Annual Report 2006

Year ended March 31, 2006

Hokuhoku Financial Group, Inc.

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TO OUR SHAREHOLDERS

(From left)
Shigeo Takagi
President
(concurrently serving as president of the Hokuriku Bank, Ltd.)

Yoshihiro Sekihachi
Deputy President
(concurrently serving as president of the Hokkaido Bank, Ltd.)

We would take this opportunity to thank our stakeholders sincerely for their support. We are pleased to deliver the Hokuhoku Financial Group's annual report for the fiscal year ended March 31, 2006.

We are building closer relationships with our customers based on our management principle of shared prosperity with the community and by providing high-quality financial services. We do this by leveraging the synergy we achieve through the consolidation of management and increasing the enterprise value of the Group.

All executives and other staff members are united in their commitment to making a sustained effort to meet the expectations of our customers. We look forward to your continued support.

September 2006

Shigeo Takagi
President

Yoshihiro Sekihachi
Deputy President

Fundamental Approach to Corporate Social Responsibility

1. Basic Stance

The Hokuhoku 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 Hokuhoku 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 its stakeholders.

2) Our Stakeholders
We define our stakeholders as being all persons and institutions whose interests are intertwined with those of the Group, including our customers, shareholders, and employees, as well as the wider community of which we are all members.

Our Business Matching Initiatives

1. Medical/Pharmaceutical/Biotech Convention (Kanazawa)
May 2005: 90 booths, 72 companies
Top-level research institutions: 10 booths
Government institutes: 3 booths
Companies: 57 booths
Health food research group: 1 booth
Dalian biotechnology medical industry park, China: 3,200 visitors

2. Hokkaido food Special Business Conference (Sapporo)
May 2005: 32 companies
12 buyers from all over Japan
September 2005: 27 companies
117 buyers and supermarket managers
July, October 2005: Follow-up meetings

3. China business-matchmaking confab (Shanghai)
(First business matchmaking conference held by Japanese regional banks)
Hokuriku Bank, Hokkaido Bank, Shizuoka Bank, Chiba Bank, Hachijuni Bank
December 2005: 81 companies exhibited, and 1,500 companies attended; 3,000 discussions in one day

4. Eight regional banks meet to talk business in Shanghai
Hokuriku Bank, Hokkaido Bank, Yokohama Bank, The 77 Bank, Joyo Bank, Ogaki Kyoritsu Bank, Bank of Kyoto, Chugoku Bank
July 2006: 86 companies exhibited

5. Establishment of Hokuhoku ASEAN Kai
February 2006: Founding members, 40 companies

6. Signing of an economic exchange memorandum with Shanghai city
April 2006: Signing of memorandum with Shanghai Municipal Government Foreign Economic Relations & Trade Commission
Helping Japanese companies as they set up overseas operations, with organization and information support

Our Responsibility as a Good Corporate Citizen

Investor Relations

Twice each year, the Hokuhoku Financial Group, Inc. hosts meetings for securities and financial analysts, to which over 100 persons are invited, following the full-term and interim closings of the Company's books. On June 14, 2006 our meeting was attended by a record number of 131 analysts. At around the same period, we also held a number of individual meetings and small-group meetings. We received a number of direct requests for interviews from equity investors, to which we responded positively in line with our proactive disclosure policy. Since 2005, we have also been following a policy of strengthening our ties with overseas investors by holding frequent explanatory meetings and personal interviews, and otherwise demonstrating the transparency of the Company's management.

We will continue to adopt a proactive stance toward communication with our shareholders and other investors.

Employment & Education

As a contribution to the education of the younger generation in the job-related skills they will need after graduation, the staff of Hokuriku Bank and Hokkaido Bank both take an enthusiastic approach to breaking down the barriers between the bank and society at large by organizing tours of bank branches and lectures on the banking business for students from elementary to high school.

For six months from April 2005 Hokuriku Bank sponsored a series of lectures at Toyama University, and from November of the same year the bank also sponsored a series of lectures at Kanazawa University. Bank staff were dispatched to serve as lecturers in both these cases.

As for Hokkaido Bank, from October 2005 the bank sponsored a series of five lectures at Hokkai Gakuen University jointly with Nomura Securities, at which bank staff acted as lecturers. These lectures were open to both students at the university and members of the public.

Environment-Friendly Financial Products

The Group's two banks are offering loans with preferential interest rates to would-be purchasers of homes with advanced environment-friendly features.

At Hokuriku Bank, we are providing low-interest loans for the removal of asbestos, as well as various loans for the repair of damage caused by natural phenomena such as earthquakes, flooding, and high winds. Also, by underwriting the issuance of private bonds, the bank makes use of the system operated by the Development Bank of Japan for supporting companies engaged in the manufacture of products or the provision of services that contribute toward environmental preservation.

Hokkaido Bank, meanwhile, handles the Environment Preservation Fund, a loan-making scheme operated by the municipality of Sapporo to finance anti-pollution programs, methods of reducing the environmental load imposed by businesses, and the purchase of low-pollution vehicles. The bank also acts as an agent for the Sapporo City government by disbursing loans under the municipality's "Welfare City-Building" system for supporting the construction (or retrofitting) of public facilities to be barrier-free with respect to both persons with disabilities and elderly citizens.

Contributions to the Regional Community

Both banks actively contribute to regional cultural events such as Sapporo's Yosakoi Soran Festival and Toyama's Owara Odori Machinagashi Festival.

The head offices of both banks utilize their show windows to display local works of art, such as Hokuriku Bank's Art Promenade and Hokkaido Bank's Lilac Gallery. By offering these spaces to local people for the exhibition of their creations, the banks forge closer bonds with the community as a whole.

In addition to the foregoing, as a good corporate citizen, the Company undertakes a wide range of other activities with the goal of injecting further vitality into the regions in which our banks operate.

Summary of operations (Hokuhoku Financial Group, Inc.)

In the fiscal year ending March 31, 2006 the Hokuhoku Financial Group, Inc. recorded ¥13.5 billion in operating revenue, ¥12.7 billion in ordinary income, and ¥12.7 billion in net income.

On a consolidated basis, the Group posted ordinary revenue of ¥240.9 billion, ordinary income of ¥48.2 billion, and net income of ¥26.8 billion. The Group's capital ratio stood at 9.00% as of the term-end.

Business Indicators for the Hokuhoku Financial Group (consolidated)

(¥ million)

	FY2005	FY2004	FY2003
Ordinary revenue	**240,986**	203,200	179,445
Ordinary income	**48,285**	27,226	7,074
Net income	**26,837**	11,248	5,031
Stockholders' equity	**406,014**	380,750	193,692
Total assets	**9,535,627**	9,398,673	5,675,209
Net assets per share	**¥179.37**	¥159.75	¥119.86
Basic earnings per share	**¥18.31**	¥6.86	¥3.94
Diluted earnings per share	**¥14.32**	¥5.67	¥3.55
Capital ratio (standard for banks with domestic operations only)	**9.00%**	8.33%	8.20%
ROE	**10.72%**	4.88%	3.53%

Summary of Operations (Hokuriku Bank and Hokkaido Bank)

The business performance of the Hokuhoku Financial Group on a consolidated basis for FY2005 comprises the figures for Hokkaido Bank from September 1, 2005 to March 31, 2006 and for Hokuriku Bank from April 1, 2005 to March 31, 2006. In addition, part of the loan assets of Hokuriku Bank were transferred to a subsidiary that was set up by the bank to support corporate rehabilitation programs for borrowers. For year-on-year comparison on a pro forma basis, the total sum of the two subsidiary banks plus the spun-off company is employed in the following description.

Deposits and Loans

Deposits made by retail banking customers (individuals) registered an increase over the previous term, but corporate customer deposits declined. As a result, the term-end balance of deposits was down by ¥109.6 billion from the previous term-end, at ¥8,216.4 billion.

On the loans side, while business loans registered a year-on-year decline, loans to individuals, centered on mortgage loans and other housing-related loans, grew steadily as per our expectations. As a result, total loans posted a year-on-year increase of ¥167.2 billion (see Note below) to ¥6,706.2 billion.

Note: Up to fiscal 2004, Residential Mortgage-Backed Securities (RMBS) had been classified under "Loans," but with effect from the reporting period (fiscal 2005), they are classified under "Financial Claims Purchased." In order to enable comparison of the above-noted increase of ¥167.2 billion in loans with figures for prior years, prior-year figures have been adjusted by the deduction of the figures for RMBS.

Profits and Losses

The core business profit, which is generated by conventional banking operations, increased by ¥6.4 billion over the previous term, to a record high of ¥92.2 billion. This achievement was in spite of a decline in interest income on loans and securities, and is attributable to an increase in income from fees and commissions attendant on growth in sales of investment trust and pension products, as well as financial derivatives, in addition to successful measures to reduce expenses.

Thanks to the improving trend in corporate business performances, there were fewer cases of large-scale bankruptcies among the two banks' customers during the reporting period, and the amount of newly-emergent nonperforming loans also registered a decrease. Moreover, considerable success was achieved in turning around the business performances of financially troubled customers through management advisory services. As a result, the total credit cost for the reporting term was down by ¥11.7 billion year-on-year at ¥47.7 billion. Regarding securities transactions (including unrealized gains) we posted a gain of ¥7.0 billion, a year-on-year rise of ¥5.5 billion.

As a result of the foregoing, ordinary income rose ¥16.4 billion year-on-year, to ¥50.5 billion, while net income was up ¥13.8 billion at ¥29.0 billion.

Dividend Policy

In consideration of the public nature of the businesses engaged in by the Group companies under the control of the Hokuhoku Financial Group, in particular the two banking subsidiaries, the Company follows a basic policy of paying a stable dividend to its shareholders while at the same time ensuring that the Company always has sufficient retained earnings to maintain a healthy financial position over the long term.

In line with this policy, the Company paid an annual dividend for fiscal 2005 of ¥1.50 per ordinary share of common stock, ¥3.85 per share of 1st-issue Class 1 shares of preferred stock, ¥3.31 per share of 1st-issue Class 4 shares of preferred stock, and ¥7.50 per share of 1st-issue Class 5 shares of preferred stock.

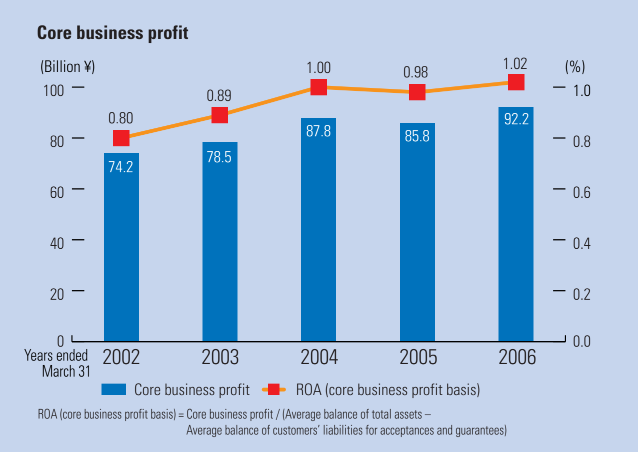
From here onward, in deciding the dividend payments for each term, the management will take into account the Company's business performance for that term, and the need to retain and accumulate a sufficient amount of earnings to contribute to the improvement of the Company's business structure and assist in the repayment of the public funds that the Company has borrowed. While balancing these various concerns, the management will make every effort to maintain per-share dividends at a stable level.

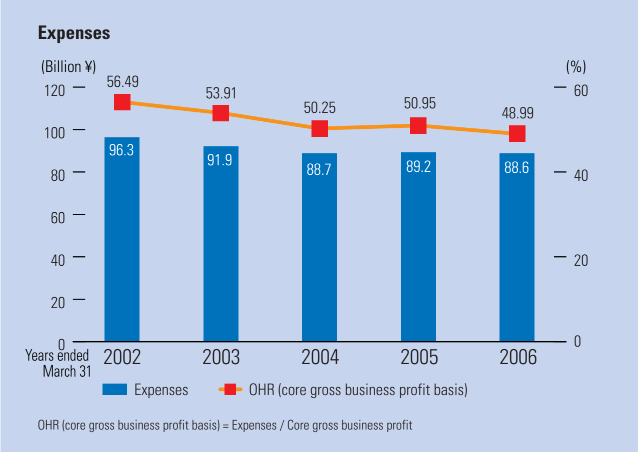
Business Indicators for Hokuriku Bank and Hokkaido Bank (total for the two banks and Hokugin Corporate combined)

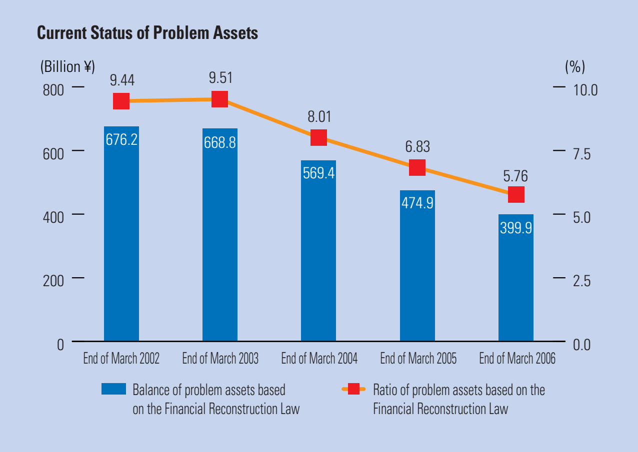
(¥ billion)

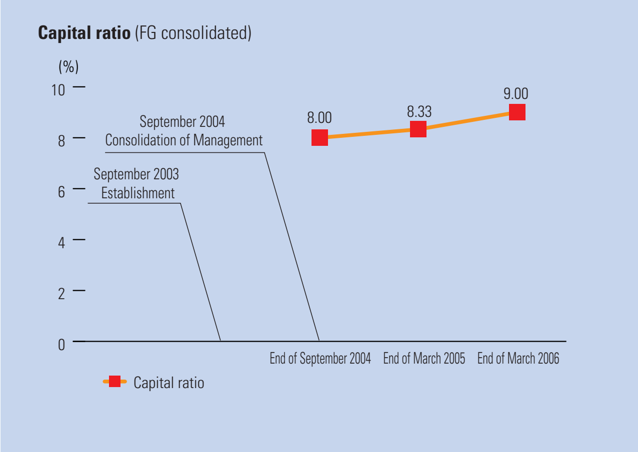
Years ended March 31	2006	2005	2004	2003	2002
Core gross business profit	**180.8**	175.0	176.5	170.5	170.5
Core business profit	**92.2**	85.8	87.8	78.5	74.2
Ordinary income	**50.5**	34.1	17.3	(46.7)	(143.4)
Net income (loss)	**29.0**	15.2	15.7	(52.3)	(131.1)

* Core gross business profit = Gross business profit – gains/losses on bonds
* Core business profit = Core gross business profit – expenses









Progress in rationalization (total for the four companies: holding company, Hokuriku Bank, Hokkaido Bank, Hokugin Corporate)

The Group has worked to streamline operations and raise efficiency by developing strategic partnerships, outsourcing work, and effectively allocating management resources by reviewing the operation of branches, personnel, and organizations.

(¥ billion)

	End of FY 2005 (March 2006)	End of FY 2004 (March 2005)	End of FY 2003 (March 2004)	End of FY 2002 (March 2003)	End of FY 2001 (March 2002)
Domestic branches (Note 1)	**247**	249	255	262	271
Employees (Note 2)	**4,294**	4,506	4,832	5,347	5,655
Personnel costs (Note 3)	**40.3**	40.2	40.5	43.4	46.6
Operating expenses	**42.8**	43.3	43.4	43.2	44.1
Personnel costs and operating expenses	**83.2**	83.5	84.0	86.7	90.8

(Notes)
(1) Excluding sub-branches, international operations center, loan direct centers, payment branches, and shared ATM branches.
(2) Includes branch staff, general affairs staff, and staff on loan. Excludes contract, part-time, and temporary staff.
(3) Includes expenses for staff dispatched to the holding company that the holding company pays to its subsidiaries.

Hokuriku Bank (including Hokugin Corporate):

Core business profit rose ¥3.2 billion year-on-year to a record ¥55.2 billion. Interest income declined, mainly as a result of slack demand for loans to corporate customers, but sales of investment trust, insurance, and financial derivatives products to individuals registered a year-on-year gain, pushing up income from fees and commissions.

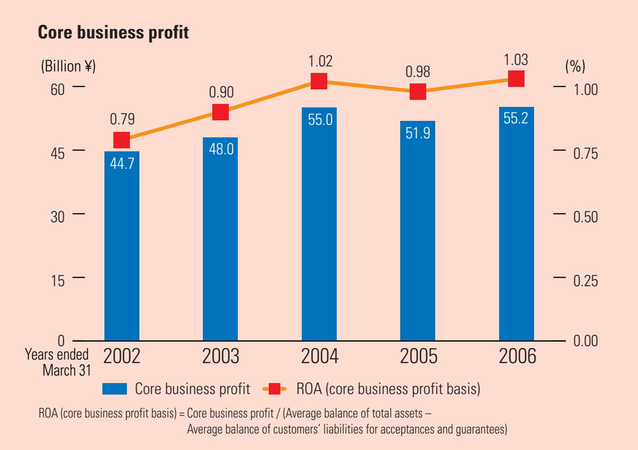
As a result of changes in the borrower classification of some debtors, in addition to the enforcement of stricter collateral evaluation standards, there was a decline in the number of newly-emergent nonperforming loans, and borrowers as a whole were moved upward in ranking. Thanks to these factors, total credit cost fell ¥7.8 billion from the previous term, to ¥34.7 billion.

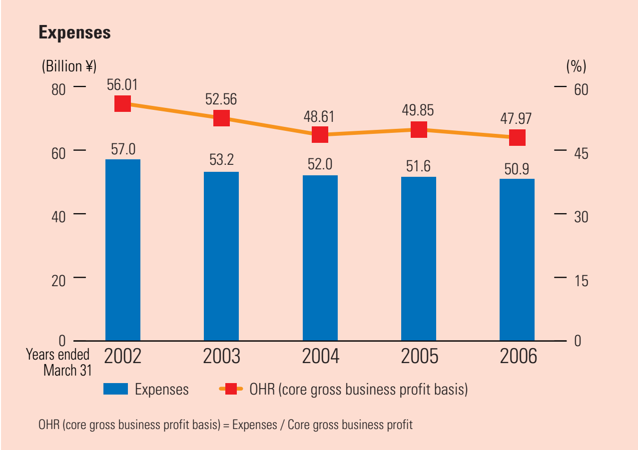
Ordinary income posted a ¥9.9 billion increase to reach ¥26.7 billion, while net income rose ¥11.4 billion year-on-year, to ¥15.6 billion.

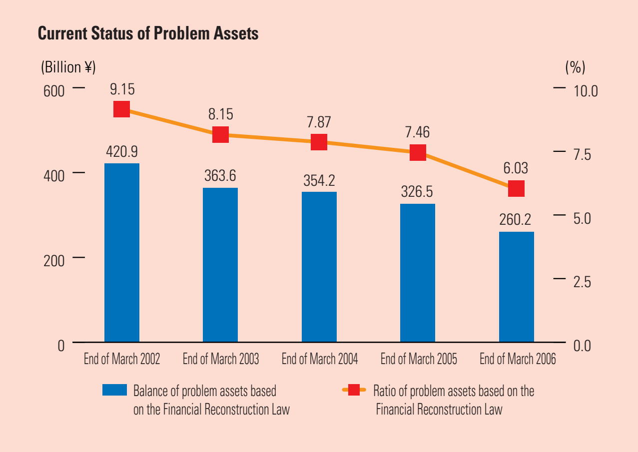
(¥ billion)

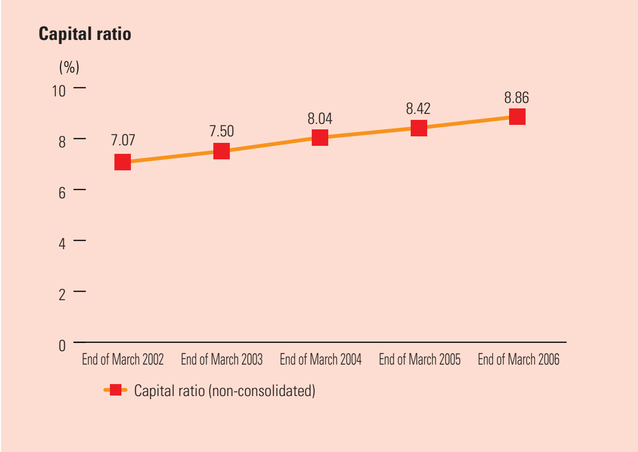
Years ended March 31	**2006**	2005	2004	2003	2002
Core gross business profit	**106.1**	103.6	107.0	101.3	101.7
Core business profit	**55.2**	51.9	55.0	48.0	44.7
Ordinary income	**26.7**	16.8	6.5	9.5	(155.9)
Net income (loss)	**15.6**	4.1	4.9	2.7	(135.6)

* Core gross business profit = Gross business profit – gains/losses on bonds
* Core business profit = Core gross business profit – expenses









Hokkaido Bank

Core business profit rose ¥3.1 billion over the previous term, to an all-time high of ¥37.0 billion. Interest income increased thanks to an expansion in securities investment, while growth in sales of investment trust, insurance, and financial derivatives products pushed up fees and commissions. Income from other banking operations also increased.

Total credit cost was down ¥3.8 billion from the previous term at ¥12.9 billion, as a result of a decline in the number of corporate customer bankruptcies and success in turning around the businesses of financially troubled companies.

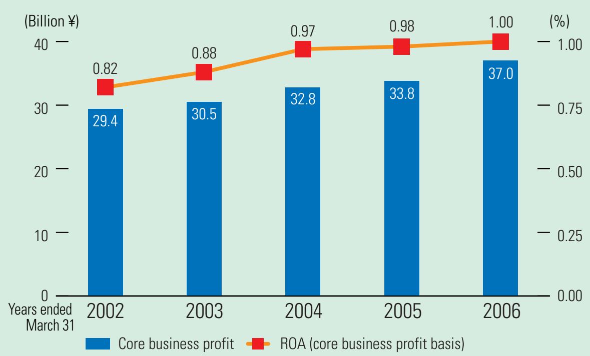
Ordinary income rose ¥6.5 billion to ¥23.8 billion, while net income increased ¥2.3 billion to ¥13.4 billion.

(¥ billion)

Years ended March 31	2006	2005	2004	2003	2002
Core gross business profit	**74.7**	71.3	69.4	69.1	68.7
Core business profit	**37.0**	33.8	32.8	30.5	29.4
Ordinary income	**23.8**	17.3	10.7	(56.3)	12.4
Net income	**13.4**	11.1	10.8	(55.0)	4.5

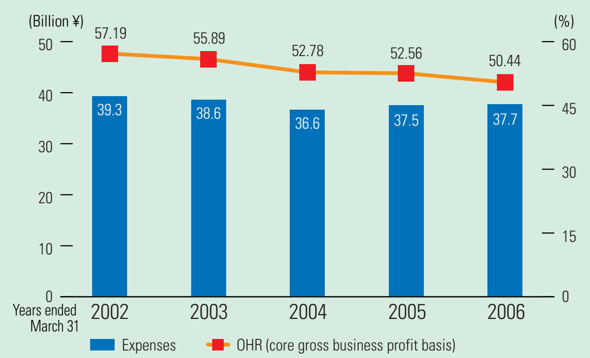
* Core gross business profit = Gross business profit – gains/losses on bonds
* Core business profit = Core gross business profit – expenses

Core business profit



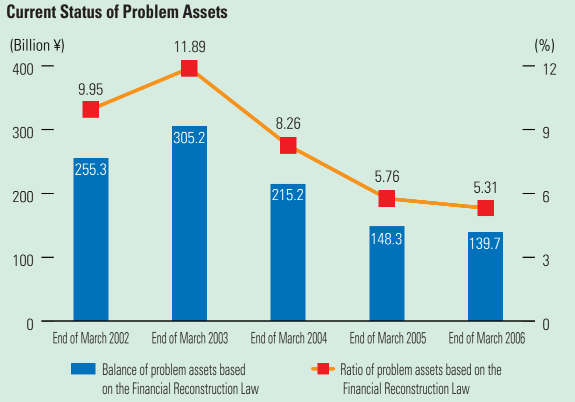
ROA (core business profit basis) = Core business profit / (Average balance of total assets – Average balance of customers' liabilities for acceptances and guarantees)

Expenses

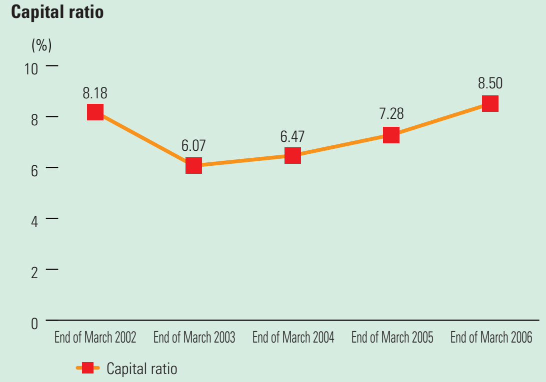


OHR (core gross business profit basis) = Expenses / Core gross business profit

Current Status of Problem Assets

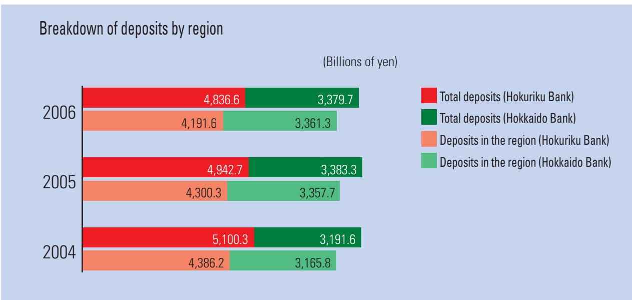


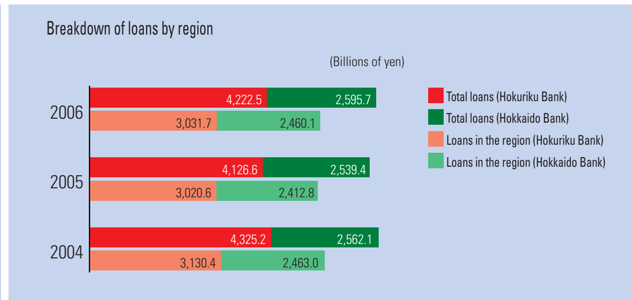
Capital ratio

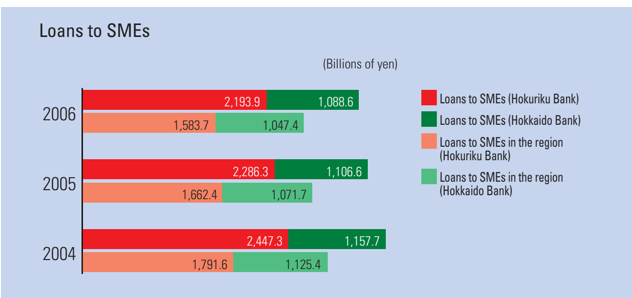


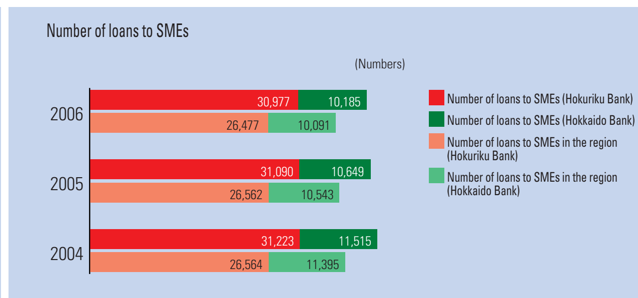
Regional deposits and loans for the Hokuhoku Financial Group

As a broad-based regional financial group with the three prefectures of the Hokuriku region and Hokkaido as its major operating areas, the Hokuhoku Financial Group contributes to the prosperity of its customers by leveraging IT networks and comprehensive financial service capabilities that also embrace the three major urban areas of Japan, Kanto, Kansai and the Nagoya area. Customer deposits are used to provide financing for customers in our service regions, and contribute to their economic development.



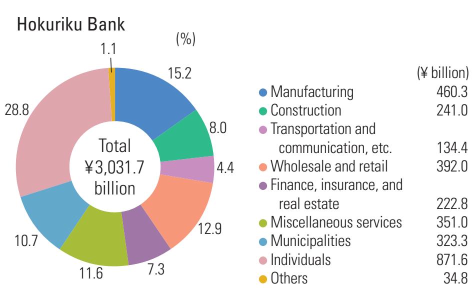


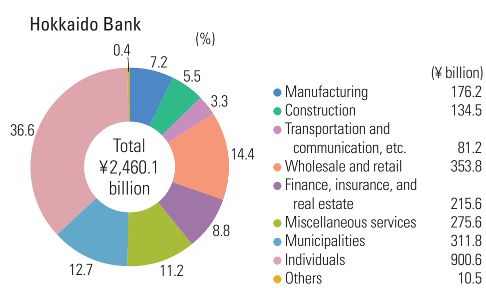




As of March 31

Lending in the region by industry (as of March 31, 2006)





Notes 1. Loans of Hokuriku Bank include loans of Hokugin Corporate

2. Hokuriku Bank formerly included residential mortgage-backed securities in Loans and bills discounted. However, from fiscal 2005, these instruments have been included in monetary claims purchased. For the purposes of comparison with the previous fiscal year, we have provided figures that exclude residential mortgage-backed securities. In addition, we have included securitized mortgage loans in the loan balance.

We will strive for stable earnings with the goal of repaying public funds.

Based on the Law on Emergency Measures to Revitalize the Functions of the Financial System (referred to below as the Emergency Revitalization Law), the company issued a total of ¥120.03 billion in preferred stock (First-issue class 1 preferred shares ¥75 billion, First-issue class 4 preferred shares ¥45.03 billion), which was placed to specified banks.

Accompanying the management consolidation of the two banks in September 2004, a plan covering the period to March 31, 2008 was adopted based on the Financial Reconstruction Commission's Basic Finding on the Rehabilitation Plans issued on September 30, 1999, and the provisions of Article 1-2 of the Emergency Revitalization Law.

According to the plan, the Group will strive to ensure stable profitability with the goal of repaying public funds, by utilizing its unique extensive regional network to realize the goals of integration, which include "strengthening sales promotion," "increasing management efficiency," and "stabilizing the business foundation."

Goals and Strategy of the Management Integration

1. Strengthening Sales Promotion

The Group will substantially improve its operations, particularly in Hokkaido, by linking the Hokuriku Bank's extensive network encompassing both the Hokuriku district and the three major metropolitan areas of Japan, with the Hokkaido Bank's customized financial service in Hokkaido.

- Strengthening efforts to match businesses using its extensive regional network
- Engaging in transactions with corporations' trading partners and employees, using the customer bases of the two banks
- Strengthening its solution and proposal ability by sharing the know-how of the two banks

2. Increasing Management Efficiency

The Group will strive to create a highly profitable and efficient operation system that more efficiently utilizes management resources by integrating and reorganizing redundant infrastructure in Hokkaido, while stressing the maintenance and strengthening of excellent relationships with customers of both banks.

- Rebuilding an efficient and effective network of branches
- Combining back-office operations and mail delivery services of the two banks within Hokkaido
- Concentrating management activity for the entire group, including planning and risk management under the holding company

3. Stabilizing the Business Foundation

The Group is working to create a stable asset portfolio by utilizing an operating base that extends over two geographical areas with different economic environments to become a regional financial group supported by customers and highly trusted by the market.

- Building an asset portfolio diversified across a wide area and a wide range of industries by utilizing extensive regional operations
- Implementing stable capital and dividend policies by having the holding company absorb fluctuations in the profits of its subsidiary banks and companies
- Strengthening its capabilities in corporate rehabilitation and M&A by sharing know-how and engaging in broad regional banking activity

We set the following five items as targets in the plan for restoring management soundness to further improve profitability, efficiency, and soundness. The plan will be implemented through March 2008.

In fiscal year 2005, the second year under the revised plan, core business profits reached ¥91.7 billion due to the steady implementation of restructuring measures and measures to strengthen earnings included in the plan.

In addition, ordinary income and net income were greater than expected, although the cost of disposing of non-performing loans was greater than expected due to stricter collateral valuations and an additional provision to reserves for loan losses.

We will continue to work to win the trust of customers and the market by ensuring stable earnings.

Further strengthening our top-level profitability among regional banks

Target by March 2008

Net business profit (excluding provision for general reserve for possible loan losses): ¥100.5 billion
Net income: ¥42.1 billion

Securing sufficient retained earnings to repay public funds

Target by March 2010

Balance of retained earnings of ¥192.8 billion
(Repayment due date of July/August 2010 for public funds in the form of ¥120.0 billion in preferred stock)

Pursuing greater efficiency and reducing expenses

Target by March 2008

OHR 46.48%

Establishing a financial foundation trusted by the market

Target by March 2008

Capital ratio of 9.18%
(Reduce the percentage of deferred tax assets as Tier I capital to 20%)

Accelerating disposal of non-performing loans and support for corporate rehabilitation

Target by March 2008

Reducing the percentage of non-performing loans up to 5.99%

Income (Hokuriku Bank + Hokkaido Bank)

(¥ billion)

	March 2005	March 2006 (Target)	March 2006	Difference	March 2007 (Target)	March 2008 (Target)	March 2008 and March 2006
Gross business profit	180.2	176.7	180.0	+3.3	181.5	187.9	+7.9
Expenses	89.1	88.7	88.5	(0.2)	87.9	87.3	(1.2)
(OHR [Expenses/Gross business profit])	(49.49%)	(50.19%)	(49.16%)	(-1.03%)	(48.46%)	(46.48%)	(-2.68%)
Net business profit (excluding provision for general reserve for possible loan losses)	91.0	88.0	91.5	+3.5	93.5	100.5	+9.0
Core business profit	85.8	87.2	91.7	+4.5	92.7	98.9	+7.2
Total credit cost	59.5	39.0	46.6	+7.6	31.0	31.0	(15.6)
Ordinary income	34.0	47.6	50.6	+3.0	60.7	67.3	+16.7
Net income	15.2	25.9	29.1	+3.2	36.1	42.1	+13.0

Balance of retained earnings (Hokuhoku Financial Group + Hokuriku Bank + Hokkaido Bank)

	March 2005	March 2006 (Target)	March 2006	Difference	March 2007 (Target)	March 2008 (Target)	March 2008 and March 2006
Balance of retained earnings	46.3	64.7	68.1	+3.4	94.0	129.9	+61.8

Consolidated capital ratio (Hokuhoku Financial Group)

	March 2005	March 2006 (Target)	March 2006	Difference	March 2007 (Target)	March 2008 (Target)	March 2008 and March 2006
Consolidated capital ratio	8.33%	8.12%	9.00%	+0.88%	8.58%	9.18%	+0.18%
Tier I capital ratio	5.95%	6.34%	6.47%	+0.13%	6.89%	7.57%	+1.10%

Core business profit = Net business profit (excluding provision for general reserve for possible loan losses) – Gains (losses) on bonds
Credit cost includes transfer to general reserve for possible loan losses
Balance of retained earnings = Retained earnings – Legal reserve

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 a management priority. We have drawn up a basic policy—our management philosophy—covering all our activities from management strategy-setting and decision-making down, and through the Hokuhoku Financial Group Code of Conduct, we are creating a sounder management paradigm to ensure that basic values and philosophies are shared across the Group, enterprise value is increased, and the further development of the Hokkaido and Hokuriku regions is enabled.

Corporate Governance

We have established a decision-making system with the Shareholders' Meeting and Board of Directors at the top, enabling quick decision-making since day-to-day operational authority has been delegated. 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, in addition to the Management Committee, a Market Strategy Committee, which works to disseminate information on the operation policy throughout the company, and a Management Advisory Committee, which is composed of independent specialists and is responsible for checks and follow-up of the "plan for sound management," have been established. In this way we have built a system for decision-making, implementation, evaluation, and improvements. In addition, the Board of Directors decides on basic policy for internal controls, and is taking the steps needed to create an effective internal control system.

The following are the main bodies in this system:

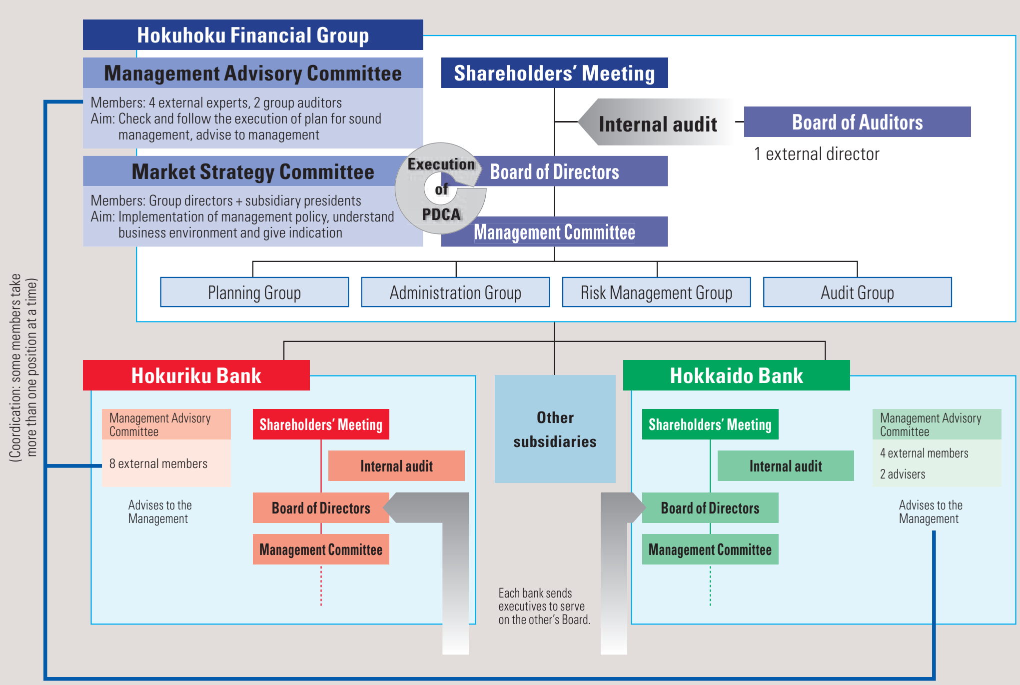
(1) **Board of Directors:** responsible for decisions related to business implementation, critical policies, and important management matters, and monitoring implementation.

(2) **Board of Auditors:** audits the legal appropriateness of business implementation by the Board of Directors by attending Board of Director meetings and providing detailed reports.

(3) **Management Committee:** makes decisions on important business matters based on basic policies set by the Board of Directors.

(4) **Management Advisory Committee (in general, meets four times a year):** responsible for improving the transparency of Group management and increasing the precision implementation of the "plan for sound management" by reflecting proposals made from a specialist's point of view in management

(5) **Market Strategy Committee (in general, meets four times a year):** composed of the executive directors and presidents of subsidiaries; is responsible for disseminating important management policies and similar items throughout the Group and for ensuring that business policy implementation reflects executive decisions by verifying the each member's management situation.



The Group rigorously adheres to all laws and corporate regulations.

Philosophy on Compliance (adherence to laws and regulations)

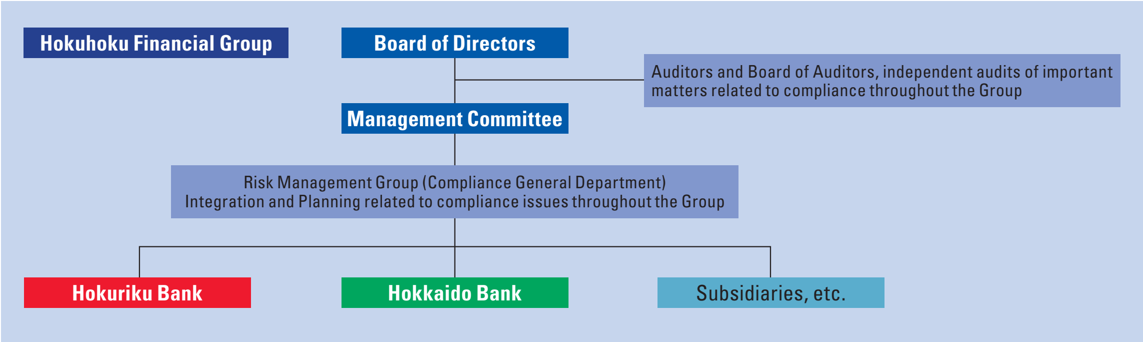
We position compliance as our most important management task and recognize that an incomplete compliance system can weaken our business foundation. Therefore, we are implementing a basic compliance policy as described below, and are striving to conduct fair and honest corporate activity.

To establish a compliance system for the entire Group, we have worked in cooperation with each member company to establish various compliance regulations and organizational systems to ensure that each member company has a compliance policy in place.

We have created the positions of General Compliance Manager, as the executive in charge of implementing all compliance measures within the Group, and a General Manager for Eliminating the Influence of Organized Crime, as the person responsible for the Group's resolute response to all organized crime issues and for ensuring that the Group has no connections with criminal elements.

In addition, we have established a Compliance Program, a concrete plan to realize our compliance goals, and are systematically working to create a compliance system and to raise management and employees' awareness of compliance issues.

We have also created a compliance office at each Hokuriku Bank and Hokkaido Bank branch, and at each Group company, to aggressively work to implement measures to educate employees about and develop awareness of the need for compliance.



Basic Compliance Policy

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 quality integrated financial services, the Group will contribute to the stable economic and social development of the region and to a better life for its customers.

3. Strict adherence to laws and rules

The Group strictly adheres to laws and regulations, and conducts business in a trustworthy and honest fashion that conforms to corporate ethics and social norms.

4. Elimination of ties with criminal elements

The Group contributes to a healthy society by resolutely refusing to associate or work with persons known to be connected with organized crime.

5. Ensuring management transparency

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

The Group is striving to build a risk management system appropriate for the types and scale of risks to which the Group is exposed.

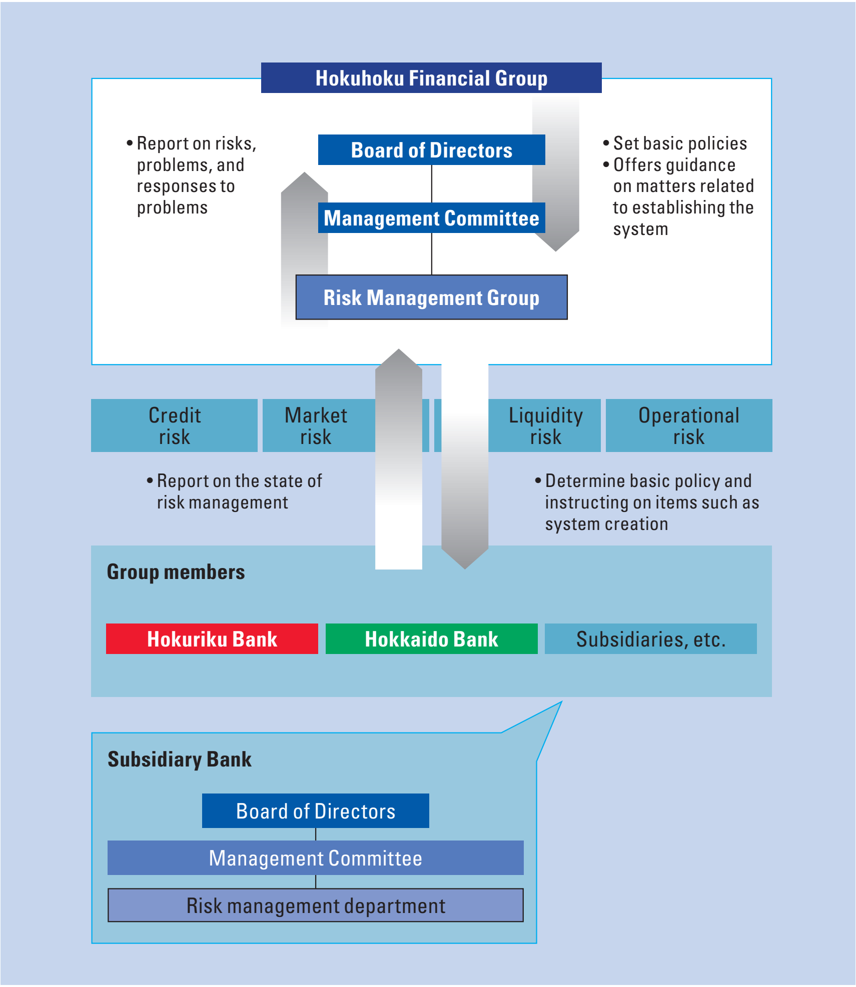
The Hokuhoku Financial Group Risk Management System

Amid financial liberalization and globalization, finance services are becoming more diversified and complex, and financial institutions are exposed to various risks, including credit risk, market risk, liquidity risk, and operational risk.

We recognize that risk management is one of our most important management tasks, and work to improve profitability, ensure sound management, and to strengthen our risk management system in order to win the trust of shareholders and creditors and to protect customers' deposits.

In particular, while each Group company has created a risk management department, the Group as a whole is working toward integrated risk management through close cooperation between these departments. Serving as an overall risk management unit, the Risk Management Group has drawn up the "Risk Management Rules" and a "Basic Risk Management Policy." In addition, based on this basic policy, each member company has established a risk management system corresponding to the scope and type of risk that it is exposed to, and works to manage risk in an appropriate manner.

We have strengthened corporate governance, and ensure sound management by having each group company submit reports on risk management, by giving appropriate instructions on risk management issues, and by reporting on risk management matters and problems for discussion to the Board of Directors and other management units.



Hokuhoku Financial Group

1. Restructuring the branch network in Hokkaido

Along with the transfer of the Kosei Office of Hokkaido Bank on April 11, 2005, Naebo Branch of Hokuriku Bank was relocated to the vacant site of Kosei Office on May 23, 2005, and Sosei Branch of Hokkaido Bank moved to the vacant site of Naebo Branch on December 12, 2005.

In Hokkaido, we aim to increase transactions with customers by making maximum use of the two core brands, namely Hokuriku Bank and Hokkaido Bank. Based on this policy, we will continue to promote an effective and efficient allocation of branches.

2. Issue of subordinated bonds

Following the first issue in March 2005, a ¥20.0 billion issue of the second uncollateralized subordinated bond with an early redemption clause was conducted on September 28, 2005. The fund was used for subordinated loans to Hokuriku Bank and Hokkaido Bank.

3. Encouraging the shared use of systems

The swift provision of quality services based on the strategic use of information technology is an important task for financial institutions.

The Hokuhoku Financial Group has been examining system integration. We seek to maximize the effect of management integration through improved business efficiency and to reinforce the Group's marketing capabilities and business management structure.

To this end, Hokuriku Bank, Hokkaido Bank and the Bank of Yokohama reached a basic agreement to conduct a study for the joint use of systems on November 24, 2005, and entered into a basic contract on joint system use on March 24, 2006.

The three banks will establish the System Council to specifically examine the joint development and joint use of systems, and plan to phase in the new system from January 2010. We believe that this will deliver system integration for the Group and enable us to further strengthen and increase the sophistication of our system functions.

4. Alliance with the Bank of Yokohama

On March 24, 2006, Hokuriku Bank and Hokkaido Bank arrived at an agreement with the Bank of Yokohama on such operations as free use of the automated teller machines (ATMs) of the other banks when withdrawing money, and an alliance in the provision of sales information in Japan and in support for customers who are moving into Asian countries.

We will also provide the customers of each bank with support for their business needs for the development of new clients and suppliers, the development of new products, and the advancement into different business areas, as well as their needs when moving into China and South-East Asia.

5. Participation in the Yosakoi Soran Festival

Following our first participation in 2005, we took part for the second time in Sapporo's Yosakoi Soran Festival (held for the 15th time this year), from the 7th to the 11th of June. As last year, we again joined forces with the Hokkai Ahondara group, one of the oldest groups (having taken part in the festival ten times) to form a Hokkai Ahondara Group & Hokuhoku FG team, which put on an elegant dance with 140 members. The group was one of the largest of the 350 participating teams. The festival was thoroughly enjoyed by all the participants from throughout Japan as well as the spectators, producing a sense of shared community and achievement.

Hokuriku Bank

1. Bolstering the support system for overseas advancement

On February 13, 2006, the Hokuhoku Financial Group established a club, the "Hokuhoku ASEAN Kai" in Singapore to support corporate customers of Hokuriku Bank and Hokkaido Bank in their efforts to expand. Based on an alliance with Kasikorn Bank in Thailand, we will develop a speedy and effective support system for companies advancing into ASEAN nations by such measures as constructing networks among members and with investment facilitation bodies of the governments of each of the ASEAN member states.

The Hokuhoku Financial Group also concluded an economic exchange memorandum with the municipal government of Shanghai when the Group hosted Tang Qingfu, deputy director of the Shanghai Foreign Economic Relations and Trade Commission of Shanghai Municipality. More Hokuriku Bank customers have moved into Shanghai than into any other city in China, and the Shanghai Foreign Economic Relations and Trade Commission is a high-level government body that has the power to approve investment by foreign companies in Shanghai. The memorandum will further bolster support for the operations of the Bank's customers in China. The conclusion of the memorandum with this commission, which is an upper division of Shanghai Municipality, is a first for a Japanese regional bank.

2. Mutual free use of automatic machines (CDs, ATMs) with Takayama Shinkin Bank

Since February 1, 2006, we have been operating under an agreement allowing free use of each bank's automatic machines (CDs, ATMs) with Takayama Shinkin Bank. The head office of Takayama Shinkin Bank is located in Takayama, Gifu Prefecture, which has had close cultural and economic relationships and strong human exchange with the Hokuriku region since the Edo Period (1603 - 1867).

The mutual free use of automatic machines will strengthen the ties between the two regions and enlarge the area that can receive our services.

3. Opening of the Hokugin Dream Center Musashi

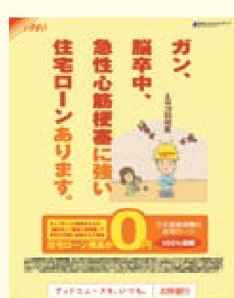
On June 5, 2006, we opened Hokugin Dream Center Musashi, a specialty office with the combined functions of asset management and loan services, in Kanazawa, a first for Hokuriku Bank. In addition to its function as a loan center, the Center will serve as a new type of specialty office able to meet the diversified asset management needs of our customers.

It presents the customers with a space where they are able to receive our consultation services in a relaxed manner, with a booth-type counter and reception area. A convenient Kids' Corner is also available.

4. A string of launches of new housing loans

In October 2005, we launched a ground-breaking housing loan with special terms for borrowers who suffer cancer, stroke or heart attack. In this product, the loan balance will become nil (100% security) by means of an insurance benefit paid when the loan holder is diagnosed to be suffering from an acute myocardial infarction or a cerebral stroke (brain hemorrhage, cerebral infarction, subarachnoid hemorrhage), or cancer (already covered by the insurance). Also in January 2006, we introduced the Yume Home (Block Point), a housing loan that limits debt repayment risk associated with rising interest rates.

In April 2006, we began handling the Yume Home (Venus), a housing loan designed specifically to assist working women. This loan comes with strong support services such as unemployment credit cost insurance in the case of the loss of employment and an exemption from fees at the time of prepayment (500,000 yen or more per prepayment).



5. Refurbishment of Iwase Branch in Meiji Period merchant house style

The Iwase Area of Toyama was made prosperous when *Kitamaebune* (ships plying the western coastal route round Honshu from Osaka to Hokkaido during the Edo and Meiji periods) stopped at the port. Traditional houses in the district are currently being rebuilt as a city project. In this area, we refurbished Iwase Branch, which began operating in March 1900 as the head office of Iwase Bank, like an old merchant family house during the Meiji Period (1868 - 1912). It has been renovated as a branch with a flavor suitable for a port town using *Sumushiko*, a traditional lattice in Iwase, and contributes to the reconstruction of a cityscape with the air of a trading district for coastal merchant ships.

6. Opening of the Hokugin Art Gallery

On February 2, 2006, we opened the Hokugin Art Gallery on the glazed façade facing the Hokugin Square of the head office of Hokuriku Bank. This is part of our activities to revitalize the local shopping area on the central street and to support artists in Toyama Prefecture.

Hokkaido Bank

1. New construction, transfer and integration of branches

On December 12, 2005, Sosei Branch was moved to improve the efficiency of the branch network of the Hokuhoku Financial Group. This branch was transferred to a new building on the vacant site of the former Naebo Branch of Hokuriku Bank (which had already been moved to the vacant site of the former Kosei Office of Hokkaido Bank). As the main branch in the Sosei and Naebo areas, it aims to continue to increase the volume of transactions with customers.

On December 19, 2005, Midorimachi Branch was relocated to a new office in Shinkaicho 4-chome and renamed Tomakomai Higashi Branch. The new office is located inside a commercial complex that lies in front of the AEON Tomakomai Shopping Center, and will provide better access to those customers who live on the eastern side of the city. We will endeavor to earn higher support from customers by providing more community-oriented services than ever before.

Tomakomai Higashi Branch

2. Hokkaido Food Special Business Conference

To help food and beverage manufacturers in Hokkaido expand their sales channels, we held the second Hokkaido Food Special Business Conference on September 12, 2005, following the first meeting on May 11, 2005. Inviting a large number of supermarket managers and buyers from every region of the country, we set up meetings for opinion exchange and business talks with 27 participants. In addition to the business meetings, we supported the participating companies by holding a follow-up meeting for them so that they could receive orders.

Hokkaido Food Special Business Conference

3. Interaction with Shenyang

On May 16, 2006, we held the "Shenyang Day in Sapporo" jointly with Sapporo City and Shenyang Municipality in Liaoning Province, a central city in the North East Development Policy of China. In this event, business negotiations were actively held between Japanese companies in Hokkaido and 24 Chinese counterparts in Shenyang for trade and technical cooperation, in addition to an investment presentation meeting and an informal meeting for opinion exchange with the Shenyang government.

On the same day, we concluded a cooperation agreement on the opening of a representative office of Shenyang Municipality in Hokkaido and the establishment of a Japan industrial park in the Shenyang Industrial Complex.

We will enhance the business support systems for our customers through the collection and provision of local information.

4. Initiatives in new financing methods

On June 10, 2005, we entered into a loan agreement with the Hokkaido Development Agency for the development project of the Tomakomai general judicial government building implemented by the Hokkaido Development Agency. This uses a project finance method based on a fund arrangement by Hokkaido Bank alone.

This is one of a few fund arrangements using a PFI* method by a regional bank on its own and the first regional PFI project in Hokkaido in which the client is the Hokkaido Development Agency, the fund arranger is Hokkaido Bank and the representative company is a company in Hokkaido. This project received the Regional PFI Award, a special award of the first Japan PFI Grand Prize.

We remain committed to developing new financing methods and will further strive to facilitate local financing.

* PFI is an abbreviation for "private finance initiative." This is a method of providing efficient public services by applying funds, technical capabilities, and management capabilities in the private sector to the construction, maintenance, management and operation of infrastructure.

5. Dosanko Bank 55 (Go! Go!) Campaign

To mark the 55th anniversary of our foundation, we have been running the "Dosanko Bank 55 (Go! Go!) Campaign" since March 5, 2006. On April 22, all employees of the Bank in the Asahikawa area participated in clearing the Asahiyama Zoo, while sixty employees cleaned the Odori Park in Sapporo on May 18. We will continue to make every possible effort to actively participate in social contribution activities to extend our gratitude to those who support Hokkaido Bank in various ways.

6. Expansion of branches handling securities brokerage business

In April 2005, we launched a securities brokerage business at eight branches in Hokkaido, and our customers are now able to open a securities account and purchase foreign bonds. As of the end of March 2006, the number of branches handling the securities brokerage business increased to 63, one of the largest among Japan's regional banks. We made a primary offering of the World Bank bond three times in fiscal 2005. For secondary bonds, we are providing foreign bonds with high credit ratings, centered on the government bonds of developed nations. We also began handling structured bonds using derivatives. We will continue to meet the diversified investment needs of our customers.

7. Commencement of testamentary processing and testamentary trust services

In November 2005, we began providing testamentary processing services, in which the Bank takes on inheritance procedures on behalf of heirs when an issue of succession arises. We also started offering testamentary trust services, in which the Bank consults customers on the preparation of wills, keeps wills in custody, and acts as executor to guarantee accurate distribution of assets, as an agent for a trust bank. These services are a first for a financial institution in Hokkaido. Adding these services to the business succession consulting services we already provide, we will meet the needs of our customers for consultations related to business succession and inheritance.

CONSOLIDATED BALANCE SHEETS

Hokuhoku Financial Group, Inc. and Subsidiaries

March 31	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 1) 2006
Assets			
Cash and due from banks (Note 23)	**¥ 346,805**	¥ 498,350	**$ 2,952,289**
Call loans and bills bought	**—**	80,020	**—**
Commercial paper and other debt purchased	**215,361**	22,367	**1,833,330**
Trading assets (Note 4)	**9,467**	9,611	**80,592**
Money held in trust (Note 28)	**25,422**	23,964	**216,412**
Securities (Notes 5, 10 and 28)	**1,749,069**	1,559,963	**14,889,500**
Loans and bills discounted (Notes 6 and 10)	**6,678,269**	6,682,643	**56,850,851**
Foreign exchanges (Note 7)	**14,816**	19,835	**126,133**
Other assets (Note 10)	**126,901**	101,490	**1,080,285**
Premises and equipment (Notes 8, 10, 14 and 21)	**116,291**	120,221	**989,966**
Deferred tax assets (Note 22)	**101,880**	124,444	**867,294**
Goodwill	**39,968**	40,413	**340,242**
Customers' liabilities for acceptances and guarantees (Note 9)	**271,390**	277,471	**2,310,296**
Reserve for possible loan losses	**(160,015)**	(162,123)	**(1,362,184)**
Total assets	**¥9,535,627**	¥9,398,673	**$81,175,006**
Liabilities, minority interests and stockholders' equity			
Liabilities			
Deposits (Notes 10 and 11)	**¥8,203,885**	¥8,311,812	**$69,838,133**
Call money and bills sold (Note 10)	**317,500**	124,900	**2,702,818**
Payables under securities lending transactions (Note 10)	**107,877**	109,148	**918,337**
Trading liabilities (Note 4)	**755**	1,010	**6,434**
Borrowed money (Note 12)	**34,754**	52,647	**295,859**
Foreign exchanges (Note 7)	**345**	228	**2,940**
Bonds (Note 13)	**71,220**	52,730	**606,282**
Other liabilities	**100,418**	68,673	**854,848**
Reserve for employee bonuses	**24**	23	**204**
Reserve for employee retirement benefits (Note 27)	**11,831**	11,241	**100,719**
Deferred tax liabilities for land revaluation	**9,159**	7,596	**77,971**
Acceptances and guarantees (Note 9)	**271,390**	277,471	**2,310,296**
Total liabilities	**9,129,162**	9,017,483	**77,714,841**
Minority interests	**451**	439	**3,842**
Stockholders' equity			
Capital stock (Note 15)	**50,000**	50,000	**425,641**
Capital surplus	**272,576**	272,412	**2,320,393**
Retained earnings (Note 16)	**57,542**	35,586	**489,846**
Land revaluation excess (Note 14)	**9,063**	11,192	**77,153**
Net unrealized gain on available-for-sale securities (Note 28)	**17,136**	11,825	**145,877**
Treasury stock	**(303)**	(264)	**(2,587)**
Total stockholders' equity	**406,014**	380,750	**3,456,323**
Total liabilities, minority interests and stockholders' equity	**¥9,535,627**	¥9,398,673	**$81,175,006**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Hokuhoku Financial Group, Inc. and Subsidiaries

Year ended March 31	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 1) 2006
Income			
Interest income:			
Interest on loans and discounts	**¥126,161**	¥111,470	**$1,073,990**
Interest and dividends on securities	**18,671**	12,109	**158,947**
Interest on receivables under resale agreements	**7**	2	**62**
Interest on deposits with other banks	**208**	305	**1,777**
Other interest income	**5,812**	1,093	**49,483**
Fees and commissions (Note 18)	**43,085**	33,250	**366,778**
Trading income (Note 19)	**1,159**	3,215	**9,875**
Other operating income	**33,136**	30,165	**282,088**
Other income	**13,366**	11,741	**113,790**
Total income	**241,611**	203,354	**2,056,790**
Expenses			
Interest expenses:			
Interest on deposits	**7,952**	5,716	**67,699**
Interest on payables under securities lending transactions	**637**	439	**5,424**
Interest on borrowings and rediscounts	**1,096**	1,349	**9,332**
Interest on bonds	**1,523**	829	**12,973**
Other interest expenses	**2,407**	1,578	**20,496**
Fees and commissions (Note 18)	**10,999**	8,511	**93,639**
Other operating expenses	**16,609**	17,175	**141,392**
General and administrative expenses	**94,083**	78,697	**800,913**
Provision for reserve for possible loan losses	**43,477**	48,192	**370,116**
Other expenses (Note 20 and 21)	**16,252**	16,177	**138,356**
Total expenses	**195,040**	178,667	**1,660,340**
Income before income taxes and minority interests	**46,571**	24,687	**396,450**
Income taxes (Note 22):			
Current	**695**	923	**5,919**
Deferred	**18,989**	12,426	**161,652**
Minority interests in net income	**49**	89	**417**
Net income	**¥ 26,837**	¥ 11,248	**$ 228,462**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Hokuhoku Financial Group, Inc. and Subsidiaries

	Thousands		Millions of yen					
	Issued number of shares of common stock	Issued number of shares of preferred stock	Capital stock	Capital surplus	Retained earnings	Land revaluation excess	Net unrealized gain on available-for-sale securities	Treasury stock
Balance at March 31, 2004	987,146	150,000	¥50,000	¥105,408	¥27,228	¥12,088	¥ 370	¥(1,402)
Net income					11,248			
Cash dividends					(3,786)			
Treasury stock transactions				190				1,138
Transfer from land revaluation excess					896	(896)		
Stock exchange	299,483	186,432		166,813	2			
Changes during the year							11,454	
Increase in the number of affiliates accounted for by the equity method					(2)			
Balance at March 31, 2005	1,286,630	336,432	50,000	272,412	35,586	11,192	11,825	(264)
Net income					**26,837**			
Cash dividends					**(5,218)**			
Treasury stock transactions				**164**				**(39)**
Transfer from land revaluation excess					**336**	**(336)**		
Changes during the year						**(1,791)**	**5,310**	
Balance at March 31, 2006	**1,286,630**	**336,432**	**¥50,000**	**¥272,576**	**¥57,542**	**¥ 9,063**	**¥17,136**	**¥ (303)**

	Thousands of U.S. dollars (Note 1)					
	Capital stock	Capital surplus	Retained earnings	Land revaluation excess	Net unrealized gain on available-for-sale securities	Treasury stock
Balance at March 31, 2005	$425,641	$2,318,994	$302,938	$95,276	$100,666	$(2,252)
Net income			**228,462**			
Cash dividends			**(44,422)**			
Treasury stock transactions		**1,399**				**(335)**
Transfer from land revaluation excess			**2,868**	**(2,868)**		
Changes during the year				**(15,255)**	**45,211**	
Balance at March 31, 2006	**$425,641**	**$2,320,393**	**$489,846**	**$77,153**	**$145,877**	**$(2,587)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hokuhoku Financial Group, Inc. and Subsidiaries

Year ended March 31	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 1) 2006
1.Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 46,571**	¥ 24,687	**$ 396,450**
Depreciation	**15,197**	15,352	**129,370**
Losses on impairment of fixed assets	**1,020**	—	**8,689**
Amortization of goodwill	**1,961**	1,085	**16,702**
Equity in earnings of affiliates	**133**	(0)	**1,138**
Decrease in reserve for possible loan losses	**(10,222)**	(31,241)	**(87,024)**
Increase in reserve for employee bonuses	**0**	0	**1**
Increase in reserve for employee retirement benefits	**553**	181	**4,712**
Interest income	**(150,862)**	(124,981)	**(1,284,260)**
Interest expenses	**13,617**	9,914	**115,925**
Losses (gains) on securities	**(7,591)**	(3,489)	**(64,626)**
Losses (gains) on money held in trust	**(232)**	(129)	**(1,982)**
Losses (gains) on foreign exchange	**(1,485)**	191	**(12,642)**
Losses (gains) on sales of premises and equipment	**316**	2,674	**2,691**
Decrease (increase) in trading assets	**144**	809	**1,227**
Increase (decrease) in trading liabilities	**(254)**	63	**(2,165)**
Net decrease (increase) in loans and bills discounted	**10,964**	16,205	**93,335**
Net increase (decrease) in deposits	**(113,791)**	(39,646)	**(968,682)**
Net increase (decrease) in negotiable certificates of deposit	**18,687**	5,730	**159,079**
Net increase (decrease) in borrowed money (excluding subordinated borrowed money)	**(4,893)**	(75)	**(41,655)**
Net decrease (increase) in due from banks (excluding deposits with the Bank of Japan)	**507**	7,299	**4,320**
Net decrease (increase) in call loans, bills bought, commercial paper and other debt purchased	**(112,973)**	122,006	**(961,722)**
Net increase (decrease) in call money and bills sold	**192,600**	111,100	**1,639,568**
Net increase (decrease) in payables under securities lending transactions	**(1,271)**	62,666	**(10,820)**
Net decrease (increase) in foreign exchanges (assets)	**5,018**	(5,149)	**42,720**
Net increase (decrease) in foreign exchanges (liabilities)	**116**	24	**991**
Issuance and redemption of bonds (excluding subordinated bonds)	**(10)**	(20)	**(85)**
Interest received	**132,992**	119,725	**1,132,138**
Interest paid	**(15,658)**	(9,214)	**(133,294)**
Other, net	**(17,215)**	11,423	**(146,552)**
Subtotal	**3,940**	297,193	**33,547**
Income taxes paid	**(704)**	(1,020)	**(5,994)**
Net cash provided by operating activities	**3,236**	296,172	**27,553**

(Continued)

Year ended March 31	Millions of yen 2006	2005	Thousands of U.S. dollars (Note 1) 2006
2.Cash flows from investing activities:			
Purchases of securities	**¥(616,429)**	¥(524,663)	**$(5,247,545)**
Proceeds from sales of securities	**302,422**	257,822	**2,574,465**
Proceeds from maturity of securities	**149,320**	126,765	**1,271,135**
Purchases of money held in trust	**(1,608)**	(1,420)	**(13,693)**
Proceeds from sales of money held in trust	**—**	2,000	**—**
Proceeds from fund management	**18,947**	8,170	**161,296**
Purchases of premises and equipment	**(3,309)**	(2,081)	**(28,175)**
Proceeds from sales of premises and equipment	**1,095**	1,149	**9,322**
Purchases of stocks of subsidiaries	**(2,384)**	—	**(20,298)**
Net cash used in investing activities	**(151,946)**	(132,256)	**(1,293,493)**
3.Cash flows from financing activities:			
Proceeds from issuance of subordinated borrowed money	**9,000**	—	**76,615**
Repayment of subordinated borrowed money	**(22,000)**	(4,000)	**(187,282)**
Proceeds from issuance of subordinated bonds	**20,000**	20,000	**170,256**
Repayment of subordinated bonds	**(1,500)**	—	**(12,769)**
Expenditures for fund procurement	**(2,687)**	(1,984)	**(22,881)**
Dividends paid	**(5,218)**	(3,786)	**(44,422)**
Dividends paid to minority stockholders	**(57)**	(53)	**(490)**
Purchases of treasury stock	**(248)**	(176)	**(2,119)**
Proceeds from sales of treasury stock	**300**	1,571	**2,555**
Net cash provided by (used in) financing activities	**(2,412)**	11,570	**(20,537)**
4.Effect of exchange rate changes on cash and cash equivalents	**62**	(1)	**536**
5.Net increase in cash and cash equivalents	**(151,059)**	175,485	**(1,285,941)**
6.Cash and cash equivalents at beginning of year	**489,969**	184,308	**4,171,015**
7.Increase in cash and cash equivalents due to increase in consolidated subsidiaries	**—**	130,175	**—**
8.Cash and cash equivalents at end of year (Note 23)	**¥ 338,909**	¥ 489,969	**$ 2,885,074**

See notes to consolidated financial statements.

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of stockholders' equity) from the consolidated financial statements of Hokuhoku Financial Group, Inc. (the "Company").

Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the consolidated financial statements do not necessarily agree with the sum of the individual amounts. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2006, which was ¥117.47 to US$1. The U.S. dollar amounts are then rounded to thousands. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that rate.

2. Scope of Consolidation

On September 26, 2003, the Company was formed as a holding company for the Hokuriku Bank Ltd. by way of stock transfers ("kabushiki-iten"), and on September 29, Hokugin Lease Co., Ltd., Hokuriku Card Co., Ltd., Hokuriku Hosho Services Co., Ltd. and Hokugin Software Co., Ltd. came under the control of the Company. Nihonkai Services Co., Ltd. was formed as a wholly-owned subsidiary of the Company on December 25, 2003.

On September 1, 2004, Hokkaido Bank, Ltd. and Dogin Business Service, Ltd., its consolidated subsidiary, became the Company's consolidated subsidiaries by a way of stock-to-stock exchange ("kabushiki-kokan").

On March 1, 2006, Dogin Card Co., Ltd., formerly an equity-method affiliate of the Hokuhoku Financial Group, was included in the scope of consolidation after our subsidiary, Hokkaido Bank, acquired additional shares of Dogin Card. The performance of Dogin Card for the reporting term was accounted for using the equity method.

The consolidated financial statements as of March 31, 2006 include the account of the Company and its 15 (14 in 2005) subsidiaries (together, the "Group"). The consolidated subsidiaries are listed below.

Under the control or 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.

Investments in one (two in 2005) associated company is accounted for by the equity method. The associated companies are also listed below.

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 eliminated.

Consolidated subsidiaries	Capital (¥mil)	Ownership (%)
Hokuriku Bank, Ltd.	140,409	100.00
Hokkaido Bank, Ltd.	93,524	100.00
Hokugin Lease Co., Ltd.	100	70.25
Hokuriku Card Co., Ltd.	36	87.39
Hokuriku Hosho Services Co., Ltd.	50	100.00
Hokugin Software Co., Ltd.	30	100.00
Nihonkai Services Co., Ltd.	500	100.00
Hokugin Business Services Co., Ltd.	30	(100.00)
Hokugin Office Services Co., Ltd.	20	(100.00)
Hokugin Real Estate Services Co., Ltd.	100	(100.00)
Hokugin Shisankanri Co., Ltd.	100	(100.00)
Hokuriku International Cayman Ltd.	US$1,000	(100.00)
Hokugin Corporate Co., Ltd.	100	(100.00)
Dogin Business Service, Ltd.	50	(100.00)
Dogin Card Co., Ltd.	1,226	(100.00)

Notes: 1. Ownership figures in parentheses are inclusive of cross-shareholdings.
2. The two subsidiaries whose balance sheet differs from the date of the consolidated settlement of accounts are consolidated using their financial statements based on their tentative settlement of accounts at the consolidated settlement date.

Associated company	Capital (¥mil)	Ownership (%)
Hokuriku Capital Co., Ltd.	250	(42.50)

Note: Ownership figures in parentheses are inclusive of cross-shareholdings.

The Group applies business combination procedures based on JICPA Accounting System Committee Research Report No. 6, "Capital Consolidation Procedure for Establishment of Entire Parent and Subsidiary Relationship using Stock-to-Stock Exchange and Stock-Transfer Methods". The business combination by a way of stock transfers on September 26, 2003 mentioned above was accounted for by the pooling-of-interests method and the business combination by a way of stock-to-stock exchange on September 1, 2004 mentioned above was accounted for by the purchase method.

Assets and liabilities of consolidated subsidiaries are valued at fair value at the respective dates of acquisition, and goodwill and negative goodwill is amortized using the straight-line method over 20 years and 5 years, respectively.

Consolidated Statement of Stockholders' Equity is prepared based on the profit appropriation effected during the consolidated fiscal year.

3. Significant Accounting Policies

(1) Trading assets/liabilities and trading profits/losses

Transactions for trading purposes (seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets) are included in "Trading assets" or "Trading liabilities" on the consolidated balance sheet on a trade date basis. Profits and losses on trading purpose transactions are recognized on a trade date basis, and recorded as "Trading profits" and "Trading losses".

Securities and monetary claims purchased for trading purposes are stated at the fiscal year-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the consolidated balance sheet date.

"Trading profits" and "Trading losses" include interest received or paid during the fiscal year, the year-on-year valuation differences of securities and monetary claims and the year-on-year valuation difference of the derivatives assuming that the settlement will be made in cash.

Hokuhoku Financial Group accounts for foreign currency translation differences arising from currency swaps for trading purposes as "Trading assets" or "Trading liabilities" on a gross basis, pursuant to the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).

(2) Securities

As for securities other than trading purposes, debt securities that consolidated subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are carried at amortized cost (straight-line method) using the moving-average method.

Securities other than trading purpose securities and held-to-maturity securities are classified as available-for-sale securities. Stocks in available-for-sale securities that have market prices are carried at their average market prices during the final month of the fiscal year, and bonds and others that have market prices are carried at their fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). Available-for-sale securities with no available market prices are carried at cost or amortized cost using the moving-average method. Net unrealized gains (losses) on available-for-sale securities, net of income taxes, are included in "Stockholders' equity".

Securities included in money held in trust are carried in the same method as for securities mentioned above.

(3) Derivative transactions

Derivative transactions, excluding those classified as trading derivatives, are carried at fair value.

(4) Depreciation method

a. Premises and equipment

The Company and the consolidated banking subsidiaries depreciate their equipment on the declining-balance method and their premises principally on the straight-line method.
The estimated useful lives of major items are as follows:
Buildings: 6 to 50 years
Equipment: 3 to 20 years
Consolidated non-banking subsidiaries depreciate their equipment and premises principally on the declining-balance method over their expected useful life.

b. Lease assets

Lease assets are depreciated on the straight-line method over the number of years until their lease expires, and their estimated disposal value at that time serves as their residual value.

An additional depreciation is expended in order to provide for any possible contingency involving customers, and such expense in the year ended March 31, 2006 is ¥— million and comes to ¥116 million on an accumulated basis.

c. Software costs

Capitalized software for internal use owned by consolidated subsidiaries is depreciated using the straight-line method over its estimated useful life (mainly six years).

(5) Long-lived assets

In August 2002, the Business Accounting Council (BAC) issued a Statement of Opinion, *Accounting for Impairment of Fixed Assets*, and in October 2003 the Accounting Standards Board of Japan (ASBJ) issued ASBJ Guidance No.6, *Guidance for Accounting Standard for Impairment of Fixed Assets*. These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004. The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance 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.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2006 by ¥1,020 million ($8,688 thousand).

(6) Reserve for possible loan losses

Reserve for possible loan losses of consolidated banking subsidiaries is provided as detailed below in accordance with the internal standards for write-offs and provisions.

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings ("bankrupt borrowers") or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation ("effectively bankrupt borrowers"), a reserve is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees.

For claims on borrowers that are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy, a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

For other claims, after classification, a reserve is provided based on the historical loan-loss ratio.

Sales departments assess all claims in accordance with the internal rules for self-assessment of assets, and the credit review department, independent from these operating sections, audits their assessment. The reserves are provided based on the results of these assessments.

The Company and its non-banking consolidated subsidiaries also carry out asset self-assessment utilizing the similar methods to those employed by the consolidated subsidiaries engaging in banking operations to make provisions for doubtful accounts in the amount deemed necessary.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The amount of write-off was ¥178,907 million at March 31, 2006.

(7) Reserve for employee bonuses

Reserve for employee bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the respective fiscal year.

(8) Reserve for employee retirement benefits

Reserve for employee retirement benefits is provided for payment of retirement benefits to employees, in the amount deemed accrued at the fiscal-year end, based on the projected retirement benefit obligation and the fair value of plan assets at the fiscal year-end.

Unrecognized prior service cost is amortized using the straight-line method, over eight or nine years within the employees' average remaining service period at incurrence.

Unrecognized net actuarial gain (loss) is 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.

Unrecognized net transitional obligation from the initial application of the new accounting standard for employee retirement benefits (¥28,464 million) is amortized primarily using straight-line method over 15 years.

(9) Translation of foreign currency assets and liabilities

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

(10) Lease transactions

Financing leases excluding those in which the ownership of the property is transferred to the lessee, are accounted for in the same method as operating leases.

(11) Accounting for significant hedges

a. Interest risk hedges

The consolidated banking subsidiaries 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.

"Macro hedges" employed for holistic management of interest rate risks arising from varied portfolios of financial assets and liabilities, including loans and deposits, through derivatives arrangements, ceased to benefit from the hedge accounting standards in April 2002. The appraisal difference or unrealized gain/loss on the hedging positions (a net loss of ¥5,088 million) whose recognition had been deferred under the standards until the discontinuation of hedge accounting is scheduled to be prorated and credited/charged to income over the remaining life (4.5 years) of the hedging instruments. This step is taken in accordance with the "Accounting and Auditing Treatments in Application to Banking Business of Standards for Accounting for Financial Instruments" (JICPA Industry Audit Committee Report No. 24).

b. Foreign currency hedges

The consolidated banking subsidiaries hedge their foreign currency denominated financial assets and liabilities against currency exchange fluctuation risks. 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 hedges is assessed as follows: where currency swap transactions and exchange swap transactions are used as hedges to offset exchange fluctuation risks arising from foreign currency denominated financial assets and liabilities, by verifying the agreement of the amounts of the hedging foreign currency positions outstanding and the hedged foreign currency financial assets and liabilities.

Consolidated non-banking subsidiaries are not engaged in hedging operations using derivative transactions.

(12) Per share information

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period.

Diluted earnings per share reflects the potential dilution that could occur if preferred stocks were exercised into common stock.

(13) Accounting for consumption tax

National and local consumption taxes are accounted for by the tax exclusion method.

However, a range of consumption taxes on equipment and premises that cease qualifying for exclusion is included in expenses in the accounting year it is incurred.

(14) Accounting for income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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 tax laws to the temporary differences.

(15) Accounting for surplus appropriations

The Consolidated Statements of Stockholders' Equity is prepared on the basis of surplus appropriations finalized during the fiscal year it covers.

(16) Range of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand and demand deposits with the Bank of Japan.

4. Trading Accounts

Trading accounts as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
Assets	2006	2005	2006
Trading securities	¥6,422	¥6,201	$54,676
Trading-related financial derivatives	3,044	3,410	25,916
Total	¥9,467	¥9,611	$80,592

	Millions of yen		Thousands of U.S. dollars
Liabilities	2006	2005	2006
Trading-related financial derivatives	¥755	¥1,010	$6,434
Total	¥755	¥1,010	$6,434

5. Securities

Securities as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Japanese government bonds	¥ 749,340	¥ 570,389	$ 6,378,993
Japanese local government bonds	149,857	148,153	1,275,712
Japanese corporate bonds	423,202	451,018	3,602,646
Japanese stocks	228,375	186,541	1,944,122
Other securities	198,292	203,859	1,688,027
Total	¥1,749,069	¥1,559,963	$14,889,500

6. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Bills discounted	¥ 137,825	¥ 148,515	$ 1,173,283
Loans on bills	847,288	965,869	7,212,808
Loans on deeds	4,697,558	4,546,398	39,989,432
Overdrafts	995,596	1,021,860	8,475,328
Total	¥6,678,269	¥6,682,643	$56,850,851

Loans and Bills Discounted include loans to borrowers under bankruptcy proceedings, overdue loans, loans overdue for at least three months and restructured loans.

The amounts of these loans are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Loans to borrowers under bankruptcy proceedings	¥ 28,706	¥ 41,832	$ 244,369
Overdue loans	285,988	295,960	2,434,568
Loans overdue for at least three months	92	632	790
Restructured loans	84,809	132,142	721,968
Total	¥399,597	¥470,567	$3,401,695

These amounts represent the amount before deduction of the reserve for possible loan losses.

7. Foreign Exchanges

Foreign exchanges as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
Assets	2006	2005	2006
Due from foreign banks	¥ 6,332	¥10,163	$ 53,910
Foreign exchange bills bought	2,298	2,728	19,566
Foreign exchange bills receivable	6,185	6,943	52,657
Total	¥14,816	¥19,835	$126,133

	Millions of yen		Thousands of U.S. dollars
Liabilities	2006	2005	2006
Due to foreign banks	¥200	¥100	$1,706
Foreign exchange bills sold	90	94	771
Foreign exchange bills payable	54	33	463
Total	¥345	¥228	$2,940

8. Premises and Equipment

The accumulated depreciation as of March 31, 2006 and 2005 amounted to ¥101,638 million ($865,228 thousand) and ¥100,174 million, respectively.

The book value of premises and equipment adjusted for gains on sales of replaced assets as of March 31, 2006 amounted to ¥3,908 million ($33,275 thousand).

9. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees is also shown on the assets side, which represents the Bank's right of indemnity from the applicants.

10. Pledged Assets

Assets that are pledged as collateral as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Assets that are pledged as collateral:			
Securities	¥365,791	¥289,847	$3,113,915
Loans and bills discounted	223,749	151,803	1,904,733
Obligations corresponding to collateral assets:			
Deposits	¥ 63,007	¥ 61,889	$ 536,375
Payables under securities lending transactions	107,877	109,148	918,337
Call money and bills sold	287,500	124,900	2,447,433

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, 2006 and 2005.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Securities	¥170,789	¥181,657	$1,453,902
Other assets	43	19	370

Premises and equipment included guarantee deposits of ¥5,961 million ($50,751 thousand) and ¥5,845 million as of March 31, 2006 and 2005, respectively.

11. Deposits

Deposits as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Current deposits, ordinary deposits, saving deposits and deposits at notice	¥4,101,016	¥3,968,624	$34,911,182
Time deposits and installment savings	3,861,185	3,979,665	32,869,543
Other deposits	201,206	341,731	1,712,835
Subtotal	¥8,163,408	¥8,290,022	$69,493,560
NCDs	40,477	21,790	344,573
Total	¥8,203,885	¥8,311,812	$69,838,133

12. Borrowed Money

Borrowed money includes ¥28,000 million ($238,359 thousand) and ¥41,000 million in subordinated borrowed money as of March 31, 2006 and 2005, respectively.

13. Bonds

Bonds include ¥70,400 million ($599,302 thousand) and ¥51,900 million of subordinated bonds as of March 31, 2006 and 2005, respectively.

14. Land Revaluation Excess

Under the “Law Concerning Land Revaluation”, Hokuriku Bank, Ltd. revaluated its own land for business operation as of March 31, 1998. The revaluation gain is included in stockholders’ equity as “Land revaluation excess”, net of taxes. The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥21,905 million ($186,475 thousand) and ¥20,395 million as of March 31, 2006 and 2005, respectively.

15. Capital Stock

Information with respect to capital stock of the Company as of March 31, 2006 and 2005 are as follows:

	2006	2005
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	1,286,630,146	1,286,630,146
Preferred (Type 1)	150,000,000	150,000,000
Preferred (Type 4)	79,000,000	79,000,000
Preferred (Type 5)	107,432,000	107,432,000

1. Preferred Stock (Type 1 and Type 4)

Preferred stocks (Type 1 and Type 4) are noncumulative and nonparticipating for dividend payments, and stockholders of the preferred stock are not entitled to vote at a general meeting of stockholders except when the proposal to pay the prescribed dividends to stockholders is not submitted to the general meeting of stockholders or is rejected at the general meeting of stockholders.

Annual dividends per share of preferred stock (Type 1 and Type 4) are paid to stockholders by ¥7.70 and ¥6.62, respectively.

In cases of liquidation distribution, stockholders of preferred stock (Type 1 and Type 4) will receive ¥500 and ¥570 per share, respectively, and will not have the right to participate in any further liquidation distribution.

The Company may, at any time, purchase and retire preferred stocks out of earnings available for distribution to the stockholders.

Stockholders of preferred stock (Type 1 and Type 4) may request the Company to convert their preferred stocks into common stocks. The period during which the conversion may be requested (the “conversion period”) and the terms and conditions of conversion with respect to preferred stock (Type 1 and Type 4) were determined by the resolution made in accordance with the provisions of Article 365 of the Commercial Code, of a stockholders meeting of the Company. The conditions of conversion of preferred stock (Type 1 and Type 4) were determined by the resolution of the board of directors relating to the issuance of the relevant preferred stocks. The conversion period and conversion price* of each type of preferred stock are as follows:

Preferred stock (Type 1): September 1, 2004 to July 29, 2010 ¥337.40
Preferred stock (Type 4): September 1, 2004 to July 31, 2010 ¥337.40

* Conversion prices are reset and adjusted pursuant to the appointed rules governing conversion of the preferred stocks.

Any preferred stock (Type 1 and Type 4) with respect to which conversion has not been requested during the conversion period shall be mandatorily converted, as of the date immediately following the last day of the conversion period (the “mandatory conversion date”), into such number of common stocks as is obtained by dividing the corresponding amount set forth below by the average of the daily closing prices per share of common stock in regular transactions at the Tokyo Stock Exchange on each of the 30 consecutive trading days (excluding any day on which the closing price is not available) commencing on the 45th trading day preceding the mandatory conversion date. If such average price is less than ¥150 and ¥137.50, in the case of preferred stock (Type 1 and Type 4), respectively, then the preferred stock shall be converted into such number of common stocks as is obtained by dividing the corresponding amount set forth below by the relevant amount described above:

Preferred stock (Type 1): ¥500 per share
Preferred stock (Type 4): ¥570 per share

2. Preferred stock (Type 5)

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

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

16. Retained Earnings

Through May 1, 2006, Japanese banks are subject to the Japanese Commercial Code (the "Code") and the Banking Law.

The Code requires that all shares of common stock are recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing stockholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the stockholders' accounts.

The Banking Law also provides that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 100% of stated capital. The amount of total additional paid-in capital and legal reserve that exceeds 100% of the stated capital may be available for dividends by resolution of the stockholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the stated capital by resolution of the Board of Directors.

The Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the stockholders meeting.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥135,430 million ($1,152,894 thousand) as of March 31, 2006, based on the amount recorded in the Company's general books of account.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the stockholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, 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) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to stockholders subject to a certain limitation and additional requirements.

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. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, 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 Law 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 aggregate amount of legal reserve and additional paid-in capital equals 100% of stated capital. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 100% of stated capital may be made available for dividends by resolution of the stockholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that stated capital, 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 stockholders.

c. Treasury stock and treasury stock acquisition rights

The Corporate Law 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 stockholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of stockholders' equity.

The Corporate Law 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 stockholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the Accounting Standards Board of Japan (ASBJ) published a new accounting standard for presentation of stockholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of stockholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

17. Per Share Information

	2006	2005
Net assets per share	¥179.37	¥159.75
Basic earnings per share	¥ 18.31	¥ 6.86
Diluted earnings per share	¥ 14.32	¥ 5.67

Reconciliation of the differences between basic and diluted earnings per share for the years ended March 31, 2006 and 2005 is as follows:

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average shares	Earnings per share
For the year ended March 31, 2006:			
Basic earnings per share			
Net income available to common stockholders	¥23,547	1,285,380	¥18.31
Effect of dilutive securities			
Preferred stocks	1,677	475,859	
Diluted earnings per share			
Net income for computation	¥25,225	1,761,239	¥14.32
For the year ended March 31, 2005:			
Basic earnings per share			
Net income available to common stockholders	¥7,958	1,159,915	¥6.86
Effect of dilutive securities			
Preferred stocks	1,677	538,499	
Diluted earnings per share			
Net income for computation	¥9,635	1,698,414	¥5.67

18. Fees and Commissions

Fees and commissions for the years ended March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Fees and commissions (income)			
Deposits and loans	¥ 7,584	¥ 6,131	$ 64,569
Remittances and transfers	13,973	11,580	118,951
Securities-related business	2,623	1,835	22,336
Others	18,903	13,703	160,922
Total	¥43,085	¥33,250	$366,778

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Fees and commissions (expenses)			
Remittances and transfers	¥ 2,292	¥1,942	$19,517
Others	8,707	6,568	74,122
Total	¥10,999	¥8,511	$93,639

19. Trading Income and Losses

	Millions of yen		Thousands of U.S. dollars
(a) Trading income	2006	2005	2006
Income from trading securities	¥ 185	¥ 936	$1,579
Income from trading derivatives	974	2,279	8,296
Total	¥1,159	¥3,215	$9,875

	Millions of yen		Thousands of U.S. dollars
(b) Trading losses	2006	2005	2006
Losses on trading securities	—	—	—
Total	—	—	—

20. Other Expenses

Included in other expenses for the fiscal years ended March 31, 2006 and 2005 were write off of loans and bills discounted of ¥837 million ($7,131 thousand) and ¥2,813 million, valuation losses on sales of stocks and other securities of ¥572 million ($4,874 thousand) and ¥2,541 million, respectively.

21. Losses on Impairment of Fixed Assets

The differences between the recoverable amount and the book value of the following assets were recognized as losses on impairment of fixed assets during the current fiscal year:

Area	Principal purpose of use		Type	Impairment loss	
Hokkaido area	Branch premises to be closed Idle assets	1 branch 12 items	Land and premises	¥379 million	$3,234 thousand
Hokuriku area	Idle assets	13 items	Land and premises	¥517 million	$4,403 thousand
Other	Idle assets	7 items	Land and premises	¥123 million	$1,052 thousand

Regarding consolidated subsidiaries that undertake banking operations, every retail branch is, in principle, designated by the banking subsidiaries as the smallest unit for recognition and measurement of impairment loss, taking into consideration cash flows in the region in question. The head office, computer centers, dormitories, employee housing, and welfare facilities do not generate their own cash flow and therefore are classified as the subsidiaries' common property. Each leasing property held by the consolidated subsidiary involved in the real estate leasing business is designated as the smallest unit for recognition and measurement of impairment loss. All other subsidiaries are designated as units for recognition. In the case of assets scheduled for disposal and idle assets, assets are grouped by company, and individual assets are assessed as measurement units. In the recording of an impairment loss, the book value of each asset is reduced to the recoverable amount. Regarding the banks' branches scheduled for closure due to the transference of business operations, as well as idle assets such as land on which the investments cannot be recouped due to declining appraisal values, the recoverable amounts used for the measurement of such impairment loss are net sales prices. In principle, the net sales price is calculated in accordance with the Real Estate Appraisal Standards (Ministry of Land, Infrastructure and Transport, revised on July 3, 2002).

22. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.43% for the years ended March 31, 2006 and 2005.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 41.74% to 40.43%, effective for years beginning on or after April 1, 2004. The deferred tax assets and liabilities which will realize on or after April 1, 2004 are measured at the effective tax rate of 40.43% as of March 31, 2004.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005 are as follows:

	Millions of yen	
	2006	2005
Deferred tax assets		
Reserve for possible loan losses	¥108,448	¥121,370
Depreciation	2,191	2,387
Reserve for employee retirement benefit	14,837	14,364
Loss on valuation of securities	11,163	12,508
Other	4,873	2,800
Operating loss carryforwards	52,839	57,916
Subtotal	194,353	211,348
Less: Valuation allowance	74,413	72,122
Total deferred tax assets	119,939	139,226
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	¥ 17,352	¥ 14,076
Other	706	705
Total deferred tax liabilities	18,058	14,782
Net of deferred tax assets	¥101,880	¥124,444

	Thousands of U.S. dollars
	2006
Deferred tax assets	
Reserve for possible loan losses	$ 923,198
Depreciation	18,655
Reserve for employee retirement benefit	126,306
Loss on valuation of securities	95,031
Other	41,487
Operating loss carryforwards	449,814
Subtotal	1,654,491
Less: Valuation allowance	633,466
Total deferred tax assets	1,021,025
Deferred tax liabilities:	
Net unrealized gains on available-for-sale securities	$ 147,721
Other	6,010
Total deferred tax liabilities	153,731
Net of deferred tax assets	$ 867,294

23. Cash and Cash Equivalents

The reconciliations of "Cash and cash equivalents" in the consolidated statements of cash flows and "Cash and due from banks" in consolidated balance sheets as of March 31, 2006 and 2005, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Cash and due from banks in balance sheet	¥346,805	¥498,350	$2,952,289
Due from banks except for deposits with the Bank of Japan	(7,895)	(8,381)	(67,215)
Cash and cash equivalents in the statements of cash flows	¥338,909	¥489,969	$2,885,074

24. Commitment Lines

Loan agreements and commitment line agreements relating to loans are agreements, which oblige the Group to lend funds up to a certain limit agreed in advance. The Group makes the loans upon the request of an obligor to draw down funds under such loan agreements, as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balance relating to these loan agreements amounted to ¥2,217,529 million ($18,877,414 thousand) and ¥2,146,119 million as of March 31, 2006 and 2005, respectively. Of this amount, ¥2,202,243 million ($18,747,285 thousand) and ¥2,143,273 million as of March 31, 2006 and 2005, respectively, relates to loans where the term of the agreement is one year or less, or unconditional cancellation of the agreement is allowed at any time.

In many cases the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flows. Conditions are included in certain loan agreements which allow the Group either to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial condition, or when it is necessary to do so in order to protect the Group's credit. The Group takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Bank and its consolidated subsidiaries in the form of real estate, securities etc. on signing the loan agreement, or in accordance with the Group's established internal procedures confirming the obligor's financial condition etc. at regular intervals.

25. Segment Information

(a) Segment information by business

For the fiscal years ended March 31, 2006 and 2005 on consolidated results are as follows:

	Millions of yen					
	2006					
	Banking	Lease	Other business	Total	Elimination or corporate	Consolidated
I Ordinary revenue						
(1) Ordinary revenue from outside customers	¥ 216,866	¥16,874	¥ 7,245	¥ 240,986	¥ —	¥ 240,986
(2) Ordinary revenue from intersegment transactions	1,856	1,362	5,053	8,273	(8,273)	—
Total	218,723	18,236	12,299	249,259	(8,273)	240,986
Ordinary expenses	169,749	17,207	14,131	201,087	(8,387)	192,700
Ordinary income (loss)	¥ 48,974	¥ 1,029	¥ (1,831)	¥ 48,171	¥ 113	¥ 48,285
II Identifiable assets	¥9,489,732	¥44,988	¥192,126	¥9,726,847	¥(191,219)	¥9,535,627
Depreciation expenses	4,094	10,777	325	15,197	—	15,197
Losses on impairment of fixed assets	816	—	204	1,020	—	1,020
Capital expenditures	3,084	12,818	219	16,122	—	16,122

	Millions of yen					
	2005					
	Banking	Lease	Other business	Total	Elimination or corporate	Consolidated
I Ordinary revenue						
(1) Ordinary revenue from outside customers	¥ 178,680	¥18,253	¥ 6,267	¥ 203,200	¥ —	¥ 203,200
(2) Ordinary revenue from intersegment transactions	2,679	1,030	5,289	8,999	(8,999)	—
Total	181,359	19,283	11,557	212,200	(8,999)	203,200
Ordinary expenses	154,309	18,129	11,324	183,763	(7,788)	175,974
Ordinary income (loss)	¥ 27,050	¥ 1,154	¥ 232	¥ 28,436	¥ (1,210)	¥ 27,226
II Identifiable assets	¥9,333,369	¥49,879	¥193,400	¥9,576,650	¥(177,976)	¥9,398,673
Depreciation expenses	3,685	11,324	342	15,352	—	15,352
Capital expenditures	1,914	15,390	165	17,470	—	17,470

	Thousands of U.S. dollars					
	2006					
	Banking	Lease	Other business	Total	Elimination or corporate	Consolidated
I Ordinary revenue						
(1) Ordinary revenue from outside customers	$ 1,846,145	$143,648	$ 61,679	$ 2,051,472	$ —	$ 2,051,472
(2) Ordinary revenue from intersegment transactions	15,807	11,598	43,024	70,429	(70,429)	—
Total	1,861,952	155,246	104,703	2,121,901	(70,429)	2,051,472
Ordinary expenses	1,445,042	146,485	120,297	1,711,824	(71,398)	1,640,426
Ordinary income (loss)	$ 416,910	$ 8,761	$ (15,594)	$ 410,077	$ 969	$ 411,046
II Identifiable assets	$80,784,308	$382,975	$1,635,541	$82,802,824	$(1,627,818)	$81,175,006
Depreciation expenses	34,852	91,750	2,768	129,370	—	129,370
Losses on impairment of fixed assets	6,949	—	1,740	8,689	—	8,689
Capital expenditures	26,261	109,118	1,871	137,250	—	137,250

(b) Segment information by location

As operations in Japan, in terms of all segments and total assets for all segments, accounted for more than 90% of total ordinary income, information by location has been omitted.

(c) Segment information about the ordinary income from international operations

As ordinary income from international operations accounted for less than 10% of total ordinary income, information about the ordinary income from international operations has been omitted.

26. Lease Transactions

Finance lease transactions that do not transfer ownership of the leased property to the lessee for the year ended March 31, 2006 and 2005 are as follows:

(Lessee)

Pro forma information with respect to the leased property, such as acquisition cost, accumulated depreciation and net book value at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Acquisition cost	¥2,504	¥1,530	$21,319
Accumulated depreciation	761	360	6,482
Net book value	¥1,742	¥1,169	$14,837

Pro forma amounts of obligations under finance lease at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Within one year	¥ 358	¥ 259	$ 3,049
Over one year	1,384	909	11,788
Total	¥1,742	¥1,169	$14,837

Pro forma information concerning lease payment and depreciation expenses for the years ended March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Lease payments	¥299	¥152	$2,550
Depreciation expenses	299	152	2,550

The method of calculating the pro forma amounts of depreciation expenses for the years ended March 31, 2006 and 2005 are as follows:

Depreciation is computed based on the straight-line method over the period of lease, with no residual value.

(Lessor)

Acquisition cost, accumulated depreciation and balance at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Acquisition cost	¥51,923	¥55,288	$442,018
Accumulated depreciation	25,648	27,040	218,342
Balance at year-end	¥26,275	¥28,247	$223,676

The pro forma amounts of lease receivable under finance lease at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Within one year	¥12,896	¥11,157	$109,785
Over one year	15,014	19,989	127,820
Total	¥27,911	¥31,147	$237,605

Lease payment received and depreciation expenses for the years ended March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Lease payments received	¥12,434	¥13,061	$105,857
Depreciation expenses	10,775	11,323	91,732

27. Retirement Benefits

(a) Overview of retirement benefit system

The Hokuriku Bank, Ltd., provides the defined benefit programs that are a corporate pension plan, a qualified retirement pension plan and a retirement lump sum grant. 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 to the standards for accounting for retirement benefits. The Hokuriku Bank, Ltd., was approved by the Minister of Health, Labor and Welfare on February 17, 2003, to be relieved of the obligation to administer the future payment service of the government mandated portion of its employees pension fund. The Bank was further approved on March 1, 2005, to switch from the employees pension fund to a corporate pension fund.

The Hokkaido Bank, Ltd., provides defined benefit arrangements that combine a retirement lump sum grant and an employees pension fund plan. The Hokkaido Bank, Ltd., was approved by the Minister of Health, Labor 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 employees pension fund.

The consolidate 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 subsidiary from which they each come.

The Hokuriku Bank, Ltd., has established benefit trust arrangements.

(b) Retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Projected benefit obligations (A)	¥(92,655)	¥(88,240)	$(788,757)
Pension assets (B)	87,886	61,503	748,161
Projected benefit obligations in excess of pension assets (C) = (A) + (B)	(4,768)	(26,737)	(40,596)
Unrecognized transitional obligation (D)	17,061	18,957	145,243
Unrecognized actuarial differences (E)	(15,625)	7,034	(133,021)
Unrecognized prior service costs (F)	(8,498)	(10,496)	(72,345)
Net projected benefit obligations recognized on consolidated balance sheets (G) = (C) + (D) + (E) + (F)	(11,831)	(11,241)	(100,719)
Prepaid pension costs (H)	—	—	—
Reserve for employee retirement benefit (G) – (H)	¥(11,831)	¥(11,241)	$(100,719)

(c) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Service costs	¥1,888	¥1,789	$16,075
Interest costs on projected benefit obligations	2,195	1,903	18,686
Expected return on pension assets	(1,352)	(1,008)	(11,516)
Amortization of unrecognized prior service costs	(1,997)	(1,023)	(17,008)
Amortization of unrecognized actuarial differences	1,588	969	13,526
Amortization of transitional obligation	1,895	1,577	16,138
Other (additional payments, including premium retirement benefits)	1,260	858	10,727
Net periodic retirement benefit expenses	¥5,477	¥5,066	$46,628

(d) Basis for calculation of projected benefit obligations

	2006	2005
(1) Discount rate	2.0% – 2.5%	2.5%
(2) Expected rate of return on pension assets	2.5% – 4.0%	2.5% – 4.0%
(3) Method of benefit attribution	Straight-line method	Straight-line method
(4) Period of amortization of unrecognized prior service costs	8 or 9 years	9 years
(5) Period of amortization of unrecognized actuarial differences	8 or 9 years	9 years
(6) Period of amortization of transitional obligation	15 years	15 years

28. Market Value of Securities and Money Held in Trust

(1) Securities

The market value of securities at March 31, 2006 and 2005 was as follows:

1. The amounts shown in the following tables include trading securities classified as “Trading assets”, negotiable certificates of deposit bought classified as “Cash and due from banks”, and commercial papers and beneficiary claims on loan trusts classified as “Commercial paper and other debt purchased”, in addition to “Securities” stated in the consolidated balance sheets.
2. Investments in subsidiaries and affiliates have no market quotations.

(a) Securities classified as trading purposes

	Millions of yen		Thousands of U.S. dollars
March 31	2006	2005	2006
Consolidated balance sheet amount	¥6,422	¥6,201	$54,676
Valuation gains (losses) included in the earnings for the fiscal year	(66)	14	(569)

(b) Bonds classified as held-to-maturity with market value

March 31, 2006	Millions of yen Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	¥11,822	¥11,874	¥ 51	¥ 54	¥ 3
Japanese corporate bonds	6,429	6,266	(162)	0	162
Other	28,965	28,404	(561)	178	739
Total	¥47,217	¥46,545	¥(672)	¥233	¥905

March 31, 2005	Millions of yen Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	¥ 4,901	¥ 5,162	¥260	¥260	¥ —
Japanese corporate bonds	2,021	2,007	(13)	1	15
Other	29,425	29,741	315	407	92
Total	¥36,348	¥36,910	¥561	¥669	¥107

March 31, 2006	Thousands of U.S. dollars Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	$100,643	$101,082	$ 439	$ 468	$ 29
Japanese corporate bonds	54,736	53,350	(1,386)	0	1,386
Other	246,578	241,801	(4,777)	1,519	6,296
Total	$401,957	$396,233	$(5,724)	$1,987	$7,711

Note: Market value is calculated by using market prices at the fiscal year-end.

(c) Available-for-sale securities with market value

March 31, 2006	Millions of yen Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	¥ 125,718	¥ 192,879	¥67,161	¥67,702	¥ 541
Bonds	1,235,281	1,196,553	(38,728)	645	39,373
Japanese government bonds	766,765	737,517	(29,247)	36	29,284
Japanese local government bonds	153,169	149,857	(3,312)	349	3,661
Japanese corporate bonds	315,346	309,177	(6,168)	259	6,427
Other	176,859	176,518	(341)	2,827	3,169
Total	¥1,537,860	¥1,565,951	¥28,091	¥71,175	¥43,084

March 31, 2005	Millions of yen Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	¥ 131,526	¥ 153,023	¥21,497	¥25,471	¥ 3,973
Bonds	1,069,403	1,071,373	1,970	6,598	4,628
Japanese government bonds	564,993	565,487	493	2,548	2,055
Japanese local government bonds	147,391	148,153	761	1,922	1,160
Japanese corporate bonds	357,017	357,732	714	2,127	1,412
Other	185,506	181,495	(4,010)	940	4,950
Total	¥1,386,436	¥1,405,893	¥19,457	¥33,010	¥13,552

March 31, 2006	Thousands of U.S. dollars Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	$ 1,070,219	$ 1,641,948	$571,729	$576,339	$ 4,610
Bonds	10,515,720	10,186,036	(329,684)	5,494	335,178
Japanese government bonds	6,527,331	6,278,350	(248,981)	313	249,294
Japanese local government bonds	1,303,907	1,275,712	(28,195)	2,971	31,166
Japanese corporate bonds	2,684,482	2,631,974	(52,508)	2,210	54,718
Other	1,505,576	1,502,666	(2,910)	24,071	26,981
Total	$13,091,515	$13,330,650	$239,135	$605,904	$366,769

Note: Consolidated balance sheet amount is calculated as follows:

Stocks	Average market prices during one month before the fiscal year-end
Bonds and other	Market prices at the fiscal year-end

(d) Available-for-sale securities sold during the years ended March 31, 2006 and 2005

Year ended March 31	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Sales amount	¥276,149	¥259,492	$2,350,810
Gains on sales	9,089	6,322	77,377
Losses on sales	954	339	8,123

(e) Securities with no available market value

March 31	Millions of yen		Thousands of U.S. dollars
	Consolidated balance sheet amount		
	2006	2005	2006
Bonds classified as held-to-maturity	¥ 30,922	¥ 26,532	$ 263,237
Privately placed bonds	30,922	26,532	263,237
Available-for-sale securities	282,859	102,395	2,407,927
Unlisted stocks (excluding OTC stocks)	34,947	33,161	297,499
Unlisted foreign securities	1	1	9
Other	247,910	69,232	2,110,419

(f) Change of classification of securities

Not applicable.

(g) Redemption schedule of available-for-sale securities with maturities and held-to-maturity bonds

March 31, 2006	Millions of yen Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	¥ 97,585	¥495,263	¥442,800	¥286,751
Japanese government bonds	22,327	197,225	245,521	284,266
Japanese local government bonds	12,555	57,488	79,814	—
Japanese corporate bonds	62,702	240,549	117,464	2,485
Other	48,400	42,155	57,970	22,988
Total	¥145,985	¥537,419	¥500,770	¥309,740

March 31, 2005	Millions of yen Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	¥114,673	¥489,396	¥324,481	¥241,009
Japanese government bonds	22,602	172,460	136,845	238,481
Japanese local government bonds	5,071	65,217	77,864	—
Japanese corporate bonds	87,000	251,718	109,771	2,528
Other	17,462	74,580	55,894	26,637
Total	¥132,136	¥563,977	¥380,376	¥267,646

March 31, 2006	Thousands of U.S. dollars Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	$ 830,725	$4,216,089	$3,769,474	$2,441,065
Japanese government bonds	190,068	1,678,945	2,090,077	2,419,904
Japanese local government bonds	106,880	489,389	679,444	—
Japanese corporate bonds	533,777	2,047,755	999,953	21,161
Other	412,020	358,858	493,493	195,694
Total	$1,242,745	$4,574,947	$4,262,967	$2,636,759

(2) Money Held in Trust

(a) Money held in trust classified as trading purposes

March 31	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Consolidated balance sheet amount	¥7,425	¥7,460	$63,215
Valuation gains included in profit/loss during the year	109	25	935

(b) Money held in trust classified as held-to-maturity

Not applicable

(c) Other money held in trust

March 31	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Acquisition cost	¥18,000	¥16,400	$153,230
Consolidated balance sheet amount	17,996	16,503	153,198
Net unrealized gains	(3)	103	(32)
Unrealized gains	29	106	254
Unrealized losses	33	3	286

Note: Consolidated balance sheet amount is calculated by using market prices at the fiscal year-end.

(3) Net Unrealized Gains on Available-for-Sale Securities and Other Money Held in Trust

March 31	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Net unrealized gains	¥28,087	¥19,560	$239,103
Available-for-sale securities	28,091	19,457	239,135
Other money held in trust	(3)	103	(32)
Net deferred tax liabilities	(11,364)	(7,917)	(96,743)
Net unrealized gains (before following adjustment)	16,722	11,643	142,360
(–) Minority interests	37	16	316
(+) Hokuhoku's interest in net unrealized gains on valuation of available-for-sale securities held by affiliates accounted for by the equity method	450	197	3,833
Net unrealized gains	¥17,136	¥11,825	$145,877

29. Derivatives

The Hokuriku Bank, Ltd. and the Hokkaido Bank, Ltd. (together, the "Banks") use swaps, futures, forward and option contracts, and other similar types of contracts based on either interest rates, foreign exchange rates or securities prices.

The purpose for using derivative finance products are 1) to respond to the hedging needs of customers, 2) to reduce market risks related to the assets and liabilities and 3) for trading purposes under the strict risk management structure.

Derivative transactions are accompanied by losses arising from credit risk and losses resulting from market risk.

Derivatives transactions entered into by the Banks have been made in accordance with its risk management policies and procedures, and positions, gain- and-loss amounts, risk amounts and other information regarding the status of trading transactions are reported to the management board.

· Interest Rate-Related Transactions

March 31	Millions of yen 2006 Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	¥384,504	¥(11,214)	¥(11,214)
Receive/floating and pay/fixed	373,973	13,687	13,687
Options/sell	214,810	(319)	6,469
Options/buy	207,798	319	303
Others/sell	89,014	(470)	2,619
Others/buy	55,043	627	(95)
Total	/	¥ 2,629	¥ 11,770

March 31	Millions of yen 2005 Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	¥157,811	¥2,970	¥3,346
Receive/floating and pay/fixed	164,174	(544)	(544)
Options/sell	18,170	(65)	116
Options/buy	18,170	65	(15)
Others/sell	102,517	(162)	3,008
Others/buy	67,208	265	(569)
Total	/	¥2,529	¥5,341

March 31	Thousands of U.S. dollars 2006 Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	$3,273,211	$ (95,467)	$ (95,467)
Receive/floating and pay/fixed	3,183,563	116,518	116,518
Options/sell	1,828,643	(2,721)	55,077
Options/buy	1,768,951	2,719	2,585
Others/sell	757,762	(4,008)	22,299
Others/buy	468,579	5,342	(810)
Total	/	$ 22,383	$100,202

· Foreign Exchange-Related Transactions

March 31	Millions of yen 2006 Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps	¥ 78,218	¥ 225	¥ 225
Forward contracts/sell	41,302	(578)	(578)
Forward contracts/buy	24,931	110	110
Options/sell	376,810	(15,381)	7,848
Options/buy	376,740	15,381	(2,830)
Total	/	¥ (242)	¥4,775

March 31	Millions of yen 2005 Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps	¥100,821	¥ 138	¥ 138
Forward contracts/sell	25,160	(600)	(600)
Forward contracts/buy	17,017	280	280
Options/sell	226,892	(8,618)	3,159
Options/buy	226,851	8,617	(481)
Total	/	¥ (181)	¥2,497

March 31	Thousands of U.S. dollars 2006 Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps	$ 665,860	$ 1,922	$ 1,922
Forward contracts/sell	351,601	(4,926)	(4,926)
Forward contracts/buy	212,238	941	941
Options/sell	3,207,717	(130,941)	66,816
Options/buy	3,207,120	130,940	(24,097)
Total	/	$ (2,064)	$40,656

At March 31, 2006 and 2005, the Group had no outstanding contracts in stock related transactions, bond related transactions, commodity related transactions and credit derivative transactions.

30. Subsequent Events

Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2006 were approved at the Company's general stockholders meeting held on June 27, 2006:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥1.50 per share on common stock	¥1,928	$16,419
¥3.85 per share on preferred stock (Type1)	577	4,916
¥3.31 per share on preferred stock (Type4)	261	2,226
¥7.50 per share on preferred stock (Type5)	805	6,859

ERNST & YOUNG SHINNIHON

Deloitte.

The Board of Directors
Hokuhoku Financial Group, Inc.

We have audited the accompanying consolidated balance sheets of Hokuhoku Financial Group, Inc. (the "Company") and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hokuhoku Financial Group, Inc. and consolidated subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon

Toyama, Japan
June 27, 2006

A MEMBER OF ERNST & YOUNG GROBAL

Deloitte Touche Tohmatsu

June 27, 2006

Member of Deloitte Touche Tohmatsu

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Hokuriku Bank, Ltd.

March 31	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Assets			
Cash and due from banks	**¥ 147,834**	¥ 198,403	**$ 1,258,487**
Call loans and bills bought	**—**	80,000	**—**
Commercial paper and other debt purchased	**215,353**	22,364	**1,833,268**
Trading assets	**6,129**	6,336	**52,182**
Money held in trust	**2,425**	2,469	**20,651**
Securities	**892,726**	815,650	**7,599,609**
Loans and bills discounted	**4,085,728**	4,139,458	**34,781,042**
Foreign exchanges	**11,120**	13,166	**94,668**
Other assets	**43,985**	32,791	**374,441**
Premises and equipment	**70,125**	72,693	**596,969**
Deferred tax assets	**63,078**	80,732	**536,973**
Customers' liabilities for acceptances and guarantees	**186,234**	174,654	**1,585,382**
Reserve for possible loan losses	**(86,309)**	(87,368)	**(734,735)**
Reserve for possible investment losses	**(687)**	—	**(5,848)**
Total assets	**¥5,637,748**	¥5,551,353	**$47,993,089**
Liabilities and stockholders' equity			
Liabilities			
Deposits	**¥4,864,851**	¥4,964,016	**$41,413,567**
Call money and bills sold	**222,300**	88,200	**1,892,398**
Payables under securities lending transactions	**23,816**	5,848	**202,747**
Trading liabilities	**755**	1,010	**6,434**
Borrowed money	**72,453**	78,974	**616,784**
Foreign exchanges	**282**	197	**2,403**
Other liabilities	**40,674**	36,005	**346,253**
Reserve for employee retirement benefits	**273**	512	**2,332**
Deferred tax liabilities for land revaluation	**9,159**	7,596	**77,971**
Acceptances and guarantees	**186,234**	174,654	**1,585,382**
Total liabilities	**5,420,802**	5,357,015	**46,146,271**
Stockholders' equity			
Capital stock	**140,409**	140,409	**1,195,280**
Capital surplus	**14,998**	14,998	**127,683**
Retained earnings	**35,667**	21,588	**303,632**
Land revaluation excess	**9,063**	11,192	**77,153**
Net unrealized gain on available-for-sale securities	**16,806**	6,149	**143,070**
Total stockholders' equity	**216,945**	194,338	**1,846,818**
Total liabilities and stockholders' equity	**¥5,637,748**	¥5,551,353	**$47,993,089**

NONCONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

The Hokuriku Bank, Ltd.

Year ended March 31	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Income			
Interest income:			
Interest on loans and discounts	**¥ 73,686**	¥ 80,599	**$ 627,281**
Interest and dividends on securities	**10,008**	9,435	**85,201**
Interest on deposits with other banks	**207**	305	**1,770**
Other interest income	**3,840**	847	**32,697**
Fees and commissions	**22,991**	21,006	**195,723**
Trading income	**1,129**	3,169	**9,618**
Other operating income	**9,821**	8,002	**83,612**
Other income	**10,703**	10,253	**91,120**
Total income	**132,391**	133,620	**1,127,022**
Expenses			
Interest expenses:			
Interest on deposits	**4,809**	4,710	**40,940**
Interest on payables under securities lending transactions	**626**	437	**5,331**
Interest on borrowings and rediscounts	**2,015**	2,084	**17,159**
Other interest expenses	**2,402**	1,575	**20,456**
Fees and commissions	**6,016**	5,873	**51,213**
Other operating expenses	**8**	313	**74**
General and administrative expenses	**52,941**	53,738	**450,684**
Provision for reserve for possible loan losses	**28,520**	40,814	**242,790**
Other expenses	**9,077**	9,486	**77,277**
Total expenses	**106,418**	119,034	**905,924**
Income before income taxes	**25,972**	14,586	**221,098**
Income taxes:			
Current	**92**	92	**783**
Deferred	**10,193**	10,402	**86,772**
Net income	**¥ 15,687**	¥ 4,092	**$ 133,543**

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Hokkaido Bank, Ltd.

	Millions of yen		Thousands of U.S. dollars
March 31	**2006**	2005	**2006**
Assets			
Cash and due from banks	**¥ 198,384**	¥ 299,322	**$ 1,688,813**
Call loans and bills bought	**—**	20	**—**
Commercial paper and other debt purchased	**2**	2	**24**
Trading account securities	**3,329**	3,274	**28,342**
Money held in trust	**22,996**	21,494	**195,762**
Securities	**910,066**	790,890	**7,747,224**
Loans and bills discounted	**2,595,733**	2,539,494	**22,096,990**
Foreign exchanges	**3,696**	6,668	**31,465**
Other assets	**33,771**	22,939	**287,491**
Premises and equipment	**28,737**	29,283	**244,640**
Deferred tax assets	**39,631**	45,158	**337,379**
Customers' liabilities for acceptances and guarantees	**29,663**	32,318	**252,522**
Reserve for possible loan losses	**(55,502)**	(51,919)	**(472,479)**
Total assets	**¥3,810,512**	¥3,738,950	**$32,438,173**
Liabilities and stockholders' equity			
Liabilities			
Deposits	**¥3,397,340**	¥3,383,826	**$28,920,923**
Call money and bills sold	**95,200**	36,700	**810,420**
Payables under securities lending transactions	**84,060**	103,299	**715,590**
Borrowed money	**26,000**	14,000	**221,333**
Foreign exchanges	**63**	31	**537**
Other liabilities	**29,293**	17,373	**249,374**
Reserve for employee retirement benefits	**11,284**	10,530	**96,060**
Acceptances and guarantees	**29,663**	32,318	**252,522**
Total liabilities	**3,672,906**	3,598,079	**31,266,759**
Stockholders' equity			
Capital stock	**93,524**	93,524	**796,152**
Capital surplus	**16,795**	16,795	**142,973**
Retained earnings	**22,225**	19,469	**189,201**
Net unrealized gain on available-for-sale securities	**5,061**	11,082	**43,088**
Total stockholders' equity	**137,606**	140,871	**1,171,414**
Total liabilities and stockholders' equity	**¥3,810,512**	¥3,738,950	**$32,438,173**

NONCONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

The Hokkaido Bank, Ltd.

Year ended March 31	Millions of yen 2006	2005	Thousands of U.S. dollars 2006
Income			
Interest income:			
Interest on loans and discounts	**¥51,874**	¥53,246	**$441,594**
Interest and dividends on securities	**9,642**	6,780	**82,082**
Interest on receivables under resale agreements	**7**	5	**62**
Interest on deposits with other banks	**0**	0	**0**
Other interest income	**1,971**	358	**16,787**
Fees and commissions	**17,814**	16,446	**151,652**
Other operating income	**4,131**	2,425	**35,173**
Other income	**3,053**	2,822	**25,994**
Total income	**88,495**	82,085	**753,344**
Expenses			
Interest expenses:			
Interest on deposits	**3,145**	1,682	**26,778**
Interest on payables under securities lending transactions	**10**	3	**93**
Interest on borrowings and rediscounts	**435**	25	**3,704**
Other interest expenses	**4**	2	**40**
Fees and commissions	**5,562**	5,236	**47,352**
Other operating expenses	**2,031**	494	**17,295**
General and administrative expenses	**38,345**	38,124	**326,427**
Provision for reserve for possible loan losses	**12,985**	13,839	**110,545**
Other expenses	**2,860**	5,460	**24,352**
Total expenses	**65,382**	64,871	**556,586**
Income before income taxes	**23,113**	17,213	**196,758**
Income taxes:			
Current	**62**	64	**532**
Deferred	**9,606**	6,022	**81,777**
Net income	**¥13,444**	¥11,126	**$114,449**

The Hokuhoku Financial Group is composed of the holding company and 15 consolidated subsidiaries and one affiliate. Our core business is banking, and we also provide a wider range of services including leases, credit cards, financing, and venture capital. The following is a diagram of our business.

Business Diagram

Hokuhoku Financial Group, Inc

- **The Hokuriku Bank, Ltd.**
  - **Hokugin Business Services Co., Ltd.** (document management, cash management, concentrated business processing)
  - **Hokugin Office Services Co., Ltd.** (Human resource solutions)
  - **Hokugin Real Estate Services Co., Ltd.** (Property management)
  - **Hokugin Shisankanri Co., Ltd.** (Auctioning pledged properties)
  - **Hokuriku International Cayman Limited** (Finance)
  - **Hokugin Corporate Co., Ltd.** (Corporate rehabilitation)
- **Hokugin Lease Co., Ltd.** (Leasing)
- **Hokuriku Card Co., Ltd.** (Credit card operations, loan guarantees)
- **Hokuriku Hosho Services Co., Ltd.** (Credit guarantees)
- **Hokugin Software Co., Ltd.** (Software development)
- **Nihonkai Services Co., Ltd.** (Servicer)
- **Hokuriku Capital Co., Ltd.*** (Venture capital, IPO consulting)
- **The Hokkaido Bank, Ltd.**
  - **Dogin Business Service, Ltd.** (Document management, cash management, concentrated business processing)
  - **Dogin Card Co., Ltd.** (Credit card operations, loan guarantees)

* Affiliated company

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	1,944
The Hokkaido Bank, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Banking	March 5, 1951	93,524	100.00	10,688
Hokugin Lease Co., Ltd.	2-21 Aramachi, Toyama City	Leasing	July 21, 1983	100	70.25	134
Hokuriku Card Co., Ltd.	1-2-1 Shintomi-cho, Toyama City	Credit card operations, loan guarantees	March 2, 1983	36	87.39	3
Hokuriku Hosho 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	–
Nihonkai Services Co., Ltd.	2-1-14 Chuo-dori, Toyama City	Servicer	December 5, 2003	500	100.00	–
Hokugin Business Services Co., Ltd.	1883 Hiyodorijima, Toyama City	Document management, cash management, ATM/CD maintenance/operation, concentrated business processing	March 25, 1953	30	(100.00)	–
Hokugin Office Services Co., Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Human resource solutions	March 3, 1986	20	(100.00)	–
Hokugin Real Estate Services Co., Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Property Management	September 26, 1988	100	(100.00)	–
Hokugin Shisankanri Co., Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Auctioning pledged properties	March 7, 2000	100	(100.00)	–
Hokuriku International Cayman Limited	P.O. Box 309 Grand Cayman, Cayman Islands, British West Indies	Finance	April 27, 1993	US$1,000	(100.00)	–
Hokugin Corporate Co., Ltd.	3-2-10 Nihonbashi-Muromachi, Chuo-ku, Tokyo	Corporate rehabilitation	December 1, 2004	100	(100.00)	–
Dogin Business Service, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Document management, cash management, ATM/CD maintenance/operation, 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	June 13, 1977	1,226	(100.00)	–
Hokuriku Capital Co., Ltd.*	1-8-10 Marunouchi, Toyama City	Venture Capital	January 11, 1985	250	5.00 (42.50)	–

* Equity method-affiliated company

( )Indicates voting rights involving shares held by subsidiaries

The Hokuriku Bank, Ltd.

Web site: 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.

A unique, extensive regional bank, Hokuriku Bank worked with leading industries, and was a leader in areas such as international operations, securities, and electronic banking. The Bank provides high-quality integrated financial services that precisely and quickly meet the needs of local customers. It will continue to contribute to regional development.

Company outline (as of March 31, 2006)

	The Hokuriku Bank, Ltd.	
Business:	Banking	
Incorporation:	July 31, 1943 (founded in 1877)	
Location of headquarters:	1-2-26 Tsutsumicho-dori, Toyama City Toyama	
President:	Shigeo Takagi	
Total assets:	¥5,637.7 billion	
Deposits (including NCDs):	¥4,864.8 billion	
Loans:	¥4,085.7 billion	
Issued shares:		
	Common stock	987,147,185
	Class 1 preferred shares	150,000,000
Capital ratio (non-consolidated):	8.86%	
Employees:	2,570	
Branches (as of June 30, 2006)		
Domestic:	186 (131 branches, 55 sub-branches)	
Overseas:	3 representative offices	
Non-branch ATMs	202	

History

August 1877	Kanazawa 12th National Bank founded
February 1879	Toyama 123th National Bank founded
January 1884	Kanazawa 12th National Bank and Toyama 123th 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	New 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 (E-net)
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 through stock swap, then became subsidiary of the Hokugin Financial Group
September 2004	Integrated management with Hokkaido Bank, name of parent company changed to Hokuhoku Financial Group, Inc.
December 2004	Launched securities agency operations
	Established corporate rehabilitation company Hokugin Corporate
March 2006	Entered into a contract on joint system use with Hokkaido Bank and the Bank of Yokohama

The Hokkaido Bank, Ltd.

Web site: 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, 2006)

	The Hokkaido Bank. Ltd.	
Business:	Banking	
Incorporation:	March 5, 1951	
Location of headquarters:	4-1 Odori Nishi, Chuo-ku, Sapporo City	
President:	Yoshihiro Sekihachi	
Total assets:	¥3,810.5 billion	
Deposits (including NCDs):	¥3,397.3 billion	
Loans:	¥2,595.7 billion	
Issued shares:		
	Common shares:	374,356,952
	Class 1 preferred shares:	79,000,000
	Class 2 preferred shares:	107,432,000
Capital ratio (non-consolidated):	8.50%	
Employees:	1,724	
Branches (as of June 30, 2006)		
Domestic:	134 (125 branches, 9 sub-branches)	
Non-branch ATMs	317	

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 No. 1 class 2 preferred shares (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, parent of Hokuriku Bank; Hokuhoku Financial Group 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

Hokuhoku Financial Group

President:
Shigeo Takagi

Deputy President:
Yoshihiro Sekihachi

Directors:
Satoshi Kawai
Mitsuhiro Tokuno
Masamichi Kondo
Akihiko Soma
Hideaki Haoka
Yuji Oshima

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