Annual Report
2011

Year ended March 31, 2011

Hokuhoku Financial Group, Inc.

Company outline (as of March 31, 2011)

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.

CONTENTS

Profile

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

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Management integration effected through equity swap

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

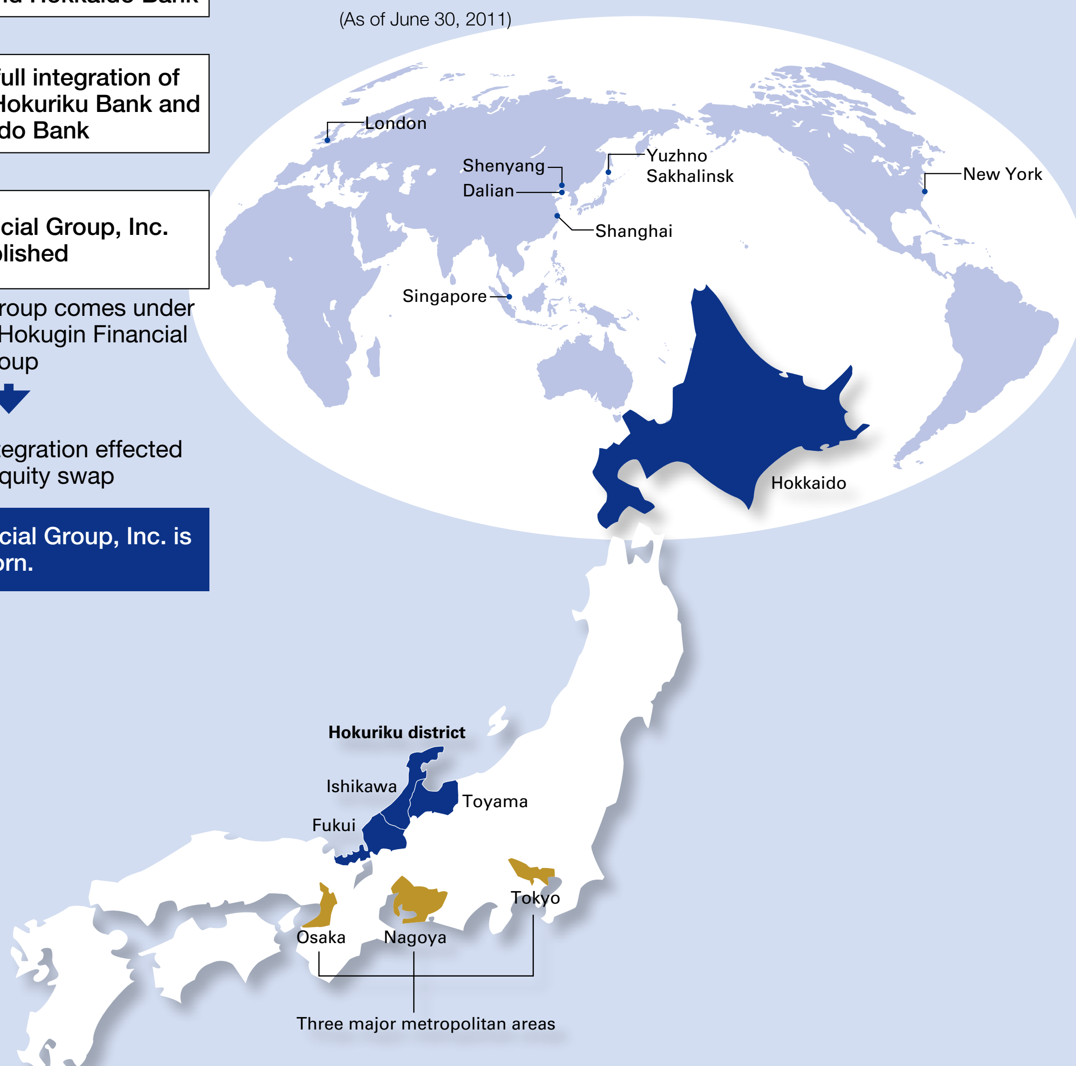
The operations of the Hokuhoku Financial Group extend beyond the limits of a single district.

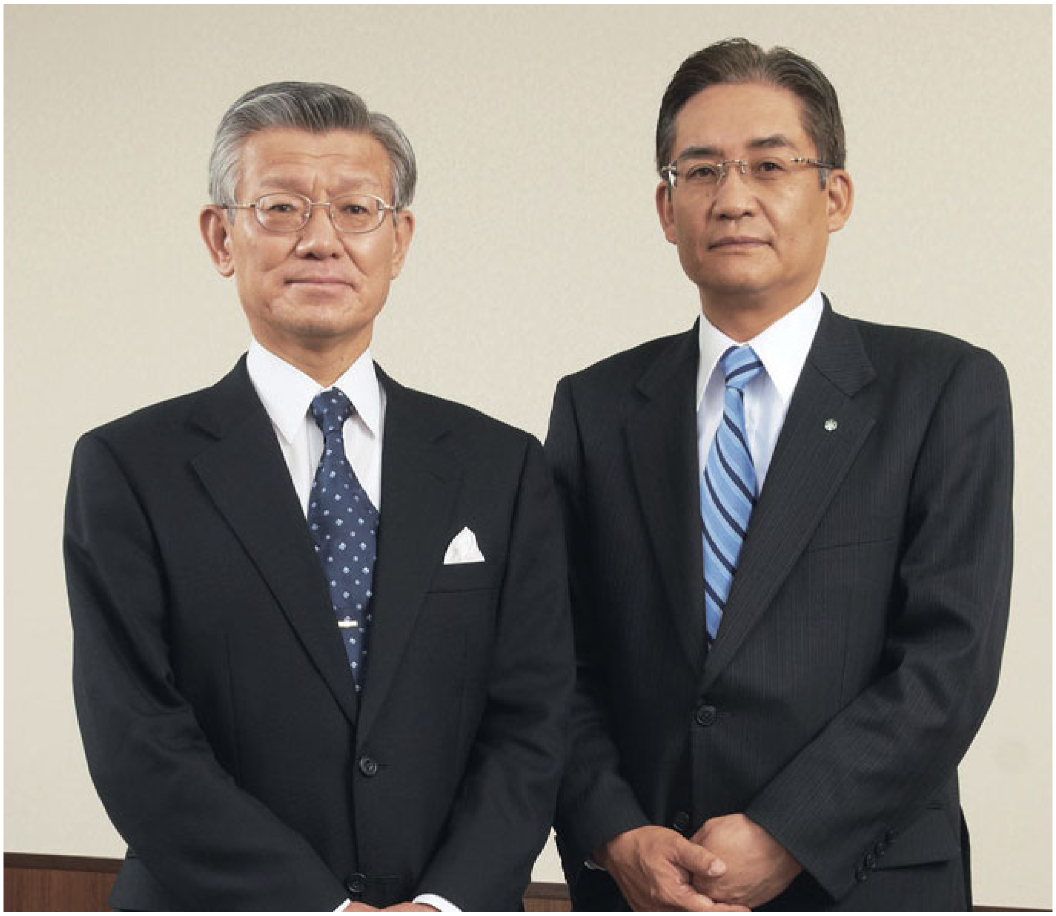
Our extensive network is outlined below.

Hokuriku district	**149 branches**
Toyama prefecture	91 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	**7 offices**

Dalian Representative Office (Hokuriku Bank)
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, 2011)





(from left)

Shigeo Takagi
President
(concurrently serving as president of The Hokuriku Bank, Ltd.)

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

We would like to express our deepest condolences to everyone who has suffered in the Great East Japan Earthquake and hope that the afflicted region is able to recover as quickly as possible.

In fiscal 2010, the Japanese economy continued to stage a moderate recovery due to a pick up in production activities and sustained personal consumption resulting from government stimulus packages. However, employment conditions remained harsh, with economic activity slowing down substantially at the end of the term due to the impact of the earthquake disaster in March. On the financial side, the appreciation of the yen continued from the summer onwards, exerting an especially strong impact on export industries. The Japanese government intervened in the foreign exchange market for the first time in six and a half years, and successively implemented additional monetary easing measures in response to the earthquake disaster.

Under these circumstances, we positioned the three years from April 2010 to March 2013 as the time to "Renew endeavor to achieve sustainable growth," and in order to steadily achieve our goal of being a financial group with ¥10 trillion in deposits we have been implementing our Mid-term Management Plan "Road to 10." The Plan is based on the following three policies: "Strengthening Marketing Capabilities," "Increasing Management Efficiency," and "Cementing Customer Loyalty."

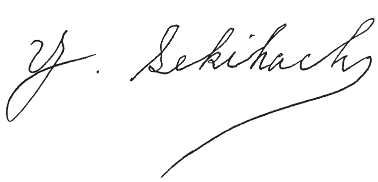
In May 2011, we migrated to the new banking system (MEJAR), which was jointly developed by three banks including the Bank of Yokohama. By strategically leveraging this new system, we will pursue further Group synergies by increasing customer convenience, integrating business processes, standardizing back office work, reducing development costs, and strengthening marketing capabilities through more efficient use of personnel.

The outlook is for economic uncertainty due to the earthquake disaster, restrictions on electric power supply, and other factors. However, through additional management efforts, we will fulfill our mission as a regional financial institution, and in the spirit of our management philosophy of "prospering together with the region" we will aim to achieve greater success together with our customers.

We therefore ask for your continued support and loyal patronage.

July 2011

Shigeo Takagi
President



Yoshihiro Sekihachi
Deputy President

The Hokuhoku Financial Group has positioned the three years beginning April 2010 as the time to "renew endeavor to achieve sustainable growth" and we have started our Mid-term Management Plan "Road to 10."

In order to further promote "Strengthening Marketing Capabilities," "Increasing Management Efficiency" and "Cementing Customer Loyalty," the three key management policies since the integration of the two banks, we are working steadily toward achieving Group deposits of JPY 10 trillion by tackling the new management challenges that have arisen after we had fully repaid the public funds.

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

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.

Mid-Term Management Plan "Road to 10" Renew endeavor to achieve sustainable growth	I. Strengthening Marketing Capabilities	II. Increasing Management Efficiency	III. Cementing Customer Loyalty
	■ 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

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

	'10/3 result	'11/3 result	'13/3 plan
Deposits (avg. balance)	JPY 8,934.8 bn	JPY 9,277.6 bn	JPY 9,550.0 bn
Loans (avg. balance)	JPY 7,096.7 bn	JPY 7,113.3 bn	JPY 7,200.0 bn
Core net business profit	JPY 66.4 bn	JPY 56.7 bn	JPY 70.0 bn
Net income*	JPY 19.2 bn	JPY 18.4 bn	JPY 25.5 bn
Capital adequacy ratio* (Tier 1 capital ratio*)	10.83% (7.05%)	11.29% (7.45%)	Above 11.5% (Above 7.5%)
OHR	58.68%	63.47%	58%
ROA (Core net business profit basis)	0.68%	0.56%	0.68%
ROE* (Core net income basis)	5.12%	4.60%	Above 6%
NPL ratio	2.98%	2.96%	Around 3%

*FG consolidated

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 (Started 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. (Sep. 2010)

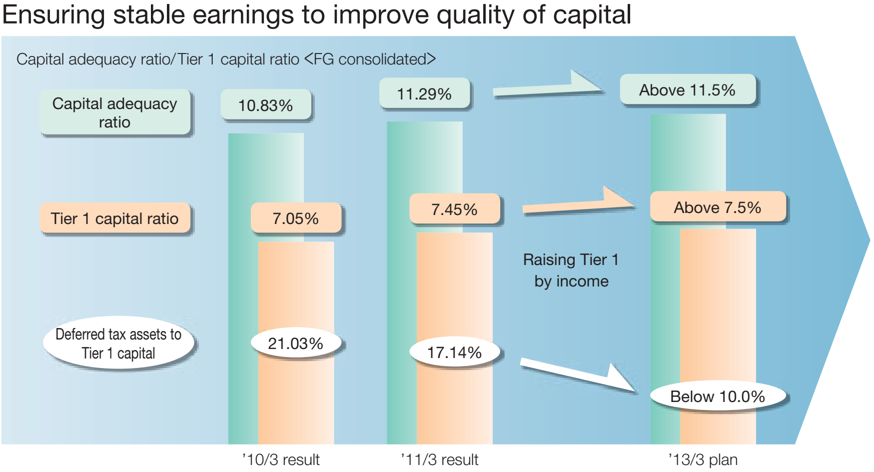
Cutback on future expenses

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 1 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)

	FY2010	Change	FY2009
Ordinary income	214.6	(12.0)	226.7
Ordinary profits	37.2	1.8	35.4
Net income	18.4	(0.8)	19.2
Capital adequacy ratio	11.29%	+0.46%	10.83%

In the fiscal year ended March 31, 2011, Hokuhoku FG recorded ordinary income of ¥214.6 billion, a decrease of ¥12.0 billion year on year on a consolidated basis. Ordinary profits, on the other hand, increased ¥1.8 billion year on year to ¥37.2 billion, and net income fell ¥0.8 billion to ¥18.4 billion.

Our capital adequacy ratio stood at 11.29% at the term-end on a consolidated basis, an increase of 0.46 of a percentage point from the previous term-end.

Summary of Operations (Hokuriku Bank and Hokkaido Bank)

(¥ billion)

	Hokuriku Bank and Hokkaido Bank		
	FY2010	Change	FY2009
Ordinary income	195.8	(11.5)	207.4
Core gross business profit	155.4	(5.5)	160.9
Expenses	98.6	4.2	94.4
Core net business profit	56.7	(9.7)	66.4
Credit costs	14.5	(10.9)	25.5
Income (loss) on marketable securities	(1.0)	(1.3)	0.2
Ordinary profits	37.0	0.1	36.8
Net income	19.6	(6.3)	26.0

Owing to a decline in net fees and commissions and other ordinary income, as well as an increase in expenses for the renewal of the IT system used jointly by the three banks, core net business profit, the key measure of a bank's mainstay operating profitability declined ¥9.7 billion year on year to ¥56.7 billion.

Ordinary profits were ¥37.0 billion, largely in line with the previous term's level, due to the large year-on-year fall in credit costs.

Net income came to ¥19.6 billion, due to the absence of the extraordinary income recorded in the previous term, and other factors.

(¥ billion)

	Hokuriku Bank		
	FY2010	Change	FY2009
Ordinary income	108.8	(4.8)	113.7
Core gross business profit	88.5	(1.5)	90.1
Expenses	53.8	2.0	51.8
Core net business profit	34.6	(3.6)	38.3
Credit costs	7.1	(6.3)	13.4
Ordinary profits	22.9	2.9	19.9
Net income	11.9	(3.7)	15.6
Capital adequacy ratio	11.32%	+0.52%	10.80%

(¥ billion)

Hokkaido Bank		
FY2010	Change	FY2009
87.0	(6.7)	93.7
66.8	(3.9)	70.8
44.7	2.1	42.6
22.1	(6.0)	28.1
7.4	(4.5)	12.0
14.1	(2.8)	16.9
7.7	(2.6)	10.3
10.59%	+0.40%	10.19%

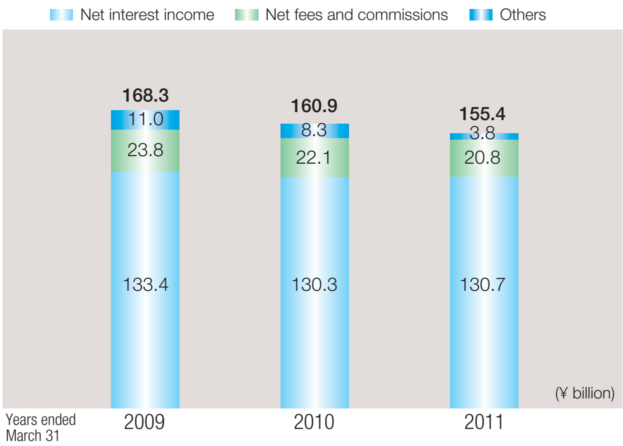
Core Gross Business Profit (Both banks)

Net interest income increased ¥0.3 billion year on year to ¥130.7 billion, due to our accumulation of securities centered on Japanese government bonds.

Net fees and commissions decreased ¥1.3 billion to ¥20.8 billion, due to the fall in income from remittance fees, and an increase in payments of loan insurance premiums and guarantee commissions resulting from our promotion of housing loans.

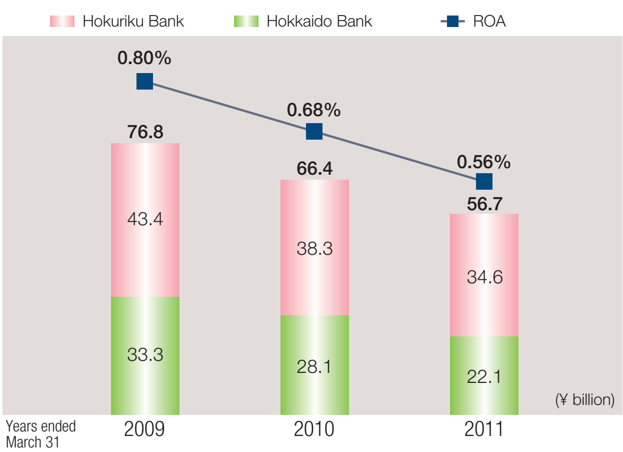
Other net operating income decreased ¥4.5 billion from the previous term to ¥3.8 billion, due mainly to the fall in income from foreign exchange transactions affected by stagnation of the real economy.

As a result of the above, core gross business profit fell ¥5.5 billion to ¥155.4 billion.



- 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

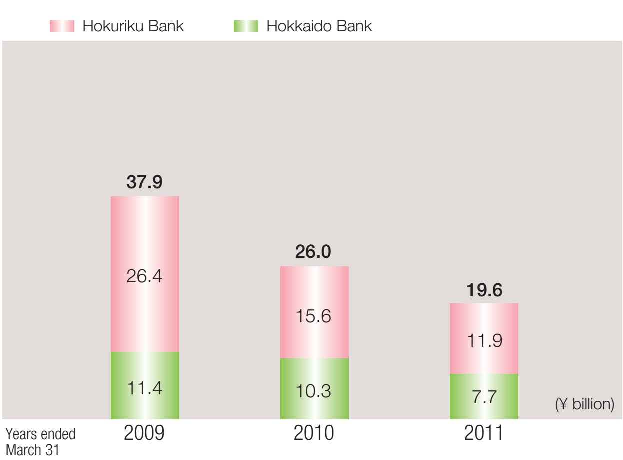
Core Net Business Profit (Both banks)



Expenses increased ¥4.2 billion, due primarily to an increase in migration costs for the switch to the three-bank joint IT system launched in May 2011. Core net business profit declined ¥9.7 billion to ¥56.7 billion, due also to a lower level of core gross business profit.

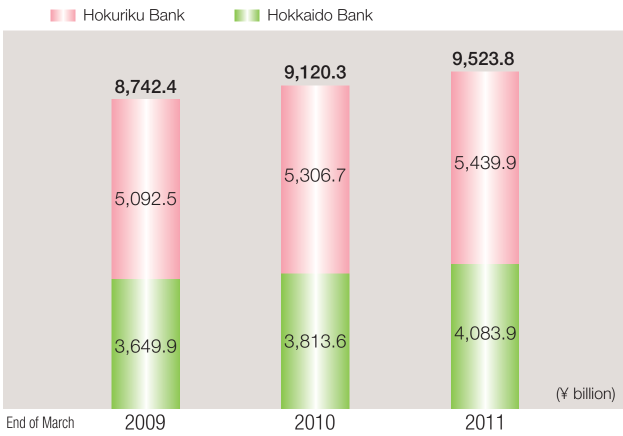
- Core net business profit = core gross business profit minus expenses Equivalent to operating income in the case of companies other than banks, this indicates a bank's achievements in its core banking field.
- ROA = Core net business profit divided by total assets (average for the term) This figure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

Net Income (Both banks)



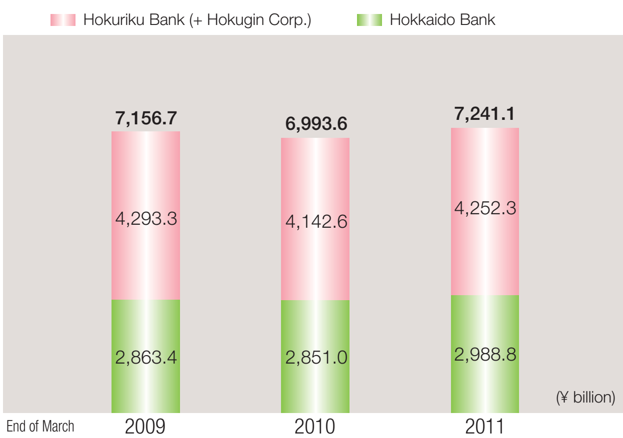
Ordinary profits were largely in line with the previous term's level, due to the large fall in credit costs which was partly the result of the corporate rehabilitation support initiatives the Group has been working on. Net income declined ¥6.3 billion to ¥19.6 billion, partly because gains on liquidation of its subsidiaries were recorded under extraordinary income in the previous term, and because income taxes-deferred increased in the reporting term.

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



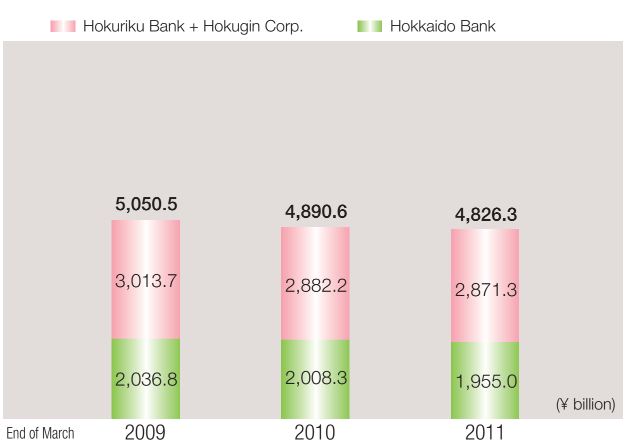
In the term under review, deposits (including negotiable certificates of deposit) continued to increase primarily from individual customers, reaching ¥9,523.8 billion, ¥403.5 billion higher than at the end of March 2010.

Loans and Bills Discounted (Both banks + Hokugin Corp.)



Due to an increase in loans to local governments and housing loans, loans and bills discounted came to ¥7,241.1 billion, ¥247.4 billion higher than at the end of March 2010.

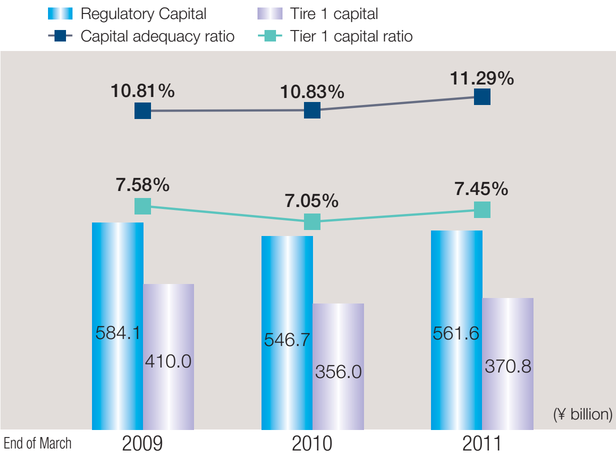
Outstanding Loans to SMEs (Both banks + Hokugin Corp.)



Outstanding loans to SMEs stood at ¥4,826.3 billion, ¥64.2 billion lower than at the end of March 2010.

We actively pursued our initiatives to facilitate regional finance because we believe this is an important role for the bank, but outstanding loans decreased due to the stagnation in business funding needs resulting from weak economic recovery.

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



Our capital adequacy ratio, which indicates financial soundness, rose 0.46 of a percentage point from the end of March 2010 to reach 11.29%.

Retained earnings increased due to the accumulation of earnings, and as a result Tier 1 capital increased ¥14.8 billion from the end of March 2010 to ¥370.8 billion, and regulatory capital also increased ¥14.8 billion to reach ¥561.6 billion.

● 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.

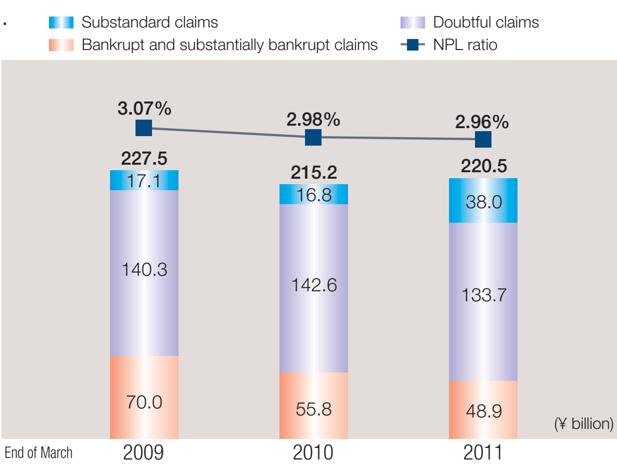
● Tier 1 capital ratio
This ratio indicates the proportion of a bank's Tier 1 capital (the basic element of regulatory capital; basically capital stock, capital surplus, and retained earnings) to its risk-weighted assets (principally loans). The higher the ratio, the healthier its core banking operations.

* Calculated in accordance with the current BIS standards (Basel II).

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

As the slump in the economy continued, Disclosed Claims under the Financial Reconstruction Law came to ¥220.5 billion, an increase of ¥5.3 billion from the previous term-end.

The NPL ratio under the Law remained at a low level, at just 2.96%.



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

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

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

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

Ratings

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

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

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

Basic approach

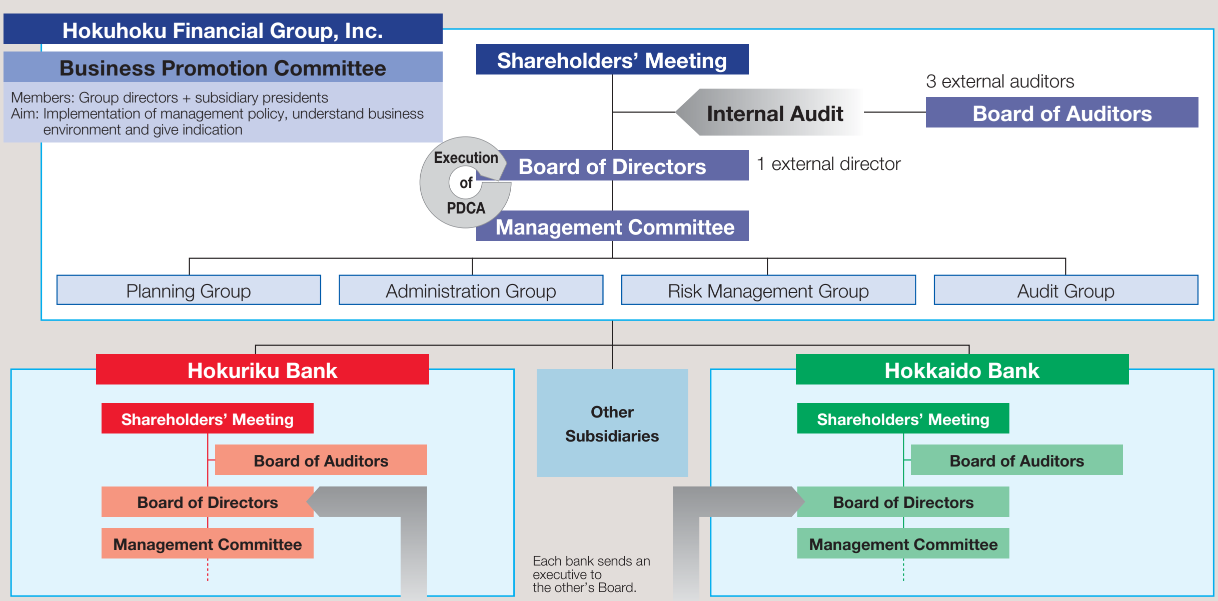
The holding company and all its member companies regard strengthening and upgrading corporate governance as one of its top management priorities. We have drawn up a basic policy — our management philosophy — covering all our activities including management strategy-setting and decision-making. We share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

Corporate governance

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

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

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



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

2. 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.

APPROACH TO COMPLIANCE

We ensure more rigorous observance of laws and social norms

Basic policy

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

System

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

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

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

Basic policy on compliance

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

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

2. Providing quality financial services

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

3. Strict observance of laws and regulations

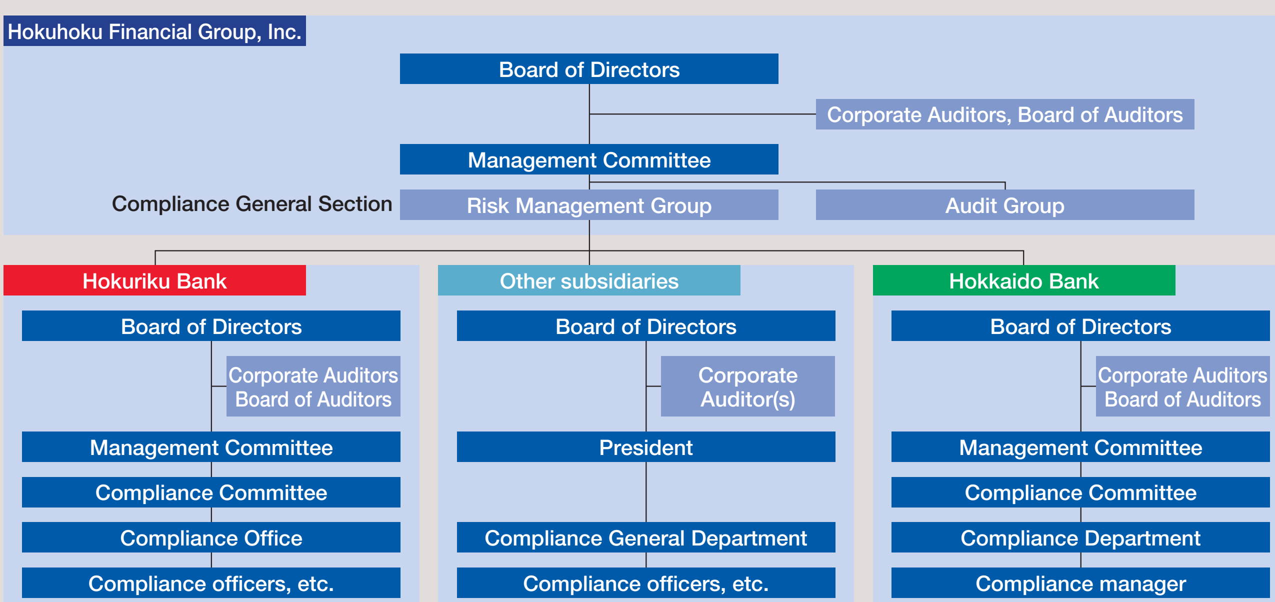
The Group strictly observes all relevant laws and regulations, and conducts business in a trustworthy and honest way that conforms to its own standards of corporate ethics and to social norms.

4. Elimination of ties with anti-social elements

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

5. Ensuring management transparency

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



Compliance manual and compliance program

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

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

Measures to accelerate customer protection and customer convenience

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

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

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

Measures for protection of personal information

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

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

Basic rules of management of customer protection	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.

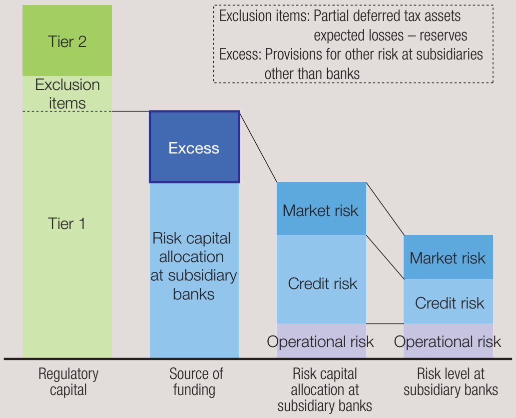
At our subsidiary banks, which have the highest risk exposure within the Group, we have categorized risk for management purposes as: credit risk, market risk, liquidity risk and operational risk, which we manage through our Asset Liability Management Committees and Comprehensive Risk Management Committees. 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

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

After subsidiary banks numerically quantify credit risk, market risk and operational risk and estimate maximum potential loss for each of the risks, risk capital allocations are undertaken using Tier 1 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 15 credit ratings based on financial data and qualitative information regarding borrower creditworthiness, the system enables ongoing monitoring of changes in rating.

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

Internal rating	Borrower categorization by asset self-assessment
S	Normal borrowers
A	
B	
C	
D	
E	
F	
N	
J	
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 risk of incurring losses due to fluctuations in the value of assets and liabilities held by the Group, or the earnings generated by the Group, that are caused by fluctuations in various risk factors in the market, such as interest rates, stock prices, and foreign exchange rates.

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

Types of risk and management system

(1) Interest-Rate Risk

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

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

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

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

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

(2) Stock Price Fluctuation Risk

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

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

(3) Foreign Exchange Rate Risk

Foreign currency assets and liabilities are exposed to the risk that losses will be incurred because the price of exchange differs from the price that was initially planned. To reduce such risk, we regularly monitor the international situation and major forex indicators in Europe and the US, and conduct risk management with due consideration of the maturity of individual assets and liabilities. We also use currency swaps.

(4) Derivative Transactions Risk

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

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

Liquidity risk management

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

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

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

Operational risk management

Basic policy

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

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

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

Management structure

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

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

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

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

Risk management systems by major category

• Administrative risk management

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

• System risk management

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

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

Additionally, the subsidiary banks successfully completed the migration to the new MEJAR system in May 2011 and continue to ensure its stable operation.

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.

Response to the Great East Japan Earthquake

In order to help the people affected by the recent major earthquake and tsunami, Hokuriku Bank and Hokkaido Bank and the other companies in the Group had given ¥70 million in relief money by the end of March 2011.

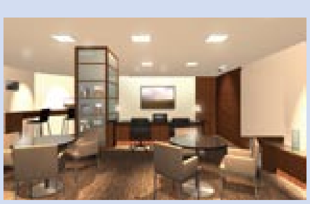
We also distributed emergency relief supplies such as drinking water, blankets, and medical kits to the affected people, and donated complimentary towels for customers to the Northern Army of the Japan Ground Self-Defense Force participating in recovery operations.

In addition, in our branches we set up counters for consultations about financing and opened bank accounts for donations of relief money. On behalf of 12 banks in the disaster-hit region, we are offering deposit withdrawal services and conducting other banking operations.

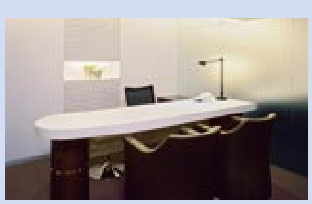
To meet diversifying customer needs

Enhancing Branch Appeal

• Enhancement of consultation spaces



"Hokugin Point Club Salon" (Takaoka)



"Odori Personal Lounge" (Sapporo)

• Upgrade sub-branches into branches

In fiscal 2010, Hokuriku Bank upgraded five sub-branches into branches and Hokkaido Bank upgraded one sub-branch into a branch.

Equipped with full banking functions and offering a service specialized in retail services mainly to individuals and family businesses, the new branches will aim to help their banks to become an even closer and more reliable partner for local customers in their respective regions.

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.

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
Apr. 2010	Kunshan	Hokuriku Bank
Jun. 2010	Dalian Sub-Council of China Council for the Promotion of International Trade (CCPT)	Hokuhoku FG
Jan. 2011	Yingkou	Hokuhoku FG
Mar. 2011	Jinzhou New Area	Hokuhoku FG
Jun. 2011	Shenyang Sub-Council of CCPT	Hokkaido Bank

Business-matching events (fiscal 2010-2011)

Date	Location	Industry	Exhibiting companies (No. of business meetings)
Jun. 2010	Nagoya	Food, the environment	215 (1,100)
Aug.	Shenyang	Food	92 (100)
Sep.	Sapporo	Food	392 (350)
Sep.	Shanghai	Manufacturing	3,200 (8,500)
Oct.	Dalian	All industry types	15,000 people (7,800)
Oct.	Asahikawa etc.	Agriculture	41 (132)
Oct.	Toyama and Kanazawa	Food	51 (158)
Nov.	Singapore	Food	166 (576)
Nov.	Thailand	Manufacturing	120 (200)
Nov.	Sapporo	Tourism	61 (270)
Nov.	Tokyo	Food	660
Nov.	Fukui	Food	35
Feb. 2011	Tokyo	Food	54 (170)
Jun.	Sapporo	Agriculture, Construction	1,000 people
Jun.	Hakodate	Marine product processing	35 (100)

Association of bank clients (as of March 31, 2011)

	No. of companies
Hokuriku Choujou Association	1,071
Hokkaido Choujou Association	240
Shanghai Choujou Association	197
Hokuhoku ASEAN Association	150
Dalian Choujou Association (inaugurated July, 2011)	–

Alliances with overseas banks and other partners

Oct. 2002	Bank of China	Hokuriku Bank
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
Apr. 2011	Bank Negara Indonesia	Hokuriku Bank
Jun. 2011	KASIKORNBANK (Thailand)	Hokkaido Bank

• Manufacturing business conference in Shanghai 2010 (September 2010)

The conference was jointly held by our subsidiaries Hokuriku Bank and Hokkaido Bank with 26 regional banks and local governments, and hosted by NC Network China and Nikkei Business Publications Asia. It was the largest international manufacturing business conference we have ever held in Shanghai, China, with 334 companies exhibiting, and the sixth conference in Shanghai held by our Group.

According to an announcement by the secretariat, 3,200 companies participated over the two days, with a total of 5,300 visitors and 8,500 business meetings held. There were cases in which negotiating companies entered price talks from the start, as the needs of both sides had been identified in advance. Going forward, concrete results are expected.

• Holding of Sales Channel Expansion Seminars Utilizing the China UnionPay Official On-Line Shopping Mall

In China, which is continuing to achieve high growth, there is increasing demand for the purchase of high-quality Japanese products through the Internet. This demand is being driven primarily by the rapidly-increasing wealthy segment of the population. Given this, our subsidiaries Hokuriku Bank and Hokkaido Bank held these seminars in a total of seven venues including the three prefectures in Hokuriku as well as Hokkaido.

In these seminars, simple presentations about the Japan section of the official online shopping mall of China UnionPay, which has more than 600 million members, were given to businesses considering the possibility of expanding sales channels for their own products. The seminars were very well received at each of the venues.

More dialog and better disclosure

We continuously communicate with investors and analysts for better disclosure.

IR meetings for investors and analysts

November 2010: Fiscal 2010 interim results (Tokyo)
May 2011: Fiscal 2010 results (Tokyo)

IR overseas roadshow

June 2011: Europe (Paris, London, Edinburgh)

IR meetings for individual investors

June 2011: Two cities in Hokuriku (Toyama and Kanazawa) and two cities in Hokkaido (Sapporo and Asahikawa)

General meeting of shareholders

June 2011: Eighth ordinary general meeting of shareholders (Toyama, with live broadcast to Sapporo)

Advancing with regional communities

We take part in social contribution activities.

Financial education

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

Support for industry-academia cooperation

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

Support for arts and culture

- Arranging and supporting concerts
- Establishment of art galleries

Hokuriku Bank has established the Hokugin Art Gallery, a network of exhibition spaces for artworks using the outside walls of bank branches, and provides venues for local artists and students studying arts and crafts at local universities to present their works. All of the venues use environmentally-friendly LED lighting and have been carefully designed to make the works stand out. They have become familiar to the local people as "mini art museums in the middle of town."

Establishment of art galleries

Helping conserve the regional environment

Measures undertaken as a financial institution

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

Helping reduce greenhouse gases

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

Establishment of rooftop garden systems

Further environmental protection activities

- Establishment of rooftop garden systems
- Forest campaign

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

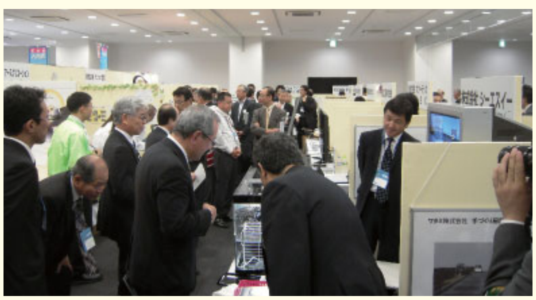
In September 2010, the second tree-planting was held in "Dogin Forest." Branches also cooperated with local governments in tree-planting activities.

Forest campaign

Hokuriku Bank

1. Business Summit 2010: from Tokai and Hokuriku! Huge Gathering of Food and Environmental Businesses

In June 2010, the bank held a business conference on the theme of food and the environment in Nagoya jointly with Ogaki Kyoritsu Bank. A total of 134 companies and organizations exhibited, and from Hokuriku 31 companies set up booths and promoted their products in order to expand their sales channels. On the day approximately 2,600 people visited the venue and approximately 1,100 business meetings were held between the exhibiting companies and buyers for 81 companies from throughout Japan, including department stores and convenience stores.



2. Kanazawa Toiyamachi Branch Reopened in a New Building at a New Location

In October 2010, the Kanazawa Toiyamachi Branch was reopened in a new building at a new location. The new branch is designed with an exterior that fits in with the old town of Kanazawa, and is inspired by a traditional soy sauce warehouse in its Ono district featuring a tiled roof and plaster walls. It promotes the concept of local production for local consumption with a wooden deck made of Japanese Cyprus from Noto, flooring made of cedar from Ishikawa Prefecture and lobby and reception room walls using diatomaceous earth produced in Noto. The branch incorporates one of our Hokugin Art Galleries, exhibiting works from students of the Kanazawa College of Art.

3. Chinese Buyers Summit Held in Toyama and Kanazawa

In October 2010, the bank held the Chinese Buyers Summit in Toyama and Kanazawa. At the business conference, lively business meetings were held in which representatives of food manufacturers aiming to open up sales channels to China promoted their best products to buyers who had been invited from food-related companies in Shanghai and Dalian. In China, interest in the security and safety of food is increasing, particularly among the wealthy segment of the population, so Hokuriku Bank is providing backup support to increase contact between local companies and Chinese companies, and expand Chinese sales channels. In conjunction with this business conference, the bank held seminars offering practical advice about trade with China and seminars about economic trends for university students.

4. Japanese Food Trade Fair in Singapore 2010

In November 2010, a business conference was held by five Japanese regional banks over two days in the Suntec Singapore International Convention and Exhibition Center. This was the first ever business conference in Singapore hosted by regional banks.

The objective of this business conference was to expand sales channels to Singapore and the ASEAN region. From Japan, 35 companies presented exhibits, offering a wide range of food products including fresh fish, other marine products, processed mountain vegetable products, local delicacies, miso and soy sauce, sake, and ice cream. Buyers from more than 160 food-trading companies, supermarkets, and restaurants inside Singapore visited the exhibition, holding a total of nearly 600 business meetings.

5. Dalian Representative Office Opened

In January 2011, Hokuriku Bank opened a representative office in Dalian, China, the bank's fifth overseas office. The areas handled by the Dalian Representative Office will include the northeast region centered on Dalian, and northern China including Beijing and Tianjin. It will provide economic and financial information of those regions to our business clients, and support the business growth of companies that have already entered the local market or are planning to enter the local market. It will also offer business matching and strengthen cooperation with government agencies.

6. Hokugin Point Club Salon Opened

In March 2011, the bank opened the Hokugin Point Club Salon facility for its member customers, in contribution to a project to create a lively atmosphere in central Takaoka City. The salon contains a community space in which the members can relax, and a seminar room for holding the various seminars. The bank also incorporated another Hokugin Art Gallery in the facility as a small town-center art museum, providing a space for relaxation for visitors to the salon.

Hokkaido Bank

1. Business Matching in Shenyang

In August 2010, the bank held individual business conferences and the Hokkaido Economic Forum for local companies in Shenyang, Liaoning Province, in China.

In the individual business conferences lively business meetings were held between 16 Japanese companies and approximately 70 Chinese companies with the cooperation of the Shenyang Foreign Trade and Economic Cooperation Bureau and the China Council for the Promotion of International Trade.

At the forum, ten Japanese companies gave lectures on themes including construction techniques for cold regions, the environment, tourism, and IT.

2. Business Alliance with Liaoning Television Station and Hokkaido Broadcasting

In August 2010, Hokkaido Bank concluded a business alliance with Liaoning Radio and Television (Shenyang) and Hokkaido Broadcasting (Sapporo). The objective of the parties to the alliance is to encourage greater economic exchanges between China's northeast and Hokkaido by carrying out business matching centered on those two regions and providing economic information to each other.

In China, Hokkaido is gaining in popularity, and the demand for tourism and economic information about the island is increasing.

3. Seventh Hokkaido Food Special Business Conference Held

In September 2010, the seventh Food Special Business Conference was held.

This business conference helps expand sales channels for food made by manufacturers in Hokkaido to reach department stores and supermarkets in Tokyo and Kansai area, and 42 companies participated offering products in the areas of processed marine products, agricultural and livestock products and beverage production. Individual business meetings were held with the participation of buyers from 32 companies, including leading department stores, luxury supermarkets, mail-order companies and restaurant chains.

On this day, there were 350 business talks, in which manufacturing methods and points that need improvement (including marketing) were discussed with the buyers of companies from outside Hokkaido.

4. Russian Far East (Coastal Provinces) Agricultural Inspections Held

In October 2010, Hokkaido Bank, which has a representative office in Yuzhno-Sakhalinsk, Sakhalin Province, Russia, the only office of a Japanese bank in the Russian Far East, held this inspection tour to enable companies within Hokkaido to develop their agribusiness overseas.

During the three days of inspections, participants went on a tour of the Russian Academy of Agriculture, Far East Branch, held talks with the dean of the academy, and inspected eight locations including coastal province vegetable cultivation testing grounds and sugar processing plants. On the final day, they held a meeting with Russian distributors, and were able to establish a foothold for opening up the agribusiness market in the Russian coastal provinces.

5. 60th Anniversary Project: Support for the Women's Curling Team Commenced

Previously Hokkaido Bank was involved in the establishment of the Hokkaido Curling Association and the Japan Curling Association, and then bank president Takeyoshi Morihana was the first chairman of both associations. The bank has a deep connection with curling, and has endeavored to make curling more popular.

Since last November, as a CSR activity based on the promotion of sports, the bank has been supporting the HOKKAIDO BANK FORTIUS women's curling team comprised of four athletes: Ayumi Ogasawara (maiden name Onodera) and Yumie Funayama (maiden name Hayashi), who have both competed at the Winter Olympics, with Chinami Yoshida and Kaho Onodera.

6. Cooperative and Collaborative Agreement Concluded with the Hokkaido University Center for Advanced Tourism Studies

In March 2011, the bank held the signing ceremony for a cooperative and collaborative agreement with the Center for Advanced Tourism Studies at Hokkaido University. The agreement is an attempt to deepen mutual cooperation to develop this region in the tourism field, a key industry for Hokkaido, and we concluded this agreement in order to organically promote concrete cooperation based on the spirit of mutual benefit, in the areas of academia, regional development, culture and education.

CONSOLIDATED BALANCE SHEETS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	**2011**	2010	**2011**
Assets			
Cash and due from banks (Notes 23 and 28)	**¥ 406,848**	¥ 390,229	**$ 4,892,949**
Call loans and bills bought	**87,056**	78,423	**1,046,984**
Monetary claims bought (Note 28)	**111,451**	131,760	**1,340,367**
Trading assets (Note 4)	**9,303**	9,657	**111,888**
Money held in trust (Note 29)	**3,994**	4,400	**48,038**
Securities (Notes 5, 10, 28 and 29)	**2,326,508**	2,013,505	**27,979,660**
Loans and bills discounted (Notes 6, 10 and 28)	**7,224,636**	6,981,201	**86,886,786**
Foreign exchanges (Note 7)	**13,234**	11,178	**159,170**
Other assets (Note 10)	**168,565**	235,069	**2,027,240**
Tangible fixed assets (Notes 8 and 14)	**112,167**	112,453	**1,348,982**
Intangible fixed assets	**36,425**	38,246	**438,066**
Deferred tax assets (Note 21)	**63,572**	74,906	**764,549**
Customers' liabilities for acceptances and guarantees (Note 9)	**102,240**	114,235	**1,229,586**
Allowance for loan losses	**(80,950)**	(88,060)	**(973,553)**
Total assets	**¥10,585,054**	¥10,107,208	**$127,300,712**

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	**2011**	2010	**2011**
Liabilities and net assets			
Liabilities			
Deposits (Notes 10, 11 and 28)	**¥ 9,491,744**	¥ 9,083,392	**$114,152,063**
Call money and bills sold (Note 10)	**20,000**	—	**240,529**
Trading liabilities (Note 4)	**2,690**	2,719	**32,352**
Borrowed money (Notes 10, 12 and 28)	**327,738**	248,175	**3,941,527**
Foreign exchanges (Note 7)	**131**	142	**1,578**
Bonds payable (Note 13)	**41,500**	59,500	**499,098**
Other liabilities	**150,519**	164,046	**1,810,215**
Reserve for employee retirement benefits (Note 27)	**7,779**	8,153	**93,561**
Reserve for directors' and corporate auditors' retirement benefits	**529**	1,273	**6,368**
Reserve for contingent loss	**2,771**	2,152	**33,333**
Reserve for reimbursement of deposits	**1,850**	2,121	**22,257**
Deferred tax liabilities for revaluation	**8,901**	8,969	**107,050**
Acceptances and guarantees (Note 9)	**102,240**	114,235	**1,229,586**
Total liabilities	**10,158,395**	9,694,883	**122,169,517**
Net assets			
Capital stock (Note 15)	**70,895**	70,895	**852,616**
Capital surplus	**153,188**	153,189	**1,842,317**
Retained earnings (Note 16)	**182,131**	170,100	**2,190,395**
Treasury stock	**(600)**	(589)	**(7,220)**
Total shareholders' equity	**405,614**	393,595	**4,878,108**
Valuation difference on available-for-sale securities (Note 29)	**11,419**	9,180	**137,337**
Deferred gains (losses) on hedges	**3**	(17)	**37**
Revaluation reserve for land (Note 14)	**8,683**	8,784	**104,426**
Total accumulated other comprehensive income	**20,105**	17,947	**241,800**
Minority interests	**938**	781	**11,287**
Total net assets	**426,658**	412,324	**5,131,195**
Total liabilities and net assets	**¥10,585,054**	¥10,107,208	**$127,300,712**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended March 31	**2011**	2010	**2011**
Income			
Interest income:			
Interest on loans and discounts	**¥123,043**	¥131,287	**$1,479,772**
Interest and dividends on securities	**22,962**	18,991	**276,159**
Interest on receivables under resale agreements	**45**	16	**541**
Interest on receivables under securities borrowing transactions	**—**	3	**—**
Interest on deposits with other banks	**780**	1,265	**9,384**
Other interest income	**1,644**	2,027	**19,776**
Fees and commissions (Note 18)	**39,045**	39,863	**469,580**
Trading income (Note 19)	**1,225**	1,518	**14,740**
Other ordinary income	**22,464**	27,655	**270,173**
Other income	**3,530**	4,372	**42,458**
Total income	**214,741**	227,002	**2,582,583**
Expenses			
Interest expense:			
Interest on deposits	**13,417**	18,765	**161,367**
Interest on borrowings and rediscounts	**2,261**	2,105	**27,198**
Interest on bonds payable	**1,279**	1,785	**15,385**
Other interest expense	**553**	583	**6,655**
Fees and commissions (Note 18)	**12,414**	11,987	**149,306**
Other ordinary expense	**14,962**	15,019	**179,947**
General and administrative expenses	**109,580**	106,126	**1,317,866**
Provision of allowance for loan losses	**13,349**	23,180	**160,549**
Other expenses (Note 20)	**11,624**	14,576	**139,799**
Total expenses	**179,443**	194,131	**2,158,072**
Income before income taxes and minority interests	**35,298**	32,871	**424,511**
Income taxes (Note 21):			
Current	**5,727**	9,024	**68,884**
Prior periods	**829**	779	**9,977**
Refund for prior periods	**(51)**	(104)	**(615)**
Deferred	**10,234**	3,866	**123,088**
Net income before minority interests	**18,557**	19,304	**223,177**
Minority interests in net income	**152**	92	**1,831**
Net income	**¥18,404**	¥ 19,212	**$ 221,346**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year ended March 31	**2011**	**2011**
Net income before minority interests	**¥18,557**	**$223,177**
Other comprehensive income	**2,163**	**26,022**
Valuation difference on available-for-sale securities	**2,277**	**27,388**
Deferred gains (losses) on hedges	**20**	**251**
Revaluation reserve for land	**(101)**	**(1,216)**
Share of other comprehensive income of associates accounted for using equity method	**(33)**	**(401)**
Total comprehensive income	**¥20,720**	**$249,199**
Comprehensive income attributable to owners of the parent	**20,563**	**247,305**
Comprehensive income attributable to minority interests	**157**	**1,894**

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, 2010	1,391,630	107,432	¥70,895	¥153,189	¥170,100	¥(589)	¥393,595
Changes during the period							
Cash dividends	**—**	**—**	**—**	**—**	**(6,475)**	**—**	**(6,475)**
Net income	**—**	**—**	**—**	**—**	**18,404**	**—**	**18,404**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(13)**	**(13)**
Disposal of treasury stock	**—**	**—**	**—**	**(0)**	**—**	**2**	**1**
Reversal of revaluation reserve for land	**—**	**—**	**—**	**—**	**101**	**—**	**101**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total changes during the period	**—**	**—**	**—**	**(0)**	**12,030**	**(10)**	**12,018**
Balance as of March 31, 2011	**1,391,630**	**107,432**	**¥70,895**	**¥153,188**	**¥182,131**	**¥(600)**	**¥405,614**

	Millions of yen					
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2010	¥ 9,180	¥(17)	¥8,784	¥17,947	¥781	¥412,324
Changes during the period						
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(6,475)**
Net income	**—**	**—**	**—**	**—**	**—**	**18,404**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(13)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**1**
Reversal of revaluation reserve for land	**—**	**—**	**—**	**—**	**—**	**101**
Net changes of items other than shareholders' equity	**2,238**	**20**	**(101)**	**2,158**	**157**	**2,315**
Total changes during the period	**2,238**	**20**	**(101)**	**2,158**	**157**	**14,334**
Balance as of March 31, 2011	**¥11,419**	**¥ 3**	**¥8,683**	**¥20,105**	**¥938**	**¥426,658**

	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 accumulated other comprehensive income	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 of U.S. dollars (Note 1)				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2010	$852,616	$1,842,327	$2,045,709	$(7,088)	$4,733,564
Changes during the period					
Cash dividends	**—**	**—**	**(77,875)**	**—**	**(77,875)**
Net income	**—**	**—**	**221,346**	**—**	**221,346**
Purchase of treasury stock	**—**	**—**	**—**	**(158)**	**(158)**
Disposal of treasury stock	**—**	**(10)**	**—**	**26**	**16**
Reversal of revaluation reserve for land	**—**	**—**	**1,215**	**—**	**1,215**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**
Total changes during the period	**—**	**(10)**	**144,686**	**(132)**	**144,544**
Balance as of March 31, 2011	**$852,616**	**$1,842,317**	**$2,190,395**	**$(7,220)**	**$4,878,108**

	Thousands of U.S. dollars (Note 1)					
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2010	$110,413	$(213)	$105,641	$215,841	$ 9,398	$4,958,803
Changes during the period						
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(77,875)**
Net income	**—**	**—**	**—**	**—**	**—**	**221,346**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(158)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**16**
Reversal of revaluation reserve for land	**—**	**—**	**—**	**—**	**—**	**1,215**
Net changes of items other than shareholders' equity	**26,924**	**250**	**(1,215)**	**25,959**	**1,889**	**27,848**
Total changes during the period	**26,924**	**250**	**(1,215)**	**25,959**	**1,889**	**172,392**
Balance as of March 31, 2011	**$137,337**	**$ 37**	**$104,426**	**$241,800**	**$11,287**	**$5,131,195**

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	**2011**	2010	**2011**
1. Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 35,298**	¥ 32,871	**$ 424,511**
Depreciation	**9,042**	8,231	**108,752**
Impairment losses	**358**	331	**4,308**
Amortization of goodwill	**2,405**	2,405	**28,932**
Equity in losses (gains) of affiliates	**(1)**	(1)	**(15)**
Increase (decrease) in allowance for loan losses	**(7,109)**	(7,336)	**(85,498)**
Increase (decrease) in reserve for contingent loss	**619**	593	**7,451**
Increase (decrease) in reserve for employee retirement benefits	**(373)**	(806)	**(4,497)**
Increase (decrease) in reserve for directors' and corporate auditors' retirement benefits	**(744)**	1,208	**(8,951)**
Increase (decrease) in reserve for reimbursement of deposits	**(270)**	(75)	**(3,254)**
Interest income	**(148,475)**	(153,592)	**(1,785,632)**
Interest expenses	**17,511**	23,241	**210,604**
Losses (gains) on securities	**1,149**	(639)	**13,827**
Losses (gains) on money held in trust	**(10)**	(49)	**(132)**
Losses (gains) on foreign exchange	**833**	92	**10,026**
Losses (gains) on sales of fixed assets	**215**	548	**2,589**
Net decrease (increase) in trading assets	**354**	(938)	**4,261**
Net increase (decrease) in trading liabilities	**(29)**	456	**(358)**
Net decrease (increase) in loans and bills discounted	**(243,434)**	151,947	**(2,927,659)**
Net increase (decrease) in deposits	**335,569**	420,913	**4,035,715**
Net increase (decrease) in negotiable certificates of deposit	**72,781**	940	**875,302**
Net increase (decrease) in borrowed money (excluding subordinated borrowed money)	**61,062**	(171,883)	**734,362**
Net decrease (increase) in due from banks (excluding deposits with the Bank of Japan)	**35,721**	35,590	**429,605**
Net decrease (increase) in call loans, bills bought, commercial paper and other debt purchased	**11,675**	5,373	**140,418**
Net increase (decrease) in call money and bills sold	**20,000**	(10,000)	**240,529**
Net decrease (increase) in foreign exchanges (assets)	**(2,056)**	2,202	**(24,732)**
Net increase (decrease) in foreign exchanges (liabilities)	**(11)**	87	**(139)**
Interest income-cash basis	**125,462**	134,202	**1,508,867**
Interest expenses-cash basis	**(12,614)**	(17,913)	**(151,703)**
Other, net	**68,321**	(92,383)	**821,668**
Subtotal	**383,251**	365,618	**4,609,157**
Income taxes paid	**(9,125)**	(11,581)	**(109,745)**
Net cash provided by (used in) operating activities	**374,126**	354,037	**4,499,412**
2. Cash flows from investing activities:			
Purchases of securities	**(1,544,444)**	(1,849,490)	**(18,574,193)**
Proceeds from sales of securities	**983,386**	1,302,641	**11,826,661**
Proceeds from redemption of securities	**234,826**	257,227	**2,824,133**
Proceeds from sales of money held in trust	**400**	500	**4,811**
Proceeds from fund management	**22,973**	19,041	**276,291**
Purchases of tangible fixed assets	**(6,004)**	(7,233)	**(72,208)**
Proceeds from sales of tangible fixed assets	**42**	54	**511**
Purchases of intangible fixed assets	**(3,758)**	(2,952)	**(45,206)**
Net cash provided by (used in) investing activities	**(312,577)**	(280,212)	**(3,759,200)**
3. Cash flows from financing activities:			
Proceeds from issuance of subordinated borrowed money	**31,000**	30,000	**372,820**
Repayment of subordinated borrowed money	**(12,500)**	(5,500)	**(150,331)**
Proceeds from issuance of subordinated bonds	**10,000**	15,000	**120,264**
Repayment of subordinated bonds	**(28,000)**	(20,000)	**(336,741)**
Expenditures for fund procurement	**(3,159)**	(3,656)	**(37,998)**
Dividends paid	**(6,475)**	(6,178)	**(77,875)**
Dividends paid to minority shareholders	**(0)**	(0)	**(5)**
Purchases of treasury stock	**(13)**	(70,039)	**(158)**
Proceeds from sales of treasury stock	**1**	11	**16**
Net cash provided by (used in) financing activities	**(9,147)**	(60,363)	**(110,008)**
4. Effect of exchange rate changes on cash and cash equivalents	**(60)**	(19)	**(731)**
5. Net increase (decrease) in cash and cash equivalents	**52,340**	13,442	**629,473**
6. Cash and cash equivalents at beginning of the period	**261,766**	248,324	**3,148,129**
7. Cash and cash equivalents at end of the period (Note 23)	**¥ 314,107**	¥ 261,766	**$ 3,777,602**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hokuhoku Financial Group, Inc. and Subsidiaries

1. Basis of Presentation

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

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, total accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in net assets.

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, 2011, which was ¥83.15 to US$1. The U.S. dollar amounts are then rounded to thousands. Such translation 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, 2011 include the accounts of the Company and its 11 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
Hokuriku International Cayman Ltd. (Note 1)	US$1,000	100.00
Dogin Business Service, Ltd. (Note 1)	50	100.00
Dogin Card Co., Ltd. (Note 1)	120	100.00

Notes: 1. Ownership figures are inclusive of indirect ownership.
2. The one subsidiary whose balance sheet date differs from the date of the Company is consolidated using the financial statements based on the tentative settlement of accounts at the consolidated balance sheet date.
3. Hokugin Office Service Co., Ltd. and Hokugin Corporate Co., Ltd. were removed from the list of consolidated subsidiaries owing to liquidation. Hokugin Real Estate Service Co., Ltd. was removed from the list of consolidated subsidiaries owing to absorption by Hokuriku Bank, Ltd.

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

Note: Ownership figure is inclusive of indirect ownership.

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

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" or "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 manner 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 (excluding lease assets)

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

The estimated useful lives of major assets are as follows:

Buildings: 6 to 50 years

Equipment: 3 to 20 years

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

b. Intangible fixed assets (excluding lease assets)

Intangible fixed assets are depreciated based 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 over the lease period with a residual value of zero 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 at 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 as those employed by the consolidated subsidiaries engaged 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 was ¥120,936 million ($1,454,437 thousand) and ¥124,484 million at March 31, 2011 and 2010, 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 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 of ¥28,196 million ($339,106 thousand) is amortized primarily using the 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.

(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 and possible losses from contingencies not covered by other specific reserves.

(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

In March 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

(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 were converted into common stock.

(15) Accounting for consumption taxes

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

However, a part of consumption taxes on equipment and premises that no longer 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.

4. Trading Accounts

Trading accounts as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
Assets	**2011**	2010	**2011**
Trading securities	**¥3,744**	¥4,027	**$ 45,029**
Trading-related financial derivatives	**5,559**	5,630	**66,859**
Total	**¥9,303**	¥9,657	**$111,888**

	Millions of yen		Thousands of U.S. dollars
Liabilities	**2011**	2010	**2011**
Trading-related financial derivatives	**¥2,690**	¥2,719	**$32,352**
Total	**¥2,690**	¥2,719	**$32,352**

5. Securities

Securities as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Japanese government bonds	¥1,234,236	¥ 943,420	$14,843,499
Japanese local government bonds	463,044	415,213	5,568,786
Japanese corporate bonds	397,141	428,380	4,776,205
Japanese stocks	137,478	138,915	1,653,376
Other securities	94,607	87,576	1,137,794
Total	¥2,326,508	¥2,013,505	$27,979,660

6. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Bills discounted	¥ 64,990	¥ 68,519	$ 781,601
Loans on bills	421,681	444,820	5,071,336
Loans on deeds	5,783,554	5,539,629	69,555,677
Overdrafts	954,410	928,231	11,478,172
Total	¥7,224,636	¥6,981,201	$86,886,786

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
	2011	2010	2011
Loans to borrowers under bankruptcy proceedings	¥ 13,246	¥ 17,732	$ 159,306
Overdue loans	172,668	184,050	2,076,587
Loans overdue for at least three months	719	746	8,650
Restructured loans	37,235	16,083	447,812
Total	¥223,869	¥218,612	$2,692,355

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

7. Foreign Exchanges

Foreign exchanges as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Assets			
Due from foreign banks	¥10,134	¥ 8,167	$121,887
Foreign exchange bills bought	1,584	1,104	19,060
Foreign exchange bills receivable	1,515	1,905	18,223
Total	¥13,234	¥11,178	$159,170
Liabilities			
Due to foreign banks	¥ 29	¥ 34	$ 360
Foreign exchange bills sold	81	104	983
Foreign exchange bills payable	19	3	235
Total	¥ 131	¥ 142	$ 1,578

8. Tangible Fixed Assets

Accumulated depreciation amounted to ¥100,270 million ($1,205,899 thousand) and ¥96,929 million as of March 31, 2011 and 2010, respectively.

The book value of tangible fixed assets adjusted for gains on sales of replaced assets amounted to ¥3,896 million ($46,865 thousand) and ¥3,898 million as of March 31, 2011 and 2010, respectively.

Tangible fixed assets as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Buildings	¥ 37,001	¥ 37,754	$ 445,001
Land	65,282	64,744	785,118
Lease assets	1,059	835	12,739
Construction in progress	441	527	5,308
Other tangible fixed assets	8,382	8,591	100,816
Total	¥112,167	¥112,453	$1,348,982

9. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees in liability on the consolidated balance sheets. As a contra account, customers' liabilities for acceptances and guarantees is also shown in asset, 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 ¥100,028 million ($1,202,989 thousand) and ¥101,465 million as of March 31, 2011 and 2010, respectively.

10. Pledged Assets

Assets that are pledged as collateral as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Assets that are pledged as collateral:			
Securities	¥410,794	¥313,342	$4,940,399
Loans and bills discounted	311,962	307,429	3,751,798
Other assets	—	130	—
Obligations corresponding to collateral assets:			
Deposits	¥60,334	¥ 51,212	$ 725,607
Call money and bills sold	20,000	—	240,529
Borrowed money	212,600	151,718	2,556,825

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, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Securities	¥298,481	¥242,041	$3,589,681
Other assets	210	210	2,527

Other assets included guarantee deposits of ¥4,266 million ($51,317 thousand) and ¥4,446 million as of March 31, 2011 and 2010, respectively.

11. Deposits

Deposits as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Current deposits, ordinary deposits, saving deposits and deposits at notice	**¥4,651,502**	¥4,365,974	**$ 55,941,102**
Time deposits and installment savings	**4,521,653**	4,482,285	**54,379,479**
Other deposits	**173,900**	163,227	**2,091,412**
Subtotal	**¥9,347,057**	¥9,011,487	**$112,411,993**
NCDs	**144,686**	71,905	**1,740,070**
Total	**¥9,491,744**	¥9,083,392	**$114,152,063**

12. Borrowed Money

Borrowed money includes ¥113,500 million ($1,365,003 thousand) and ¥95,000 million of subordinated borrowed money as of March 31, 2011 and 2010, respectively.

13. Bonds Payable

Bonds payable includes ¥41,500 million ($499,098 thousand) and ¥59,500 million of subordinated bonds as of March 31, 2011 and 2010, respectively.

14. Revaluation Reserve for Land

Under the "Act Concerning Land Revaluation," Hokuriku Bank, Ltd. revaluated its own land for business operation as of March 31, 1998. The revalued 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 ¥23,800 million ($286,240 thousand) and ¥23,432 million as of March 31, 2011 and 2010, respectively.

15. Capital Stock

Information with respect to capital stock of the Company as of March 31, 2011 and 2010 are as follows:

	2011	2010
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 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	
	2011	2010
Net assets per share	**¥267.15**	¥256.94
Basic earnings per share	**¥ 12.08**	¥ 12.66
Diluted earnings per share	**¥ —**	¥ 12.14

Reconciliation of the differences between basic and diluted earnings per share for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average shares	Earnings per share
For the year ended March 31, 2011:			
Basic earnings per share			
Net income available to common stockholders	**¥16,793**	**1,389,467**	**¥12.08**
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

18. Fees and Commissions

Fees and commissions for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Fees and commissions (income)			
Deposits and loans	**¥11,128**	¥10,904	**$133,833**
Remittances and transfers	**11,460**	11,702	**137,835**
Securities-related business	**5,241**	5,826	**63,040**
Others	**11,214**	11,430	**134,872**
Total	**¥39,045**	¥39,863	**$469,580**

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Fees and commissions (expenses)			
Remittances and transfers	**¥ 1,943**	¥ 1,985	**$ 23,375**
Others	**10,471**	10,002	**125,931**
Total	**¥12,414**	¥11,987	**$149,306**

19. Trading Income and Losses

	Millions of yen		Thousands of U.S. dollars
(a) Trading income	2011	2010	2011
Income from trading securities	**¥ 161**	¥ 180	**$ 1,937**
Income from trading derivatives	**1,064**	1,338	**12,803**
Total	**¥1,225**	¥1,518	**$14,740**

	Millions of yen		Thousands of U.S. dollars
(b) Trading losses	2011	2010	2011
Losses on trading securities	**—**	—	**—**
Total	**—**	—	**—**

20. Other Expenses

Included in other expenses for the fiscal year ended March 31, 2011 and 2010 were write-offs of loans and bills discounted of ¥1,038 million ($12,488 thousand) and ¥3,941 million, impairment losses on stocks and other securities of ¥2,762 million ($33,220 thousand) and ¥2,151 million, and losses on sales of loans of ¥1,341 million ($16,130 thousand) and ¥1,223 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, 2011 and 2010, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which generated deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Allowance for loan losses	**¥ 64,484**	¥ 68,614	**$ 775,518**
Depreciation	**1,885**	1,783	**22,675**
Reserve for employee retirement benefits	**17,422**	17,291	**209,529**
Loss on valuation of securities	**14,545**	13,695	**174,930**
Other	**6,410**	5,599	**77,091**
Operating loss carryforwards	**20,641**	27,405	**248,248**
Subtotal	**125,389**	134,390	**1,507,991**
Less: Valuation allowance	**43,302**	42,388	**520,781**
Total deferred tax assets	**82,086**	92,002	**987,210**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**¥ 5,916**	¥ 4,900	**$ 71,157**
Book-value correction for securities	**5,061**	5,122	**60,866**
Land transfer through merger	**3,672**	3,672	**44,164**
Other	**3,864**	3,401	**46,474**
Total deferred tax liabilities	**18,514**	17,096	**222,661**
Net deferred tax assets	**¥ 63,572**	¥ 74,906	**$ 764,549**

22. Comprehensive Income

For the year ended March 31, 2010

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of yen
	2010
Valuation difference on available-for-sale securities	¥27,438
Deferred gains (losses) on hedges	27
Revaluation reserve for land	(124)
Share of other comprehensive income of associates accounted for using equity method	96
Other comprehensive income	¥27,438

Total comprehensive income attributable to:

	Millions of yen
	2010
Owners of the parent	¥46,637
Minority interests	105
Total comprehensive income	¥46,742

23. Cash and Cash Equivalents

The reconciliation of "Cash and cash equivalents" in the consolidated statements of cash flows and "Cash and due from banks" in the consolidated balance sheets as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and due from banks in balance sheet	**¥406,848**	¥390,229	**$4,892,949**
Due from banks except for deposits with the Bank of Japan	**(92,741)**	(128,462)	**(1,115,347)**
Cash and cash equivalents in the statements of cash flows	**¥314,107**	¥261,766	**$3,777,602**

24. Commitment Lines

Loan agreements and commitment line agreements relating to loans are agreements which oblige the Group to lend funds up to a certain limit agreed in advance. The Group makes the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balance relating to these loan agreements amounted to ¥2,248,883 million ($27,046,108 thousand) and ¥2,240,812 million as of March 31, 2011 and 2010, respectively, out of which, ¥2,200,298 million ($26,461,798 thousand) and ¥2,193,751 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, 2011 and 2010, 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.

25. Segment Information

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segment are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010. The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(1) Outline of reportable segments

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

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

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

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

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

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

Segment results for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen						
	2011						
	Reportable segments			Other segment	Total	Reconciliation	Consolidated
	Hokuriku Bank	Hokkaido Bank	Subtotal				
Ordinary income							
Ordinary income from outside customers	¥ 107,996	¥ 86,896	¥ 194,892	¥19,829	¥ 214,722	¥ (49)	¥ 214,672
Ordinary income from intersegment transactions	890	106	997	6,809	7,806	(7,806)	—
Total	108,887	87,002	195,889	26,639	222,529	(7,856)	214,672
Segment profit	11,918	7,767	19,686	1,417	21,103	(2,698)	18,404
Segment assets	6,079,002	4,448,519	10,527,522	96,937	10,624,459	(39,405)	10,585,054
Segment liabilities	¥5,852,392	¥4,294,977	¥10,147,369	¥86,341	¥10,233,711	¥(75,315)	¥10,158,395
Others							
Depreciation	¥ 4,360	¥ 3,808	¥ 8,168	¥ 419	¥ 8,588	¥ 454	¥ 9,042
Amortization of goodwill	—	—	—	—	—	2,405	2,405
Unamortized balance of goodwill	—	—	—	—	—	28,205	28,205
Increase in tangible fixed assets and intangible fixed assets	¥ 7,925	¥ 2,258	¥ 10,184	¥ 279	¥ 10,463	¥ (193)	¥ 10,270

	Millions of yen						
	2010						
	Reportable segments			Other segment	Total	Reconciliation	Consolidated
	Hokuriku Bank	Hokkaido Bank	Subtotal				
Ordinary income							
Ordinary income from outside customers	¥ 112,467	¥ 93,658	¥ 206,126	¥ 20,576	¥ 226,702	¥ 55	¥ 226,758
Ordinary income from intersegment transactions	1,299	45	1,345	6,337	7,683	(7,683)	—
Total	113,767	93,704	207,472	26,914	234,386	(7,627)	226,758
Segment profit	15,656	10,384	26,041	373	26,414	(7,202)	19,212
Segment assets	5,852,721	4,196,534	10,049,256	107,700	10,156,956	(49,748)	10,107,208
Segment liabilities	¥5,637,902	¥4,045,790	¥ 9,683,693	¥ 98,581	¥ 9,782,274	¥(87,391)	¥ 9,694,883
Others							
Depreciation	¥ 3,523	¥ 3,591	¥ 7,114	¥ 376	¥ 7,491	¥ 740	¥ 8,231
Amortization of goodwill	—	—	—	—	—	2,405	2,405
Unamortized balance of goodwill	—	—	—	—	—	30,611	30,611
Increase in tangible fixed assets and intangible fixed assets	¥ 6,290	¥ 4,389	¥ 10,679	¥ 198	¥ 10,878	¥ 1	¥ 10,880

	Thousands of U.S. dollars						
	2011						
	Reportable segments			Other segment	Total	Reconciliation	Consolidated
	Hokuriku Bank	Hokkaido Bank	Subtotal				
Ordinary income							
Ordinary income from outside customers	$ 1,298,815	$ 1,045,054	$ 2,343,869	$ 238,477	$ 2,582,346	$ (591)	$ 2,581,755
Ordinary income from intersegment transactions	10,711	1,280	11,991	81,899	93,890	(93,890)	—
Total	1,309,526	1,046,334	2,355,860	320,376	2,676,236	(94,481)	2,581,755
Segment profit	143,339	93,415	236,754	17,046	253,800	(32,454)	221,346
Segment assets	73,108,868	53,499,938	126,608,806	1,165,818	127,774,624	(473,912)	127,300,712
Segment liabilities	$70,383,552	$51,653,363	$122,036,915	$1,038,386	$123,075,301	$(905,784)	$122,169,517
Others							
Depreciation	$ 52,439	$ 45,801	$ 98,240	$ 5,049	$ 103,289	$ 5,463	$ 108,752
Amortization of goodwill	—	—	—	—	—	28,932	28,932
Unamortized balance of goodwill	—	—	—	—	—	339,211	339,211
Increase in tangible fixed assets and intangible fixed assets	$ 95,318	$ 27,164	$ 122,482	$ 3,356	$ 125,838	$ (2,324)	$ 123,514

(4) Geographic segment information

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

(5) Information by major customer

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

26. 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 do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information for such leases existing at the transition date for the years ended March 31, 2011 and 2010 are described below.

Pro forma information with respect to the leased property, such as acquisition cost, accumulated depreciation and net book value at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Acquisition cost	**¥3,026**	¥3,226	**$36,397**
Accumulated depreciation	**2,497**	2,181	**30,034**
Net book value	**¥ 529**	¥1,045	**$ 6,363**

Pro forma amounts of obligations under finance leases at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Within one year	**¥420**	¥ 516	**$5,059**
Over one year	**108**	529	**1,304**
Total	**¥529**	¥1,045	**$6,363**

Pro forma information concerning lease payments and depreciation expenses for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Lease payments	**¥516**	¥652	**$6,209**
Depreciation expenses	**516**	652	**6,209**

The method of calculating the pro forma amounts of depreciation expenses for the years ended March 31, 2011 and 2010 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, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Within one year	**¥213**	¥212	**$2,573**
Over one year	**118**	323	**1,425**
Total	**¥332**	¥535	**$3,998**

27. Retirement Benefits

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

The Hokuriku Bank, Ltd. which had provided three defined benefit retirement programs, corporate pension, tax qualified pension and retirement bonus, terminated tax qualified pension and migrated with a portion of retirement bonus to defined contribution pension in March 2011. At the time of retirement, employees may be issued a premium retirement grant that is not subject to inclusion in the actuarial computation of projected benefit obligations in conformity with the standards for accounting for retirement benefits. The Minister of Health, Labor and Welfare approved on February 17, 2003 that Hokuriku Bank Ltd. would be relieved of the obligation to administer the future payment service of the government mandated portion of its 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
	2011	2010	**2011**
Projected benefit obligations (A)	**¥(87,912)**	¥(92,643)	**$(1,057,273)**
Plan assets at fair value (B)	**54,663**	58,473	**657,410**
Projected benefit obligations in excess of plan assets (C) = (A) + (B)	**(33,248)**	(34,170)	**(399,863)**
Unrecognized transitional obligation (D)	**7,513**	9,474	**90,358**
Unrecognized actuarial differences (E)	**22,014**	19,055	**264,759**
Unrecognized prior service costs (F)	**(1,208)**	(1,251)	**(14,536)**
Net projected benefit obligations recognized on the consolidated balance sheets (G) = (C) + (D) + (E) + (F)	**(4,929)**	(6,892)	**(59,282)**
Prepaid pension costs (H)	**2,850**	1,260	**34,279**
Reserve for employee retirement benefits (G) – (H)	**¥ (7,779)**	¥ (8,153)	**$ (93,561)**

(c) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service costs	¥1,882	¥2,109	$22,640
Interest costs on projected benefit obligations	2,069	2,097	24,888
Expected return on plan assets	(1,989)	(1,826)	(23,927)
Amortization of unrecognized prior service costs	(417)	(1,252)	(5,018)
Amortization of unrecognized actuarial differences	2,665	4,341	32,057
Amortization of transitional obligation	1,899	1,894	22,843
Other (additional payments, including premium retirement benefits)	144	152	1,739
Net periodic retirement benefit expenses	¥6,254	¥7,517	$75,222
Expense of transition to defined contribution plan	1,248	—	15,018
Total	¥7,503	¥7,517	$90,240

(d) Assumptions for calculation of projected benefit obligations

	2011	2010
(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 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	Mainly 15 years	15 years

28. Financial Instruments and Related Disclosures

(1) Group Policy on financial instruments

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

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

Investments in securities are strictly managed based on the Group's risk management policies and regulations. Regarding deposit-taking operations, the Group aims to ensure stable fund raising 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 Bank's customers. These derivatives are exposed to the following risks among others: interest-rate risk, the risk of exchange rate fluctuations, price volatility risk, and credit risk.

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

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

(3) Risk management for financial instruments

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

(a) Credit Risk Management

The Group's fundamental policy is to strive for improved earnings and ensure sound business operations through the appropriate management of credit risk. In line with this policy, the Company and the Banks collaborated in establishing various regulations, including Credit Risk Management Regulations, and also ensuring the effective operation of internal checking functions by separating business promotion departments from credit risk management departments. Rigorous screening is also conducted and credit ratings are granted based on their Credit Policy. Additionally the setting of credit limits is managed on an individual customer basis to avoid the risk of an overconcentration of loans in particular sectors. Finally, the Banks carry out self-assessment 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 Bank's 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 derivatives positions, and measure gains and losses as well as risk levels. Derivative transactions are carefully managed in such a way that losses never exceed a predetermined maximum.

Quantitative Information related to Market Risk

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

- Financial instruments in the trading account

Hokuriku Bank

In calculating VaR for trading securities and a portion of currency-related and interest-related derivatives transactions held in trading account, Hokuriku Bank adopts the variance-covariance method as its measurement method (a holding period of ten business day, a confidence interval of 99%, and main observation period of 250 business days).

As of March 31, 2011, the market risk amount (VaR) of the trading business of the bank was ¥31 million.

Hokkaido Bank

Hokkaido Bank has no financial instruments in the trading accounts.

• Financial instruments in the banking account

Hokuriku Bank

The main financial instruments in Hokuriku Bank, which are affected by interest rate risk, and typical risk parameter in the bank, are “Monetary claims bought,” “Loans and bills discounted,” “Bonds,” “Deposits,” “Borrowed money,” and transactions of interest rate swaps and interest rate caps held in derivatives transactions.

With regard to financial assets and liabilities which are significantly exposed to interest rate risk, their balances are divided adequately by interest terms and are measured by using interest rate change for each group of the interest terms. The bank also calculates 100BPV (100 Bases Points Value) of the assets and liabilities and change in their present value on the assumption that index interest rate rises by 1.00%. The 100BPV as of March 31, 2011 was ¥50,691 million decrease.

The correlations between interest and the other parameters are not considered, because the VaR is measured on the assumption that risk parameters except interest rate remain unchanged. Actual risk can exceed the calculated VaR in case of the drastic change in interest rate beyond reasonable prior expectation occurs.

Hokuriku Bank measures VaR for bonds and listed stocks, the main financial instruments affected by market value. In calculating the VaR, the bank adopts variance-covariance method as its measurement method (a holding period of 120 business day, a confidence interval of 99%, and main observation period of 250 business days).

As of March 31, 2011, the market risk amount was ¥31,106 million for yen-denominated bonds and ¥27,189 million for listed stocks. (Reference: ¥31,713 million for entire “Bonds”).

In using VaR, the bank performs back testing by 3-zone approach. VaR measures the amount of market risk by certain occurrence probabilities which are statistically calculated based on past market movements. Therefore, there are cases in which VaR cannot capture risk under sudden and dramatic changes in market beyond normal circumstances.

Hokkaido Bank

The main instruments in Hokkaido Bank which are affected by interest rate risk, and typical risk parameter in the bank are “Loans and bills discounted,” “Bonds,” “Deposits,” “Borrowed money,” and transactions of interest rate swaps and interest rate caps held in derivatives transactions.

With regard to financial assets and liabilities which are significantly exposed to interest rate risk, the bank calculates 100BPV (100 Bases Points Value) of the assets and liabilities and change in their present value in case in index interest rate rises by 1.00%. The 100BPV as of March 31, 2011 was ¥7,984 million decrease.

The correlations between interest and the other parameters are not considered, because the VaR is measured on the assumption that risk parameters except interest rate remain unchanged. Actual risk can exceed the calculated VaR in case of the drastic change in interest rate beyond reasonable prior expectation occurs.

With regard to financial assets and liabilities, Hokkaido Bank mainly uses VaR as a method of statistical measurement and integrated management for risks in interest rate and market price. In calculating VaR, the bank adopts variance-covariance method (a holding period of 120 business day, a confidence interval of 99%, and main observation period of 250 business days).

As of March 31, 2011, the market risk amount (VaR) was ¥39,631 million for “Loans and bills discounted,” ¥34,391 million for “Bonds,” ¥11,643 million for listed stocks, ¥3,408 million for investment trusts and ¥45,686 million for “Deposits.”

In the above affected amount based on VaR, correlations between interest and the other parameters, including stock prices, are not considered for the purpose of cautiously recognizing risks. The bank periodically performs a back testing for measurement model of VaR to ensure credibility of the model and adequate grasp of risks.

VaR measures the amount of market risk by certain occurrence probabilities which are statistically calculated based on past market movements. Therefore, there are cases in which VaR cannot capture risk under sudden and dramatic changes in market beyond normal circumstances.

(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 mechanism 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 instrument

The fair value of the main financial instruments at March 31, 2011 and 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, 2011	Consolidated balance sheet amount	Fair value	Unrealized gain (losses)
Cash and due from banks	¥ 406,848	¥ 406,848	¥ —
Monetary claims bought (*1)	85,657	85,657	—
Securities			
Bonds classified as held-to-maturity	78,695	79,394	698
Available-for-sale securities	2,217,467	2,217,467	—
Loans and bills discounted	7,224,636		
Allowance for loan losses (*1)	(75,639)		
	7,148,996	7,230,015	81,018
Total assets	¥9,937,666	¥10,019,384	¥81,717
Deposits	¥9,347,057	¥ 9,356,660	¥ 9,603
NCDs	144,686	144,708	22
Borrowed money	327,738	328,577	839
Total liabilities	¥9,819,482	¥ 9,829,946	¥10,464
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	¥ 6,959	¥ 6,959	¥ —
Derivative transactions qualifying for hedge accounting	(931)	(931)	(*3) —
Total derivative transactions	¥ 6,028	¥ 6,028	¥ —

	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 liabilities	¥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 derivative transactions	¥ 8,918	¥ 8,918	¥ —

March 31, 2011	Thousands of U.S. dollars Consolidated balance sheet amount	Fair value	Difference
Cash and due from banks	$ 4,892,949	$ 4,892,949	$ —
Monetary claims bought (*1)	1,030,152	1,030,152	—
Securities			
Bonds classified as held-to-maturity	946,431	954,835	8,404
Available-for-sale securities	26,668,286	26,668,286	—
Loans and bills discounted	86,886,785		
Allowance for loan losses (*1)	(909,673)		
	85,977,112	86,951,482	974,370
Total assets	$119,514,930	$120,497,704	$982,774
Deposits	$112,411,993	$112,527,483	$115,490
NCDs	1,740,070	1,740,335	265
Borrowed money	3,941,527	3,951,625	10,098
Total liabilities	$118,093,590	$118,219,443	$125,853
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	$ 83,703	$ 83,703	$ —
Derivative transactions qualifying for hedge accounting	(11,201)	(11,201)	(*3) —
Total derivative transactions	$ 72,502	$ 72,502	$ —

*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 ¥7,453 million ($89,643 thousand) for securities and by ¥4,442 million ($53,427 thousand) for valuation difference on available-for-sale securities, and the value has decreased by ¥3,011 million ($36,216 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 “29. Fair Value of Securities and Money Held in Trust (1) Securities.”

Loans and bills discounted

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

For loans with fixed interest rates, the fair value is calculated using the total future cash flow 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 those loans, the book value is regarded as approximate to the fair value and is therefore treated as such.

For money borrowed through loans carrying fixed rates, the current value of these loans is determined by discounting the total of their principal plus interest (separately for each specific period) at the rate currency 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.

Consolidated balance sheet amount	Millions of yen		Thousands of U.S. dollars
March 31	**2011**	2010	**2011**
Monetary claims bought (Subordinated beneficiary right in securitization of mortgage loans) (*1)	**¥25,792**	¥26,757	**$310,193**
Unlisted stocks (*1) (*2)	**30,344**	31,224	**364,935**
Unlisted foreign securities (*1)	**0**	0	**9**
Total	**¥56,137**	¥57,982	**$675,137**

*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 ¥500 million ($6,018 thousand) and ¥336 million as of March 31, 2011 and 2010, respectively.

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

	Millions of yen				
March 31, 2011	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	**¥ 289,107**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Monetary claims bought	**1,872**	**1,050**	**—**	**—**	**82,479**
Securities	**238,077**	**413,185**	**431,460**	**190,736**	**879,332**
Bonds classified as held-to-maturity	**8,384**	**18,772**	**23,563**	**15,362**	**12,745**
Japanese government bonds	**1,500**	**5,000**	**8,500**	**—**	**12,500**
Japanese corporate bonds	**6,884**	**13,772**	**15,063**	**11,162**	**245**
Other	**—**	**—**	**—**	**4,200**	**—**
Available-for-sale securities with maturities	**229,693**	**394,413**	**407,897**	**175,374**	**866,587**
Japanese government bonds	**149,600**	**114,100**	**180,800**	**130,800**	**618,600**
Japanese local government bonds	**12,508**	**110,069**	**148,047**	**20,143**	**164,730**
Japanese corporate bonds	**63,256**	**146,144**	**63,398**	**11,788**	**63,056**
Other	**4,328**	**24,099**	**15,651**	**12,641**	**20,200**
Loans and bills discounted	**2,263,824**	**1,403,014**	**1,070,864**	**530,622**	**1,729,407**
Total	**¥2,792,882**	**¥1,817,249**	**¥1,502,324**	**¥721,358**	**¥2,691,219**

March 31, 2010	Millions of yen 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

March 31, 2011	Thousands of U.S. dollars 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	**$ 3,476,939**	**$ —**	**$ —**	**$ —**	**$ —**
Monetary claims bought	**22,520**	**12,628**	**—**	**—**	**991,937**
Securities	**2,863,234**	**4,969,156**	**5,188,938**	**2,293,880**	**10,575,253**
Bonds classified as held-to-maturity	**100,830**	**225,761**	**283,380**	**184,750**	**153,277**
Japanese government bonds	**18,040**	**60,132**	**102,225**	**—**	**150,331**
Japanese corporate bonds	**82,790**	**165,629**	**181,155**	**134,239**	**2,946**
Other	**—**	**—**	**—**	**50,511**	**—**
Available-for-sale securities with maturities	**2,762,404**	**4,743,395**	**4,905,558**	**2,109,130**	**10,421,976**
Japanese government bonds	**1,799,161**	**1,372,219**	**2,174,384**	**1,573,061**	**7,439,571**
Japanese local government bonds	**150,430**	**1,323,752**	**1,780,487**	**242,256**	**1,981,119**
Japanese corporate bonds	**760,754**	**1,757,596**	**762,459**	**141,778**	**758,349**
Other	**52,059**	**289,828**	**188,228**	**152,035**	**242,937**
Loans and bills discounted	**27,225,786**	**16,873,294**	**12,878,706**	**6,381,509**	**20,798,653**
Total	**$33,588,479**	**$21,855,078**	**$18,067,644**	**$8,675,389**	**$32,365,843**

Loans and bills discounted

Claims on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers amounted to ¥185,914 million ($2,235,893 thousand) and ¥201,782 million as of March 31, 2011 and 2010, respectively, and loans with no contractual maturities amounted to ¥40,988 million ($492,945 thousand) and ¥41,502 million as of March 31, 2011 and 2010, respectively. They are not included in the table above.

(7) Maturity analysis for financial liabilities with contractual maturities

March 31, 2011	Millions of yen 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	**¥7,980,165**	**¥1,133,881**	**¥229,264**	**¥ 1,417**	**¥ 2,328**
NCDs	**144,686**	**—**	**—**	**—**	**—**
Borrowed money	**213,144**	**533**	**260**	**32,500**	**81,000**
Total	**¥8,337,996**	**¥1,134,415**	**¥229,524**	**¥33,917**	**¥83,328**

March 31, 2010	Millions of yen 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

March 31, 2011	Thousands of U.S. dollars 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	**$ 95,973,122**	**$13,636,582**	**$2,757,235**	**$ 17,051**	**$ 28,004**
NCDs	**1,740,070**	**—**	**—**	**—**	**—**
Borrowed money	**2,563,374**	**6,415**	**3,127**	**390,860**	**974,143**
Total	**$100,276,566**	**$13,642,997**	**$2,760,362**	**$407,911**	**$1,002,147**

Deposits

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

29. Fair Value of Securities and Money Held in Trust

(1) Securities

The fair value of securities at March 31, 2011 and 2010 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.

(a) Securities classified as trading purposes

	Millions of yen		Thousands of U.S. dollars
March 31	**2011**	2010	**2011**
Valuation gains included in earnings for the fiscal year	**¥4**	¥30	**$57**

(b) Bonds classified as held-to-maturity

		Millions of yen		
March 31, 2011	Type	Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
Bonds whose fair values exceed the consolidated balance sheet amount	Japanese government bonds	**¥19,656**	**¥20,106**	**¥449**
	Japanese corporate bonds	**30,551**	**30,920**	**369**
	Other	**1,197**	**1,199**	**2**
	Subtotal	**51,405**	**52,227**	**821**
Bonds whose fair values do not exceed the consolidated balance sheet amount	Japanese government bonds	**8,062**	**8,025**	**(36)**
	Japanese corporate bonds	**16,227**	**16,153**	**(74)**
	Other	**3,000**	**2,988**	**(11)**
	Subtotal	**27,290**	**27,167**	**(122)**
Total		**¥78,695**	**¥79,394**	**¥698**

		Millions of yen		
March 31, 2010	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		
March 31, 2011	Type	Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
Bonds whose fair values exceed the consolidated balance sheet amount	Japanese government bonds	**$236,403**	**$241,811**	**$5,408**
	Japanese corporate bonds	**367,427**	**371,867**	**4,440**
	Other	**14,397**	**14,429**	**32**
	Subtotal	**618,227**	**628,107**	**9,880**
Bonds whose fair values do not exceed the consolidated balance sheet amount	Japanese government bonds	**96,965**	**96,520**	**(445)**
	Japanese corporate bonds	**195,160**	**194,268**	**(892)**
	Other	**36,079**	**35,940**	**(139)**
	Subtotal	**328,204**	**326,728**	**(1,476)**
Total		**$946,431**	**$954,835**	**$8,404**

(c) Available-for-sale securities

March 31, 2011	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	¥ 60,515	¥ 48,265	¥12,249
	Bonds	1,562,481	1,538,105	24,375
	Japanese government bonds	915,711	902,383	13,328
	Japanese local government bonds	375,984	368,291	7,692
	Japanese corporate bonds	270,785	267,430	3,354
	Other	95,776	94,147	1,628
	Subtotal	1,718,773	1,680,519	38,253
Available-for-sale securities whose consolidated balance sheet amount dose not exceed acquisition cost	Stocks	46,621	59,337	(12,715)
	Bonds	457,443	461,219	(3,776)
	Japanese government bonds	290,805	293,206	(2,401)
	Japanese local government bonds	87,060	87,728	(667)
	Japanese corporate bonds	79,577	80,284	(707)
	Other	80,269	84,718	(4,449)
	Subtotal	584,333	605,275	(20,941)
Total		¥2,303,107	¥2,285,794	¥17,312

March 31, 2010	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

March 31, 2011	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	$ 727,783	$ 580,464	$147,319
	Bonds	18,791,113	18,497,967	293,146
	Japanese government bonds	11,012,770	10,852,481	160,289
	Japanese local government bonds	4,521,756	4,429,247	92,509
	Japanese corporate bonds	3,256,587	3,216,239	40,348
	Other	1,151,858	1,132,267	19,591
	Subtotal	20,670,754	20,210,698	460,056
Available-for-sale securities whose consolidated balance sheet amount dose not exceed acquisition cost	Stocks	560,689	713,616	(152,927)
	Bonds	5,501,423	5,546,839	(45,416)
	Japanese government bonds	3,497,362	3,526,241	(28,879)
	Japanese local government bonds	1,047,030	1,055,063	(8,033)
	Japanese corporate bonds	957,031	965,535	(8,504)
	Other	965,355	1,018,864	(53,509)
	Subtotal	7,027,467	7,279,319	(251,852)
Total		$27,698,221	$27,490,017	$208,204

(d) Available-for-sale securities sold during the year ended March 31, 2011 and 2010

	Millions of yen		
2011	Proceeds from sales	Gains on sales	Losses on sales
Stocks	**¥ 1,818**	**¥ 522**	**¥ 118**
Bonds	**970,704**	**5,156**	**2,618**
Japanese government bonds	**868,196**	**3,678**	**2,617**
Japanese local government bonds	**62,694**	**439**	**0**
Japanese corporate bonds	**39,813**	**1,038**	**—**
Other	**3,921**	**46**	**1,069**
Total	**¥976,445**	**¥5,725**	**¥3,806**

	Millions of yen		
2010	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		
2011	Proceeds from sales	Gains on sales	Losses on sales
Stocks	**$ 21,873**	**$ 6,285**	**$ 1,430**
Bonds	**11,674,139**	**62,010**	**31,485**
Japanese government bonds	**10,441,333**	**44,235**	**31,473**
Japanese local government bonds	**753,988**	**5,287**	**12**
Japanese corporate bonds	**478,818**	**12,488**	**—**
Other	**47,165**	**561**	**12,867**
Total	**$11,743,177**	**$68,856**	**$45,782**

(e) Impairment ("Devaluation") of securities

	Millions of yen		Thousands of U.S. dollars
March 31	**2011**	2010	**2011**
Stocks	**¥2,261**	¥1,759	**$27,202**
Japanese corporate bonds	**308**	—	**3,705**
Other	**—**	309	**—**
Total	**¥2,569**	¥2,069	**$30,907**

(2) Money held in trust

(a) Money held in trust classified as trading purposes

	Millions of yen		Thousands of U.S. dollars
March 31	**2011**	2010	**2011**
Consolidated balance sheet amount	**¥3,994**	¥4,000	**$48,038**
Valuation gains (losses) included in profit/loss during the year	**32**	32	**386**

(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	**2011**	2010	**2011**
Acquisition cost	**¥—**	¥400	**$—**
Consolidated balance sheet amount	**—**	400	**—**
Difference	**—**	0	**—**
Other money held in trust whose consolidated balance sheet amount exceed acquisition cost	**—**	0	**—**
Other money held in trust whose consolidated balance sheet amount dose not exceed acquisition cost	**—**	—	**—**

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

(3) Net unrealized gains on available-for-sale securities and other money held in trust

March 31	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Net unrealized gains	¥17,312	¥14,018	$208,204
Available-for-sale securities	17,312	14,018	208,204
Other money held in trust	—	0	—
Net deferred taxes (liabilities)	(5,916)	(4,900)	(71,157)
Net unrealized gains (before following adjustments)	11,395	9,118	137,047
(–) Minority interests	18	12	218
(+) The Group's interest in net unrealized gains on available-for-sale securities held by affiliates accounted for by the equity method	42	75	508
Net unrealized gains	¥11,419	¥ 9,180	$137,337

30. Derivatives

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

· Interest Rate-Related Transactions

March 31, 2011	Millions of yen Contract value	Millions of yen Fair value	Millions of yen Recognized gain (loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	¥644,852	¥10,588	¥10,588
Receive/floating and pay/fixed	640,313	(4,688)	(4,688)
Options/sell	258,297	(2,423)	352
Options/buy	259,061	2,443	2,443
Others/sell	13,237	(10)	576
Others/buy	5,911	1	(125)
Total	/	¥ 5,911	¥ 9,147

March 31, 2010	Millions of yen Contract value	Millions of yen Fair value	Millions of yen 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, 2011	Thousands of U.S. dollars Contract value	Thousands of U.S. dollars Fair value	Thousands of U.S. dollars Recognized gain (loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	$7,755,297	$127,344	$127,344
Receive/floating and pay/fixed	7,700,702	(56,389)	(56,389)
Options/sell	3,106,400	(29,142)	4,236
Options/buy	3,115,594	29,388	29,388
Others/sell	159,199	(127)	6,933
Others/buy	71,098	15	(1,503)
Total	/	$ 71,089	$110,009

· Foreign Exchange-Related Transactions

	Millions of yen		
March 31, 2011	Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps	**¥ 49,020**	**¥ 94**	**¥ 94**
Forward contracts/sell	**14,829**	**660**	**660**
Forward contracts/buy	**18,054**	**164**	**164**
Options/sell	**473,214**	**(61,586)**	**(8,905)**
Options/buy	**473,214**	**61,586**	**19,460**
Total	**/**	**¥ 919**	**¥11,474**

	Millions of yen		
March 31, 2010	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

	Thousands of U.S. dollars		
March 31, 2011	Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps	**$ 589,538**	**$ 1,132**	**$ 1,132**
Forward contracts/sell	**178,343**	**7,948**	**7,948**
Forward contracts/buy	**217,135**	**1,975**	**1,975**
Options/sell	**5,691,089**	**(740,667)**	**(107,101)**
Options/buy	**5,691,089**	**740,666**	**234,039**
Total	**/**	**$ 11,054**	**$137,993**

· Commodity Related Transactions

	Millions of yen		
March 31, 2011	Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	**¥2,601**	**¥(277)**	**¥(277)**
Receive/floating and pay/fixed	**2,601**	**407**	**407**
Total	**/**	**¥ 129**	**¥ 129**

	Millions of yen		
March 31, 2010	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

	Thousands of U.S. dollars		
March 31, 2011	Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	**$31,288**	**$(3,338)**	**$(3,338)**
Receive/floating and pay/fixed	**31,288**	**4,898**	**4,898**
Total	**/**	**$ 1,560**	**$ 1,560**

At March 31, 2011 and 2010, the Group had no outstanding derivative contracts in stock related transactions, bond related transactions and credit derivative transactions.

(2) Derivative transactions to which hedge accounting is applied

· Interest Rate-Related Transactions

March 31, 2011			Millions of yen	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Exceptional treatment for interest swaps	Swaps Receive/floating and pay/fixed	Loans and bills discounted	**¥39,300**	**(Note)**
Total			**/**	

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, 2011			Thousands of U.S. dollars	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Exceptional treatment for interest swaps	Swaps Receive/floating and pay/fixed	Loans and bills discounted	**$472,640**	**(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 "28. Financial Instruments."

· Foreign Exchange-Related Transactions

March 31, 2011			Millions of yen	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Accounting method employed in principle	Swaps	Foreign securities	**¥ 4,989**	**¥1,293**
	Forward contracts	Call loans and foreign due from banks	**66,798**	**(2,225)**
Total			**/**	**¥ (931)**

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, 2011			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	**$ 60,000**	**$ 15,558**
	Forward contracts	Call loans and foreign due from banks	**803,354**	**(26,759)**
Total			**/**	**$(11,201)**

At March 31, 2011 and 2010, the Group had no outstanding derivatives contracts in stock related transactions, bond related transactions, commodity related transactions and credit derivative transactions.

31. Subsequent Events

Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2011 were approved at the Company's general stockholders meeting held on June 24, 2011:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥3.75 per share on common stock	¥5,210	$62,669
Cash dividends, ¥7.50 per share on preferred stock (Type5)	805	9,690

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INDEPENDENT AUDITORS' REPORT

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, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of 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, 2011 and 2010, 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 13, 2011

Member of
Deloitte Touche Tohmatsu Limited

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Hokuriku Bank, Ltd.

	Millions of yen		Thousands of U.S. dollars
March 31	**2011**	2010	**2011**
Assets			
Cash and due from banks	**¥ 250,493**	¥ 264,426	**$ 3,012,548**
Call loans and bills bought	**24,562**	55,631	**295,397**
Monetary claims bought	**111,431**	131,640	**1,340,128**
Trading assets	**6,966**	7,156	**83,788**
Securities	**1,217,508**	1,015,927	**14,642,312**
Loans and bills discounted	**4,252,329**	4,142,634	**51,140,462**
Foreign exchanges	**6,149**	5,659	**73,952**
Other assets	**60,333**	66,258	**725,595**
Tangible fixed assets	**84,405**	83,401	**1,015,099**
Intangible fixed assets	**6,057**	4,320	**72,847**
Deferred tax assets	**41,955**	53,062	**504,577**
Customers' liabilities for acceptances and guarantees	**59,288**	69,217	**713,034**
Allowance for loan losses	**(42,478)**	(46,615)	**(510,871)**
Total assets	**¥6,079,002**	¥5,852,721	**$73,108,868**
Liabilities and net assets			
Liabilities			
Deposits	**¥5,439,922**	¥5,306,740	**$65,422,995**
Call money and bills sold	**20,000**	—	**240,529**
Trading liabilities	**2,690**	2,719	**32,352**
Borrowed money	**252,538**	167,926	**3,037,138**
Foreign exchanges	**77**	99	**935**
Other liabilities	**65,300**	77,211	**785,330**
Reserve for employee retirement benefits	**90**	1,520	**1,087**
Reserve for directors' and corporate auditors' retirement benefits	**231**	592	**2,784**
Reserve for contingent loss	**2,145**	1,607	**25,797**
Reserve for reimbursement of deposits	**1,207**	1,295	**14,521**
Deferred tax liabilities for land revaluation	**8,901**	8,969	**107,050**
Acceptances and guarantees	**59,288**	69,217	**713,034**
Total liabilities	**5,852,392**	5,637,902	**70,383,552**
Net assets			
Capital stock	**140,409**	140,409	**1,688,629**
Capital surplus	**14,998**	14,998	**180,383**
Retained earnings	**50,758**	43,033	**610,444**
Total shareholders' equity	**206,166**	198,441	**2,479,456**
Valuation difference on available-for-sale securities	**11,757**	7,611	**141,396**
Deferred gains (losses) on hedges	**3**	(17)	**38**
Revaluation reserve for land	**8,683**	8,784	**104,426**
Total valuation and translation adjustments	**20,443**	16,377	**245,860**
Total net assets	**226,609**	214,819	**2,725,316**
Total liabilities and net assets	**¥6,079,002**	¥5,852,721	**$73,108,868**

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

The Hokuriku Bank, Ltd.

Years ended March 31	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Income			
Interest income:			
Interest on loans and discounts	**¥ 69,333**	¥ 74,271	**$ 833,840**
Interest and dividends on securities	**12,505**	9,787	**150,392**
Interest on deposits with other banks	**779**	1,286	**9,373**
Other interest income	**1,461**	1,795	**17,572**
Fees and commissions	**19,959**	20,344	**240,044**
Trading income	**1,143**	1,413	**13,747**
Other ordinary income	**1,480**	2,654	**17,803**
Other income	**2,252**	5,461	**27,088**
Total income	**108,914**	117,016	**1,309,859**
Expenses			
Interest expenses:			
Interest on deposits	**8,311**	11,673	**99,954**
Interest on borrowings and rediscounts	**2,155**	2,301	**25,923**
Other interest expenses	**546**	578	**6,571**
Fees and commissions	**7,060**	6,773	**84,915**
Other ordinary expenses	**646**	1,135	**7,769**
General and administrative expenses	**56,100**	55,141	**674,694**
Provision of allowance for loan losses	**5,320**	11,945	**63,984**
Other expenses	**7,574**	5,683	**91,100**
Total expenses	**87,715**	95,231	**1,054,910**
Income before income taxes	**21,198**	21,784	**254,949**
Income taxes:			
Current	**87**	90	**1,051**
Prior periods	**381**	(104)	**4,587**
Refund for prior periods	**(51)**	(104)	**(615)**
Deferred	**8,862**	6,141	**106,587**
Net income	**¥ 11,918**	¥ 15,656	**$ 143,339**

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Hokkaido Bank, Ltd.

	Millions of yen		Thousands of U.S. dollars
March 31	2011	2010	2011
Assets			
Cash and due from banks	¥ 156,060	¥ 124,692	$ 1,876,858
Call loans and bills bought	62,494	22,791	751,587
Trading account securities	2,336	2,501	28,101
Money held in trust	3,994	4,400	48,038
Securities	1,097,665	999,158	13,201,028
Loans and bills discounted	2,988,825	2,851,049	35,944,987
Foreign exchanges	7,085	5,518	85,218
Other assets	70,730	126,148	850,633
Tangible fixed assets	32,054	32,577	385,499
Intangible fixed assets	1,842	3,005	22,155
Deferred tax assets	21,896	22,100	263,335
Customers' liabilities for acceptances and guarantees	27,581	27,963	331,704
Allowance for loan losses	(24,047)	(25,372)	(289,205)
Total assets	¥4,448,519	¥4,196,534	$53,499,938
Liabilities and net assets			
Liabilities			
Deposits	¥4,083,927	¥3,813,608	$49,115,182
Borrowed money	100,100	123,200	1,203,848
Foreign exchanges	53	42	644
Bonds payable	15,000	15,000	180,397
Other liabilities	59,575	57,832	716,481
Reserve for employee retirement benefits	7,346	6,317	88,352
Reserve for directors' and corporate auditors' retirement benefits	123	455	1,483
Reserve for contingent loss	626	544	7,536
Reserve for reimbursement of deposits	643	825	7,736
Acceptances and guarantees	27,581	27,963	331,704
Total liabilities	4,294,977	4,045,790	51,653,363
Net assets			
Capital stock	93,524	93,524	1,124,763
Capital surplus	16,795	16,795	201,985
Retained earnings	39,079	34,383	469,986
Total shareholders' equity	149,398	144,702	1,796,734
Valuation difference on available-for-sale securities	4,144	6,041	49,841
Total valuation and translation adjustments	4,144	6,041	49,841
Total net assets	153,542	150,744	1,846,575
Total liabilities and net assets	¥4,448,519	¥4,196,534	$53,499,938

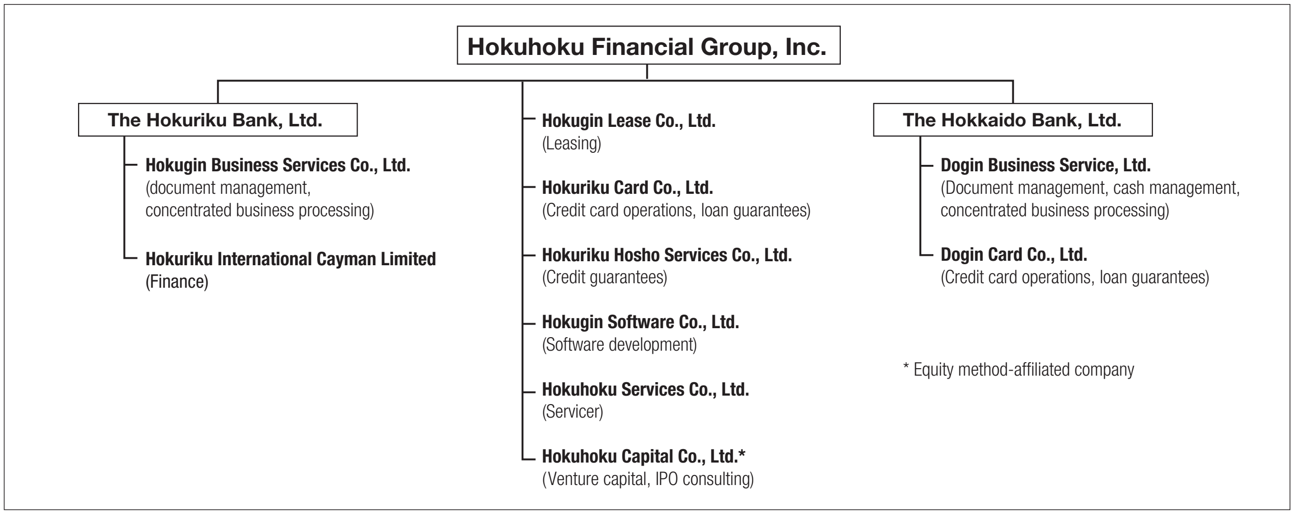
NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

The Hokkaido Bank, Ltd.

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	**2011**	2010	**2011**
Income			
Interest income:			
Interest on loans and discounts	**¥53,403**	¥56,708	**$ 642,253**
Interest and dividends on securities	**10,543**	9,584	**126,802**
Interest on receivables under resale agreements	**45**	16	**541**
Interest on deposits with other banks	**0**	1	**6**
Other interest income	**183**	235	**2,205**
Fees and commissions	**15,034**	15,475	**180,809**
Other ordinary income	**6,420**	9,748	**77,215**
Other income	**1,383**	3,316	**16,639**
Total income	**87,013**	95,086	**1,046,470**
Expenses			
Interest expenses:			
Interest on deposits	**5,135**	7,192	**61,760**
Interest on borrowings and rediscounts	**1,037**	1,389	**12,480**
Interest on bonds payable	**327**	175	**3,933**
Other interest expenses	**1**	1	**15**
Fees and commissions	**7,096**	6,863	**85,350**
Other ordinary expenses	**2,856**	2,288	**34,358**
General and administrative expenses	**47,025**	44,519	**565,549**
Provision of allowance for loan losses	**6,933**	9,172	**83,389**
Other expenses	**2,709**	5,846	**32,582**
Total expenses	**73,123**	77,448	**879,416**
Income before income taxes	**13,890**	17,638	**167,054**
Income taxes:			
Current	**4,753**	7,881	**57,173**
Prior periods	**—**	779	**—**
Deferred	**1,369**	(1,407)	**16,466**
Net income	**¥ 7,767**	¥10,384	**$ 93,415**

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



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	4,294
The Hokkaido Bank, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Banking	March 5, 1951	93,524	100.00	3,071
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	120	(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

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, 2011)

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:	¥6,079.0 billion	
Deposits (including NCDs):	¥5,439.9 billion	
Loans:	¥4,252.3 billion	
Issued shares:		
	Common stock	1,047,542,335
Capital adequacy ratio (non-consolidated):	11.32%	
Employees:	2,851	
Branches (as of June 30, 2011)		
Domestic:	188 (137 branches, 51 sub-branches)	
Overseas:	5 representative offices	

History

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

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, 2011)

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:	¥4,448.5 billion	
Deposits (including NCDs):	¥4,083.9 billion	
Loans:	¥2,988.8 billion	
Issued shares:		
	Common stock:	486,634,512
	Preferred stock (Type 2):	107,432,000
Capital adequacy ratio		
(non-consolidated):	10.59%	
Employees:	2,170	
Branches (as of June 30, 2011)		
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
August 2006	Opened representative office in Shenyang, China
March 2009	Opened representative office in Yuzhno-Sakhalinsk, Russia
January 2010	Taiwan ATM/SmartPay Debit Service Started
May 2011	Commenced use of joint IT system with Hokuriku Bank and the Bank of Yokohama

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:
Koichi Sugawa
Yoshihiro Minami
Norikiyo Hayashi
Yozo Maeizumi

The Hokuriku Bank, Ltd.

President:
Shigeo Takagi

Deputy President:
Satoshi Kawai

Senior Managing Directors:
Taminori Iwasaki
Tatsuya Kaseda
Tatsuro Ishikuro

Managing Director:
Hidenori Mugino

Director:
Tetsuya Kitani

Corporate Auditors:
Takashi Hirase
Kenichi Nakamura
Isao Nagahara
Tatsuo Kawada

The Hokkaido Bank, Ltd.

President:
Yoshihiro Sekihachi

Deputy President:
Masahiro Sasahara

Senior Managing Director:
Hiroshi Sagayama

Managing Directors:
Akihiko Soma
Ikuo Takada
Toshihiro Katayama

Director:
Satoshi Kawai

Corporate Auditors:
Keiji Okuda
Tatsuhiro Ishikawa
Michio Hatamoto
Masao Hoshi

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北北金融控股集团简要

（截至 2011 年 3 月 31 日）

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	**149 分行（或支行）**
富山县	91 分行（或支行）
石川县	36 分行（或支行）
福井县	22 分行（或支行）
北海道地区	**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	**7 代表处**

大连代表处　（北陆银行）

上海代表处　（北陆银行）

沈阳代表处　（北海道银行）

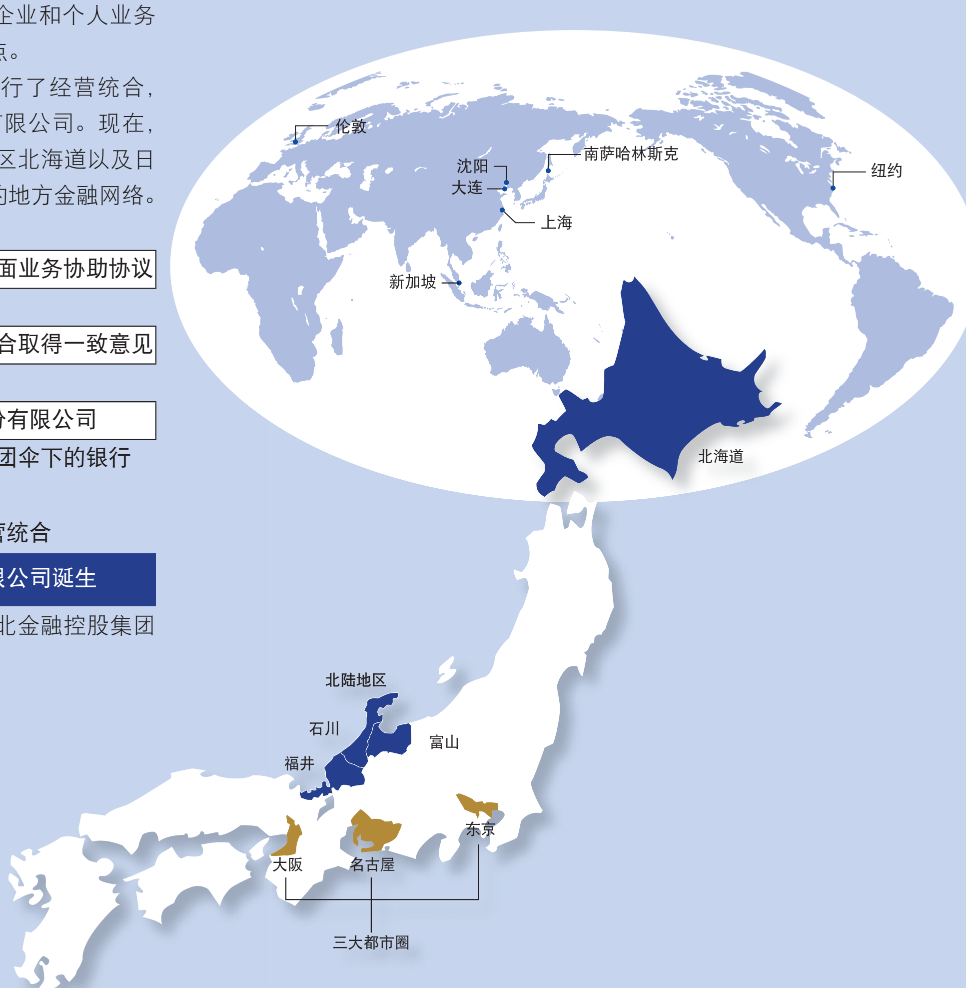
新加坡代表处（北陆银行）

纽约代表处　（北陆银行）

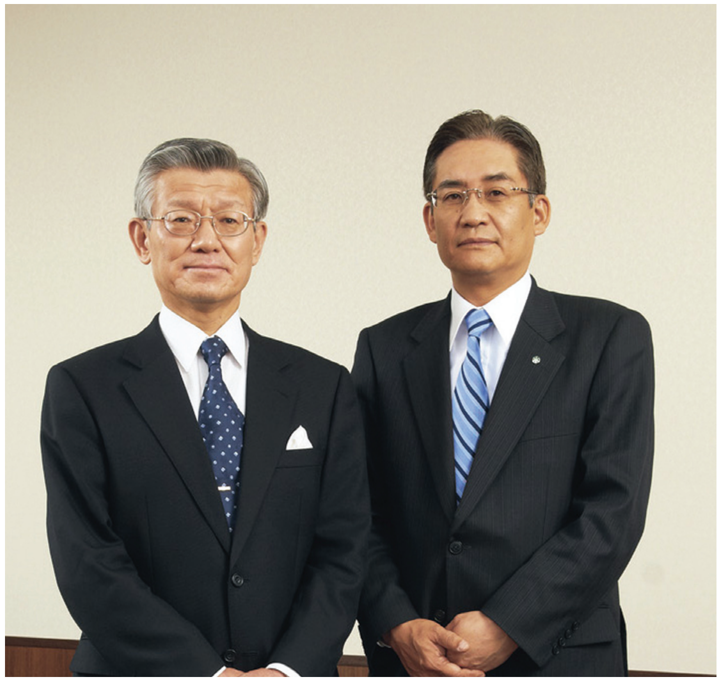
南萨哈林斯克代表处（北海道银行）

伦敦代表处　（北陆银行）

（2011 年 6 月 30 日）



北北金融控股集团 董事致辞



（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）*

董事致词

首先对在东日本大地震中受到灾害的各位表示衷心的慰问。从心底祝愿各位早日从灾难中恢复过来。

2010 年度，我国的经济虽然由于生产活动的恢复和政府政策的引导，个人消费等开始出现缓慢的持续的复苏的迹象，但是雇用就业形势依然相当严峻；期末的 3 月又受到大地震的影响，经济活动出现了大停滞。在金融方面，去年夏季以后持续的日元升值，严重影响了以出口为中心的产业。政府 6 年半以来，再次介入外汇市场；为了对应大地震的冲击，同时又追加了实施金融缓和的措施。

在这样的大环境下，本公司把从 2010 年 4 月到 2013 年 3 月的 3 年期间定为 [面向未来挑战持续性增长的新时期]，着实地进军存款余额 10 兆日元的金融集团的行列。坚持 [强化营业力]，[经营效率化]，[经营基础的稳定化] 三个经营理念，以这 3 个理念为经营支柱脚踏实地实现 [Road to10] 的中期计划。

2011 年 5 月，和横滨银行三行共同开发的新系统 MEJAR 已经投入使用。新系统投入使用后，战略性地运用新系统，提高了便利性，得以实现银行事务处理的共同化，后台操作共同化，并且能降低开发成本，减少多余人员，增强营业能力，加速实现集团间的合作效果。

由于大地震的影响和电力供应的制约等预计今后的经济环境的走向会很不明朗。作为地区金融机构，我们有着强烈的使命感；将坚持 [地区共荣] 经营理念，实现和客户共同发展的目标。

请广大客户一如既往地支持我们！

董事长

高木繁雄

高木繁雄

2011 年 7 月

中期经营计划

本集团将自2010年4月份起的3年期间，定位为[面向未来挑战持续性增长的新时期]，已开始了为实现中期经营计划[Road to 10]的工作。

经营统合以后，我们更加坚定得推进[强化营业力]，[经营效率化]，[经营基础的稳定化]三个经营支柱，在归还政府资金后开始致力于新的经营目标，脚踏实地向着10兆日元存款的金融集团的目标迈进。

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

计划的基本方针

中期经营计划 [Road to 10] 面向未来挑战持续性增长的新时期	I. 强化营业力	II. 经营效率化	III. 经营基础的稳定化
	■ 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

2013年3月目标数（2行合算，联结）

	2010/3实际成绩	2011/3实际成绩	2013/3目标
存款平均余额	8兆9,348亿日元	9兆2,776亿日元	9兆5,500亿日元
贷款平均余额	7兆967亿日元	7兆1,133亿日元	7兆2,000亿日元
主营业务净利润	664亿日元	567亿日元	700亿日元
联结本期净利润	192亿日元	184亿日元	255亿日元
联结资本充足率（联结 Tier1 比率）	10.83%（7.05%）	11.29%（7.45%）	11.5%以上（7.5%以上）
OHR	58.68%	63.47%	58%
ROA（主营业务净利润为基础）	0.68%	0.56%	0.68%
ROE（联结本期净利润为基础）	5.12%	4.60%	6%以上
不良债权比率	2.98%	2.96%	3%程度

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　　**事务手续共通化**

- 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9月）

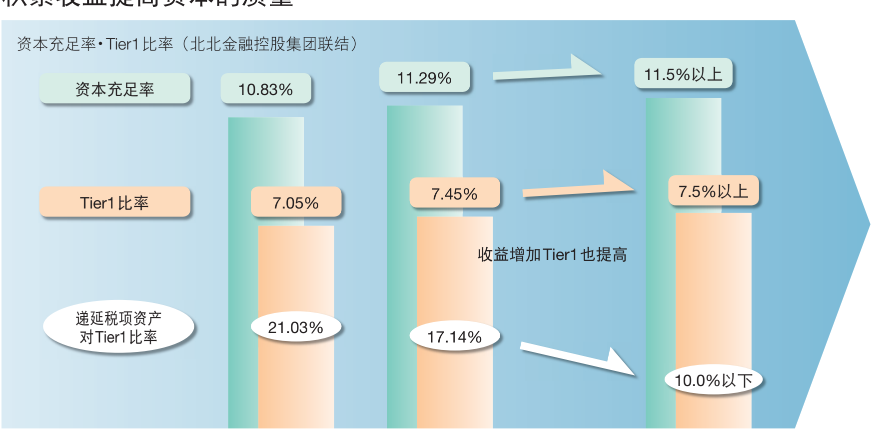
压缩经费

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）

	2010 年度	前年比	2009 年度
经常收益	2,146	− 120	2,267
经常利润	372	＋ 18	354
本期净利润	184	− 8	192
资本充足率	11.29%	＋ 0.46%	10.83%

本集团今年的联结会计年度的业绩：联结经常收益与前年度相比减少了 120 亿日元，为 2,146 亿日元。联结经常利润与前年度相比增加了 18 亿日元，为 372 亿日元。联结净利润与前年度相比减少了 8 亿日元，为 184 亿日元。

联结资本充足率与前年度相比提高了 0.46 个百分点，达 11.29%。

营业概况（北陆银行、北海道银行）

（货币单位：亿日元）

	2 行合算		
	2010 年度	前年比	2009 年度
经常收益	1,958	− 115	2,074
主营业务毛利润	1,554	− 55	1,609
经费(临时处理部分除外)	986	＋ 42	944
主营业务净利润	567	− 97	664
信贷相关成本	145	− 109	255
有价证券等相关盈亏	− 10	− 13	2
经常利润	370	＋ 1	368
本期净利润	196	− 63	260

代表银行本业务收益力的业务净利润随着劳务利润和其他业务利润的减少，加上三行共用新系统的改进所投入的经费的增加，与前年度相比，减少了 97 亿日元，为 567 亿日元。

由于授信成本的大幅下降，本期的经常利润为 370 亿日元，与前年度持平。

本期的净利润，由于少了去年的特别利益那部分，为 196 亿日元。

（货币单位：亿日元）

	北陆银行			北海道银行		
	2010 年度	前年比	2009 年度	2010 年度	前年比	2009 年度
经常收益	1,088	− 48	1,137	870	− 67	937
主营业务毛利润	885	− 15	901	668	− 39	708
经费(临时处理部分除外)	538	＋ 20	518	447	＋ 21	426
主营业务净利润	346	− 36	383	221	− 60	281
信贷相关成本	71	− 63	134	74	− 45	120
经常利润	229	＋ 29	199	141	− 28	169
本期净利润	119	− 37	156	77	− 26	103
资本充足率	11.32%	＋ 0.52%	10.80%	10.59%	＋ 0.40%	10.19%

Hokuhoku Financial Group, Inc.

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