Annual Report 2007

Year ended March 31, 2007

Hokuhoku Financial Group, Inc.

Company Outline (as of March 31, 2007)

Company name: Hokuhoku Financial Group, Inc.

Date of establishment: September 26, 2003

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

President: Shigeo Takagi (President, Hokuriku Bank)

Deputy President: Yoshihiro Sekihachi (President, Hokkaido Bank)

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

Capital: ¥70,895 million

Shares issued and outstanding:

Shares of common stock	1,391,630,146
Type 1 preferred shares	150,000,000
Type 4 preferred shares	79,000,000
Type 5 preferred shares	107,432,000

Exchange listings: Tokyo Stock Exchange (First Section)
Sapporo Stock Exchange

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

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

CONTENTS

Profile

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

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

May 2002 — **Comprehensive business alliance between Hokuriku Bank and Hokkaido Bank**

May 2003 — **Agreement on full integration of management of Hokuriku Bank and Hokkaido Bank**

September 2003 — **Hokugin Financial Group, Inc. established**

Hokuriku Bank Group comes under management of Hokugin Financial Group

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Management integration effected through equity swap

September 2004 — **Hokuhoku Financial Group, Inc. is born.**

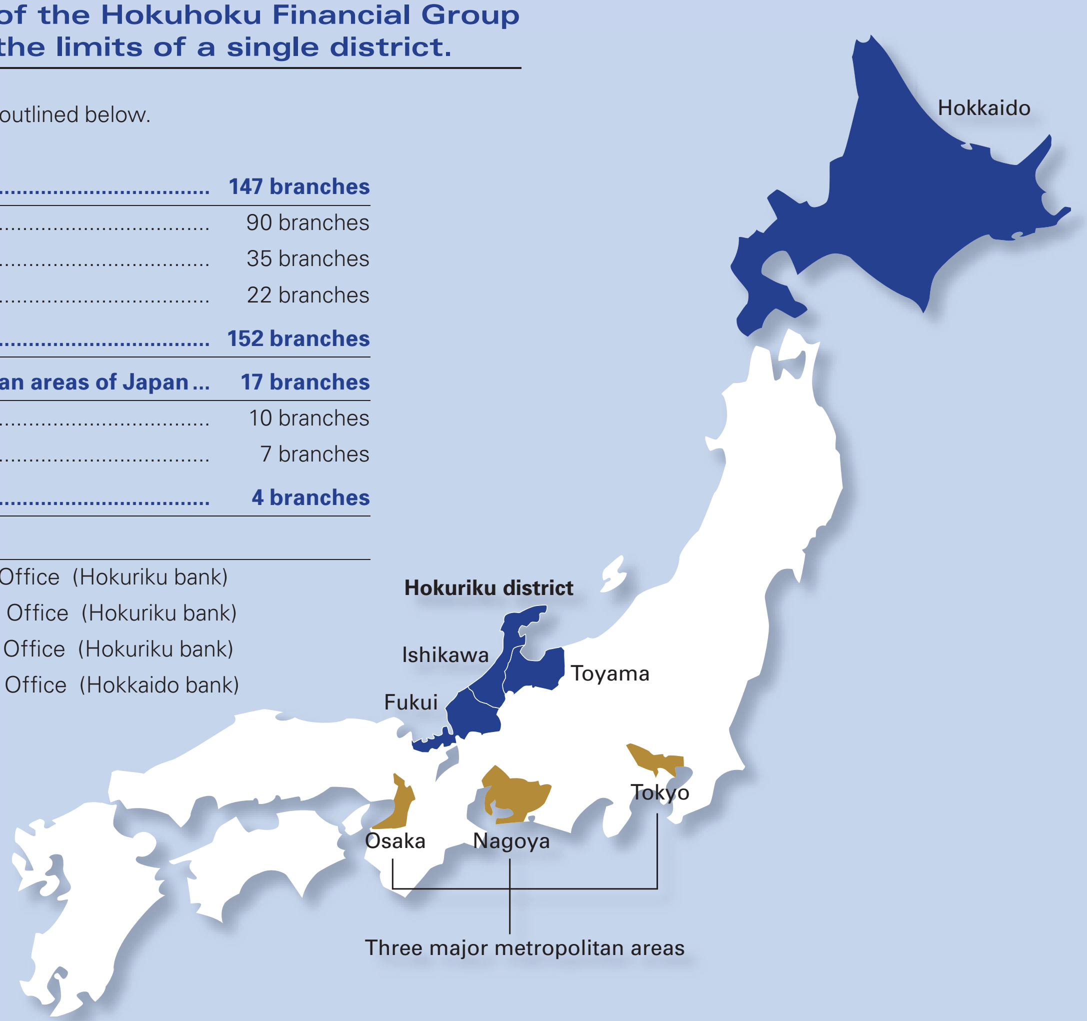
The operations of the Hokuhoku Financial Group extend beyond the limits of a single district.

Our extensive network is outlined below.

Hokuriku district	**147 branches**
Toyama prefecture	90 branches
Ishikawa prefecture	35 branches
Fukui prefecture	22 branches
Hokkaido	**152 branches**
Three major metropolitan areas of Japan	**17 branches**
Tokyo and Kanagawa	10 branches
Kinki (Osaka) and Nagoya	7 branches
Other	**4 branches**

Overseas

Shanghai Representative Office (Hokuriku bank)
Singapore Representative Office (Hokuriku bank)
New York Representative Office (Hokuriku bank)
Shenyang Representative Office (Hokkaido bank)
(As of June 30, 2007)



(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, 2007.

This report sets out our management policies, our undertakings in the sphere of corporate social responsibility (CSR), and our business results for the 2006 fiscal year. We hope that it will give you a better understanding of the Hokuhoku Financial Group.

Solid results in the first year of the revised Plan for Sound Management

The Group was born through the integration of Hokuriku Bank and Hokkaido Bank in September 2004, and since that time we have pursued improvements in efficiency and synergistic effects in our management, with the aim of taking maximum advantage of the integration.

Amid this process, in November 2006 we revised the Plan for Sound Management after a gap of two years since it was formulated at the time of the management integration in 2004. As a result of progress made in cost-cutting from an early stage by both Hokuriku Bank and Hokkaido Bank, the OHR has been reduced to around 50%, and profitability is at a high level. In parallel with the ongoing pursuit of greater efficiency, we incorporated into the plan a provision for the investment necessary to enable us to take forward steps such as for multiplying new earnings opportunities. Specifically, the plan now calls for a sustained scrap-and-build approach to the branch network, under which three branches are to be added and the number of personnel is to be increased.

In fiscal 2006, the first year of the revised plan, the Group achieved above-forecast net income: ¥40.6 billion on a consolidated basis and ¥39.7 billion on a nonconsolidated basis by the banks alone. As regards the ratio of nonperforming loans, we met the target set for March 31, 2007, which was the 4% level, demonstrating the steady improvement in our asset quality. In addition to achieving a high level of net income, we have bolstered our capital by means of a public share offering, raising our capital ratio to 10.44% and strengthening our financial base.

Our strategy

As a super-regional financial group, we will take advantage of our unparalleled characteristics to implement measures that will enhance sales promotion, increase management efficiency, and ensure the stability of the foundations of our business.

Specifically, we will endeavor to enhance sales promotion by making the best use of our broad network encompassing the Hokuriku region, Hokkaido, and Japan's three major metropolitan areas; to increase management efficiency, primarily through the joint handling of back-office business and other business activities; and to give stability to the foundations of our business by building an asset portfolio that is diversified in terms of region and type of industry.

For personal banking customers, we provide loan products designed to match their needs, such as a mortgage loan that incorporates insurance cover for eight types of disease. We are enhancing our product lineup to include special products for investing retirement benefits to meet the needs of people — particularly baby boomers — with a growing need for asset management. In addition, measures to enhance customer convenience include the operation of Loan Plazas that are open even on days when the bank as a whole is closed for business (Saturdays, Sundays, and national holidays), and branch layouts that let our customers consult with our staff amid relaxing surroundings.

For corporate customers, we provide solutions that harness the comprehensive strengths of the Group, sharing the two banks' know-how. Of particular note is that by taking advantage of our ability to undertake business promotion over a wide area, which is one of the Group's hallmarks, we will give maximum possible support to local companies through business matching and assistance for overseas business.

Regarding joint development of core computer systems, we have already been using systems jointly with the Bank of Yokohama, and in March 2007 we concluded a basic agreement with the regional banks' shared system center — built and operated by NTT Data Corporation. The center currently has 11 member banks, which will enable us to engage in joint development of core banking systems. We expect this to enhance the efficiency of back-office and other operations.

We implemented a capital increase totaling ¥41.5 billion by means of a public share offering from October to November 2006, further strengthening our financial base. By enhancing our equity capital we aim to repay public funds rapidly and to increase the flexibility of our capital policy, including measures for strategic investment and the return of profits to shareholders.

In conclusion

The environment amid which financial institutions operate is entering a period of great change, characterized by the stiffening of competition through the emergence of a new bank born of the privatization of the postal savings system, the privatization of other governmental financial institutions, and deregulation, as well as the obligation to strengthen internal controls as a result of BIS regulations, the Corporation Law, and other regulations. At the Hokuhoku Financial Group, we regard these issues as opportunities to enhance enterprise value, and are addressing them vigorously. At the same time, however, we are fully cognizant of our public-service character as a financial institution and accordingly, we intend to live up to the expectations of our shareholders and the community as a whole through CSR activities aimed at ensuring that we develop hand in hand with our customers and the communities we serve. We hope that you will continue to honor us with your support and goodwill.

September 2007

Shigeo Takagi
President

Yoshihiro Sekihachi
Deputy President

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

In the fiscal year ending March 31, 2007 the Hokuhoku Financial Group, Inc. recorded ordinary revenue of ¥242.2 billion, an increase of ¥1.2 billion over the previous term; ordinary income of ¥70 billion (up ¥21.7 billion) and net income of ¥40.6 billion (up ¥13.8 billion). Our capital ratio stood at 10.44% as of the term-end, an improvement of 1.44 percentage points over the previous term.

Business Indicators for the Hokuhoku Financial Group (consolidated)

	FY2006	FY2005	FY2004	FY2003
Ordinary revenue (¥ million)	**242,268**	240,986	203,200	179,445
Ordinary income (¥ million)	**70,017**	48,285	27,226	7,074
Net income (¥ million)	**40,642**	26,837	11,248	5,031
Stockholders' equity (¥ million)	**492,348**	406,014	380,750	193,692
Total assets (¥ million)	**9,638,142**	9,535,627	9,398,673	5,675,209
Net assets per share (¥)	**¥227.57**	¥179.37	¥159.75	¥119.86
Basic earnings per share (¥)	**¥27.93**	¥18.31	¥6.86	¥3.94
Diluted earnings per share (¥)	**¥23.05**	¥14.32	¥5.67	¥3.55
Capital ratio (%; standard for banks with domestic operations only)	**10.44%**	9.00%	8.33%	8.20%
ROE (%)	**13.57%**	10.72%	4.88%	3.53%
Price-earnings ratio (times)	**14.53**	28.23	47.37	43.15

Summary of Operations (Hokuriku Bank and Hokkaido Bank, in addition to Hokugin Corporate)

Deposits and Loans

The term-end balance of deposits increased by ¥218.2 billion year-on-year, to ¥8,434.6 billion, mainly due to the growth of individuals' deposits.

The term-end balance of loans rose ¥133.4 billion to ¥6,839.7 billion, as a result of steady growth in loans to individuals, particularly mortgage and other housing loans.

Earnings

Core business profit, which is the prime indicator of a bank's true earning capability, posted a year-on-year increase of ¥1.6 billion to ¥93.8 billion, setting the second record high in a row. Following an increase in the BOJ's key policy interest rate, interest rates accrued on deposits rose. A corresponding rise in the rates charged on loans, however, took time to materialize, and this resulted in a decline in the interest margin. This was more than offset by an increase in income from fees and commissions, centered on the handling of investment trust and insurance products, as well as successful measures to reduce costs.

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, and the borrower categories of many borrowers were upgraded. As a result, the total credit cost for the reporting term was down by ¥22.1 billion year-on-year, at ¥25.6 billion.

As a result of the foregoing, ordinary income rose ¥19.8 billion year-on-year, to ¥70.4 billion, while net income was up ¥10.6 billion at ¥39.7 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.

For the reporting period, the Company took into account both the Group's business results and the desirability of the early repayment of the public funds the banks had previously borrowed, as well as the need for a sufficient amount of retained earnings to fund steps to improve the Group's management structure. As a result, we have decided to pay a term-end dividend for fiscal 2006, to holders of ordinary shares of common stock, of ¥2 per share, an increase of ¥0.5 of a share over the previous business term. The dividend payments to holder of preferred shares, which are stipulated in the terms and conditions for issuance, are: ¥3.85/share for First Issue Type 1 preferred shares; ¥3.31/share for First Issue Type 4 preferred shares; and ¥7.50/share for First Issue Type 5 preferred shares.

With regard to the current term (ending March 2008) and after, the Company will continue to implement appropriate returns to its shareholders in line with the basic policy described above.

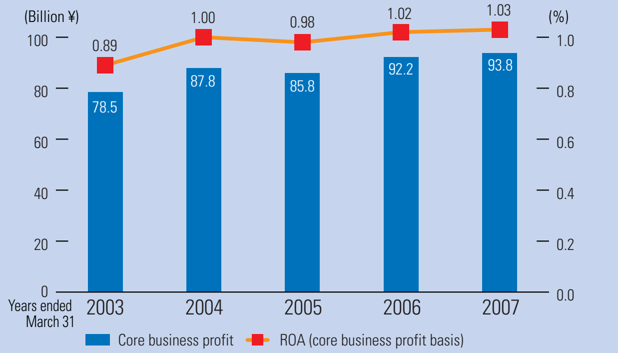
Business Indicators for Hokuriku Bank and Hokkaido Bank (total for the two banks and Hokugin Corporate combined)

(¥ billion)

Years ended March 31	**2007**	2006	2005	2004	2003
Core gross business profit	**181.8**	180.8	175.0	176.5	170.5
Core business profit	**93.8**	92.2	85.8	87.8	78.5
Ordinary income (loss)	**70.4**	50.5	34.1	17.3	(46.7)
Net income (loss)	**39.7**	29.0	15.2	15.7	(52.3)

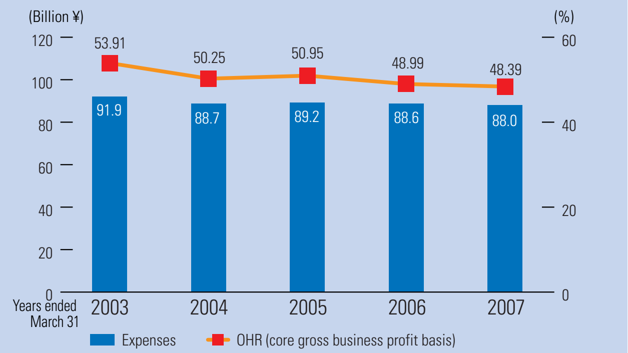
* Core gross business profit = Gross business profit – gains/losses on bonds
* Core business profit = Core gross business profit – expenses

Core business profit



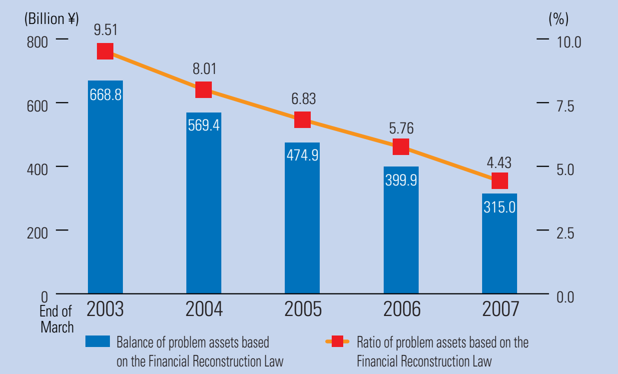
ROA (core business profit basis) = Core business profit / (Average balance of total assets – Average balance of customers' liabilities for acceptances and guarantees)

Expenses

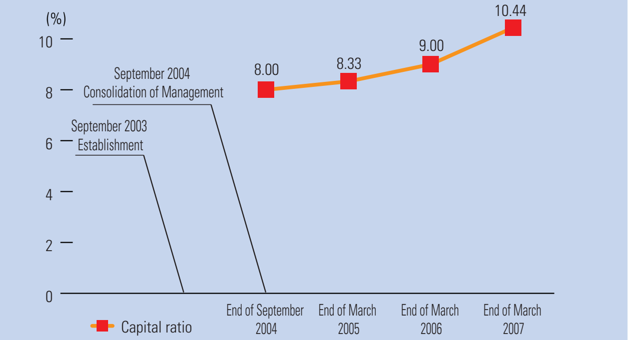


OHR (core gross business profit basis) = Expenses / Core gross business profit

Current Status of Problem Assets



Capital ratio (FG consolidated)



Effective from the year ended March 31, 2007, the Company has adopted the new standards (Basel II framework) for the calculation of its regulatory capital. For the previous periods ended March 31, 2006 or before, the old standards were used in the calculations.

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 FY2006 (March 2007)	End of FY2005 (March 2006)	End of FY2004 (March 2005)	End of FY2003 (March 2004)	End of FY2002 (March 2003))
Domestic branches (Note 1)	**246**	247	249	255	262
Employees (Note 2)	**4,289**	4,294	4,506	4,832	5,347
Personnel costs (Note 3)	**39.8**	40.3	40.2	40.5	43.4
Operating expenses	**42.7**	42.8	43.3	43.4	43.2
Personnel costs and operating expenses	**82.6**	83.2	83.5	84.0	86.7

(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 ¥1.3 billion year-on-year to a record ¥56.5 billion. Although the interest margin declined due to the time lag between the rise in interest rates accrued on deposits and those charged on loans, this was more than offset by an increase in income from fees and commissions, centered on the handling of investment trust and insurance products, whose marketing we had stepped up in response to customer demand. Continued measures to reduce costs also made a contribution.

The amount of newly-emergent nonperforming loans declined from the previous period, and as a result of our active engagement in corporate rehabilitation services, total credit cost decreased by ¥12.7 billion to ¥22.0 billion.

As a result, ordinary income posted a ¥11.7 billion increase to reach ¥38.5 billion, while net income rose ¥3.3 billion year-on-year, to ¥18.9 billion.

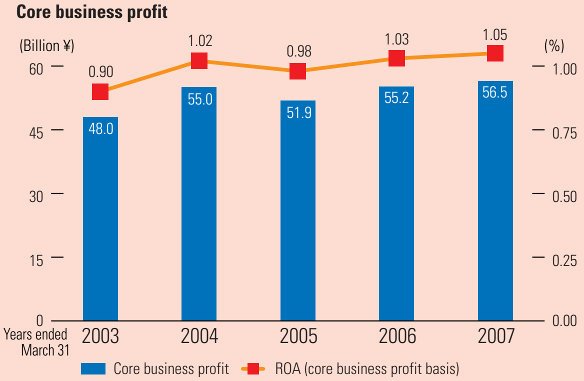
Business Indicators

(¥ billion)

Years ended March 31	**2007**	2006	2005	2004	2003
Core gross business profit	**107.1**	106.1	103.6	107.0	101.3
Core business profit	**56.5**	55.2	51.9	55.0	48.0
Ordinary income	**38.5**	26.7	16.8	6.5	9.5
Net income	**18.9**	15.6	4.1	4.9	2.7

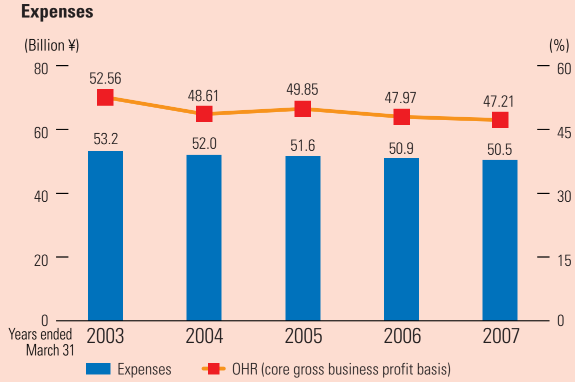
* Core gross business profit = Gross business profit – gains/losses on bonds
* Core business profit = Core gross business profit – expenses

Core business profit



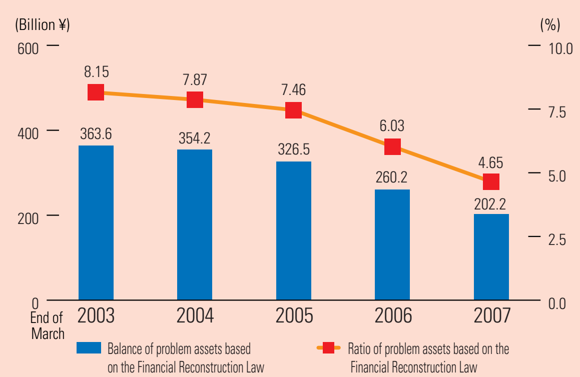
ROA (core business profit basis) = Core business profit / (Average balance of total assets – Average balance of customers' liabilities for acceptances and guarantees)

Expenses

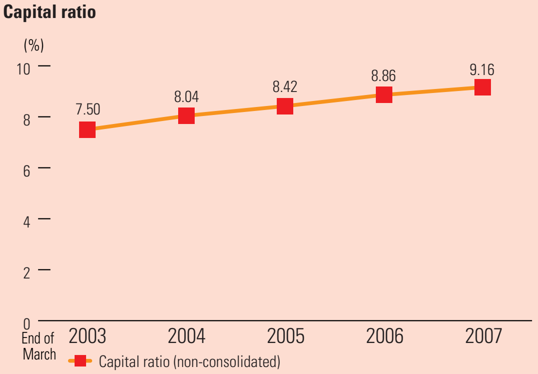


OHR (core gross business profit basis) = Expenses / Core gross business profit

Current Status of Problem Assets



Capital ratio



Effective from the year ended March 31, 2007, the Company has adopted the new standards (Basel II framework) for the calculation of its regulatory capital. For the previous periods ended March 31, 2006 or before, the old standards were used in the calculations.

Hokkaido Bank (on a non-consolidated basis)

Core business profit rose ¥0.2 billion over the previous term, to an all-time high of ¥37.2 billion. Although the interest margin declined due to the time lag between rises in interest rates accrued on deposits and those charged on loans, this was more than offset by an increase in income from fees and commissions, centered on the handling of investment trust and insurance products, whose marketing we had stepped up in response to customer demand. Continued measures to reduce costs also made a contribution.

The amount of newly-emergent nonperforming loans declined from the previous period, and as a result of our active engagement in corporate rehabilitation services, total credit cost decreased by ¥9.3 billion to ¥3.6 billion.

As a result, ordinary income rose ¥8.1 billion to ¥31.9 billion, while net income increased ¥7.2 billion to ¥20.7 billion.

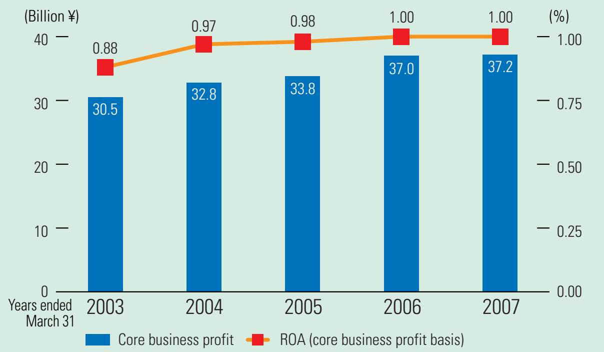
Business Indicators

(¥ billion)

Years ended March 31	2007	2006	2005	2004	2003
Core gross business profit	**74.7**	74.7	71.3	69.4	69.1
Core business profit	**37.2**	37.0	33.8	32.8	30.5
Ordinary income (loss)	**31.9**	23.8	17.3	10.7	(56.3)
Net income (loss)	**20.7**	13.4	11.1	10.8	(55.0)

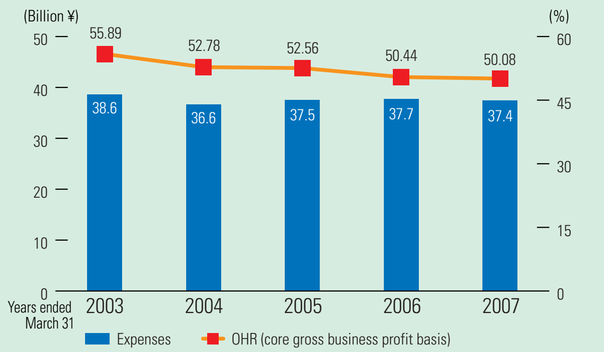
* Core gross business profit = Gross business profit – gains/losses on bonds
* Core business profit = Core gross business profit – expenses

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



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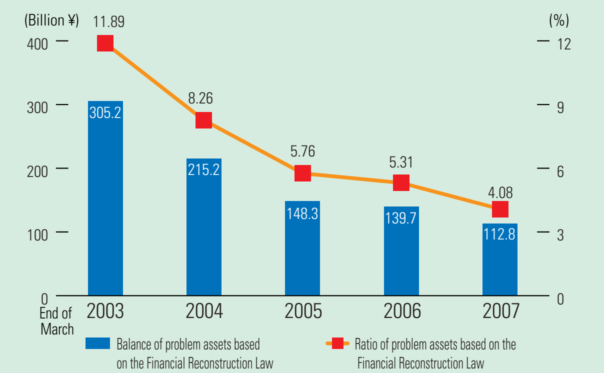
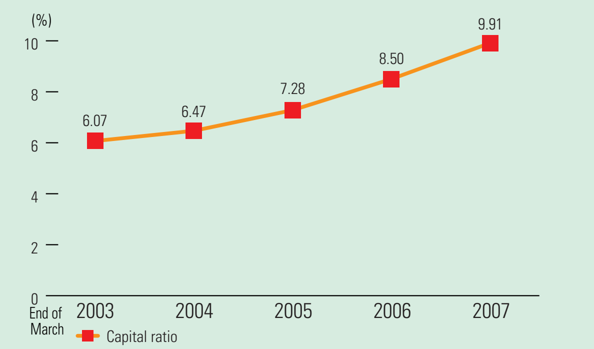


Capital ratio



Effective from the year ended March 31, 2007, the Company has adopted the new standards (Basel II framework) for the calculation of its regulatory capital. For the previous periods ended March 31, 2006 or before, the old standards were used in the calculations.

Fundamental Approach to Group CSR

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.

Providing attractive services conceived from the customer's perspective

Increasing customer satisfaction

Hokuriku Bank
The Hokuhoku Smile Declaration: We want to see more smiling faces! We want to be a bank that's more familiar and trusted! We aim to be a bank that our customers truly like.

Hokkaido Bank
Biggest Smile campaign: We aim to greet customers with the biggest smile, and be the bank that is genuinely trusted and liked.

Branches designed to please our customers

Hokuriku Bank
April 2007 Opening after remodeling of the Toyama Tonyamachi Sub-Branch
— Creating branches that are comfortable and put our customers at ease, while being kind to the environment —

Hokkaido Bank
September 2006 Opening after remodeling of the Shin Sapporo Branch
— Creating space for giving advice in a relaxing ambience —

With Shareholders and Investors

Repaying trust and expectations through active disclosure and corporate communications

IR for investors and analysts

December 2006: Investors' meeting for the fiscal 2006 interim accounts; 121 participants (Tokyo)
May 2007: Investors' meeting for the fiscal 2006 accounts; 154 participants (Tokyo)
Other ad hoc group and individual meetings also held

IR for private investors

December 2006: IR meeting through tie-up with local companies; 243 participants (Sapporo)

IR overseas

December 2006: U.S. (Boston, New York), Europe (London, Glasgow, Edinburgh, Frankfurt)
July 2007: Europe (Frankfurt, Milan, Paris), U.S. (New York, Boston, San Francisco)

General meeting of shareholders

June 2007: General meeting of shareholders for fiscal 2006 (Toyama)

With the Local Community

Aiming for shared prosperity with the local community

Financial education for students: the bearers of responsibility for the next generation

- Observation of banking business
- Hands-on experience
- Dispatch of lecturers to high schools, internship system
- Dispatch of lecturers to local universities for finance-related lectures

Joint publication with the University of Toyama of *Kigyo zaimu bunseki* [Corporate financial analysis].

Support for companies undertaking environmental conservation

- Conclusion, with Mizuho Corporate Bank, Ltd., of memorandum on business cooperation concerning financing to assist regional communities
- Conclusion of business cooperation agreement concerning environment financing, etc., with The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Participation in local events

Owara Odori Machinagashi Festival (Toyama)
Yosakoi Soran Festival (Sapporo)

Support for the rebuilding of Yubari City, Hokkaido

- Assignment of employees to Yubari City Hall, and support for the rebuilding of Yubari (June 2007 —)
- Initiation of special financing (Launching special loans to finance businesses based in Yubari City or enterprises starting business in the city)

Support for rebuilding of Noto Peninsula communities

The Noto Peninsula earthquake on March 25, 2007 caused considerable damage, particularly in the cities of Wajima and Nanao, and our deepest sympathies are with the victims of the disaster.

Hokuhoku Financial Group has collected donations from customers and bank employees and passed them on to the Office for Disaster Countermeasures of the Ishikawa Prefectural Government.

We also lent money actively, for example by providing assistance loans to disaster victims. As a local financial institution, we will continue to support the rehabilitation of economic life and society in the Noto Peninsula.

With our Customers: Business Matching

Using our wide-ranging network for business matching

Business Summit 2006 in Takaoka

September 2006: Looking ahead to the full opening to traffic of the Tokai-Hokuriku Expressway in fiscal 2007
Participating companies and bodies: 143 (including three Hokkaido Bank corporate customers and 38 from the Tokai region)
Attendees: 3,200 people

Business Summit 2007 in Nagoya

May 2007: Tokai-Hokuriku food cultural exchange
Exhibiting companies: 113 (86 from Tokai region, 22 from Hokuriku region)
Buyer companies: 46
Attendees: 2,000 people

Hokkaido Food Special Business Conference in Sapporo

September 2006: Support for expansion of sales channels of Hokkaido food and beverage manufacturers
Exhibiting companies: 33
200 managers and buyers from supermarkets, department stores, mail-order companies, restaurant chains and others throughout Japan

Hokkaido Business Forum 2006 in Sapporo

October 2006: Theme of Hokkaido business design and opening up the future
Companies exhibiting in business exchange meeting: 76 (including 10 Hokuriku Bank customers)
Attendees: 1,200 people

Business matching via the Internet

January 2007: Conclusion of exclusive partnership agreement in the three Hokuriku prefectures with Info Mart Corporation

With our Customers: Overseas Business Support

Supporting globalization as an intermediary for launching business overseas

Exhibition of Hokkaido food produce in Beijing

March 2007: Sponsored by the Sapporo economic exchanges section of the Japan-China Economic Association's Beijing Office
Exhibiting companies from Japan: 12
Attendees: 126 people

Combined regional bank confab in Shanghai

June 2007: Sponsored by 11 regional banks, and co-sponsored by NC Network China
Exhibiting companies: 139 (including 17 Hokuhoku Financial Group corporate customers)
Attendees: 1,500 companies

Collaboration with overseas institutions and governments

- Business partnership with Standard Chartered Bank (July 2006)
- Economic cooperation agreement with Liaoning Province (September 2006)
- Economic cooperation agreement with Shenyang (September 2006)
- Business cooperation agreement with the government of Vietnam (November 2006)
- Economic cooperation agreement with Changchun (March 2007)

Seminars

- India seminar (November 2006)
- Kasikorn Bank seminar (December 2006)
- Three-bank joint seminar in Shanghai (December 2006)
- Vietnam investment seminar (January 2007)

Formation of organizations for companies operating overseas, and provision of information

Hokuriku Chojokai	509 members (end-March 2007)
Hokkaido Chojokai	255 members (end-March 2007)
Shanghai Chojokai	139 members (end-March 2007)
Hokuhoku ASEAN kai	120 members (end-March 2007)

Hokuhoku Financial Group

1. Capital increase through public offering

We have made our first capital increase by public offering since the establishment of the Group. Following a public announcement on September 29, 2006, the issuance conditions of an issue price of ¥413 and amount to be paid in of ¥396.04 were determined on October 11, and the paying-in was completed on November 17. The amount raised totaled ¥41.5 billion (net proceeds of ¥41.3 billion) for the issuance of 105 million shares, all of which was allocated to general working capital, specifically in the form of loans to Hokuriku Bank and Hokkaido Bank. At the same time these funds are for the purpose of enhancing equity capital, which will help the Company to repay public funds rapidly and increase the flexibility of its capital policy, including measures for strategic investment and the return of profits to shareholders.

2. Holding of three-bank joint seminar with Bank of Yokohama

As part of our support service for corporate customers launching into other parts of the Asian region, since March 2006 we have collaborated with the Bank of Yokohama to form a cooperative structure for services such as the provision of information. As part of this, on December 11, 2006, we held a joint three-bank seminar in Shanghai, China.

The purpose of the seminar was to provide up-to-date information about the local tax system and investment environment to customers conducting or launching business in China, and it was attended by 90 representatives of 80 of the three banks' corporate customers. The explanation of the latest investment climate in China, and lectures on such topics as points to heed in the collection of payments, were well received, and lively exchanges of opinions in the question-and-answer session were indicative of the high level of interest of the participants.

The seminar has inspired us to channel even more effort into strengthening support for the needs of customers launching business operations overseas. This will take such forms as further three-bank cooperation in the exchange of local information for companies venturing overseas.

3.Joint system development with the shared system center for regional banks

In March 2006 Hokuriku Bank, Hokkaido Bank, and the Bank of Yokohama concluded a basic agreement on joint system use, and development has been proceeding with the aim of starting operations (Hokuriku Bank, Hokkaido Bank) in May 2011.

This was followed in March 2007 by the conclusion of a basic agreement with NTT Data for joint development with the regional banks' shared system center, which was built and is operated by NTT Data. Under this there will be joint development of capabilities that will form the basis for addressing legal changes and system changes in external financial centers that affect the banking industry as a whole, and for the enhancement of products, services, and administrative operations. The arrangement will make it possible to engage in joint development not by just three banks but by 14, inclusive of the 11* banks already participating in the center, and to pursue cost savings. In addition, we plan to allocate the management resources released from this to strategic investments.

This move has also prompted the 14 banks to actively study the possibilities for collaboration in business activities other than in the sphere of systems.

* Aichi Bank, Aomori Bank, Chiba Kogyo Bank, Fukui Bank, Hokuetsu Bank, Bank of Ikeda, Bank of Iwate, Bank of Kyoto, Nishi-Nippon City Bank, Shikoku Bank, Shonai Bank (in alphabetical order).

4. Holding of combined regional bank confab in Shanghai

On June 7, 2007 we held a combined regional bank confab in Shanghai. This was the third such business confab, following those held in December 2005 and July 2006. Participants included not only the Hokuhoku Financial Group, but also Iyo Bank, Ogaki Kyoritsu Bank, the Bank of Kyoto, the 77 Bank, Joyo Bank, Chugoku Bank, the Fukuoka Financial Group (Bank of Fukuoka, Kumamoto Family Bank), and the Bank of Yokohama. The meeting was hosted jointly by NC Network China (Shanghai), whose activities include acting as an intermediary between companies in China, and providing information.

A total of 139 Japanese corporate customers exhibited, including those seeking companies from which procure materials or to handle outsourced processing, and sales channels. Some 1,500 Chinese and other companies visited the hall, and around 3,000 business discussions were conducted. That made it one of the largest such commercial gatherings ever held by a Japanese regional bank in Shanghai. Taking advantage of our broad network, we are committed to continuing to give such support to corporate customers operating overseas.

5. Support for the rebuilding of Yubari City

We have dispatched employees to the city government of Yubari, in Hokkaido, to give assistance for rebuilding work there.

Since 12th Bank, one of Hokuriku Bank's predecessors, opened its Otaru branch in 1899, its first branch in Hokkaido, Hokuriku Bank has positioned Hokkaido as one of its principal business areas, and has contributed to the island's economic development. Hokkaido Bank opened its branch in Yubari in November 1951, and after reorganizing it as the Yubari special sub-branch of its Kuriyama Branch in November 1978, its business was transferred to the Kuriyama Branch in September 1993, though it continued to handle business with Yubari City government and other business such as financing for bodies related to the city. However, given its business base in Yubari, and the desirability of serving the needs of SMEs that had been setting up new operations in the city, in March 2007 Hokkaido Bank began offering special loans to provide a smooth supply of business funds.

Further assistance has been given by the assignment of one employee by Hokkaido Bank in June 2007, and one by Hokuriku Bank in July 2007, as full-time staff of the Yubari municipal government. As a regional bank that is an integral part of the local community, we will continue to give support to the rebuilding of Yubari and to assisting its industrial resurgence.

6. Participation in the Yosakoi Soran Festival

We participated in the 16th Yosakoi Soran Festival, which was held in Sapporo for a five-day period from June 6, 2007.

We joined forces with the Hokkai Ahondara group, one of the oldest groups, which was taking part in the festival for the eleventh time, to form a Hokkai Ahondara Group & Hokuhoku FG team with a combined strength of 130 members. The team had the pleasure of dancing amid the refreshing breezes of the early Hokkaido summer. Bolstered by roars of support from the audience, which also demanded encores, the team won the newly instituted *Kantosho* (Fighting Spirit Prize) on only its third appearance at the festival.

The Yosakoi Soran Festival

Hokuriku Bank

1. Special services for hearing-impaired customers

To raise the standard of counter services for hearing-impaired customers, in December 2006 we installed "Ear Mark" symbols in the customer service areas of all our branches, above explanations to the effect that customers with hearing difficulties should not hesitate to identify themselves as such, when we will make it very easy for them to make inquiries and consult our staff in writing.

2. Launch of time deposit product for retirement benefits to commemorate the 130th anniversary

In January 2007 we upgraded our existing time deposit product dedicated for retirement benefits with the launch of a new product to mark the 130th anniversary of the Bank's establishment. Designed for people, principally baby boomers, who are at an age at which they want to give careful thought to the investment of their retirement benefits, this time deposit offered special interest rates for a limited period of three months.

3. Opening of the Toyama Tonyamachi Sub-Branch after remodeling

The Toyama Tonyamachi Sub-Branch was reopened after being remodeled in line with the concept of providing space that is comfortable and convenient, and puts customers at their ease, as well as being kind to the environment. The first floor has a branch of the Sunkus convenience store chain, offering the extra convenience of a joint bank-convenience store outlet, and the building uses an energy-saving electricity system based on solar-power generation, the first of its kind at the Bank. Other facilities include a stair lift to help elderly people and a kids' corner.

A dedicated zone for consultations on asset management has also been added as part of the sub-branch's array of advisory services.

4. Courses to nurture next-generation managers

Hokuriku Bank has conducted the first round of the Hokugin Management School courses for nurturing next-generation managers. Held in Toyama and Ishikawa Prefectures, the course tutors were Bank officers and staff who are MBAs or hold similar specialist qualifications. This was the first management school arranged by the Bank, and was structured to provide the students — management personnel destined to become the next generation of managers in local companies — with insights into dealing with the bewildering changes now occurring in the business environment, such as the macro-economy and market movements. It also discussed how companies are viewed by financial institutions.

5. Visit by the CEO of Kasikorn Bank, Thailand

Since entering a business alliance with Kasikorn Bank in Thailand in December 2005, we have been providing corporate customers with a financial service finely tuned to their needs, including the raising of funds in the local currency. Mr. Banthoon Lamsam, CEO of Kasikorn Bank, visited our head office to host a ceremony marking the first anniversary of the business alliance, at which both banks reaffirmed their desire to step up their cooperation.

6. Conclusion of economic exchange agreement with government of Suzhou City

On June 8, 2007 we concluded an economic exchange agreement with the government of the city of Suzhou in China. There are already 33 companies from the Hokuriku region operating in Suzhou and the number is projected to rise, presenting Hokuriku Bank with the opportunity to act as a conduit to the Suzhou authorities to give support to companies launching and operating in the city.

Another fact to note is that the conclusion of this agreement with Suzhou, which has a sister-city relationship with Kanazawa, also ranks as one of the events to mark the Hokuriku Bank's 130th anniversary, given that Kanazawa is its birthplace.

Economic exchange agreement with Suzhou

Hokkaido Bank

1. Opening of a branch after remodeling

In September 2006, substantial changes were made to the layout of the Shin Sapporo Branch. In view of a growing need among customers for advisory services within Bank premises, we implemented very clear zoning to demarcate consulting activities from business that is conducted quickly, creating space in which customers can feel completely at ease when consulting our staff.

The Shin Sapporo Branch

2. Hosting of Hokkaido Food Special Business Conference

Hokkaido Bank and the Hokkaido Small and Medium Corporation Human Resource Development Fund hosted the third Hokkaido Food Special Business Conference on September 11, 2006. This brought together in Sapporo a gathering of some 200 managers and buyers from supermarkets, department stores, mail-order companies, restaurant chains, and similar enterprises throughout Japan, and the event was also attended by representatives of 33 food and beverage manufacturers based in Hokkaido. The conference led to the arrangement of 240 individual business meetings at which lively discussions were held.

3. Start of short manufacturing training courses

To back up efforts to improve the production facilities of manufacturing industry in Hokkaido, the Bank has inaugurated collective, practical short training courses to be taken in stages.

The first stage was from November 2006 to March 2007, participated in by eight staff of four manufacturing companies in the fields of sheet steel, steel structures, concrete products, and rubber products. Mutual visits were made twice to the manufacturing sites of each participating company, lasting a total of six days, advice was given by the Bank's consultants, and methods of remedying any deficiencies discovered were collated by the group and announced and subjected to a question-and-answer session. To round off the course, managers from each company were invited to come and present details of the results of their activities.

The second stage will be held on the premises of food manufacturers in the Sapporo district, and the third stage is planned to be held with a focus on food manufacturers in the Tokachi district.

4. Improvements to security measures

Hokkaido Bank has introduced PHISHCUT to counter phishing, a type of fraud that targets Internet transactions. The introduction of PHISHCUT is a simple means of ensuring more secure use of the Bank's Internet banking, and the service is free. In ways such as this, Hokkaido Bank will continue to make improvements to its security measures.

5. Establishment of new support system for business start-ups

In April 2007 we inaugurated a support system for business start-ups in conjunction with the Hokkaido Small Business Support Center. This system is directed at facilitating the start-up of companies making use of highly novel technologies, and for that reason takes advantage of the center's capability to make sound judgments on such matters. The start of this system means that, together with Hokkaido Bank's comprehensive support menu in such areas as business matching and consulting, we have created a system that will be able to meet customer needs in this sphere.

Working to achieve stable earnings, with the goal of repaying public funds

Based on the Law on Emergency Measures to Revitalize the Functions of the Financial System, the Company issued a total of ¥120.03 billion in preferred stock, which was placed to specified banks. To facilitate the repayment of these public funds, we revised our Plan for Sound Management in November 2006, two years after the initial announcement. Because of this, we revised our earnings targets, setting new targets for achievement by March 2010.

According to the plan, the Group will strive to ensure stable profitability by utilizing its unique and extensive regional network to realize the goals of integration, which include strengthening marketing capabilities, increasing management efficiency, and cementing customer loyalty.

Summary of the Preferred Shares issued by the Company

Class	1st series Class 1 Preferred shares	1st series Class 4 Preferred shares
Number of shares issued	150 million shares	79 million shares
Total value	¥75 billion	¥45.03 billion
Dividends	¥7.70 per share	¥6.62 per share
Acquisition price	¥402.10 (on and after July 31, 2007; subject to change according to the market price* of ordinary shares of common stock of the Company)	¥402.10 (on and after August 1, 2007; subject to change according to the market price* of ordinary shares of common stock of the Company)
Acquisition period	From September 26, 2003 to July 29, 2010	From September 1, 2004 to July 31, 2010
Dates for mandatory acquisition	July 30, 2010	August 1, 2010

Note: The term "market price" here refers to the average closing price of the Company's ordinary shares on the Tokyo Stock Exchange over a 30-trading-day period beginning with the trading day 45 trading days prior to July 31 (in the case of Class 1 Preferred shares) or August 1 (in the case of Class 4 Preferred shares) every year.

Goals and Strategy of the Management Integration

1. Strengthening Marketing Capabilities

While Hokkaido and the Hokuriku region will remain the Company's main operational bases, we plan to extend our network of sales offices over a wider region of Japan, including the three major metropolitan areas. In this way, we aim to differentiate ourselves from the other regional financial institutions and achieve stronger marketing power.

• Strengthening businesses matching functions using its extensive regional network
• Engaging in transactions with corporations' trading partners and employees, using the customer bases of the two banks
• Strengthening 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

3. Cementing Customer Loyalty

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 enjoying the firm trust of the financial markets.

• 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 through the absorption by the holding company of fluctuations in the profits of its subsidiary banks and companies

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 2010.

In fiscal 2006, the first year under the revised plan, core business profits surpassed the original targets, reaching ¥93.4 billion, due to the steady implementation of restructuring measures and measures to strengthen earnings included in the plan. In addition, progress in the disposal of non-performing loans and improved business performance by borrower corporations helped reduce total credit cost significantly. As a result, ordinary income and net income both exceeded the targeted figures.

We will continue to work to ensure stable earnings by improving our management efficiency. We intend to put aside sufficient retained earnings to allow the early repayment of our public funds debt, and looking toward the future following this repayment, we will be taking active steps to improve our customer services and strengthen our marketing capabilities with the aim of earning the unshakeable trust of both our customers and the financial markets.

Targets under Plan for Sound Management

Further improving our top-class earning power among the regional banks

Target for March 2010

Net business profit (excluding provision for general reserve for possible loan losses): ¥96.0 billion
Net income: ¥42.6 billion

Investments and measures to raise efficiency, aimed at strengthening marketing capabilities, and improving service convenience and financial soundness

Target for March 2010

OHR 49.16%

Decline in total amount of nonperforming loans to a level acceptable under the Financial Reconstruction Law

Target for March 2009

Bad debt ratio: 3-4%

Early repayment of public funds, building up sufficient retained earnings

Target for March 2010

Balance of retained earnings of ¥192.8 billion

Stabilization of financial base

Capital ratio target after repayment of public funds: approximately 9% (20% or below for proportion of deferred tax assets to Tier 1 capital)

Income (Hokuriku Bank + Hokkaido Bank)

(¥ billion)

	March 2006	March 2007 (Target)	March 2007	March 2008 (Target)	March 2009 (Target)	March 2010 (Target)
Gross business profit	180.0	175.6	179.7	182.2	186.2	188.8
Expenses	88.5	89.5	87.9	91.3	92.4	92.8
(OHR)	(49.16%)	(50.99%)	(48.94%)	(50.13%)	(49.66%)	(49.16%)
Net business profit	105.1	86.0	97.8	90.8	93.7	96.0
Core business profit	91.7	88.0	93.4	90.8	93.7	96.0
Total credit cost	46.6	26.5	26.2	25.5	24.5	24.5
Ordinary income	50.6	60.3	70.1	64.8	68.2	70.5
Net income	29.1	34.4	39.3	37.6	40.8	42.6

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

	March 2006	March 2007 (Target)	March 2007	March 2008 (Target)	March 2009 (Target)	March 2010 (Target)
Balance of retained earnings	68.1	97.4	102.4	127.2	159.4	192.8

Consolidated capital ratio (Hokuhoku Financial Group)

	March 2006	March 2007 (Target)	March 2007	March 2008 (Target)	March 2009 (Target)	March 2010 (Target)
Consolidated capital ratio*	9.00%	10.14%	10.44%	10.64%	11.12%	11.57%
Tier I capital ratio*	6.47%	7.72%	7.74%	8.26%	8.78%	9.32%

OHR = Expenses/Gross business profit
Core business profit = Net business profit + 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

* Calculated using the old standard, which was effective at the time of planning

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. 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, as 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 effective decision-making, implementation, evaluation, and improvements. In addition, the Board of Directors decides basic policies on internal controls, and is taking the steps needed to create an effective internal control system.

The following are the main bodies in this system:

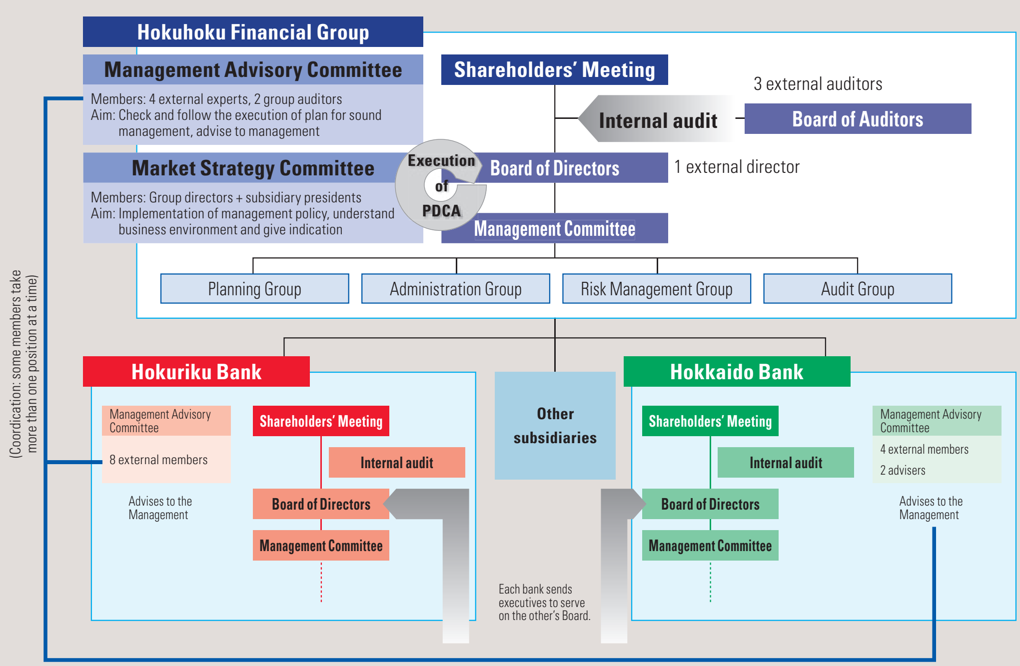
(1) Board of Directors: Responsible for decisions related to important management policies involving the Group as a whole; and for overseeing the general management, and risk management and auditing conducted by the holding company and its subsidiaries

(2) Board of Auditors: Determines auditing policies and assigns specific duties to particular statutory auditors, and monitors the performance of their duties by the directors

(3) Management Committee: Composed of standing directors of the Company, this body makes decisions — based on the basic policies laid down by the Board of Directors — on matters relating to operational policies involving the entire Group and on the implementation of important tasks by specific divisions.

(4) Management Advisory Committee: 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 : 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 each member's management situation.



The Group rigorously observes all laws and corporate regulations.

Philosophy on Compliance (observance of laws and regulations)

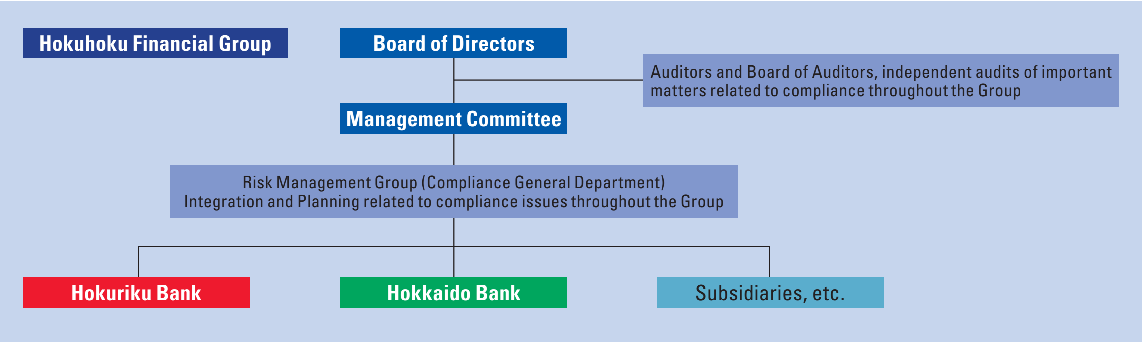
We position compliance as our most important management task and recognize that an incomplete compliance system can weaken our business foundation. Therefore, we are implementing a basic compliance policy as described below, and are striving to conduct fair and honest corporate activity.

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 high-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 observance of laws and regulations

The Group strictly observes all relevant laws and regulations, and conducts business in a trustworthy and honest fashion that conforms to its own standards of corporate ethics and to 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 risks to which it is exposed.

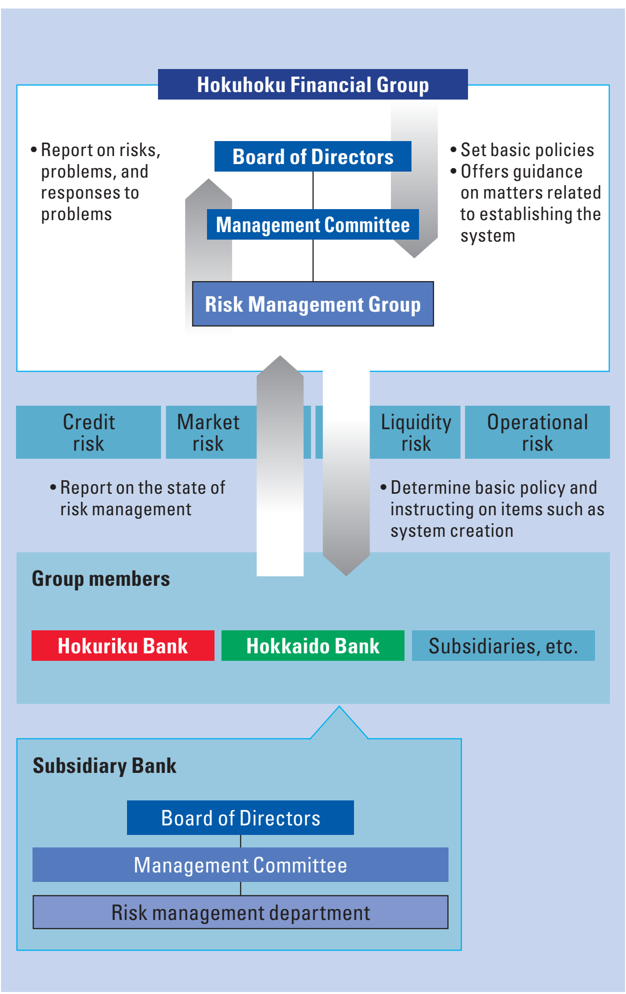
The Hokuhoku Financial Group Risk Management System

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 are working 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.



Credit Risk Management

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

With regard to organization and structure, we ensure strict separation of the officers and units responsible for business promotion and for screening, conducting rigorous screening and management in a way that does not influence business promotion.

When making individual credit judgments, rigorous screening is carried out in accordance with our credit policy, which lays down matters such as standards and principles. For this purpose we endeavor to improve system support and also actively develop the credit inspection structure by such means as training to enhance screening capabilities.

In addition, we endeavor to prevent bad debts from arising by carrying out follow-up monitoring after financings have been executed, and at the same time take steps to enhance the soundness of assets by building a structure for the administration of bad debts in separate categories, and strengthening our capabilities to assist corporate rehabilitation.

The subsidiary banks conduct assessments of credit risk through the use of internal rating systems,* and they compute forecast loss rates for each individual obligor category, thereby endeavoring to ensure the appropriate interest rates to match risk. Based on our management rules for credit limits, we seek to enhance credit risk management by such means as curbing the risk of credit concentration: the aggregate of marketability credit and off-balance-sheet credit.

We will continue to raise the quality of our credit risk management and to position ourselves to address the new BIS regulations.

* Internal rating system: A system in which borrowers are categorized according to creditworthiness and then given ratings after examining them comprehensively, including by ranking them in accordance with factors such as financial condition and company characteristics.

Market risk management

Market risk is the risk of loss resulting from fluctuations in market rates such as interest rates and exchange rates. This is an unavoidable risk when conducting lending and deposit-taking business or other businesses involving marketability, and in recent years it has become increasingly complex.

In light of the importance of market risk management, Hokuhoku Financial Group has established asset-liability management committees in the subsidiary banks, and manages market risk in its lending and deposit-taking business and other activities, while endeavoring to conduct its management in a manner that ensures stable earnings.

(1) Interest-rate risk management

Given the different time structures of assets such as loans and of liabilities such as deposits, the subsidiary banks are constantly exposed to interest-rate risk. However, they have a good understanding of their asset-liability structure and conduct unitary management of interest-rate risk, also making effective use of interest-rate swaps and other derivatives transactions to mitigate and manage interest-rate risk.

(2) Risk management in market-related business

The units in charge of transacting market-related business engage in that business in accordance with an array of strict operating rules that include basic policies on risk management and limits on transaction amounts.

Additionally, risk management units are established separately from the operating units and use various risk management systems to monitor the risk situation, and report to senior management.

Liquidity risk management

In order to ensure stable cash management, based on our management rules for liquidity risk we gain an accurate grasp of the funding and investment situations of our subsidiary banks, and take scrupulous care to ensure that fund management is conducted smoothly.

In addition, the subsidiary banks maintain adequate payment reserve assets that are readily convertible into cash, such as government bonds, creating a structure that is resilient to abrupt changes in the market environment.

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Operational risk management

The new BIS regulations, which came into effect on March 31, 2007, also include operational risk within the framework of the capital ratio regulations. In the Hokuhoku Financial Group we will both address the requirements of the new BIS regulations and at the same time will seek to maintain and enhance the level of customer confidence by taking scrupulous care to prevent the occurrence of any impropriety, accidents, or other problems.

(1) Administrative risk management

The Group prevents the occurrence of administrative problems caused by accidents, and ensures rapid yet accurate administrative processing by enhancing the standard of administration in a variety of ways, including by laying down various rules, improving its administrative processing systems, dispensing guidance from its head office, centralizing branch administration, and introducing equipment to automate procedures.

In addition, in order to avoid administrative and other risks of all kinds and to prevent problems, we conduct internal audits and are establishing mutual checking system and strict administrative processing systems.

(2) System risk management

With the greater sophistication of financial business and growth in transaction volume it is becoming increasingly important to ensure that computer systems do not fail, and that systems operate in a stable manner.

The Group has formulated its basic rules for system risk management (System Risk Standards) and other regulations, establishing a rigorous management and operating structure, and implementing a variety of security management measures.

(3) Contingency plans

The Group regards risk management as one of its most important management priorities, and therefore endeavors to enhance it. In addition, however, it takes steps to ensure that in the unlikely event that a disaster or other unforeseen event occurs, its effects are minimized and business continuity can be achieved. To that end it formulates contingency plans and manuals to give guidance on dealing with specific emergency situations, so as to position itself to cope with crises.

Integrated risk management

As set out above, the Group faces a diversity of risks, and so to ensure that risk is not excessive relative to equity capital it is incumbent on it to assess each risk by using a common yardstick and then to grasp and manage the risk that it bears.

To achieve this we have formulated our management rules for integrated risk, under which we quantify credit risk, market risk, operational risk, and other risks belonging to various categories and we estimate maximum loss and identify it in an integrated form. Based on that, to make effective use of our limited capital we make allocations of risk capital funded from Tier 1 capital, thereby managing risk by limiting it to within permissible management limits.

CONSOLIDATED BALANCE SHEETS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	**2007**	2006	**2007**
Assets			
Cash and due from banks (Note 24)	**¥ 251,379**	¥ 346,805	**$ 2,129,433**
Call loans and bills bought	**230,000**	—	**1,948,327**
Receivables under securities borrowing transactions	**21,785**	—	**184,543**
Commercial paper and other debt purchased	**199,938**	215,361	**1,693,675**
Trading assets (Note 6)	**9,290**	9,467	**78,696**
Money held in trust (Note 29)	**14,941**	25,422	**126,566**
Securities (Notes 7, 12 and 29)	**1,649,859**	1,749,069	**13,975,938**
Loans and bills discounted (Notes 8 and 12)	**6,813,479**	6,678,269	**57,716,896**
Foreign exchanges (Note 9)	**15,657**	14,816	**132,638**
Other assets (Note 12)	**121,217**	126,901	**1,026,828**
Premises and equipment	**—**	116,291	**—**
Tangible fixed assets (Notes 10 and 16)	**133,324**	—	**1,129,389**
Intangible fixed assets	**44,536**	—	**377,271**
Deferred tax assets (Note 23)	**72,086**	101,880	**610,646**
Goodwill	**—**	39,968	**—**
Customers' liabilities for acceptances and guarantees (Note 11)	**180,190**	271,390	**1,526,391**
Reserve for possible loan losses	**(119,544)**	(160,015)	**(1,012,662)**
Total assets	**¥9,638,142**	¥9,535,627	**$81,644,575**
Liabilities, minority interests and stockholders' equity			
Liabilities			
Deposits (Notes 12 and 13)	**¥8,458,269**	¥8,203,885	**$71,649,887**
Call money and bills sold (Note 12)	**31,573**	317,500	**267,454**
Payables under securities lending transactions (Note 12)	**42,777**	107,877	**362,364**
Trading liabilities (Note 6)	**718**	755	**6,087**
Borrowed money (Notes 12 and 14)	**223,445**	34,754	**1,892,800**
Foreign exchanges (Note 9)	**411**	345	**3,482**
Bonds (Note 15)	**71,210**	71,220	**603,219**
Other liabilities	**116,758**	100,418	**989,057**
Reserve for employee bonuses	**30**	24	**254**
Reserve for employee retirement benefits (Note 28)	**11,323**	11,831	**95,921**
Deferred tax liabilities for land revaluation	**9,087**	9,159	**76,983**
Acceptances and guarantees (Note 11)	**180,190**	271,390	**1,526,391**
Total liabilities	**9,145,793**	9,129,162	**77,473,899**
Minority interests	**—**	451	**—**
Stockholders' equity			
Capital stock (Note 17)	**—**	50,000	**—**
Capital surplus	**—**	272,576	**—**
Retained earnings (Note 18)	**—**	57,542	**—**
Land revaluation excess (Note 16)	**—**	9,063	**—**
Net unrealized gain on available-for-sale securities (Note 29)	**—**	17,136	**—**
Treasury stock	**—**	(303)	**—**
Total stockholders' equity	**—**	406,014	**—**
Total liabilities, minority interests and stockholders' equity	**—**	¥9,535,627	**—**
Net assets			
Capital stock (Note 17)	**70,895**	—	**600,550**
Capital surplus	**293,268**	—	**2,484,273**
Retained earnings (Note 18)	**93,072**	—	**788,413**
Treasury stock	**(447)**	—	**(3,791)**
Total stockholders' equity	**456,788**	—	**3,869,445**
Net unrealized gain on available-for-sale securities (Note 29)	**26,078**	—	**220,911**
Net deferred hedge losses	**(20)**	—	**(170)**
Land revaluation excess (Note 16)	**8,957**	—	**75,882**
Total valuation and translation adjustments	**35,016**	—	**296,623**
Minority interests	**543**	—	**4,608**
Total net assets	**492,348**	—	**4,170,676**
Total liabilities and net assets	**¥9,638,142**	—	**$81,644,575**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Year ended March 31	**2007**	2006	**2007**
Income			
Interest income:			
Interest on loans and discounts	**¥130,641**	¥126,161	**$1,106,664**
Interest and dividends on securities	**19,422**	18,671	**164,530**
Interest on receivables under resale agreements	**132**	7	**1,124**
Interest on receivables under securities borrowing transaction	**6**	—	**58**
Interest on deposits with other banks	**652**	208	**5,525**
Other interest income	**4,407**	5,812	**37,336**
Fees and commissions (Note 20)	**47,670**	43,085	**403,813**
Trading income (Note 21)	**1,411**	1,159	**11,956**
Other operating income	**31,141**	33,136	**263,796**
Other income	**10,302**	13,366	**87,270**
Total income	**245,788**	241,611	**2,082,072**
Expenses			
Interest expenses:			
Interest on deposits	**11,361**	7,952	**96,247**
Interest on payables under securities lending transactions	**876**	637	**7,428**
Interest on borrowings and rediscounts	**1,238**	1,096	**10,489**
Interest on bonds	**1,823**	1,523	**15,448**
Other interest expenses	**2,321**	2,407	**19,669**
Fees and commissions (Note 20)	**10,658**	10,999	**90,289**
Other operating expenses	**18,088**	16,609	**153,227**
General and administrative expenses	**93,528**	94,083	**792,278**
Provision for reserve for possible loan losses	**25,620**	43,477	**217,034**
Other expenses (Note 22)	**7,671**	16,252	**64,982**
Total expenses	**173,190**	195,040	**1,467,091**
Income before income taxes and minority interests	**72,598**	46,571	**614,981**
Income taxes (Note 23):			
Current	**2,094**	695	**17,738**
Deferred	**29,748**	18,989	**252,000**
Minority interests in net income	**113**	49	**958**
Net income	**¥ 40,642**	¥ 26,837	**$ 344,285**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Thousands		Millions of yen				
	Issued number of shares of common stock	Issued number of shares of preferred stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2006	1,286,630	336,432	¥50,000	¥272,576	¥57,542	¥(303)	¥379,814
Changes during the period							
Issuance of new shares	**105,000**	**—**	**20,895**	**20,689**	**—**	**—**	**41,584**
Cash dividends	**—**	**—**	**—**	**—**	**(5,218)**	**—**	**(5,218)**
Net income	**—**	**—**	**—**	**—**	**40,642**	**—**	**40,642**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(157)**	**(157)**
Disposition of treasury stock	**—**	**—**	**—**	**2**	**—**	**10**	**12**
Transfer from land revaluation excess	**—**	**—**	**—**	**—**	**105**	**—**	**105**
Increase due to the change of the interest of associated company	**—**	**—**	**—**	**—**	**—**	**3**	**3**
Net changes in item other than stockholders' equity	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total changes during the period	**105,000**	**—**	**20,895**	**20,691**	**35,529**	**(143)**	**76,973**
Balance as of March 31, 2007	**1,391,630**	**336,432**	**¥70,895**	**¥293,268**	**¥93,072**	**¥(447)**	**¥456,788**

	Millions of yen					
	Net unrealized gain on available-for-sale securities	Net deferred hedge losses	Land revaluation excess	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2006	¥17,136	¥ —	¥9,063	¥26,199	¥451	¥406,465
Changes during the period						
Issuance of new shares	**—**	**—**	**—**	**—**	**—**	**41,584**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(5,218)**
Net income	**—**	**—**	**—**	**—**	**—**	**40,642**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(157)**
Disposition of treasury stock	**—**	**—**	**—**	**—**	**—**	**12**
Transfer from land revaluation excess	**—**	**—**	**—**	**—**	**—**	**105**
Increase due to the change of the interest of associated company	**—**	**—**	**—**	**—**	**—**	**3**
Net changes in item other than stockholders' equity	**8,942**	**(20)**	**(105)**	**8,817**	**92**	**8,909**
Total changes during the period	**8,942**	**(20)**	**(105)**	**8,817**	**92**	**85,882**
Balance as of March 31, 2007	**¥26,078**	**¥(20)**	**¥8,957**	**¥35,016**	**¥543**	**¥492,348**

	Thousands of U.S. dollars (Note 1)				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2006	$423,549	$2,308,993	$487,440	$(2,574)	$3,217,408
Changes during the period					
Issuance of new shares	**177,001**	**175,258**	**—**	**—**	**352,259**
Cash dividends	**—**	**—**	**(44,204)**	**—**	**(44,204)**
Net income	**—**	**—**	**344,285**	**—**	**344,285**
Purchase of treasury stock	**—**	**—**	**—**	**(1,331)**	**(1,331)**
Disposition of treasury stock	**—**	**22**	**—**	**87**	**109**
Transfer from land revaluation excess	**—**	**—**	**892**	**—**	**892**
Increase due to the change of the interest of associated company	**—**	**—**	**—**	**28**	**28**
Net changes in item other than stockholders' equity	**—**	**—**	**—**	**—**	**—**
Total changes during the period	**177,001**	**175,280**	**300,973**	**(1,216)**	**652,038**
Balance as of March 31, 2007	**$600,551**	**$2,484,273**	**$788,413**	**$(3,791)**	**$3,869,445**

	Thousands of U.S. dollars (Note 1)					
	Net unrealized gain on available-for-sale securities	Net deferred hedge losses	Land revaluation excess	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2006	$145,160	$ —	$76,774	$221,934	$3,823	$3,443,164
Changes during the period						
Issuance of new shares	**—**	**—**	**—**	**—**	**—**	**352,259**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(44,204)**
Net income	**—**	**—**	**—**	**—**	**—**	**344,285**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(1,331)**
Disposition of treasury stock	**—**	**—**	**—**	**—**	**—**	**109**
Transfer from land revaluation excess	**—**	**—**	**—**	**—**	**—**	**892**
Increase due to the change of the interest of associated company	**—**	**—**	**—**	**—**	**—**	**28**
Net changes in item other than stockholders' equity	**75,751**	**(170)**	**(892)**	**74,690**	**784**	**75,474**
Total changes during the period	**75,751**	**(170)**	**(892)**	**74,690**	**784**	**727,512**
Balance as of March 31, 2007	**$220,911**	**$(170)**	**$75,882**	**$296,623**	**$4,607**	**$4,170,676**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Thousands		Millions of yen					
	Issued number of shares of common stock	Issued number of shares of preferred stock	Capital stock	Capital surplus	Retained earnings	Land revaluation excess	Net unrealized gain on available-for-sale securities	Treasury stock
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)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Year ended March 31	**2007**	2006	**2007**
1.Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 72,598**	¥ 46,571	**$ 614,981**
Depreciation	**16,111**	15,197	**136,479**
Losses on impairment of fixed assets	**48**	1,020	**413**
Amortization of goodwill	**2,265**	1,961	**19,190**
Equity in earnings of affiliates	**(13)**	133	**(114)**
Increase (decrease) in reserve for possible loan losses	**(40,470)**	(10,222)	**(342,829)**
Increase (decrease) in reserve for employee bonuses	**6**	0	**51**
Increase (decrease) in reserve for employee retirement benefits	**(508)**	553	**(4,304)**
Interest income	**(155,263)**	(150,862)	**(1,315,237)**
Interest expenses	**17,622**	13,617	**149,282**
Losses (gains) on securities	**1,949**	(7,591)	**16,514**
Losses (gains) on money held in trust	**(78)**	(232)	**(666)**
Losses (gains) on foreign exchange	**(51)**	(1,485)	**(435)**
Losses (gains) on sales of premises and equipment	**—**	316	**—**
Losses on sales of fixed assets	**799**	—	**6,772**
Decrease (increase) in trading assets	**177**	144	**1,500**
Increase (decrease) in trading liabilities	**(37)**	(254)	**(315)**
Net decrease (increase) in loans and bills discounted	**(135,210)**	10,964	**(1,145,364)**
Net increase (decrease) in deposits	**211,915**	(113,791)	**1,795,134**
Net increase (decrease) in negotiable certificates of deposit	**42,468**	18,687	**359,747**
Net increase (decrease) in borrowed money (excluding subordinated borrowed money)	**173,690**	(4,893)	**1,471,329**
Net decrease (increase) in due from banks (excluding deposits with the Bank of Japan)	**(12,325)**	507	**(104,412)**
Net decrease (increase) in call loans, bills bought, commercial paper and other debt purchased	**(214,577)**	(112,973)	**(1,817,680)**
Net decrease (increase) in guarantee deposits paid under securities borrowing transactions	**(21,785)**	—	**(184,543)**
Net increase (decrease) in call money and bills sold	**(285,927)**	192,600	**(2,422,084)**
Net increase (decrease) in payables under securities lending transactions	**(65,100)**	(1,271)	**(551,461)**
Net decrease (increase) in foreign exchanges (assets)	**(841)**	5,018	**(7,125)**
Net increase (decrease) in foreign exchanges (liabilities)	**65**	116	**556**
Issuance and redemption of bonds (excluding subordinated bonds)	**(10)**	(10)	**(85)**
Interest received	**132,274**	132,992	**1,120,494**
Interest paid	**(12,478)**	(15,658)	**(105,701)**
Other, net	**1,007**	(17,215)	**8,535**
Subtotal	**(271,677)**	3,940	**(2,301,378)**
Income taxes paid	**(872)**	(704)	**(7,394)**
Net cash provided by (used in) operating activities	**(272,550)**	3,236	**(2,308,772)**

(Continued)

Year ended March 31	Millions of yen 2007	2006	Thousands of U.S. dollars (Note 1) 2007
2.Cash flows from investing activities:			
Purchases of securities	**(271,486)**	(616,429)	**(2,299,758)**
Proceeds from sales of securities	**198,875**	302,422	**1,684,670**
Proceeds from maturity of securities	**173,594**	149,320	**1,470,520**
Purchases of money held in trust	**—**	(1,608)	**—**
Proceeds from sales of money held in trust	**10,500**	—	**88,945**
Proceeds from fund management	**19,504**	18,947	**165,221**
Purchases of premises and equipment	**—**	(3,309)	**—**
Purchases of tangible fixed assets	**(13,091)**	—	**(110,902)**
Proceeds from sales of premises and equipment	**—**	1,095	**—**
Proceeds from sales of tangible fixed assets	**686**	—	**5,816**
Purchases of intangible fixed assets	**(2,667)**	—	**(22,599)**
Purchases of stocks of subsidiaries	**—**	(2,384)	**—**
Net cash provided by (used in) investing activities	**115,914**	(151,946)	**981,913**
3.Cash flows from financing activities:			
Proceeds from issuance of subordinated borrowed money	**20,000**	9,000	**169,420**
Repayment of subordinated borrowed money	**(5,000)**	(22,000)	**(42,355)**
Proceeds from issuance of subordinated bonds	**—**	20,000	**—**
Repayment of subordinated bonds	**—**	(1,500)	**—**
Expenditures for fund procurement	**(2,356)**	(2,687)	**(19,965)**
Proceeds from issuance of new shares	**41,584**	—	**352,259**
Dividends paid	**(5,218)**	(5,218)	**(44,204)**
Dividends paid to minority stockholders	**—**	(57)	**—**
Purchases of treasury stock	**(157)**	(248)	**(1,331)**
Proceeds from sales of treasury stock	**12**	300	**109**
Net cash provided by (used in) financing activities	**48,864**	(2,412)	**413,933**
4.Effect of exchange rate changes on cash and cash equivalents	**19**	62	**163**
5.Net increase (decrease) in cash and cash equivalents	**(107,751)**	(151,059)	**(912,763)**
6.Cash and cash equivalents at beginning of year	**338,909**	489,969	**2,870,900**
7.Cash and cash equivalents at end of year (Note 24)	**¥231,158**	¥338,909	**$1,958,137**

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.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in net assets, which is effective for fiscal year ending on or after May 1, 2006. The consolidated statement of stockholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in net assets" from the year ended March 31, 2007.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of Hokuhoku Financial Group, Inc. (the "Company") prepared under Japanese Securities and Exchange Law and related accounting regulations.

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, 2007, which was ¥118.05 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, 2003, 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 Company, was included in the scope of consolidation after the Company's subsidiary, Hokkaido Bank, acquired additional shares of Dogin Card. The performance of Dogin Card for year ended March 31, 2006 was accounted for using the equity method.

The consolidated financial statements as of March 31, 2007 include the accounts of the Company and its 15 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.

Investment in one associated company is accounted for by the equity method. The associated company is also listed below.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are 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 date differs from that of the Company are consolidated using their financial statements based on their tentative settlement of accounts at the consolidated balance sheet date.

Associated company	Capital (¥mil)	Ownership (%)
Hokuriku Capital Co., Ltd.	250	(38.75)

Note: Ownership figure in parentheses is inclusive of cross-shareholdings.

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

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 sheets 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 "Net assets."

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. Tangible fixed assets

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.

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 recorded in order to provide for any possible contingency involving customers, and such expense in the year ended March 31, 2007 is ¥52 million and comes to ¥151 million on an accumulated basis.

b. Intangible fixed assets

Intangible fixed assets are depreciated on the straight-line method, and 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

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.

(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.

Branches and credit supervisory department 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 ¥163,826 million at March 31, 2007.

(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 income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(15) Accounting for surplus appropriations

The Consolidated Statement of Changes in Net Assets and the Consolidated Statement of Stockholders' Equity are prepared on the basis of surplus appropriations finalized during the fiscal year it covers.

(16) 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. Application of new accounting standards

"Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, issued on December

9, 2005) and “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No. 8, issued on December 9, 2005) were applicable from this fiscal year and the Company changed its consolidated balance sheet presentation. The amount corresponding to former stockholders’ equity at March 31, 2007 is ¥491,824 million.

5. Changes in Presentation

The Enforcement Ordinance of Banking Law was revised on April 28, 2006 and applicable from the fiscal year beginning on and after April 1, 2006. Effective April 1, 2006, the Company changed its consolidated financial statement presentation as follows:

(1) Balance sheet

(a) “Premises and equipment” are separately presented as “Tangible fixed assets,” “Intangible fixed assets” and “Other assets.”

(b) Software which had been included in “Other assets” is included in “Intangible fixed assets.”

(c) “Goodwill” which had been separately presented in assets section is included in “Intangible fixed assets.”

(2) Statement of income

Amortization of goodwill which had been accounted for as “Other expenses” in “Expenses” is accounted for as amortization of intangible fixed assets and included in “General and administrative expenses.”

(3) Statement of cash flows

(a) In accordance with the change in presentation of “Premises and equipment” in the consolidated balance sheet, “Depreciation of premises and equipment and others” is presented as “Depreciation of fixed assets.” “Net (gains) losses from disposal of premises and equipment” is also renamed as “Net (gains) losses from disposal of fixed assets.” In addition, “Purchases of premises and equipment” and “Proceeds from sale of premises and equipment” are presented as “Purchases of tangible fixed assets” and “Proceeds from sale of tangible fixed assets,” respectively.

(b) In accordance with the change in presentation of consolidated balance sheet, software which had been included in “Other assets” is included in “Intangible fixed assets.” Therefore, payments or proceeds from purchase or sale of software which had been included in “Other” in “Net cash (used in) provided by operating activities” are included in “Purchases of intangible fixed assets” and “Proceeds from sale of intangible fixed assets.”

6. Trading Accounts

Trading accounts as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
Assets	2007	2006	2007
Trading securities	¥6,349	¥6,422	$53,789
Trading-related financial derivatives	2,940	3,044	24,907
Total	¥9,290	¥9,467	$78,696

	Millions of yen		Thousands of U.S. dollars
Liabilities	2007	2006	2007
Trading-related financial derivatives	¥718	¥755	$6,087
Total	¥718	¥755	$6,087

7. Securities

Securities as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Japanese government bonds	¥ 706,877	¥ 749,340	$ 5,987,947
Japanese local government bonds	161,707	149,857	1,369,822
Japanese corporate bonds	421,966	423,202	3,574,469
Japanese stocks	225,348	228,375	1,908,924
Other securities	133,960	198,292	1,134,776
Total	¥1,649,859	¥1,749,069	$13,975,938

8. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Bills discounted	¥ 141,093	¥ 137,825	$ 1,195,202
Loans on bills	687,112	847,288	5,820,524
Loans on deeds	4,961,956	4,697,558	42,032,670
Overdrafts	1,023,316	995,596	8,668,500
Total	¥6,813,479	¥6,678,269	$57,716,896

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
	2007	2006	2007
Loans to borrowers under bankruptcy proceedings	¥ 23,526	¥ 28,706	$ 199,293
Overdue loans	233,667	285,988	1,979,395
Loans overdue for at least three months	232	92	1,969
Restructured loans	61,809	84,809	523,587
Total	¥319,235	¥399,597	$2,704,244

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

9. Foreign Exchanges

Foreign exchanges as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Assets			
Due from foreign banks	¥ 7,150	¥ 6,332	$ 60,570
Foreign exchange bills bought	2,478	2,298	20,995
Foreign exchange bills receivable	6,029	6,185	51,073
Total	¥15,657	¥14,816	$132,638
Liabilities			
Due to foreign banks	¥216	¥200	$1,838
Foreign exchange bills sold	158	90	1,346
Foreign exchange bills payable	35	54	298
Total	¥411	¥345	$3,482

10. Tangible fixed assets

The accumulated depreciation as of March 31, 2007 amounted to ¥164,884 million ($1,396,733 thousand). The book value of tangible fixed assets adjusted for gains on sales of replaced assets as of March 31, 2007 amounted to ¥3,835 million ($32,491 thousand).

11. 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.

Guarantee obligations on securities issued by private placement (pursuant to Article 2, Clause 3 of the Securities and Exchange Law) amounted to ¥112,115 million.

In accordance with changes in Enforcement Regulations to the Banking Law, the Bank has adopted new accounting standards for acceptance and guarantees on the said guarantee obligations and customers' liabilities for acceptances and guarantees. Under the new system, acceptances and guarantees, and customers' liabilities for acceptances and guarantees offset each other. As a result, acceptances and guarantees, and customers' liabilities for acceptances and guarantees, decreased ¥79,138 million from the relevant figures calculated using the previous method.

12. Pledged Assets

Assets that are pledged as collateral as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Assets that are pledged as collateral:			
Securities	**¥186,049**	¥365,791	**$1,576,021**
Loans and bills discounted	**253,347**	223,749	**2,146,099**
Obligations corresponding to collateral assets:			
Deposits	**¥ 48,089**	¥ 63,007	**$ 407,367**
Payables under securities lending transactions	**42,777**	107,877	**362,364**
Call money and bills sold	**30,000**	287,500	**254,130**
Borrowed money	**177,200**	—	**1,501,059**

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, 2007 and 2006.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Securities	**¥186,590**	¥170,789	**$1,580,604**
Other assets	**58**	43	**492**

Other assets included guarantee deposits of ¥4,730 million ($40,075 thousand) as of March 31, 2007. Premises and equipment included guarantee deposits of ¥5,961 million as of March 31, 2006.

13. Deposits

Deposits as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Current deposits, ordinary deposits, saving deposits and deposits at notice	**¥4,260,437**	¥4,101,016	**$36,090,107**
Time deposits and installment savings	**3,980,785**	3,861,185	**33,721,186**
Other deposits	**134,100**	201,206	**1,135,967**
Subtotal	**¥8,375,324**	¥8,163,408	**$70,947,260**
NCDs	**82,945**	40,477	**702,627**
Total	**¥8,458,269**	¥8,203,885	**$71,649,887**

14. Borrowed Money

Borrowed money includes ¥43,000 million ($364,252 thousand) and ¥28,000 million in subordinated borrowed money as of March 31, 2007 and 2006, respectively.

15. Bonds

Bonds include ¥70,400 million ($596,357 thousand) and ¥70,400 million of subordinated bonds as of March 31, 2007 and 2006, respectively.

16. 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 ¥22,124 million ($187,417 thousand) and ¥21,905 million as of March 31, 2007 and 2006, respectively.

17. Capital Stock

Information with respect to capital stock of the Company as of March 31, 2007 and 2006 are as follows:

	2007	2006
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	**1,391,630,146**	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. Common Stock

		Millions of yen	
Date	Issued number of shares	Increased Capital Stock	Increased Capital Surplus Reserve
2006/10/19	95,000,000	¥18,905	¥18,718
2006/11/17	10,000,000	1,990	1,970

2. 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	¥455.70
Preferred stock (Type 4):	September 1, 2004 to July 31, 2010	¥457.50

* 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

3. 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.

18. Stockholders' Equity

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

The Code required that all shares of common stock were recorded with no par value and at least 50% of the issue price of new shares was required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which was included in capital surplus. The Code permitted 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 did not give rise to changes within the stockholders' accounts.

The Banking Law also provided 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 should 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 exceeded 100% of the stated capital might be available for dividends by resolution of the stockholders. In addition, the Code permitted 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 allowed 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 could not 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 imposed certain limitations on the amount of capital surplus and retained earnings available for dividends.

Dividends were approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends were applicable. Semiannual interim dividends might 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) at any time during the fiscal year 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 might 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.

The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

19. Per Share Information

	2007	2006
Net assets per share	**¥227.57**	¥179.37
Basic earnings per share	**¥ 27.93**	¥ 18.31
Diluted earnings per share	**¥ 23.05**	¥ 14.32

Reconciliation of the differences between basic and diluted earnings per share for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average shares	Earnings per share
For the year ended March 31, 2007:			
Basic earnings per share			
Net income available to common stockholders	**¥37,353**	**1,337,204**	**¥27.93**
Effect of dilutive securities			
Preferred stocks	**1,677**	**355,749**	
Diluted earnings per share			
Net income for computation	**¥39,031**	**1,692,954**	**¥23.05**
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

20. Fees and Commissions

Fees and commissions for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Fees and commissions (income)			
Deposits and loans	**¥11,097**	¥ 7,584	**$ 94,006**
Remittances and transfers	**13,661**	13,973	**115,723**
Securities-related business	**9,553**	2,623	**80,924**
Others	**13,358**	18,903	**113,160**
Total	**¥47,670**	¥43,085	**$403,813**

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Fees and commissions (expenses)			
Remittances and transfers	**¥ 2,212**	¥ 2,292	**$18,740**
Others	**8,446**	8,707	**71,549**
Total	**¥10,658**	¥10,999	**$90,289**

21. Trading Income and Losses

	Millions of yen		Thousands of U.S. dollars
(a) Trading income	**2007**	2006	**2007**
Income from trading securities	**¥ 350**	¥ 185	**$ 2,970**
Income from trading derivatives	**1,060**	974	**8,986**
Total	**¥1,411**	¥1,159	**$11,956**

	Millions of yen		Thousands of U.S. dollars
(b) Trading losses	**2007**	2006	**2007**
Losses on trading securities	**—**	—	**—**
Total	**—**	—	**—**

22. Other Expenses

Included in other expenses for the fiscal years ended March 31, 2007 and 2006 were write off of loans and bills discounted of ¥1,035 million ($8,775 thousand) and ¥837 million, valuation losses on sales of stocks and other securities of ¥595 million ($5,045 thousand) and ¥572 million, respectively.

23. 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, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of yen	
	2007	2006
Deferred tax assets:		
Reserve for possible loan losses	**¥ 92,043**	¥108,448
Depreciation	**2,127**	2,191
Reserve for employee retirement benefit	**14,231**	14,837
Loss on valuation of securities	**11,072**	11,163
Other	**3,404**	4,873
Operating loss carryforwards	**43,252**	52,839
Subtotal	**166,132**	194,353
Less: Valuation allowance	**75,984**	74,413
Total deferred tax assets	**90,148**	119,939
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	**¥17,218**	¥ 17,352
Other	**842**	706
Total deferred tax liabilities	**18,061**	18,058
Net of deferred tax assets	**¥72,086**	¥101,880

	Thousands of U.S. dollars
	2007
Deferred tax assets:	
Reserve for possible loan losses	**$ 779,700**
Depreciation	**18,019**
Reserve for employee retirement benefit	**120,555**
Loss on valuation of securities	**93,797**
Other	**28,841**
Operating loss carryforwards	**366,391**
Subtotal	**1,407,303**
Less: Valuation allowance	**643,660**
Total deferred tax assets	**763,643**
Deferred tax liabilities:	
Net unrealized gains on available-for-sale securities	**$145,862**
Other	**7,135**
Total deferred tax liabilities	**152,997**
Net of deferred tax assets	**$610,646**

24. 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, 2007 and 2006, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Cash and due from banks in balance sheet	**¥251,379**	¥346,805	**$2,129,433**
Due from banks except for deposits with the Bank of Japan	**(20,221)**	(7,895)	**(171,296)**
Cash and cash equivalents in the statements of cash flows	**¥231,158**	¥338,909	**$1,958,137**

25. 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 ¥2,275,536 million ($19,276,036 thousand) and ¥2,217,529 million as of March 31, 2007 and 2006, respectively. Of this amount, ¥2,225,144 million ($18,849,173 thousand) and ¥2,202,243 million as of March 31, 2007 and 2006, 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.

26. Segment Information

(a) Segment information by business

For the fiscal years ended March 31, 2007 and 2006 on consolidated results are as follows:

	Millions of yen					
	2007					
	Banking	Lease	Other business	Total	Elimination or corporate	Consolidated
I Ordinary revenue						
(1) Ordinary revenue from outside customers	**¥ 217,318**	**¥16,750**	**¥ 8,199**	**¥ 242,268**	**¥ —**	**¥ 242,268**
(2) Ordinary revenue from intersegment transactions	**1,509**	**1,385**	**6,553**	**9,448**	**(9,448)**	**—**
Total	**218,828**	**18,136**	**14,752**	**251,716**	**(9,448)**	**242,268**
Ordinary expenses	**150,821**	**17,700**	**12,384**	**180,906**	**(8,655)**	**172,251**
Ordinary income (loss)	**¥ 68,006**	**¥ 435**	**¥ 2,368**	**¥ 70,810**	**¥ (792)**	**¥ 70,017**
II Identifiable assets	**¥9,602,495**	**¥46,366**	**¥176,393**	**¥9,825,255**	**¥(187,113)**	**¥9,638,142**
Depreciation expenses	**5,594**	**10,123**	**393**	**16,111**	**—**	**16,111**
Losses on impairment of fixed assets	**48**	**—**	**0**	**48**	**—**	**48**
Capital expenditures	**4,985**	**10,558**	**215**	**15,759**	**—**	**15,759**

	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

	Thousands of U.S. dollars					
	2007					
	Banking	Lease	Other business	Total	Elimination or corporate	Consolidated
I Ordinary revenue						
(1) Ordinary revenue from outside customers	**$ 1,840,900**	**$141,894**	**$ 69,460**	**$ 2,052,254**	**$ —**	**$2,052,254**
(2) Ordinary revenue from intersegment transactions	**12,789**	**11,736**	**55,512**	**80,037**	**(80,037)**	**—**
Total	**1,853,689**	**153,630**	**124,972**	**2,132,291**	**(80,037)**	**2,052,254**
Ordinary expenses	**1,277,603**	**149,943**	**104,911**	**1,532,457**	**(73,320)**	**1,459,137**
Ordinary income (loss)	**$ 576,086**	**$ 3,687**	**$ 20,061**	**$ 599,834**	**$ (6,717)**	**$ 593,117**
II Identifiable assets	**$81,342,617**	**$392,767**	**$1,494,227**	**$83,229,611**	**$(1,585,036)**	**$81,644,575**
Depreciation expenses	**47,393**	**85,757**	**3,329**	**136,479**	**—**	**136,479**
Losses on impairment of fixed assets	**412**	**—**	**1**	**413**	**—**	**413**
Capital expenditures	**42,230**	**89,443**	**1,828**	**133,501**	**—**	**133,501**

(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.

27. Lease Transactions

Finance lease transactions that do not transfer ownership of the leased property to the lessee for the years ended March 31, 2007 and 2006 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, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Acquisition cost	**¥3,736**	¥2,504	**$31,648**
Accumulated depreciation	**1,191**	761	**10,097**
Net book value	**¥2,544**	¥1,742	**$21,551**

Pro forma amounts of obligations under finance lease at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Within one year	**¥ 595**	¥ 358	**$ 5,045**
Over one year	**1,948**	1,384	**16,506**
Total	**¥2,544**	¥1,742	**$21,551**

Pro forma information concerning lease payment and depreciation expenses for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Lease payments	**¥435**	¥299	**$3,690**
Depreciation expenses	**435**	299	**3,690**

The method of calculating the pro forma amounts of depreciation expenses for the years ended March 31, 2007 and 2006 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, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Acquisition cost	**¥48,609**	¥51,923	**$411,767**
Accumulated depreciation	**22,927**	25,648	**194,218**
Balance at year-end	**¥25,681**	¥26,275	**$217,549**

The pro forma amounts of lease receivable under finance lease at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Within one year	**¥ 9,491**	¥12,896	**$ 80,405**
Over one year	**17,683**	15,014	**149,800**
Total	**¥27,175**	¥27,911	**$230,205**

Lease payment received and depreciation expenses for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Lease payments received	**¥11,508**	¥12,434	**$97,485**
Depreciation expenses	**10,104**	10,775	**85,598**

28. 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
	2007	2006	**2007**
Projected benefit obligations (A)	**¥(92,942)**	¥(92,655)	**$(787,316)**
Pension assets (B)	**82,140**	87,886	**695,815**
Projected benefit obligations in excess of pension assets (C) = (A) + (B)	**(10,801)**	(4,768)	**(91,501)**
Unrecognized transitional obligation (D)	**15,165**	17,061	**128,470**
Unrecognized actuarial differences (E)	**(7,765)**	(15,625)	**(65,785)**
Unrecognized prior service costs (F)	**(6,500)**	(8,498)	**(55,065)**
Net projected benefit obligations recognized on consolidated balance sheets (G) = (C) + (D) + (E) + (F)	**(9,902)**	(11,831)	**(83,881)**
Prepaid pension costs (H)	**1,421**	—	**12,040**
Reserve for employee retirement benefit (G) – (H)	**¥(11,323)**	¥(11,831)	**$(95,921)**

(c) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Service costs	**¥1,960**	¥1,888	**$16,610**
Interest costs on projected benefit obligations	**2,092**	2,195	**17,728**
Expected return on pension assets	**(1,946)**	(1,352)	**(16,492)**
Amortization of unrecognized prior service costs	**(1,997)**	(1,997)	**(16,925)**
Amortization of unrecognized actuarial differences	**(959)**	1,588	**(8,130)**
Amortization of transitional obligation	**1,895**	1,895	**16,059**
Other (additional payments, including premium retirement benefits)	**341**	1,260	**2,897**
Net periodic retirement benefit expenses	**¥1,386**	¥5,477	**$11,747**

(d) Basis for calculation of projected benefit obligations

	2007	2006
(1) Discount rate	**2.0% – 2.5%**	2.0% – 2.5%
(2) Expected rate of return on pension assets	**3.0% – 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**	8 or 9 years
(5) Period of amortization of unrecognized actuarial differences	**8 or 9 years**	8 or 9 years
(6) Period of amortization of transitional obligation	**15 years**	15 years

29. Market Value of Securities and Money Held in Trust

(1) Securities

The market value of securities at March 31, 2007 and 2006 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

March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Consolidated balance sheet amount	**¥6,349**	¥6,422	**$53,789**
Valuation gains (losses) included in the earnings for the fiscal year	**4**	(66)	**39**

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

March 31, 2007	Millions of yen: Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	**¥11,837**	**¥11,966**	**¥ 129**	**¥142**	**¥ 13**
Japanese local government bonds	**10,963**	**10,966**	**3**	**6**	**3**
Japanese corporate bonds	**57,746**	**57,728**	**(17)**	**70**	**88**
Other	**18,973**	**18,625**	**(347)**	**17**	**365**
Total	**¥99,521**	**¥99,288**	**¥(233)**	**¥237**	**¥470**

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, 2007	Thousands of U.S. dollars: Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	**$100,278**	**$101,371**	**$ 1,093**	**$1,206**	**$ 113**
Japanese local government bonds	**92,872**	**92,899**	**27**	**54**	**27**
Japanese corporate bonds	**489,168**	**489,018**	**(150)**	**599**	**749**
Other	**160,727**	**157,780**	**(2,947)**	**148**	**3,095**
Total	**$843,045**	**$841,068**	**$(1,977)**	**$2,007**	**$3,984**

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

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

March 31, 2007	Millions of yen: Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	**¥ 128,673**	**¥ 189,891**	**¥ 61,218**	**¥64,006**	**¥ 2,788**
Bonds	**1,117,355**	**1,092,252**	**(25,103)**	**602**	**25,705**
Japanese government bonds	**715,076**	**695,039**	**(20,037)**	**97**	**20,134**
Japanese local government bonds	**152,558**	**150,743**	**(1,814)**	**308**	**2,123**
Japanese corporate bonds	**249,720**	**246,468**	**(3,251)**	**195**	**3,447**
Other	**115,857**	**116,850**	**992**	**2,946**	**1,953**
Total	**¥1,361,886**	**¥1,398,994**	**¥ 37,107**	**¥67,555**	**¥30,447**

March 31, 2006	Acquisition cost (Millions of yen)	Consolidated balance sheet amount (Millions of yen)	Net unrealized gains (losses) (Millions of yen)	Unrealized gains (Millions of yen)	Unrealized losses (Millions of yen)
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, 2007	Acquisition cost (Thousands of U.S. dollars)	Consolidated balance sheet amount (Thousands of U.S. dollars)	Net unrealized gains (losses) (Thousands of U.S. dollars)	Unrealized gains (Thousands of U.S. dollars)	Unrealized losses (Thousands of U.S. dollars)
Stocks	**$ 1,089,992**	**$ 1,608,570**	**$ 518,578**	**$542,202**	**$ 23,624**
Bonds	**9,465,104**	**9,252,454**	**(212,650)**	**5,102**	**217,752**
Japanese government bonds	**6,057,402**	**5,887,669**	**(169,733)**	**826**	**170,559**
Japanese local government bonds	**1,292,320**	**1,276,950**	**(15,370)**	**2,617**	**17,987**
Japanese corporate bonds	**2,115,382**	**2,087,835**	**(27,547)**	**1,659**	**29,206**
Other	**981,424**	**989,836**	**8,412**	**24,956**	**16,544**
Total	**$11,536,520**	**$11,850,860**	**$ 314,340**	**$572,260**	**$257,920**

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, 2007 and 2006

Year ended March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Sales amount	**¥190,377**	¥276,149	**$1,612,682**
Gains on sales	**1,504**	9,089	**12,743**
Losses on sales	**2,884**	954	**24,431**

(e) Securities with no available market value

	Consolidated balance sheet amount		
March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Bonds classified as held-to-maturity	**¥ 33,977**	¥ 30,922	**$ 287,823**
Privately placed bonds	**33,977**	30,922	**287,823**
Available-for-sale securities	**286,009**	282,859	**2,422,786**
Unlisted stocks (excluding OTC stocks)	**35,029**	34,947	**296,733**
Unlisted foreign securities	**1**	1	**10**
Other	**250,979**	247,910	**2,126,043**

(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, 2007	Within 1 year (Millions of yen)	After 1 year through 5 years (Millions of yen)	After 5 years through 10 years (Millions of yen)	After 10 years (Millions of yen)
Bonds	**¥120,063**	**¥550,937**	**¥418,312**	**¥201,236**
Japanese government bonds	**52,568**	**204,479**	**250,931**	**198,897**
Japanese local government bonds	**9,438**	**82,198**	**70,070**	**—**
Japanese corporate bonds	**58,056**	**264,259**	**97,310**	**2,339**
Other	**6,625**	**49,416**	**39,909**	**15,083**
Total	**¥126,689**	**¥600,354**	**¥458,222**	**¥216,320**

March 31, 2006	Within 1 year (Millions of yen)	After 1 year through 5 years (Millions of yen)	After 5 years through 10 years (Millions of yen)	After 10 years (Millions of yen)
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, 2007	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
	Thousands of U.S. dollars			
Bonds	**$1,017,055**	**$4,666,984**	**$3,543,524**	**$1,704,676**
Japanese government bonds	**445,307**	**1,732,141**	**2,125,641**	**1,684,859**
Japanese local government bonds	**79,951**	**696,305**	**593,567**	**—**
Japanese corporate bonds	**491,797**	**2,238,538**	**824,316**	**19,817**
Other	**56,128**	**418,607**	**338,072**	**127,776**
Total	**$1,073,183**	**$5,085,591**	**$3,881,596**	**$1,832,452**

(2) Money Held in Trust

(a) Money held in trust classified as trading purposes

	Millions of yen		Thousands of U.S. dollars
March 31	**2007**	2006	**2007**
Consolidated balance sheet amount	**¥7,423**	¥7,425	**$62,887**
Valuation gains included in profit/loss during the year	**56**	109	**480**

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

Not applicable

(c) Other money held in trust

	Millions of yen		Thousands of U.S. dollars
March 31	**2007**	2006	**2007**
Acquisition cost	**¥7,500**	¥18,000	**$63,532**
Consolidated balance sheet amount	**7,517**	17,996	**63,679**
Net unrealized gains	**17**	(3)	**147**
Unrealized gains	**29**	29	**246**
Unrealized losses	**11**	33	**99**

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

	Millions of yen		Thousands of U.S. dollars
March 31	**2007**	2006	**2007**
Net unrealized gains	**¥37,125**	¥28,087	**$314,487**
Available-for-sale securities	**37,107**	28,091	**314,340**
Other money held in trust	**17**	(3)	**147**
Net deferred tax liabilities	**(11,352)**	(11,364)	**(96,165)**
Net unrealized gains (before following adjustment)	**25,772**	16,722	**218,322**
(–) Minority interests	**16**	37	**141**
(+) Hokuhoku's interest in net unrealized gains on valuation of available-for-sale securities held by affiliates accounted for by the equity method	**322**	450	**2,730**
Net unrealized gains	**¥26,078**	¥17,136	**$220,911**

30. 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

	Millions of yen		
	2007		
March 31	Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	**¥573,425**	**¥(3,840)**	**¥ (3,840)**
Receive/floating and pay/fixed	**602,067**	**7,232**	**7,232**
Options/sell	**362,062**	**(867)**	**7,244**
Options/buy	**352,339**	**866**	**866**
Others/sell	**87,632**	**(359)**	**2,782**
Others/buy	**56,456**	**397**	**(397)**
Total	**/**	**¥ 3,428**	**¥13,887**

	Millions of yen		
	2006		
March 31	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

	Thousands of U.S. dollars		
	2007		
March 31	Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	**$4,857,483**	**$(32,535)**	**$ (32,535)**
Receive/floating and pay/fixed	**5,100,104**	**61,267**	**61,267**
Options/sell	**3,067,030**	**(7,351)**	**61,369**
Options/buy	**2,984,665**	**7,340**	**7,340**
Others/sell	**742,333**	**(3,045)**	**23,571**
Others/buy	**478,243**	**3,368**	**(3,371)**
Total	**/**	**$ 29,044**	**$117,641**

· Foreign Exchange-Related Transactions

	Millions of yen		
	2007		
March 31	Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps	**¥ 66,074**	**¥ 300**	**¥ 300**
Forward contracts/sell	**20,501**	**(576)**	**(576)**
Forward contracts/buy	**25,012**	**292**	**292**
Options/sell	**662,654**	**(27,230)**	**18,315**
Options/buy	**662,654**	**27,229**	**(8,063)**
Total	**/**	**¥ 15**	**¥10,267**

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	Thousands of U.S. dollars **2007** Contract Value	 Market Value	 Recognized Gain (Loss)
Over-the-counter transactions			
Swaps	**$ 559,720**	**$ 2,545**	**$ 2,545**
Forward contracts/sell	**173,666**	**(4,887)**	**(4,887)**
Forward contracts/buy	**211,879**	**2,474**	**2,474**
Options/sell	**5,613,334**	**(230,666)**	**155,154**
Options/buy	**5,613,334**	**230,664**	**(68,309)**
Total	**/**	**$ 130**	**$ 86,977**

At March 31, 2007 and 2006, the Group had no outstanding contracts in stock related transactions, bond related transactions, commodity related transactions and credit derivative transactions.

31. Subsequent Events

Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2007 were approved at the Company's general stockholders meeting held on June 27, 2007:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥2.00 per share on common stock	**¥2,781**	**$23,558**
¥3.85 per share on preferred stock (Type1)	**577**	**4,891**
¥3.31 per share on preferred stock (Type4)	**261**	**2,215**
¥7.50 per share on preferred stock (Type5)	**805**	**6,825**

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, 2007 and 2006, and the related consolidated statements of income and cash flows for the years then ended, changes in net assets for the year ended March 31, 2007 and stockholders' equity for the year ended March 31, 2006, 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 at March 31, 2007 and 2006, 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, 2007 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

June 27, 2007

Member of Ernst & Young Global

Deloitte Touche Tohmatsu

June 27, 2007

Member of Deloitte Touche Tohmatsu

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Hokuriku Bank, Ltd.

March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Assets			
Cash and due from banks	**¥ 140,378**	¥ 147,834	**$ 1,189,144**
Call loans and bills bought	**120,000**	—	**1,016,518**
Commercial paper and other debt purchased	**199,885**	215,353	**1,693,224**
Trading assets	**6,078**	6,129	**51,491**
Money held in trust	**2,426**	2,425	**20,556**
Securities	**853,235**	892,726	**7,227,750**
Loans and bills discounted	**4,124,931**	4,085,728	**34,942,243**
Foreign exchanges	**9,970**	11,120	**84,463**
Other assets	**55,032**	43,985	**466,182**
Premises and equipment	**—**	70,125	**—**
Tangible fixed assets	**64,931**	—	**550,034**
Intangible fixed assets	**3,880**	—	**32,874**
Deferred tax assets	**46,053**	63,078	**390,121**
Customers' liabilities for acceptances and guarantees	**101,676**	186,234	**861,301**
Reserve for possible loan losses	**(57,759)**	(86,309)	**(489,277)**
Reserve for possible investment losses	**(58)**	(687)	**(491)**
Total assets	**¥5,670,665**	¥5,637,748	**$48,036,133**
Liabilities and stockholders' equity			
Liabilities			
Deposits	**¥4,976,321**	¥4,864,851	**$42,154,355**
Call money and bills sold	**31,573**	222,300	**267,454**
Payables under securities lending transactions	**13,880**	23,816	**117,579**
Trading liabilities	**718**	755	**6,085**
Borrowed money	**246,256**	72,453	**2,086,031**
Foreign exchanges	**373**	282	**3,162**
Other liabilities	**51,171**	40,674	**433,473**
Reserve for employee retirement benefits	**209**	273	**1,777**
Deferred tax liabilities for land revaluation	**9,087**	9,159	**76,983**
Acceptances and guarantees	**101,676**	186,234	**861,301**
Total liabilities	**5,431,268**	5,420,802	**46,008,200**
Stockholders' equity			
Capital stock	**—**	140,409	**—**
Capital surplus	**—**	14,998	**—**
Retained earnings	**—**	35,667	**—**
Land revaluation excess	**—**	9,063	**—**
Net unrealized gain on available-for-sale securities	**—**	16,806	**—**
Total stockholders' equity	**—**	216,945	**—**
Total liabilities and stockholders' equity	**—**	¥5,637,748	**—**
Net assets			
Capital stock	**140,409**	—	**1,189,407**
Capital surplus	**14,998**	—	**127,055**
Retained earnings	**54,411**	—	**460,924**
Total stockholders' equity	**209,820**	—	**1,777,386**
Net unrealized gain on available-for-sale securities	**20,642**	—	**174,860**
Net deferred hedge losses	**(23)**	—	**(195)**
Land revaluation excess	**8,957**	—	**75,882**
Total valuation and translation adjustments	**29,577**	—	**250,547**
Total net assets	**239,397**	—	**2,027,933**
Total liabilities and net assets	**¥5,670,665**	—	**$48,036,133**

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

The Hokuriku Bank, Ltd.

Year ended March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Income			
Interest income:			
Interest on loans and discounts	**¥ 76,148**	¥ 73,686	**$ 645,052**
Interest and dividends on securities	**9,953**	10,008	**84,314**
Interest on deposits with other banks	**640**	207	**5,427**
Other interest income	**3,279**	3,840	**27,777**
Fees and commissions	**25,597**	22,991	**216,833**
Trading income	**1,265**	1,129	**10,721**
Other operating income	**8,879**	9,821	**75,218**
Other income	**4,748**	10,703	**40,227**
Total income	**130,512**	132,391	**1,105,569**
Expenses			
Interest expenses:			
Interest on deposits	**6,972**	4,809	**59,064**
Interest on payables under securities lending transactions	**851**	626	**7,216**
Interest on borrowings and rediscounts	**2,394**	2,015	**20,283**
Other interest expenses	**2,315**	2,402	**19,614**
Fees and commissions	**6,368**	6,016	**53,947**
Other operating expenses	**1**	8	**10**
General and administrative expenses	**49,332**	52,941	**417,894**
Provision for reserve for possible loan losses	**21,666**	28,520	**183,538**
Other expenses	**2,625**	9,077	**22,241**
Total expenses	**92,528**	106,418	**783,807**
Income before income taxes	**37,983**	25,972	**321,762**
Income taxes:			
Current	**88**	92	**745**
Deferred	**19,256**	10,193	**163,126**
Net income	**¥ 18,638**	¥ 15,687	**$ 157,891**

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Hokkaido Bank, Ltd.

March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Assets			
Cash and due from banks	**¥ 110,593**	¥ 198,384	**$ 936,832**
Call loans and bills bought	**110,000**	—	**931,808**
Receivables under securities borrowing transactions	**21,785**	—	**184,543**
Commercial paper and other debt purchased	**0**	2	**7**
Trading account securities	**3,203**	3,329	**27,138**
Money held in trust	**12,514**	22,996	**106,011**
Securities	**850,659**	910,066	**7,205,922**
Loans and bills discounted	**2,692,922**	2,595,733	**22,811,709**
Foreign exchanges	**5,687**	3,696	**48,175**
Other assets	**46,883**	33,771	**397,153**
Premises and equipment	**—**	28,737	**—**
Tangible fixed assets	**25,747**	—	**218,106**
Intangible fixed assets	**2,791**	—	**23,647**
Deferred tax assets	**27,144**	39,631	**229,941**
Customers' liabilities for acceptances and guarantees	**30,269**	29,663	**256,411**
Reserve for possible loan losses	**(44,074)**	(55,502)	**(373,355)**
Total assets	**¥3,896,127**	¥3,810,512	**$33,004,048**
Liabilities and stockholders' equity			
Liabilities			
Deposits	**¥3,541,316**	¥3,397,340	**$29,998,449**
Call money and bills sold	**—**	95,200	**—**
Payables under securities lending transactions	**28,896**	84,060	**244,784**
Borrowed money	**85,900**	26,000	**727,658**
Foreign exchanges	**37**	63	**320**
Other liabilities	**34,923**	29,293	**295,840**
Reserve for employee retirement benefits	**10,785**	11,284	**91,365**
Acceptances and guarantees	**30,269**	29,663	**256,411**
Total liabilities	**3,732,130**	3,672,906	**31,614,827**
Stockholders' equity			
Capital stock	**—**	93,524	**—**
Capital surplus	**—**	16,795	**—**
Retained earnings	**—**	22,225	**—**
Net unrealized gain on available-for-sale securities	**—**	5,061	**—**
Total stockholders' equity	**—**	137,606	**—**
Total liabilities and stockholders' equity	**—**	¥3,810,512	**—**
Net assets			
Capital stock	**93,524**	—	**792,240**
Capital surplus	**16,795**	—	**142,271**
Retained earnings	**42,942**	—	**363,769**
Total stockholders' equity	**153,261**	—	**1,298,280**
Net unrealized gain on available-for-sale securities	**10,732**	—	**90,915**
Net deferred hedge losses	**3**	—	**26**
Total valuation and translation adjustments	**10,735**	—	**90,941**
Total net assets	**163,997**	—	**1,389,221**
Total liabilities and net assets	**¥3,896,127**	—	**$33,004,048**

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

The Hokkaido Bank, Ltd.

Year ended March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Income			
Interest income:			
Interest on loans and discounts	**¥53,783**	¥51,874	**$455,596**
Interest and dividends on securities	**9,404**	9,642	**79,665**
Interest on receivables under resale agreements	**132**	7	**1,123**
Interest on deposits with other banks	**0**	0	**1**
Other interest income	**1,135**	1,971	**9,617**
Fees and commissions	**18,478**	17,814	**156,534**
Other operating income	**3,082**	4,131	**26,116**
Other income	**2,443**	3,053	**20,701**
Total income	**88,461**	88,495	**749,353**
Expenses			
Interest expenses:			
Interest on deposits	**4,486**	3,145	**38,002**
Interest on payables under securities lending transactions	**25**	10	**212**
Interest on borrowings and rediscounts	**612**	435	**5,188**
Other interest expenses	**6**	4	**55**
Fees and commissions	**5,810**	5,562	**49,218**
Other operating expenses	**2,254**	2,031	**19,096**
General and administrative expenses	**37,914**	38,345	**321,170**
Provision for reserve for possible loan losses	**3,622**	12,985	**30,686**
Other expenses	**2,051**	2,860	**17,380**
Total expenses	**56,782**	65,382	**481,007**
Income before income taxes	**31,678**	23,113	**268,346**
Income taxes:			
Current	**64**	62	**546**
Deferred	**10,896**	9,606	**92,303**
Net income	**¥20,717**	¥13,444	**$175,497**

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	–
The Hokkaido Bank, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Banking	March 5, 1951	93,524	100.00	–
Hokugin Lease Co., Ltd.	2-21 Aramachi, Toyama City	Leasing	July 21, 1983	100	70.25	–
Hokuriku Card Co., Ltd.	1-2-1 Shintomi-cho, Toyama City	Credit card operations, loan guarantees	March 2, 1983	36	87.39	–
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 (38.75)	–

* 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, 2007)

	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:	¥5,670.6 billion	
Deposits (including NCDs):	¥4,976.3 billion	
Loans:	¥4,124.9 billion	
Issued shares:		
	Common stock	987,147,185
	Class 1 preferred shares	150,000,000
Capital ratio (non-consolidated):	9.16%	
Employees:	2,546	
Branches (as of June 30, 2007)		
Domestic:	186 (130 branches, 56 sub-branches)	
Overseas:	3 representative offices	
Non-branch ATMs	205	

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, 2007)

	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:	¥3,896.1 billion	
Deposits (including NCDs):	¥3,541.3 billion	
Loans:	¥2,692.9 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):	9.91%	
Employees:	1,743	
Branches (as of June 30, 2007)		
Domestic:	134 (125 branches, 9 sub-branches)	
Overseas:	1 representative office	
Non-branch ATMs	341	

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
August 2006	Opened representative office in Shenyang, China

Hokuhoku Financial Group

President:	*Deputy President:*		
Shigeo Takagi	Yoshihiro Sekihachi		

Directors:

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

Corporate Auditors:

Toshitsugu Kawakami	Yoshihiro Minami	Yasuhiro Ishiguro
Norikiyo Hayashi		

The Hokuriku Bank

President:	*Deputy President:*
Shigeo Takagi	Satoshi Kawai

Senior Managing Directors:		*Managing Directors:*	
Hideaki Haoka	Mitsuhiro Tokuno	Taminori Iwasaki	Masato Matsumoto

Director:
Akihiko Soma

Corporate Auditors:

Tatsuo Asai	Kumakichi Yagi	Akihiko Furuta	Kenichi Nakamura

The Hokkaido Bank

President:
Yoshihiro Sekihachi

Directors:

Masamichi Kondo	Masahiro Sasahara	Hiroshi Sagayama	Satoshi Kawai

Corporate Auditors:

Hisae Goto	Tatsuhiro Ishikawa	Yutaka Hayakawa	Akira Ibayashi

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