Annual Report 2005

Year ended March 31, 2005

Hokuhoku Financial Group, Inc.

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(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.)

The Hokuhoku Financial Group provides quality financial services that increase customer convenience by making the best of the competitive advantages provided by its extensive regional network.

We would like to begin by sincerely thanking you for your support. We deliver this publication to serve as the Hokuhoku Financial Group's annual report for the fiscal year ended March 31, 2005.

With the consolidation of the management of its two constituent banks on September 1, 2004, the Hokuhoku Financial Group became an extensive regional financial group. We possess 146 branches in the three prefectures of the Hokuriku region (Toyama, Ishikawa, and Fukui), 152 branches in Hokkaido, and 17 branches in the three major metropolitan areas of Japan, Tokyo, Nagoya, and Osaka. We have established an organization that makes it possible to provide quality financial services that add to the convenience of our customers. In addition, we can provide integrated financial services that meet our customers' needs in such areas as leases, credit cards, venture capital, and software development. We are working to increase our enterprise value by realizing synergistic benefits from the recent merger and by combining the strength of each Group member.

Regional economies are transforming themselves into borderless economies and societies, not limited to a single prefecture. Regional firms are extending their activities into major metropolitan areas and into East and Southeast Asia, particularly China. By expanding and complementing the operational and customer bases of the two banks and making the most of its extensive network, which is a competitive advantage, the Group is meeting the broad expectations and needs of its customers. We are building closer relationships with customers through our customer-first attitude, and by contributing to the development of local economies. We do this by leveraging our extensive network to actively support small- and medium-size firms with financial services, including problem-solving, proposals, and business-matching, and by helping them expand overseas.

All our executives and other staff members are committed to a sustained effort to meet customers' expectations. We call on you for your continued support.

November 2005

Shigeo Takagi
President

Yoshihiro Sekihachi
Deputy President

An extensive financial network linking three large metropolitan areas and the Hokuriku and Hokkaido districts of Japan has been born.

Management integration

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

Since 2002, when they entered into a business alliance centered on Hokkaido, the area both were active in, the two banks have worked to increase customer convenience by implementing various measures such as the free use of either bank's ATMs. Furthermore, in order to meet more diversified and sophisticated customer needs and to establish a more stable business foundation, the two banks agreed that pursuing a common business strategy would strengthen operations and make management more efficient. This realization led to the decision to merge the management of the two banks.

In September 2003, the Hokuriku Bank Group moved to a holding company management system, and management of the Hokkaido Bank was consolidated under this arrangement in September 2004 to form the Hokuhoku Financial Group, Inc.

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

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

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

Hokuriku Bank Group comes under management of Hokugin Financial Group

Management integration effected through equity swap

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

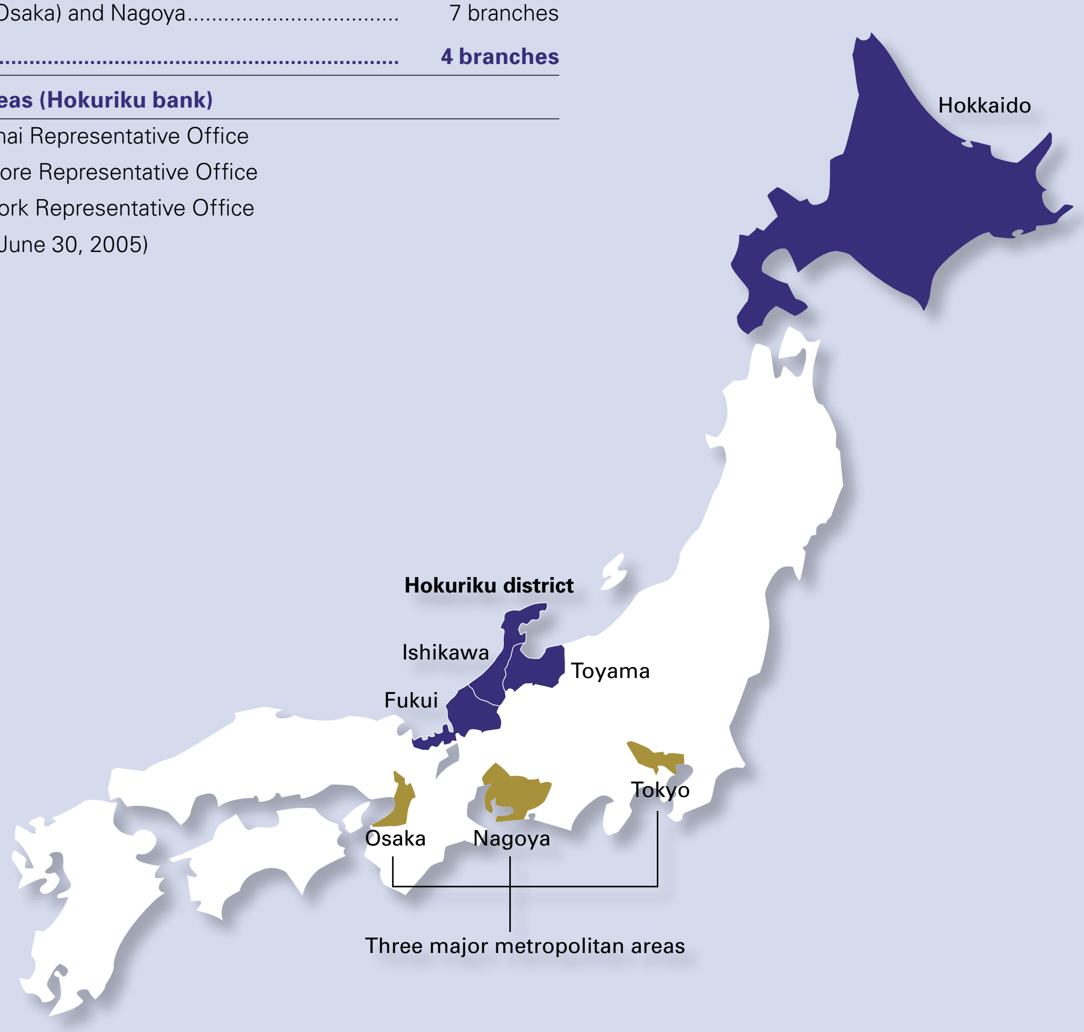
The operations of the Hokuhoku Financial Group extend beyond the limits of a single district.

Our extensive network is outlined below.

Hokuriku district	**146 branches**
Toyama prefecture	90 branches
Ishikawa prefecture	34 branches
Fukui prefecture	22 branches
Hokkaido	**152 branches**
Three major metropolitan areas of Japan	**17 branches**
Tokyo and Kanagawa	10 branches
Kinki (Osaka) and Nagoya	7 branches
Other	**4 branches**

Overseas (Hokuriku bank)

Shanghai Representative Office
Singapore Representative Office
New York Representative Office
(As of June 30, 2005)



Summary of operations (Hokuhoku Financial Group, Inc.)

In the fiscal year ending March 31, 2005 the Hokuhoku Financial Group, Inc. recorded ¥7.8 billion in operating revenue, ¥6.9 billion in ordinary income, and ¥6.9 billion in net income.

On a consolidated basis, the Group posted ordinary revenue of ¥203.2 billion, ordinary income of ¥27.2 billion, and net income of ¥11.2 billion. The Group's capital ratio stood at 8.33% as of the term-end.

During the term under review, Hokkaido Bank was included in the scope of consolidation, and 7-month results of Hokkaido Bank, beginning from September 1, 2004, were incorporated in the consolidated financial statements.

Business Indicators for the Hokuhoku Financial Group (consolidated)

(units: ¥ million)

	FY2004	FY2003
Ordinary revenue	**203,200**	179,445
Ordinary income	**27,226**	7,074
Net income	**11,248**	5,031
Stockholders' equity	**380,750**	193,692
Total assets	**9,398,673**	5,675,209
Net assets per share	**¥159.75**	¥119.86
Basic earnings per share	**¥6.86**	¥3.94
Diluted earnings per share	**¥5.67**	¥3.55
Capital ratio (standard for banks with domestic operations only)	**8.33%**	8.20%
ROE	**4.88%**	3.53%

Summary of Operations (Hokuriku Bank and Hokkaido Bank)

Deposits and Loans

The balance of total deposits held by the two banks increased ¥34.1 billion to ¥8.3 trillion. Although there were numerous factors slowing down growth in deposits, including the promotion of sales of such products as investment trusts, pension insurance, and public bonds in order to meet the more diversified asset management needs of our customers, the popularity of our time deposits with jumbo lottery tickets contributed to the increase.

The balance of total loans and bills discounted provided by the two banks and a subsidiary, Hokugin Corporate, which was established to strengthen Hokuriku Bank's support for corporate rehabilitation, fell ¥166.1 billion to ¥6.7 trillion. Although consumer loans increased favorable, business loans decreased, mainly due to the shrinkage of financial demand.

Dividend policy

Considering the public nature of a bank holding company, the Group has a policy of paying stable dividends. This is based on the various factors such as business performance and the need to build up retained earnings to ensure sound management.

On the basis of this policy, for fiscal 2004, a dividend of ¥1.50, an increase of ¥.50, was paid for ordinary shares of common stock, ¥3.85 for 1st-issue class 1 shares of preferred stock, ¥3.31 for 1st-issue class 4 shares of preferred stock, and ¥7.50 for 1st-issue class 5 shares of preferred stock.

Profits and losses

Core business profit for Hokuriku Bank decreased ¥3 billion to ¥51.9 billion. While a fall in interest income stemming from stagnant demand for corporate loans weighed down core business profits, measures to cut costs and improve profitability by increasing consumer loans and personal assets in custody, such as investment trusts and annuity insurance, boosted profits. For Hokkaido Bank, core business profit increased ¥1 billion compared to the previous fiscal year to ¥33.8 billion. This was due to various factors including continued progress in streamlining business and an increase in fees and commissions stemming from aggressive measures to expand into new businesses.

For Hokuriku Bank, the amount of credit costs decreased ¥24.8 billion compared to FY 2003 to ¥42.7 billion. For Hokkaido Bank, the same figure fell ¥7 billion to ¥16.8 billion. This is attributable to numerous reasons. First, a recovery in corporate performance resulted in fewer new non-performing loans and large-scale bankruptcies. Furthermore, the recovery in customers' businesses and improved borrowers' creditworthiness in the borrower classifications made it possible to reverse reserves for possible loan losses.

For Hokuriku Bank, deferred income taxes amounted to ¥10.4 billion, and for Hokkaido Bank, it was ¥6 billion. This reflects our efforts to reduce deferred tax assets.

In summary, for Hokuriku Bank, ordinary income increased ¥10.1 billion to ¥16.7 billion, and net income decreased ¥0.8 billion to ¥4 billion; for Hokkaido Bank, ordinary income increased ¥6.5 billion to ¥17.3 billion, and net income increased ¥0.2 billion to ¥11.1 billion.

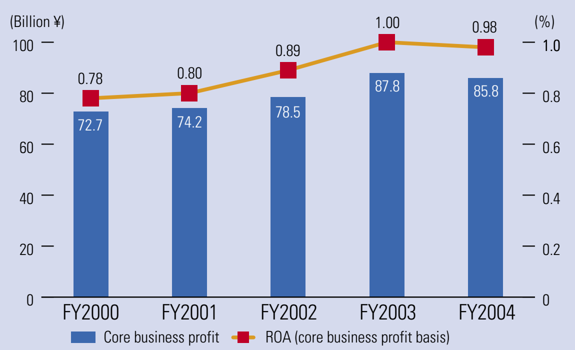
Business Indicators for Hokuriku Bank and Hokkaido Bank (total for the two banks combined)

(unit: ¥ billion)

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Core gross business profit	**175.0**	176.5	170.5	170.5	173.0
Core business profit	**85.8**	87.8	78.5	74.2	72.7
Ordinary income	**34.0**	17.3	(46.7)	(143.4)	17.3
Net income (loss)	**15.2**	15.7	(52.3)	(131.1)	11.8

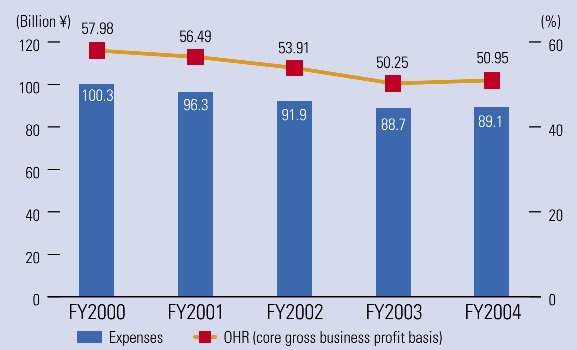
* Core gross business profit = Gross business profit – gains/losses on bonds
* Core business profit = Core gross business profit – expenses

Core business profit (combined figures of the two banks)



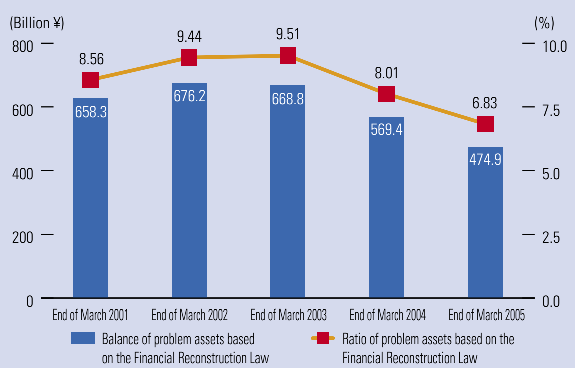
ROA (core business profit basis) = Core business profit / (Average balance of total assets – Average balance of customers' liabilities for acceptances and guarantees)

Expenses (combined figures of the two banks)

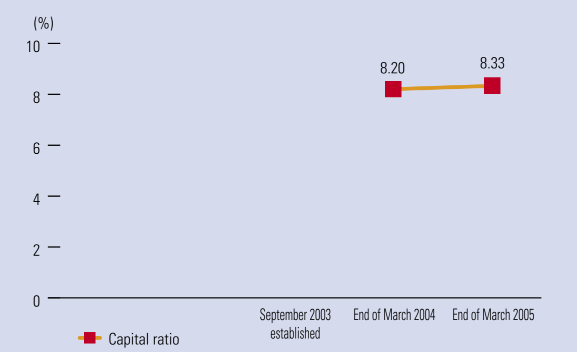


OHR (core gross business profit basis) = Expenses / Core gross business profit

Current Status of Problem Assets (combined figures of the two banks + Hokugin Corporate)



Capital ratio (FG consolidated)



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

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

(¥ billion)

	End of FY 2004 (March 2005)	End of FY 2003 (March 2004)	End of FY 2002 (March 2003)	End of FY 2001 (March 2002)	End of FY 2000 (March 2001)
Domestic branches (Note 1)	**249**	255	262	271	293
Employees (Note 2)	**4,506**	4,832	5,347	5,655	5,974
Personnel costs (Note 3)	**40.2**	40.5	43.4	46.6	51.0
Operating expenses	**43.3**	43.4	43.2	44.1	43.5
Personnel costs and operating expenses	**83.5**	84.0	86.7	90.8	94.6

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

Hokuriku Bank (non-consolidated):

In comparison with FY2003

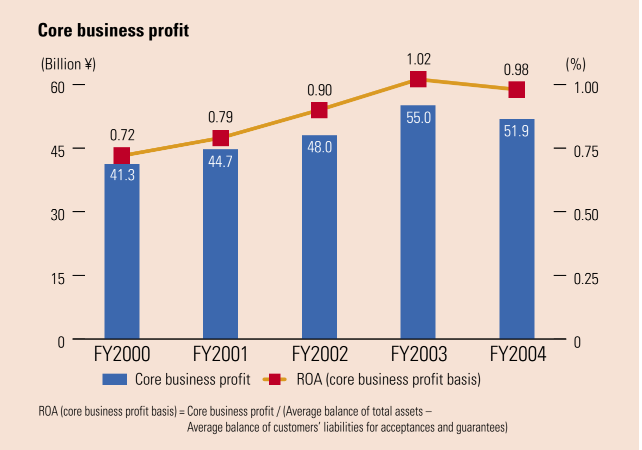
Core business profit fell ¥3 billion to ¥51.9 billion. Interest income decreased to ¥82.3 billion due to a shrinkage in the volume of business loans and a reduction by the Bank of its securities' balance in order to reduce interest risk. Fees and commissions increased to an historic high of ¥15.1 billion due to strong efforts made on various fronts, including the sale of investment trusts and insurance, private placement of bonds, and syndicated loans.

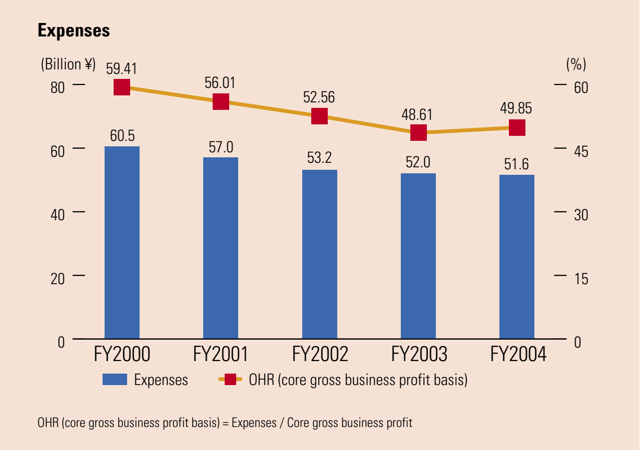
Ordinary income increased ¥10.1 billion to ¥16.7 billion, mainly due to a decrease in non-performing loans, and net income decreased ¥0.8 billion to ¥4 billion as a result of a reduction in deferred tax assets.

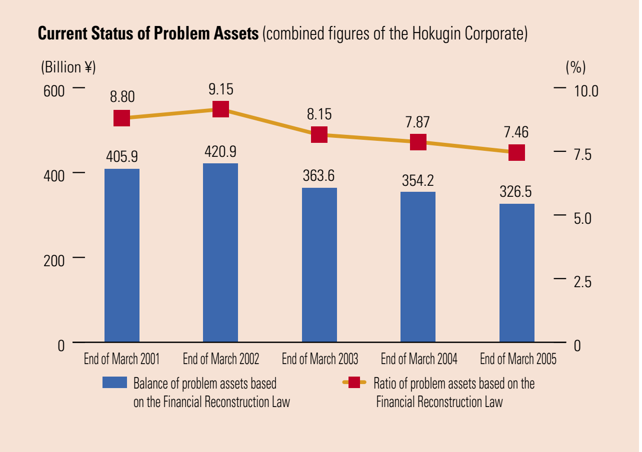
(unit: ¥ billion)

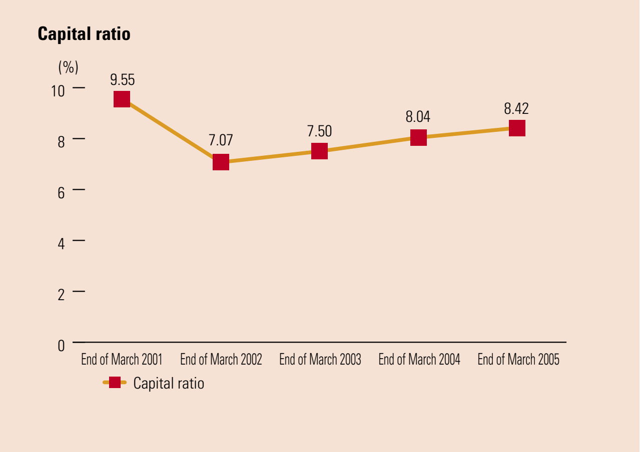
	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Core gross business profit	**103.6**	107.0	101.3	101.7	101.8
Core business profit	**51.9**	55.0	48.0	44.7	41.3
Ordinary income	**16.7**	6.5	9.5	(155.9)	10.4
Net income (loss)	**4.0**	4.9	2.7	(135.6)	5.7

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









Hokkaido Bank (non-consolidated):

In comparison with FY2003

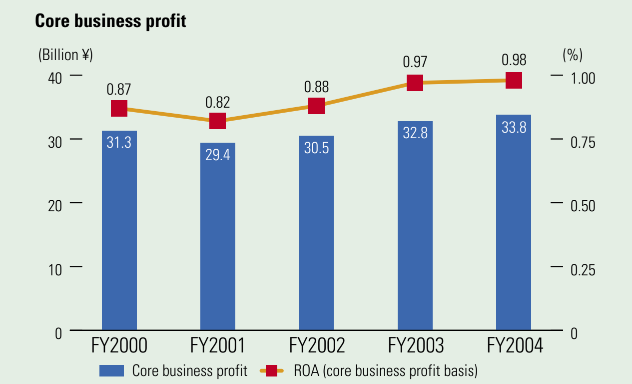
Core business profit increased ¥1 billion to ¥33.8 billion. Interest income was flat. Yields on loans decreased and the amount of corporate loans declined due to stagnant demand for funds, but this decrease was covered by a stronger performance in mortgage loans and improved yields on marketable securities, as well as increased investments in marketable securities. Fees and commissions increased ¥1 billion due to a growth in fees resulting from aggressive efforts related to private placement of bonds and syndicated loans as well as sales of insurance and investment trusts.

Ordinary income increased ¥6.5 billion to ¥17.3 billion due to a decline in credit costs, and net income increased ¥0.2 billion to ¥11.1 billion. This modest increase is mainly attributable to efforts to reduce the amount of deferred tax assets.

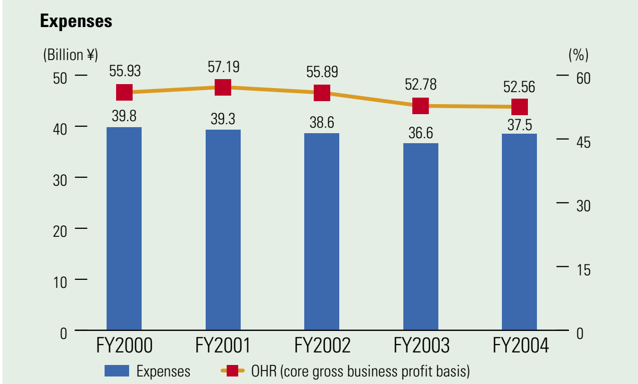
(unit: ¥ billion)

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Core gross business profit	**71.3**	69.4	69.1	68.7	71.1
Core business profit	**33.8**	32.8	30.5	29.4	31.3
Ordinary income	**17.3**	10.7	(56.3)	12.4	6.9
Net income	**11.1**	10.8	(55.0)	4.5	6.1

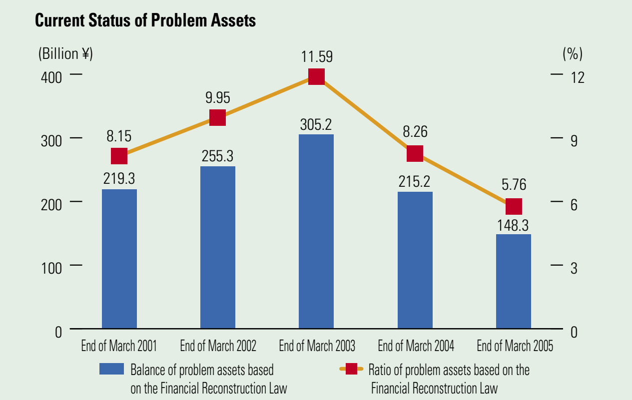
* Core gross business profit = Gross business profit – gains/losses on bonds
* Core business profit = Core gross business profit – expenses

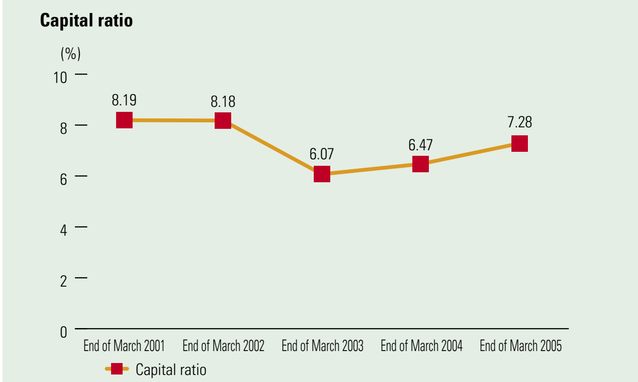


ROA (core business profit basis) = Core business profit / (Average balance of total assets – Average balance of customers' liabilities for acceptances and guarantees)



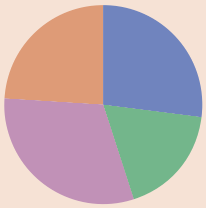
OHR (core gross business profit basis) = Expenses / Core gross business profit





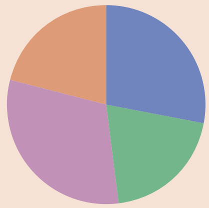
Share of regional deposits and loans for the Hokuhoku Financial Group

Share of deposits:
Three prefectures in Hokuriku district
(banks + Shinkin banks)



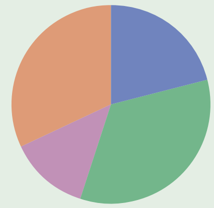
- Hokuhoku FG (27%)
- A top competing bank in the region (18%)
- Other banks (31%)
- Shinkin banks (24%)

Share of loans:
Three prefectures in Hokuriku district
(banks + Shinkin banks)



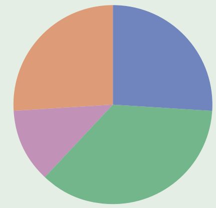
- Hokuhoku FG (28%)
- A top competing bank in the region (20%)
- Other banks (31%)
- Shinkin banks (21%)

Share of deposits:
Hokkaido
(banks + Shinkin banks)



- Hokuhoku FG (21%)
- A top competing bank in the region (34%)
- Other banks (13%)
- Shinkin banks (32%)

Share of loans:
Hokkaido
(banks + Shinkin banks)

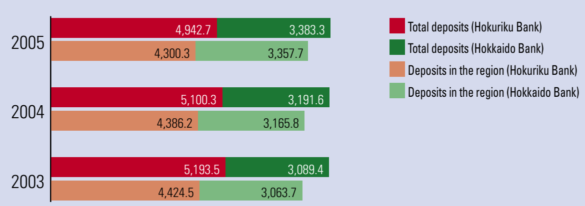


- Hokuhoku FG (26%)
- A top competing bank in the region (36%)
- Other banks (12%)
- Shinkin banks (26%)

As of September 30, 2004
Share for "A top competing bank in the region" and "other banks" are estimates

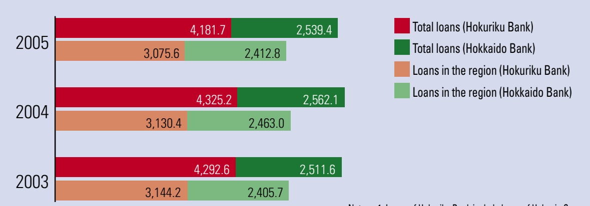
Breakdown of deposits by region

(Billions of yen)



Breakdown of loans by region

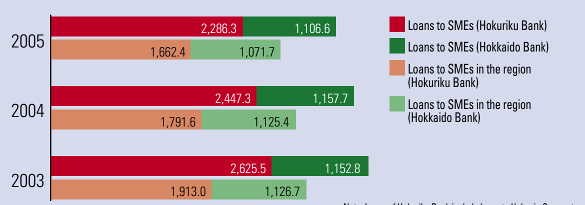
(Billions of yen)



Notes: 1. Loans of Hokuriku Bank include loans of Hokugin Corporate
2. Includes RMBS (Residential Mortgage-Backed Securities)

Loans to SMEs

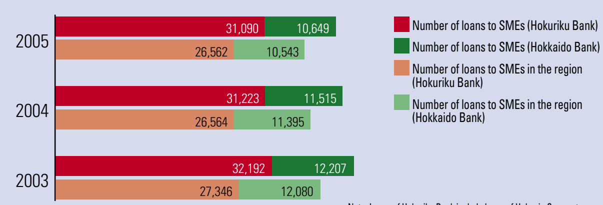
(Billions of yen)



Note: Loans of Hokuriku Bank include loans to Hokugin Corporate

Number of loans to SMEs

(Numbers)



Note: Loans of Hokuriku Bank include loans of Hokugin Corporate

As of March 31

Lending in the region by industry (as of March 31, 2005)

(¥ billion)

	Hokuriku Bank		Hokkaido Bank		Total (region)		Domestic (total)	
	Amount	%	Amount	%	Amount	%	Amount	%
Manufacturing	484.7	15.7	177.1	7.3	661.8	12.0	877.4	13.0
Agriculture	12.7	0.4	6.5	0.2	19.2	0.3	19.4	0.2
Forestry	2.8	0.0	0.2	0.0	3.1	0.0	3.1	0.0
Fisheries	18.4	0.5	2.6	0.1	21.0	0.3	23.0	0.3
Mining	2.3	0.0	2.0	0.0	4.3	0.0	4.4	0.0
Construction	256.6	8.3	152.2	6.3	408.8	7.4	489.4	7.2
Electric/Gas/Heating/Water Supply	31.6	1.0	22.1	0.9	53.7	0.9	56.3	0.8
Communications	17.0	0.5	4.6	0.1	21.6	0.3	36.2	0.5
Transportation	98.0	3.1	55.7	2.3	153.8	2.8	184.3	2.7
Wholesale and retail	401.9	13.0	373.0	15.4	775.0	14.1	1,021.9	15.2
Finance and insurance	39.6	1.2	63.4	2.6	103.1	1.8	199.2	2.9
Real Estate	208.3	6.7	148.3	6.1	356.6	6.4	508.0	7.5
Miscellaneous Services	365.7	11.8	273.3	11.3	639.0	11.6	768.4	11.4
Municipalities	257.4	8.3	282.3	11.7	539.8	9.8	693.4	10.3
Others	878.0	28.5	848.8	35.1	1,726.9	31.4	1,836.0	27.3
Total	3,075.6	100.0	2,412.8	100.0	5,488.5	100.0	6,721.2	100.0

Notes 1. Loans of Hokuriku Bank include loans of Hokugin Corporate
2. Includes RMBS (Residential Mortgage-Backed Securities)

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

Based on the Law on Emergency Measures to Revitalize the Functions of the Financial System (referred to below as the Emergency Revitalization Law), the company issued a total of ¥120.03 billion in preferred stock (First-issue class 1 preferred shares ¥75 billion, First-issue class 4 preferred shares ¥45.03 billion), which was placed to specified banks. (In addition, based on the Financial Reconstruction Law, Hokuriku Bank borrowed ¥20 billion in perpetual subordinated loans from the said banks.)

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

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

Goals and Strategy of the Management Integration

1. Strengthening Sales Promotion

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

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

2. Increasing Management Efficiency

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

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

3. Stabilizing the Business Foundation

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

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

We set the following five items as targets in the plan for restoring management soundness to further improve profitability, efficiency, and soundness. The plan will be implemented through March 2008.
In fiscal year 2004, the first year under the revised plan, core business profits reached ¥85.8 billion due to the steady implementation of restructuring measures and measures to strengthen earnings included in the plan.

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

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

Further strengthening our top-level profitability among regional banks

Target by March 2008

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

Securing sufficient retained earnings to repay public funds

Target by March 2010

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

Pursuing greater efficiency and reducing expenses

Target by March 2008

OHR 46.48%

Establishing a financial foundation trusted by the market

Target by March 2008

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

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

Target by March 2008

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

Income (Hokuriku Bank + Hokkaido Bank)

(¥ billion)

	March 2005 (Target)	March 2005	Difference	March 2006 (Target)	March 2007 (Target)	March 2008 (Target)	March 2008 and March 2005
Gross business profit	173.6	180.2	+6.5	176.7	181.5	187.9	+7.7
Expenses	90.0	89.1	(0.8)	88.7	87.9	87.3	(1.8)
(OHR [Expenses/Gross business profit])	(51.83%)	(49.49%)	(-2.34%)	(50.19%)	(48.46%)	(46.48%)	(-3.01%)
Net business profit (excluding provision for general reserve for possible loan losses)	83.6	91.0	+7.3	88.0	93.5	100.5	+9.5
Core business profit	82.8	85.8	+3.0	87.2	92.7	98.9	+13.1
Total credit cost	53.5	59.5	+6.0	39.0	31.0	31.0	(28.5)
Ordinary income	28.7	34.0	+5.3	47.6	60.7	67.3	+33.3
Net income	14.1	15.2	+1.0	25.9	36.1	42.1	+26.9

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

	March 2005 (Target)	March 2005	Difference	March 2006 (Target)	March 2007 (Target)	March 2008 (Target)	March 2008 and March 2005
Balance of retained earnings	45.0	46.3	+1.3	64.7	94.0	129.9	+83.6

Consolidated capital ratio (Hokuhoku Financial Group)

	March 2005 (Target)	March 2005	Difference	March 2006 (Target)	March 2007 (Target)	March 2008 (Target)	March 2008 and March 2005
Consolidated capital ratio	7.82%	8.33%	+0.51%	8.12%	8.58%	9.18%	+0.85%
Tier I capital ratio	5.91%	5.95%	+0.04%	6.34%	6.89%	7.57%	+1.62%

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

By implementing our Plan for Sound Management, we are working to strengthen our management systems and develop various operational measures to become more useful to both corporate and individual customers.

For corporate customers

Increasing loans:

- Focus on corporations with ¥1 billion or more in sales; work to increase share, and expand transactions with smaller corporations

Appropriate interest rates:

- Set interest rates that reflect risk

Develop solutions business:

- Make full use of the extensive regional network to aggressively make proposals in such areas as business matching

For individual customers

Increase loans to individuals (raise percentage of consumer loans to 30% of total loans from the two banks)**:**

- Strengthen operations based on Loan Plazas; Increase card loans

Increase accounts for salary and pension payments:

- Expand preferential services

Strengthen promotion of products in custody:

- Strengthen sales of investment trusts, insurance and other new products

Strengthening the management system

1. Headquarters and network of branches

Headquarters: Strengthen support for branches and headquarters' marketing ability

Branches: Review services to meet customer needs (regional operation system, loan plaza, establish new types of branch, collaborating with other business enterprises, such as convenience stores)

2. Strategy for other channels

Expand ATM network (including those at convenience stores)

Strengthen direct banking capability (including those over Internet)

We will make continuing efforts following the management integration to implement low-cost operations.

Restructuring plans (Total for two banks)

Number of Employees

Reduce employees by 552 from 4,832 in March 2004 to 4,280 by March 2008; a reduction of 2,956 people (-40.9%) compared to March 1997.

Number of Branches:

Reduce branches by 10 from 255 in March 2004 to 245 by March 2008; a reduction of 68 branches (-21.7%) compared to March 1997.

(Please refer to the "Plan for Sound Management" for details.)

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

Basic Approach

We are working to strengthen our system of corporate governance and increase management transparency. We have established a business management system by consolidating administrative departments and strengthening the planning department in order to enhance the checking function related to the appropriateness of business implementation of subsidiary banks.

Our efforts also include obtaining opinions from outside the Group, including those of customers.

Corporate Governance

We have established a decision-making system with the Shareholders' Meeting and Board of Directors at the top, enabling quick decision-making since day-to-day operational authority has been delegated. Bodies such as the Management Committee are able to respond quickly to specific and detailed matters based on basic policies set by the Board of Directors. Furthermore, in addition to the Management Committee, a Market Strategy Committee, which works to disseminate information on the operation policy throughout the company, and a Management Advisory Committee, which is composed of independent specialists and is responsible for checks and follow-up of the "plan for sound management," have been established. In this way we have built a system for decision-making, implementation, evaluation, and improvements.

The following are the main bodies in this system:

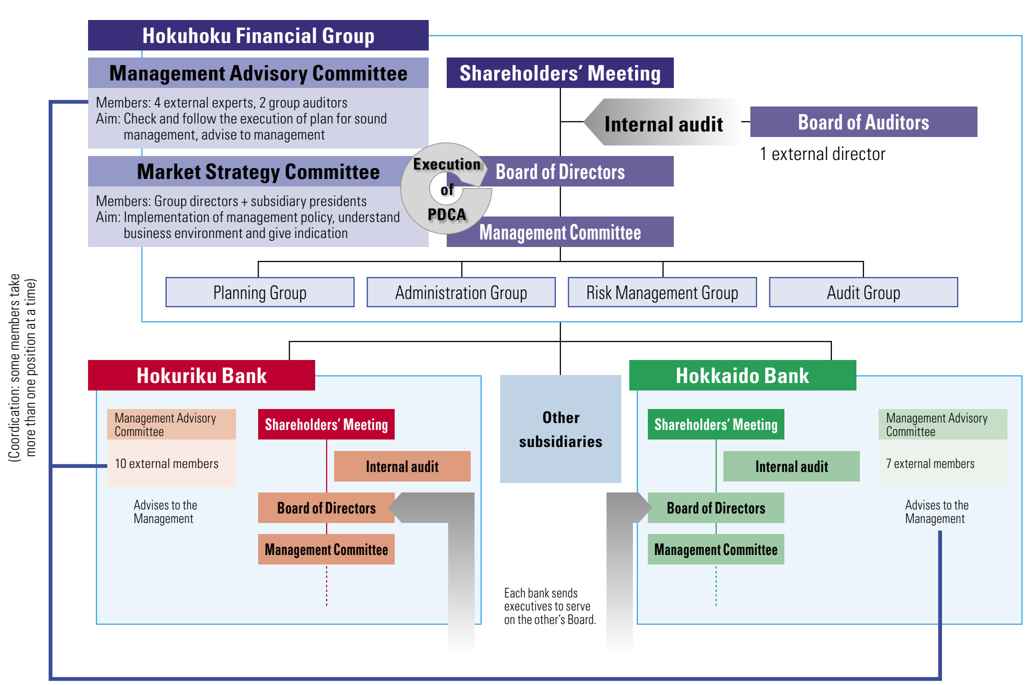
(1) Board of Directors: responsible for decisions related to business implementation, critical policies, and important management matters, and monitoring implementation.

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

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

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

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



The Group rigorously adheres to all laws and corporate regulations.

Philosophy on Compliance (adherence to laws and regulations)

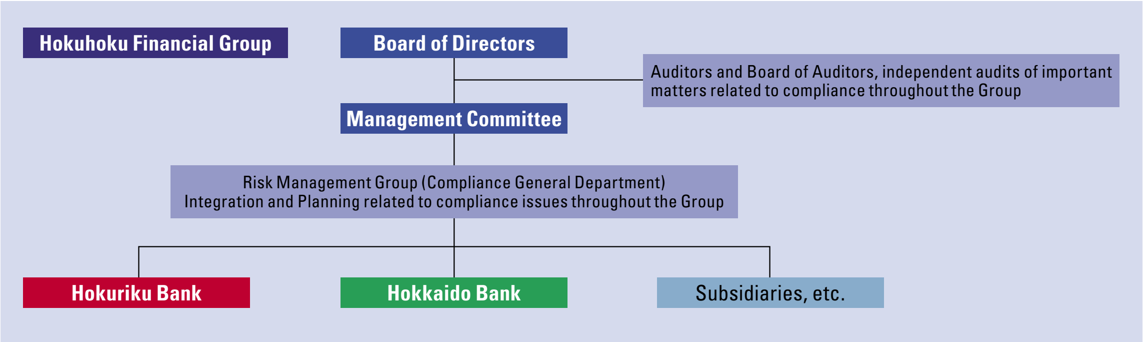
We position compliance as our most important management task and recognize that an incomplete compliance system can weaken our business foundation. Therefore, we are implementing a basic compliance policy as described below, and are striving to conduct fair and honest corporate activity.

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

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

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

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



Basic Compliance Policy

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

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

2. Providing quality financial services

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

3. Strict adherence to laws and rules

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

4. Elimination of ties with criminal elements

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

5. Ensuring management transparency

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

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

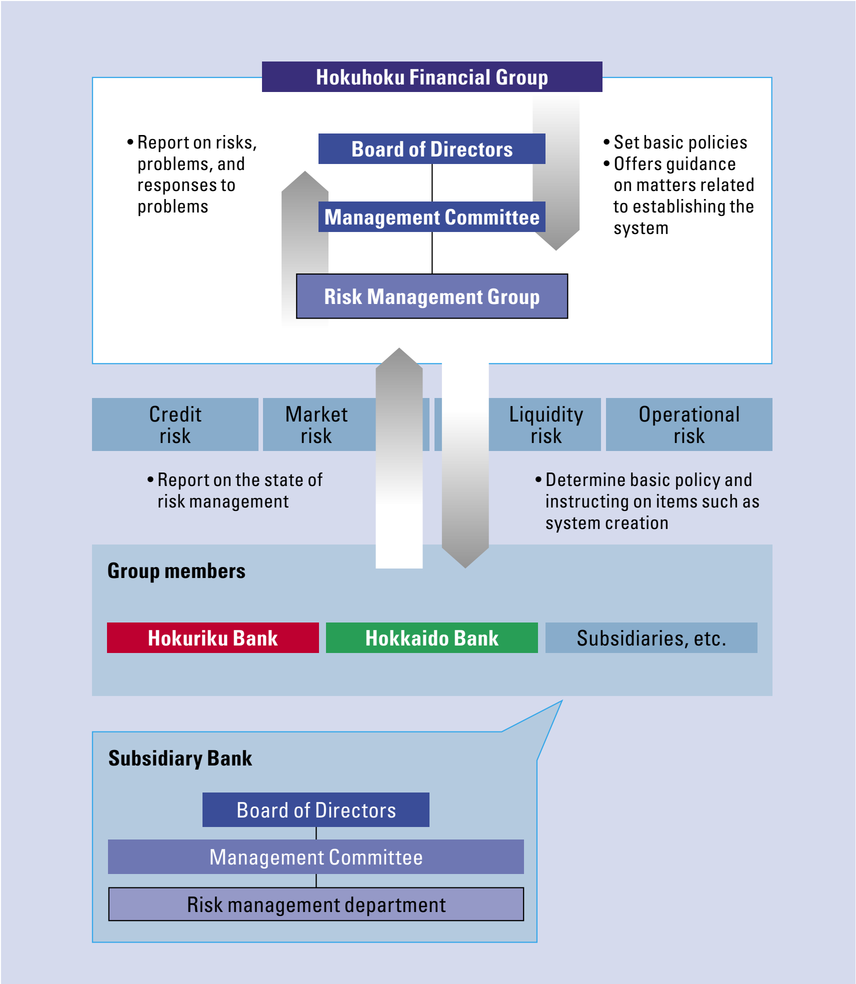
The Hokuhoku Financial Group Risk Management System

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

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

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

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



Hokuhoku Financial Group

1. Launch of the holding company, Hokuhoku Financial Group, Inc.

On September 1, 2004, the Hokkaido Bank came under the management of the holding company, the Hokugin Financial Group, Inc., the parent company of Hokuriku Bank. At that time the parent company's name was changed to Hokuhoku Financial Group, Inc. An integrated financial services group, with the Hokuriku Bank and Hokkaido Bank as the two core brands was formed under the management of the holding company.

2. Full business cooperation between Hokuriku Bank and Hokkaido Bank

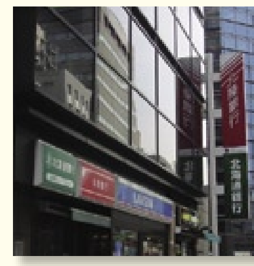
Starting in May 2004, the Hokuriku Bank's internal bank mailing service in the city of Sapporo and the remittance and cash reserves operations for Hokkaido were entrusted to Hokkaido Bank's Dogin Business Service. ("Dogin" is an abbreviation of the Japanese for "Hokkaido Bank.") In September and October of 2004, Business Forums, which customers from both banks took part in, were held in Toyama and Sapporo. Numerous corporate representatives from customer firms attended, which resulted in lively business discussions. In October 2004, the Hokuhoku Financial Group Business Matching Task Force, which consists of 24 employees from the two banks, 16 from Hokuriku Bank and 8 from Hokkaido Bank, was established. Using a TV-conference system, the task force provides business information, connecting the Hokuriku region, Hokkaido, and three major metropolitan areas of Japan.

A cooperative system between the two banks has gradually been created for product development. The two banks jointly developed the Hokuhoku Fund 2004, and Hokkaido Bank developed products using asset securitization systems utilizing the Hokuriku Bank's know-how. Conversely, Hokuriku Bank developed time deposits with lottery tickets utilizing Hokkaido Bank's know-how.

3. Restructuring both banks' branch networks

The Hokkaido Bank's Tokyo branch, and the Treasury and Securities Group moved to the Hokuriku Bank's branch (in the Muromachi Chuo Building in Tokyo) on February 14, 2005.

Operations of the Hokuriku Bank's Kitami branch in Hokkaido were absorbed by the Hokkaido Bank's Kitami branch on March 22, 2005, and on April 18, 2005 operations of the Hokuriku Bank's Abashiri branch (also in Hokkaido) were moved to Hokkaido Bank's Abashiri branch. Operations at Hokkaido Bank's Osaka branch were taken over by Hokuriku Bank's Osaka branch.



4. Issuance of ¥20.0 billion in subordinated bonds

On March 1, 2005, ¥20.0 billion issue of uncollateralized subordinated bonds with an early redemption clause was conducted by the holding company. The funds were used for subordinated loans to Hokuriku Bank and Hokkaido Bank.

5. First participation in the Yosakoi Soran Festival

We took part for the first time in the 14th Yosakoi Soran Festival, which started on June 8, 2005, in Sapporo.

We joined forces with the Hokkai Ahondara group, one of the oldest groups, which has taken part in the festival nine times, to form a Hokkai Ahondara Group & Hokuhoku FG team, which put on an elegant dance with 150 members. The group was one of the largest of the 334 participating teams. The festival was thoroughly enjoyed by all participants from throughout Japan as well as the spectators, producing a sense of shared community and achievement.

Hokuriku Bank

1. Business in China

Hokuriku Bank has established a membership club, the "Hokuriku Choujou-Kai," consists of 471 corporate customers that have needs related to operations in China. The Club, which has been highly praised by its members, acts as a forum to provide and exchange information.

In October 2004, an economic exchange agreement was concluded with the municipal authorities of the Chinese city of Dalian, and the Bank will continue to actively support economic interaction between regional corporations and the city of Dalian.

In the same month, the bank established China business service counters in 32 of its branches that have a strong demand for advice related to doing business in that country, so as to quickly and precisely meet the diverse needs of firms entering the Chinese market, which is expected to continue to expand. Around 100 employees with work experience in China are engaged in providing these services.

2. Expansion of business partnership with Lawson Convenience Stores

Following the opening of a Lawson convenience store as an in-branch store in our Tokyo and Kyoto branches, Lawson stores were introduced into our Toyama Minami Chuo (May 2004), Shinjuku (May 2005), and Ueno (June 2005) branches.

In July 2004, a new service was launched using Lawson ATMs in partnership with Lawson ATM Networks. The service makes it possible to apply for Hokuriku Bank products through Lawson "Loppi" communication terminals. This has expanded the channels for providing Hokuriku Bank services through Lawson. For customers with 700 points or more in the Hokugin Point Club, and in combination with convenience store ATMs provided through a partnership with E-net, which was initiated in February 2002, extended service hours and off-hours free-of-charge cash dispensers are available at even more locations, 9,012 as of June 2005.

3. Strengthening the partnership between industries, universities, and financial institutions

In response to the transformation of public universities into independent administrative corporations in April 2004, we have become the designated financial institution for four universities and three National Colleges of Technology in the Hokuriku district and Hokkaido. On account of this, in March 2005, a memorandum related to a comprehensive partnership was signed with Toyama University in order to strengthen the bank's role as an intermediary in partnerships among industry, university, and financial institutions. The aim of the partnership is to promote transfers of technology, human resource exchange/education, and international interchange with East Asia. Furthermore, efforts have been made to match business development needs of regional firms with producer-driven solutions in the field of research and development. Examples of this include three presentations for regional corporations related to new technology. These presentations were conducted in cooperation with KUTLO (Kanazawa University Technology Licensing Organization) and Kanazawa University Office of Intellectual Property.

4. Corporate rehabilitation business

In March 2005, we established a wholly owned subsidiary, Hokugin Corporate, by transferring the debt of customers in the Tokyo area who need help related to restructuring and rehabilitation through a corporate split in order to strengthen our supporting service for corporate rehabilitation.

We have also concluded a business partnership agreement in the field of corporate rehabilitation with Mizuho Securities, which will strengthen our ability to aid corporate rehabilitation by combining the know-how of the two companies.

Hokkaido Bank

1. Full lineup of products for individuals

We have introduced various new loan products. On October 1, 2004, we launched the "Environment-Friendly Mortgage Loan," a mortgage loan with a preferential interest used for the purchase of an environmentally friendly house. These loans were initially offered for houses that incorporate Hokkaido Gas Co.'s "ECO WILL" or "Fact" natural gas heating systems. In December 2004, the program was expanded to include Hokkaido Electric Power's All Electric Houses and Solar Systems, and the program will gradually be expanded to include other types of houses. On June 1, 2005, the "Dogin-cancer-rider mortgage loan" was launched in partnership with CARDIF. This mortgage loan includes traditional group credit life insurance with an attached cancer rider. This reduces concerns about taking out a mortgage loan, whose repayment stretches over a long period.

We also introduced a series of new deposit products. Between October 1 and November 30 of 2004, we offered a time deposit with an attached year-end jumbo lottery ticket. This product, which targets individuals who purchase a five-year automatic roll-over time deposit, has been popular since it includes a set of ten lottery tickets each year for each two million yen deposited.

2. Strengthened lending services for corporations

On November 24, 2004, a memorandum on business cooperation was concluded with the Agriculture Forestry and Fisheries Finance Corporation of Japan with the goal of supporting sales networks, mutual training, promoting syndicated financing, and the exchange of information among the agricultural, livestock, and fisheries industries. We will contribute to the development of these industries in Hokkaido, and strengthen mutual partnerships through financing activities and information-sharing among the agriculture, livestock, and fisheries industries and related industries.

On December 10, 2004, at the first Business Loan Plaza, a branch that specializes in financing for SMEs and sole proprietorships, we commenced a loan business for new borrowers. Based on the concepts of quick, easy, and convenient services, we are actively responding to customers' demands for funds by utilizing direct channels such as phones and faxes.

3. Promotion of business matching

On October 25, 2004 we co-sponsored the Hokkaido Business Forum 2004 with Nikkei BP and the Sapporo IT City Promotion Committee. After the keynote speech by Tokyo University Graduate School Professor Motoshige Ito, four business seminars, each with a different topic. A Hokkaido Business Exchange meeting (the sixth such) was also held, attracting around 1,800 visitors. At the Business Exchange, 70 firms, including 7 Hokuriku Bank customers, put on displays, which were visited by around 800 people. The site bustled with activity, and over 200 business consultations were held.

On May 11, 2005, the Hokkaido Food Special Business Conference was held to support the expansion of sales routes for food and drink producers. Buyers and managers for supermarkets from the Tokyo area were invited. The business conference included food tasting and information exchange with 33 producers based in Hokkaido. We plan to provide a more effective venue for business matching to meet customers' needs.

4. Efforts to improve market liquidity of debt and real estate

The Customer Debt Securitization Program was launched on February 3, 2005. The program, a unique scheme to increase liquidity, was launched with the goal of improving financing efficiency and providing new fund-raising methods for customers, and is the first in the prefecture. On March 8, 2005, the program was expanded to include accounts receivable for completed projects for the Hokkaido Regional Development Bureau.

On March 29, 2005, a real estate securitization fund, the first of its kind in Hokkaido, was created in cooperation with Sumitomo Trust and Banking to meet customers' needs related to financing and removing assets from the balance sheet.

Securitization of debt and real estate is expected to become a more important new method of raising funds as firms move away from indirect financing with such loans to direct financing such as capital infusions. We expect the use of this method to increase in response to corporations' need to improve financial efficiency.

CONSOLIDATED BALANCE SHEETS

Hokuhoku Financial Group, Inc. and Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	**2005**	2004	**2005**
Assets			
Cash and due from banks (Note 22)	**¥ 498,350**	¥ 199,306	**$ 4,640,568**
Call loans and bills bought	**80,020**	50,000	**745,141**
Commercial paper and other debt purchased	**22,367**	13,832	**208,279**
Trading assets (Note 4)	**9,611**	3,803	**89,499**
Money held in trust (Note 27)	**23,964**	2,414	**223,151**
Securities (Notes 5, 10, 27)	**1,559,963**	739,442	**14,526,151**
Loans and bills discounted (Notes 6, 10)	**6,682,643**	4,287,399	**62,227,797**
Foreign exchanges (Note 7)	**19,835**	10,878	**184,703**
Other assets (Note 10)	**101,490**	89,343	**945,068**
Premises and equipment (Notes 8, 10, 14)	**120,221**	100,480	**1,119,483**
Deferred tax assets (Note 21)	**124,444**	96,492	**1,158,805**
Goodwill	**40,413**	—	**376,322**
Customers' liabilities for acceptances and guarantees (Note 9)	**277,471**	198,247	**2,583,776**
Reserve for possible loan losses	**(162,123)**	(116,431)	**(1,509,666)**
Total assets	**¥9,398,673**	¥5,675,209	**$87,519,077**
Liabilities, minority interests and stockholders' equity			
Liabilities			
Deposits (Notes 10, 11)	**¥8,311,812**	¥5,091,026	**$77,398,381**
Call money and bills sold (Note 10)	**124,900**	13,800	**1,163,051**
Payables under securities lending transactions (Note 10)	**109,148**	31,051	**1,016,371**
Trading liabilities (Note 4)	**1,010**	946	**9,406**
Borrowed money (Note 12)	**52,647**	56,723	**490,249**
Foreign exchanges (Note 7)	**228**	176	**2,132**
Bonds (Note 13)	**52,730**	32,750	**491,014**
Other liabilities	**68,673**	47,059	**639,473**
Reserve for employee bonuses	**23**	21	**223**
Reserve for employee retirement benefits (Note 26)	**11,241**	711	**104,678**
Deferred tax liabilities for land revaluation	**7,596**	8,204	**70,733**
Negative goodwill	**—**	622	**—**
Acceptances and guarantees (Note 9)	**277,471**	198,247	**2,583,776**
Total liabilities	**9,017,483**	5,481,341	**83,969,487**
Minority interests	**439**	175	**4,092**
Stockholders' equity			
Capital stock (Note 15)	**50,000**	50,000	**465,593**
Capital surplus	**272,412**	105,408	**2,536,663**
Retained earnings (Note 16)	**35,586**	27,228	**331,372**
Land revaluation excess (Note 14)	**11,192**	12,088	**104,219**
Net unrealized gain on available-for-sale securities (Note 27)	**11,825**	370	**110,115**
Treasury stock	**(264)**	(1,402)	**(2,464)**
Total stockholders' equity	**380,750**	193,692	**3,545,498**
Total liabilities, minority interests and stockholders' equity	**¥9,398,673**	¥5,675,209	**$87,519,077**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Hokuhoku Financial Group, Inc. and Subsidiaries

Year ended March 31	Millions of yen 2005	2004	Thousands of U.S. dollars (Note 1) 2005
Income			
Interest income:			
Interest on loans and discounts	**¥111,470**	¥ 86,073	**$1,037,995**
Interest and dividends on securities	**12,109**	11,558	**112,762**
Interest on receivables under resale agreements	**2**	—	**27**
Interest on deposits with other banks	**305**	298	**2,843**
Other interest income	**1,093**	698	**10,185**
Fees and commissions (Note 18)	**33,250**	19,582	**309,621**
Trading income (Note 19)	**3,215**	2,327	**29,941**
Other operating income	**30,165**	36,076	**280,901**
Other income	**11,741**	23,433	**109,335**
Total income	**203,354**	180,048	**1,893,610**
Expenses			
Interest expenses:			
Interest on deposits	**5,716**	6,425	**53,235**
Interest on payables under securities lending transactions	**439**	924	**4,094**
Interest on borrowings and rediscounts	**1,349**	1,538	**12,569**
Interest on bonds	**829**	799	**7,727**
Other interest expenses	**1,578**	1,437	**14,696**
Fees and commissions (Note 18)	**8,511**	4,339	**79,257**
Other operating expenses	**17,175**	18,922	**159,933**
General and administrative expenses	**78,697**	56,693	**732,817**
Provision for reserve for possible loan losses	**48,192**	35,719	**448,760**
Other expenses (Note 20)	**16,177**	49,076	**150,640**
Total expenses	**178,667**	175,875	**1,663,728**
Income before income taxes and minority interests	**24,687**	4,173	**229,882**
Income taxes (Note 21):			
Current	**923**	366	**8,601**
Deferred	**12,426**	(1,314)	**115,710**
Minority interests in net income	**89**	89	**829**
Net income	**¥ 11,248**	¥ 5,031	**$ 104,742**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Hokuhoku Financial Group, Inc. and Subsidiaries

	Thousands		Millions of yen					
	Issued number of shares of common stock	Issued number of shares of preferred stock	Capital stock	Capital surplus	Retained earnings	Land revaluation excess	Net unrealized gain (loss) on available-for-sale securities	Treasury stock
Balance at March 31, 2003	987,146	150,000	¥140,409	¥ 14,998	¥20,675	¥14,858	¥(14,103)	¥(1,086)
Net income					5,031			
Cash dividends					(1,155)			
Treasury stock transactions					(92)			(316)
Transfer from land revaluation excess					2,769	(2,769)		
Changes during the year							14,473	
Stock transfer			(90,409)	90,409				
Balance at March 31, 2004	987,146	150,000	50,000	105,408	27,228	12,088	370	(1,402)
Net income					**11,248**			
Cash dividends					**(3,786)**			
Treasury stock transactions				**190**				**1,138**
Transfer from land revaluation excess					**896**	**(896)**		
Stock exchange	**299,483**	**186,432**		**166,813**	**2**			
Changes during the year							**11,454**	
Increase in the number of affiliates accounted for by the equity method					**(2)**			
Balance at March 31, 2005	**1,286,630**	**336,432**	**¥ 50,000**	**¥272,412**	**¥35,586**	**¥11,192**	**¥11,825**	**¥ (264)**

	Thousands of U.S. dollars (Note 1)					
	Capital stock	Capital surplus	Retained earnings	Land revaluation excess	Net unrealized gain on available-for-sale securities	Treasury stock
Balance at March 31, 2004	$465,593	$ 981,548	$253,548	$112,565	$ 3,448	$(13,061)
Net income			**104,742**			
Cash dividends			**(35,261)**			
Treasury stock transactions		**1,772**				**10,597**
Transfer from land revaluation excess			**8,346**	**(8,346)**		
Stock exchange		**1,553,343**	**21**			
Changes during the year					**106,667**	
Increase in the number of affiliates accounted for by the equity method			**(24)**			
Balance at March 31, 2005	**$465,593**	**$2,536,663**	**$331,372**	**$104,219**	**$110,115**	**$ (2,464)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hokuhoku Financial Group, Inc. and Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Year ended March 31	**2005**	2004	**2005**
1.Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 24,687**	¥ 4,173	**$ 229,882**
Depreciation	**15,352**	15,316	**142,957**
Amortization of goodwill	**1,085**	(155)	**10,113**
Equity in earnings of affiliates	**(0)**	—	**(2)**
Increase in reserve for possible loan losses	**(31,241)**	61,077	**(290,919)**
Increase in reserve for losses on loans sold	**—**	(1,094)	**—**
Increase in reserve for employee bonuses	**0**	(3)	**8**
Increase in reserve for employee retirement benefits	**181**	(883)	**1,690**
Interest income	**(124,981)**	(98,630)	**(1,163,812)**
Interest expenses	**9,914**	11,124	**92,321**
Losses (gains) on securities	**(3,489)**	(9,175)	**(32,493)**
Losses (gains) on money held in trust	**(129)**	88	**(1,211)**
Losses (gains) on foreign exchange	**191**	32	**1,780**
Losses (gains) on sales of premises and equipment	**2,674**	3,204	**24,905**
Decrease (increase) in trading assets	**809**	(1,383)	**7,540**
Increase (decrease) in trading liabilities	**63**	441	**590**
Net decrease (increase) in loans and bills discounted	**16,205**	(82,375)	**150,908**
Net increase (decrease) in deposits	**(39,646)**	(106,468)	**(369,183)**
Net increase (decrease) in negotiable certificates of deposit	**5,730**	12,980	**53,357**
Net increase (decrease) in borrowed money (excluding subordinated borrowed money)	**(75)**	2,151	**(704)**
Net decrease (increase) in due from banks (excluding deposits with the Bank of Japan)	**7,299**	2,797	**67,976**
Net decrease (increase) in call loans, bills bought, commercial paper and other debt purchased	**122,006**	94,972	**1,136,108**
Net increase (decrease) in call money and bills sold	**111,100**	13,800	**1,034,547**
Net increase (decrease) in payables under securities lending transactions	**62,666**	31,051	**583,542**
Net decrease (increase) in foreign exchanges (assets)	**(5,149)**	2,027	**(47,956)**
Net increase (decrease) in foreign exchanges (liabilities)	**24**	48	**230**
Issuance and redemption of bonds (excluding subordinated bonds)	**(20)**	—	**(186)**
Interest received	**119,725**	86,334	**1,114,868**
Interest paid	**(9,214)**	(8,622)	**(85,808)**
Other, net	**11,423**	(20,285)	**106,371**
Subtotal	**297,193**	12,544	**2,767,419**
Income taxes paid	**(1,020)**	(102)	**(9,503)**
Net cash provided by operating activities	**296,172**	12,442	**2,757,916**

(Continued)

Year ended March 31	Millions of yen 2005	2004	Thousands of U.S. dollars (Note 1) 2005
2.Cash flows from investing activities:			
Purchases of securities	**¥(524,663)**	¥(490,181)	**$(4,885,594)**
Proceeds from sales of securities	**257,822**	424,548	**2,400,810**
Proceeds from maturity of securities	**126,765**	58,393	**1,180,426**
Purchases of money held in trust	**(1,420)**	—	**(13,223)**
Proceeds from sales of money held in trust	**2,000**	—	**18,624**
Proceeds from fund management	**8,170**	11,735	**76,082**
Purchases of premises and equipment	**(2,081)**	(3,513)	**(19,382)**
Proceeds from sales of premises and equipment	**1,149**	4,546	**10,706**
Purchases of stocks of subsidiaries	**—**	(942)	**—**
Net cash provided by (used in) investing activities	**(132,256)**	4,587	**(1,231,551)**
3.Cash flows from financing activities:			
Repayment of subordinated borrowed money	**(4,000)**	—	**(37,247)**
Proceeds from issuance of subordinated bonds	**20,000**	—	**186,237**
Expenditures for fund procurement	**(1,984)**	(2,089)	**(18,479)**
Dividends paid	**(3,786)**	(1,155)	**(35,261)**
Dividends paid to minority stockholders	**(53)**	(153)	**(499)**
Purchases of treasury stock	**(176)**	(75)	**(1,647)**
Proceeds from sales of treasury stock	**1,571**	482	**14,636**
Net cash provided by (used in) financing activities	**11,570**	(2,990)	**107,740**
4.Effect of exchange rate changes on cash and cash equivalents	**(1)**	(32)	**(11)**
5.Net increase in cash and cash equivalents	**175,485**	14,006	**1,634,094**
6.Cash and cash equivalents at beginning of year	**184,308**	170,301	**1,716,250**
7.Increase in cash and cash equivalents due to increase in consolidated subsidiaries	**130,175**	—	**1,212,178**
8.Cash and cash equivalents at end of year (Note 22)	**¥ 489,969**	¥ 184,308	**$ 4,562,522**

See notes to consolidated financial statements.

1. Basis of Presentation

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

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

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

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the consolidated financial statements do not necessarily agree with the sum of the individual amounts. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107.39 to US$1. The U.S. dollar amounts are then rounded to thousands. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that rate.

2. Scope of Consolidation

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

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

The consolidated financial statements as of March 31, 2005 include the account of the Company and its 14 (12 in 2004) subsidiaries (together, the "Group"). The consolidated subsidiaries are listed below.

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

Investments in 2 (0 in 2004) associated companies are accounted for by the equity method. The associated companies are also listed below.

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

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

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

Associated companies	Capital (¥mil)	Ownership (%)
Hokuriku Capital Co., Ltd.	250	(42.50)
Dogin Card Co., Ltd.	122	(39.97)

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

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

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

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

3. Significant Accounting Policies

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

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

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

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

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

(2) Securities

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

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

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

(3) Derivative transactions

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

(4) Depreciation method

a. Premises and equipment

The Company and the consolidated banking subsidiaries depreciate their equipment on the declining-balance method and their premises principally on the straight-line method.

The estimated useful lives of major items are as follows:

Buildings: 6 to 50 years

Equipment: 3 to 20 years

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

b. Lease assets

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

An additional depreciation is expensed in order to provide for any possible contingency involving customers, and such expense in the year ended March 31, 2005 is ¥7 million and comes to ¥185 million on an accumulated basis.

c. Software costs

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

(5) Reserve for possible loan losses

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

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

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

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

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

The Company and its non-banking consolidated subsidiaries also carry out asset self-assessment utilizing the similar methods to those employed by the consolidated subsidiaries engaging in banking operations to make provisions for doubtful accounts in the 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-off was ¥205,143 million at March 31, 2005.

(6) Reserve for employee bonuses

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

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

Unrecognized net actuarial gain (loss) is amortized using the straight-line method, over nine years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

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

(8) 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.

(9) Lease transactions

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

(10) Accounting for significant hedges

a. Interest risk hedges

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

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

b. Exchange fluctuation risk hedges

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

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

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

(11) Per share information

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

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

(12) Accounting for consumption tax

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

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

(13) Accounting for surplus appropriations

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

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

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

4. Trading Accounts

Trading accounts as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
Assets	2005	2004	2005
Trading securities	**¥6,201**	¥1,741	**$57,744**
Trading-related financial derivatives	**3,410**	2,061	**31,755**
Total	**¥9,611**	¥3,803	**$89,499**

	Millions of yen		Thousands of U.S. dollars
Liabilities	2005	2004	2005
Trading-related financial derivatives	**¥1,010**	¥946	**$9,406**
Total	**¥1,010**	¥946	**$9,406**

5. Securities

Securities as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Japanese government bonds	**¥ 570,389**	¥193,471	**$ 5,311,385**
Japanese local government bonds	**148,153**	105,505	**1,379,583**
Japanese corporate bonds	**451,018**	223,956	**4,199,823**
Japanese stocks	**186,541**	126,498	**1,737,048**
Other securities	**203,859**	90,010	**1,898,312**
Total	**¥1,559,963**	¥739,442	**$14,526,151**

6. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Bills discounted	¥ 148,515	¥ 116,658	$ 1,382,953
Loans on bills	965,869	740,171	8,994,036
Loans on deeds	4,546,398	2,763,988	42,335,395
Overdrafts	1,021,860	666,580	9,515,413
Total	¥6,682,643	¥4,287,399	$62,227,797

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
	2005	2004	2005
Loans to borrowers under bankruptcy proceedings	¥ 41,832	¥ 50,795	$ 389,536
Overdue loans	295,960	202,049	2,755,942
Loans overdue for at least three months	632	1,566	5,885
Restructured loans	132,142	98,642	1,230,488
Total	¥470,567	¥353,053	$4,381,851

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

7. Foreign Exchanges

Foreign exchanges as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
Assets	2005	2004	2005
Due from foreign banks	¥10,163	¥ 2,752	$ 94,641
Foreign exchange bills bought	2,728	2,259	25,409
Foreign exchange bills receivable	6,943	5,866	64,653
Total	¥19,835	¥10,878	$184,703

	Millions of yen		Thousands of U.S. dollars
Liabilities	2005	2004	2005
Due to foreign banks	¥100	¥ 0	$ 937
Foreign exchange bills sold	94	116	882
Foreign exchange bills payable	33	59	313
Total	¥228	¥176	$2,132

8. Premises and Equipment

The accumulated depreciation as of March 31, 2005 and 2004 amounted to ¥100,174 million ($932,806 thousand) and ¥67,372 million, respectively.

9. Customers' Liabilities for Acceptances and Guarantees

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

10. Pledged Assets

Assets that are pledged as collateral as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Assets that are pledged as collateral:			
Securities	¥289,847	¥ 98,576	$2,699,021
Loans and bills discounted	151,803	184,147	1,413,567
Obligations corresponding to collateral assets:			
Deposits	¥ 61,889	¥ 42,564	$ 576,307
Payables under securities lending transactions	109,148	31,051	1,016,371
Call money and bills sold	124,900	13,800	1,163,051

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, 2005 and 2004.

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Securities	¥181,657	¥75,816	$1,691,563
Other assets	19	12	177

Premises and equipment included guarantee deposits of ¥5,845 million ($54,435 thousand) and ¥2,898 million as of March 31, 2005 and 2004, respectively.

11. Deposits

Deposits as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Current deposits, ordinary deposits, saving deposits and deposits at notice	¥3,968,624	¥2,175,636	$36,955,256
Time deposits and installment savings	3,979,665	2,742,676	37,058,068
Other deposits	341,731	157,153	3,182,152
Subtotal	¥8,290,022	¥5,075,466	$77,195,476
NCDs	21,790	15,560	202,906
Total	¥8,311,812	¥5,091,026	$77,398,382

12. Borrowed Money

Borrowed money includes ¥41,000 million ($381,786 thousand) and ¥45,000 million in subordinated borrowed money as of March 31, 2005 and 2004, respectively.

13. Bonds

Bonds include ¥51,900 million ($483,285 thousand) and ¥31,900 million of subordinated bonds as of March 31, 2005 and 2004, respectively.

14. Land Revaluation Excess

Under the "Law Concerning Land Revaluation", Hokuriku Bank, Ltd. revaluated its own land for business operation as of March 31, 1998. The revaluation gain is included in stockholders' equity as "Land revaluation excess", net of taxes. The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥20,395 million ($189,920 thousand) and ¥20,030 million as of March 31, 2005 and 2004, respectively.

15. Capital Stock

Information with respect to capital stock of the Company as of March 31, 2005 and 2004 are as follows:

	2005	2004
Number of shares:		
Authorized:		
Common	**2,800,000,000**	1,700,000,000
Preferred (Type 1)	**400,000,000**	200,000,000
Preferred (Type 2)	**200,000,000**	50,000,000
Preferred (Type 3)	**200,000,000**	50,000,000
Preferred (Type 4)	**90,000,000**	—
Preferred (Type 5)	**110,000,000**	—
Issued and outstanding:		
Common	**1,286,630,146**	987,146,185
Preferred (Type 1)	**150,000,000**	150,000,000
Preferred (Type 4)	**79,000,000**	—
Preferred (Type 5)	**107,432,000**	—

1. Preferred Stock (Type 1 and Type 4)

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

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

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

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

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

Preferred stock (Type 1): September 1, 2004 to July 29, 2010	¥250.90
Preferred stock (Type 4): September 1, 2004 to July 31, 2010	¥254.50

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

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

Preferred stock (Type 1): ¥500 per share

Preferred stock (Type 4): ¥570 per share

2. Preferred stock (Type 5)

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

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

16. Retained Earnings

Japanese banks are subject to the Japanese Commercial Code (the "Code") and the Banking Law.

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

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

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

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥7,828 million ($72,899 thousand) as of March 31, 2005, based on the amount recorded in the Company's general books of account.

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

17. Per Share Information

	2005	2004
Net assets per share	**¥159.75**	¥119.86
Basic earnings per share	**¥ 6.86**	¥ 3.94
Diluted earnings per share	**¥ 5.67**	¥ 3.55

18. Fees and Commissions

Fees and commissions for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Fees and commissions (income)			
Deposits and loans	¥ 6,131	¥ 4,508	$ 57,097
Remittances and transfers	11,580	7,599	107,832
Securities-related business	1,835	752	17,091
Others	13,703	6,721	127,601
Total	¥33,250	¥19,582	$309,621

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Fees and commissions (expenses)			
Remittances and transfers	¥1,942	¥1,251	$18,092
Others	6,568	3,087	61,165
Total	¥8,511	¥4,339	$79,257

19. Trading Income and Losses

	Millions of yen		Thousands of U.S. dollars
(a) Trading income	2005	2004	2005
Income from trading securities	¥ 936	¥ 81	$ 8,717
Income from trading derivatives	2,279	2,245	21,224
Total	¥3,215	¥2,327	$29,941

	Millions of yen		Thousands of U.S. dollars
(b) Trading losses	2005	2004	2005
Losses on trading securities	—	—	—
Total	—	—	—

20. Other Expenses

Included in other expenses for the fiscal years ended March 31, 2005 and 2004 were write off of loans and bills discounted of ¥2,813 million ($26,194 thousand) and ¥35,344 million, valuation losses on sales of stocks and other securities of ¥2,541 million ($23,663 thousand) and ¥290 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 normal effective statutory tax rates of approximately 40.43% and 41.74% for the years ended March 31, 2005 and 2004, respectively.

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

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Deferred tax assets		
Reserve for possible loan losses	¥121,370	$1,130,185
Depreciation	2,387	22,232
Reserve for employee retirement benefit	14,364	133,760
Loss on valuation of securities	12,508	116,480
Other	2,800	26,081
Operating loss carryforwards	57,916	539,306
Subtotal	211,348	1,968,044
Less: Valuation allowance	72,122	671,591
Total deferred tax assets	139,226	1,296,453
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	¥ 14,076	$ 131,080
Other	705	6,568
Total deferred tax liabilities	14,782	137,648
Net of deferred tax assets	¥124,444	$1,158,805

	Millions of yen
	2004
Deferred tax assets	
Reserve for possible loan losses	¥ 91,423
Depreciation	1,477
Reserve for employee retirement benefit	10,547
Other	11,593
Operating loss carryforwards	38,234
Subtotal	153,278
Less: Valuation allowance	55,898
Deferred tax assets	97,379
Deferred tax liabilities	887
Net of deferred tax assets	¥ 96,492

22. Cash and Cash Equivalents

The reconciliations of "Cash and cash equivalents" in the consolidated statements of cash flows and "Cash and due from banks" in consolidated balance sheets as of March 31, 2005 and 2004, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Cash and due from banks in balance sheet	¥498,350	¥199,306	$4,640,568
Due from banks except for deposits with the Bank of Japan	(8,381)	(14,998)	(78,046)
Cash and cash equivalents in the statements of cash flows	¥489,969	¥184,308	$4,562,522

23. Commitment Lines

Loan agreements and commitment line agreements relating to loans are agreements, which oblige the Group to lend funds up to a certain limit agreed in advance. The Group makes the loans upon the request of an obligor to draw down funds under such loan agreements, as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balance relating to these loan agreements amounted to ¥2,146,119 million ($19,984,348 thousand) and ¥1,180,313 million as of March 31, 2005 and 2004, respectively. Of this amount, ¥2,143,273 million ($19,957,847 thousand) and ¥1,178,593 million as of March 31, 2005 and

2004, respectively, relates to loans where the term of the agreement is one year or less, or unconditional cancellation of the agreement is allowed at any time.

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

24. Segment Information

(a) Segment information by business

For the fiscal years ended March 31, 2005 and 2004 on consolidated results are as follows:

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

	Millions of yen					
	2004					
	Banking	Lease	Other business	Total	Elimination or corporate	Consolidated
I Ordinary revenue						
(1) Ordinary revenue from outside customers	¥ 153,705	¥18,786	¥ 6,954	¥ 179,445	¥ —	¥ 179,445
(2) Ordinary revenue from intersegment transactions	4,185	812	10,470	15,468	(15,468)	—
Total	157,890	19,598	17,424	194,914	(15,468)	179,445
Ordinary expenses	151,303	18,659	10,154	180,117	(7,746)	172,370
Ordinary income (loss)	¥ 6,587	¥ 939	¥ 7,269	¥ 14,797	¥ (7,722)	¥ 7,074
II Identifiable assets	¥5,643,046	¥49,937	¥353,166	¥6,046,149	¥(370,940)	¥5,675,209
Depreciation expenses	2,960	11,976	378	15,316	—	15,316
Capital expenditures	2,628	14,981	884	18,494	—	18,494

	Thousands of U.S. dollars					
	2005					
	Banking	Lease	Other business	Total	Elimination or corporate	Consolidated
I Ordinary revenue						
(1) Ordinary revenue from outside customers	$ 1,663,847	$169,973	$ 58,358	$ 1,892,178	$ —	$ 1,892,178
(2) Ordinary revenue from intersegment transactions	24,950	9,593	49,259	83,802	(83,802)	—
Total	1,688,797	179,566	107,617	1,975,980	(83,802)	1,892,178
Ordinary expenses	1,436,910	168,816	105,456	1,711,182	(72,530)	1,638,652
Ordinary income (loss)	$ 251,887	$ 10,750	$ 2,161	$ 264,798	$ (11,272)	$ 253,526
II Identifiable assets	$86,910,972	$464,474	$1,800,921	$89,176,367	$(1,657,290)	$87,519,077
Depreciation expenses	34,322	105,450	3,185	142,957	—	142,957
Capital expenditures	17,824	143,312	1,542	162,678	—	162,678

(b) Segment information by location

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

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

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

25. Lease Transactions

Finance lease transactions that do not transfer ownership of the leased property to the lessee for the year ended March 31, 2005 and 2004 are as follows:

(Lessee)

Pro forma information with respect to the leased property, such as acquisition cost, accumulated depreciation and net book value at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Acquisition cost	¥1,530	¥23	$14,251
Accumulated depreciation	360	3	3,358
Net book value	¥1,169	¥20	$10,893

Pro forma amounts of obligations under finance lease at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Within one year	¥ 259	¥ 5	$ 2,420
Over one year	909	14	8,473
Total	¥1,169	¥20	$10,893

Pro forma information concerning lease payment and depreciation expenses for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Lease payments	¥152	¥3	$1,419
Depreciation expenses	152	3	1,419

The method of calculating the pro forma amounts of depreciation expenses for the years ended March 31, 2005 and 2004 are as follows:

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

(Lessor)

Acquisition cost, accumulated depreciation and balance at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Acquisition cost	¥55,288	¥57,045	$514,837
Accumulated depreciation	27,040	27,668	251,797
Balance at year-end	¥28,247	¥29,376	$263,040

The pro forma amounts of lease receivable under finance lease at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Within one year	¥11,157	¥11,614	$103,899
Over one year	19,989	20,821	186,141
Total	¥31,147	¥32,435	$290,040

Lease payment received and depreciation expenses for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Lease payments received	¥13,061	¥13,932	$121,624
Depreciation expenses	11,323	11,976	105,440

26. Retirement Benefits

(a) Overview of retirement benefit system

The Hokuriku Bank, Ltd., provides the defined benefit programs that are a corporate pension plan, a qualified retirement pension plan and a retirement lump sum grant. At the time of retirement, employees may be issued a premium retirement grant that is not subject to inclusion in the actuarial computation of projected benefit obligations in conformity to the standards for accounting for retirement benefits. The Hokuriku Bank, Ltd., was approved by the Minister of Health, Labor and Welfare on February 17, 2003, to be relieved of the obligation to administer the future payment service of the government mandated portion of its employees pension fund. The Bank was further approved on March 1, 2005, to switch from the employees pension fund to a corporate pension fund.

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

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

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

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

(b) Retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Projected benefit obligations (A)	¥(88,240)	¥(54,196)	$(821,682)
Pension assets (B)	61,503	39,421	572,708
Projected benefit obligations in excess of pension assets (C) = (A) + (B)	(26,737)	(14,775)	(248,974)
Unrecognized transitional obligation (D)	18,957	12,392	176,529
Unrecognized actuarial differences (E)	7,034	3,910	65,508
Unrecognized prior service costs (F)	(10,496)	(2,239)	(97,741)
Net projected benefit obligations recognized on consolidated balance sheets (G) = (C) + (D) + (E) + (F)	(11,241)	(711)	(104,678)
Prepaid pension costs (H)	—	—	—
Reserve for employee retirement benefit (G) – (H)	¥(11,241)	¥ (711)	$(104,678)

(c) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service costs	¥1,789	¥1,329	$16,667
Interest costs on projected benefit obligations	1,903	1,613	17,725
Expected return on pension assets	(1,008)	(658)	(9,392)
Amortization of unrecognized prior service costs	(1,023)	(373)	(9,528)
Amortization of unrecognized actuarial differences	969	1,379	9,025
Amortization of transitional obligation	1,577	1,126	14,685
Other (additional payments, including premium retirement benefits)	858	945	7,996
Net periodic retirement benefit expenses	¥5,066	¥5,362	$47,178

(d) Basis for calculation of projected benefit obligations

	2005	2004
(1) Discount rate	2.5%	2.5%
(2) Expected rate of return on pension assets	2.5% – 4.0%	2.5%
(3) Method of benefit attribution	Straight-line method	Straight-line method
(4) Period of amortization of unrecognized prior service costs	9 years	9 years
(5) Period of amortization of unrecognized actuarial differences	9 years	9 years
(6) Period of amortization of transitional obligation	15 years	15 years

27. Market Value of Securities and Money Held in Trust

(1) Securities

The market value of securities at March 31, 2005 and 2004 was as follows:

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

(a) Securities classified as trading purposes

	Millions of yen		Thousands of U.S. dollars
March 31	2005	2004	2005
Consolidated balance sheet amount	¥6,201	¥1,741	$57,744
Valuation gains (losses) included in the earnings for the fiscal year	14	(4)	136

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

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

March 31, 2004	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
	Millions of yen				
Japanese government bonds	—	—	—	—	—
Japanese corporate bonds	—	—	—	—	—
Other	—	—	—	—	—
Total	—	—	—	—	—

March 31, 2005	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
	Thousands of U.S. dollars				
Japanese government bonds	$ 45,646	$ 48,068	$2,422	$2,422	$ —
Japanese corporate bonds	18,819	18,693	(126)	17	143
Other	274,007	276,944	2,937	3,795	858
Total	$338,472	$343,705	$5,233	$6,234	$1,001

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

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

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

March 31, 2004	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
	Millions of yen				
Stocks	¥ 96,496	¥107,668	¥11,172	¥16,832	¥ 5,660
Bonds	487,797	480,510	(7,287)	3,600	10,887
Japanese government bonds	197,968	193,471	(4,497)	488	4,985
Japanese local government bonds	106,455	105,505	(950)	1,478	2,428
Japanese corporate bonds	183,372	181,533	(1,839)	1,633	3,473
Other	97,521	94,281	(3,240)	175	3,415
Total	¥681,815	¥682,460	¥ 645	¥20,608	¥19,963

March 31, 2005	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
	Thousands of U.S. dollars				
Stocks	$ 1,224,758	$ 1,424,937	$200,179	$237,184	$ 37,005
Bonds	9,958,127	9,976,477	18,350	61,447	43,097
Japanese government bonds	5,261,140	5,265,738	4,599	23,735	19,136
Japanese local government bonds	1,372,489	1,379,583	7,094	17,902	10,808
Japanese corporate bonds	3,324,498	3,331,155	6,657	19,810	13,153
Other	1,727,406	1,690,061	(37,345)	8,755	46,100
Total	$12,910,291	$13,091,475	$181,184	$307,386	$126,202

Note: Consolidated balance sheet amount is calculated as follows:

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

(d) Available-for-sale securities sold during the years ended March 31, 2005 and 2004

Year ended March 31	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Sales amount	¥259,492	¥501,912	$2,416,357
Gains on sales	6,322	20,537	58,875
Losses on sales	339	7,759	3,159

(e) Securities with no available market value

	Millions of yen		Thousands of U.S. dollars
	Consolidated balance sheet amount		
March 31	2005	2004	2005
Bonds classified as held-to-maturity	¥ 26,532	¥ —	$247,066
Privately placed bonds	26,532	—	247,066
Available-for-sale securities	102,395	61,141	953,488
Unlisted stocks (excluding OTC stocks)	33,161	18,701	308,793
Unlisted foreign securities	1	16	9
Other	69,232	42,423	644,686

(f) Change of classification of securities

Not applicable.

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

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

	Millions of yen			
March 31, 2004	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	¥44,975	¥238,150	¥215,828	¥23,978
Japanese government bonds	6,426	82,314	80,752	23,978
Japanese local government bonds	5,490	43,508	56,505	—
Japanese corporate bonds	33,058	112,327	78,569	—
Other	6,473	56,326	26,913	16
Total	¥51,449	¥294,476	¥242,741	¥23,995

	Thousands of U.S. dollars			
March 31, 2005	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	$1,067,826	$4,557,191	$3,021,528	$2,244,245
Japanese government bonds	210,468	1,605,926	1,274,287	2,220,704
Japanese local government bonds	47,221	607,299	725,063	—
Japanese corporate bonds	810,137	2,343,967	1,022,178	23,541
Other	162,613	694,484	520,478	248,042
Total	$1,230,439	$5,251,675	$3,542,006	$2,492,287

(2) Money Held in Trust

(a) Money held in trust classified as trading purposes

March 31	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Consolidated balance sheet amount	¥7,460	¥2,414	$69,474
Valuation gains included in profit/loss during the year	25	—	239

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

Not applicable

(c) Other money held in trust

March 31	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Acquisition cost	¥16,400	¥—	$152,714
Consolidated balance sheet amount	16,503	—	153,678
Net unrealized gains	103	—	964
Unrealized gains	106	—	996
Unrealized losses	3	—	32

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 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Net unrealized gains	¥19,560	¥645	$182,148
Available-for-sale securities	19,457	645	181,184
Other money held in trust	103	—	964
Net deferred tax liabilities	(7,917)	(262)	(73,723)
Net unrealized gains (before following adjustment)	11,643	382	108,425
(–) Minority interests	16	12	155
(+) Hokuhoku's interest in net unrealized gains on valuation of available-for-sale securities held by affiliates accounted for by the equity method	197	—	1,844
Net unrealized gains	¥11,825	¥370	$110,114

28. Derivatives

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

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

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

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

· Interest Rate-Related Transactions

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

	Millions of yen		
	2004		
	Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	¥47,720	¥1,014	¥1,014
Receive/floating and pay/fixed	40,889	(103)	(103)
Others/sell	79,358	(326)	2,014
Others/buy	46,323	398	(167)
Total	/	¥ 983	¥2,757

	Thousands of U.S. dollars		
	2005		
	Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	**$1,469,516**	**$27,661**	**$31,162**
Receive/floating and pay/fixed	**1,528,765**	**(5,069)**	**(5,069)**
Options/sell	**169,196**	**(611)**	**1,086**
Options/buy	**169,196**	**611**	**(147)**
Others/sell	**954,632**	**(1,516)**	**28,013**
Others/buy	**625,837**	**2,474**	**(5,305)**
Total	**/**	**$23,550**	**$49,740**

· Foreign Exchange-Related Transactions

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

	Millions of yen		
	2004		
	Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps	¥102,974	¥ 131	¥131
Forward contracts/sell	15,169	436	436
Forward contracts/buy	52,900	(718)	(718)
Options/sell	94,523	(4,338)	47
Options/buy	94,523	4,336	910
Total	/	¥ (152)	¥808

	Thousands of U.S. dollars		
	2005		
	Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter transactions			
Swaps	**$ 938,831**	**$ 1,289**	**$ 1,289**
Forward contracts/sell	**234,289**	**(5,591)**	**(5,591)**
Forward contracts/buy	**158,468**	**2,616**	**2,616**
Options/sell	**2,112,786**	**(80,254)**	**29,419**
Options/buy	**2,112,406**	**80,247**	**(4,479)**
Total	**/**	**$ (1,693)**	**$23,254**

At March 31, 2005 and 2004, the Group had no outstanding contracts in stock related transactions, bond related transactions, commodity related transactions and credit derivative transactions.

29. Subsequent Events

Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2005 were approved at the Company's general stockholders meeting held on June 29, 2005:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥1.50 per share on common stock	**¥1,928**	**$17,953**
¥3.85 per share on preferred stock (Type1)	**577**	**5,373**
¥3.31 per share on preferred stock (Type4)	**261**	**2,430**
¥7.50 per share on preferred stock (Type5)	**805**	**7,496**

Shin Nihon & Co.

The Board of Directors
Hokugin Financial Group, Inc.

We have audited the accompanying consolidated balance sheet of Hokugin Financial Group, Inc. and consolidated subsidiaries as of March 31, 2004, and the related consolidated statements of income and retained earnings, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hokugin Financial Group, Inc. and consolidated subsidiaries at March 31, 2004, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Shin Nihon & Co.

Shin Nihon & Co

June 29, 2004

ERNST & YOUNG SHINNIHON

Deloitte.

The Board of Directors

Hokuhoku Financial Group,Inc.

We have audited the accompanying consolidated balance sheet of Hokuhoku Financial Group,Inc. (the "Company") and consolidated subsidiaries as of March 31, 2005, and the related consolidated statement of operations, stockholders' equity, and cash flows for the year 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 Hokuhoku Financial Group, Inc. and consolidated subsidiaries as of March 31, 2005, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young Shin Nihon

Toyama,Japan
June 29, 2005

A MEMBER OF ERNST & YOUNG GLOBAL

Deloitte Touche Tohmatsu

June 29, 2005

Member of Deloitte Touche Tohmatsu

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Hokuriku Bank, Ltd.

March 31	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Assets			
Cash and due from banks	**¥ 198,403**	¥ 197,957	**$ 1,847,503**
Call loans and bills bought	**80,000**	50,000	**744,948**
Commercial paper and other debt purchased	**22,364**	13,832	**208,254**
Trading assets	**6,336**	3,803	**59,006**
Money held in trust	**2,469**	2,414	**22,994**
Securities	**815,650**	763,559	**7,595,220**
Loans and bills discounted	**4,139,458**	4,325,230	**38,546,036**
Foreign exchanges	**13,166**	10,878	**122,603**
Other assets	**32,791**	38,316	**305,350**
Premises and equipment	**72,693**	77,233	**676,909**
Deferred tax assets	**80,732**	95,917	**751,772**
Customers' liabilities for acceptances and guarantees	**174,654**	160,155	**1,626,355**
Reserve for possible loan losses	**(87,368)**	(110,696)	**(813,558)**
Total assets	**¥5,551,353**	¥5,628,601	**$51,693,392**
Liabilities and stockholders' equity			
Liabilities			
Deposits	**¥4,964,016**	¥5,115,901	**$46,224,192**
Call money and bills sold	**88,200**	13,800	**821,306**
Payable under securities lending transactions	**5,848**	31,051	**54,458**
Trading liabilities	**1,010**	946	**9,406**
Borrowed money	**78,974**	76,963	**735,402**
Foreign exchanges	**197**	176	**1,842**
Other liabilities	**36,005**	31,341	**335,280**
Reserve for employee retirement benefits	**512**	558	**4,768**
Deferred tax liabilities for land revaluation	**7,596**	8,204	**70,733**
Acceptances and guarantees	**174,654**	160,155	**1,626,355**
Total liabilities	**5,357,015**	5,439,099	**49,883,742**
Stockholders' equity			
Capital stock	**140,409**	140,409	**1,307,473**
Capital surplus	**14,998**	14,998	**139,667**
Retained earnings	**21,588**	23,184	**201,026**
Land revaluation excess	**11,192**	12,088	**104,219**
Net unrealized gain on available-for-sale securities	**6,149**	(1,178)	**57,265**
Total stockholders' equity	**194,338**	189,502	**1,809,650**
Total liabilities and stockholders' equity	**¥5,551,353**	¥5,628,601	**$51,693,392**

NONCONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

The Hokuriku Bank, Ltd.

Year ended March 31	Millions of yen 2005	2004	Thousands of U.S. dollars 2005
Income			
Interest income:			
Interest on loans and discounts	**¥ 80,599**	¥ 86,143	**$ 750,535**
Interest and dividends on securities	**9,435**	13,240	**87,863**
Interest on deposits with other banks	**305**	298	**2,844**
Other interest income	**847**	698	**7,890**
Fees and commissions	**21,006**	17,932	**195,611**
Trading profits	**3,169**	2,327	**29,518**
Other operating income	**8,002**	16,419	**74,514**
Other income	**10,253**	21,412	**95,479**
Total income	**133,620**	158,473	**1,244,254**
Expenses			
Interest expenses:			
Interest on deposits	**4,710**	6,425	**43,860**
Interest on payables under securities lending transactions	**437**	924	**4,070**
Interest on borrowings and rediscounts	**2,084**	2,057	**19,407**
Other interest expenses	**1,575**	1,437	**14,675**
Fees and commissions	**5,873**	4,781	**54,697**
Other operating expenses	**313**	1,515	**2,919**
General and administrative expenses	**53,738**	55,120	**500,404**
Provision for reserve for possible loan losses	**40,814**	34,932	**380,063**
Other expenses	**9,486**	47,515	**88,334**
Total expenses	**119,034**	154,708	**1,108,429**
Income before income taxes	**14,586**	3,764	**135,825**
Income taxes:			
Current	**92**	97	**856**
Deferred	**10,402**	(1,272)	**96,863**
Net income	**¥ 4,092**	¥ 4,939	**$ 38,106**

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Hokkaido Bank, Ltd.

March 31	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Assets			
Cash and due from banks	**¥ 299,322**	¥ 235,328	**$ 2,787,250**
Call loans and bills bought	**20**	353	**193**
Commercial paper and other debt purchased	**2**	3	**25**
Trading account securities	**3,274**	4,073	**30,493**
Money held in trust	**21,494**	20,903	**200,158**
Securities	**790,890**	622,312	**7,364,656**
Loans and bills discounted	**2,539,494**	2,562,179	**23,647,405**
Foreign exchanges	**6,668**	4,086	**62,100**
Other assets	**22,939**	14,009	**213,609**
Premises and equipment	**29,283**	29,474	**272,682**
Deferred tax assets	**45,158**	55,419	**420,512**
Customers' liabilities for acceptances and guarantees	**32,318**	37,325	**300,945**
Reserve for possible loan losses	**(51,919)**	(81,296)	**(483,464)**
Total assets	**¥3,738,950**	¥3,504,173	**$34,816,564**
Liabilities and stockholders' equity			
Liabilities			
Deposits	**¥3,383,826**	¥3,195,110	**$31,509,697**
Call money and bills sold	**36,700**	52,200	**341,745**
Payable under securities lending transactions	**103,299**	70,219	**961,914**
Borrowed money	**14,000**	—	**130,366**
Foreign exchanges	**31**	102	**289**
Other liabilities	**17,373**	13,068	**161,779**
Reserve for employee retirement benefits	**10,530**	10,175	**98,057**
Acceptances and guarantees	**32,318**	37,325	**300,945**
Total liabilities	**3,598,079**	3,378,203	**33,504,792**
Stockholders' equity			
Capital stock	**93,524**	93,524	**870,882**
Capital surplus	**16,795**	16,795	**156,394**
Retained earnings	**19,469**	10,851	**181,300**
Net unrealized gain on available-for-sale securities	**11,082**	4,827	**103,196**
Treasury stock	**—**	(28)	**—**
Total stockholders' equity	**140,871**	125,970	**1,311,772**
Total liabilities and stockholders' equity	**¥3,738,950**	¥3,504,173	**$34,816,564**

NONCONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

The Hokkaido Bank, Ltd.

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2005**	2004	**2005**
Income			
Interest income:			
Interest on loans and discounts	**¥53,246**	¥54,900	**$495,820**
Interest and dividends on securities	**6,780**	5,295	**63,135**
Interest on receivables under resale agreements	**5**	5	**53**
Interest on deposits with other banks	**0**	0	**0**
Other interest income	**358**	277	**3,343**
Fees and commissions	**16,446**	14,927	**153,146**
Other operating income	**2,425**	2,009	**22,586**
Other income	**2,822**	7,350	**26,281**
Total income	**82,085**	84,765	**764,364**
Expenses			
Interest expenses:			
Interest on deposits	**1,682**	1,830	**15,669**
Interest on payables under securities lending transactions	**3**	5	**35**
Interest on borrowings and rediscounts	**25**	6	**241**
Other interest expenses	**2**	2	**27**
Fees and commissions	**5,236**	4,768	**48,763**
Other operating expenses	**494**	204	**4,607**
General and administrative expenses	**38,124**	38,674	**355,011**
Provision for reserve for possible loan losses	**13,839**	21,436	**128,868**
Other expenses	**5,460**	4,919	**50,849**
Total expenses	**64,871**	71,848	**604,070**
Income before income taxes	**17,213**	12,917	**160,294**
Income taxes:			
Current	**64**	64	**598**
Deferred	**6,022**	2,001	**56,085**
Net income	**¥11,126**	¥10,851	**$103,611**

The Hokuhoku Financial Group is composed of the holding company and 14 consolidated subsidiaries and two affiliates. Our core business is banking, and we also provide a wider range of services including leases, credit cards, financing, and venture capital. The following is a diagram of our business.

Business Diagram

Hokuhoku Financial Group, Inc

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

* Affiliated company

Major subsidiaries

(units: millions of yen, %)

Company name	Address	Main business activities	Established	Capital	FG's share of voting rights	Dividend
The Hokuriku Bank, Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Banking	July 31, 1943	140,409	100.00	6,584
The Hokkaido Bank, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Banking	March 5, 1951	93,524	100.00	–
Hokugin Lease Co., Ltd.	2-21 Aramachi, Toyama City	Leasing	July 21, 1983	100	70.25	126
Hokuriku Card Co., Ltd.	1-2-1 Shintomi-cho, Toyama City	Credit card operations, loan guarantees	March 2, 1983	36	87.39	–
Hokuriku Hosho Services Co., Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Credit guarantees	December 12, 1978	50	100.00	200
Hokugin Software Co., Ltd.	1-5-25 Higashidenjigata, Toyama City	Software development	May 1, 1986	30	100.00	–
Nihonkai Services Co., Ltd.	2-1-14 Chuo-dori, Toyama City	Servicer	December 5, 2003	500	100.00	–
Hokugin Business Services Co., Ltd.	1883 Hiyodorijima, Toyama City	Document management, cash management, ATM/CD maintenance/operation, concentrated business processing	March 25, 1953	30	(100.00)	–
Hokugin Office Services Co., Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Human resource solutions	March 3, 1986	20	(100.00)	–
Hokugin Real Estate Services Co., Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Property Management	September 26, 1988	100	(100.00)	–
Hokugin Shisankanri Co., Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Auctioning pledged properties	March 7, 2000	100	(100.00)	–
Hokuriku International Cayman Limited	P.O. Box 309 Grand Cayman, Cayman Islands, British West Indies	Finance	April 27, 1993	US$1,000	(100.00)	–
Hokugin Corporate Co., Ltd.	3-2-10 Nihonbashi-Muromachi, Chuo-ku, Tokyo	Corporate rehabilitation	December 1, 2004	100	(100.00)	–
Dogin Business Service, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Document management, cash management, ATM/CD maintenance/operation, concentrated business processing	June 8, 1979	50	(100.00)	–
Hokuriku Capital Co., Ltd.*	1-8-10 Marunouchi, Toyama City	Venture Capital	January 11, 1985	250	5.00 (42.50)	–
Dogin Card Co., Ltd.*	2-2-14 Chuo-ku Minami, Sapporo City	Credit card operations, loan guarantees	June 13, 1977	122	(39.97)	–

* Equity method-affiliated company
( )Indicates voting rights involving shares held by subsidiaries

The Hokuriku Bank, Ltd.

Web site: www.hokugin.co.jp

Establishment

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

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

Company outline (as of March 31, 2005)

	The Hokuriku Bank, Ltd.	
Business:	Banking	
Incorporation:	July 31, 1943 (founded in 1877)	
Location of headquarters:	1-2-26 Tsutsumicho-dori, Toyama City Toyama	
President:	Shigeo Takagi	
Total assets:	¥5,551.3 billion	
Deposits (including NCDs):	¥4,964.0 billion	
Loans:	¥4,139.4 billion	
Issued shares:		
	Common stock	987,146,185
	Class 1 preferred shares	150,000,000
Capital ratio (non-consolidated):	8.42%	
Employees:	2,744	
Branches (as of June 30, 2005)		
Domestic:	185(131 branches, 54 sub-branches)	
Overseas:	3 representative offices	
Non-branch ATMs	205	

History

August 1877	Kanazawa 12th National Bank founded
February 1879	Toyama 123th National Bank founded
January 1884	Kanazawa 12th National Bank and Toyama 123th National Bank merged to form Toyama 12th National Bank with headquarters in Toyama City
July 1897	Toyama 12th National Bank changed name to 12th Bank
July 1943	Four banks, 12th, Takaoka, Chuetsu, and Toyama Bank, merged to form Hokuriku Bank
January 1950	Launched foreign exchange operations (first regional bank to do so)
September 1961	Listed on the Tokyo Stock Exchange
November 1961	New head office built
July 1968	Received permission to conduct correspondent transactions with foreign banks
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
November 1986	Become the first regional bank to guarantee foreign bonds not issued through public placement
May 1987	Introduced VI (visual identification)
August 1990	Completed third online system
November 1993	Launched investment trust agent operations
June 1998	Established Hokugin Loan Plaza
December 1998	Launched over-the-counter sale of securities investment trusts
June 2000	Launched Internet and mobile banking services (Hokugin Direct A (Ace)
July 2000	Completed new computer center (Alps building)
January 2001	Launched new computer system
April 2001	Launched over-the-counter sales of casualty insurance
November 2001	Launched defined contribution pension operations
February 2002	Third-party allocation worth ¥39.1 billion, brought new capital to ¥140.4 billion.
February 2002	Launched convenience store ATM service (E-net)
October 2002	Launched over-the-counter sales of life insurance
March 2003	Took over part of the Ishikawa Bank's operations
September 2003	Established Hokugin Financial Group through stock swap, then became subsidiary of the Hokugin Financial Group
September 2004	Integrated management with Hokkaido Bank, name of parent company changed to Hokuhoku Financial Group, Inc.
December 2004	Launched securities agency operations
	Established corporate rehabilitation company Hokugin Corporate

The Hokkaido Bank, Ltd.

Web site: www.hokkaidobank.co.jp

Establishment

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

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

Company outline (as of March 31, 2005)

	The Hokkaido Bank. Ltd.	
Business:	Banking	
Incorporation:	March 5, 1951	
Location of headquarters:	4-1 Odori Nishi, Chuo-ku, Sapporo City	
President:	Yoshihiro Sekihachi	
Total assets:	¥3,738.9 billion	
Deposits (including NCDs):	¥3,383.8 billion	
Loans:	¥2,539.4 billion	
Issued shares:		
	Common shares:	374,355,952
	Class 1 preferred shares:	79,000,000
	Class 2 preferred shares:	107,432,000
Capital ratio (non-consolidated):	7.28%	
Employees:	1,762	
Branches (as of June 30, 2005)		
Domestic:	134(125 branches, 9 sub-branches)	
Non-branch ATMs	318	

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	Integrated 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
April 1983	Launched sales of public bonds
June 1985	Launched trading operations
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	Launched new integrated online system (third)
April 1994	Launched investment trust agent operations
December 1998	Started sales of investment trust accounts
July 1999	Issued No. 1 class 2 preferred shares (issuance amount was ¥53.716 billion)
November 1999	Launched Dogin telephone banking service
June 2000	Launched Internet mobile banking
April 2001	Started sales of casualty insurance accounts
October 2002	Started sales of life insurance accounts
December 2003	Opened Business Loan Plaza
April 2004	Launched convenience store ATM service
September 2004	Came under management of Hokugin Financial Group, parent of Hokuriku Bank; Hokuhoku Financial Group launched
April 2005	Launched securities agency operations

BOARD OF DIRECTORS AND CORPORATE AUDITORS

Hokuhoku Financial Group

President:	*Deputy President:*		
Shigeo Takagi	Yoshihiro Sekihachi		
Directors:			
Satoshi Kawai	Masamichi Kondo	Hideaki Haoka	
Mitsuhiro Tokuno	Toshihiko Kobayashi	Yuji Oshima	
Corporate Auditors:			
Toshitsugu Kawakami	Yoshihiro Minami	Yasuhiro Ishiguro	
Norikiyo Hayashi			

The Hokuriku Bank

President:	*Deputy President:*		
Shigeo Takagi	Satoshi Kawai		
Senior Managing Director:	*Managing Directors:*		
Hideaki Haoka	Mitsuhiro Tokuno	Osamu Komuro	
Directors:			
Toshihiko Kobayashi	Masato Matsumoto		
Corporate Auditors:			
Tatsuro Ishikuro	Kumakichi Yagi	Akihiko Furuta	Kenichi Nakamura

The Hokkaido Bank

President:			
Yoshihiro Sekihachi			
Directors:			
Masamichi Kondo	Akihiro Sasahara	Akihiko Soma	Satoshi Kawai
Corporate Auditors:			
Hisae Goto	Tatsuhiro Ishikawa	Yutaka Hayakawa	Akira Ibayashi

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