Annual Report 2010

Year ended March 31, 2010

Hokuhoku Financial Group, Inc.

Company outline (as of March 31, 2010)

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:

Common stock.................................. 1,391,630,146
Preferred stock (Type 5) 107,432,000

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

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

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

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Profile

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

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

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
	↓
	Management integration effected through equity swap
September 2004	**Hokuhoku Financial Group, Inc. is born.**

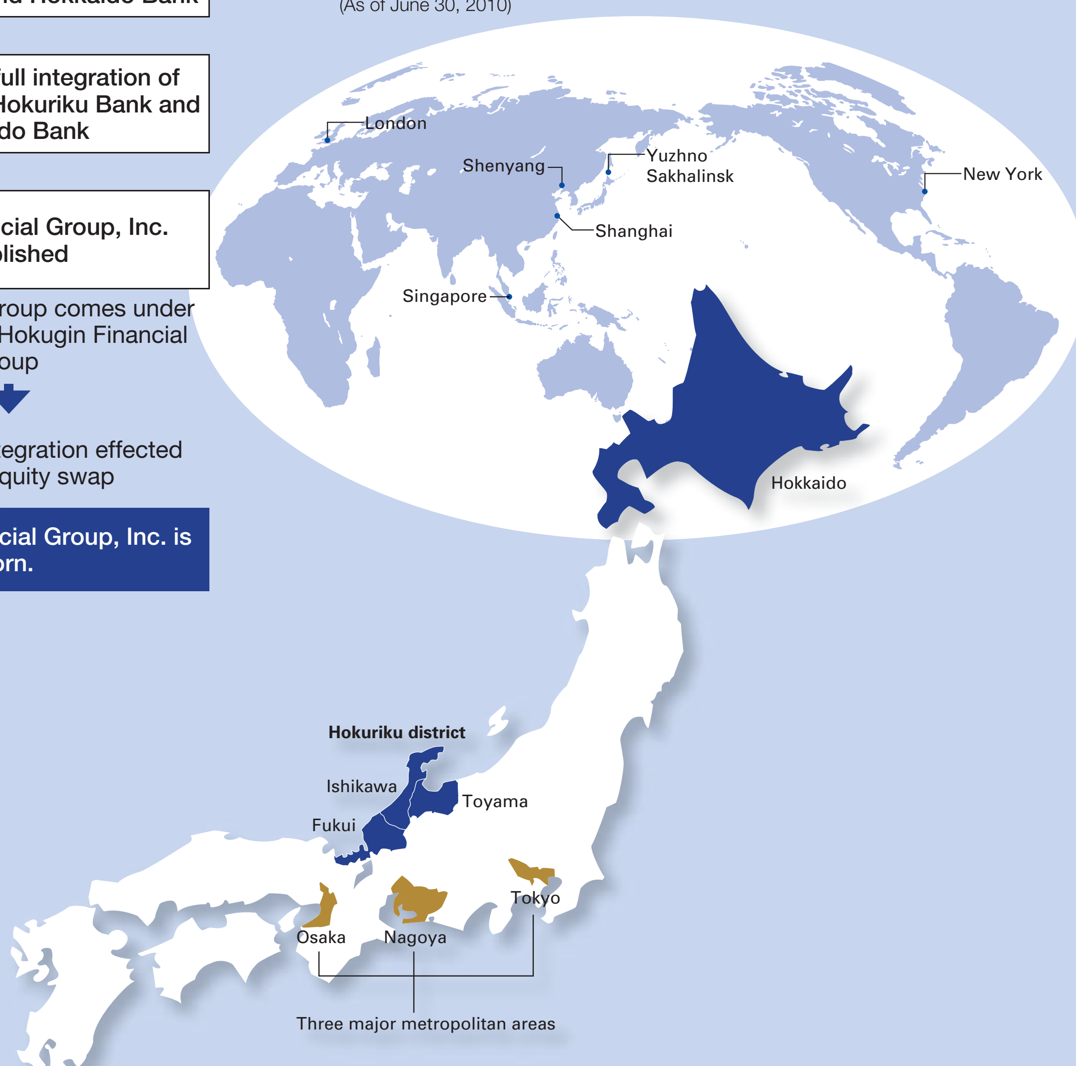
The operations of the Hokuhoku Financial Group extend beyond the limits of a single district.

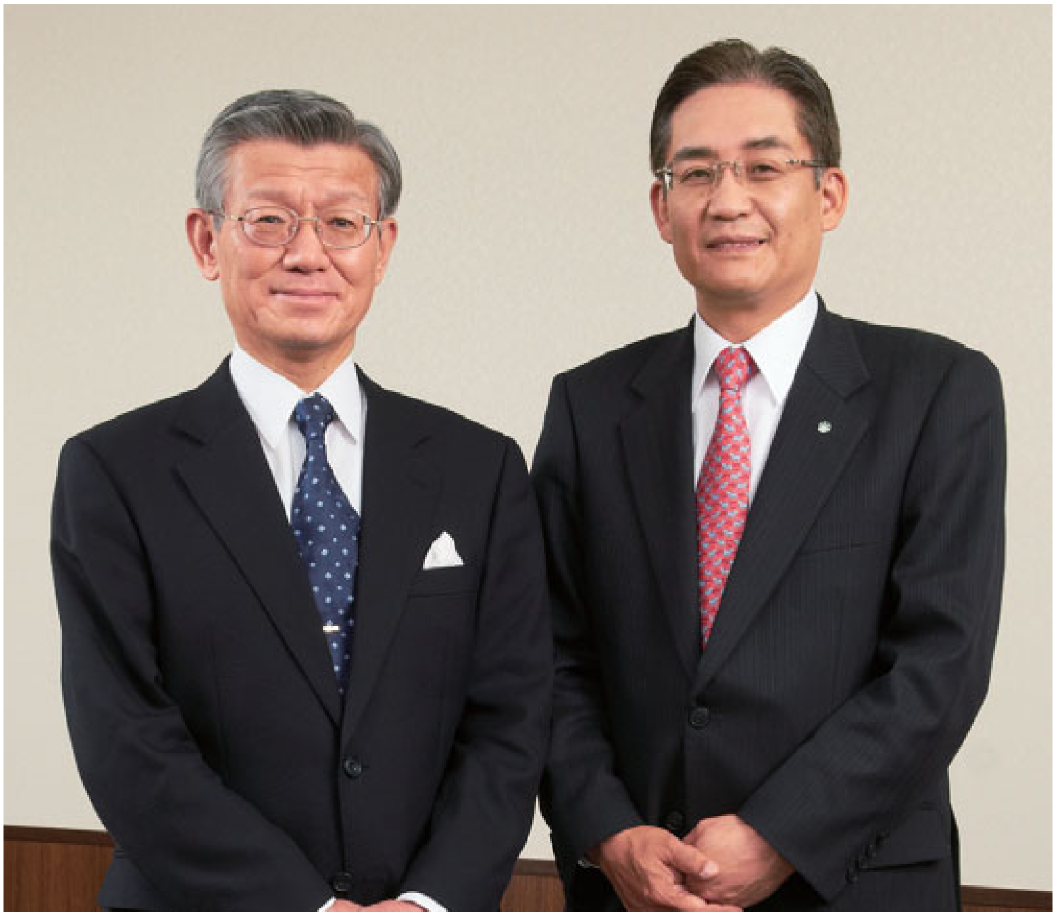
Our extensive network is outlined below.

Hokuriku district	**148 branches**
Toyama prefecture	90 branches
Ishikawa prefecture	36 branches
Fukui prefecture	22 branches
Hokkaido	**156 branches**
Three major metropolitan areas	**17 branches**
Tokyo and Kanagawa	10 branches
Kinki (Osaka) and Nagoya	7 branches
Others	**4 branches**
Overseas	**6 offices**

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

(As of June 30, 2010)





(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.)

First, we would like to thank all our stakeholders for their support to the Hokuhoku Financial Group over the years.

In fiscal 2009, amid the Japanese government's implementation of economic policies to counter the global economic recession stemming from Lehman Brothers' collapse, Japan's economy as well as its regional economies showed signs of gradual recovery. Nevertheless, with the spotlight now on a new problem, namely, the financial crisis originating from the budget crisis in Europe, future economic trends are uncertain. Meanwhile, people are calling for greater preparedness against problems that are unique to Japan, such as the dwindling birthrate coupled with an aging population as well as fiscal problems. We are facing challenging situations and must look at business issues from a variety of angles.

Under these circumstances, we initiated "Road to 10," our three-year medium-term management plan, which begins in fiscal 2010. As a financial group that is dependable and close to its customers, we seek to sustain our growth into the future and rebuild our business foundation over the next three years of the plan. It is also time for us to gain a foothold on the road to becoming a financial group with deposits of ¥10 trillion.

We will further develop and pursue our three key management policies of Strengthening Marketing Capabilities, Increasing Management Efficiency, and Cementing Customer Loyalty, and make steady step-by-step efforts to achieve the objectives outlined in our plan.

In addition, as a regional financial institution, Hokuhoku will facilitate the supply of funds to regions that it has been actively serving so that it can help regional economies achieve continuous growth. This will be done by setting up consultation counters, upgrading systems and developing human resources at its head and branch offices, as well as providing management rehabilitation support to SME clients in those regions through its specialized departments.

We therefore ask for your continued support and loyal patronage.

July 2010

Shigeo Takagi
President

Yoshihiro Sekihachi
Deputy President

Since March 1998, after receiving public funds support, the Hokuhoku Financial Group has strengthened its earning capacity based on the Revitalization Plan. At the same time, it has improved management efficiency and its financial position. By executing its plans and rehabilitating management, in August 2009, it was able to fully repay those public funds.

The Company views the next three years as the time to “Renew endeavor to achieve sustainable growth” and it is addressing management issues based on “Road to 10,” its mid-term management plan.

We continue to further develop our three key management policies of Strengthening Marketing Capabilities, Increasing Management Efficiency and Cementing Customer Loyalty. We are implementing revised measures according to the new business stage we are at after full repayment of public funds, and gaining a foothold on the road to becoming a financial group with deposits of ¥10 trillion.

Overview of management plan

Title	Mid-Term Management Plan, “Road to 10”
Period	3 years (April 2010 to March 2013)
Position	Renew endeavor to achieve sustainable growth ~Achieve JPY 10 trillion in deposit~
Target corporate profile	Close and reliable financial group for local customers
Main theme	1. Establishing a stable earnings base to deal with uncertainty over economy 2. Smooth migration and strategic utilization of joint banking system (MEJAR*), and upgrading human resources and service delivery channels 3. Accumulating capital surplus to meet new rules of regulatory capital, increase in dividends and redemption of preferred stock

*MEJAR = Most Efficient Joint Advanced Regional banking-system

Target Figures for Fiscal Year ending March 31, 2013 (Hokuriku Bank and Hokkaido Bank)

Deposits (avg. balance)	JPY 9,550.0 bn
Loans (avg. balance)	JPY 7,200.0 bn
Core net business profit	JPY 70.0 bn
Net income*	JPY 25.5 bn
Capital adequacy ratio* (Tier I capital ratio*)	Above 11.5% (Above 7.5%)
OHR	58%
ROA (Core net business profit basis)	0.68%
ROE* (Core net income basis)	Above 6%
NPL ratio	Around 3%

*FG consolidated

Basic Policies in Management Plan

We will keep on three key policies and implement proper measures after full repayment of public funds to achieve JPY 10 trillion in deposit.

	I. Strengthening Marketing Capabilities	II. Increasing Managament Efficiency	III. Cementing Customer Loyalty
Revitalization Plan	Focus on profit opportunities Conservative management of Securities Portfolio	Realignment of delivery channel Integration of back office functions Increase of part-timers	Decrease of NPL ratio Full repayment of public funds Improvement in capital adequacy ratio
Full repayment of public funds			
Mid-Term Management Plan “Road to 10” Renew endeavor to achieve sustainable growth	■ Expansion of earnings base ■ Client-focused consulting services ■ Expansion of investment in securities	■ Smooth migration and strategic utilization of joint banking system ■ Pursuit of further synergy ■ Increasing sales force	■ Improvement in quality of capital ■ Stable increase of common stock dividends

I. Strengthening Marketing Capabilities

Our aim is to become a “Close and reliable financial group for local customers” through “Triple R” strategies

Retail ~Close to Customers~

Increasing contact with customers and diversify transactions of each account
Enhancing segment marketing
Expanding business to SMEs (*Maruho* loan* etc.)
*Loans guaranteed by credit guarantee corporations
Promotion of housing loan
Increase in salary deposit and pension transfer accounts

Region ~Contribution to local community~

Establishing branch network focused on customer convenience
Initiating strategic realignment of branch network
Establishing business center and consultation lounge
Beefing up collaboration with academic institutions and local governments
Attracting new business to our region
Enhancing CSR initiatives
Supporting local growing industries (agriculture, medicine, environment)

Relation ~Dependable Service~

Offering the best solutions to customers
Advisory fit to customers’ life cycle
Corporate customers:
Start-up → Growth →Expansion → Succession
Personal customers:
Solutions in line with client’s life stage
Offering private banking services
Capitalizing on overseas representative offices

Strategic allocation of Human Resources

Improvement of negotiation skills
Know-how shared through communication within the Group

Strengthen alliance

Working closely with Hokuhoku Services Co., Ltd.
Shoring up collaboration with other banks / Shinkin banks and convenience stores

II. Increasing Management Efficiency

Smooth migration and strategic utilization of joint banking system

Migration to start in May 2011 → **Acceleration of synergy**

Bank of Yokohama
Started advanced operations from Jan. 2010

Joint Use of Banking System (MEJAR)

Hokuriku Bank | Two brand operation | Hokkaido Bank

Decrease in R&D cost

Joint procurement of business forms & equipments
Joint employee training & audit programs

Integration of business process

Shared administrative manuals & numerical tables
Joint preparation for regulation changes:
Mark-to-market accounting · IFRS
New regulations for capital adequacy ratio
Extensive consolidated use of back office
Hokuhoku Services
Hokkaido Dept. (Mar. 2010)
Toyama Dept. (scheduled on Autumn 2010)

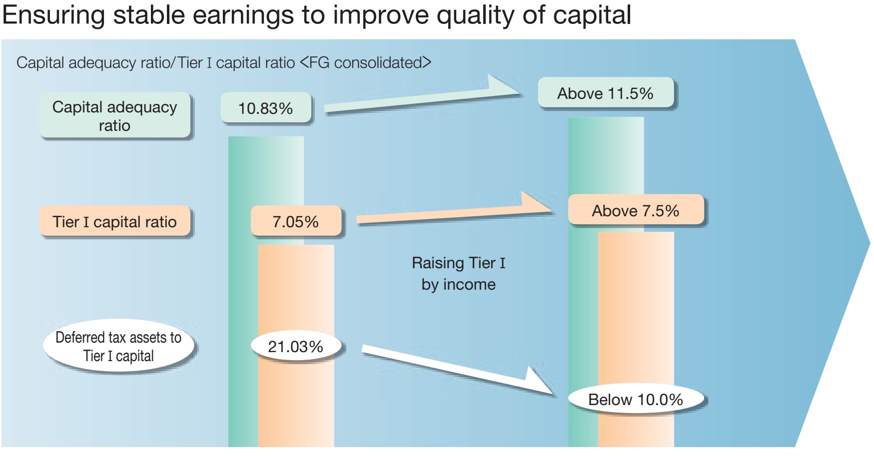
Cutback on future expenses

Reallocation of human resources and increase in sales force

Enhancement of management and governance

III. Cementing Customer Loyalty

Ensuring stable earnings to improve quality of capital



Aiming at capital adequacy ratio of 12% and Tier I capital ratio of 8%

Improving quality of capital

Stable increase of common stock dividends

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

(¥ billion)

	FY2009	Change	FY2008
Ordinary income	226.7	(12.8)	239.6
Ordinary profits	35.4	14.0	21.3
Net income	19.2	(17.8)	37.0
Capital adequacy ratio	10.83%	+0.02%	10.81%

In the fiscal year ended March 31, 2010, Hokuhoku Financial Group recorded ordinary income of ¥226.7 billion, a decrease of ¥12.8 billion year-on-year on a consolidated basis. Ordinary profits increased ¥14.0 billion year-on-year to ¥35.4 billion, and net income fell ¥17.8 billion to ¥19.2 billion.

Our capital adequacy ratio stood at 10.83% at the term-end on a consolidated basis, an increase of 0.02 percentage point from the previous term-end.

Summary of Operations (Hokuriku Bank and Hokkaido Bank)

(¥ billion)

	Hokuriku Bank and Hokkaido Bank		
	FY2009	Change	FY2008
Ordinary income	207.4	(11.1)	218.5
Core gross business profit	160.9	(7.4)	168.3
Expenses	94.4	2.8	91.5
Core net business profit	66.4	(10.3)	76.8
Credit costs	25.5	(10.0)	35.5
Income (loss) on marketable securities	0.2	17.9	(17.6)
Ordinary profits	36.8	15.5	21.3
Net income	26.0	(11.8)	37.9

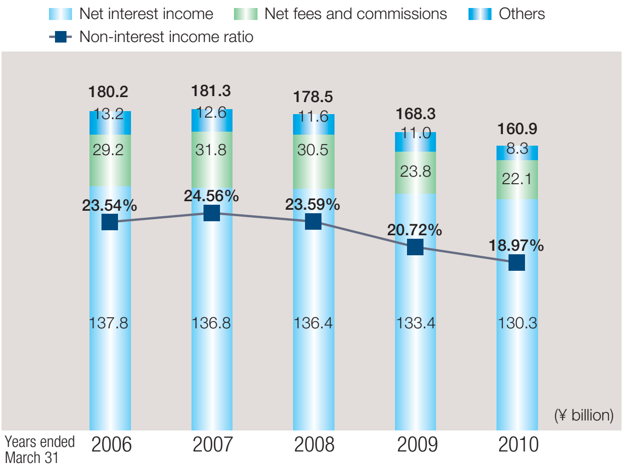
Owing to a decline in interest income and fees and commissions, as well as an increase in expenses for a new core computer system scheduled to go online from 2011, the banking subsidiaries recorded a year-on-year decline of ¥10.3 billion in core net business profit to ¥66.4 billion.

Ordinary profits increased ¥15.5 billion to ¥36.8 billion due to a ¥10.0 billion decrease in credit costs and and a ¥17.9 billion improvement in income on marketable securities. Net income came in at ¥26.0 billion, due to the absence of the special factor which decreased the previous year's deferred income taxes.

(¥ billion)

	Hokuriku Bank			Hokkaido Bank		
	FY2009	Change	FY2008	FY2009	Change	FY2008
Ordinary income	113.7	(10.5)	124.2	93.7	(0.5)	94.3
Core gross business profit	90.1	(4.6)	94.7	70.8	(2.7)	73.5
Expenses	51.8	0.4	51.3	42.6	2.4	40.2
Core net business profit	38.3	(5.0)	43.4	28.1	(5.2)	33.3
Credit costs	13.4	(8.0)	21.4	12.0	(2.0)	14.0
Ordinary profits	19.9	11.1	8.8	16.9	4.4	12.5
Net income	15.6	(10.7)	26.4	10.3	(1.0)	11.4
Capital adequacy ratio	10.80%	+0.57%	10.23%	10.19%	(0.26%)	10.45%

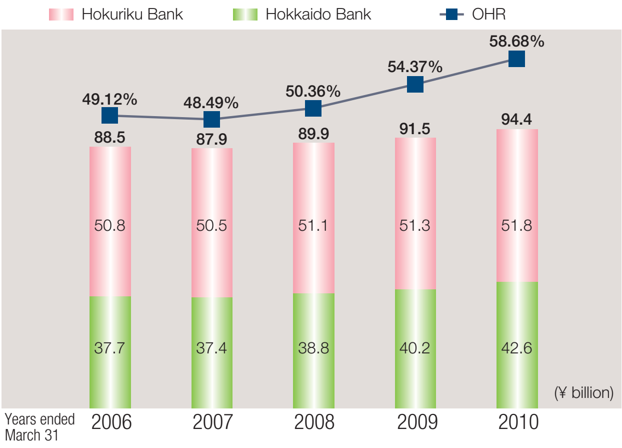
Core gross business profit (Both banks)



Core gross business profit declined ¥7.4 billion year-on-year to ¥160.9 billion, owing to declines in interest income and fees and commissions.

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

Expenses (Both banks)

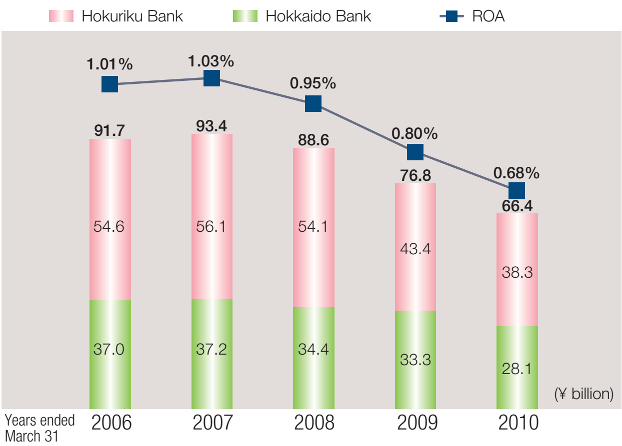


Expenses increased by ¥2.8 billion to ¥94.4 billion for the reporting term, as a result of an increase in sales staff, direct hirings, and increased investments in computer systems.

The overhead ratio (OHR), an efficiency indicator, remained below average among Japan's regional banks.

- Expenses = Personnel expenses + non-personnel expenses + taxes
  Equivalent to selling, general and administrative expenses in the case of companies other than banks
- OHR = Expenses divided by core gross business profit
  This index shows a bank's efficiency at realizing profits with a small outlay (expenses); the lower the figure the better.

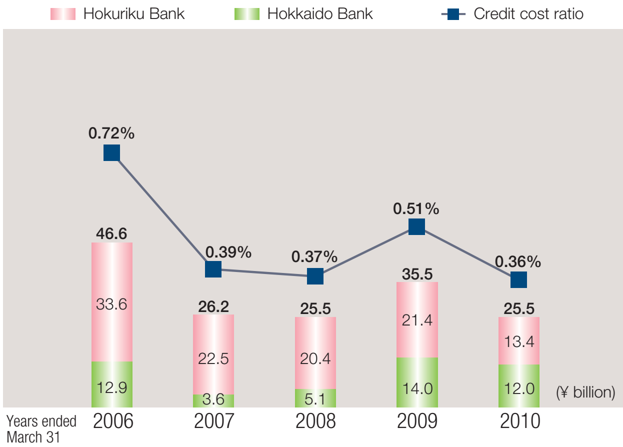
Core net business profit (Both banks)



Core net business profit declined ¥10.3 billion year-on-year to ¥66.4 billion, due to a lower level of core gross business profit and higher expenses.

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

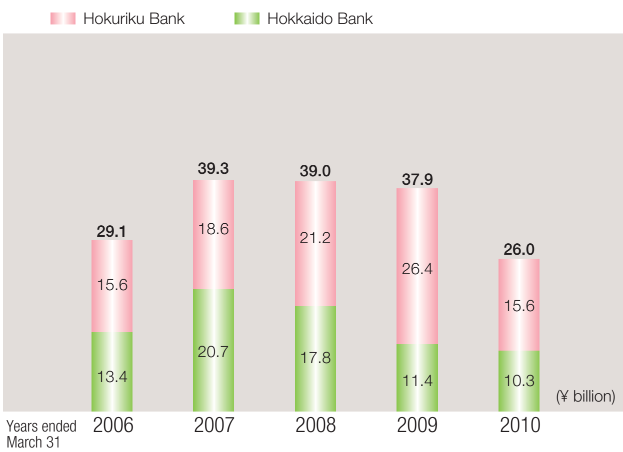
Credit costs (Both banks)



Total credit costs decreased ¥10.0 billion year-on-year to ¥25.5 billion.

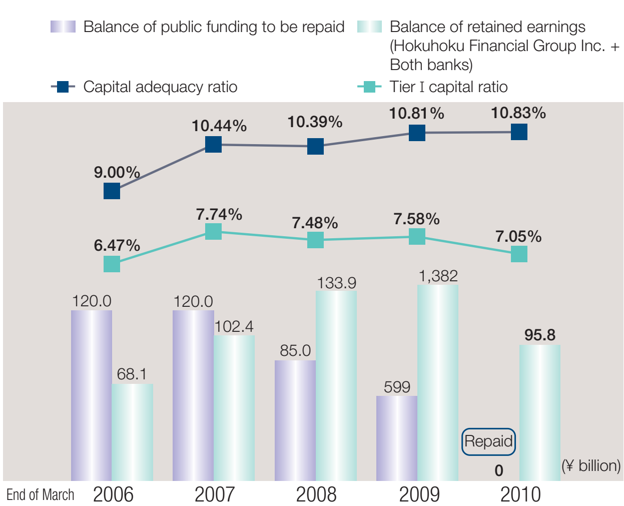
- Credit costs = amount of bad loan disposal + provision of allowance for loan losses
- Credit cost ratio = total credit costs divided by average loan balance

Net income (Both banks)



Net income declined ¥11.8 billion year-on-year to ¥26.0 billion, due partly to an increase in deferred income taxes.

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



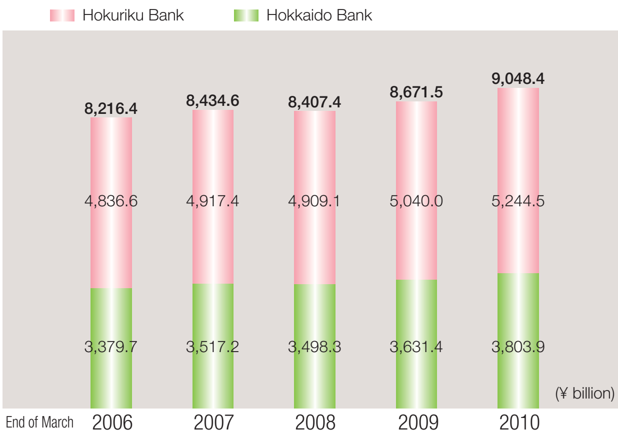
Our capital adequacy ratio rose 0.02 percentage point year-on-year to 10.83%, due to the steady accumulation of earnings.

The repayment of public funds was completed in August, 2009.

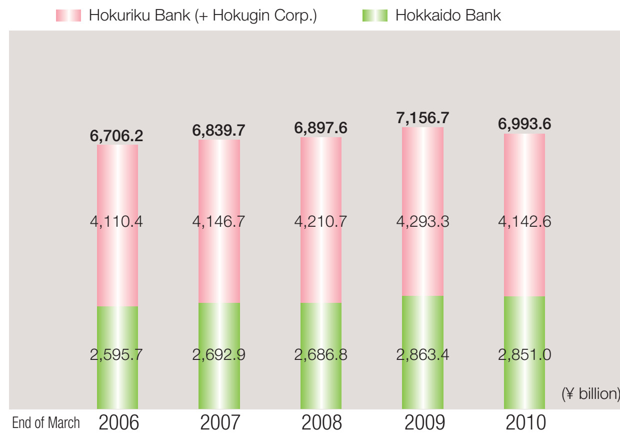
- Capital adequacy ratio
  This ratio indicates the proportion of the bank's regulatory capital (capital stock, capital surplus, retained earnings and supplementary elements) to its risk-weighted assets. The higher the ratio, the healthier its financial position.
- Tier I capital ratio
  This ratio indicates the proportion of a bank's Tier I capital (the basic element of regulatory capital; basically capital stock, capital surplus, and retained earnings) to its risk-weighted assets (principally loans). The higher the ratio, the healthier its core banking operations.

* Calculated in accordance with the current BIS standards (Basel II). Up to and including the term ended March 2006, however, the previous BIS standards were employed to calculate the Group's capital ratios.

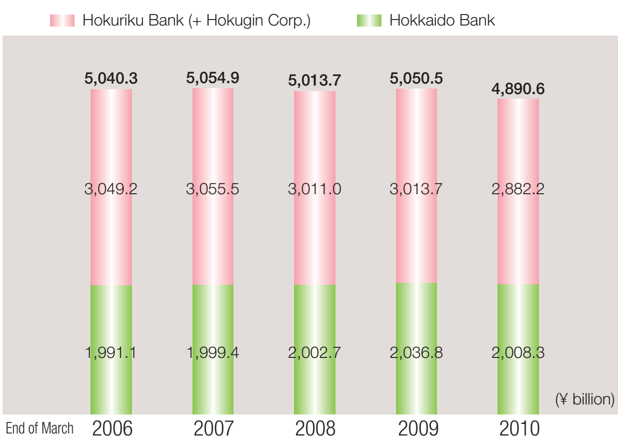
Deposits (Both banks)



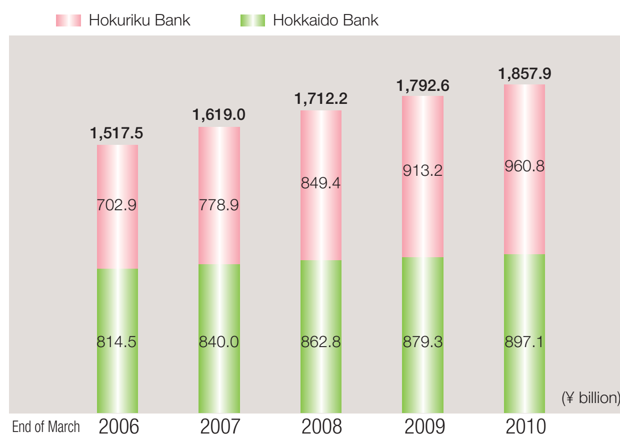
Loans and bills discounted (Both banks + Hokugin Corp.)



Outstanding Loans to SMEs (Both banks + Hokugin Corp.)

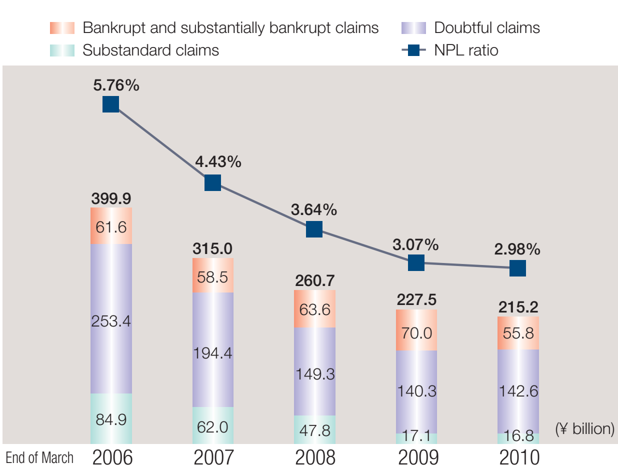


Outstanding Housing Loans (Both banks)



Disclosed Claims under the Financial Reconstruction Law (Both banks + Hokugin Corp.)

Disclosed Claims under the Financial Reconstruction Law came to ¥215.2 billion, a decrease of ¥12.2 billion from the previous term-end. The NPL ratio under the Law stood at 2.98 %, down 0.09 percentage point from the previous term-end.



- Disclosed Claims under the Financial Reconstruction Law: The bank classifies both loans and other assets in line with the stipulations of the Financial Reconstruction Law.
- Claims subject to disclosure: loans, customers' liabilities for acceptances and guarantees, foreign exchanges, accrued interest, suspense payments, securities loaned, private bonds with the Bank's own guarantees (regarding claims on obligors requiring caution, loans and private bonds with the Bank's own guarantees only)

Bankrupt and substantially bankrupt claims	This category is defined as the sum of claims on bankrupt borrowers and effectively bankrupt borrowers
Doubtful claims	This category is defined as claims on potentially bankrupt borrowers under asset self-assessment. The execution of contracts on repayment of the principal and payments of interest is highly doubtful.
Substandard claims	This category is defined as claims on borrowers requiring caution under asset self-assessment. This category comprises past due loans (three months or more) and restructured loans under the Banking Law.

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

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

Basic approach

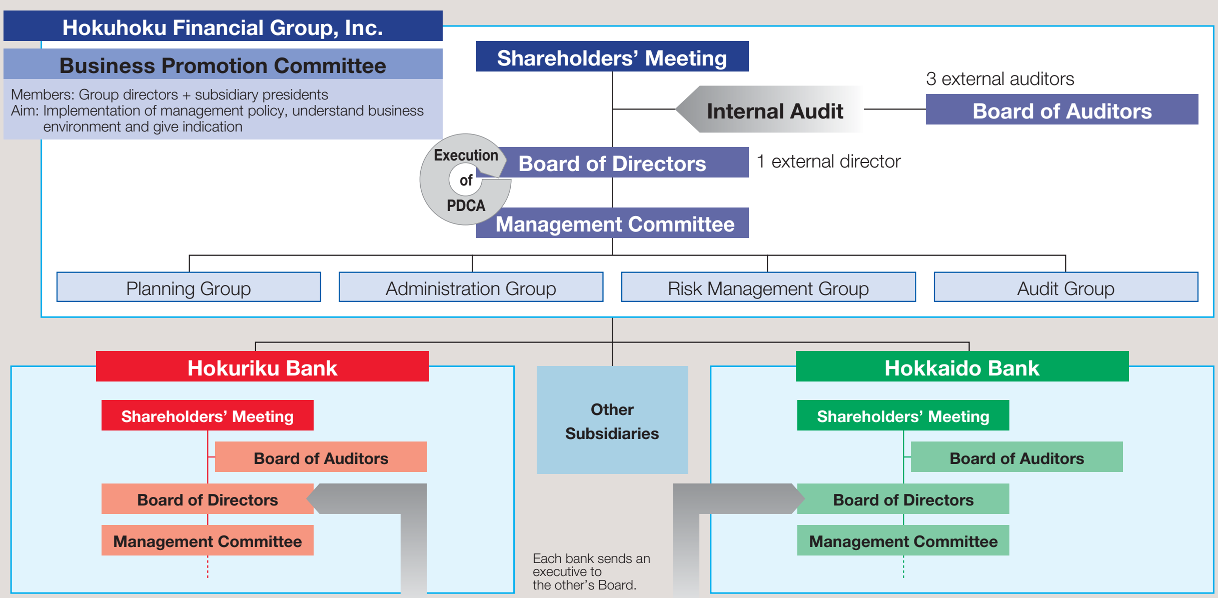
The holding company and all its member companies regard strengthening and upgrading corporate governance as one of its top management priorities. We have drawn up a basic policy — our management philosophy — covering all our activities including management strategy-setting and decision-making. We share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

Corporate governance

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

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

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



1. Board of Directors

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

2. Board of Auditors

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

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

3. Management Committee

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

4. Business Promotion Committee

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

Basic policy on internal controls

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

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

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

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

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

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

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

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

4. Ensuring efficient performance of duties by directors

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

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

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

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

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

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

Additionally, the Board of Directors determines policies for the management of customer protection, and develops management policies and structures for protection of customer interests.

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

The Company has no connections with anti-social elements that threaten public order or security, and avoids all business dealings with such groups.

6. Ensuring the appropriateness of operations within the Group

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

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

7. Deployment of employees as assistants to Corporate Auditors

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

8. Reporting by the Board of Directors and employee assistants to the Corporate Auditors, and other reporting to the Corporate Auditors

Directors shall submit reports to the Corporate Auditors as follows.

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

9. Ensuring effective auditing by Corporate Auditors

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

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

Basic philosophy

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

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

Groupwide Measures

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

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

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

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

We ensure more rigorous observance of laws and social norms

Basic policy

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

System

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

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

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

Basic policy on compliance

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

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

2. Providing quality financial services

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

3. Strict observance of laws and regulations

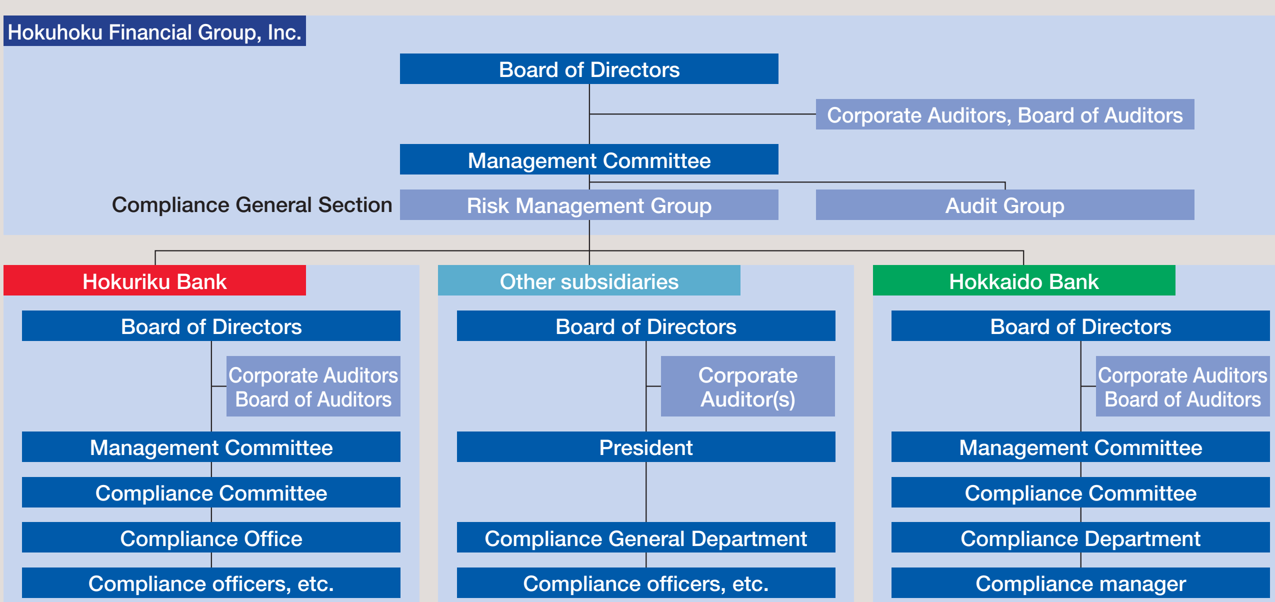
The Group strictly observes all relevant laws and regulations, and conducts business in a trustworthy and honest way that conforms to its own standards of corporate ethics and to social norms.

4. Elimination of ties with anti-social elements

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

5. Ensuring management transparency

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



Compliance manual and compliance program

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

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

Measures to accelerate customer protection and customer convenience

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

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

The Compliance General Section of every Group member is the office responsible for overall management of customer protection. Compliance officials at each Group member work in partnership for ongoing review of management systems, problem resolution and data analysis, through which various improvement policies may be drawn up and implemented.

Measures for protection of personal information

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

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

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

Measures to deal with anti-social elements

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

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

Whistleblower protection system

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

Measures to deal with financial crime

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

Additionally, we are working to prevent money laundering by properly confirming the identification of individuals as mandated by the Act on Prevention of Transfer of Criminal Proceeds.

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

Hokuhoku Financial Group's general risk management system

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

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

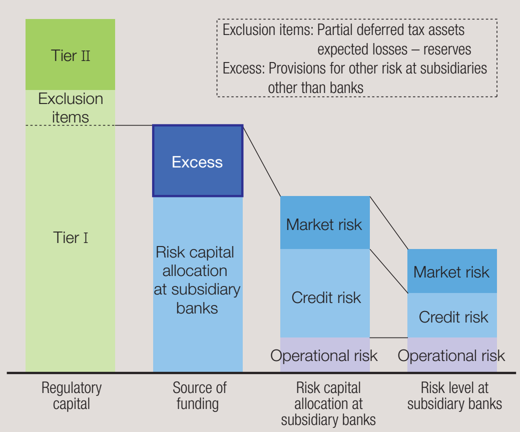
At our subsidiary banks, which have the highest risk exposure within the Group, we have categorized risk for management purposes as: credit risk, market risk, liquidity risk and operational risk, which we manage through our Asset Liability Management Committees and Comprehensive Risk Management Committees.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

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

Allocation of risk capital

To ensure that risk exposure does not become excessive compared with our capital position, the Group applies a unified set of benchmarks to each category of risk to appraise and manage exposure.

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



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

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

Credit risk management

Basic policy

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

Management system

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

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

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

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

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

Internal ratings system

To enable objective appraisal of credit risk in lending operations, the subsidiary banks have introduced an internal ratings system. Using 14 credit ratings based on financial data and qualitative information regarding borrower creditworthiness, the system enables ongoing monitoring of changes in rating.

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

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

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

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

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

The Group has unified standards for write-offs and provisions to reserves for possible loan losses. For loans other than those specified below (including loans to borrowers requiring caution), provision is made to the reserves for possible loan losses based on the historical loan-loss ratio over a particular past period. For loans to borrowers threatened with bankruptcy, a provision is made to specific reserves, in the amount deemed necessary, after exclusion of amounts that may be recoverable through collateral and guarantees. For loans to bankrupt and substantially bankrupt borrowers, provision is made in the full amount at issue to the specific reserve, excluding amounts that may be recoverable through collateral and guarantees.

Corporate rehabilitation

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

Market risk management

Basic policy

Market risk is the significant and unavoidable risk of incurred losses in securities resulting from fluctuations in market rates such as interest rates, stock and bond prices, and foreign-exchange rates, as well as losses incurred due to the different time structures between loans and bills discounted (our main assets) and deposits (our main liabilities).
At the subsidiary banks, where market risk is critical to transactions, we have created regulations for market risk management and assets and liabilities are subject to asset-liability management (ALM), so that Hokuhoku Financial Group controls such risk in order to ensure stable earnings.

Types of risk and management system

(1) Interest-Rate Risk

To disperse risk on bonds and other marketable securities which are exposed to interest-rate risk, as well as risk on deposits and loans, the subsidiary banks have set regulations on interest rate management and their ALM Committees control interest-rate risk appropriately.

The sections in charge of risk management assess risk level daily using such indicators as value-at-risk (VaR) and basis-point-value (BPV). They also periodically run gap analysis and duration analysis (a measure for evaluating the sensitivity of the asset's price to interest rate movements) to monitor interest-rate risk. The results are reported and reviewed at ALM Committees for implementation of necessary measures.

To ensure that the subsidiary banks are not exposed to excessive interest risk, we set various investment ceilings for bonds and other securities based on risk capital allocation under VaR, and manage both the balance and risk level of marketable securities. We have also set rules for when losses (unrealized and realized) are mounting.

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

When market prices fluctuate significantly, making it impossible to accurately assess risk levels or raising the prospect of unforeseen risk, risk levels are assessed using comparisons between VaR and actual losses through backtesting. We also run a wide range of earnings simulations under differing interest-rate fluctuation scenarios to understand asset-liability structures, and work together to ensure a suitable balance between risk and earnings performance.

*1 VaR: The largest predicted loss that is possible given a fixed confidence interval.

*2 BPV: The amount of impact in assessed value as a result of a one basis point (0.01%) rise in interest rates.

(2) Stock Price Fluctuation Risk

Among marketable securities, stock prices are exposed to fluctuation risk. As with management of interest-rate risk, we have set various ceilings and monitor at-risk amounts. We conduct strict management by regularly reporting to relevant committees including the Management Committee.

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

(3) Foreign Exchange Rate Risk

Foreign currency assets and liabilities are exposed to exchange rate risk. To reduce such risk, we regularly monitor the international situation and major forex indicators in Europe and the US, and conduct risk management with due consideration of the maturity of individual assets and liabilities. We also use currency swaps.

(4) Derivative Transactions Risk

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

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

Liquidity risk management

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

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

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

Operational risk management

Basic policy

Operational risk refers to the risk of losses arising due to accidents, wrongful conduct and legal violations during day-to-day banking operations, computer system stoppage or misuse, or external and internal events such as natural disasters.

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

Administrative risk	Risk of losses due to administrative errors and accidents, or wrongful transactions in which employees have exceeded their authority
System risk	Risk of losses due to stoppage of computer systems, system failures due to operating errors, and misuse of computers
Legal risk	Risk of losses due to failure to confirm legality of transactions
Tangible asset risk	Risk of losses due to natural disasters damaging tangible assets
Personnel risk	Risk of losses due to health and safety problems at the workplace
Reputational risk	Risk of losses due to unjustified rumors and defamation within markets and among customers

Management structure

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

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

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

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

Risk management systems by major category

• Administrative risk management

The Group has closely analyzed the cause of administrative incidents and problems and discussed measures to prevent recurrence, so as to prevent accidents and problems in administrative operations and maintain quality of operation in terms of promptness and accuracy. At the same time, we endeavor to raise administrative operation standards by setting rules for proper processing, improving administrative processing systems, dispatching advisory staff from the head office, centralizing clerical work at branches and introducing equipment to automate procedures.

• System risk management

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

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

Additionally, at the subsidiary banks, the current system is scheduled to be replaced with our new MEJAR system in May, 2011. In preparing for the migration we are taking every possible measure to minimize inconvenience for customers.

Contingency plan

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

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

Fundamental approach to group CSR

1. Basic stance

The 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 our stakeholders.

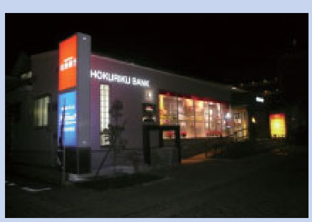
2) Our Stakeholders

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

To meet diversifying customer needs

Enhancing branch appeal

• Hokuriku Bank Establishes Morinosato Branch (November 2009)
The new branch is equipped with safety deposit boxes, a night depository safe, a Kids' Corner and gallery lounge, as well as solar power generation equipment, making it a comfortable and convenient branch. The vicinity around Morinosato is full of commercial facilities and housing developments due to the opening of the Mountainside Outer Ring Road in the Kanazawa area, and additional development is expected.



• Hokkaido Bank Establishes Nakashibetsu Branch (August 2009)
Hokkaido Bank opened the Nakashibetsu Branch — the first branch in 17 years to open outside the city of Sapporo — in Nakashibetsu Town, a strategic traffic and information point for the Konsen district (the generic name for the Nemuro and Kushiro regions), which is one of Hokkaido's foremost agricultural zones, especially for dairy production. The new branch provides consultation booths, fully automated safety deposit boxes and a seminar room with the aim of making it more appealing by enhancing customer convenience.

• Hokkaido Bank relocates Shiraoi Branch (December 2009)

• Hokkaido Bank opens Miyanomori Personal Branch (December 2009)

Enhanced customer convenience

• Expansion of convenience store ATM partnerships — Hokuriku Bank and Seven Bank form partnership (September 2009)
Hokuriku Bank formed the first ATM usage partnership with Seven Bank in Toyama Prefecture. Based on this partnership, Hokuriku Bank can now use the withdrawal and deposit services at the 14,188 nationwide Seven Bank ATMs installed in Seven-Eleven convenience stores and Ito-Yokado stores. Moreover, with the BankTime ATM service started in May, along with free reciprocal ATMs, the number of points where cash can be accessed nationwide has increased dramatically to 35,115 (as of September 2009).

• Foreign Exchange Plaza Opened in New Location — Hokkaido Bank's Head office Business Division (September 2009)
The Foreign Exchange Plaza provides foreign exchange in 14 currencies and travelers checks in six currencies. The new service counter faces the Odori Station ticket gate on the Namboku Line, the busiest subway station in Sapporo and can accommodate more customers.

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

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

Business-matching events (fiscal 2009-2010)

2009

May Business conference in Changzhou, China

June Hokkaido Food Special Business Conference in Hakodate

July Manufacturing business conference in Shanghai

July Hokkaido Food Special Business Conference in Nakashibetsu for agricultural producers

September Hokkaido Food Special Business Conference

October Takaoka's 400-Year History "Tokai Hokuriku Area Business Matching Event" — Business Summit 2009 in Takaoka

October Shanghai Buyers Summit in Kanazawa

November Regional Bank's "Food Selection 2009"

November Joint business conference of Japanese regional banks and the municipal government of Dalian, China

December Joint business-matching event with KASIKORNBANK in Bangkok

2010

March Nationwide New Food Business Conference — business partnership "Treasure Hunting" — Tokai Hokuriku area

April Russian Far East Business Forum 2010

June Hokkaido Food Special Business Conference in Hakodate

Agreements with overseas municipal and other government organizations

Oct. 2004	Dalian	Hokuriku Bank
Nov. 2005	Shenyang	Hokkaido Bank
Apr. 2006	Shanghai	Hokuhoku FG
Sep. 2006	Liaoning	Hokuhoku FG
Nov. 2006	Vietnam govt.	Hokuriku Bank
Mar. 2007	Changchun	Hokkaido Bank
Jun. 2007	Suzhou	Hokuriku Bank
Feb. 2008	Guangdong	Hokuhoku FG
Jun. 2008	Harbin	Hokkaido Bank
Feb. 2009	Ningbo	Hokuhoku FG
Nov. 2009	Khabarovsk	Hokkaido Bank
Dec. 2009	Wuxi	Hokuriku Bank
Feb. 2010	Sakhalin	Hokkaido Bank

Alliances with overseas banks and other partners

Dec. 2005	KASIKORNBANK (Thailand)	Hokuriku Bank
Jul. 2006	Standard Chartered Bank	Hokuriku Bank
Sep. 2007	State Bank of India	Hokuriku Bank
Sep. 2008	Mizuho Corporate Bank	Hokuriku Bank
Dec. 2008	Bank of Communications, PRC	Hokuriku Bank
Apr. 2009	Financial Information Service Co., Taiwan	Hokkaido Bank
Sep. 2009	Deutche Bank	Hokuriku Bank
Dec. 2009	Vietcombank	Hokuriku Bank

• Manufacturing business conference in Shanghai (2009 SUMMER) July 2009

The conference was jointly sponsored by the Hokuriku Bank and the Hokkaido Bank, along with 11 regional banks including the Ogaki Kyoritsu Bank, and held at the Shanghai Mart in Shanghai, China. The conference was concentrated on manufacturing industries and held for the purpose of finding parts suppliers and contract manufacturers in China. It was a lively conference, with 2,500 visitors and 3,000 business meetings held.

• Joint business conference of Japanese regional banks and the municipal government of Dalian, China (November 2009)

The conference was jointly sponsored by the Hokuriku Bank and the Hokkaido Bank, along with 11 regional banks including the Ogaki Kyoritsu Bank, as well as the Dalian government, and held in Dalian, China. A total of 85 client companies of the participating banks operated booths in search of parts suppliers, expanded sales channels, contract manufacturers and investment and joint-venture partners.

More dialog and better disclosure

We continuously communicate with investors and analysts for better disclosure.

IR meetings for investors and analysts

November 2009: Fiscal 2009 interim results (Tokyo)
May 2010: Fiscal 2009 results (Tokyo)

IR overseas roadshow

July 2010: North America (Boston, New York)
Europe (Paris, London, Edinburgh)

IR meetings for individual investors

June 2010: Three cities in Hokuriku (Toyama, Kanazawa and Fukui) and one city in Hokkaido (Sapporo)

General meeting of shareholders

June 2010: Seventh ordinary general meeting of shareholders (Toyama, with live broadcast to Sapporo)

Advancing with regional communities

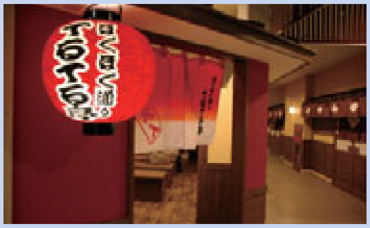
We take part in social contribution activities.

Financial education

- All-Japan high-school quiz in finance and economy “Economics Koshien,” in Hokkaido, Toyama and Fukui prefectures
- Participation as Mini Hokkaido Bank in the “Kodomo no Machi (Kid’s Town) Mini Sapporo 2008” for children, hosted by Sapporo city
- Financial class at high schools and universities
- Internships

Support for cultural events

- Sponsorship for concerts
- A reproduction of a bustling Edo Period street is Opened
  The Teru-Teru Tei Hoku-Hoku Street built on Chuo Street by Hokuriku Bank in cooperation with Toyama Prefecture and Toyama City has opened. The Teru-Teru Tei Theater, a performance hall created by popular *Rakugo* (comic storytelling) performer Shinosuke Tatekawa and opened in June 2008, has already attracted 17,000 visitors. Seeking to create additional bustling city scenes from the Edo Period, the Hoku-Hoku Street complex has opened and provides a mini theater where people can enjoy the *Rakugo* of Mr. Tatekawa on the first floor of the Theater, as well as dioramas of Toyama City’s near future, such as the passing of the Hokuriku bullet train and the Centrum streetcars.



Helping conserve the regional environment

Measures undertaken as a financial institution

Support financing for environment-friendly homebuilding, intermediary role in carbon-rights trading, lending based on “environmental ratings” and intermediary services for applications to loans under the Sapporo City environment protection fund (Hokkaido Bank).

Helping reduce greenhouse gases

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

Further environmental protection activities

- Hokkaido Bank forest campaign
  As a financial institution that has Hokkaido — an area abundantly blessed by nature — as its business base, on June 11, 2009, the Hokkaido Bank initiated the Dogin Forest Campaign for passing on this natural bounty so that future generations can enjoy it.
  On July 31, 2009, the bank signed a memorandum with the Hokkaido government concerning “the creation of forests at water sources.” Under the business scheme begun in 2008, 10,000 trees are to be planted over a five-year period, with 2,000 trees planted each year on one hectare of land in the Kamuishiri area of “Domin-no-Mori” (Hokkaido Citizen’s Forest).
  Tree-planting activities will be carried out in forests, parks, and along rivers and roadsides in partnerships with regional public organizations. The Bank will introduce these forest creation activities to regional banks nationwide and will continue to provide information as reference for the future forest conservation activities of those banks.

Hokuriku Bank

1. London Representative Office Opened

On September 23, 2009, we opened a representative office in the City of London, the financial center of Europe. The opening of the London Office marks the passing of 11 years since the closing of our London Branch in March 1998. The London representative office is our fourth overseas office following New York, Shanghai and Singapore. With offices straddling Asia, North America and Europe, we are now in possession of a 24-hour global network.

2. Offering of Environment Assessment Loans Begun

In order to support environment-friendly corporate management, the Hokuriku Bank began offering Environment Assessment Loans, whereby the environmental efforts of SMEs are assessed and preferential loan terms are offered. In March 2010, we provided the first such loan to Hokuriku Coca-Cola Bottling Co., Ltd., whose environmental efforts were assessed at the highest S-rank. On April 1, the Bank began offering for the first time in the Hokuriku region a system of interest-free loans established by the Ministry of the Environment, which were designed to help speed up efforts to prevent global warming.

Production line of Hokuriku Coca-Cola Bottling Co., Ltd.

3. Business Cooperation Agreement with Vietcombank

In December 2009, Hokuriku Bank signed a memorandum with the Vietcombank, Vietnam's largest bank, concerning business cooperation, to provide an enhanced system of support to client companies entering the Vietnam market. We also signed a memorandum regarding economic exchanges with Wuxi City (the foreign trade and economic agency), China, and are taking steps to create a better system for supporting foreign companies wishing to enter China and the ASEAN region.

Head office of Vietcombank

4. Organized Joint Business Matching Event with KASIKORNBANK in Thailand

We organized a cooperative business matching event with KASIKORNBANK, a major commercial bank in Thailand and our business partner, which was held at their head bank in December 2009. The purpose was to introduce local suppliers to the clients of the Hokuriku Bank and Hachijuni Bank, and marked the first time that such a matching event was held in Bangkok by a Japanese regional bank.

5. Small- and Medium-Sized Enterprise (SME) Support Network Opened

We opened the Toyama Small- and Medium-Sized Enterprise Support Network in cooperation with the First Bank of Toyama. With a staff of five coordinators, the network was established with the goal of handling corporate business issues for SMEs including new business development, business revitalization, business succession, and manufacturing support by dispatching specialists to SMEs when needed.

6. University of Toyama's Hokugin Young Researchers Grant System Established

The Hokugin Young Researchers Grant System was established to help young researchers at the University of Toyama, which signed a cooperative and collaborative agreement with the Hokuriku Bank. The establishment of this system, which follows an agreement reached last year with Kanazawa University, has as its purpose contributing to the development of Japan's academic research through the support of young researchers. The system is fully financed by the Hokuriku Bank.

Hokkaido Bank

1. Supporting business with the Russian Far East

In the wake of heightened interest in the Russian Far East by client companies, we established the Yuzhno-Sakhalinsk representative office, the only office of a Japanese bank in the Russian Far East. In October, the Bank led the Russian Far East Business Networking Event in Sakhalin, a mission group composed of 80 individuals from 64 client companies. In addition, we concluded an economic cooperation agreement with Khabarovsk City in November and the Sakhalin government in February 2010. The Bank will provide up-to-date information on the Russian Far East and will support business with Russia.

Signing ceremony of economic treaty with Sakhalin

Signing ceremony of economic treaty with Khabarovsk

2. Business Matching in Shenyang

In cooperation with the Sapporo Chamber of Commerce and Industry and Sapporo City, the Bank jointly sponsored a business conference for companies in Hokkaido that want to enter the Chinese market, and Chinese companies, particularly those in Shenyang. Participating in the conference were 18 companies from Hokkaido, mostly in the food business, and about 40 companies from China.

Safe and dependable foods from Hokkaido are highly popular in China. It was an exciting conference, with some of the booths running beyond their scheduled finishing time.

3. Espolada Hokkaido

Seeking to support a Hokkaido-based sports team, Hokkaido Bank has thrown its support behind Espolada Hokkaido, a Dosanko (Hokkaido-born) team that is playing its second year in Japan's national futsal league, the F League. On November 23, 2009, we sponsored the "Hokkaido Bank MATCH DAY," inviting surprise guest singer Maki Oguro. With 3,116 passionately cheering fans on hand, a stunning victory was achieved against a powerful opponent.

4. "Personal Branch" Opened in Miyanomori

To respond to the diversifying needs of our individual customers, in December 2009, we opened our third "Personal Branch" dedicated to transactions for individuals, the Miyanomori Personal Branch. The "Personal Branch," exclusively for individual customers, is designed as a place they feel free to ask for financial advice. The branch interior is quiet and private consultation booths have been installed to allow for a degree of privacy. Here, customers can receive advice regarding such topics as asset management and mortgage loans. Fully automated safety deposit boxes have also been installed. These branches are open on weekends and holidays, allowing customers to arrange for consultations. We aim to make our branches more appealing through these enhancements.

Waiting room

5. Taiwan ATM/SmartPay Service Started

On January 27, 2010, the Hokkaido Bank and its subsidiary Dogin Card Co., Ltd. partnered with nine major banks in Taiwan to initiate Japan's first card service that enables users to withdraw cash from dedicated ATMs using cash cards issued in Taiwan and access the debit card service using special terminals that accept these cards.

A magnificent party was held to mark the service's launch with Harumi Takahashi, the Governor of Hokkaido, and Fumio Ueda, the Mayor of Sapporo in attendance. Providing this financial service, the first in Japan, to Taiwanese tourists who account for at least 30% of Hokkaido's foreign tourists, should help revitalize Hokkaido.

6. Sponsored Agricultural Seminar to Forge Regional Business Partnerships

Over a three day period (July 22-24, 2009), a local business conference was held in the Nakashibetsu/Betsukai area, a dairy producing region. Buyers for Tokyo area department stores and supermarkets, as well as buyers for Hokkaido's processed food and restaurant industry were invited so that they could verify at first hand the special practices and production methods of agricultural producers. Hokkaido Bank wishes to continue assisting agricultural and dairy producers in their future strategies and sales channel expansion.

CONSOLIDATED BALANCE SHEETS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	2010	2009	2010
Assets			
Cash and due from banks (Notes 22 and 27)	¥ 390,229	¥ 412,377	$ 4,194,214
Call loans and bills bought	78,423	60,726	842,897
Monetary claims bought (Note 27)	131,760	154,830	1,416,175
Trading assets (Note 4)	9,657	8,719	103,803
Money held in trust (Note 28)	4,400	4,751	47,292
Securities (Notes 5, 10, 27 and 28)	2,013,505	1,673,591	21,641,291
Loans and bills discounted (Notes 6 and 10)	6,981,201	7,133,148	75,034,408
Foreign exchanges (Note 7)	11,178	13,381	120,147
Other assets (Note 10)	235,069	182,963	2,526,537
Tangible fixed assets (Notes 8 and 14)	112,453	111,642	1,208,657
Intangible fixed assets	38,246	39,902	411,080
Deferred tax assets (Note 21)	74,906	93,391	805,097
Customers' liabilities for acceptances and guarantees (Note 9)	114,235	135,055	1,227,810
Allowance for loan losses	(88,060)	(95,397)	(946,476)
Total assets	¥10,107,208	¥9,929,086	$108,632,932
Liabilities and net assets			
Liabilities			
Deposits (Notes 10, 11 and 27)	¥ 9,083,392	¥8,661,538	$ 97,628,901
Call money and bills sold (Note 10)	—	10,000	—
Trading liabilities (Note 4)	2,719	2,263	29,233
Borrowed money (Notes 10, 12 and 27)	248,175	395,559	2,667,410
Foreign exchanges (Note 7)	142	55	1,535
Bonds payable (Note 13)	59,500	64,500	639,510
Other liabilities	164,046	196,613	1,763,181
Reserve for employee retirement benefits (Note 26)	8,153	8,960	87,634
Reserve for directors' and corporate auditors' retirement benefits	1,273	64	13,690
Reserve for contingent loss	2,152	1,558	23,131
Reserve for reimbursement of deposits	2,121	2,196	22,799
Deferred tax liabilities for revaluation	8,969	9,054	96,408
Acceptances and guarantees (Note 9)	114,235	135,055	1,227,810
Total liabilities	9,694,883	9,487,421	104,201,242
Net assets			
Capital stock (Note 15)	70,895	70,895	761,984
Capital surplus	153,189	223,098	1,646,491
Retained earnings (Note 16)	170,100	156,942	1,828,253
Treasury stock	(589)	(470)	(6,334)
Total shareholders' equity	393,595	450,466	4,230,394
Valuation difference on available-for-sale securities (Note 28)	9,180	(18,341)	98,677
Deferred gains (losses) on hedges	(17)	(45)	(191)
Revaluation reserve for land (Note 14)	8,784	8,908	94,412
Total valuation and translation adjustments	17,947	(9,478)	192,898
Minority interests	781	676	8,398
Total net assets	412,324	441,664	4,431,690
Total liabilities and net assets	¥10,107,208	¥9,929,086	$108,632,932

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Years ended March 31	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Income			
Interest income:			
Interest on loans and discounts	**¥131,287**	¥141,213	**$1,411,084**
Interest and dividends on securities	**18,991**	19,280	**204,125**
Interest on receivables under resale agreements	**16**	76	**179**
Interest on receivables under securities borrowing transactions	**3**	49	**35**
Interest on deposits with other banks	**1,265**	1,295	**13,601**
Other interest income	**2,027**	2,380	**21,797**
Fees and commissions (Note 18)	**39,863**	41,017	**428,455**
Trading income (Note 19)	**1,518**	1,633	**16,325**
Other ordinary income	**27,655**	29,345	**297,240**
Other income	**4,372**	5,874	**47,001**
Total income	**227,002**	242,165	**2,439,842**
Expenses			
Interest expense:			
Interest on deposits	**18,765**	25,746	**201,698**
Interest on payables under securities lending transactions	**—**	60	**—**
Interest on borrowings and rediscounts	**2,105**	2,345	**22,634**
Interest on bonds payable	**1,785**	1,885	**19,192**
Other interest expense	**583**	498	**6,276**
Fees and commissions (Note 18)	**11,987**	11,547	**128,845**
Other ordinary expense	**15,019**	18,837	**161,429**
General and administrative expenses	**106,126**	100,622	**1,140,655**
Provision of allowance for loan losses	**23,180**	33,909	**249,148**
Other expenses (Note 20)	**14,576**	24,389	**156,664**
Total expenses	**194,131**	219,842	**2,086,541**
Income before income taxes and minority interests	**32,871**	22,323	**353,301**
Income taxes (Note 21):			
Current	**9,024**	8,516	**96,994**
Prior periods	**779**	—	**8,380**
Refund for prior periods	**(104)**	—	**(1,122)**
Deferred	**3,866**	(23,315)	**41,563**
Minority interests in net income	**92**	87	**992**
Net income	**¥ 19,212**	¥ 37,034	**$ 206,494**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS 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 shareholders' equity
Balance as of March 31, 2009	1,391,630	218,832	¥70,895	¥223,098	¥156,942	¥ (470)	¥450,466
Changes during the period							
Cash dividends	**—**	**—**	**—**	**—**	**(6,178)**	**—**	**(6,178)**
Net income	**—**	**—**	**—**	**—**	**19,212**	**—**	**19,212**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(70,039)**	**(70,039)**
Disposal of treasury stock	**—**	**—**	**—**	**(6)**	**—**	**17**	**11**
Retirement of treasury stock	**—**	**(111,400)**	**—**	**(69,903)**	**—**	**69,903**	**—**
Reversal of revaluation reserve for land	**—**	**—**	**—**	**—**	**124**	**—**	**124**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total changes during the period	**—**	**(111,400)**	**—**	**(69,909)**	**13,158**	**(119)**	**(56,870)**
Balance as of March 31, 2010	**1,391,630**	**107,432**	**¥70,895**	**¥153,189**	**¥170,100**	**¥ (589)**	**¥393,595**

	Millions of yen					
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2009	¥(18,341)	¥(45)	¥8,908	¥ (9,478)	¥676	¥441,664
Changes during the period						
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(6,178)**
Net income	**—**	**—**	**—**	**—**	**—**	**19,212**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(70,039)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**11**
Retirement of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**
Reversal of revaluation reserve for land	**—**	**—**	**—**	**—**	**—**	**124**
Net changes of items other than shareholders' equity	**27,521**	**27**	**(124)**	**27,425**	**104**	**27,530**
Total changes during the period	**27,521**	**27**	**(124)**	**27,425**	**104**	**(29,340)**
Balance as of March 31, 2010	**¥ 9,180**	**¥(17)**	**¥8,784**	**¥17,947**	**¥781**	**¥412,324**

	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 shareholders' equity
Balance as of March 31, 2008	1,391,630	266,432	¥70,895	¥253,234	¥125,950	¥ (421)	¥449,658
Changes during the period							
Cash dividends	—	—	—	—	(6,053)	—	(6,053)
Net income	—	—	—	—	37,034	—	37,034
Purchase of treasury stock	—	—	—	—	—	(30,232)	(30,232)
Disposal of treasury stock	—	—	—	(25)	—	72	47
Retirement of treasury stock	—	(47,600)	—	(30,110)	—	30,110	—
Reversal of revaluation reserve for land	—	—	—	—	10	—	10
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes during the period	—	(47,600)	—	(30,135)	30,992	(48)	807
Balance as of March 31, 2009	1,391,630	218,832	¥70,895	¥223,098	¥156,942	¥ (470)	¥450,466

	Millions of yen					
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2008	¥ (4,722)	¥(16)	¥8,918	¥ 4,179	¥590	¥454,428
Changes during the period						
Cash dividends	—	—	—	—	—	(6,053)
Net income	—	—	—	—	—	37,034
Purchase of treasury stock	—	—	—	—	—	(30,232)
Disposal of treasury stock	—	—	—	—	—	47
Retirement of treasury stock	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	10
Net changes of items other than shareholders' equity	(13,618)	(28)	(10)	(13,657)	86	(13,571)
Total changes during the period	(13,618)	(28)	(10)	(13,657)	86	(12,763)
Balance as of March 31, 2009	¥(18,341)	¥(45)	¥8,908	¥ (9,478)	¥676	¥441,664

	Thousands of U.S. dollars (Note 1)				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2009	$761,984	$2,397,882	$1,686,827	$ (5,053)	$4,841,640
Changes during the period					
Cash dividends	**—**	**—**	**(66,402)**	**—**	**(66,402)**
Net income	**—**	**—**	**206,494**	**—**	**206,494**
Purchase of treasury stock	**—**	**—**	**—**	**(752,791)**	**(752,791)**
Disposal of treasury stock	**—**	**(65)**	**—**	**184**	**119**
Retirement of treasury stock	**—**	**(751,326)**	**—**	**751,326**	**—**
Reversal of revaluation reserve for land	**—**	**—**	**1,334**	**—**	**1,334**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**
Total changes during the period	**—**	**(751,391)**	**141,426**	**(1,281)**	**(611,246)**
Balance as of March 31, 2010	**$761,984**	**$1,646,491**	**$1,828,253**	**$ (6,334)**	**$4,230,394**

	Thousands of U.S. dollars (Note 1)					
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2009	$(197,130)	$(485)	$95,746	$(101,869)	$7,271	$4,747,042
Changes during the period						
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(66,402)**
Net income	**—**	**—**	**—**	**—**	**—**	**206,494**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(752,791)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**119**
Retirement of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**
Reversal of revaluation reserve for land	**—**	**—**	**—**	**—**	**—**	**1,334**
Net changes of items other than shareholders' equity	**295,807**	**294**	**(1,334)**	**294,767**	**1,127**	**295,894**
Total changes during the period	**295,807**	**294**	**(1,334)**	**294,767**	**1,127**	**(315,352)**
Balance as of March 31, 2010	**$ 98,677**	**$(191)**	**$94,412**	**$ 192,898**	**$8,398**	**$4,431,690**

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)
Years ended March 31	**2010**	2009	**2010**
1. Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 32,871	¥ 22,323	$ 353,301
Depreciation	8,231	7,135	88,474
Impairment losses	331	14	3,564
Amortization of goodwill	2,405	2,420	25,856
Equity in losses (gains) of affiliates	(1)	(3)	(11)
Increase (decrease) in allowance for loan losses	(7,336)	(7,772)	(78,858)
Increase (decrease) in reserve for contingent loss	593	959	6,377
Increase (decrease) in reserve for employee retirement benefits	(806)	(2,091)	(8,670)
Increase (decrease) in reserve for directors' and corporate auditors' retirement benefits	1,208	—	12,994
Increase (decrease) in reserve for reimbursement of deposits	(75)	(580)	(813)
Interest income	(153,592)	(164,295)	(1,650,821)
Interest expenses	23,241	30,536	249,799
Losses (gains) on securities	(639)	18,210	(6,875)
Losses (gains) on money held in trust	(49)	124	(532)
Losses (gains) on foreign exchange	92	41	999
Losses (gains) on sales of fixed assets	548	1,570	5,891
Net decrease (increase) in trading assets	(938)	(767)	(10,082)
Net increase (decrease) in trading liabilities	456	699	4,905
Net decrease (increase) in loans and bills discounted	151,947	(261,765)	1,633,143
Net increase (decrease) in deposits	420,913	249,742	4,524,009
Net increase (decrease) in negotiable certificates of deposit	940	(23,828)	10,106
Net increase (decrease) in borrowed money (excluding subordinated borrowed money)	(171,883)	149,796	(1,847,415)
Net decrease (increase) in due from banks (excluding deposits with the Bank of Japan)	35,590	(46,560)	382,528
Net decrease (increase) in call loans, bills bought, commercial paper and other debt purchased	5,373	51,862	57,752
Net increase (decrease) in call money and bills sold	(10,000)	(30,000)	(107,481)
Net increase (decrease) in payables under securities lending transactions	—	(6,492)	—
Net decrease (increase) in foreign exchanges (assets)	2,202	647	23,678
Net increase (decrease) in foreign exchanges (liabilities)	87	(214)	936
Interest income-cash basis	134,202	144,010	1,442,420
Interest expense-cash basis	(17,913)	(22,680)	(192,533)
Other, net	(92,383)	37,048	(992,946)
Subtotal	365,618	150,091	3,929,695
Income taxes paid	(11,581)	(794)	(124,474)
Net cash provided by (used in) operating activities	354,037	149,296	3,805,221
2. Cash flows from investing activities:			
Purchases of securities	(1,849,490)	(1,013,105)	(19,878,447)
Proceeds from sales of securities	1,302,641	669,250	14,000,876
Proceeds from redemption of securities	257,227	288,450	2,764,696
Proceeds from sales of money held in trust	500	2,600	5,374
Proceeds from fund management	19,041	19,302	204,657
Purchases of tangible fixed assets	(7,233)	(12,128)	(77,751)
Proceeds from sales of tangible fixed assets	54	2,951	583
Purchases of intangible fixed assets	(2,952)	(2,267)	(31,735)
Net cash provided by (used in) investing activities	(280,212)	(44,945)	(3,011,747)
3. Cash flows from financing activities:			
Proceeds from issuance of subordinated borrowed money	30,000	20,000	322,442
Repayment of subordinated borrowed money	(5,500)	—	(59,114)
Proceeds from issuance of subordinated bonds	15,000	—	161,221
Repayment of subordinated bonds	(20,000)	(2,000)	(214,961)
Expenditures for fund procurement	(3,656)	(3,081)	(39,298)
Dividends paid	(6,178)	(6,053)	(66,403)
Dividends paid to minority shareholders	(0)	(0)	(5)
Purchases of treasury stock	(70,039)	(30,232)	(752,791)
Proceeds from sales of treasury stock	11	47	119
Net cash provided by (used in) financing activities	(60,363)	(21,319)	(648,790)
4. Effect of exchange rate changes on cash and cash equivalents	(19)	(41)	(204)
5. Net increase (decrease) in cash and cash equivalents	13,442	82,989	144,480
6. Cash and cash equivalents at beginning of the period	248,324	165,335	2,669,009
7. Cash and cash equivalents at end of the period (Note 22)	¥ 261,766	¥ 248,324	$ 2,813,489

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 Financial Instruments and Exchange Act 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 the Reporting Standards.

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 the Japanese Financial Instruments and Exchange Act and its 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, 2010, which was ¥93.04 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

The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 14 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 profit included in assets resulting from transactions within the Group is eliminated.

Consolidated subsidiaries	Capital (¥mil)	Ownership (%)
Hokuriku Bank, Ltd.	140,409	100.00
Hokkaido Bank, Ltd.	93,524	100.00
Hokugin Lease Co., Ltd.	100	70.25
Hokuriku Card Co., Ltd.	36	87.39
Hokuriku Hosho Services Co., Ltd.	50	100.00
Hokugin Software Co., Ltd.	30	100.00
Hokuhoku Services Co., Ltd.	500	100.00
Hokugin Business Services Co., Ltd. (Note 1)	30	100.00
Hokugin Office Services Co., Ltd. (Note 1)	20	100.00
Hokugin Real Estate Services Co., Ltd. (Note 1)	100	100.00
Hokuriku International Cayman Ltd. (Note 1)	US$1,000	100.00
Hokugin Corporate Co., Ltd. (Note 1)	100	100.00
Dogin Business Service, Ltd. (Note 1)	50	100.00
Dogin Card Co., Ltd. (Note 1)	120	100.00

Notes: 1. Ownership figures in parentheses are inclusive of cross-shareholdings.
2. The two subsidiaries whose balance sheet date differs from the date of the Company are consolidated using their financial statements based on their tentative settlement of accounts at the consolidated balance sheet date.
3. Hokugin Shisankanri Co., Ltd. was removed from the list of consolidated subsidiaries owing to liquidation. Liquidation was completed of Hokugin Office Services Co., Ltd. on June 24, 2009 and of Hokugin Corporate Co., Ltd. on September 30, 2010. Hokugin Real Estate Services Co., Ltd. was absorbed by Hokuriku Bank, Ltd. with effect from March 25, 2010.
4. Nihonkai Services Co., Ltd. was renamed Hokuhoku Services Co., Ltd.

Associated company	Capital (¥mil)	Ownership (%)
Hokuhoku Capital Co., Ltd. (Note)	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 is amortized using the straight-line method over 20 years and 5 years, respectively.

3. Significant Accounting Policies

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

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

The Group presents 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 other securities 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 for which quoted market prices are difficult to obtain are carried at cost using the moving-average method. Valuation difference on available-for-sale securities, net of income taxes, is 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 (exclude Lease assets)

The Company and its consolidated banking subsidiaries (the subsidiaries hereafter referred to as the "Banks") depreciate their equipment on the declining-balance method and their premises principally on the straight-line method.

The estimated useful lives of major items are as follows:

Buildings: 6 to 50 years

Equipment: 3 to 20 years

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

b. Intangible fixed assets (exclude Lease 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 5 years).

c. Lease assets

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

(5) Long-lived assets

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

(6) Allowance for loan losses

Allowance for loan losses of the Banks 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, an allowance is provided based on the historical loan-loss ratio.

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

The Company and its non-banking consolidated subsidiaries also carry out asset self-assessment utilizing similar methods to those employed by the consolidated subsidiaries engaging in banking operations to make provisions for doubtful accounts in the amounts 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-offs were ¥124,484 million ($1,337,971 thousand) and ¥125,706 million at March 31, 2010 and 2009, respectively.

(7) 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 costs are 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 (¥28,423 million ($305,496 thousand)) is amortized primarily using straight-line method over 15 years.

(8) Reserve for directors' and corporate auditors' retirement benefits

Reserve for directors' and corporate auditors' retirement benefits is provided for payment of retirement benefits to directors and corporate auditors in the amount deemed accrued at the fiscal-year end, based on the estimated amount of benefit.

The Group have postponed payment of directors' and corporate auditors' retirement benefits except for external directors and auditors in light of its financial position and the fact that it was the recipient of public funds. However, in view of the improvement in our financial position and the completion in August 2009 of repayment of public funds, starting from the end of fiscal year under review (consolidated basis), we have been recording the reserve for directors' and corporate auditors' retirement benefits with regard to directors and corporate auditors other than external directors and auditors.

(9) Reserve for contingent loss

Reserve for contingent loss is provided for possible losses in accordance with the Joint Responsibility System of Credit Guarantee Corporations.

(10) Reserve for reimbursement of deposits

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

(11) 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.

(12) Lease transactions

(Lessee)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions. The effect of this change was not material.

(13) Accounting for significant hedges

a. Interest risk hedges

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

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

b. Foreign currency risk hedges

The Banks hedge currency exchange fluctuation risks arising from their foreign currency denominated financial assets and liabilities. Such hedges are accounted for by the deferred method specified in the "Accounting and Auditing Treatments in Banking Business in Accounting for Foreign Currency Denominated Transactions and Others" (JICPA Industry Audit Committee Report No. 25).

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

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

(14) Per share information

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

Diluted earnings per share reflects the potential dilution that could occur if preferred stock was converted into common stock.

(15) Accounting for consumption taxes

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

However, a range of consumption taxes on equipment and premises that have ceased qualifying for exclusion is expensed as incurred.

(16) Accounting for income taxes

The provision for income taxes is computed based on 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.

(17) 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.

(18) New Accounting Pronoucement

Accounting Standard for Financial Instruments

"Accounting Standard for Financial Instruments" (ASBJ Statement No.10, partially revised on March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, issued on March 10, 2008) became effective from the fiscal year ended on and after March 31, 2010. The Group has applied them from the fiscal year ended March 31, 2010.

As a result, Securities increased by ¥988 million, deferred tax assets decreased by ¥399 million, valuation difference on available-for-sale securities increased by ¥589 million, income before taxes and minority interests increased by ¥490 million, respectively.

4. Trading Accounts

Trading accounts as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
Assets	2010	2009	2010
Trading securities	¥4,027	¥3,783	$ 43,289
Trading-related financial derivatives	5,630	4,936	60,514
Total	¥9,657	¥8,719	$103,803

	Millions of yen		Thousands of U.S. dollars
Liabilities	2010	2009	2010
Trading-related financial derivatives	¥2,719	¥2,263	$29,233
Total	¥2,719	¥2,263	$29,233

5. Securities

Securities as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Japanese government bonds	¥ 943,420	¥ 715,949	$10,139,943
Japanese local government bonds	415,213	260,844	4,462,744
Japanese corporate bonds	428,380	452,952	4,604,258
Japanese stocks	138,915	133,992	1,493,072
Other securities	87,576	109,852	941,274
Total	¥2,013,505	¥1,673,591	$21,641,291

6. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Bills discounted	¥ 68,519	¥ 97,138	$ 736,457
Loans on bills	444,820	509,018	4,780,961
Loans on deeds	5,539,629	5,472,617	59,540,296
Overdrafts	928,231	1,054,374	9,976,694
Total	¥6,981,201	¥7,133,148	$75,034,408

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
	2010	2009	2010
Loans to borrowers under bankruptcy proceedings	¥ 17,732	¥ 31,134	$ 190,590
Overdue loans	184,050	182,427	1,978,186
Loans overdue for at least three months	746	707	8,018
Restructured loans	16,083	16,412	172,864
Total	¥218,612	¥230,682	$2,349,658

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

7. Foreign Exchanges

Foreign exchanges as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Assets			
Due from foreign banks	¥ 8,167	¥ 9,007	$ 87,790
Foreign exchange bills bought	1,104	920	11,875
Foreign exchange bills receivable	1,905	3,452	20,482
Total	¥11,178	¥13,381	$120,147
Liabilities			
Due to foreign banks	¥ 34	¥ —	$ 372
Foreign exchange bills sold	104	51	1,127
Foreign exchange bills payable	3	4	36
Total	¥ 142	¥ 55	$ 1,535

8. Tangible Fixed Assets

Accumulated depreciation amounted to ¥96,929 million ($1,041,803 thousand) and ¥96,000 million as of March 31, 2010 and 2009, respectively.

The book value of tangible fixed assets adjusted for gains on sales of replaced assets amounted to ¥3,898 million ($41,905 thousand) and ¥3,898 million as of March 31, 2010 and 2009, respectively.

Tangible fixed assets as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Buildings	¥ 37,754	¥ 37,468	$ 405,789
Land	64,744	64,871	695,882
Lease assets	835	304	8,975
Construction in progress	527	312	5,666
Other tangible fixed assets	8,591	8,686	92,345
Total	¥112,453	¥111,642	$1,208,657

9. Customers' Liabilities for Acceptances and Guarantees

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

Guarantee obligations on securities issued by private placement (pursuant to Article 2, Clause 3 of the Japanese Financial Instruments and Exchange Act) amounted to ¥101,465 million ($1,090,560 thousand) and ¥114,419 million as of March 31, 2010 and 2009, respectively.

10. Pledged Assets

Assets that are pledged as collateral as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Assets that are pledged as collateral:			
Securities	**¥313,342**	¥279,322	**$3,367,822**
Loans and bills discounted	**307,429**	346,216	**3,304,267**
Other assets	**130**	500	**1,402**
Obligations corresponding to collateral assets:			
Deposits	**¥ 51,212**	¥ 52,962	**$ 550,438**
Call money and bills sold	**—**	10,000	**—**
Borrowed money	**151,718**	323,754	**1,630,675**

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, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Securities	**¥242,041**	¥247,370	**$2,601,477**
Other assets	**210**	210	**2,258**

Other assets included guarantee deposits of ¥4,446 million ($47,789 thousand) and ¥4,368 million as of March 31, 2010 and 2009, respectively.

11. Deposits

Deposits as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current deposits, ordinary deposits, saving deposits and deposits at notice	**¥4,365,974**	¥4,091,573	**$46,925,775**
Time deposits and installment savings	**4,482,285**	4,343,065	**48,175,901**
Other deposits	**163,227**	155,934	**1,754,381**
Subtotal	**¥9,011,487**	¥8,590,573	**$96,856,057**
NCDs	**71,905**	70,965	**772,844**
Total	**¥9,083,392**	¥8,661,538	**$97,628,901**

12. Borrowed Money

Borrowed money includes ¥95,000 million ($1,021,066 thousand) and ¥70,500 million of subordinated borrowed money as of March 31, 2010 and 2009, respectively.

13. Bonds Payable

Bonds payable includes ¥59,500 million ($639,510 thousand) and ¥64,500 million of subordinated bonds as of March 31, 2010 and 2009, respectively.

14. Revaluation Reserve for Land

Under the "Act Concerning Land Revaluation," Hokuriku Bank, Ltd. revalued its own land for business operation as of March 31, 1998. The revaluation gain is included in net assets as "Revaluation reserve for land." The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥23,432 million ($251,849 thousand) and ¥22,758 million as of March 31, 2010 and 2009, respectively.

15. Capital Stock

Information with respect to capital stock of the Company as of March 31, 2010 and 2009 are as follows:

	2010	2009
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**	1,391,630,146
Preferred (Type 1)	**—**	50,000,000
Preferred (Type 4)	**—**	61,400,000
Preferred (Type 5)	**107,432,000**	107,432,000

Preferred stock (Type 5)

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

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

16. Shareholders' Equity

Since May 1, 2006, Japanese banks have been subject to the Banking Act and the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a 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. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides 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 shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

c. Treasury stock and treasury stock acquisition rights

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

Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

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

17. Per Share Information

	Yen	
	2010	2009
Net assets per share	**¥256.94**	¥234.56
Basic earnings per share	**¥ 12.66**	¥ 24.91
Diluted earnings per share	**¥ 12.14**	¥ 22.79

Reconciliation of the differences between basic and diluted earnings per share for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average shares	Earnings per share
For the year ended March 31, 2010:			
Basic earnings per share			
Net income available to common stockholders	**¥17,600**	**1,389,936**	**¥12.66**
Effect of dilutive securities			
Preferred stock	**—**	**59,642**	
Diluted earnings per share			
Net income for computation	**¥17,600**	**1,449,578**	**¥12.14**
For the year ended March 31, 2009:			
Basic earnings per share			
Net income available to common stockholders	¥34,631	1,390,260	¥24.91
Effect of dilutive securities			
Preferred stock	791	163,879	
Diluted earnings per share			
Net income for computation	¥35,423	1,554,139	¥22.79

18. Fees and Commissions

Fees and commissions for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Fees and commissions (income)			
Deposits and loans	**¥10,904**	¥10,982	**$117,198**
Remittances and transfers	**11,702**	12,671	**125,781**
Securities-related business	**5,826**	4,967	**62,621**
Others	**11,430**	12,396	**122,855**
Total	**¥39,863**	¥41,017	**$428,455**

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Fees and commissions (expenses)			
Remittances and transfers	**¥ 1,985**	¥ 2,112	**$ 21,341**
Others	**10,002**	9,434	**107,504**
Total	**¥11,987**	¥11,547	**$128,845**

19. Trading Income and Losses

	Millions of yen		Thousands of U.S. dollars
(a) Trading income	2010	2009	2010
Income from trading securities	**¥ 180**	¥ 196	**$ 1,941**
Income from trading derivatives	**1,338**	1,436	**14,384**
Total	**¥1,518**	¥1,633	**$16,325**

	Millions of yen		Thousands of U.S. dollars
(b) Trading losses	2010	2009	2010
Losses on trading securities	**—**	—	**—**
Total	**—**	—	**—**

20. Other Expenses

Included in other expenses for the fiscal year ended March 31, 2010 and 2009 were write-offs of loans and bills discounted of ¥3,941 million ($42,367 thousand) and ¥1,193 million, impairment losses on stocks and other securities of ¥2,151 million ($23,124 thousand) and ¥15,779 million, and losses on sales of loans of ¥1,223 million ($13,153 thousand) and ¥1,955 million, respectively.

21. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.43% for the years ended March 31, 2010 and 2009, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which generated deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Allowance for loan losses	**¥ 68,614**	¥ 69,534	**$ 737,473**
Depreciation	**1,783**	1,971	**19,174**
Reserve for employee retirement benefits	**17,291**	15,901	**185,853**
Loss on valuation of securities	**13,695**	14,567	**147,203**
Valuation difference on available-for-sale securities	**—**	9,615	**—**
Other	**5,599**	4,828	**60,183**
Operating loss carryforwards	**27,405**	33,433	**294,555**
Subtotal	**134,390**	149,852	**1,444,441**
Less: Valuation allowance	**42,388**	49,974	**455,594**
Total deferred tax assets	**92,002**	99,878	**988,847**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**¥ 4,900**	—	**$ 52,668**
Book-value correction for securities	**5,122**	¥ 4,730	**55,053**
Land transfer through merger	**3,672**	—	**39,469**
Other	**3,401**	1,756	**36,560**
Total deferred tax liabilities	**17,096**	6,486	**183,750**
Net deferred tax assets	**¥ 74,906**	¥ 93,391	**$ 805,097**

22. 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, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Cash and due from banks in balance sheet	**¥390,229**	¥412,377	**$4,194,214**
Due from banks except for deposits with the Bank of Japan	**(128,462)**	(164,053)	**(1,380,725)**
Cash and cash equivalents in the statements of cash flows	**¥261,766**	¥248,324	**$2,813,489**

23. 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 ¥2,240,812 million ($24,084,397 thousand) and ¥2,218,922 million as of March 31, 2010 and 2009, respectively, out of which, ¥2,193,751 million ($23,578,581 thousand) and ¥2,177,913 million related to loans where the term of the agreement is one year or less or unconditional cancellation of the agreement is allowed at any time, as of March 31, 2010 and 2009, respectively.

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 Group 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.

24. Segment Information

(a) Segment information by business

For the fiscal years ended March 31, 2010 and 2009, segment results are as follows:

	Millions of yen					
	2010					
	Banking	Lease	Other business	Total	Elimination or corporate	Consolidated
I. Ordinary income						
(1) Ordinary income from outside customers	¥ 206,181	¥12,876	¥ 7,700	¥ 226,758	¥ —	¥ 226,758
(2) Ordinary income from intersegment transactions	1,135	952	5,235	7,322	(7,322)	—
Total	207,316	13,828	12,936	234,081	(7,322)	226,758
Ordinary expenses	173,313	13,451	12,622	199,387	(8,042)	191,344
Ordinary profits	¥ 34,002	¥ 377	¥ 313	¥ 34,693	¥ 719	¥ 35,413
II. Identifiable assets	¥10,083,727	¥35,266	¥125,908	¥10,244,901	¥(137,693)	¥10,107,208
Depreciation expenses	7,848	88	294	8,231	—	8,231
Losses on impairment of fixed assets	223	—	108	331	—	331
Capital expenditures	10,050	15	120	10,186	—	10,186

	Millions of yen					
	2009					
	Banking	Lease	Other business	Total	Elimination or corporate	Consolidated
I. Ordinary income						
(1) Ordinary income from outside customers	¥ 217,075	¥14,224	¥ 8,348	¥ 239,648	¥ —	¥ 239,648
(2) Ordinary income from intersegment transactions	1,461	1,228	6,515	9,206	(9,206)	—
Total	218,536	15,453	14,864	248,854	(9,206)	239,648
Ordinary expenses	200,515	14,945	12,886	228,348	(10,099)	218,249
Ordinary profits	¥ 18,020	¥ 507	¥ 1,977	¥ 20,505	¥ 893	¥ 21,399
II. Identifiable assets	¥9,937,253	¥39,946	¥139,521	¥10,116,721	¥(187,635)	¥9,929,086
Depreciation expenses	6,641	167	327	7,135	—	7,135
Losses on impairment of fixed assets	9	—	5	14	—	14
Capital expenditures	13,939	0	455	14,395	—	14,395

	Thousands of U.S. dollars					
	2010					
	Banking	Lease	Other business	Total	Elimination or corporate	Consolidated
I. Ordinary income						
(1) Ordinary income from outside customers	$ 2,216,049	$138,398	$ 82,769	$ 2,437,216	$ —	$ 2,437,216
(2) Ordinary income from intersegment transactions	12,201	10,233	56,268	78,702	(78,702)	—
Total	2,228,250	148,631	139,037	2,515,918	(78,702)	2,437,216
Ordinary expenses	1,862,787	144,575	135,664	2,143,026	(86,440)	2,056,586
Ordinary profits	$ 365,463	$ 4,056	$ 3,373	$ 372,892	$ 7,738	$ 380,630
II. Identifiable assets	$108,380,559	$379,041	$1,353,268	$110,112,868	$(1,479,936)	$108,632,932
Depreciation expenses	84,360	953	3,161	88,474	—	88,474
Losses on impairment of fixed assets	2,397	—	1,167	3,564	—	3,564
Capital expenditures	108,023	165	1,298	109,486	—	109,486

(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 profits, information by location has been omitted.

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

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

25. Lease Transactions

(1) Finance Lease Transactions

(Lessee)

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

As discussed in Note 3 (12), the Group accounts for leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information for the year ended March 31, 2010 and 2009 as described below are for such leases existing at the transition date.

Pro forma information with respect to the leased property, such as acquisition cost, accumulated depreciation and net book value at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Acquisition cost	**¥3,226**	¥4,188	**$34,684**
Accumulated depreciation	**2,181**	2,435	**23,449**
Net book value	**¥1,045**	¥1,753	**$11,235**

Pro forma amounts of obligations under finance leases at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Within one year	**¥ 516**	¥ 652	**$ 5,549**
Over one year	**529**	1,101	**5,686**
Total	**¥1,045**	¥1,753	**$11,235**

Pro forma information concerning lease payments and depreciation expenses for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Lease payments	**¥652**	¥690	**$7,008**
Depreciation expenses	**652**	690	**7,008**

The method of calculating the pro forma amounts of depreciation expenses for the years ended March 31, 2010 and 2009 are as follows:

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

(2) Operating Lease Transactions

(Lessee)

The minimum rental commitments under noncancelable operating leases as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Within one year	**¥212**	¥—	**$2,284**
Over one year	**323**	—	**3,476**
Total	**¥535**	¥—	**$5,760**

26. Retirement Benefits

(a) Overview of the Group's retirement benefit plans

The Hokuriku Bank, Ltd. provides the defined benefit programs that include 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 with 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 Hokuriku Bank, Ltd. 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 consolidated domestic subsidiaries other than the two noted above provide retirement lump sum grants.

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

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

(b) Retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligations (A)	**¥(92,643)**	¥(93,095)	**$(995,741)**
Plan assets at fair value (B)	**58,473**	48,736	**628,473**
Projected benefit obligations in excess of plan assets (C) = (A) + (B)	**(34,170)**	(44,359)	**(367,268)**
Unrecognized transitional obligation (D)	**9,474**	11,369	**101,832**
Unrecognized actuarial differences (E)	**19,055**	28,695	**204,806**
Unrecognized prior service costs (F)	**(1,251)**	(2,504)	**(13,453)**
Net projected benefit obligations recognized on the consolidated balance sheets (G) = (C) + (D) + (E) + (F)	**(6,892)**	(6,799)	**(74,083)**
Prepaid pension costs (H)	**1,260**	2,161	**13,551**
Reserve for employee retirement benefits (G) – (H)	**¥ (8,153)**	¥ (8,960)	**$ (87,634)**

(c) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service costs	**¥2,109**	¥1,930	**$22,672**
Interest costs on projected benefit obligations	**2,097**	2,103	**22,549**
Expected return on plan assets	**(1,826)**	(2,072)	**(19,633)**
Amortization of unrecognized prior service costs	**(1,252)**	(1,997)	**(13,466)**
Amortization of unrecognized actuarial differences	**4,341**	2,569	**46,666**
Amortization of transitional obligation	**1,894**	1,900	**20,366**
Other (additional payments, including premium retirement benefits)	**152**	202	**1,644**
Net periodic retirement benefit expenses	**¥7,517**	¥4,635	**$80,798**

(d) Assumptions for calculation of projected benefit obligations

	2010	2009
(1) Discount rate	**2.0% – 2.5%**	2.0% – 2.5%
(2) Expected rate of return on pension assets	**3.5% – 4.0%**	3.5% – 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

27. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” and issued ASBJ Guidance No. 19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures.” This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group Policy on financial instruments

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

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

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

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

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

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

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

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

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

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

(3) Risk management for financial instruments

The Banks have established risk management departments and have stipulated basic requlations for risk management and other regulations pertaining to risk. In addition, the Banks have established an ALM Committee and a Comprehensive Risk Management Committee, where quantified risks and administration matters are discussed regularly to ensure that all categories of risk are managed effectively. Changes in regulations and organizational structures of the Banks are under review or supervision of the Company to conform to the Groups' policy and the results of above committees are reported to the Company.

(a) Credit Risk Management

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

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

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

(b) Market Risk Management

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

Interest Rate Risk Management

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

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

Foreign Exchange Risk Management

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

Price Volatility Risk Management

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

Derivatives

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

(c) Liquidity Risk Management

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

We have in place mechanisms for periodically assessing and managing liquidity risk through ALM committees, to prepare for every categories of concerned situations.

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

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

(5) Fair values of financial instruments

The fair values of the main financial instruments at March 31, 2010 are as follows. These amounts do not include unlisted stocks whose fair values are extremely difficult to determine (see (b) Financial instruments whose fair values are deemed to be extremely difficult to determine).

(a) Fair value of financial instruments

	Millions of yen		
March 31, 2010	Consolidated balance sheet amount	Fair value	Unrealized gain (losses)
Cash and due from banks	¥ 390,229	¥ 390,229	¥ —
Monetary claims bought (*1)	104,992	104,992	—
Securities			
Bonds classified as held-to-maturity	73,827	74,619	791
Available-for-sale securities	1,908,451	1,908,451	—
Loans and bills discounted	6,981,201		
Allowance for loan losses (*1)	(82,289)		
	6,898,912	6,976,319	77,407
Total assets	¥9,376,413	¥9,454,613	¥78,199
Deposits	¥9,011,487	¥9,025,859	¥14,372
Borrowed money	248,175	248,294	119
Total	¥9,259,663	¥9,274,154	¥14,491
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	¥ 5,786	¥ 5,786	¥ —
Derivative transactions qualifying for hedge accounting	3,132	3,132	(*3) —
Total	¥ 8,918	¥ 8,918	¥ —

	Thousands of U.S. dollars		
March 31, 2010	Consolidated balance sheet amount	Fair value	Unrealized gain (losses)
Cash and due from banks	$ 4,194,214	$ 4,194,214	$ —
Monetary claims bought (*1)	1,128,463	1,128,463	—
Securities			
Bonds classified as held-to-maturity	793,508	802,018	8,510
Available-for-sale securities	20,512,166	20,512,166	—
Loans and bills discounted	75,034,408		
Allowance for loan losses (*1)	(884,449)		
	74,149,959	74,981,942	831,983
Total assets	$100,778,310	$101,618,803	$840,493
Deposits	$ 96,856,057	$ 97,010,531	$154,474
Borrowed money	2,667,410	2,668,689	1,279
Total	$ 99,523,467	$ 99,679,220	$155,753
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	$ 62,194	$ 62,194	$ —
Derivative transactions qualifying for hedge accounting	33,666	33,666	(*3) —
Total	$ 95,860	$ 95,860	$ —

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

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

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

Cash and due from banks

The book values of cash and due from banks approximate their fair values.

Monetary claims bought

The fair values of trust beneficiary rights relating to mortgage loans purchased by the Banks and relating to loan claims are determined based on the quoted prices obtained from the counterparty financial institutions. The fair value of small-lot monetary claims resulting from asset liquidation is determined by discounting the cash flows at the market interest rate.

Securities

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

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

Regarding variable rate Japanese Government Bonds (the "JGBs") that are included in the amount presented under the line item "Securities" in the table above, prices calculated from reasonable estimates are continuously used as the Group's own criteria for those issues whose market price cannot be treated as fair value, according to Practical Issue Task Force No. 25, Practical Solution on Measurement of Fair Value for Financial Assets (October 28, 2008, Accounting Standard Board of Japan). In this way, compared with the statement on the consolidated balance sheet amount of the market prices, the values have been increased for the reporting term by ¥11,470 million ($123,282 thousand) for securities and by ¥6,836 million ($73,476 thousand) for valuation difference on available-for-sale securities, and the value has decreased by ¥4,633 million ($49,806 thousand) for deferred tax assets.

The reasonably estimated value of the JGBs is calculated using the future cash flows estimated from the bond yield rate, which is then discounted at a discount rate based on the same yield rate. The yield rate of the JGBs and the volatility of that yield rate are the principal variables employed in determining the fair value of the bond.

For more detailed information regarding the different types of securities, classified according to holding purpose, see "28. Fair Value of Securities and Money Held in Trust (1) Securities."

Loans and bills discounted

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

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

Regarding the fair value of claims on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers, credit losses are estimated based on the present value of estimated future cash flows or the estimated value recoverable from collateral and guarantees. Since the fair value is approximate to the value stated on the consolidated balance sheet amount as of the settlement date, minus the present value of estimated bad debt, this figure is therefore treated as the fair value.

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

Deposits

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

Borrowed money

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

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

Derivative transactions

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

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

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

	Millions of yen	Thousands of U.S. dollars
March 31, 2010	Consolidated balance sheet amount	
Monetary claims bought (Subordinated beneficiary rights in securitization of mortgage loans) (*1)	¥26,757	$287,589
Unlisted stocks (*1) (*2)	31,224	335,607
Unlisted foreign securities (*1)	0	8
Total	¥57,982	$623,204

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

*2. Unlisted stocks were written down by ¥336 million ($3,620 thousand) for the year ended March 31, 2010.

*3. Reflecting recent amendments to Japanese accounting standards for financial instruments, trust beneficiary rights, which were formerly classified as securities without fair value, are now included in fair value information of financial instruments on the basis of fair value estimates for the reporting year. The fair value of trust beneficiary rights for the reporting term, as stated on the consolidated balance sheet, is ¥104,883 million ($1,127,291 thousand).

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

	Millions of yen				
March 31, 2010	Within 1 year	After 1 year through 3 years	After 3 years through 5 years	After 5 years through 7 years	After 7 years
Due from banks	¥ 274,482	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	2,182	1,434	1,450	—	100,201
Securities	135,112	369,925	399,212	273,371	658,003
Bonds classified as held-to-maturity	8,765	16,129	18,780	20,610	9,775
Japanese government bonds	—	1,529	8,000	—	7,000
Japanese corporate bonds	8,765	14,600	10,780	15,945	775
Other	—	—	—	4,665	2,000
Available-for-sale securities with maturities	126,347	353,796	380,432	252,761	648,228
Japanese government bonds	26,600	122,600	127,100	200,100	439,200
Japanese local government bonds	27,774	72,347	147,512	30,681	128,967
Japanese corporate bonds	66,395	143,560	93,113	8,679	61,121
Other	5,576	15,289	12,706	13,300	18,938
Loans and bills discounted	2,334,580	1,230,505	993,218	557,966	1,621,643
Total	¥2,746,357	¥1,601,865	¥1,393,881	¥831,337	¥2,379,849

	Thousands of U.S. dollars				
March 31, 2010	Within 1 year	After 1 year through 3 years	After 3 years through 5 years	After 5 years through 7 years	After 7 years
Due from banks	$ 2,950,153	$ —	$ —	$ —	$ —
Monetary claims bought	23,459	15,417	15,585	—	1,076,971
Securities	1,452,197	3,975,989	4,290,761	2,938,212	7,072,270
Bonds classified as held-to-maturity	94,207	173,357	201,849	221,520	105,063
Japanese government bonds	—	16,435	85,985	—	75,237
Japanese corporate bonds	94,207	156,922	115,864	171,378	8,330
Other	—	—	—	50,142	21,496
Available-for-sale securities with maturities	1,357,990	3,802,632	4,088,912	2,716,692	6,967,207
Japanese government bonds	285,901	1,317,713	1,366,079	2,150,688	4,720,554
Japanese local government bonds	298,522	777,595	1,585,472	329,766	1,386,155
Japanese corporate bonds	713,628	1,542,992	1,000,789	93,286	656,942
Other	59,939	164,332	136,572	142,952	203,556
Loans and bills discounted (*)	25,092,224	13,225,551	10,675,180	5,997,060	17,429,535
Total	$29,518,033	$17,216,957	$14,981,526	$8,935,272	$25,578,776

Loans and bills discounted

Claims on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers amounted to ¥201,782 million ($2,168,776 thousand) and those with no contractual maturities amounted to ¥41,502 million ($446,075 thousand) are not included in the table above.

(7)Maturity analysis for financial liabilities with contractual maturities

	Millions of yen				
March 31, 2010	Within 1 year	After 1 year through 3 years	After 3 years through 5 years	After 5 years through 7 years	After 7 years
Deposits	¥7,413,741	¥1,221,836	¥372,602	¥ 1,305	¥ 2,000
Borrowed money	153,454	579	2,332	29,010	62,500
Total	¥7,567,195	¥1,222,415	¥374,935	¥30,315	¥64,500

	Thousands of U.S. dollars				
March 31, 2010	Within 1 year	After 1 year through 3 years	After 3 years through 5 years	After 5 years through 7 years	After 7 years
Deposits	$79,683,379	$13,132,380	$4,004,758	$ 14,035	$ 21,505
Borrowed money	1,649,334	6,223	25,073	311,801	671,754
Total	$81,332,713	$13,138,603	$4,029,831	$325,836	$693,259

Deposits

Demand deposits are included in the " Within 1 year category."

28. Fair Value of Securities and Money Held in Trust

(1) Securities

The fair value of securities at March 31, 2010 and 2009 were 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 paper 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.

(As of March 31, 2010)

(a) Securities classified as trading purposes

	Millions of yen	Thousands of U.S. dollars
Valuation gains included in earnings for the fiscal year	¥30	$327

(b) Bonds classified as held-to-maturity

		Millions of yen		
	Type	Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
Bonds whose fair values exceed the consolidated balance sheet amount	Japanese government bonds	¥16,409	¥16,855	¥445
	Japanese corporate bonds	37,816	38,292	476
	Other	—	—	—
	Subtotal	54,225	55,147	922
Bonds whose fair values do not exceed the consolidated balance sheet amount	Japanese government bonds	—	—	—
	Japanese corporate bonds	12,943	12,849	(93)
	Other	6,659	6,622	(36)
	Subtotal	19,602	19,472	(130)
Total		¥73,827	¥74,619	¥791

		Thousands of U.S. dollars		
	Type	Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
Bonds whose fair values exceed the consolidated balance sheet amount	Japanese government bonds	$176,370	$181,162	$4,792
	Japanese corporate bonds	406,449	411,568	5,119
	Other	—	—	—
	Subtotal	582,819	592,730	9,911
Bonds whose fair values do not exceed the consolidated balance sheet amount	Japanese government bonds	—	—	—
	Japanese corporate bonds	139,117	138,107	(1,010)
	Other	71,572	71,180	(392)
	Subtotal	210,689	209,287	(1,402)
Total		$793,508	$802,017	$8,509

(c) Available-for-sale securities

	Type	Millions of yen		
		Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale securities whose consolidated balance sheet amount exceed acquisition cost	Stocks	¥ 59,774	¥ 49,197	¥10,577
	Bonds	1,390,982	1,370,681	20,301
	Japanese government bonds	690,918	681,188	9,730
	Japanese local government bonds	368,713	362,676	6,036
	Japanese corporate bonds	331,351	326,816	4,534
	Other	76,134	74,954	1,179
	Subtotal	1,526,892	1,494,833	32,058
Available-for-sale securities whose consolidated balance sheet amount dose not exceed acquisition cost	Stocks	47,918	59,447	(11,529)
	Bonds	328,862	330,371	(1,509)
	Japanese government bonds	236,092	237,206	(1,114)
	Japanese local government bonds	46,500	46,633	(133)
	Japanese corporate bonds	46,269	46,530	(261)
	Other	109,662	114,664	(5,002)
	Subtotal	486,442	504,483	(18,040)
Total		¥2,013,335	¥1,999,316	¥14,018

	Type	Thousands of U.S. dollars		
		Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale securities whose consolidated balance sheet amount exceed acquisition cost	Stocks	$ 642,460	$ 528,777	$113,683
	Bonds	14,950,375	14,732,169	218,206
	Japanese government bonds	7,426,034	7,321,453	104,581
	Japanese local government bonds	3,962,952	3,898,068	64,884
	Japanese corporate bonds	3,561,389	3,512,648	48,741
	Other	818,304	805,622	12,682
	Subtotal	16,411,139	16,066,568	344,571
Available-for-sale securities whose consolidated balance sheet amount dose not exceed acquisition cost	Stocks	515,030	638,949	(123,919)
	Bonds	3,534,633	3,550,852	(16,219)
	Japanese government bonds	2,537,539	2,549,515	(11,976)
	Japanese local government bonds	499,791	501,220	(1,429)
	Japanese corporate bonds	497,303	500,117	(2,814)
	Other	1,178,655	1,232,418	(53,763)
	Subtotal	5,228,318	5,422,219	(193,901)
Total		$21,639,457	$21,488,787	$150,670

(d) Available-for-sale securities sold during the year ended March 31, 2010

	Millions of yen		
	Proceeds from sales	Gains on sales	Losses on sales
Stocks	¥ 4,214	¥ 888	¥ 521
Bonds	1,275,822	5,560	1,341
Japanese government bonds	1,171,022	4,129	1,324
Japanese local government bonds	37,548	498	14
Japanese corporate bonds	67,251	932	3
Other	6,560	87	1,077
Total	¥1,286,597	¥6,536	¥2,940

	Thousands of U.S. dollars		
	Proceeds from sales	Gains on sales	Losses on sales
Stocks	$ 45,293	$ 9,547	$ 5,608
Bonds	13,712,628	59,767	14,422
Japanese government bonds	12,586,227	44,386	14,233
Japanese local government bonds	403,576	5,359	157
Japanese corporate bonds	722,825	10,022	32
Other	70,508	944	11,580
Total	$13,828,429	$70,258	$31,610

(e) Impairment ("Devaluation") of securities

	Millions of yen	Thousands of U.S. dollars
Stocks	¥1,759	$18,915
Other	309	3,331
Total	¥2,069	$22,246

(As of March 31, 2009)

(a) Securities classified as trading purposes

	Millions of yen
Consolidated balance sheet amount	¥3,783
Valuation gains included in the earnings for fiscal year	28

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

	Millions of yen				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	¥16,396	¥16,839	¥ 442	¥443	¥ 0
Japanese local government bonds	4,464	4,471	6	6	—
Japanese corporate bonds	30,183	28,967	(1,216)	18	1,235
Other	11,601	11,288	(312)	—	312
Total	¥62,646	¥61,566	¥(1,079)	¥468	¥1,548

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

	Millions of yen				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	¥ 114,477	¥ 104,451	¥(10,026)	¥ 8,832	¥18,858
Bonds	1,264,669	1,260,759	(3,910)	4,398	8,309
Japanese government bonds	702,737	699,552	(3,184)	2,428	5,613
Japanese local government bonds	256,002	256,379	376	1,131	754
Japanese corporate bonds	305,929	304,826	(1,102)	838	1,941
Other	113,964	99,967	(13,997)	74	14,072
Total	¥1,493,112	¥1,465,177	¥(27,934)	¥13,305	¥41,240

Note: Consolidated balance sheet amounts are determined as follows:
Stocks Average market price during one month before the fiscal year-end
Bonds and other Market price at fiscal year-end

(d) Available-for-sale securities sold during the year ended March 31, 2009

	Millions of yen
Proceeds from sales	¥660,522
Gains on sales	3,580
Losses on sales	2,279

(e) Securities with no available fair value

	Millions of yen
	Consolidated balance sheet amount
Bonds classified as held-to-maturity	¥ 37,925
Privately placed bonds	37,925
Available-for-sale securities	234,673
Unlisted stocks	29,459
Unlisted foreign securities	0
Other	205,213

(f) Change in classification of securities

Not applicable.

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

	Millions of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	¥168,626	¥703,755	¥421,980	¥135,387
Japanese government bonds	73,682	232,077	275,576	134,617
Japanese local government bonds	24,810	152,349	83,683	—
Japanese corporate bonds	70,133	319,328	62,720	769
Other	13,479	27,185	33,731	17,283
Total	¥182,106	¥730,941	¥455,712	¥152,670

(2) Money held in trust

(a) Money held in trust classified as trading purposes

	Millions of yen		Thousands of U.S. dollars
March 31	2010	2009	2010
Consolidated balance sheet amount	¥4,000	¥3,852	$42,992
Valuation gains (losses) included in profit/loss during the year	32	5	349

(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	2010	2009	2010
Acquisition cost	¥400	¥900	$4,300
Consolidated balance sheet amount	400	899	4,299
Difference	0	—	1
Other money held in trust whose consolidated balance sheet amount exceed acquisition cost	0	—	1
Other money held in trust whose consolidated balance sheet amount dose not exceed acquisition cost	—	—	—
Net unrealized gains	—	(0)	—
Unrealized gains	—	—	—
Unrealized losses	—	0	—

Note: Consolidated balance sheet amount is calculated by using market prices at 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	2010	2009	2010
Net unrealized gains	¥14,018	¥(27,935)	$150,671
Available-for-sale securities	14,018	(27,934)	150,670
Other money held in trust	0	(0)	1
Net deferred taxes (liabilities)	(4,900)	9,615	(52,668)
Net unrealized gains (before following adjustments)	9,118	(18,320)	98,003
(–) Minority interests	12	0	139
(+) The Group's interest in net unrealized gains on available-for-sale securities held by affiliates accounted for by the equity method	75	(21)	813
Net unrealized gains	¥ 9,180	¥(18,341)	$ 98,677

29. Derivatives

(As of March 31, 2010)

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

· Interest Rate-Related Transactions

March 31, 2010	Millions of yen Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	¥705,503	¥11,969	¥11,969
Receive/floating and pay/fixed	745,535	(6,774)	(6,774)
Options/sell	337,895	(3,124)	1,705
Options/buy	338,108	3,125	3,125
Others/sell	16,196	(14)	829
Others/buy	7,398	7	(183)
Total	/	¥ 5,187	¥10,671

March 31, 2010	Thousands of U.S. dollars Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	$7,582,797	$128,647	$128,647
Receive/floating and pay/fixed	8,013,062	(72,810)	(72,810)
Options/sell	3,631,722	(33,587)	18,332
Options/buy	3,634,010	33,589	33,589
Others/sell	174,081	(159)	8,916
Others/buy	79,516	77	(1,971)
Total	/	$ 55,757	$114,703

· Foreign Exchange-Related Transactions

March 31, 2010	Millions of yen Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps	¥ 59,686	¥ 142	¥ 142
Forward contracts/sell	19,741	(46)	(46)
Forward contracts/buy	22,409	410	410
Options/sell	703,836	(62,707)	5,036
Options/buy	703,836	62,707	9,808
Total	/	¥ 505	¥15,351

March 31, 2010	Thousands of U.S. dollars Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps	$ 641,511	$ 1,528	$ 1,528
Forward contracts/sell	212,185	(503)	(503)
Forward contracts/buy	240,863	4,410	4,410
Options/sell	7,564,883	(673,982)	54,137
Options/buy	7,564,883	673,980	105,425
Total	/	$ 5,433	$164,997

· Commodity Related Transactions

March 31, 2010	Millions of yen Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	¥1,630	¥255	¥255
Receive/floating and pay/fixed	1,630	(162)	(162)
Total	/	¥ 93	¥ 93

March 31, 2010	Thousands of U.S. dollars Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	$17,521	$2,745	$2,745
Receive/floating and pay/fixed	17,521	(1,741)	(1,741)
Total	/	$1,004	$1,004

At March 31, 2010, the Group had no outstanding derivative contracts in stock related transactions, bond related transactions or credit derivative transactions.

(2) Derivative transactions to which hedge accounting is applied

· Interest Rate-Related Transactions

March 31, 2010			Millions of yen	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Exceptional treatment for interest swaps	Swaps			
	Receive/fixed and pay/floating	Loans and bills discounted	¥5,000	(Note)
Total			/	

March 31, 2010			Thousands of U.S. dollars	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Exceptional treatment for interest swaps	Swaps			
	Receive/fixed and pay/floating	Loans and bills discounted	$53,740	(Note)
Total			/	

Note: Amounts resulting from interest swaps with exceptional treatment are accounted for together with the financial instruments thus hedged. As a result, the fair value is included in the fair value of the loans stated in "27. Financial Instruments."

· Foreign Exchange-Related Transactions

March 31, 2010			Millions of yen	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Accounting method employed in principle	Swaps	Foreign securities	¥10,234	¥1,363
	Forward contracts	Call loans and foreign due from banks	98,188	1,768
Total			/	¥3,132

March 31, 2010			Thousands of U.S. dollars	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Accounting method employed in principle	Swaps	Foreign securities	$ 110,000	$14,655
	Forward contracts	Call loans and foreign due from banks	1,055,331	19,011
Total			/	$33,666

At March 31, 2010, the Group had no outstanding derivative contracts in stock related transactions, bond related transactions, commodity related transactions or credit derivative transactions.

(As of March 31, 2009)

The Banks use swaps, futures, forward and option contracts, and other similar types of contracts based on either interest rates, foreign exchange rates or security prices.

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

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

Derivative 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		
March 31, 2009	Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	¥786,279	¥10,466	¥10,466
Receive/floating and pay/fixed	820,915	(6,031)	(6,031)
Options/sell	405,080	(3,784)	2,314
Options/buy	398,324	3,793	3,793
Others/sell	29,225	(67)	1,239
Others/buy	18,881	56	(330)
Total	/	¥ 4,433	¥11,451

· Foreign Exchange-Related Transactions

	Millions of yen		
March 31, 2009	Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps	¥ 71,853	¥ 300	¥ 300
Forward contracts/sell	14,196	(106)	(106)
Forward contracts/buy	17,799	699	699
Options/sell	816,580	(75,901)	(2,758)
Options/buy	816,580	75,901	19,420
Total	/	¥ 894	¥17,555

At March 31, 2009, the Group had no outstanding derivative contracts in stock related transactions, bond related transactions, commodity related transactions and credit derivative transactions.

30. Subsequent Events

Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2010 were approved at the Company's general stockholders meeting held on June 25, 2010:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥3.50 per share on common stock	¥4,863	$52,276
Cash dividends, ¥7.50 per share on preferred stock (Type5)	805	8,660

Deloitte.

To the Board of Directors of
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, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in Japanese 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 the Company and consolidated subsidiaries as of March 31, 2010 and 2009, 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.

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

Deloitte Touche Tohmatsu LLC

June 9, 2010

DELOITTE TOUCHE TOHMATSU LLC

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Hokuriku Bank, Ltd.

	Millions of yen		Thousands of U.S. dollars
March 31	**2010**	2009	**2010**
Assets			
Cash and due from banks	**¥ 264,426**	¥ 293,653	**$ 2,842,071**
Call loans and bills bought	**55,631**	20,726	**597,935**
Monetary claims bought	**131,640**	154,750	**1,414,880**
Trading assets	**7,156**	6,589	**76,914**
Securities	**1,015,927**	858,854	**10,919,253**
Loans and bills discounted	**4,142,634**	4,290,055	**44,525,305**
Foreign exchanges	**5,659**	6,649	**60,833**
Other assets	**66,258**	73,920	**712,148**
Tangible fixed assets	**83,401**	68,573	**896,407**
Intangible fixed assets	**4,320**	3,175	**46,439**
Deferred tax assets	**53,062**	66,126	**570,325**
Customers' liabilities for acceptances and guarantees	**69,217**	81,703	**743,956**
Allowance for loan losses	**(46,615)**	(49,391)	**(501,029)**
Allowance for investment losses	**—**	(1,035)	**—**
Total assets	**¥5,852,721**	¥5,874,352	**$62,905,437**

	Millions of yen		Thousands of U.S. dollars
March 31	**2010**	2009	**2010**
Liabilities and net assets			
Liabilities			
Deposits	**¥5,306,740**	¥5,092,556	**$57,037,198**
Call money and bills sold	**—**	10,000	**—**
Trading liabilities	**2,719**	2,263	**29,233**
Borrowed money	**167,926**	360,040	**1,804,888**
Foreign exchanges	**99**	35	**1,075**
Other liabilities	**77,211**	83,200	**829,871**
Reserve for employee retirement benefits	**1,520**	584	**16,344**
Reserve for directors' and corporate auditors' retirement benefits	**592**	—	**6,373**
Reserve for contingent loss	**1,607**	977	**17,277**
Reserve for reimbursement of deposits	**1,295**	1,643	**13,922**
Deferred tax liabilities for land revaluation	**8,969**	9,054	**96,408**
Acceptances and guarantees	**69,217**	81,703	**743,956**
Total liabilities	**5,637,902**	5,642,059	**60,596,545**
Net assets			
Capital stock	**140,409**	140,409	**1,509,131**
Capital surplus	**14,998**	14,998	**161,209**
Retained earnings	**43,033**	75,571	**462,527**
Total shareholders' equity	**198,441**	230,980	**2,132,867**
Valuation difference on available-for-sale securities	**7,611**	(7,550)	**81,804**
Deferred gains (losses) on hedges	**(17)**	(45)	**(191)**
Revaluation reserve for land	**8,784**	8,908	**94,412**
Total valuation and translation adjustments	**16,377**	1,312	**176,025**
Total net assets	**214,819**	232,293	**2,308,892**
Total liabilities and net assets	**¥5,852,721**	¥5,874,352	**$62,905,437**

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

The Hokuriku Bank, Ltd.

Years ended March 31	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Income			
Interest income:			
Interest on loans and discounts	**¥ 74,271**	¥ 81,231	**$ 798,277**
Interest and dividends on securities	**9,787**	9,664	**105,192**
Interest on deposits with other banks	**1,286**	1,291	**13,831**
Other interest income	**1,795**	2,040	**19,297**
Fees and commissions	**20,344**	20,892	**218,669**
Trading income	**1,413**	1,534	**15,192**
Other ordinary income	**2,654**	5,351	**28,535**
Other income	**5,461**	2,306	**58,705**
Total income	**117,016**	124,314	**1,257,698**
Expenses			
Interest expense:			
Interest on deposits	**11,673**	15,810	**125,468**
Interest on payables under securities lending transactions	**—**	60	**—**
Interest on borrowings and rediscounts	**2,301**	3,100	**24,732**
Other interest expense	**578**	493	**6,221**
Fees and commissions	**6,773**	6,571	**72,797**
Other ordinary expenses	**1,135**	2,316	**12,200**
General and administrative expenses	**55,141**	53,110	**592,666**
Provision of allowance for loan losses	**11,945**	20,332	**128,389**
Other expenses	**5,683**	14,931	**61,086**
Total expenses	**95,231**	116,728	**1,023,559**
Income before income taxes	**21,784**	7,586	**234,139**
Income taxes:			
Current	**90**	745	**972**
Refund for prior periods	**(104)**	—	**(1,122)**
Deferred	**6,141**	(19,595)	**66,010**
Net income	**¥ 15,656**	¥ 26,436	**$ 168,279**

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Hokkaido Bank, Ltd.

March 31	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Assets			
Cash and due from banks	¥ 124,692	¥ 117,569	$ 1,340,204
Call loans and bills bought	22,791	40,000	244,961
Trading account securities	2,501	2,130	26,889
Money held in trust	4,400	4,751	47,292
Securities	999,158	866,202	10,739,019
Loans and bills discounted	2,851,049	2,863,495	30,643,267
Foreign exchanges	5,518	6,732	59,314
Other assets	126,148	66,212	1,355,854
Tangible fixed assets	32,577	31,510	350,150
Intangible fixed assets	3,005	3,418	32,301
Deferred tax assets	22,100	28,038	237,534
Customers' liabilities for acceptances and guarantees	27,963	25,409	300,548
Allowance for loan losses	(25,372)	(29,431)	(272,701)
Total assets	¥4,196,534	¥4,026,037	$45,104,632
Liabilities and net assets			
Liabilities			
Deposits	¥3,813,608	¥3,649,919	$40,988,911
Borrowed money	123,200	98,300	1,324,162
Foreign exchanges	42	19	460
Bonds payable	15,000	—	161,221
Other liabilities	57,832	84,899	621,593
Reserve for employee retirement benefits	6,317	8,068	67,901
Reserve for directors' and corporate auditors' retirement benefits	455	—	4,898
Reserve for contingent loss	544	581	5,854
Reserve for reimbursement of deposits	825	553	8,877
Acceptances and guarantees	27,963	25,409	300,548
Total liabilities	4,045,790	3,867,751	43,484,425
Net assets			
Capital stock	93,524	93,524	1,005,202
Capital surplus	16,795	16,795	180,515
Retained earnings	34,383	52,467	369,554
Total shareholders' equity	144,702	162,786	1,555,271
Valuation difference on available-for-sale securities	6,041	(4,500)	64,936
Total valuation and translation adjustments	6,041	(4,500)	64,936
Total net assets	150,744	158,285	1,620,207
Total liabilities and net assets	¥4,196,534	¥4,026,037	$45,104,632

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

The Hokkaido Bank, Ltd.

Years ended March 31	Millions of yen 2010	2009	Thousands of U.S. dollars 2010
Income			
Interest income:			
Interest on loans and discounts	¥56,708	¥59,529	$ 609,508
Interest and dividends on securities	9,584	9,847	103,014
Interest on receivables under resale agreements	16	76	179
Interest on deposits with other banks	1	0	11
Other interest income	235	389	2,535
Fees and commissions	15,475	16,057	166,328
Other ordinary income	9,748	7,411	104,777
Other income	3,316	3,608	35,644
Total income	95,086	96,921	1,021,996
Expenses			
Interest expense:			
Interest on deposits	7,192	10,080	77,301
Interest on borrowings and rediscounts	1,389	1,092	14,930
Interest on bonds payable	175	—	1,883
Other interest expense	1	2	16
Fees and commissions	6,863	6,573	73,770
Other ordinary expenses	2,288	3,441	24,602
General and administrative expenses	44,519	41,120	478,493
Provision of allowance for loan losses	9,172	12,809	98,590
Other expenses	5,846	6,952	62,836
Total expenses	77,448	82,073	832,421
Income before income taxes	17,638	14,848	189,575
Income taxes:			
Current	7,881	6,879	84,709
Prior periods	779	—	8,380
Deferred	(1,407)	(3,496)	(15,126)
Net income	¥10,384	¥11,464	$ 111,612

The Hokuhoku Financial Group is composed of the holding company and 11 consolidated subsidiaries and one affiliate. Our core business is banking, and we also provide a wider range of 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, concentrated business processing)
  - **Hokuriku International Cayman Limited** (Finance)
- **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)
- **Hokuhoku Services Co., Ltd.*1** (Servicer)
- **Hokuhoku Capital Co., Ltd.*2** (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)

*1. Name changed from Nihonkai Services Co., Ltd.
*2. Equity method-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	3,997
The Hokkaido Bank, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Banking	March 5, 1951	93,524	100.00	1,944
Hokugin Lease Co., Ltd.	2-21 Aramachi, Toyama City	Leasing	July 21, 1983	100	70.25	—
Hokuriku Card Co., Ltd.	1-2-1 Shintomi-cho, Toyama City	Credit card operations, loan guarantees	March 2, 1983	36	87.39	3
Hokuriku 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	—
Hokuhoku Services Co., Ltd.	1-6-8 Chuo-dori, Toyama City	Servicer	December 5, 2003	500	100.00	—
Hokugin Business Services Co., Ltd.	1883 Hiyodorijima, Toyama City	Document management, concentrated business processing, human resource solutions	March 25, 1953	30	(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)	—
Dogin Business Service, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Document management, cash management, concentrated business processing	June 8, 1979	50	(100.00)	—
Dogin Card Co., Ltd.	2-2-14 Chuo-ku Minami, Sapporo City	Credit card operations, loan guarantees, credit guarantees	June 13, 1977	1,226	(100.00)	—
Hokuhoku Capital Co., Ltd.	1-6-8 Chuo-dori, Toyama City	Venture Capital	January 11, 1985	250	5.00 (38.75)	—

( ) Indicates voting rights involving shares held by subsidiaries

* Hokugin Office Services Co., Ltd. and Hokugin Corporate Co., Ltd. completed liquidation procedures on June 24, 2009 and September 30, 2009, respectively. In addition, Hokugin Real Estate Services Co., Ltd. was absorbed by merger by The Hokuriku Bank, Ltd. on March 25, 2010. In fiscal 2009, the profit and loss of these three companies alone are reflected in the consolidated financial statement.

The Hokuriku Bank, Ltd.

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

Establishment

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

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, 2010)

Company name:	The Hokuriku Bank, Ltd.	
Business:	Banking	
Incorporation:	July 31, 1943 (founded in 1877)	
Location of headquarters:	1-2-26 Tsutsumicho-dori, Toyama City, Toyama	
President:	Shigeo Takagi	
Total assets:	¥5,852.7 billion	
Deposits (including NCDs):	¥5,306.7 billion	
Loans:	¥4,142.6 billion	
Issued shares:		
	Common stock	1,047,542,335
Capital adequacy ratio (non-consolidated):	10.80%	
Employees:	2,611	
Branches (as of June 30, 2010)		
Domestic:	187 (132 branches, 55 sub-branches)	
Overseas:	4 representative offices	

History

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

The Hokkaido Bank, Ltd.

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

Establishment

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

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

Company outline (as of March 31, 2010)

Company name:	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:	¥4,196.5 billion	
Deposits (including NCDs):	¥3,813.6 billion	
Loans:	¥2,851.0 billion	
Issued shares:		
	Common stock:	486,634,512
	Preferred stock (Type 2):	107,432,000
Capital adequacy ratio		
(non-consolidated):	10.19%	
Employees:	1,910	
Branches (as of June 30, 2010)		
Domestic:	138 (130 branches, 8 sub-branches)	
Overseas:	2 representative offices	

History

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

BOARD OF DIRECTORS AND CORPORATE AUDITORS

Hokuhoku Financial Group, Inc.

President:
Shigeo Takagi

Deputy President:
Yoshihiro Sekihachi

Directors:
Satoshi Kawai
Masahiro Sasahara
Taminori Iwasaki
Tetsuya Kitani
Eishin Ihori
Yuji Oshima

Corporate Auditors:
Masato Matsumoto
Yoshihiro Minami
Yasuhiro Ishiguro
Norikiyo Hayashi

The Hokuriku Bank, Ltd.

President:
Shigeo Takagi

Deputy President:
Satoshi Kawai

Senior Managing Directors:
Taminori Iwasaki
Tatsuya Kaseda

Managing Directors:
Tatsuro Ishikuro
Hidenori Mugino

Director:
Tetsuya Kitani

Corporate Auditors:
Takashi Hirase
Kenichi Nakamura
Isao Nagahara
Tatsuo Kawada
Mitsuhiro Tokuno

The Hokkaido Bank, Ltd.

President:
Yoshihiro Sekihachi

Deputy President:
Masahiro Sasahara

Managing Directors:
Hiroshi Sagayama
Akihiko Soma
Ikuo Takada

Directors:
Toshihiro Katayama
Satoshi Kawai

Corporate Auditors:
Keiji Okuda
Tatsuhiro Ishikawa
Michio Hatamoto
Masao Hoshi

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企业名称：北北金融控股集团股份有限公司

设立日期： 2003 年 9 月 26 日

总行地址：富山县富山市堤町通 1 丁目 2 番 26 号

集团董事长：高木繁雄（北陆银行 总行长）

副董事长：堰八义博（北海道银行 总行长）

经营目的：集团伞下的子公司的经营管理，以及连带的相关业务

资本金： 708 亿 9,500 万日元

发行股份： 普通股 .... 1,391,630,146 股

第一次第 5 种优先股.......... 107,432,000 股

上市交易所： 东京证券交易所（第一部）

札幌证券交易所

简历

自从 1877 年北陆银行成立以来已经在北陆地区设立了广域性的经营网点。

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

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

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

2002 年 5 月　北陆银行和北海道银行缔结了全面业务协助协议

2003 年 5 月　北陆银行和北海道银行对经营统合取得一致意见

2003 年 9 月　设立北银金融控股集团股份有限公司

北陆银行成为北银金融控股集团伞下的银行

通过股份交换实现经营统合

2004 年 9 月　北北金融控股集团股份有限公司诞生

注：北银金融控股集团股份有限公司改名为北北金融控股集团股份有限公司。

北北金融集团的经营活动范围不是限于一个地域，而是在广泛的地域内展开着。

我们广泛的营业网点分布在下面所写的地区范围里：

北陆地区	**148 分行（或支行）**
富山县	90 分行（或支行）
石川县	36 分行（或支行）
福井县	22 分行（或支行）
北海道地区	**156 分行（或支行）**
三大都市圈	**17 分行（或支行）**
其他地区	**4 分行（或支行）**
海外	**6 代表处**

上海代表处　（北陆银行）
沈阳代表处　（北海道银行）
新加坡代表处（北陆银行）
纽约代表处　（北陆银行）
南萨哈林斯克代表处　（北海道银行）
伦敦代表处　（北陆银行）
（2010 年 6 月 30 日）

（相片左边）
集团董事长
高木繁雄 *（北陆银行 总行长）*

（右边）
副董事长
堰八义博 *（北海道银行 总行长）*

董事致辞

感谢各位一向对本金融集团公司的支持和惠顾。

2009 年，我国经济受雷曼兄弟事件引起的世界性的经济倒退的连累，政府采取了经济对策对付该冲击，现在地方经济呈现逐渐恢复的迹象；但是欧洲接着发生的财政危机引发的新一轮金融危机又作为一个新的问题摆在我们面前，使得今后的世界经济前景很不明朗。另一方面，少子高龄化和财政问题等日本特有的难题需要克服，我们要从各方面着手解决经营管理方面的难题，摆脱这个困境。

在如此经济环境下，本公司 2010 年度开始着手实施 3 年中期经营计划 [Road to 10]。作为有地方亲和力，可以被依靠的金融集团，以持续性增长为目标，将在这 3 年中再造业务基盘，把这个期间定位于实现存款额达到 10 兆日元的金融集团的目标而巩固经营基础的时期。

我们一直努力坚持「强化营业力」,「经营效率化」,「经营基础的稳定化」三个经营的理念，以这 3 个理念为经营支柱脚踏实地向着计划中提出的目标前进。

另外，作为地区固有的金融机构我们可以积极地解决地区资金的供给问题。集团设置咨询、投诉联系窗口，完善总部、各分行的体制和人才培养，由专业部门针对中小企业客户进行改善经营管理，重组协助业务为区域经济的持续性发展起到重要作用。

最后，愿广大客户能一如既往地支持本集团。

董事长
髙木繁雄
高木繁雄
2010 年 7 月

中期经营计划

本集团自1998年3月份，接受政府资金的注入以来，在[经营健全化的计划]的基础上，一直致力于提高收益力，经营效率化，强化财务体质的努力。在着手实施计划和努力经营健全化业务，于2009年8月全部归还了注入的政府资金。

今后3年定位于 [面向未来挑战持续性增长的新时期]，根据新的中期经营计划 [Road to 10]，努力解决经营问题。

我们一直努力坚持「强化营业力」，「经营效率化」，「经营基础的稳定化」三个经营支柱，归还政府资金后开展集团状况相符合的各种经营措施，向存款额达到10兆日元的目标稳步前进。

计划的概要

名称	中期经营计划 [Road to 10]
期间	3年间（2010年4月~2013年3月）
定位	面向未来挑战持续性增长的新时期　~向存款额10兆日元的金融集团稳步迈进~
集团目标形象	成为有地方亲和力，可以被依靠的金融集团
解决课题	1．在经济前景不明朗的环境中再造有稳定收益的基盘 2．3行共同利用系统稳定运作，人员的灵活配备和店铺营业设施的完善 3．面向新资本充足率的规则，增发股息，偿还民间优先股而积累剩余金

2013年3月目标数（2行合算，联结）

存款平均余额	9兆5,500亿日元
贷款平均余额	7兆2,000亿日元
主营业务净利润	700亿日元
联结本期净利润	255亿日元
联结资本充足率（联结 Tier1 比率）	11.5%以上（7.5%以上）
OHR	58%
ROA（主营业务净利润为基础）	0.68%
ROE（联结本期净利润为基础）	6%以上
不良债权比率	3%程度

计划的基本方针

经营健全化计划	I. 强化营业力	II. 经营效率化	III. 经营基础的稳定化
	· 收益机会的追求 · 稳健的运用有价证券	· 营业店铺的重整 · 后方操作平台的共同化 · 灵活雇用钟点工	· 降低不良债权比率 · 归还政府资金 · 提高资本充足率
政府资金归还后			
中期经营计划 [Road to 10] 面向未来挑战持续性增长的新时期	■ 扩充强化收益基盘 ■ 以顾客的立场提供咨询业务 ■ 扩大有价证券的运用	■ 3行共同利用系统稳定运作和灵活运用战略 ■ 进一步追求协同作用（Synergy） ■ 增强营业人员	■ 提高资本的质量 ■ 阶段性地增发普通股股息

I. 强化营业力

实施“3个R”以实现“成为有地方亲和力，可以被依靠的金融集团”的目标

Retail~~亲和力~~
顾客数的扩大和交易多面化，主干化的推进
顾客层次的细分，分别营销
扩大小型企业交易（信用保证协会担保贷款等）
推进住房贷款
增加代付工资和退休金的客户（公司）数

Region~~与地方区域的紧密联系~~
提供顾及顾客方便的店铺机能
店铺的战略性重新配置
（改变形式、搬迁）
商务中心，咨询专用房，企业的招揽，产业学府政府的协作，CSR，帮助地方的成长型行业（农业、医疗、环境）

Relation~~被信赖的~~
活跃的商务解决方案的展开
顾客生命周期各阶段相符合的商品营销
法人：创业 → 成长 → 事业扩大 → 事业继承
个人：人生各阶段的个别咨询
总部 PB（私人银行）小组
海外代表处的灵活运用

战略性的人员配置
提高行员的对外交际能力
集团内人才交流而共享营销经验（诀窍）

加强联盟
运用集团公司（北北债权回收株式会社）
他行、信用金库、信用合作社、便利店等的协作

II. 经营效率化

3行共同利用系统稳定运作和灵活运用战略

2011年5月开始运作

协同作用（Synergy）的加速

横滨银行
于2010年1月先行运作

3行系统共同利用
(MEJAR)

北陆银行　2个品牌的营业　北海道银行

开发成本的降低

共同筹备系统机器和票据
扩大研修和监查业务的共同化

事务手续共通化

事务处理要领和管理报表的共通化
制度变更应对方式的共通化
（遵守市场价格核算、IFRS和新资本充足率规定）

扩大后方事务共同化
北北债权回收株式会社
北海道事业总部（2010年3月）
富山事业总部（2010年秋预定）

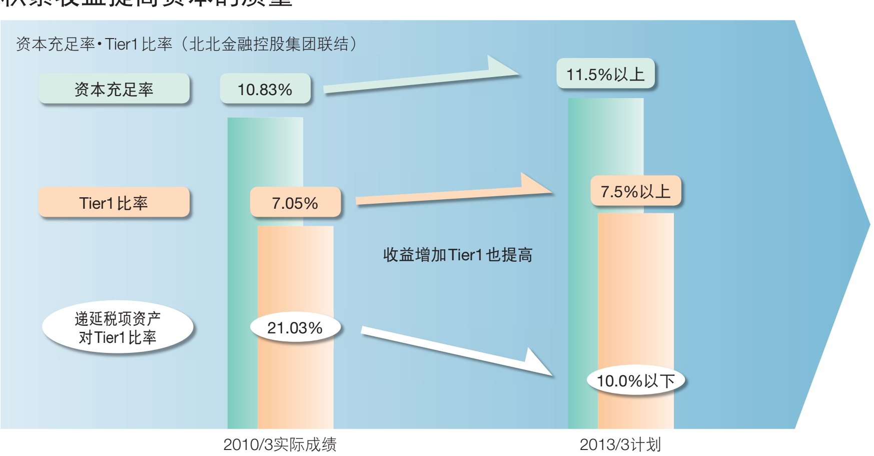
压缩经费

调整人员提高对外营业服务

经营管理治理强化

III. 经营基础的稳定化

积累收益提高资本的质量



资本充足率12%
Tier1比率8%（预期）

提高资本充足质量

阶段性增发普通股份股息

营业概况（北北金融控股集团联结）

（货币单位：亿日元）

	2009 年度		2008 年度
		前年比	
经常收益	2,267	－ 128	2,396
经常利润	354	140	213
本期净利润	192	－ 178	370
资本充足率	10.83%	＋ 0.02%	10.81%

本集团 2009 年度联结经常收益比前年减少了 128 亿日元为 2,267 亿日元，联结经常利润比前年增加了 140 亿日元为 354 亿日元，联结净利润比前年减少了 178 亿日元为 192 亿日元。

联结资本充足率比前年上升 0.02%，为 10.83%。

营业概况（北陆银行、北海道银行）

（货币单位：亿日元）

	2 行合算		
	2009 年度		2008 年度
		前年比	
经常收益	2,074	－ 111	2,185
主营业务毛利润	1,609	－ 74	1,683
经费（临时处理部分除外）	944	＋ 28	915
主营业务净利润	664	－ 103	768
信贷相关成本	255	－ 100	355
有价证券等相关盈亏	2	＋ 179	－ 176
经常利润	368	＋ 155	213
本期净利润	260	－ 118	379

代表银行本业务收益力的主营业务净利润随着资金利益和劳动利益的减少，再加上 2011 年计划改进基干系统经费的增加，比前年度减少 103 亿日元为 664 亿日元。

由于信贷相关成本比前年度减少 100 亿日元和有价证券等相关盈亏改善了 179 亿日元，经常利润比前年度增加 155 亿日元，为 368 亿日元。

本期净利润由于前年度法人税调整额的减少，为 260 亿日元。

（货币单位：亿日元）

	北陆银行			北海道银行		
	2009 年度		2008 年度	2009 年度		2008 年度
		前年比			前年比	
经常收益	1,137	－ 105	1,242	937	－ 5	943
主营业务毛利润	901	－ 46	947	708	－ 27	735
经费（临时处理部分除外）	518	＋ 4	513	426	＋ 24	402
主营业务净利润	383	－ 50	434	281	－ 52	333
信贷相关成本	134	－ 80	214	120	－ 20	140
经常利润	199	＋ 111	88	169	＋ 44	125
本期净利润	156	－ 107	264	103	－ 10	114
资本充足率	10.80%	＋ 0.57%	10.23%	10.19%	－ 0.26%	10.45%

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