commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions allowing the Group to refuse customers' applications for a loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of the contracts, the Group obtains collateral including real estate, securities, etc., if considered to be necessary. Subsequently, the Group performs a periodic review of the customers' business results based on internal rules and takes necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

14. Deposits

Deposits as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current deposits, ordinary deposits, saving deposits and deposits at notice.....	¥ 5,452,672	¥5,237,507	\$52,979,716
Time deposits and installment savings.....	4,322,884	4,455,603	42,002,379
Negotiable certificates of deposits...	235,439	164,667	2,287,599
Other deposits.....	136,808	125,084	1,329,270
Total.....	¥10,147,805	¥9,982,864	\$98,598,964

15. Borrowed Money

As of March 31, 2014 and 2013, the weighted-average annual interest rates applicable to borrowed money were 1.39% and 0.85%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. In addition, borrowed money includes ¥100,500 million (\$976,487 thousand) and ¥105,500 million of subordinated borrowed money as of March 31, 2014 and 2013, respectively.

Annual maturities of borrowed money as of March 31, 2014 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015.....	¥ 20,150	\$ 195,789
2016.....	549	5,334
2017.....	235	2,283
2018.....	212	2,068
2019.....	150	1,457
2020 and thereafter.....	100,500	976,487
Total.....	¥121,797	\$1,183,418

16. Bonds Payable

Bonds payable as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Issued by the Company:			
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due January 2021, 1.27% interest.....	¥10,000	¥10,000	\$ 97,163
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due December 2021, 1.50% interest.....	8,000	8,000	77,730
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due October 2023, 0.75% interest.....	25,000	—	242,907
Issued by Hokkaido Bank, Ltd.:			
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due September 2019, 2.18% interest.....	15,000	15,000	145,744
Total.....	¥58,000	¥33,000	\$563,544

Annual maturities of bonds payable as of March 31, 2014 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2020 and thereafter.....	¥58,000	\$563,544

17. Retirement Benefits

Overview of the Group's retirement benefit plans

The Hokuriku Bank, Ltd. which had provided three defined benefit retirement programs, corporate pensions, and tax qualified pension and retirement bonuses, terminated the tax qualified pension and migrated a portion of the retirement bonus to a defined contribution pension in March 2011. At the time of retirement, employees may be issued a premium retirement grant that is not subject to inclusion in the actuarial computation of projected benefit obligations in conformity with the standards for accounting for retirement benefits. The Minister of Health, Labour and Welfare approved on February 17, 2003 that Hokuriku Bank Ltd. would be relieved of the obligation to administer the future payment service of the government mandated portion of its employee pension fund. The Hokuriku Bank, Ltd. was further approved on March 1, 2005 to switch from an employee pension fund to a corporate pension fund.

The Hokkaido Bank, Ltd. provides defined benefit arrangements that combine a retirement lump sum grant and an employee pension fund plan. The Hokkaido Bank, Ltd. was approved by the Minister of Health, Labour and Welfare on March 26, 2004 to be relieved of the obligation to administer the future payment service of the government mandated portion of the employee pension fund. The Hokkaido Bank, Ltd. was further approved on March 31, 2006 to switch from an employee pension fund to an employee pension fund.

The consolidated domestic subsidiaries other than the two noted above provide retirement lump sum grants.

The Company's employees are all on loan from its subsidiaries and are covered by the retirement benefit program of the subsidiaries from which they each come.

The Banks have established benefit trust arrangements as a part of their plan assets.

(As of March 31, 2014)

(a) Defined benefit plan

(1) The changes in defined benefit obligations for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of the period.....	¥90,289	\$877,283
Service cost.....	2,002	19,461
Interest cost.....	1,787	17,365
Actuarial (gains) losses.....	(412)	(4,009)
Benefits paid.....	(4,926)	(47,863)
Others.....	94	921
Balance at end of the period.....	¥88,836	\$863,158

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of the period.....	¥66,326	\$644,446
Expected return on plan assets.....	2,173	21,122
Actuarial (gains) losses.....	4,982	48,408
Contributions from the employer.....	4,009	38,961
Benefits paid.....	(3,711)	(36,064)
Others.....	94	918
Balance at end of the period.....	¥73,875	\$717,791

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen	Thousands of U.S. dollars
Funded defined benefit obligation.....	¥72,726	\$706,635
Plan assets.....	(66,950)	(650,505)
	5,776	56,130
Unfunded defined benefit obligation	16,109	156,522
Plan assets.....	(6,924)	(67,285)
	9,184	89,237
Net liability (asset) arising from defined benefit obligation	¥14,961	\$145,367

	Millions of yen	Thousands of U.S. dollars
Liability for retirement benefits.....	¥14,961	\$145,367
Asset for retirement benefits.....	—	—
Net liability (asset) arising from defined benefit obligation	¥14,961	\$145,367

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost.....	¥2,002	\$19,461
Interest cost.....	1,787	17,365
Expected return on plan assets	(2,173)	(21,122)
Recognized actuarial (gains) losses	3,082	29,955
Amortization of prior service costs.....	(46)	(454)
Amortization of transitional obligation	1,939	18,848
Others.....	119	1,165
Net periodic benefit costs	¥6,712	\$65,218

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service cost.....	¥ (233)	\$ (2,273)
Unrecognized actuarial (gains) losses	7,942	77,168
Unrecognized transitional obligation	1,693	16,457
Total	¥9,401	\$91,352

(6) Plan assets

• *Components of plan assets*

Bonds	38.99%
Stocks.....	48.42%
Cash and deposits	0.45%
General accounts.....	5.54%
Other	6.60%
Total	100.00%

Note: 23.17% of retirement benefit trust is included in the plan assets.

• *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	2.0%
Expected rate of return on plan assets.....	3.5%

(b) *Defined contribution pension plan*

	Millions of yen	Thousands of U.S. dollars
Contribution.....	¥ 277	\$ 2,698

(As of March 31, 2013)

(a) *Retirement benefit*

	Millions of yen
	2013
Projected benefit obligations.....	¥(90,289)
Plan assets at fair value.....	66,326
Projected benefit obligations in excess of plan assets.....	(23,963)
Unrecognized net transitional obligation	3,633
Unrecognized net actuarial loss.....	16,419
Unrecognized prior service costs.....	(280)
Net projected benefit obligations recognized on the consolidated balance sheet	(4,190)
Prepaid pension costs	5,638
Reserve for employee retirement benefits	¥(9,829)

(b) *Retirement benefit expenses*

	Millions of yen
	2013
Service costs	¥1,987
Interest costs on projected benefit obligations.....	1,801
Expected return on plan assets	(1,986)
Amortization of prior service costs	(463)
Amortization of net actuarial loss.....	3,217
Amortization of net transitional obligation	1,939
Other (additional payments, including premium retirement benefits)	492
Net periodic retirement benefit expenses	¥6,987

(c) *Assumptions for calculation of projected benefit obligations*

	2013
Discount rate	2.0%
Expected rate of return on pension assets	3.5%
Method of benefit attribution.....	Straight-line method
Amortization period of prior service costs.....	8 years
Amortization period of actuarial gain/loss.....	8 or 9 years
Amortization period of net transitional obligation	Mainly 15 years

18. Equity

Japanese banks are subject to the Banking Act and the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides a certain limitation on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Banking Act requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

19. Capital Stock

Information with respect to capital stock of the Company as of March 31, 2014 and 2013 is as follows:

	2014	2013
Number of shares:		
Authorized:		
Common	2,800,000,000	2,800,000,000
Preferred (Type 1)	400,000,000	400,000,000
Preferred (Type 2)	200,000,000	200,000,000
Preferred (Type 3)	200,000,000	200,000,000
Preferred (Type 4)	90,000,000	90,000,000
Preferred (Type 5)	110,000,000	110,000,000
Issued and outstanding:		
Common	1,351,630,146	1,351,630,146
Preferred (Type 5)	107,432,000	107,432,000
Treasury stock:		
Common	12,067,668	12,266,448
Preferred (Type 5)	1,420	710

Preferred stock (Type 5)

Preferred stock (Type 5) is noncumulative and nonparticipating for dividend payments. Shareholders of the preferred stock (Type 5) are not entitled to vote at the general meeting of shareholders, except when the proposal to pay the prescribed dividends to shareholders is not submitted to the general meeting of shareholders or is rejected at the general meeting of shareholders.

Annual dividends per share of preferred stock (Type 5) are paid to shareholders at ¥15.00.

The changes in the number of treasury stock for the fiscal year ended March 31, 2014 and 2013 were as follows:

2014	As of April	Changes during the fiscal year		As of March
	1, 2013	Increase*1	Decrease*2	31, 2014
Common	12,266,448	82,606	281,386	12,067,668
Preferred (Type 5) ...	710	710	—	1,420

*1 The increase of common and preferred (Type 5) represents the acquisition of odd-lot shares.

*2 The decrease of common represents the disposal of 1,686 shares of odd-lot shares and 279,700 shares exercised of stock options.

2013	As of April	Changes during the fiscal year		As of March
	1, 2012	Increase*1	Decrease*2	31, 2013
Common	2,230,039	50,039,798	40,003,389	12,266,448
Preferred (Type 5) ...	710	—	—	710

*1 The increase of common represents the purchases of treasury stock of 50 million shares and the acquisition of 39,798 shares of odd-lot shares.

*2 The decrease of common represents the retirement of treasury stock of 40 million shares and the disposal of 3,389 shares of odd-lot shares.

20. Stock Acquisition Right

Stock acquisition right as of March 31, 2014 and 2013 consisted of stock options.

21. Stock Options

The stock option plans grant options to the Company's directors and the Banks' directors and executive officers to purchase certain shares of the Company's common stock in the respective exercise periods. The exercise prices are subject to adjustments for stock issuances below fair value and stock splits.

Stock option expenses in the amount of ¥114 million (\$1,109 thousand) and ¥107 million were recorded under general and administrative expenses for the year ended March 31, 2014 and 2013, respectively.

The stock options outstanding as of March 31, 2014 were as follows:

Stock option	Persons granted	Number of options granted (Shares)	Date of grant	Exercise price	Exercise period
2012 Stock Option	19 directors	1,058,500	November 28, 2012	¥1	From November 29, 2012 to November 28, 2042
	23 executive officers				
2013 Stock Option	19 directors	629,500	August 13, 2013	¥1	From August 14, 2013 to August 13, 2043
	22 executive officers				

The stock option activity was as follows:

Year ended March 31, 2014	2012 stock option (Shares)	2013 stock option (Shares)
Non-vested:		
March 31, 2013—outstanding.....	—	—
Granted.....	—	629,500
Canceled.....	—	—
Vested.....	—	629,500
March 31, 2014—outstanding.....	—	—
Vested		
March 31, 2013—outstanding.....	995,400	—
Vested.....	—	629,500
Exercised.....	279,700	—
Canceled.....	—	2,200
March 31, 2014—outstanding.....	715,700	627,300
Exercise price.....	¥1	¥1
	\$0.01	\$0.01
Average stock price at exercise.....	¥184	—
	\$1.79	—
Fair value price at grant date.....	¥108	¥182
	\$1.05	\$1.77

The Assumptions Used to Measure the Fair Value of the 2013

Stock Options	
Estimate method.....	Black-Scholes option-pricing model
Volatility of stock price.....	33.253%
Estimated remaining outstanding period.....	Two years and nine months
Estimate dividend.....	¥3.75 per share
Interest rate with risk free.....	0.125%

In estimating the vested number of stock options, the Company basically reflects only the actual forfeited number, since it is difficult to make a reasonable estimate on the future forfeited number.

22. Per Share Information

(1) Net income per share of common stock

Reconciliation of the difference between basic and diluted net income per share (“EPS”) for the years ended March 31, 2014 and 2013 was as follows:

Year ended March 31, 2014	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted-average shares		EPS
Basic EPS – Net income available to common stockholders	¥25,721	1,339,539	¥19.20	\$0.19
Effect of dilutive securities		1,171		
Diluted EPS – Net income for computation	¥25,721	1,340,710	¥19.18	\$0.19

Year ended March 31, 2013	Millions of yen	Thousands of shares	Yen
	Net income	Weighted-average shares	EPS
Basic EPS – Net income available to common stockholders	¥16,493	1,352,326	¥12.19
Effect of dilutive securities		354	
Diluted EPS – Net income for computation	¥16,493	1,352,680	¥12.19

(2) Net assets per share of common stock

Net assets per share of common stock as of March 31, 2014 and 2013 were as follows:

	Yen		U.S. dollars
	2014	2013	2014
Net assets per share of common stock.....	¥335.36	¥317.93	\$3.26

Net assets per share of common stock as of March 31, 2014 and 2013 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Total equity.....	¥505,125	¥481,550	\$4,907,947
Deductions from total equity:			
Stock acquisition rights.....	191	107	1,860
Minority interests.....	1,168	1,089	11,350
Preferred stock.....	53,715	53,715	521,913
Preferred dividends.....	805	805	7,829
Net assets attributable to common stock at the end of the fiscal year.....	449,245	425,832	4,364,995
Number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share of common stock (shares in thousands).....	1,339,562	1,339,363	

Because of the change of the accounting standard for retirement benefits, net assets per share of common stock decreased by ¥4.54 (\$0.04) (see “2u. Changes in Accounting Policies”).

23. Other Ordinary Income

Other ordinary income for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gain on foreign exchange transactions – net.....	¥ 1,698	¥ 1,391	\$ 16,502
Gains on sales and redemption of bonds and other securities.....	1,547	9,998	15,035
Gains on derivatives.....	809	1,086	7,865
Lease receipts.....	6,742	7,016	65,515
Other.....	4,274	4,011	41,531
Total.....	¥15,072	¥23,503	\$146,448

24. Other Ordinary Expenses

Other ordinary expenses for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Losses on sales, redemption and devaluation of bonds and other securities.....	¥ 47	¥ 945	\$ 463
Lease costs.....	5,902	6,070	57,348
Other.....	2,803	2,527	27,239
Total.....	¥8,753	¥9,543	\$85,050

25. Other Income

Other income for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gains on sales of stocks.....	¥1,480	¥ 393	\$14,384
Reversal of allowance for loan losses.....	2,839	—	27,594
Gains on sales of tangible fixed assets.....	5	—	58
Other.....	3,845	2,645	37,365
Total.....	¥8,171	¥3,038	\$79,401

26. Other Expenses

Other expenses for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Losses on write-offs of loans and bills discounted.....	¥ 616	¥ 659	\$ 5,992
Losses on sales of stocks.....	693	205	6,736
Losses on impairments of stocks and other securities.....	189	8,824	1,838
Losses on sales of loans.....	512	725	4,976
Losses on impairments and disposals of fixed assets.....	2,302	570	22,376
Other.....	2,322	2,856	22,566
Total.....	¥6,636	¥13,841	\$64,484

27. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37.75% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Allowance for loan losses.....	¥40,874	¥50,842	\$397,145
Depreciation.....	1,186	1,320	11,527
Reserve for employee retirement benefits.....	—	14,419	—
Liability for retirement benefits ...	17,862	—	173,560
Loss on valuation of securities...	15,109	14,939	146,812
Other.....	4,936	5,513	47,965
Operating loss carryforwards.....	6,702	10,583	65,125
Subtotal.....	86,672	97,618	842,134
Less: Valuation allowance.....	34,861	36,501	338,722
Total deferred tax assets.....	51,811	61,117	503,412
Deferred tax liabilities:			
Valuation difference on available-for-sale securities....	30,218	26,795	293,608
Book-value correction for securities.....	4,593	4,651	44,628
Land transfer through merger....	3,212	3,212	31,215
Other.....	2,409	2,315	23,409
Total deferred tax liabilities.....	40,433	36,975	392,860
Net deferred tax assets.....	¥11,378	¥24,141	\$ 110,552

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the fiscal year ended March 31, 2014 is as follows:

	2014
Normal effective statutory tax rate.....	37.75%
Change in valuation allowance.....	0.37
Permanently non-taxable income.....	(1.42)
Per capita portion of inhabitants' taxes.....	0.34
Permanently non-deductible expenses.....	0.38
Decrease in deferred tax assets due to changes in tax rate....	1.75
Other.....	2.95
Actual effective tax rate.....	42.12%

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the fiscal year ended March 31, 2013 is omitted since the difference between the normal effective statutory tax rate and the actual effective tax rate is less than 5% of the normal effective statutory tax rate.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 37.75% to 35.37%. The effect of this change was to decrease deferred tax assets in the

consolidated balance sheet as of March 31, 2014, by ¥828 million (\$8,052 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by the same amount.

28. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Valuation difference on available-for-sale securities:			
Amount incurred during the fiscal year.....	¥13,137	¥37,235	\$127,646
Reclassification adjustment	(3,161)	(285)	(30,723)
Prior to deducting tax effect...	9,975	36,949	96,923
Tax effect	(1,332)	(11,207)	(12,950)
Total	8,642	25,741	83,973
Deferred gains (losses) on hedges:			
Amount incurred during the fiscal year.....	(477)	(668)	(4,639)
Reclassification adjustment	642	226	6,245
Prior to deducting tax effect...	165	(442)	1,606
Tax effect	(58)	156	(568)
Total	106	(286)	1,038
Share of other comprehensive income of associates accounted for using equity method:			
Amount incurred during the fiscal year.....	61	23	597
Reclassification adjustment	(10)	(11)	(101)
Prior to deducting tax effect...	51	12	496
Tax effect	(4)	(5)	(47)
Total	46	6	449
Total other comprehensive income.....	¥ 8,795	¥25,461	\$ 85,460

29. Leases

(1) Finance lease transactions

(Lessee)

The Group leases ATMs, computer equipment, software and other assets.

(2) Operating lease transactions

(Lessee)

The minimum rental commitments under noncancelable operating leases as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Within one year.....	¥2	¥ 2	\$24
Over one year	5	7	51
Total	¥7	¥10	\$75

30. Financial Instruments and Related Disclosures

(1) Group policy on financial instruments

The Group provides a wide variety of financial services, centered on banking services such as deposit-taking and lending.

Our lending activities are aimed at achieving co-prosperity with the regional economy and we endeavor to manage our lending in a sound and appropriate manner, while simultaneously working to strengthen credit risk management.

Investments in securities are strictly managed based on the Group's risk management policies and regulations. Regarding deposit-taking operations, the Group aims to ensure stable fund-raising by the expansion and upgrading of financial services for all customers in the region. Borrowed money and corporate bonds are considered a means of medium- to long-term fundraising.

Given the different term structures of the Group's financial assets such as loans and financial liabilities such as deposits, it is exposed to interest-rate fluctuation risk in the financial markets. For this reason, the Group conducts comprehensive asset liability management ("ALM") to appropriately control such market risk and ensure stable earnings.

(2) Nature and extent of risks arising from financial instruments

The financial assets held by the Group consist primarily of securities and loans to domestic customers. Loans are subject to credit risks that could cause financial loss to the Group, such as declines or losses in asset value resulting from a possible deterioration in the financial condition of borrowers. With regard to securities, the Group is exposed to the credit risk of issuers, interest-rate risk, and market price volatility risk. However, the Group takes adequate steps to mitigate these risks.

Financial liabilities, including deposits and borrowed money, are exposed to liquidity risk arising from the possibility that the Group may be obliged to procure funds at interest rates significantly higher than normal owing to a sudden change in the market environment or a deterioration in the Group's financial position.

The Banks make use of currency-related derivatives such as currency swaps, forward exchange contracts, and currency options, as well as interest-related derivatives such as interest-rate swaps, interest-rate futures, and interest-rate caps, to meet the ALM needs of the Banks as well as the various needs of the Banks' customers. These derivatives are exposed to the following risks among others: interest-rate risk, the risk of exchange rate fluctuations, price volatility risk, and credit risk.

However, none of the Group's financial assets and liabilities are attended by notably high risk levels, nor do they include any particular derivatives with high market price volatility.

The Hokuriku Bank, Ltd. applies hedge accounting to hedge the value of some of its assets and liabilities against interest-rate fluctuations. When applying hedge accounting, the Hokuriku Bank, Ltd. adopts integrated management in both hedging instruments and hedged items as long as hedging is installed and evaluates the effectiveness of the hedges.

(3) Risk management for financial instruments

The Banks have established risk management departments and have stipulated basic regulations for risk management and other regulations pertaining to risk. In addition, the Banks have

established an ALM Committee and a Comprehensive Risk Management Committee, where qualified risks and administration matters are discussed regularly to ensure that all categories of risk are managed effectively. Changes in regulations and organizational structures of the Banks are revised or supervised by the Company to ensure conformance to the Group's policies and the results of the above committees are reported to the Company.

(a) Credit Risk Management

The Group's fundamental policy is to strive for improved earnings and ensure sound business operations through the appropriate management of credit risk. In line with this policy, the Company and the Banks collaborated in establishing various regulations, including Credit Risk Management Regulations, and also ensuring the effective operation of internal checking functions by separating business promotion departments from credit risk management departments. Rigorous screening is also conducted and credit ratings are granted based on their Credit Policy. Additionally, the setting of credit limits is managed on an individual customer basis to avoid the risk of an overconcentration of loans in particular sectors. Finally, the Banks carry out self-assessment and credit risk quantification procedures and the risk situation is regularly reported to the Banks' Board of Directors.

As for loan screening process of the Banks, the branches concerned carefully analyze each separate loan application and screen each customer involved. In the event that the decision exceeds the limits of authority of the branch manager, the appropriate loan screening departments at the headquarters of the Banks carry out their own analysis and screening. Specialized staff members in place within the screening departments are responsible for particular industries and geographical areas. These specialists provide the appropriate advice and guidance to the branches based on the particular features of the customer.

Concerning the creditworthiness of security issuers and counterparty risk in derivative transactions, credit information and the state of transactions are regularly monitored and managed by the risk management departments of the Banks.

(b) Market Risk Management

Having stipulated regulations such as Market Risk Management Regulations and an arranged organizational structure including ALM and other committees, the Banks appropriately control market risk associated with lending and deposit-taking in order to ensure stable earnings.

Interest Rate Risk Management

The risk management departments of the Banks regularly and comprehensively monitor the interest rates and time-frames involved in the Banks' financial assets and liabilities and monitor interest risk levels through methods such as gap analysis and sensitivity analysis of interest rates, based on the Banks' Interest Rate Risk Management Regulations and other related regulations where the methods and procedures to be employed for risk management are described in detail.

The Banks set ceiling amounts for each type of interest rate risk to control it appropriately. Derivatives such as interest-rate swaps and interest-rate caps are employed from an ALM perspective so that the Banks reduce interest rate risk by hedging against interest rate fluctuations.

Foreign Exchange Risk Management

Using measures such as currency swaps to reduce foreign exchange risk, the Banks manage exchange risk arising from fluctuations in foreign exchange rates that affect the values of assets and liabilities denominated in foreign currencies.

Price Volatility Risk Management

Regarding investments in instruments such as securities, the Banks carry out prior screening and set investment ceilings, and then constantly monitor the investment status to minimize price volatility risk. Every process above has to be strictly managed under the supervision of the Banks' Board of Directors and to be in line with policies laid down by Management Committees. A high percentage of the stocks held by the Banks are acquired and held for long-term strategic purposes. The Banks monitor the market conditions and financial positions of the securities issuers. Value at Risk ("VaR") and other methods are used to determine the amount of market risk for each security held. The staff members of the responsible departments provide regular reports to the Banks' Board of Directors and Management Committees to confirm that price risk is controllable and all rules pertaining to market risk management are being followed correctly.

Derivatives

The Banks arrange their organizational structures securing the separation and internal check-and-balance mechanisms among front sections (specializing in market transactions), middle sections (engaging in risk management) and back sections (responsible for book entries and settlements). Management sections confirm the validity of transactions, value the Banks' daily derivative positions, and measure gains and losses as well as risk levels. Derivative transactions are carefully managed in such a way that losses never exceed a predetermined maximum.

Quantitative Information Related to Market Risk

Hokuriku Bank and Hokkaido Bank measure quantitative information related to market risk.

- Financial instruments in the trading account

In calculating VaR for trading securities and a portion of currency-related and interest-related derivative transactions held in the trading account, Hokuriku Bank adopts the historical simulation method (a holding period of 1 business day, a confidence interval of 99% and main observation period of 1,250 business days).

The market risk amounts (VaR) of the trading business of Hokuriku Bank were ¥17 million (\$165 thousand) and ¥80 million as of March 31, 2014 and 2013, respectively.

Hokkaido Bank has no financial instruments in the trading accounts.

- Financial instruments in the banking account

In the Banks, the main financial instruments affected by interest rate risk are "Monetary claims bought," "Loans and bills discounted," "Bonds," "Deposits," "Borrowed money," and transactions of interest rate swaps, interest swaptions and interest rate caps held in derivative transactions. The main financial instruments affected by market value are listed stocks and investment trust. The Banks use VaR for integrated management of these financial instruments.

For calculating VaR, the Banks adopt the historical simulation method (a holding period of 120 business days, a confidence interval of 99% and main observation period of 1,250 business

days) and consider the correlations between interest and the fluctuation of prices of the listed stocks. In addition, Hokkaido Bank has set a holding period of 10 business days for trading account securities (including public bonds traded over the counter) and for specified fund trust as investment securities. Hokkaido Bank also considers the correlation between interest rates and the fluctuation of prices of the listed stocks in calculating VaR of specified fund trust as investment securities.

Hokuriku Bank's VaR of the financial instruments in the banking account were ¥32,319 million (\$314,021 thousand) and ¥66,928 million as of March 31, 2014 and 2013, respectively. Hokkaido Bank's VaR of the financial instruments in the banking account were ¥27,929 million (\$271,366 thousand) and ¥48,366 million as of March 31, 2014 and 2013, respectively. Hokkaido Bank's trading account securities totaled ¥8 million (\$78 thousand) and ¥19 million as of March 31, 2014 and 2013, respectively. Hokkaido Bank's specified fund trust totaled ¥5 million (\$49 thousand) and ¥5 million as of March 31, 2014 and 2013, respectively.

The Banks perform back testing of the VaR measurement model at fixed intervals. VaR measures the amount of market risk by certain occurrence probabilities that are statistically calculated based on past markets movements. Therefore, there are cases in which VaR cannot capture risk under sudden and dramatic changes in markets beyond normal circumstances.

VaR shows the maximum loss during the holding period of the financial instruments under the confidence interval (99%) that is statistically calculated based on past market movements. In particular, the Banks calculate 100BPV (100 Basis Point Value), as supplements, of the assets and liabilities and change in their present value on the assumption that index interest rate rises by 1.00%.

Hokuriku Bank's 100BPV was a ¥17,922 million decrease (\$174,135 thousand decrease) and a ¥24,241 million increase as of March 31, 2014 and 2013, respectively. Hokkaido Bank's 100BPV was a ¥18,116 million decrease (\$176,020 thousand decrease) and a ¥19,832 million increase as of March 31, 2014 and 2013, respectively.

For calculating 100BPV, the correlations between interest rates and the other parameters are not considered because the 100BPV is measured on the assumption that risk parameters except interest rate remain unchanged. Actual risk can exceed the calculated 100BPV in the case of a drastic change in interest rates beyond reasonable prior expectations occur.

(c) Liquidity Risk Management

In accordance with the Banks' rules for management of liquidity risk, the Banks form an accurate appraisal of fund operations and procurement, and take measures to ensure smooth cash flows. Specifically, the Banks set benchmarks in various different categories to check liquidity risk on a daily basis, and maintain adequate levels of high-liquidity assets that are readily convertible into cash, such as government bonds.

We have in place mechanisms for periodically assessing and managing liquidity risk through ALM committees, to prepare for every possible scenario.

(4) Supplementary explanation relating to fair values of financial instruments

The fair values of financial instruments include, in addition to values determined based on market prices, valuations calculated on a reasonable basis if no market prices are available. Certain assumptions are used in the calculations of such amounts. Accordingly, the result of such calculations may vary if different assumptions are used.

(5) Fair values of financial instruments

The fair value of the main financial instruments at March 31, 2014 and 2013 are as follows. These amounts do not include unlisted stocks whose fair values are extremely difficult to determine (see (b) Financial instruments whose fair values are deemed to be extremely difficult to determine).

(a) Fair value of financial instruments

March 31, 2014	Millions of yen		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks.....	¥ 844,182	¥ 844,184	¥ 1
Call loans and bills bought.....	85,734	85,734	—
Monetary claims bought *1.....	71,835	71,835	—
Securities			
Bonds classified as held-to-maturity.....	147,090	150,576	3,486
Available-for-sale securities.....	2,316,600	2,316,600	—
Loans and bills discounted.....	7,323,290		
Allowance for loan losses *1.....	(56,601)		
	7,266,688	7,340,132	73,443
Total assets.....	¥10,732,130	¥10,809,062	¥76,932
Deposits.....	¥10,147,805	¥10,148,619	¥ 814
Borrowed money.....	121,797	123,913	2,116
Total liabilities.....	¥10,269,602	¥10,272,533	¥ 2,930
Derivative transactions *2			
Derivative transactions not qualifying for hedge accounting... ¥	3,733	¥ 3,733	¥ —
Derivative transactions qualifying for hedge accounting.....	(1,654)	(1,654)	—*3
Total derivative transactions.....	¥ 2,079	¥ 2,079	¥ —

March 31, 2013	Millions of yen		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks.....	¥ 553,744	¥ 553,741	¥ (3)
Call loans and bills bought.....	135,426	135,426	—
Monetary claims bought *1.....	78,259	78,259	—
Securities			
Bonds classified as held-to-maturity	130,718	134,230	3,511
Available-for-sale securities	2,348,917	2,348,917	—
Loans and bills discounted	7,387,934		
Allowance for loan losses *1	(70,201)		
	7,317,733	7,404,733	87,000
Total assets.....	¥10,564,800	¥10,655,309	¥90,508
Deposits.....	¥ 9,982,864	¥ 9,984,708	¥ 1,844
Borrowed money.....	252,551	253,632	1,080
Total liabilities.....	¥10,235,416	¥10,238,341	¥ 2,924
Derivative transactions *2			
Derivative transactions not qualifying for hedge accounting... ¥	4,879	¥ 4,879	¥ —
Derivative transactions qualifying for hedge accounting.....	(968)	(968)	—*3
Total derivative transactions.....	¥ 3,911	¥ 3,911	¥ —

March 31, 2014	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks.....	\$ 8,202,320	\$ 8,202,335	\$ 15
Call loans and bills bought.....	833,017	833,017	—
Monetary claims bought *1.....	697,974	697,974	—
Securities			
Bonds classified as held-to-maturity	1,429,168	1,463,046	33,878
Available-for-sale securities	22,508,746	22,508,746	—
Loans and bills discounted	71,155,170		
Allowance for loan losses *1	(549,959)		
	70,605,211	71,318,812	713,601
Total assets.....	\$104,276,436	\$105,023,930	\$747,494
Deposits.....	\$ 98,598,964	\$ 98,606,879	\$ 7,915
Borrowed money.....	1,183,418	1,203,978	20,560
Total liabilities.....	\$ 99,782,382	\$ 99,810,857	\$ 28,475
Derivative transactions *2			
Derivative transactions not qualifying for hedge accounting... \$	36,272	\$ 36,272	\$ —
Derivative transactions qualifying for hedge accounting.....	(16,071)	(16,071)	—*3
Total derivative transactions.....	\$ 20,201	\$ 20,201	\$ —

*1. Allowance for loan losses shown on this table represents the general allowance and specific allowance for loan losses. Figures for allowance for loan losses on monetary claims bought are directly deducted from the balance of monetary claims bought as the amount concerned is insignificant.

*2. Derivative transactions included in trading assets and liabilities and other assets and liabilities are shown together. Assets and liabilities arising from derivative transactions are shown within parentheses with respect to net liabilities.

*3. As interest-rate swaps subject to exceptional treatment are accounted for together with the loans being hedged by the swaps, their fair value is included in the loans in question on the consolidated balance sheet.

Cash and due from banks

The fair values of due from banks with no maturity are considered to be equal to the book value since the fair values of these items approximate their book values. The fair values of due from banks with maturity are calculated using the total cash flows from principal and interest discounted by current market interest rates, taking into account the credit risk involved. This calculation is performed separately for each maturity length. In the event that the terms of due from banks are one year or less, the book values are regarded as approximate to the fair values and are therefore treated as such.

Call loans and bills bought

The fair values of call loans and bills bought are considered to be equal to the book value since the contractual terms are one year or less and fair values of these items approximate their book values.

Monetary claims bought

The fair values of trust beneficiary rights relating to mortgage loans purchased by the Banks and relating to loan claims are determined based on the quoted prices obtained from counterparty financial institutions. The fair values of small-lot monetary claims resulting from asset liquidations are determined by discounting the cash flows at the market interest rates, taking into account the credit risk involved.

Securities

The fair values of stocks are calculated on the basis of the average price of the stocks on the stock market for the one-month period immediately preceding the last day of the accounting term. The fair values of bonds are calculated using the price indicated on the securities market or other officially announced prices. In the event that neither of these fair values are available, the price is based on a reasonable estimate. For investment trusts, the fair value is calculated on the basis of a publicly available benchmark price.

For privately-placed bonds guaranteed by one of the Banks, the present value is separately calculated using the present value discounted by the market interest rate where the credit risk of each bond issuer and the remaining period of the bonds are considered.

For more detailed information regarding the different types of securities classified according to holding purpose, see "5. Securities."

Loans and bills discounted

As loans with variable interest rates reflect short-term market interest rates, the fair value will approximate the book value unless the creditworthiness of the borrower changes subsequent to the grading of the loan. Because of this, the book value is employed as the fair value.

For loans with fixed interest rates, the fair value is calculated using the total future cash flows from principal and interest discounted by current market interest rates, taking into account the credit risk involved. This calculation is performed separately for each different category of loans, classified by type of loan, internal credit ratings and maturity length. For loans whose repayment period is one year or less, the book value is a close approximation of the fair value and is therefore employed as such.

Regarding the fair value of claims on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers, credit losses are estimated based on the present value of estimated future cash flows or the estimated value recoverable from collateral and guarantees. Since the fair value is approximate

to the value stated on the consolidated balance sheet as of the settlement date, minus the present value of estimated bad debt, this figure is therefore treated as the fair value.

For the category of loans whose maturity is not fixed because of the loan ceiling set within the estimated value recoverable from the collateral, the book value is regarded as approximate to the fair value because of the expected period for repayment and the interest rates applied. The book value is therefore employed as the fair value.

Deposits

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the carrying amount) is considered to be the fair value. In addition, the fair value of time deposits is calculated by discounting the estimated future cash flows for each of the specified periods. This calculation is performed separately as per the remaining maturity of time deposits. The discount rate employed is the interest rate that would be applied to newly accepted deposits. In the event that the deposit term is one year or less, the book value is regarded as approximate to the fair value and is therefore treated as such.

Borrowed money

Borrowed money with floating interest rates reflect market interest rates and because the credit standing of the Company and its consolidated subsidiaries has changed little since the taking out of those loans, the book value is regarded as approximate to the fair value and is therefore treated as such.

For money borrowed through loans carrying fixed rates, the current value of these loans is determined by discounting the total of their principal plus interest (separately for each specific period) at the rate currently applied to other loans of the same duration and terms. For loans whose repayment period is one year or less, the

book value is regarded as being approximate to the fair value and is therefore treated as such.

Derivative transactions

Derivative transactions include interest rate-related transactions (futures, options, swaps and others), foreign exchange-related transactions (futures, options, swaps and others) and commodity-related transactions and are based on the prices on securities exchanges, discounted value of future cash flows, option pricing models and others.

(b) Financial instruments whose fair values are deemed to be extremely difficult to determine

Financial instruments whose fair values are deemed to be extremely difficult to determine are indicated below, and are not included in "Monetary claims bought" and "Available-for-sale securities" in the fair value information of financial instruments.

Consolidated balance sheet amounts

March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Monetary claims bought (subordinated beneficiary rights in securitization of mortgage loans) *1	¥ 8,325	¥ 8,604	\$ 80,890
Unlisted stocks *1, 2	29,929	30,157	290,803
Unlisted foreign securities *1	0	0	4
Total	¥38,255	¥38,762	\$371,697

*1. These items are excluded from "fair value information of financial instruments" on the basis that no market price is available and a determination of the fair value would be extremely difficult.

*2. Unlisted stocks were written down by ¥22 million (\$221 thousand) and ¥217 million as of March 31, 2014 and 2013, respectively.

(6) Maturity analysis for financial assets and securities with contractual maturities

March 31, 2014	Millions of yen				
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Due from banks	¥ 713,434	¥ 4,000	¥ —	¥ —	¥ —
Call loans and bills bought	85,734	—	—	—	—
Monetary claims bought	1,872	—	—	3,056	66,649
Securities	190,170	643,701	465,295	553,716	370,396
Bonds classified as held-to-maturity	19,069	28,138	31,512	6,627	61,850
Japanese government bonds	7,000	4,020	2,500	2,520	61,500
Japanese corporate bonds	12,069	24,118	29,012	4,107	350
Available-for-sale securities with maturities	171,101	615,563	433,783	547,089	308,546
Japanese government bonds	65,000	333,100	269,100	437,800	205,500
Japanese local government bonds	61,574	136,942	93,919	92,113	22,462
Japanese corporate bonds	38,925	101,952	41,399	13,900	68,027
Other	5,602	43,569	29,364	3,276	12,556
Loans and bills discounted	2,055,024	1,481,807	1,008,910	620,555	1,954,943
Total	¥3,046,235	¥2,129,508	¥1,474,205	¥1,177,328	¥2,391,988

March 31, 2013	Millions of yen				
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Due from banks	¥ 430,591	¥ 4,000	¥ —	¥ —	¥ —
Call loans and bills bought	135,426	—	—	—	—
Monetary claims bought	1,997	—	—	400	75,351
Securities	179,321	495,583	549,225	457,197	604,245
Bonds classified as held-to-maturity	9,463	28,625	24,777	4,151	63,875
Japanese government bonds	3,010	8,520	2,500	—	63,520
Japanese corporate bonds	6,453	20,105	22,277	4,151	355
Available-for-sale securities with maturities	169,858	466,958	524,448	453,046	540,370
Japanese government bonds	42,100	190,800	369,900	328,900	415,600
Japanese local government bonds	58,218	162,380	80,971	102,402	44,120
Japanese corporate bonds	54,784	89,191	52,009	17,613	67,130
Other	14,755	24,586	21,567	4,129	13,519
Loans and bills discounted	2,213,331	1,483,240	1,056,814	568,593	1,833,849
Total	¥2,960,668	¥1,982,824	¥1,606,039	¥1,026,190	¥2,513,446

March 31, 2014	Thousands of U.S. dollars				
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Due from banks	\$ 6,931,930	\$ 38,865	\$ —	\$ —	\$ —
Call loans and bills bought	833,017	—	—	—	—
Monetary claims bought	18,193	—	—	29,695	647,582
Securities	1,847,748	6,254,386	4,520,945	5,380,067	3,598,874
Bonds classified as held-to-maturity	185,280	273,397	306,180	64,390	600,952
Japanese government bonds	68,014	39,060	24,291	24,485	597,551
Japanese corporate bonds	117,266	234,337	281,889	39,905	3,401
Available-for-sale securities with maturities	1,662,468	5,980,989	4,214,765	5,315,677	2,997,922
Japanese government bonds	631,558	3,236,494	2,614,655	4,253,790	1,996,697
Japanese local government bonds	598,271	1,330,568	912,548	894,997	218,250
Japanese corporate bonds	378,207	990,598	402,251	135,056	660,976
Other	54,432	423,329	285,311	31,834	121,999
Loans and bills discounted	19,967,207	14,397,663	9,802,859	6,029,495	18,994,790
Total	\$29,598,095	\$20,690,914	\$14,323,804	\$11,439,257	\$23,241,246

Loans and bills discounted

Claims on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers amounted to ¥167,492 million (\$1,627,404 thousand) and ¥196,495 million as of March 31, 2014 and 2013, respectively, and loans with no contractual maturities amounted to ¥34,555 million (\$335,752 thousand) and ¥35,610 million as of March 31, 2014 and 2013, respectively. They are not included in the table above.

(7) Maturity analysis for financial liabilities with contractual maturities

March 31, 2014	Millions of yen				
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Deposits	¥8,766,223	¥1,096,413	¥277,865	¥ 2,586	¥ 4,717
Borrowed money	20,150	784	362	61,000	39,500
Total	¥8,786,373	¥1,097,197	¥278,228	¥63,586	¥44,217

March 31, 2013	Millions of yen				
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Deposits	¥8,473,114	¥1,173,962	¥329,555	¥ 2,076	¥ 4,154
Borrowed money	146,408	513	130	50,000	55,500
Total	¥8,619,523	¥1,174,476	¥329,685	¥52,076	¥59,654

March 31, 2014	Thousands of U.S. dollars				
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Deposits	\$85,175,119	\$10,653,063	\$2,699,818	\$ 25,131	\$ 45,833
Borrowed money	195,789	7,618	3,525	592,693	383,793
Total	\$85,370,908	\$10,660,681	\$2,703,343	\$617,824	\$429,626

Deposits

Demand deposits are included in "Due in 1 year or less."

31. Derivatives

(1) Derivative transactions to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, notional principal or contract amount, fair value at the balance sheet date by transaction type and related unrealized gain or loss and computation method of fair value are as follows. Note that contract amounts do not represent the market risk exposure of derivative transactions.

- Interest Rate-Related Transactions

March 31, 2014	Millions of yen			
	Notional or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating.....	¥517,383	¥471,044	¥9,346	¥9,346
Receive/floating and pay/fixed.....	520,067	473,475	(5,776)	(5,776)
Options/sell.....	280,217	126,822	(2,978)	(799)
Options/buy.....	285,914	127,153	2,982	2,982
Others/sell.....	1,923	707	(0)	103
Others/buy.....	12	12	0	(4)
Total.....	/	/	¥3,573	¥5,851

March 31, 2013	Millions of yen			
	Notional or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating.....	¥610,524	¥559,504	¥11,887	¥11,887
Receive/floating and pay/fixed.....	614,867	562,325	(6,969)	(6,969)
Options/sell.....	333,845	266,332	(3,868)	(1,221)
Options/buy.....	339,287	266,982	3,869	3,869
Others/sell.....	4,088	2,359	(1)	189
Others/buy.....	462	22	0	(13)
Total.....	/	/	¥ 4,918	¥ 7,742

March 31, 2014	Thousands of U.S. dollars			
	Notional or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating.....	\$5,027,046	\$4,576,798	\$90,814	\$90,814
Receive/floating and pay/fixed.....	5,053,123	4,600,427	(56,129)	(56,129)
Options/sell.....	2,722,673	1,232,239	(28,939)	(7,773)
Options/buy.....	2,778,026	1,235,460	28,984	28,984
Others/sell.....	18,692	6,875	(6)	1,002
Others/buy.....	121	121	0	(44)
Total.....	/	/	\$34,724	\$56,854

Notes: 1. The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.
2. The fair value is determined using the discounted value of future cash flows, option pricing models, etc.

- Foreign Exchange-Related Transactions

March 31, 2014	Millions of yen			
	Notional or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps	¥ 5,203	¥ 990	¥ 7	¥ 7
Forward contracts/sell.....	20,091	54	(236)	(236)
Forward contracts/buy.....	11,380	72	347	347
Options/sell.....	250,439	172,141	(10,130)	16,304
Options/buy.....	250,439	172,141	10,130	(13,431)
Total.....	/	/	¥ 118	¥ 2,992

March 31, 2013	Millions of yen			
	Notional or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps	¥ 15,742	¥ 4,984	¥ 21	¥ 21
Forward contracts/sell	28,148	141	(827)	(827)
Forward contracts/buy	19,677	—	690	690
Options/sell	300,094	222,524	(12,143)	21,787
Options/buy	300,094	222,524	12,142	(17,436)
Total	/	/	¥ (116)	¥ 4,235

March 31, 2014	Thousands of U.S. dollars			
	Notional or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps	\$ 50,557	\$ 9,619	\$ 76	\$ 76
Forward contracts/sell	195,214	533	(2,297)	(2,297)
Forward contracts/buy	110,575	705	3,378	3,378
Options/sell	2,433,343	1,672,576	(98,428)	158,418
Options/buy	2,433,343	1,672,576	98,426	(130,501)
Total	/	/	\$ 1,155	\$ 29,074

Notes: 1. The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.
2. The fair value is determined using the discounted value of future cash flows.

• Commodity Related Transactions

March 31, 2014	Millions of yen			
	Notional or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	¥749	¥519	¥(28)	¥(28)
Receive/floating and pay/fixed	749	519	68	68
Total	/	/	¥ 40	¥ 40

March 31, 2013	Millions of yen			
	Notional or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	¥1,407	¥1,407	¥ (88)	¥ (88)
Receive/floating and pay/fixed	1,407	1,407	166	166
Total	/	/	¥ 77	¥ 77

March 31, 2014	Thousands of U.S. dollars			
	Notional or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	\$ 7,281	\$ 5,046	\$(272)	\$(272)
Receive/floating and pay/fixed	7,281	5,046	665	665
Total	/	/	\$ 393	\$ 393

Notes: 1. The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.
2. The fair value is determined using the price of the underlying asset, terms of contract and other factors which structure the contract.
3. The above derivative transactions consist of the oil, copper, aluminum, etc.

(2) Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, notional principal or contract amount and fair value at the balance sheet date by transaction type and hedge accounting method and computation method of the fair value are as follows. Note that contract amounts do not represent the market risk exposure of derivative transactions.

• Interest Rate-Related Transactions

March 31, 2014			Millions of yen		
			Notional or contract amount		Fair value
Hedge accounting method	Type	Hedged item	Total	Due after 1 year	
Accounting method employed in principle	Swaps	Yen-based bond			
	Receive/floating and pay/fixed		¥50,000	¥50,000	¥(379)
Exceptional treatment for interest swaps	Swaps	Loans and bills discounted			
	Receive/floating and pay/fixed		15,934	12,934	(Note)
Total			/	/	¥(379)

March 31, 2013			Millions of yen		
			Notional or contract amount		Fair value
Hedge accounting method	Type	Hedged item	Total	Due after 1 year	
Accounting method employed in principle	Swaps	Yen-based bond			
	Receive/floating and pay/fixed		¥50,000	¥50,000	¥(525)
Exceptional treatment for interest swaps	Swaps	Loans and bills discounted			
	Receive/floating and pay/fixed		24,522	24,522	(Note)
Total			/	/	¥(525)

March 31, 2014			Thousands of U.S. dollars		
			Notional or contract amount		Fair value
Hedge accounting method	Type	Hedged item	Total	Due after 1 year	
Accounting method employed in principle	Swaps	Yen-based bond			
	Receive/floating and pay/fixed		\$485,814	\$485,814	\$(3,687)
Exceptional treatment for interest swaps	Swaps	Loans and bills discounted			
	Receive/floating and pay/fixed		154,825	125,676	(Note)
Total			/	/	\$(3,687)

Notes: 1. Deferred hedge accounting is mainly applied in accordance with JICPA Industry Audit Committee Report No. 24.

2. The fair value is determined using the discounted value of future cash flows, option pricing models, etc.

3. Amounts resulting from interest swaps with exceptional treatment are accounted for together with the financial instruments hedged. As a result, the fair value is included in the fair value of the loans stated in "30. Financial Instruments and Related Disclosures."

• Foreign Exchange-Related Transactions

March 31, 2014			Millions of yen		
			Notional or contract amount		Fair value
Hedge accounting method	Type	Hedged item	Total	Due after 1 year	
Accounting method employed in principle	Swaps	Foreign loans	¥ 630	¥630	¥ (76)
	Forward contracts	Call loans and due from banks (foreign currencies)	119,469	—	(1,198)
Total			/	/	¥(1,274)

March 31, 2013			Millions of yen		
			Notional or contract amount		Fair value
Hedge accounting method	Type	Hedged item	Total	Due after 1 year	
Accounting method employed in principle	Swaps	Foreign loans	¥ 534	¥534	¥(126)
	Forward contracts	Call loans and due from banks (foreign currencies)	58,275	—	(315)
Total			/	/	¥(442)

March 31, 2014			Thousands of U.S. dollars		
			Notional or contract amount		Fair value
Hedge accounting method	Type	Hedged item	Total	Due after 1 year	
Accounting method employed in principle	Swaps	Foreign loans	\$ 6,122	\$6,122	\$ (743)
	Forward contracts	Call loans and due from banks (foreign currencies)	1,160,797	—	(11,641)
Total			/	/	\$(12,384)

Notes: 1. Deferred hedge accounting is mainly applied in accordance with JICPA Industry Audit Committee Report No. 25.

2. The fair value is determined using the discounted value of future cash flows.

32. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Outline of reportable segments

The Group's reportable segment is defined as an operating segment for which discrete financial information is available and examined by the Board of Directors and Management Committees regularly in order to make decisions about resources to be allocated to the segment and assess its performance.

The Group comprehensively conducts banking business as its core business and other financial services under the control of the Company.

The Company recognized each of its consolidated subsidiaries as an operating segment. Therefore, Hokuriku Bank and Hokkaido Bank are reportable segments.

(2) Method of calculating ordinary income, profit (loss), assets, liabilities and other amounts by reportable segments

Method of calculation applied to the reported operating segments is the same as described in "Significant Accounting Policies." Profits of operating segments are the same as net income. Ordinary income from intersegment transactions is based on transaction prices determined in the same manner as ordinary income from outside customers.

Because of the change in accounting estimates of allowance for loan losses, the segment profit of Hokuriku Bank decreased by ¥2,578 million (\$25,052 thousand) and the influence on Hokkaido Bank was negligible.

(3) Information on ordinary income, profit (loss), assets, liabilities and other amounts by reportable segments

Segment results for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen						
	2014						
	Reportable segments			Other segment	Total	Reconciliation	Consolidated
	Hokuriku Bank	Hokkaido Bank	Subtotal				
Ordinary income							
Ordinary income from outside customers	¥ 96,777	¥ 79,723	¥ 176,501	¥16,263	¥ 192,765	¥ (1,798)	¥ 190,966
Ordinary income from intersegment transactions	1,019	482	1,501	5,207	6,709	(6,709)	—
Total	97,797	80,206	178,003	21,471	199,474	(8,508)	190,966
Segment profit	17,833	9,693	27,527	2,465	29,992	(2,660)	27,332
Segment assets	6,460,371	4,599,042	11,059,414	79,765	11,139,179	(24,372)	11,114,807
Segment liabilities	¥6,170,022	¥4,415,948	¥10,585,970	¥66,072	¥10,652,043	¥(42,361)	¥10,609,681
Others							
Depreciation	¥ 4,499	¥ 3,720	¥ 8,219	¥ 301	¥ 8,520	¥ 43	¥ 8,564
Amortization of goodwill	—	—	—	—	—	2,102	2,102
Unamortized balance of goodwill	—	—	—	—	—	21,898	21,898
Increase in tangible fixed assets and intangible fixed assets	¥ 2,712	¥ 2,245	¥ 4,957	¥ 103	¥ 5,061	¥ (1)	¥ 5,059
	Millions of yen						
	2013						
	Reportable segments			Other segment	Total	Reconciliation	Consolidated
	Hokuriku Bank	Hokkaido Bank	Subtotal				
Ordinary income							
Ordinary income from outside customers	¥ 101,908	¥ 81,227	¥ 183,135	¥16,037	¥ 199,173	¥ (36)	¥ 199,136
Ordinary income from intersegment transactions	1,177	382	1,560	5,654	7,215	(7,215)	—
Total	103,086	81,609	184,696	21,691	206,388	(7,251)	199,136
Segment profit	12,315	7,270	19,586	1,108	20,695	(2,590)	18,105
Segment assets	6,276,045	4,647,435	10,923,481	76,746	11,000,228	(20,997)	10,979,231
Segment liabilities	¥6,007,408	¥4,472,758	¥10,480,167	¥65,380	¥10,545,547	¥(47,866)	¥10,497,680
Others							
Depreciation	¥ 4,494	¥ 4,078	¥ 8,573	¥ 331	¥ 8,904	¥ 185	¥ 9,090
Amortization of goodwill	—	—	—	—	—	2,113	2,113
Unamortized balance of goodwill	—	—	—	—	—	24,000	24,000
Increase in tangible fixed assets and intangible fixed assets	¥ 3,020	¥ 1,218	¥ 4,239	¥ 99	¥ 4,338	¥ 1	¥ 4,340

	Thousands of U.S. dollars						
	2014						
	Reportable segments			Other segment	Total	Reconciliation	Consolidated
Hokuriku Bank	Hokkaido Bank	Subtotal					
Ordinary income							
Ordinary income from outside customers	\$ 940,321	\$ 774,617	\$ 1,714,938	\$ 158,024	\$ 1,872,962	\$ (17,478)	\$ 1,855,484
Ordinary income from intersegment transactions	9,903	4,691	14,594	50,596	65,190	(65,190)	—
Total	950,224	779,308	1,729,532	208,620	1,938,152	(82,668)	1,855,484
Segment profit	173,280	94,183	267,463	23,957	291,420	(25,846)	265,574
Segment assets	62,770,811	44,685,605	107,456,416	775,024	108,231,440	(236,810)	107,994,630
Segment liabilities	\$59,949,692	\$42,906,611	\$102,856,303	\$641,978	\$103,498,281	\$(411,598)	\$103,086,683
Others							
Depreciation	\$ 43,714	\$ 36,153	\$ 79,867	\$ 2,925	\$ 82,792	\$ 424	\$ 83,216
Amortization of goodwill	—	—	—	—	—	20,426	20,426
Unamortized balance of goodwill	—	—	—	—	—	212,773	212,773
Increase in tangible fixed assets and intangible fixed assets	\$ 26,359	\$ 21,814	\$ 48,173	\$ 1,002	\$ 49,175	\$ (14)	\$ 49,161

(4) Information about services

	Millions of yen				Thousands of U.S. dollars			
	Deposit and loan operations	Investment operations	Other	Total	Deposit and loan operations	Investment operations	Other	Total
Ordinary income from outside customers								
Year ended March 31, 2014	¥117,792	¥30,298	¥42,875	¥190,966	\$1,144,502	\$294,389	\$416,593	\$1,855,484
Year ended March 31, 2013	¥123,612	¥35,882	¥39,641	¥199,136				

(5) Geographic segment information

There is no geographic segment accounting for 10% or more of ordinary income.

(6) Information by major customer

There are no major customers individually accounting for 10% or more of ordinary income.

33. Related Party Transactions

Related party transactions as of March 31, 2014 and 2013 were as follows:

- Officers and principal individual shareholders of the company submitting consolidated financial statements

March 31, 2014

Related party	Account Classification	Transaction amount *3		Balance at end of year	
		Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Nakamura-tome Precision Industry co., Ltd. *2	Loans and bills discounted	¥950	\$9,230	¥950	\$9,230
NAKAMURA-TOME HOLDING CO., LTD. *2	Loans and bills discounted	¥783	\$7,608	¥783	\$7,608

March 31, 2013

Related party	Account Classification	Transaction amount *3		Balance at end of year	
		Millions of yen	Millions of yen	Millions of yen	Millions of yen
Nakamura-tome Precision Industry co., Ltd. *2	Loans and bills discounted	¥950	¥950	¥950	¥950
NAKAMURA-TOME HOLDING CO., LTD. *2	Loans and bills discounted	¥431	¥431	¥783	¥783

Note: 1. Terms and conditions of the transactions are similar to those with unrelated parties.

2. A member of the Hokuriku Bank's audit & supervisory board and his close relatives own the majority of the voting rights, and he is the president of these companies.

3. Transaction amount was reported at the average balance for the period.

34. Subsequent Event

(1) Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2014 were approved at the Company's general stockholders' meeting held on June 25, 2014:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥4.00 (\$0.04) per share on common stock	¥5,358	\$52,068
Cash dividends, ¥7.50 (\$0.07) per share on preferred stock (Type 5)	805	7,829

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Hokuhoku Financial Group, Inc.:

We have audited the accompanying consolidated balance sheet of Hokuhoku Financial Group, Inc. (the "Company") and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 13, 2014

Member of
Deloitte Touche Tohmatsu Limited

NONCONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

The Hokuriku Bank, Ltd.

March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets			
Cash and due from banks	¥ 696,147	¥ 394,219	\$ 6,763,966
Call loans and bills bought	85,734	45,426	833,017
Monetary claims bought	80,160	86,860	778,864
Trading assets	3,169	4,499	30,797
Securities	1,238,326	1,269,622	12,031,936
Loans and bills discounted	4,227,696	4,332,774	41,077,503
Foreign exchanges	7,172	5,594	69,694
Other assets	24,065	31,571	233,824
Tangible fixed assets	78,867	81,257	766,295
Intangible fixed assets	5,784	7,345	56,208
Deferred tax assets	749	11,485	7,285
Customers' liabilities for acceptances and guarantees	36,148	38,481	351,229
Allowance for loan losses	(23,651)	(33,093)	(229,807)
Total assets	¥6,460,371	¥6,276,045	\$62,770,811
Liabilities and equity			
Liabilities			
Deposits	¥5,909,098	¥5,726,249	\$57,414,480
Call money and bills sold	52,642	38,464	511,488
Trading liabilities	1,434	2,052	13,936
Borrowed money	111,942	165,061	1,087,664
Foreign exchanges	119	62	1,157
Other liabilities	49,051	26,102	476,595
Reserve for employee retirement benefits	105	113	1,027
Reserve for directors' and audit & supervisory board members' retirement benefits...	89	294	871
Reserve for contingent losses	1,675	2,169	16,283
Reserve for reimbursement of deposits	842	848	8,184
Deferred tax liabilities for land revaluation	6,872	7,506	66,778
Acceptances and guarantees	36,148	38,481	351,229
Total liabilities	6,170,022	6,007,408	59,949,692
Equity			
Capital stock	140,409	140,409	1,364,259
Capital surplus	14,998	14,998	145,733
Retained earnings	80,377	64,632	780,973
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	46,576	39,557	452,548
Deferred gains (losses) on hedges	(194)	(301)	(1,894)
Revaluation reserve for land	8,182	9,340	79,500
Total equity	290,349	268,637	2,821,119
Total liabilities and equity	¥6,460,371	¥6,276,045	\$62,770,811

NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

The Hokuriku Bank, Ltd.

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Income			
Interest income:			
Interest on loans and discounts	¥57,923	¥ 61,739	\$562,799
Interest and dividends on securities	12,304	13,318	119,558
Interest on deposits with other banks	710	298	6,904
Other interest income	800	860	7,781
Fees and commissions	16,220	17,712	157,600
Trading income.....	309	152	3,008
Other ordinary income	2,738	7,452	26,604
Other income.....	6,795	1,551	66,027
Total income.....	97,802	103,086	950,281
Expenses			
Interest expenses:			
Interest on deposits	3,222	4,315	31,312
Interest on borrowings and rediscounts	1,460	1,563	14,188
Other interest expenses.....	740	345	7,200
Fees and commissions	7,097	7,089	68,960
Other ordinary expenses.....	5	407	58
General and administrative expenses.....	53,974	54,143	524,431
Provision of allowance for loan losses	—	8,487	—
Other expenses	2,926	8,803	28,433
Total expenses	69,427	85,156	674,582
Income before income taxes.....	28,374	17,930	275,699
Income taxes:			
Current.....	1,106	270	10,747
Deferred	9,434	5,344	91,672
Net income	¥17,833	¥ 12,315	\$173,280

NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

The Hokkaido Bank, Ltd.

March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets			
Cash and due from banks	¥ 146,774	¥ 158,344	\$ 1,426,107
Call loans and bills bought	—	90,000	—
Trading account securities	1,837	2,728	17,853
Money held in trust	7,759	4,000	75,395
Securities	1,243,120	1,228,276	12,078,516
Loans and bills discounted	3,108,677	3,069,307	30,204,797
Foreign exchanges	7,333	5,021	71,258
Other assets	38,199	40,519	371,155
Tangible fixed assets	29,792	29,900	289,472
Intangible fixed assets	5,008	6,497	48,659
Deferred tax assets	8,778	13,836	85,295
Customers' liabilities for acceptances and guarantees	26,143	26,533	254,015
Allowance for loan losses	(24,383)	(27,531)	(236,917)
Total assets	¥4,599,042	¥4,647,435	\$44,685,605
Liabilities and equity			
Liabilities			
Deposits	¥4,262,953	¥4,281,922	\$41,420,066
Call money and bills sold	4,631	1,881	45,000
Borrowed money	51,000	104,180	495,531
Foreign exchanges	32	61	315
Bonds payable	15,000	15,000	145,744
Other liabilities	45,169	32,414	438,884
Reserve for employee retirement benefits	9,659	9,317	93,854
Reserve for directors' and audit & supervisory board members' retirement benefits...	124	176	1,212
Reserve for contingent losses	823	864	8,002
Reserve for reimbursement of deposits	410	408	3,988
Acceptances and guarantees	26,143	26,533	254,015
Total liabilities	4,415,948	4,472,758	42,906,611
Equity			
Capital stock	93,524	93,524	908,706
Capital surplus	16,795	16,795	163,186
Retained earnings	54,060	47,000	525,270
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	18,714	17,356	181,832
Total equity	183,094	174,676	1,778,994
Total liabilities and equity	¥4,599,042	¥4,647,435	\$44,685,605

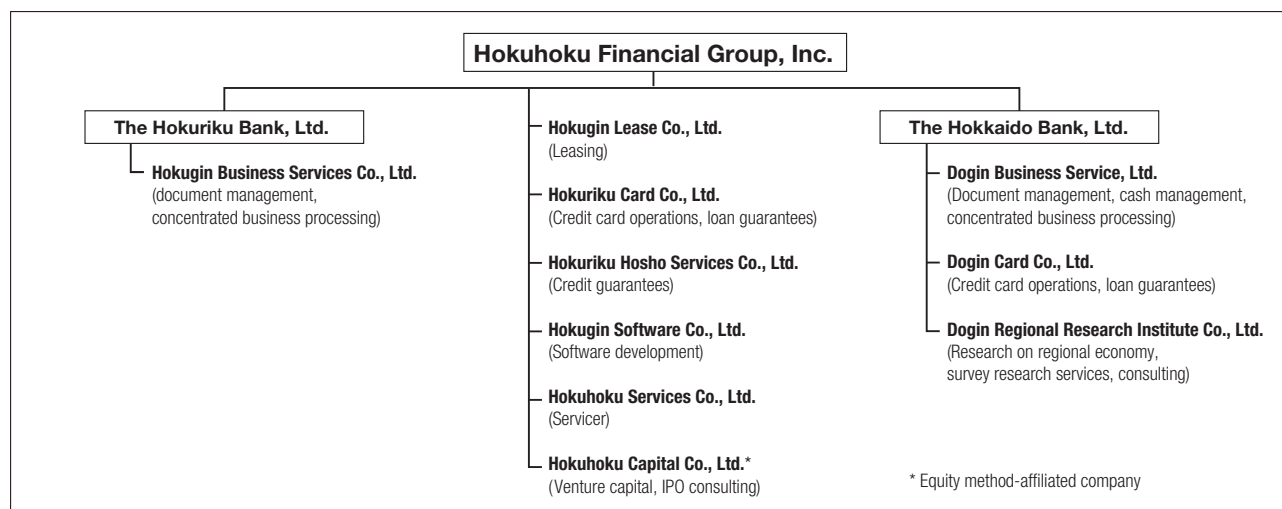
NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

The Hokkaido Bank, Ltd.

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Income			
Interest income:			
Interest on loans and discounts	¥48,447	¥50,602	\$470,731
Interest and dividends on securities	10,104	8,146	98,178
Interest on receivables under resale agreements	2	2	20
Interest on deposits with other banks	108	53	1,055
Other interest income	192	202	1,867
Fees and commissions	16,944	15,768	164,641
Other ordinary income	1,317	5,176	12,797
Other income.....	3,276	1,660	31,837
Total income.....	80,393	81,612	781,126
Expenses			
Interest expenses:			
Interest on deposits	2,142	3,299	20,817
Interest on payables under securities lending transactions.....	0	2	6
Interest on borrowings and rediscounts	961	995	9,341
Interest on bonds payable	327	327	3,177
Other interest expenses.....	1	1	12
Fees and commissions	8,321	8,045	80,852
Other ordinary expenses.....	51	538	497
General and administrative expenses.....	45,253	46,022	439,696
Provision of allowance for loan losses	2,588	7,051	25,148
Other expenses	2,653	3,851	25,783
Total expenses	62,300	70,136	605,329
Income before income taxes.....	18,093	11,476	175,797
Income taxes:			
Current.....	3,916	3,215	38,054
Deferred	4,483	989	43,560
Net income.....	¥ 9,693	¥ 7,270	\$ 94,183

The Hokuohoku Financial Group is composed of the holding company and 11 consolidated subsidiaries and one affiliate. Our core business is banking, and we also provide a wider range of financial services including leases, credit cards, credit guarantees and venture capital. The following is a diagram of our business.

Business diagram



Major subsidiaries

(units: millions of yen, %)

Company name	Address	Main business activities	Established	Capital	FG's share of voting rights	Dividend
The Hokuriku Bank, Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Banking	July 31, 1943	140,409	100.00	3,247
The Hokkaido Bank, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Banking	March 5, 1951	93,524	100.00	2,633
Hokugin Lease Co., Ltd.	2-21 Aramachi, Toyama City	Leasing	July 21, 1983	100	70.25	—
Hokuriku Card Co., Ltd.	1-2-1 Shintomi-cho, Toyama City	Credit card operations, loan guarantees	March 2, 1983	36	87.39	3
Hokuriku Hoshō Services Co., Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Credit guarantees	December 12, 1978	50	100.00	—
Hokugin Software Co., Ltd.	1-5-25 Higashidenjigata, Toyama City	Software development	May 1, 1986	30	100.00	—
Hokuhoku Services Co., Ltd.	1-6-8 Chuo-dori, Toyama City	Servicer	December 5, 2003	500	100.00	—
Hokugin Business Services Co., Ltd.	1883 Hiyodoriyama, Toyama City	Document management, concentrated business processing, human resource solutions	March 25, 1953	30	(100.00)	—
Dogin Business Service, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Document management, cash management, concentrated business processing	June 8, 1979	50	(100.00)	—
Dogin Card Co., Ltd.	2-2-14 Chuo-ku Minami, Sapporo City	Credit card operations, loan guarantees, credit guarantees	June 13, 1977	120	(100.00)	—
Dogin Regional Research Institute Co., Ltd.	Dogin Annex Building, 4-1 Odori Nishi, Chuo-ku, Sapporo City	Research on regional economy, survey research services, consulting	August 8, 2002	100	(100.00)	—
Hokuhoku Capital Co., Ltd.	1-6-8 Chuo-dori, Toyama City	Venture Capital	January 11, 1985	250	5.00 (38.75)	—

() Indicates voting rights involving shares held by subsidiaries

* Hokuriku International Cayman Limited completed liquidation procedures on July 19, 2013. The consolidated financial statement of FY2013 reflects only the profit and loss of the company.

OUTLINE OF SUBSIDIARIES - HOKURIKU BANK

The Hokuriku Bank, Ltd.

<http://www.hokugin.co.jp/>

Establishment

The origin of the Hokuriku Bank is the Kanazawa 12th National Bank, which was established on August 26, 1877 with the House of Kaga-Maeda providing 70% of the financing. The Bank was the creation of the family established by Maeda Toshiie, the founder of the Kaga clan.

Since its founding, the bank has worked in partnership with regional customers and grown into a bank serving a wide area comprising Hokuriku, Hokkaido and Japan's three metropolitan areas. Our philosophy is expressed in three phrases meaning "Prospering together with the region," "Fair & Steady Management" and "Progressive & Innovative Services." Drawing fully on all our resources, we provide high quality comprehensive lending services, aiming to become the bank preferred and relied on by the local communities.

Company outline (as of March 31, 2014)

Company name:	The Hokuriku Bank, Ltd.	
Business:	Banking	
Incorporation:	July 31, 1943 (founded in 1877)	
Location of headquarters:	1-2-26 Tsutsumicho-dori, Toyama City, Toyama	
Total assets:	¥6,460.3 billion	
Deposits (including NCDs):	¥5,909.0 billion	
Loans:	¥4,227.6 billion	
Issued shares:		
	Common stock	1,047,542,335
Capital adequacy ratio (non-consolidated):	12.40%	
Employees:	2,877	
Branches (as of June 30, 2014)		
Domestic:	187 (145 branches, 42 sub-branches)	
Overseas:	6 representative offices	

History

August 1877	Kanazawa 12th National Bank founded
February 1879	Toyama 123rd National Bank founded
January 1884	Kanazawa 12th National Bank and Toyama 123rd National Bank merged to form Toyama 12th National Bank with headquarters in Toyama City
July 1897	Toyama 12th National Bank changed name to 12th Bank
July 1943	Four banks, 12th, Takaoka, Chuetsu, and Toyama Bank, merged to form Hokuriku Bank
January 1950	Launched foreign exchange operations (first regional bank to do so)
September 1961	Listed on the Tokyo Stock Exchange
November 1961	Present head office built
January 1971	Received blanket approval to engage in correspondent banking services
November 1973	Completed first integrated online system linking all offices
March 1974	Received blanket approval to engage in foreign exchange business
July 1978	Received blanket approval to handle yen-denominated and foreign-denominated syndicated loans
October 1979	Launched second online system
November 1981	Launched online foreign exchange system
January 1984	Launched firm banking service
May 1987	Introduced VI (visual identification)
August 1990	Completed third online system
November 1993	Launched investment trust agent operations
December 1998	Launched over-the-counter sale of securities investment trusts
June 2000	Launched Internet and mobile banking services
July 2000	Completed new computer center (Alps building)
January 2001	Launched new computer system
April 2001	Launched over-the-counter sales of casualty insurance
February 2002	Third-party allocation worth ¥39.1 billion, brought new capital to ¥140.4 billion
February 2002	Launched convenience store ATM service
October 2002	Launched over-the-counter sales of life insurance
March 2003	Took over part of the Ishikawa Bank's operations
September 2003	Established Hokugin Financial Group, Inc. through share transfer, then became subsidiary of the Hokugin Financial Group, Inc.
September 2004	Integrated management with Hokkaido Bank, name of parent company changed to Hokuhoku Financial Group, Inc.
December 2004	Launched securities agency operations
March 2006	Entered into a contract on joint system use with Hokkaido Bank and the Bank of Yokohama
May 2011	Commenced use of joint IT system with Hokkaido Bank and the Bank of Yokohama
December 2013	The head office building was registered as a Tangible Cultural Property.

OUTLINE OF SUBSIDIARIES - HOKKAIDO BANK

The Hokkaido Bank, Ltd.

<http://www.hokkaidobank.co.jp/>

Establishment

On March 5, 1951, Hokkaido Bank was established based on the strong demand from small and medium-sized corporations in Hokkaido for funds accompanying the sudden increase in population and development of new industries in Hokkaido during the post-war recovery period.

Based on this background and as a Bank deeply rooted in Hokkaido, Hokkaido Bank considers its mission to be contributing to regional economic growth by smoothly providing funds and full financial services to its customers in Hokkaido. Hokkaido Bank has not forgotten the spirit in which it was created and is moving forward with its customers in Hokkaido.

Company outline (as of March 31, 2014)

Company name:	The Hokkaido Bank, Ltd.	
Business:	Banking	
Incorporation:	March 5, 1951	
Location of headquarters:	4-1 Odori Nishi, Chuo-ku, Sapporo City	
Total assets:	¥4,599.0 billion	
Deposits (including NCDs):	¥4,262.9 billion	
Loans:	¥3,108.6 billion	
Issued shares:		
	Common stock:	486,634,512
	Preferred stock (Type 2):	107,432,000
Capital adequacy ratio (non-consolidated):	10.76%	
Employees:	2,295	
Branches (as of June 30, 2014)		
Domestic:	141 (135 branches, 6 sub-branches)	
Overseas:	3 representative offices	

History

March 1951	Hokkaido Bank established
April 1961	Launched foreign exchange operations
May 1962	Listed on the Sapporo Stock Exchange
August 1964	Present head office built
June 1971	Online system (first) launched
July 1976	Online system (second) launched
December 1980	Received blanket approval to engage in correspondent banking services
April 1981	Hokkaido Small and Medium Corporation Human Resource Development Fund established
June 1986	Launched online foreign exchange system
September 1987	Debuted on the first section of the Tokyo Stock Exchange
October 1990	Constructed the Higashi Sapporo Dogin Building
March 1991	Established Dogin Cultural Foundation
October 1991	Launched a new foreign exchange online system
November 1991	Constructed Dogin Building Annex
January 1993	Online system (third) launched
April 1994	Launched investment trust agent operations
December 1998	Started sales of investment trust accounts
July 1999	Issued preferred stock (Type 2) (issuance amount was ¥53.716 billion)
November 1999	Launched telephone banking service
June 2000	Launched Internet mobile banking
April 2001	Started sales of casualty insurance accounts
October 2002	Started sales of life insurance accounts
December 2003	Opened Business Loan Plaza
April 2004	Launched convenience store ATM service
September 2004	Came under management of Hokugin Financial Group, Inc. parent of Hokuriku Bank; Hokuhoku Financial Group, Inc. launched
April 2005	Launched securities agency operations
March 2006	Entered into a contract on joint system use with Hokuriku Bank and the Bank of Yokohama
August 2006	Opened representative office in Shenyang, China
March 2009	Opened representative office in Yuzhno-Sakhalinsk, Russia
January 2010	Taiwan ATM/SmartPay Debit Service Started
May 2011	Commenced use of joint IT system with Hokuriku Bank and the Bank of Yokohama
March 2014	Opened representative office in Vladivostok, Russia

BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

Hokuhoku Financial Group, Inc.

<i>Chairman:</i> Yoshihiro Sekihachi	<i>Directors:</i> Hidenori Mugino Masahiro Sasahara Takashi Nakano Tsutomu Morita Hiroataka Nikaido Yuji Oshima
<i>President:</i> Eishin Ihori	<i>Audit & Supervisory Board Members:</i> Junichi Inaba Norikiyo Hayashi Yoza Maeizumi Tatsuo Kawada

The Hokuriku Bank, Ltd.

<i>Chairman:</i> Hidenori Mugino	<i>Director:</i> Hiroataka Nikaido
<i>President:</i> Eishin Ihori	<i>Audit & Supervisory Board Members:</i> Satoshi Kikushima Kenichi Nakamura Isao Nagahara Katsusuke Watanuki
<i>Senior Managing Directors:</i> Tetsuji Mitsuzuka Takashi Nakano	
<i>Managing Directors:</i> Takafumi Nishida Tsutomu Morita	

The Hokkaido Bank, Ltd.

<i>President:</i> Yoshihiro Sekihachi	<i>Director:</i> Takashi Nakano
<i>Deputy President:</i> Masahiro Sasahara	<i>Audit & Supervisory Board Members:</i> Hiroshi Sagayama Tatsuhiko Ishikawa Ken Ebina Atsuhito Mito
<i>Senior Managing Director:</i> Tetsuya Kitani	
<i>Managing Directors:</i> Toshihiro Katayama Noriyoshi Murakami Makoto Uesugi	

Addresses

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SWIFT Address: RIKBJPJT

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Market and International Administration Center
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Sapporo City, 003-0003, Japan
Telephone: +81-11-815-1315
Facsimile: +81-11-815-2237
SWIFT Address: HKDBJPJT

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Facsimile: +86-24-2250-5351
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• Yuzhno-Sakhalinsk
Representative Office
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Facsimile: 7-4242-46-1775
E-mail: mikami@hbky.su

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Facsimile: 7-4232-65-8852
E-mail: temma@hbvl.ru

企业名称：北北金融控股集团股份有限公司
 设立日期：2003 年 9 月 26 日
 总行地址：富山县富山市堤町通 1 丁目 2 番 26 号
 经营目的：集团伞下的子公司的经营管理，以及连带的相关业务
 资本金：708 亿 9,500 万日元
 发行股份：普通股 1,351,630,146 股
 第一次第 5 种优先股 107,432,000 股
 上市交易所：东京证券交易所（第一部）
 札幌证券交易所

简历

自从 1877 年北陆银行成立以来已经在北陆地区设立了广域性的经营网点。

从“北前船”或者说“北航船（北上的经济圈）”的交易关系和客户的需要出发还在北海道各个主要城市内设立了自己的经营网点。

北海道银行成立于 1951 年，以支援中小企业和个人业务为中心在北海道内的各个地区都设有营业网点。

北陆银行和北海道银行于 2004 年 9 月进行了经营统合，成立了（控股公司）北北金融控股集团股份有限公司。现在，北北金融控股集团已经形成了覆盖日本北陆地区北海道以及日本三大都市圈（东京，名古屋，大阪）的巨大的地方金融网络。

2002 年 5 月 北陆银行和北海道银行缔结了全面业务协助协议

2003 年 5 月 北陆银行和北海道银行对经营统合取得一致意见

2003 年 9 月 设立北银金融控股集团股份有限公司
 北陆银行成为北银金融控股集团伞下的银行

通过股份交换实现经营统合

2004 年 9 月 北北金融控股集团股份有限公司诞生

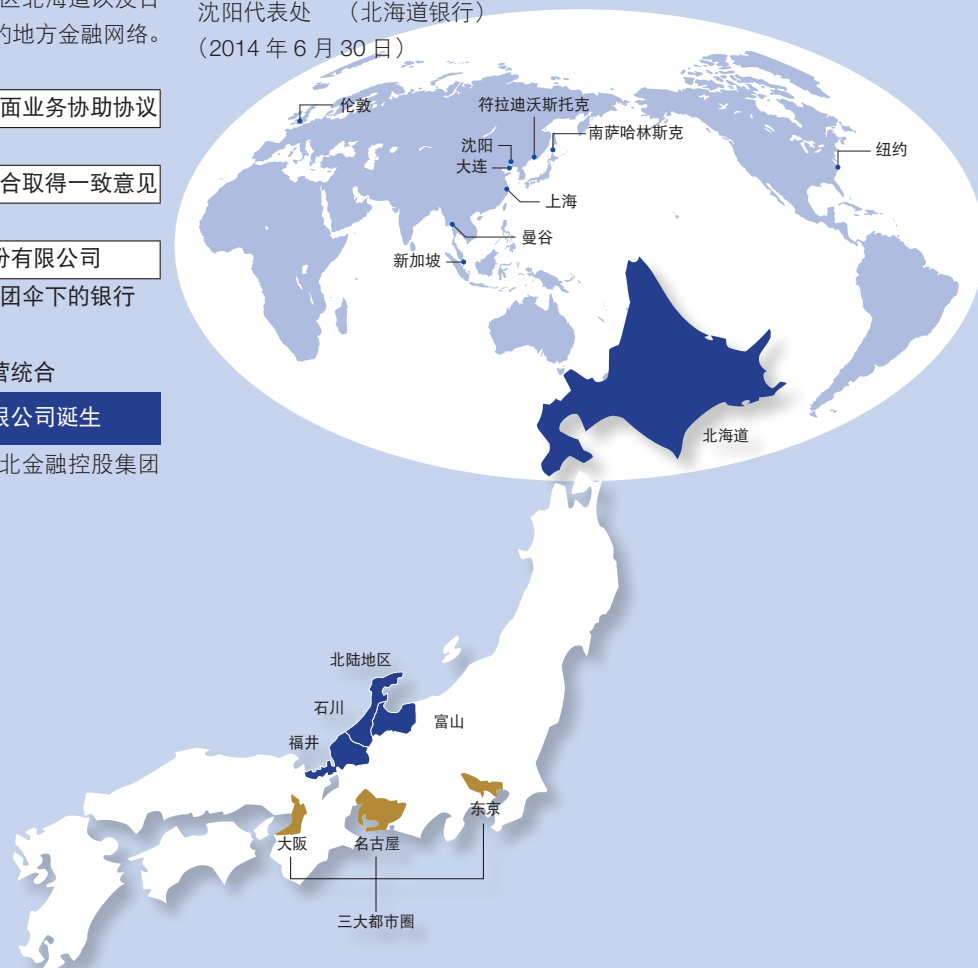
注：北银金融控股集团股份有限公司改名为北北金融控股集团股份有限公司。

北北金融集团的经营活动范围不是限于一个地域，而是在广泛的地域内展开着。

我们广泛的营业网点分布在下面所写的地区范围内：

北陆地区	149 分行（或支行）
富山县	91 分行（或支行）
石川县	36 分行（或支行）
福井县	22 分行（或支行）
北海道地区	159 分行（或支行）
三大都市圈	16 分行（或支行）
东京、横滨	9 分行（或支行）
名古屋	3 分行（或支行）
大阪、京都	4 分行（或支行）
其他地区（仙台、新潟、长野、高山）	4 分行（或支行）
海外	9 代表处

- 纽约代表处（北陆银行）
 - 南萨哈林斯克代表处（北海道银行）
 - 符拉迪沃斯托克代表处（北海道银行）
 - 伦敦代表处（北陆银行）
 - 新加坡代表处（北陆银行）
 - 曼谷代表处（北陆银行）
 - 大连代表处（北陆银行）
 - 上海代表处（北陆银行）
 - 沈阳代表处（北海道银行）
- (2014 年 6 月 30 日)





(相片左边)
董事长
堰八义博 (北海道银行 总行长)

(右边)
总裁
庵 荣伸 (北陆银行 总行长)

承蒙大家平时对我公司以及集团公司的惠顾及提拔，不胜感谢。

本集团成立于2004年9月1日，在国内作为地方银行首个成为广区域金融集团，经营地盘覆盖了北陆、北海道、三大城市圈，为营业地区经济发展和当地居民生活物质水平的提高不懈努力作出了应有的贡献。在这10年里，本集团不仅偿还了所有的公共注入资金，并且为了提供高效率的金融服务，实现了核心系统的共同化。全集团的存款额达到了10兆日元的预期目标，大踏步地向经营地盘稳定化的目标前进。

目前对北陆和北海道的经济环境，包括日本央行实行的金融宽松政策在内，政府成长战略的效果在地方经济也逐渐呈效。另外，明年年初即将迎来北陆新干线全线开通，由此，改善地方企业经济效益的环境也将逐渐完善；但另一方面，预计低息状态将会持续，金融机构也将持续面临严峻的收益环境。

在如此情况下，本集团实行中期经营计划“GO for IT!”推进强化营业力和经营效益化，第一年即2013年度集团公司合算实绩本期净利润达到273亿日元，超过了预期目标。由于这个原因，2013年度的普通股股息将每股增加25钱，达到4日元。

本集团本着《为地区所信赖，能够依靠的金融集团》的目标，积极推进为地区提供更加优质的金融服务。并且，我们将通过这些努力，来提高企业的收益力，强化财务实力，提高全企业的价值。今后，请各位一如既往的支持和惠顾本公司。

总裁

庵 荣伸

庵 荣伸

2014年7月

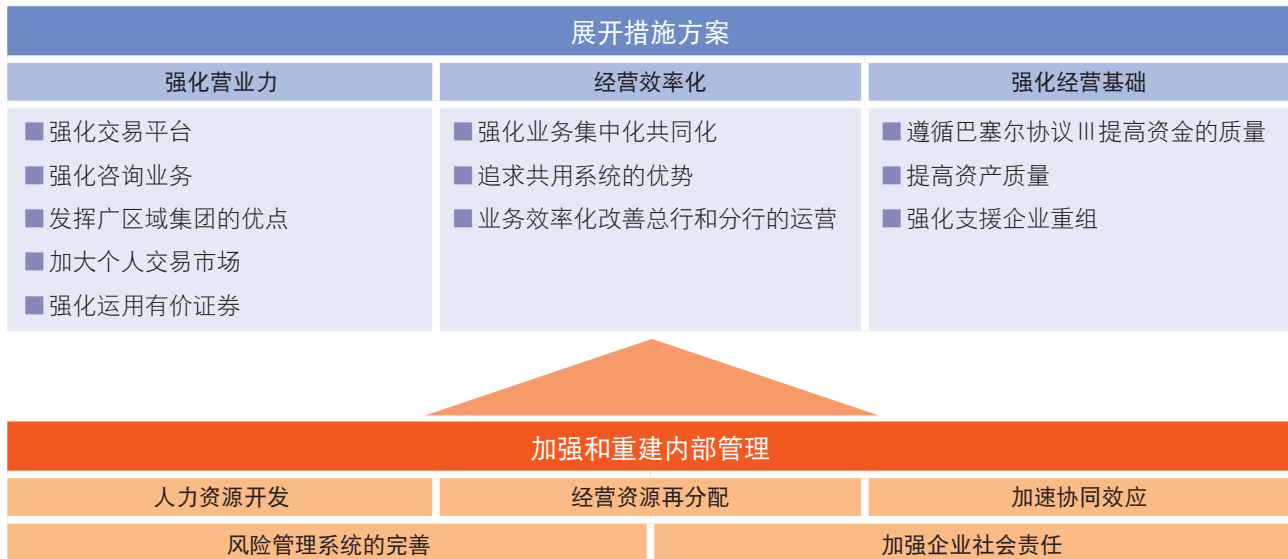
中期经营计划

本集团将 2013 年 4 月份以后的未来 3 年定位为“朝着持续发展而奋斗的崭新的事业战略的最佳努力期间”，开始着手了中期经营计划“GO for IT!”。坚持强力推进“强化营业力”，“经营效率化”的经营措施，并且同时“强化经营基础”，通过取得地方客户的信任，激活该地区经济来提高全企业的价值。

计划的概要

名称	中期经营计划“GO for IT!”
期间	3 年（2013 年 4 月～2016 年 3 月）
定位	朝着持续发展而奋斗的崭新的事业战略的最佳努力期间
集团的目标	成为地方可值得亲近和信赖的金融集团
基本方针	<ol style="list-style-type: none"> 1. 加强与地方客户的关系，加强和重建内部管理，从而做好在不断变化的环境中可持续发展的准备。 2. 在进一步推行“强化营业力”、“经营效率化”措施的同时，坚持进行“强化经营基础”。 3. 通过取得地方社会的信任，激活该地区经济来提高企业的价值。

中期经营计划“GO for IT!”基本方针



2016 年 3 月期的目标计数（2 行合算，联结）

	2013 年 3 月期（业绩）	2014 年 3 月期（业绩）	2016 年 3 月期（目标）
总存款平均余额	9兆7,903亿日元	10兆1,292亿日元	10兆1,100亿日元
贷款平均余额	7兆2,778亿日元	7兆3,440亿日元	7兆4,800亿日元
主营业务净利润	503亿日元	482亿日元	470亿日元
联结本期净利润	181亿日元	273亿日元	185亿日元
联结资本充足率	11.88%	12.31%	10%以上
OHR（以主营业务毛利润为基础）	65.37%	66.08%	67%
不良贷款率	3.11%	2.67%	2%多

强化营业力

	▼措施
强化交易平台	<ul style="list-style-type: none"> • 进一步增加客户数 • 争取成为客户的首要交易银行，扩大金融产品的营销
强化咨询业务	<ul style="list-style-type: none"> • 加强在重点领域的知识深度（农业，医疗，福利，环境和再利用能源领域） • 强化推行私人银行，收购，事业继承等业务
发挥广区域集团的优点	<ul style="list-style-type: none"> • 创新商贸洽谈的内容，提高成交率 • 提高支援海外投资业务的办公水平
加大个人交易市场	<ul style="list-style-type: none"> • 针对每个细节展开各种措施 • 灵活运用非面对面的营销形势 • 完善和强化投资信托和保险营销体系
强化运用有价证券	<ul style="list-style-type: none"> • 在对企事业资金需求冷缩而导致资金收益减少方面起到补充效果

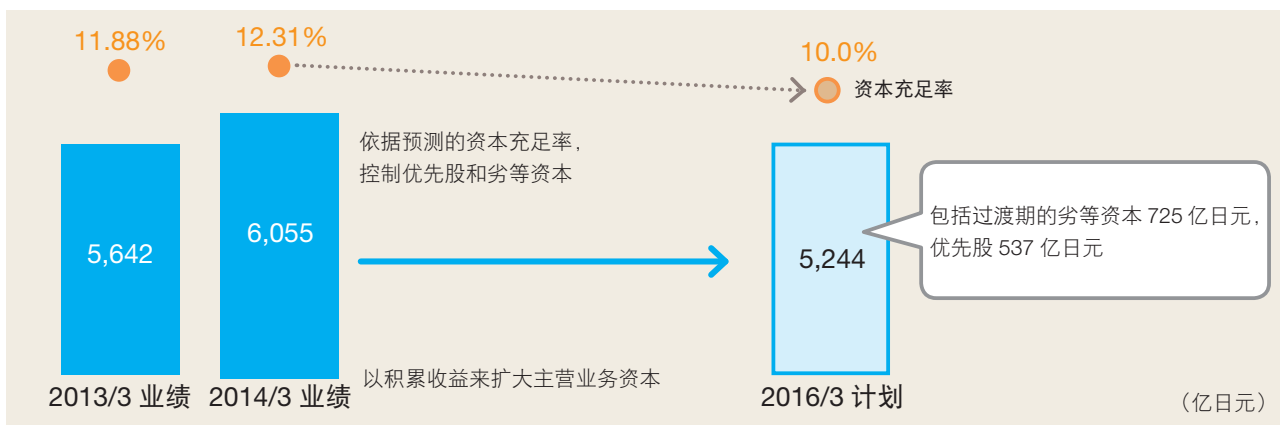
经营效率化

	▼措施
强化业务集中化 共同化	<ul style="list-style-type: none"> • 构建符合北北金融控股集团规模的成本体系（总行机能的集中化，后勤办公业务的共同化，商品和广告等共同化） • 强化集体化管理的基础
追求共用系统的优势	<ul style="list-style-type: none"> • 从3行共同利用改为4行共同利用，从而降低成本 • 继续推行集团内部的辅助系统和业务集体化
业务效率化 改善总行和分行的运营	<ul style="list-style-type: none"> • 合理调整总行和分行业务，实现有效运营 • 战略性的把人员配置到重点营业地区

强化经营基础

	▼措施
资本政策	<ul style="list-style-type: none"> • 遵循巴塞尔协议III提高资金的质量 • 实行了为了提高股东价值的政策
提高资产质量	<ul style="list-style-type: none"> • 积累风险比重较低的良好资产
强化支援企业重组	<ul style="list-style-type: none"> • 与外部机构的协作 • 灵活运用地方的重组基金

资本充足率（北北金融控股集团联结）



还原方针

普通股股息	阶段性的增发股息	<ul style="list-style-type: none"> • 以股息达到 30% 以上为基本目标，扩大收益将阶段性的增发股息。 • 考虑到巴塞尔协议III过渡期算入的劣等资本金额较少，为了确保联结资本充足率达到 10% 左右，将调高储备净利润比率。
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业绩精粹

营业概况（北北金融控股集团联结）

（货币单位：亿日元）

	2013 年度		2012 年度
		变动	
经常收益	1,909	- 81	1,991
经常利润	494	+ 201	293
本期净利润	273	+ 92	181
资本充足率 [※]	12.31%		11.88%

※ 2013 年度以巴塞尔 III，2012 年度以巴塞尔 II 为基础计算。

我集团的本期联结会计年度的业绩：联结经常收益与上年度相比减少了 81 亿日元，为 1,909 亿日元，联结经常利润与上年度相比增加了 201 亿日元，为 494 亿日元。联结本期净利润与上年度相比增加了 92 亿日元，为 273 亿日元。

联结资本充足率达到了 12.31%。

2013 年度的期末股息：第 1 回第 5 种优先股按照规定发放，每股 7 日元 50 钱，虽然普通股的中期股息没有发放，但是期末股息与去年相比每股增加了 25 钱，为 4 日元。

营业概况（北陆银行、北海道银行）

（货币单位：亿日元）

	2 行合算		
	2013 年度	变动	2012 年度
经常收益	1,780	- 66	1,846
主营业务毛利润	1,422	- 32	1,455
经费(临时处理部分除外)	940	- 10	951
主营业务净利润	482	- 21	503
信贷相关成本	- 13	- 184	170
经常利润	485	+ 185	300
本期净利润	275	+ 79	195

主营业务毛利润：由于净利息收入和手续费收入的减少，主营业务毛利润与上年度相比减少了 32 亿日元，为 1,422 亿日元。主营业务净利润：由于经费比上年度减少了 10 亿日元，因此主营业务净利润与上年度相比减少了 21 亿日元，为 482 亿日元。

经常利润：信贷相关成本比上年度减少了 184 亿日元，因此经常利润与上年度相比增加了 185 亿日元，为 485 亿日元。

这些结果显示，本期净利润与上年度相比增加了 79 亿日元，为 275 亿日元。

（货币单位：亿日元）

	北陆银行		
	2013 年度	变动	2012 年度
经常收益	977	- 52	1,030
主营业务毛利润	770	- 52	823
经费(临时处理部分除外)	505	- 3	509
主营业务净利润	264	- 49	314
信贷相关成本	- 42	- 136	93
经常利润	304	+ 120	183
本期净利润	178	+ 55	123
资本充足率 [※]	12.40%		11.78%

※ 2013 年度以巴塞尔 III，2012 年度以巴塞尔 II 为基础计算。

（货币单位：亿日元）

	北海道银行		
	2013 年度	变动	2012 年度
经常收益	802	- 14	816
主营业务毛利润	652	+ 20	631
经费(临时处理部分除外)	434	- 7	442
主营业务净利润	217	+ 28	189
信贷相关成本	28	- 47	76
经常利润	180	+ 64	116
本期净利润	96	+ 24	72
资本充足率 [※]	10.76%		11.23%



Hokuohoku Financial Group, Inc.