



Annual Report 2012

Year ended March 31, 2012

Hokuhoku Financial Group, Inc.

Company outline (as of March 31, 2012)

Company name: Hokuhoku Financial Group, Inc.

Date of establishment: September 26, 2003

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

President: Shigeo Takagi (President, Hokuriku Bank)

Deputy President: Yoshihiro Sekihachi (President, Hokkaido Bank)

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

Capital: ¥70,895 million

Shares issued and outstanding:

Common stock..... 1,391,630,146

Preferred stock (Type 5)..... 107,432,000

Exchange listings: Tokyo Stock Exchange (First Section)

Sapporo Securities Exchange

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

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

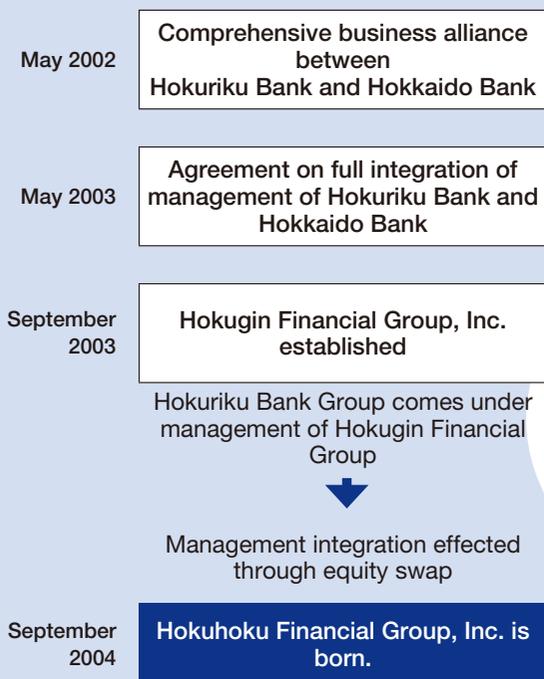
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Profile

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

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



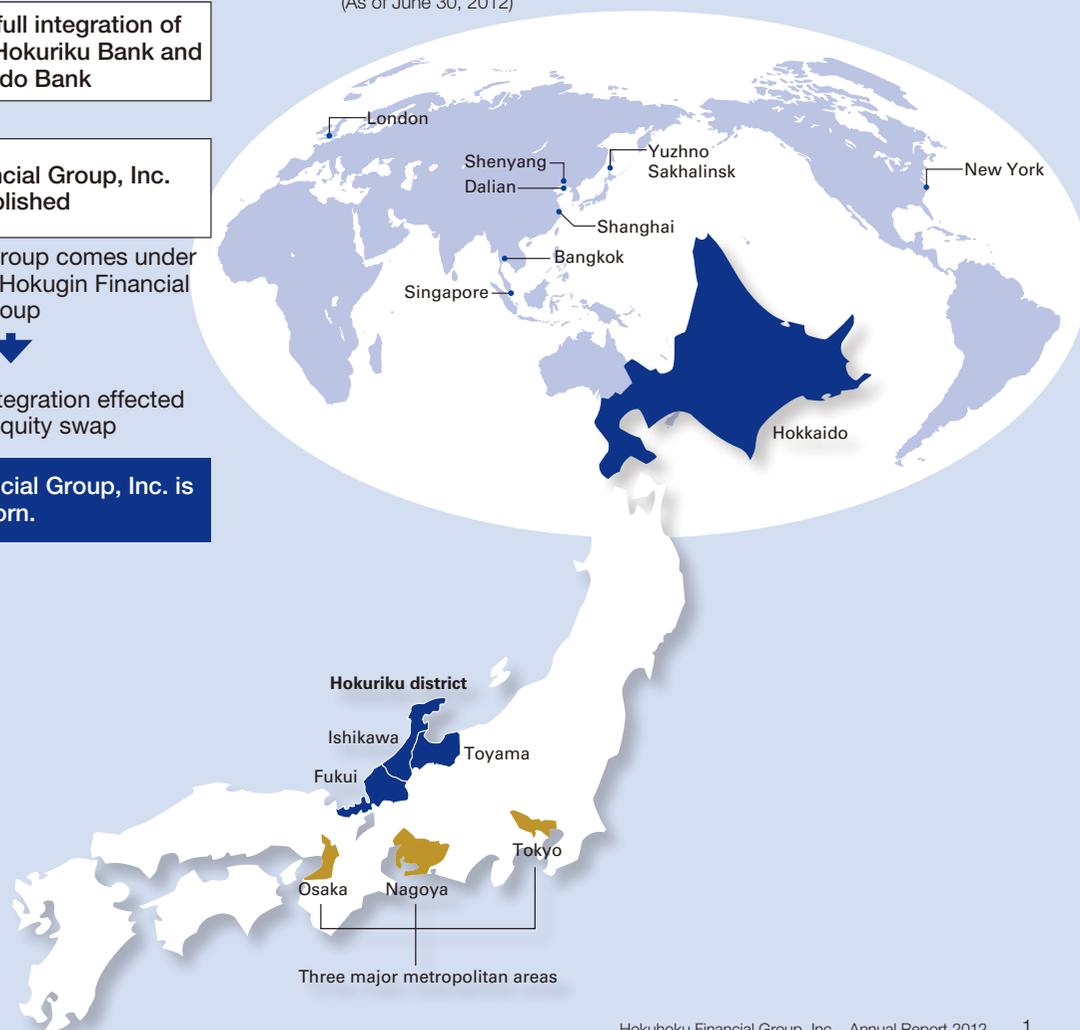
The operations of the Hokuhoku Financial Group extend beyond the limits of a single district.

Our extensive network is outlined below.

Hokuriku district	149 branches
Toyama prefecture	91 branches
Ishikawa prefecture	36 branches
Fukui prefecture.....	22 branches
Hokkaido	157 branches
Three major metropolitan areas	17 branches
Tokyo and Yokohama.....	10 branches
Nagoya.....	3 branches
Osaka and Kyoto.....	4 branches
Others (Sendai, Niigata, Nagano, Takayama) ...	4 branches
Overseas	8 offices

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

(As of June 30, 2012)



MESSAGE FROM THE MANAGEMENT



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

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

We would like to express our sincere appreciation to all of our customers for their continued patronage of the Hokuhoku Financial Group.

Although economic activity gradually intensified following the Great East Japan Earthquake and reconstruction-related demand was steady, Japan's economic future in fiscal 2011 became increasingly uncertain due to a number of factors. Among these factors were electric power supply problems, the long-term appreciation of the yen, and restrictions caused by the high price of natural resources that are affecting corporate earnings, not to mention the attention that has been given to financial problems, and the deteriorating balance of trade.

With the aim of becoming a "Close and reliable financial group for local customers," the Hokuhoku Financial Group is taking steps to revitalize the local economy by providing financial services that will delight corporate customers who are working hard to carry on business in a harsh business environment, as well as individual customers who have various financial needs at each stage of their lifecycle.

In May 2011, thanks to the efforts of all parties, our subsidiary banks, the Hokuriku Bank and the Hokkaido Bank commenced stable operation of a joint IT system with the Bank of Yokohama. In May 2012, an agreement was reached to add The 77 Bank to the users of the joint IT system, thereby moving toward greater efficiency. Along with integrating business processes and shared back office use, we will accelerate synergies and strive to achieve better customer service.

In order to meet the diversifying needs of customers for overseas market entry support, the Hokuriku Bank established a representative office in Bangkok, Thailand in March 2012 after the one established in Dalian in 2011. The Hokkaido Bank views businesses that make use of their local characteristics, such as agriculture and tourism, as growth businesses and is encouraging the expansion of such businesses by holding business conferences based on the theme of tourism.

Fiscal 2012 marks the final year of the Mid-term Management Plan "Road to 10," which the Group is now implementing. The plan is based on the following three policies: "Strengthening Marketing Capabilities," "Increasing Management Efficiency," and "Cementing Customer Loyalty." We will continue our management effort aimed at becoming a financial group with ¥10 trillion in deposits and growing with our customers in a spirit of co-prosperity with the regional economy.

We therefore ask for your continued support and loyal patronage.

July 2012



Shigeo Takagi
President



Yoshihiro Sekihachi
Deputy President

MID-TERM MANAGEMENT PLAN

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

Over two years, deposits, loans and our consolidated capital adequacy ratio have surpassed target levels. The earnings environment has grown harsher, amid prolonged low interest rates and competition with other banks, but we are committed to securing stable earnings based on our three key management policies of strengthening marketing capabilities, increasing management efficiency and cementing customer loyalty.

Overview of Management Plan

Title	Mid-Term Management Plan, “Road to 10”
Period	3 years (April 2010 to March 2013)
Position	Renew endeavor to achieve sustainable growth ~Achieve JPY 10 trillion in deposit~
Target corporate profile	Close and reliable financial group for local customers
Main theme	<ol style="list-style-type: none"> 1. Establishing a stable earnings base to deal with uncertainty over economy 2. Smooth migration and strategic utilization of joint banking system (MEJAR*), and upgrading human resources and service delivery channels 3. Accumulating capital surplus to meet new rules of regulatory capital, increase in dividends and redemption of preferred stock

*MEJAR = Most Efficient Joint Advanced Regional banking-system

Basic Policies in Management Plan

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

<p>Mid-Term Management Plan “Road to 10”</p> <p>Renew endeavor to achieve sustainable growth</p>	I. Strengthening Marketing Capabilities	II. Increasing Management Efficiency	III. Cementing Customer Loyalty
	<ul style="list-style-type: none"> ■ Expansion of earnings base ■ Client-focused consulting services ■ Expansion of investment in securities 	<ul style="list-style-type: none"> ■ Smooth migration and strategic utilization of joint banking system ■ Pursuit of further synergy ■ Increasing sales force 	<ul style="list-style-type: none"> ■ Improvement in quality of capital ■ Stable increase of common stock dividends

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

	'11/3 result	'12/3 result	'13/3 plan
Deposits (avg. balance)	JPY 9,277.6 bn	JPY 9,579.4 bn	JPY 9,550.0 bn
Loans (avg. balance)	JPY 7,113.3 bn	JPY 7,267.3 bn	JPY 7,200.0 bn
Core net business profit	JPY 56.7 bn	JPY 55.7 bn	JPY 70.0 bn
Net income*	JPY 18.4 bn	JPY 14.1 bn	JPY 25.5 bn
Capital adequacy ratio* (Tier 1 capital ratio*)	11.29% (7.45%)	11.72% (7.82%)	Above 11.5% (Above 7.5%)
OHR	63.47%	64.37%	58%
ROA (Core net business profit basis)	0.56%	0.53%	0.68%
ROE* (Core net income basis)	4.60%	3.26%	Above 6%
NPL ratio	2.96%	3.17%	Around 3%

*FG consolidated

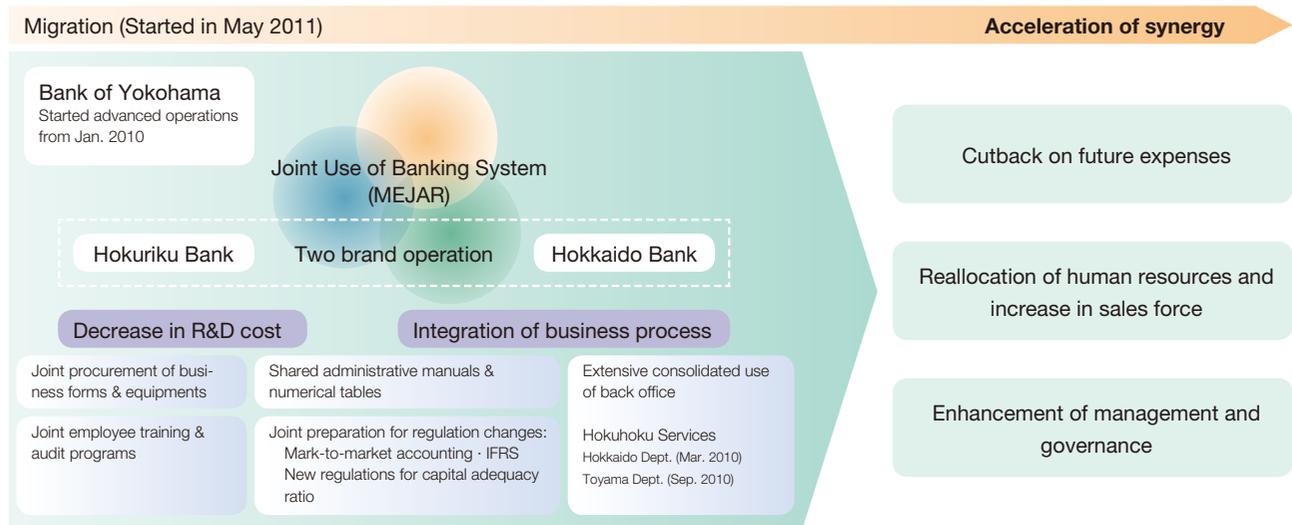
I. Strengthening Marketing Capabilities

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



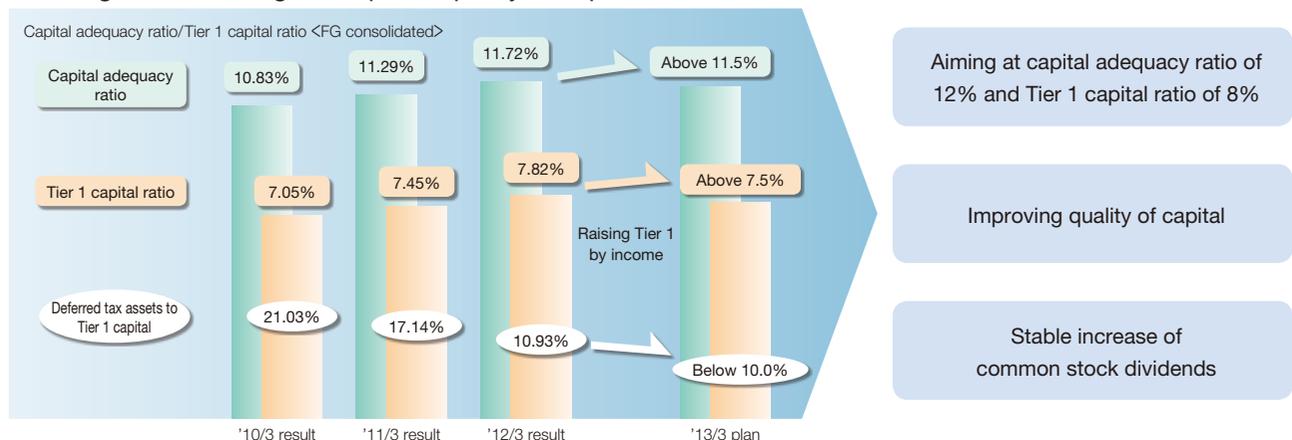
II. Increasing Management Efficiency

Smooth migration and strategic utilization of joint banking system



III. Cementing Customer Loyalty

Ensuring stable earnings to improve quality of capital



PERFORMANCE HIGHLIGHTS

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

(¥ billion)

	FY2011		FY2010
		Change	
Ordinary income	207.9	(6.6)	214.6
Ordinary profits	38.8	1.6	37.2
Net income	14.1	(4.2)	18.4
Capital adequacy ratio	11.72%	+0.43%	11.29%

In the fiscal year ended March 31, 2012, Hokuhoku FG recorded ordinary income of ¥207.9 billion, a decrease of ¥6.6 billion year on year on a consolidated basis. Ordinary profits, on the other hand, increased ¥1.6 billion year on

year to ¥38.8 billion, and net income fell ¥4.2 billion to ¥14.1 billion.

Our capital adequacy ratio stood at 11.72% at the term-end on a consolidated basis, an increase of 0.43 percentage points from the previous term-end.

In terms of the fiscal year-end dividend for 2011, the Group paid ¥7.5 per share for shareholders of preferred stock (type 5), the same amount as specified in advance. As for the dividends for shareholders of common stock, although an interim dividend was not paid, a fiscal year-end dividend of ¥3.75 per share was paid, the same amount that was paid at the end of fiscal 2010.

Summary of Operations (Hokuriku Bank and Hokkaido Bank)

(¥ billion)

	Hokuriku Bank and Hokkaido Bank		
	FY2011	Change	FY2010
Ordinary income	193.0	(2.8)	195.8
Core gross business profits	156.3	0.9	155.4
Expenses	100.6	2.0	98.6
Core net business profits	55.7	(1.0)	56.7
Credit costs	10.4	(4.1)	14.5
Income (loss) on marketable securities	(1.4)	(0.3)	(1.0)
Ordinary profits	40.5	3.5	37.0
Net income	16.6	(2.9)	19.6

Despite a decline in net fees and commissions, core gross business profits increased ¥0.9 billion year on year to ¥156.3 billion due to an increase in net interest income and income from derivatives. Core net business profits decreased ¥1.0 billion year on year to ¥55.7 billion due to factors including a ¥2.0 billion year-on-year increase in expenses for the renewal of the IT system in May 2011.

Ordinary profits grew ¥3.5 billion year on year to ¥40.5 billion due to a ¥4.1 billion year-on-year decrease in total credit costs.

Net income decreased ¥2.9 billion year on year to ¥16.6 billion due to an increase in income taxes-deferred accompanying a lowered corporate tax rate (change of ¥5.1 billion).

(¥ billion)

	Hokuriku Bank		
	FY2011	Change	FY2010
Ordinary income	105.4	(3.4)	108.8
Core gross business profits	88.5	(0.0)	88.5
Expenses	54.2	0.3	53.8
Core net business profits	34.3	(0.3)	34.6
Credit costs	4.4	(2.6)	7.1
Ordinary profits	27.4	4.5	22.9
Net income	11.4	(0.5)	11.9
Capital adequacy ratio	11.85%	+0.53%	11.32%

(¥ billion)

	Hokkaido Bank		
	FY2011	Change	FY2010
Ordinary income	87.5	0.5	87.0
Core gross business profits	67.8	1.0	66.8
Expenses	46.4	1.6	44.7
Core net business profits	21.4	(0.6)	22.1
Credit costs	5.9	(1.4)	7.4
Ordinary profits	13.1	(1.0)	14.1
Net income	5.2	(2.4)	7.7
Capital adequacy ratio	10.80%	+0.21%	10.59%

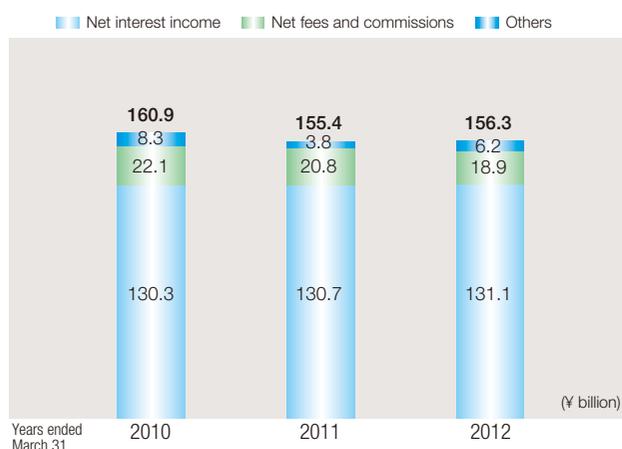
Core Gross Business Profits (Both banks)

Net interest income increased ¥0.4 billion year on year to ¥131.1 billion, due to our accumulation of securities centered on Japanese government bonds.

Net fees and commissions decreased ¥1.9 billion year on year to ¥18.9 billion due to a decrease in investment trusts and insurance sales commissions.

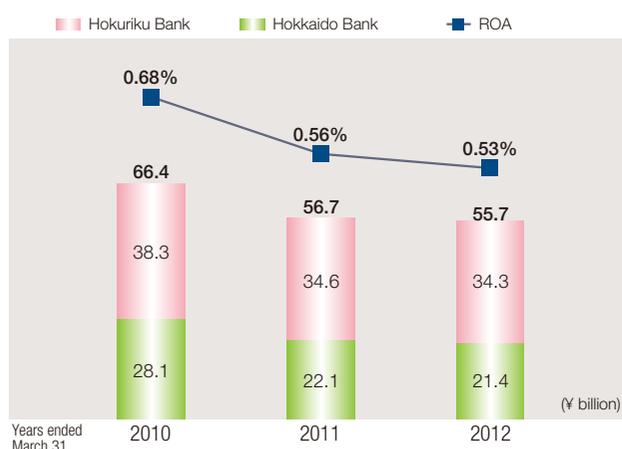
Other net operating income increased ¥2.4 billion year on year to ¥6.2 billion due to an increase in income from derivatives.

As a result, core gross business profits increased ¥0.9 billion year on year to ¥156.3 billion.



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

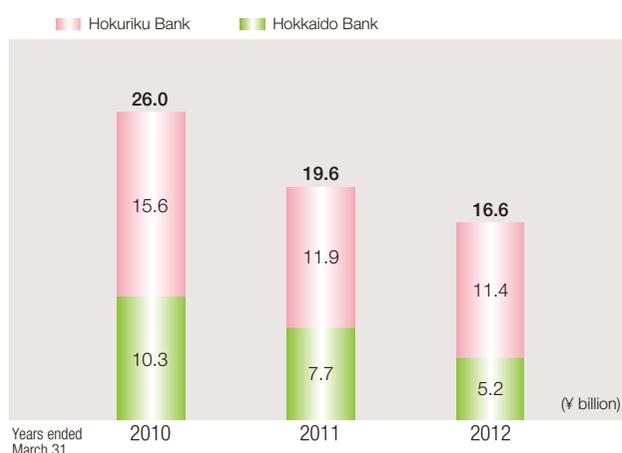
Core Net Business Profits (Both banks)



Although core gross business profits increased year on year, core net business profits decreased ¥1.0 billion year on year to ¥55.7 billion due to an increase in salaries paid following an increase in the headcount and an increase in general and administrative expenses accompanying the renewal of the IT system in May 2011.

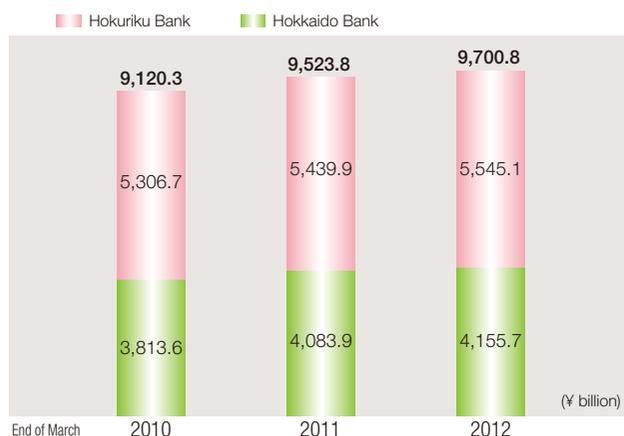
- Core net business profits = core gross business profit minus expenses Equivalent to operating income in the case of companies other than banks, this indicates a bank's achievements in its core banking field.
- ROA = Core net business profits divided by total assets (average for the term) This figure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

Net Income (Both banks)



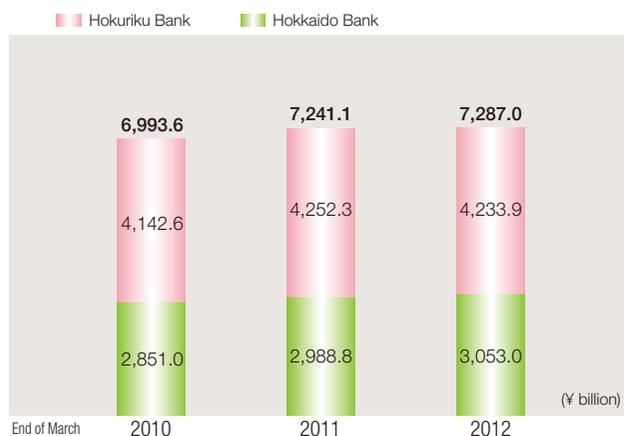
Ordinary profits grew ¥3.5 billion year on year to ¥40.5 billion due to a ¥4.1 billion year-on-year decrease in total credit costs owing to a decline in large-scale bankruptcies. However, net income declined ¥2.9 billion year on year to ¥16.6 billion due to an increase in income taxes-deferred accompanying a lowered corporate tax rate (change of ¥5.1 billion).

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



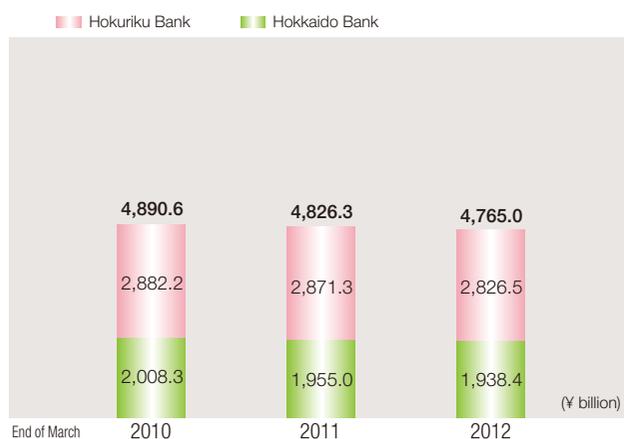
Deposits continued to increase primarily from individual customers, reaching ¥9,700.8 billion, ¥177.0 billion higher than at the end of March 2011.

Loans and Bills Discounted (Both banks)



Due to an increase in loans to local governments and housing loans, loans came to ¥7,287.0 billion, ¥45.8 billion higher than at the end of March 2011.

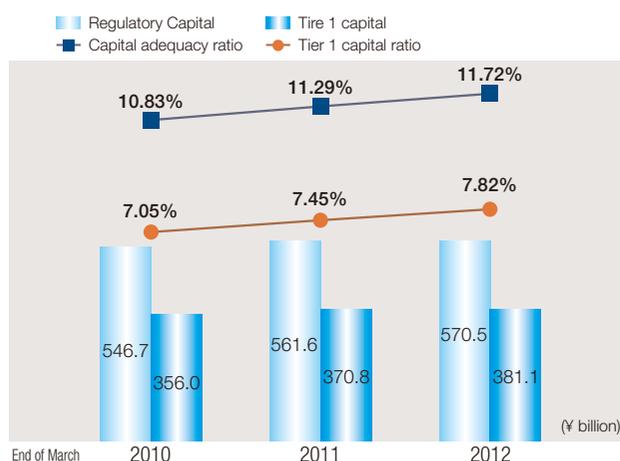
Outstanding Loans to SMEs (Both banks)



Outstanding loans to SMEs stood at ¥4,765.0 billion, ¥61.3 billion lower than at the end of March 2011.

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

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



Our capital adequacy ratio, which indicates financial soundness, rose 0.43 percentage points from the end of March 2011 to reach 11.72%.

Retained earnings increased due to the accumulation of earnings, and as a result Tier 1 capital increased ¥10.2 billion from the end of March 2011 to ¥381.1 billion, and regulatory capital also increased ¥8.9 billion to reach ¥570.5 billion.

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

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

Disclosed Claims under the Financial Reconstruction Law (Both banks)

Due in part to the ongoing economic downturn, disclosed claims under the Financial Reconstruction Law increased ¥16.2 billion from the end of March 2011 to ¥236.8 billion.

The NPL ratio also increased 0.21 percentage points year on year to 3.17%.



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

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

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

Ratings



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

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

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

Basic approach

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

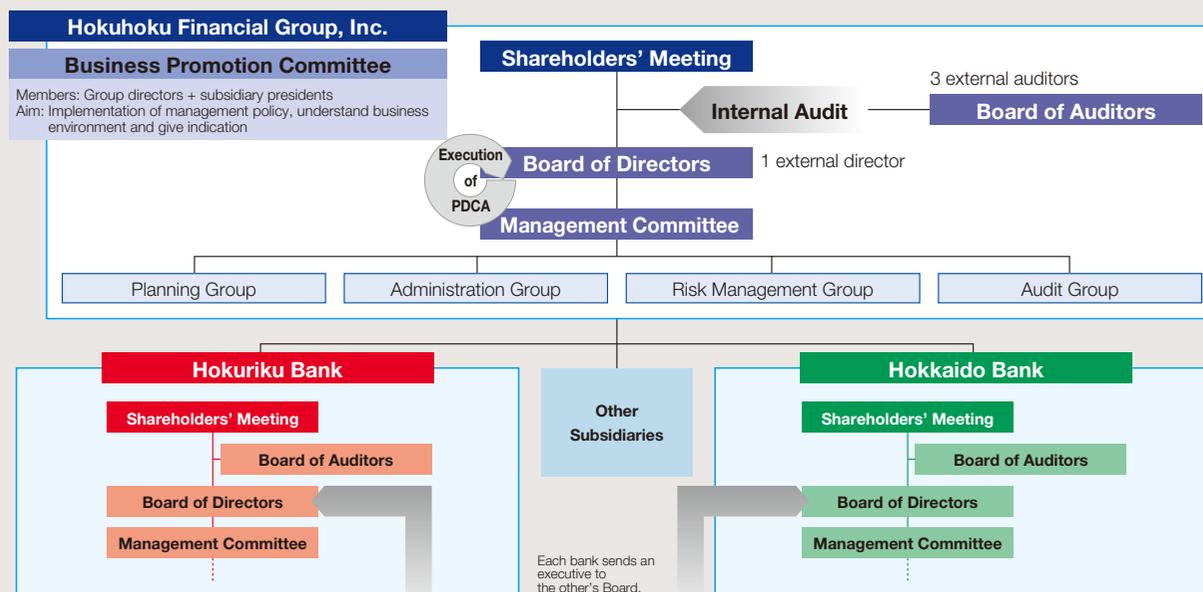
Corporate governance

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

We employ a corporate auditor system and also appoint

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

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



1. Board of Directors

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

2. Board of Auditors

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

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

3. Management Committee

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

4. Business Promotion Committee

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

Basic policy on internal controls

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

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

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

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

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

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

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

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

4. Ensuring efficient performance of duties by directors

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

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

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

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

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

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

Additionally, the Board of Directors determines policies

for the management of customer protection, and develops management policies and structures for protection of customer interests.

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

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

6. Ensuring the appropriateness of operations within the Group

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

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

7. Deployment of employees as assistants to Corporate Auditors

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

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

Directors shall submit reports to the Corporate Auditors as follows.

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

9. Ensuring effective auditing by Corporate Auditors

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

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

Basic philosophy

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

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

Groupwide Measures

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

Results of internal audits at Group companies are

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

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

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

APPROACH TO COMPLIANCE

We ensure more rigorous observance of laws and social norms

Basic policy

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

System

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

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

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

Basic policy on compliance

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

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

2. Providing quality financial services

By providing high-quality, integrated financial services, the Group will contribute to the stable economic and social development of the operating regions and to a

better life for its customers.

3. Strict observance of laws and regulations

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

4. Elimination of ties with anti-social elements

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

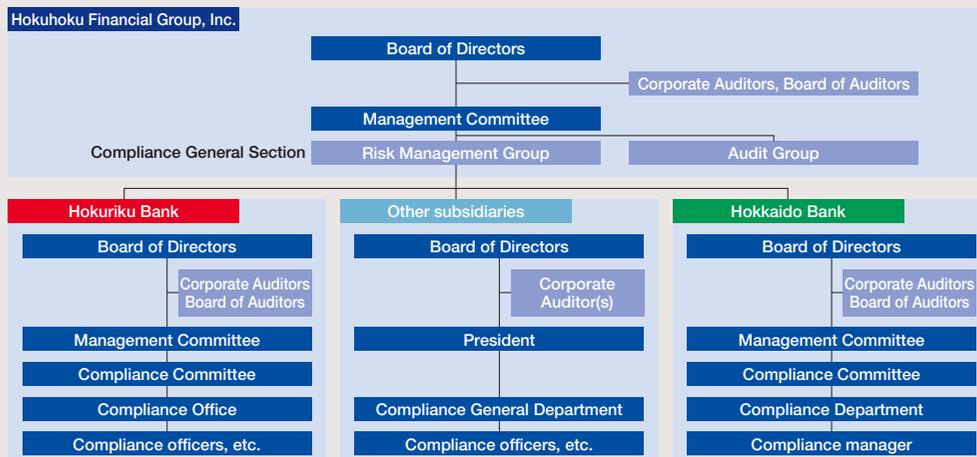
5. Ensuring management transparency

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

Compliance manual and compliance program

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

In addition, every year the Board of Directors decides upon a Compliance Program which is a detailed action plan implemented to maintain the compliance structure. The Board receives regular reports on the state of the



Program's execution, ensuring that compliance procedures are put into practice.

Measures to accelerate customer protection and customer convenience

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

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

The Compliance General Section of every Group member is the office responsible for overall management of customer protection. Compliance officials at each Group

member work in partnership for ongoing review of management systems, problem resolution and data analysis, through which various improvement policies may be drawn up and implemented.

Measures for protection of personal information

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

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

Basic rules of management of customer protection

Explaining to the customer
Customer service support
Protection of customer data
Outsourcing
Conflict of interest

Policies for management of customer protection

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

Measures to deal with anti-social elements

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

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

Whistleblower protection system

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

Measures to deal with financial crime

In recent years, bank card theft and "furikomi" (phishing)

fraud cases have increased. Subsidiary banks have strengthened security measures to nip this problem in the bud. The banks properly reimburse victims of such scams based on legislation mandating their relief.

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

Financial alternative disputes resolution (ADR) system

In order to promptly and properly respond to customer opinions and complaints, our subsidiary banks have concluded agreements with the Japanese Bankers Association, which is a designated dispute resolution organization.

This designated dispute resolution organization works to resolve disputes from a fair and neutral position.

Name of designated dispute resolution organization: Japanese Bankers Association Inquiries: Japanese Bankers Association Customer Relations Center Telephone number: 0570-017109 or 03-5252-3772
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RISK MANAGEMENT SYSTEM

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

Hokuhoku Financial Group's general risk management system

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

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

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

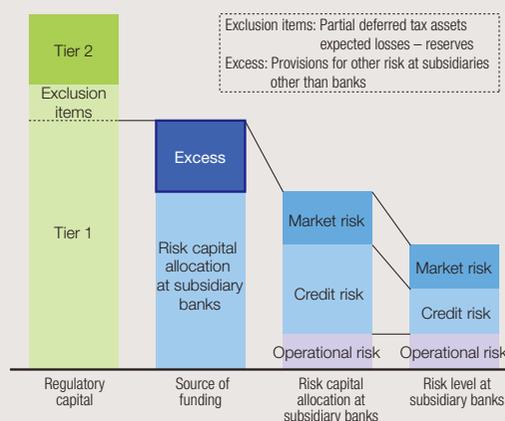
As the risk management general department for the entire Group, the Risk Management Group at the parent company, bases its activities on the type and scale of risk faced by each Group member. After receiving risk management status reports, the department duly issues instructions including for the improvement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



Allocation of risk capital

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

After subsidiary banks numerically quantify credit risk, market risk and operational risk and estimate maximum potential loss for each of the risks, risk capital allocations are undertaken using Tier 1 portions of the banks' regulatory capital as the source of funding. Risk is thus controlled and managed within a range permissible in banking operations.



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

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

Credit risk management

Basic policy

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

Management system

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

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

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

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

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

Internal ratings system

To enable objective appraisal of credit risk in lending operations, the subsidiary banks have introduced an internal ratings system. Using 15 credit ratings based on financial data and qualitative information regarding borrower creditworthiness, the system enables ongoing monitoring of changes in rating.

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

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

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

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

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

The Group has unified standards for write-offs and provisions to reserves for possible loan losses. For loans other than those specified below (including loans to borrowers requiring caution), provision is made to the reserves for possible loan losses based on the historical loan-loss ratio over a particular past period. For loans to borrowers threatened

with bankruptcy, a provision is made to specific reserves, in the amount deemed necessary, after exclusion of amounts that may be recoverable through collateral and guarantees. For loans to bankrupt and substantially bankrupt borrowers, provision is made in the full amount at issue to the specific reserve, excluding amounts that may be recoverable through collateral and guarantees.

Corporate rehabilitation

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

Market risk management

Basic policy

Market risk is the risk of incurring losses due to fluctuations in the value of assets and liabilities held by the Group, or the earnings generated by the Group, that are caused by fluctuations in various risk factors in the market, such as interest rates, stock prices, and foreign exchange rates.

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

Types of risk and management system

(1) Interest-Rate Risk

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

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

To ensure that the subsidiary banks are not exposed to excessive interest risk, we set various investment ceilings

for bonds and other securities based on risk capital allocation under VaR, and manage both the balance and risk level of marketable securities. We have also set rules for when losses (unrealized and realized) are mounting.

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

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

(2) Stock Price Fluctuation Risk

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

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

(3) Foreign Exchange Rate Risk

Foreign currency assets and liabilities are exposed to the risk that losses will be incurred because the price of exchange differs from the price that was initially planned. To reduce such risk, we regularly monitor the international

situation and major forex indicators in Europe and the US, and conduct risk management with due consideration of the maturity of individual assets and liabilities. We also use currency swaps.

(4) Derivative Transactions Risk

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

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

Liquidity risk management

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

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

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

Operational risk management

Basic policy

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

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

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

Management structure

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

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

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

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

Risk management systems by major category

• Administrative risk management

The Group has closely analyzed the cause of administrative incidents and problems and discussed measures to prevent recurrence, so as to prevent accidents and problems in administrative operations and maintain quality of operation in terms of promptness and accuracy. At the same time,

we endeavor to raise administrative operation standards by setting rules for proper processing, improving administrative processing systems, dispatching advisory staff from the head office, centralizing clerical work at branches and introducing equipment to automate procedures.

• System risk management

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

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

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

Contingency plan

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

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

Fundamental approach to group CSR

1. Basic stance

The HokuHoku Financial Group has positioned the fulfillment of the Group's corporate social responsibility as one of its highest management priorities. Guided by our overall corporate philosophy, we aim always to comply with the law and observe generally accepted principles of ethical behavior. The principal purpose of existence of the Group is to serve as a linchpin of the communities in which it operates by fulfilling its role as a financial services group doing business across a wide area of the country. In addition, we take seriously our obligation to contribute to the realization of a thriving economy and a sustainable society by means of active involvement in environmental preservation, as well as other activities that benefit society as a whole.

2. Definitions

1) CSR

The HokuHoku Financial Group views its corporate social responsibilities not simply as the duty to pursue economic gains for the good of the regional economy and to contribute to the development of a sustainable society. We see our social responsibilities as also encompassing efforts to address the wide range of environmental and social issues affecting our stakeholders.

2) Our Stakeholders

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

To meet diversifying customer needs

While fostering close links between the Group and the regions we serve, we will listen to customer opinions and take measures to make our branches more appealing and to offer better services.

Enhancing Branch Appeal

- Enhancement of consultation spaces



"Hokugin Point Club Salon" (Takaoka)



"Odori Personal Lounge" (Sapporo)

- Kanazawa Toiyamachi Branch Awarded the Kanazawa Urban Structure Award (Hokuriku Bank)

For the purpose of improving urban aesthetics, the Kanazawa Urban Structure Award has been awarded since 1978 to architectural structures that are in harmony with the surrounding environment. The award-winning Kanazawa Toiyamachi Branch was reopened in a new building in October 2010. The new branch's exterior features a tiled roof and plaster walls that fit in with the old town of Kanazawa. In addition, Japanese cedar produced in Ishikawa Prefecture is used for floors, making it a branch that promotes the concept of local production for local consumption.



Kanazawa Toiyamachi Branch

- Upgrade sub-branches into branches

In fiscal 2011, Hokuriku Bank upgraded three sub-branches into branches and Hokkaido Bank upgraded one sub-branch into a branch.

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

- Reopening of Teshio Branch in a New Building (Hokkaido Bank)

The Teshio Branch was relocated to a new building, as the original building had deteriorated after 45 years of use. The brick exteriors of the new branch blend in well with the local environment, and a dedicated consultation booth has been set up to provide customers with advice on asset management within the relaxed interiors of the branch.



Teshio Branch



Consultation booth

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

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

■ Hokuhoku FG ■ Hokuriku Bank ■ Hokkaido Bank

Agreements with overseas municipal and other government organizations

Year	Month/Location		
2004	10	■ Dalian	
2005	11	■ Shenyang	
2006	4	■ Shanghai	9 ■ Liaoning 11 ■ Vietnam govt.
2007	3	■ Changchun	6 ■ Suzhou
2008	2	■ Guangdong	6 ■ Harbin
2009	2	■ Ningbo	11 ■ Khabarovsk 12 ■ Wuxi
2010	2	■ Sakhalin	4 ■ Kunshan
	6	■ Dalian Sub-Council of CCPT*	
2011	1	■ Yingkou	3 ■ Jinzhou New Area
	6	■ Shenyang Sub-Council of CCPT*	
2012	8	■ Shaoxing	

* CCPT: Council for the Promotion of International Trade

Alliances with overseas banks and other partners

Year	Month	
2002	10	■ Bank of China
2005	12	■ KASIKORNBANK (Thailand)
2006	7	■ Standard Chartered Bank
2007	9	■ State Bank of India
2008	9	■ Mizuho Corporate Bank
	12	■ Bank of Communications, PRC
2009	4	■ Financial Information Service Co., Taiwan
	9	■ Deutsche Bank
	12	■ Vietcombank
2010	8	■ Liaoning Radio and Television
2011	4	■ Nippon Export and Investment Insurance
	4	■ Bank Negara Indonesia
	6	■ KASIKORNBANK (Thailand)
	8	■ Gazprombank
	10	■ Tokio Marine & Nichido Fire Insurance Co., Ltd.
	11	■ Bank of Shanghai
2012	5	■ Sberbank

Business-matching events (fiscal 2011-2012)

Year	Month	Location	Industry	Exhibiting companies (No. of business meetings)
■ Hokuhoku FG, ■ Both Bank				
2011	9	Shanghai	Manufacturing	450 (15,000)
	10	Dalian	All industry types	365 (504)
	11	Tokyo	Food	612
■ Hokuriku Bank				
2011	6	Ishikawa	Food	47
	8	Toyama	Manufacturing	92 (c. 1,000)
	10	Tokyo	Food	49 (180)
	11	Toyama	Miscellaneous	91 (564)
	12	Fukui	Food	19 (30)
	12	Toyama	Food	15 (30)
2012	2	Toyama	Food	61 (c. 200)
■ Hokkaido Bank				
2011	6	Sapporo	Miscellaneous	788 (100)
	6	Sapporo	Food	30 (100)
	9	Shenyang	Construction, Food, IT	85 (120)
	10	Sapporo	Miscellaneous	103 (c. 400)
2012	6	Sapporo	Miscellaneous	128 (c. 500)
	6	Sapporo	Food	80 (366)

Association of bank clients (as of March 31, 2012)

	No. of companies
■ Hokuriku Bank	
Hokuriku Choujou Association	1,092
Hokuhoku ASEAN Association	152
Shanghai Choujou Association	206
Dalian Choujou Association	70
■ Hokkaido Bank	
Hokkaido Choujou Association	241

Support of customers expanding overseas business

2011 China-Japan Manufacturing Business Conference held in Shanghai

This conference was held jointly with Japanese regional banks and municipalities, in Shanghai, China, on September 6-7, 2011, and hosted by NC Network China (a company that supports business matching for manufacturers in China). This conference is specifically designed to help companies in the manufacturing industry (particularly the automotive, consumer electronic, machinery and metal industries) to expand sales channels in the Chinese market and form partnerships with contractors and suppliers in China. A record 469 businesses exhibited at the 2011 conference.



It was our seventh case of sponsorship of the event in Shanghai, the largest number of times among the sponsoring partners. A total of 16 of the Group's clients exhibited.

The 2011 Dalian China-Japan Trade Investment Business Conference

The Group co-sponsored the 2011 Dalian China-Japan Trade Investment Business Conference that was held in Dalian World Expo Plaza on October 28-29, 2011 (hosted by Dalian Municipal People's Government).



This marked the fourth year the business conference was held. The companies that exhibited at the conference are mainly engaged in the manufacturing and marketing of machinery, industrial goods, foodstuffs, agricultural products, and housewares. Participating companies included 251 Japanese companies seeking import-export trade relationships, consignment production, and technological and marketing partnerships with companies in northeast China. Both preliminary and free-form business matching talks with Chinese companies were conducted over the two days of the conference.

Eleven Hokuriku Bank clients participated, mainly pharmaceuticals and foodstuffs companies from Toyama Prefecture. Hokkaido Bank ran a booth providing consultation services with lawyers from both Japan and China, as well as a booth promoting tourism in Hokkaido. On the 28th there were approximately 8,000 visitors and approximately 250 business meetings were held.

More dialog and better disclosure

We continuously communicate with investors and analysts for better disclosure.

IR meetings for investors and analysts

November 2011: Fiscal 2011 interim results (Tokyo)

May 2012: Fiscal 2011 results (Tokyo)

IR overseas roadshow

July 2012: Europe (Paris, London, Edinburgh)

North America (New York, Boston, SF)

IR meetings for individual investors

June 2012: Two cities in Hokuriku (Toyama and Kanazawa) and

two cities in Hokkaido (Sapporo and Asahikawa)

General meeting of shareholders

June 2012: 9th ordinary general meeting of shareholders (Sapporo,

with live broadcast to Toyama)

Advancing with regional communities

We take part in social contribution activities.

Financial education

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

Support for industry-academia cooperation

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

Support for arts and culture

- Arranging and supporting concerts
- Establishment of art galleries



Lilac Concert



Head Office Sales Department,
Hokuriku Bank

- Michinoku Maru port call event held
Trade through *kitamaebune* (northern-bound ships) contributed to the development of Hokkaido, which also formed the basis of the industry that underpinned the regional economy in Hokuriku.



The Michinoku Maru

The Michinoku Maru is a *kitamaebune* that was restored by shipbuilders from

Aomori Prefecture, Iwate Prefecture, and Hokkaido. The boat is the property of the Michinoku Traditional Wooden Boat Museum in Aomori Prefecture. During the summer of 2011, the Michinoku Maru traveled along traditional trade routes on the Sea of Japan while calling at ports in ten prefectures.

Hokkaido Bank and Hokuriku Bank served as special sponsors for events held at Otaru Port and Fushiki-Toyama Port, respectively, to commemorate the port calls by the Michinoku Maru. At these ports, ship tours and exhibits were held to educate visitors about *kitamaebune* culture. Local products from Tohoku were also sold as part of the Group's support efforts for that region, events that proved to be very popular with the many visitors.



Helping conserve the regional environment

Measures undertaken as a financial institution

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

Helping reduce greenhouse gases

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

Further environmental protection activities

- Establishment of rooftop garden systems

- Forest campaign

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

In September 2011, the third tree-planting was held in "Dogin Forest." Branches also cooperated with local governments in tree-planting activities.



Forest campaign

Hokuriku Bank

1. Economic Exchange Memorandum Concluded with the Shaoxing Municipal People's Government

In August 2011, a memorandum to promote economic exchange was concluded with the Municipal Bureau of Commerce of Shaoxing in Zhejiang, China, for the purpose of providing mutual support for clients that conduct local investments in Shaoxing and companies from Shaoxing that are expanding their business in Japan.

Shaoxing is associated with Mao-era PRC Premier Zhou Enlai, who accomplished much to normalize diplomatic relations between Japan and China. It is also the sister city of Nanto, Toyama, which is the birth place of the Japanese politician Kenzo Matsumura, who had a close relationship with Zhou.



2. Business Partnership Agreement Concluded with the Bank of Shanghai

In November 2011, the Group concluded a business partnership agreement with the Bank of Shanghai, which is based in Shanghai, China. The Bank of Shanghai is a regional bank with approximately 250 business locations, mainly in Shanghai. Considering that approximately 200 of the Group's clients that are expanding their businesses in China are focused on the Shanghai region, this partnership should allow the Group to provide higher-quality information and financial services for these clients. This partnership with the Bank of Shanghai marks the fourth business alliance that Hokuriku Bank has entered with banks in China, in addition to its partnerships with the Bank of China, Standard Chartered Bank, and Bank of Communications Limited.



3. First Regional Bank in Hokuriku to Introduce a Mobile Financial Service Vehicle; Agreement Concluded with Toyama Prefecture to Provide Support During Disasters

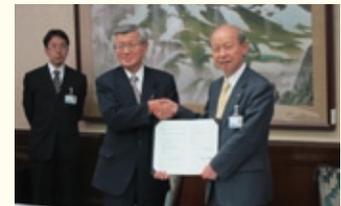
In February 2012, Hokuriku Bank became the first regional bank in Hokuriku region to introduce a mobile financial service



Mobile Financial Service Vehicle

vehicle, using a remodeled minibus. This mobile financial service vehicle provides housing loan and pension consultation services at show-house sites and locations without bank branches or offices. It is expected that it will be possible to use the vehicle in relief efforts during disasters, such as for the transport of relief supplies and the provision of emergency power sources, and as a temporary sub-branch with ATMs.

In addition, Hokuriku Bank concluded an agreement with Toyama Prefecture to provide support during disasters. The agreement includes stipulations on the provision of relief supplies and the dispatch of employees as disaster relief volunteers in the event of disasters such as earthquakes, the provision of water and toilet facilities at branches so that they can be used as temporary evacuation sites for people who become stranded, and emergency finance programs.



Agreement with Toyama Prefecture on disaster relief

4. Start of 24 Hours-a-Day Customs Duties Automatic Debit Service

In March, the Group started providing 24 hours-a-day automatic debit services for payers of custom duties and taxes on imports. This service was the first of its kind to be provided by a regional bank in Hokuriku when it was introduced in 2010 and the number of contract clients has increased steadily. When the number of companies using the service reached about 1,000, the Group decided to improve convenience by providing 24 hours-a-day support. Provision of service 24 hours-a-day allows the payment of duties and taxes on weekends, holidays, and late at night, decreasing the number of days required for the collection of freight.

5. Establishment of a Representative Office in Bangkok, Thailand

A representative office was established in Bangkok, Thailand, on March 20, 2012. More and more regional companies from Hokuriku are entering the South East Asian region in response to the high levels of economic growth and the improving industrial standards seen there. Working together with representative offices in Bangkok and Singapore, Hokuriku Bank not only supports more than 140 companies from Hokuriku developing business in Thailand, but also supports its regional clients in Vietnam, Myanmar and Cambodia by providing local business information, business matching opportunities, direct financing and financial support through its partner Kasikorn Bank PCL.



K-Tower

6. Best Partner Award from Nihon M&A Center Inc.

Hokuriku Bank was awarded the first Best Partner Award from Nihon M&A Center, its business partner for M&A work. This unique award was launched in April 2012 by Nihon M&A Center, which has the top track record for M&A contract conclusion support for small-and-medium-sized enterprises. This award is made to the regional bank with the best M&A track record among M&A Center's 89 partner banks (as of March 31, 2012). Hokuriku Bank was the only winner during this inaugural. Hokuriku Bank actively handles M&A work for companies with business succession issues. The Bank will continue to provide even better service in the future in response to the diversifying needs of its clients.



Hokkaido Bank

1. Enhancement of the Russian Far East Market Entry Support System

There is much potential for the expansion of Hokkaido-based businesses into the Russian Far East market, especially in the fields of agriculture, cold area technologies, and marine product processing. Since the establishment of the Yuzhno-Sakhalinsk representative office in March 2009, Hokkaido Bank has worked to strengthen its presence in this region through alliances with external institutions in order to assist the expansion of Hokkaido-based companies into the Russian Far East market.

In April 2011, Hokkaido Bank became the first regional bank to launch a business alliance with Nippon Export and Investment Insurance, making it the only financial institution in Hokkaido that provides trade credit insurance services.

Hokkaido Bank has a history of providing ruble remittance services through a correspondent account opened with VTB Bank. The Bank also concluded business contracts with Gazprombank and Far East Branch of Sberbank in August 2011 and May 2012, respectively, in order to further facilitate payments and settlements for Japanese companies.



Business contracts with Far East Branch of Sberbank

2. Agribusiness Forum 2011

The Agribusiness Forum 2011 was held in Sapporo on June 10, 2011.

Although Hokkaido Bank has been holding business forums since 1998, this year the Bank decided to try shifting the focus to “crop factories,” making this the first case of its kind in the Tohoku and Hokkaido areas. Six agricultural experts were invited to hold talks on the topic, including experts from the Embassy of Netherlands in Japan. The Netherlands is very advanced in this field.

At the forum, 21 equipment manufactures and other companies exhibited and held business meetings. Approximately 1,000 visitors attended the forum, including people in the agricultural industry and representatives from companies hoping to enter the industry, making it an extremely valuable forum for the exchange of information on the most recent developments in agri-business.



3. Second Hokkaido Tourism Special Business Meet Up with China Event

Travel agencies from China were invited to the Second Hokkaido Tourism Special Business Meet Up with China that was held in October, 2011.

Approximately 70 Hokkaido-based organizations, including tourist associations from various regions, hot spring hoteliers, and outdoor tour operators participated. They were joined by 25 companies from Beijing and Shenyang, with which they had over 400 business meetings.

Hokkaido Bank places great importance on encouraging foreign visitors to come to Hokkaido for sightseeing, and hopes to contribute to the revitalization of the region by supporting the business of its clients in this sector.



4. Provision of Bank Time ATM Service with the Cooperation of Circle K Sunkus Co., Ltd. Launched and 24-Hour Service Provision at Convenience Store ATMs Commenced

With the cooperation of Circle K Sunkus, Hokkaido Bank launched service at the Bank Time ATMs installed at Sunkus convenient stores in Hokkaido in October 2011. Through this development, Hokkaido Bank now supports all of the major convenience store ATM services in Hokkaido, including the ATM services it already supports such as E-net ATMs (installed at convenient stores such as Seicomart), Lawson ATMs, and Seven Bank ATMs. In addition, the ATM operation hours have been extended and service provision over the New Year's Holidays has been commenced, making it possible to use the Hokkaido Bank card at all partner convenience store ATMs 24 hours a day, 365 days a year, excluding maintenance periods.



5. Hokkaido Bank's Kitaca Cash and Credit Card Launched

Hokkaido Bank launched the Kitaca cash and credit card in March 2012.

In addition to serving as both a cash and credit card, Kitaca also serves as an integrated circuit smart card that provides customers with convenient features, allowing them to ride Japan Railways lines and shop with digital money at major convenience stores throughout Hokkaido.



6. Opening of an Office Day-Care Center: Dosanko Kid's Room

An office day-care center, *Dosanko Kid's Room*, was opened in April 2012 at the Hokkaido Bank Head Office (annex building).

Hokkaido Bank is taking active steps to support its female employees by allowing them to leave their infants at the center while they work. At a private viewing of the facilities before the center was opened, Hokkaido Bank was given a written commendation by Sapporo Mayor Fumio Ueda.



CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Assets			
Cash and due from banks (Notes 23 and 28).....	¥ 326,031	¥ 406,848	\$ 3,966,802
Call loans and bills bought	67,397	87,056	820,016
Monetary claims bought (Note 28)	112,788	111,451	1,372,293
Trading assets (Note 4).....	8,002	9,303	97,370
Money held in trust (Note 29).....	3,948	3,994	48,045
Securities (Notes 5, 10, 28 and 29).....	2,483,485	2,326,508	30,216,391
Loans and bills discounted (Notes 6, 10 and 28)	7,272,698	7,224,636	88,486,419
Foreign exchanges (Note 7)	10,691	13,234	130,079
Other assets (Note 10).....	141,301	168,565	1,719,204
Tangible fixed assets (Notes 8 and 14)	108,320	112,167	1,317,926
Intangible fixed assets	43,386	36,425	527,878
Deferred tax assets (Note 21)	41,667	63,572	506,965
Customers' liabilities for acceptances and guarantees (Note 9).....	89,049	102,240	1,083,455
Allowance for loan losses	(79,452)	(80,950)	(966,691)
Total assets	¥10,629,316	¥10,585,054	\$129,326,152
Liabilities and net assets			
Liabilities			
Deposits (Notes 10, 11 and 28)	¥ 9,670,262	¥ 9,491,744	\$117,657,411
Call money and bills sold (Note 10)	64,273	20,000	782,016
Trading liabilities (Note 4)	2,190	2,690	26,657
Borrowed money (Notes 10, 12 and 28)	187,286	327,738	2,278,705
Foreign exchanges (Note 7)	72	131	882
Bonds payable (Note 13)	34,500	41,500	419,759
Other liabilities	109,343	150,519	1,330,372
Reserve for employee retirement benefits (Note 27)	9,211	7,779	112,071
Reserve for directors' and corporate auditors' retirement benefits.....	673	529	8,189
Reserve for contingent loss.....	2,974	2,771	36,188
Reserve for reimbursement of deposits.....	1,403	1,850	17,075
Deferred tax liabilities for revaluation	7,513	8,901	91,420
Acceptances and guarantees (Note 9)	89,049	102,240	1,083,455
Total liabilities	10,178,754	10,158,395	123,844,200
Net assets			
Capital stock (Note 15)	70,895	70,895	862,575
Capital surplus.....	153,188	153,188	1,863,831
Retained earnings (Note 16)	189,845	182,131	2,309,833
Treasury stock.....	(605)	(600)	(7,369)
Total shareholders' equity	413,322	405,614	5,028,870
Valuation difference on available-for-sale securities (Note 29).....	26,898	11,419	327,273
Deferred gains (losses) on hedges	(15)	3	(183)
Revaluation reserve for land (Note 14).....	9,351	8,683	113,778
Total accumulated other comprehensive income	36,234	20,105	440,868
Minority interests	1,003	938	12,214
Total net assets	450,561	426,658	5,481,952
Total liabilities and net assets	¥10,629,316	¥10,585,054	\$129,326,152

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Income			
Interest income:			
Interest on loans and discounts	¥117,817	¥123,043	\$1,433,482
Interest and dividends on securities	23,719	22,962	288,596
Interest on receivables under resale agreements	17	45	213
Interest on deposits with other banks	873	780	10,628
Other interest income	1,421	1,644	17,298
Fees and commissions (Note 18)	37,676	39,045	458,402
Trading income (Note 19)	614	1,225	7,479
Other ordinary income	23,193	22,464	282,198
Other income	2,647	3,530	32,216
Total income	207,982	214,741	2,530,512
Expenses			
Interest expense:			
Interest on deposits	9,845	13,417	119,785
Interest on payables under securities lending transactions	2	—	26
Interest on borrowings and rediscounts	2,381	2,261	28,980
Interest on bonds payable	929	1,279	11,308
Other interest expense	676	553	8,225
Fees and commissions (Note 18)	13,414	12,414	163,218
Other ordinary expense	11,126	14,962	135,381
General and administrative expenses	110,515	109,580	1,344,639
Provision of allowance for loan losses	10,133	13,349	123,291
Other expenses (Note 20)	12,752	11,624	155,157
Total expenses	171,777	179,443	2,090,010
Income before income taxes and minority interests	36,204	35,298	440,502
Income taxes (Note 21):			
Current	7,184	5,727	87,418
Prior periods	—	829	—
Refund for prior periods	—	(51)	—
Deferred	14,833	10,234	180,478
Net income before minority interests	14,186	18,557	172,606
Minority interests in net income	56	152	692
Net income	¥ 14,129	¥ 18,404	\$ 171,914

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net income before minority interests	¥14,186	¥18,557	\$172,606
Other comprehensive income (Note 22)			
Valuation difference on available-for-sale securities	15,509	2,277	188,705
Deferred gains (losses) on hedges	(18)	20	(221)
Revaluation reserve for land	668	(101)	8,132
Share of other comprehensive income of associates accounted for using equity method	(21)	(33)	(263)
Total comprehensive income	¥30,324	¥20,720	\$368,959
Comprehensive income attributable to owners of the parent	30,258	20,563	368,158
Comprehensive income attributable to minority interests	65	157	801

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Thousands		Millions of yen				
	Issued number of shares of common stock	Issued number of shares of preferred stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2011	1,391,630	107,432	¥70,895	¥153,188	¥182,131	¥(600)	¥405,614
Changes during the period							
Cash dividends	—	—	—	—	(6,822)	—	(6,822)
Net income	—	—	—	—	14,129	—	14,129
Purchase of treasury stock	—	—	—	—	—	(6)	(6)
Disposal of treasury stock	—	—	—	(0)	—	0	0
Reversal of revaluation reserve for land	—	—	—	—	406	—	406
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes during the period	—	—	—	(0)	7,713	(5)	7,708
Balance as of March 31, 2012	1,391,630	107,432	¥70,895	¥153,188	¥189,845	¥(605)	¥413,322

	Millions of yen					
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2011	¥11,419	¥ 3	¥8,683	¥20,105	¥ 938	¥426,658
Changes during the period						
Cash dividends	—	—	—	—	—	(6,822)
Net income	—	—	—	—	—	14,129
Purchase of treasury stock	—	—	—	—	—	(6)
Disposal of treasury stock	—	—	—	—	—	0
Reversal of revaluation reserve for land	—	—	—	—	—	406
Net changes of items other than shareholders' equity	15,478	(18)	668	16,129	65	16,194
Total changes during the period	15,478	(18)	668	16,129	65	23,902
Balance as of March 31, 2012	¥26,898	¥(15)	¥9,351	¥36,234	¥1,003	¥450,561

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

Millions of yen

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

Thousands of U.S. dollars (Note 1)

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2011	\$862,575	\$1,863,836	\$2,215,980	\$(7,305)	\$4,935,086
Changes during the period					
Cash dividends	—	—	(83,008)	—	(83,008)
Net income	—	—	171,914	—	171,914
Purchase of treasury stock	—	—	—	(75)	(75)
Disposal of treasury stock	—	(5)	—	11	6
Reversal of revaluation reserve for land	—	—	4,947	—	4,947
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	—	(5)	93,853	(64)	93,784
Balance as of March 31, 2012	\$862,575	\$1,863,831	\$2,309,833	\$(7,369)	\$5,028,870

Thousands of U.S. dollars (Note 1)

	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2011	\$138,941	\$ 38	\$105,646	\$244,625	\$11,418	\$5,191,129
Changes during the period						
Cash dividends	—	—	—	—	—	(83,008)
Net income	—	—	—	—	—	171,914
Purchase of treasury stock	—	—	—	—	—	(75)
Disposal of treasury stock	—	—	—	—	—	6
Reversal of revaluation reserve for land	—	—	—	—	—	4,947
Net changes of items other than shareholders' equity	188,332	(221)	8,132	196,243	796	197,039
Total changes during the period	188,332	(221)	8,132	196,243	796	290,823
Balance as of March 31, 2012	\$327,273	\$(183)	\$113,778	\$440,868	\$12,214	\$5,481,952

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
1. Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 36,204	¥ 35,298	\$ 440,502
Depreciation	10,295	9,042	125,263
Impairment losses	1,087	358	13,231
Amortization of goodwill	2,102	2,405	25,578
Equity in losses (gains) of affiliates	(0)	(1)	(12)
Increase (decrease) in allowance for loan losses	(1,498)	(7,109)	(18,234)
Increase (decrease) in reserve for contingent loss	202	619	2,466
Increase (decrease) in reserve for employee retirement benefits	1,431	(373)	17,418
Increase (decrease) in reserve for directors' and corporate auditors' retirement benefits	143	(744)	1,747
Increase (decrease) in reserve for reimbursement of deposits	(447)	(270)	(5,442)
Interest income	(143,850)	(148,475)	(1,750,217)
Interest expenses	13,834	17,511	168,325
Losses (gains) on securities	1,681	1,149	20,456
Losses (gains) on money held in trust	49	(10)	604
Losses (gains) on foreign exchange	2	833	31
Losses (gains) on sales of fixed assets	366	215	4,465
Net decrease (increase) in trading assets	1,300	354	15,825
Net increase (decrease) in trading liabilities	(499)	(29)	(6,073)
Net decrease (increase) in loans and bills discounted	(48,062)	(243,434)	(584,773)
Net increase (decrease) in deposits	220,519	335,569	2,683,044
Net increase (decrease) in negotiable certificates of deposit	(42,000)	72,781	(511,021)
Net increase (decrease) in borrowed money (excluding subordinated borrowed money) ...	(144,951)	61,062	(1,763,611)
Net decrease (increase) in due from banks (excluding deposits with the Bank of Japan) ...	(7,109)	35,721	(86,499)
Net decrease (increase) in call loans, bills bought, commercial paper and other debt purchased	18,322	11,675	222,927
Net increase (decrease) in call money and bills sold	44,273	20,000	538,677
Net decrease (increase) in foreign exchanges (assets)	2,543	(2,056)	30,949
Net increase (decrease) in foreign exchanges (liabilities)	(58)	(11)	(715)
Interest income-cash basis	117,332	125,462	1,427,571
Interest expenses-cash basis	(18,551)	(12,614)	(225,712)
Other, net	1,894	68,321	23,051
Subtotal	66,559	383,251	809,821
Income taxes paid	(5,081)	(9,125)	(61,830)
Net cash provided by (used in) operating activities	61,477	374,126	747,991
2. Cash flows from investing activities:			
Purchases of securities	(1,735,224)	(1,544,444)	(21,112,359)
Proceeds from sales of securities	1,357,350	983,386	16,514,794
Proceeds from redemption of securities	229,771	234,826	2,795,609
Purchases of money held in trust	(5)	—	(69)
Proceeds from sales of money held in trust	—	400	—
Proceeds from fund management	23,719	22,973	288,596
Purchases of tangible fixed assets	(3,315)	(6,004)	(40,344)
Proceeds from sales of tangible fixed assets	168	42	2,056
Purchases of intangible fixed assets	(9,546)	(3,758)	(116,149)
Net cash provided by (used in) investing activities	(137,081)	(312,577)	(1,667,866)
3. Cash flows from financing activities:			
Proceeds from issuance of subordinated borrowed money	24,500	31,000	298,090
Repayment of subordinated borrowed money	(20,000)	(12,500)	(243,339)
Proceeds from issuance of subordinated bonds	8,000	10,000	97,335
Repayment of subordinated bonds	(15,000)	(28,000)	(182,504)
Expenditures for fund procurement	(2,979)	(3,159)	(36,255)
Dividends paid	(6,822)	(6,475)	(83,008)
Dividends paid to minority shareholders	(0)	(0)	(5)
Purchases of treasury stock	(6)	(13)	(75)
Proceeds from sales of treasury stock	0	1	6
Net cash provided by (used in) financing activities	(12,308)	(9,147)	(149,755)
4. Effect of exchange rate changes on cash and cash equivalents	(13)	(60)	(167)
5. Net increase (decrease) in cash and cash equivalents	(87,926)	52,340	(1,069,797)
6. Cash and cash equivalents at beginning of the period	314,107	261,766	3,821,726
7. Cash and cash equivalents at end of the period (Note 23)	¥ 226,181	¥ 314,107	\$ 2,751,929

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hokuhoku Financial Group, Inc. and Subsidiaries

1. Basis of Presentation

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

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

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

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the consolidated financial statements do not necessarily agree with the sum of the individual amounts. The translation of the Japanese yen amounts into U.S. dollars amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2012, which was ¥82.19 to US\$1. The U.S. dollar amounts are then rounded to thousands. Such translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that rate.

2. Scope of Consolidation

The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 11 subsidiaries (together, the "Group"). The consolidated subsidiaries are listed below.

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

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

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

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

Notes: 1. Ownership figures are inclusive of indirect ownership.

2. The one subsidiary whose balance sheet date differs from the date of the Company is consolidated using the financial statements based on the tentative settlement of accounts at the consolidated balance sheet date.

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

Note: Ownership figure is inclusive of indirect ownership.

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

3. Significant Accounting Policies

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

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

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

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

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

(2) Securities

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

Securities other than trading purpose securities and held-to-maturity securities are classified as available-for-sale securities. Stocks in available-for-sale securities that have market prices are carried at their average market prices during the final month of the fiscal year and bonds and other securities that have market prices are carried at their fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). Available-for-sale securities for which quoted market prices are difficult to obtain are carried at cost using the moving-average method. Valuation difference on available-for-sale securities, net of income taxes, is included in "Net assets."

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

(3) Derivative transactions

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

(4) Depreciation method

a. Tangible fixed assets (excluding lease assets)

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

The estimated useful lives of major assets are as follows:

Buildings: 6 to 50 years

Equipment: 3 to 20 years

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

b. Intangible fixed assets (excluding lease assets)

Intangible fixed assets are depreciated based on the straight-line method and capitalized software for internal use owned by consolidated subsidiaries is depreciated using the straight-line method over its estimated useful life (mainly 5 years).

c. Lease assets

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

(5) Long-lived assets

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

(6) Allowance for loan losses

Allowance for loan losses of the Banks is provided as detailed below in accordance with the internal standards for write-offs and provisions.

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

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

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

Branches and credit supervisory departments assess all claims in accordance with the internal rules for self-assessment of assets,

and the credit review department, independent from these operating sections, audits their assessment. The allowance is provided based on the results of these assessments.

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

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The amount of write-offs was ¥114,746 million (\$1,396,114 thousand) and ¥120,936 million at March 31, 2012 and 2011, respectively.

(7) Reserve for employee retirement benefits

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

Unrecognized prior service costs are amortized using the straight-line method over eight years within the employees’ average remaining service period at incurrence.

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

Unrecognized net transitional obligation from the initial application of the new accounting standard for employee retirement benefits of ¥28,196 million (\$343,067 thousand) is amortized primarily using the straight-line method over 15 years.

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

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

(9) Reserve for contingent loss

Reserve for contingent loss is provided for possible losses in accordance with the Joint Responsibility System of Credit Guarantee Corporations and possible losses from contingencies not covered by other specific reserves.

(10) Reserve for reimbursement of deposits

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

(11) Translation of foreign currency assets and liabilities

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

(12) Lease transactions

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

(Lessee)

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

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

(13) Accounting for significant hedges

a. Interest risk hedges

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

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

b. Foreign currency risk hedges

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

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

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

(14) Per share information

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

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

(15) Accounting for consumption taxes

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

However, a part of consumption taxes on equipment and premises that no longer qualifying for exclusion is expensed as incurred.

(16) Accounting for income taxes

The provision for income taxes is computed based on pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(17) Cash and cash equivalents in consolidated statement of cash flows

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

(18) Additional information

For changes in accounting policies and corrections of figures on after April 1, 2011, the Group has adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24) both issued on December 4, 2009.

4. Trading Accounts

Trading accounts as of March 31, 2012 and 2011 are as follows:

Assets	Millions of yen		Thousands of
	2012	2011	U.S. dollars
Trading securities	¥3,723	¥3,744	\$45,298
Trading-related financial derivatives...	4,279	5,559	52,072
Total	¥8,002	¥9,303	\$97,370

Liabilities	Millions of yen		Thousands of
	2012	2011	U.S. dollars
Trading-related financial derivatives...	¥2,190	¥2,690	\$26,657
Total	¥2,190	¥2,690	\$26,657

5. Securities

Securities as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Japanese government bonds	¥1,435,521	¥1,234,236	\$17,465,890
Japanese local government bonds...	462,450	463,044	5,626,608
Japanese corporate bonds.....	347,436	397,141	4,227,236
Japanese stocks	131,180	137,478	1,596,062
Other securities	106,895	94,607	1,300,595
Total	¥2,483,485	¥2,326,508	\$30,216,391

6. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Bills discounted.....	¥ 67,623	¥ 64,990	\$ 822,774
Loans on bills	393,293	421,681	4,785,180
Loans on deeds	5,928,681	5,783,554	72,133,853
Overdrafts	883,099	954,410	10,744,612
Total	¥7,272,698	¥7,224,636	\$88,486,419

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
	2012	2011	2012
Loans to borrowers under bankruptcy proceedings.....	¥ 9,886	¥ 13,246	\$ 120,287
Overdue loans	179,590	172,668	2,185,066
Loans overdue for at least three months	706	719	8,590
Restructured loans	49,818	37,235	606,138
Total	¥240,001	¥223,869	\$ 2,920,081

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

7. Foreign Exchanges

Foreign exchanges as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assets			
Due from foreign banks.....	¥ 6,092	¥10,134	\$ 74,125
Foreign exchange bills bought.....	2,123	1,584	25,842
Foreign exchange bills receivable...	2,474	1,515	30,112
Total	¥10,691	¥13,234	\$130,079
Liabilities			
Due to foreign banks.....	¥ 30	¥ 29	\$ 371
Foreign exchange bills sold.....	29	81	356
Foreign exchange bills payable	12	19	155
Total	¥ 72	¥ 131	\$ 882

8. Tangible Fixed Assets

Accumulated depreciation amounted to ¥99,632 million (\$1,212,228 thousand) and ¥100,270 million as of March 31, 2012 and 2011, respectively.

The book value of tangible fixed assets adjusted for gains on sales of replaced assets amounted to ¥3,886 million (\$47,282 thousand) and ¥3,896 million as of March 31, 2012 and 2011, respectively.

Tangible fixed assets as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Buildings	¥ 35,466	¥ 37,001	\$ 431,523
Land.....	64,385	65,282	783,371
Lease assets	903	1,059	10,989
Construction in progress.....	464	441	5,651
Other tangible fixed assets	7,100	8,382	86,392
Total	¥108,320	¥112,167	\$1,317,926

9. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees in liability on the consolidated balance sheet. As a contra account, customers' liabilities for acceptances and guarantees are also shown in asset, which represent the Bank's right of indemnity from the applicants.

Guarantee obligations on securities issued by private placement (pursuant to Article 2, Clause 3 of the Japanese Financial Instruments and Exchange Act) amounted to ¥94,327 million (\$1,147,671 thousand) and ¥100,028 million as of March 31, 2012 and 2011, respectively.

10. Pledged Assets

Assets that are pledged as collateral as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assets that are pledged as collateral:			
Securities.....	¥444,777	¥410,794	\$5,411,578
Loans and bills discounted.....	311,147	311,962	3,785,704
Obligations corresponding to collateral assets:			
Deposits	¥ 26,709	¥ 60,334	\$ 324,970
Call money and bills sold.....	60,000	20,000	730,016
Borrowed money	67,840	212,600	825,405

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, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Securities	¥187,744	¥298,481	\$ 2,284,278
Other assets	210	210	2,559

Other assets included guarantee deposits of ¥3,937 million (\$47,904 thousand) and ¥4,266 million as of March 31, 2012 and 2011, respectively.

11. Deposits

Deposits as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current deposits, ordinary deposits, saving deposits and deposits at notice	¥4,946,290	¥4,651,502	\$ 60,181,173
Time deposits and installment savings.....	4,505,638	4,521,653	54,819,788
Other deposits	115,647	173,900	1,407,077
Subtotal	¥9,567,576	¥9,347,057	\$116,408,038
NCDs.....	102,685	144,686	1,249,373
Total	¥9,670,262	¥9,491,744	\$117,657,411

12. Borrowed Money

Borrowed money includes ¥118,000 million (\$1,435,698 thousand) and ¥113,500 million of subordinated borrowed money as of March 31, 2012 and 2011, respectively.

13. Bonds Payable

Bonds payable includes ¥34,500 million (\$419,759 thousand) and ¥41,500 million of subordinated bonds as of March 31, 2012 and 2011, respectively.

14. Revaluation Reserve for Land

Under the "Act Concerning Land Revaluation," Hokuriku Bank, Ltd. revaluated its own land for business operation as of March 31, 1998. The revalued gain is included in net assets as "Revaluation reserve for land." The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥23,281 million (\$283,269 thousand) and ¥23,800 million as of March 31, 2012 and 2011, respectively.

15. Capital Stock

Information with respect to capital stock of the Company as of March 31, 2012 and 2011 are as follows:

	2012	2011
Number of shares:		
Authorized:		
Common	2,800,000,000	2,800,000,000
Preferred (Type 1)	400,000,000	400,000,000
Preferred (Type 2)	200,000,000	200,000,000
Preferred (Type 3)	200,000,000	200,000,000
Preferred (Type 4)	90,000,000	90,000,000
Preferred (Type 5)	110,000,000	110,000,000
Issued and outstanding:		
Common	1,391,630,146	1,391,630,146
Preferred (Type 5)	107,432,000	107,432,000

Preferred stock (Type 5)

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

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

16. Shareholders' Equity

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

c. Treasury stock and treasury stock acquisition rights

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

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

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

17. Per Share Information

	Yen	
	2012	2011
Net assets per share	¥284.32	¥267.15
Basic earnings per share	¥ 9.00	¥ 12.08

18. Fees and Commissions

Fees and commissions for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Fees and commissions (income)			
Deposits and loans	¥11,062	¥11,128	\$134,601
Remittances and transfers	11,299	11,460	137,474
Securities-related business	4,410	5,241	53,660
Others	10,903	11,214	132,667
Total	¥37,676	¥39,045	\$458,402
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Fees and commissions (expenses)			
Remittances and transfers	¥ 1,917	¥ 1,943	\$ 23,325
Others	11,497	10,471	139,893
Total	¥13,414	¥12,414	\$163,218

19. Trading Income and Losses

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
(a) Trading income			
Income from trading securities	¥175	¥ 161	\$2,134
Income from trading derivatives	439	1,064	5,345
Total	¥614	¥1,225	\$7,479
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
(b) Trading losses			
Losses on trading securities	—	—	—
Total	—	—	—

20. Other Expenses

Included in other expenses for the fiscal years ended March 31, 2012 and 2011 were write-offs of loans and bills discounted of ¥797 million (\$9,704 thousand) and ¥1,038 million, impairment losses on stocks and other securities of ¥4,685 million (\$57,002 thousand) and ¥2,762 million, and losses on sales of loans of ¥692 million (\$8,423 thousand) and ¥1,341 million, respectively.

21. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.43% for the years ended March 31, 2012 and 2011, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which generated deferred tax assets and liabilities at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Allowance for loan losses	¥ 57,421	¥ 64,484	\$ 698,639
Depreciation	1,405	1,885	17,103
Reserve for employee retirement benefits	15,940	17,422	193,941
Loss on valuation of securities	13,647	14,545	166,045
Other	5,392	6,410	65,613
Operating loss carryforwards	11,772	20,641	143,238
Subtotal	105,579	125,389	1,284,579
Less: Valuation allowance	39,715	43,302	483,218
Total deferred tax assets	65,863	82,086	801,361
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ 12,686	¥ 5,916	\$ 154,360
Book-value correction for securities	4,694	5,061	57,116
Land transfer through merger	3,212	3,672	39,088
Other	3,602	3,864	43,832
Total deferred tax liabilities	24,196	18,514	294,396
Net deferred tax assets	¥ 41,667	¥ 63,572	\$ 506,965

Changes in tax rates used to determine deferred tax assets and liabilities
 “Act for Partial Amendment to the Income Tax Act, etc. in order to Create a Tax System Responding to Structural Changes of Economy and Society” (Act No. 114 of 2011) and “Act on Special Measures Concerning Securing Financial Resources Necessary for the Implementation of Measures to recover from the Great East Japan Earthquake” (Act No. 117 of 2011) were promulgated on December 2, 2011, and accordingly, the corporate income tax rate has been lowered and the special corporation tax for restoration has been imposed from the consolidated fiscal year beginning on or after April 1, 2012.

In line with these changes, the effective statutory tax rate used for the calculation of deferred tax assets and liabilities has been revised from the previous rate of 40.43%. The rate of 37.75% has been applied to the temporary differences, expected to be either deductible, taxable or expired from the fiscal year beginning on April 1, 2012 through the fiscal year beginning on April 1, 2014, while the rate of 35.37% has been applied to the temporary differences, expected to be either deductible, taxable or expired on or after the fiscal year beginning April 1, 2015.

As a result of this change, deferred tax assets decreased by ¥3,191 million (\$38,835 thousand), valuation difference on available-for-sale securities increased by ¥1,812 million (\$22,049 thousand), and deferred income taxes increased by ¥5,006 million (\$60,911 thousand). Deferred tax liabilities for revaluation decreased by ¥1,075 million (\$13,080 thousand) and revaluation reserve for land increased by the same amount.

22. Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income at March 31, 2012 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Valuation difference on available-for-sale securities:		
Amount incurred during the fiscal year	¥19,618	\$238,696
Reclassification adjustment	2,661	32,381
Prior to deducting tax effect.....	22,279	271,077
Tax effect	(6,770)	(82,372)
Valuation difference on available-for-sale securities	15,509	188,705
Deferred gains (losses) on hedges:		
Amount incurred during the fiscal year	(601)	(7,321)
Reclassification adjustment	572	6,963
Prior to deducting tax effect.....	(29)	(358)
Tax effect	11	137
Deferred gains (losses) on hedges.....	(18)	(221)
Revaluation reserve for land:		
Amount incurred during the fiscal year	(718)	(8,748)
Reclassification adjustment	—	—
Prior to deducting tax effect.....	(718)	(8,748)
Tax effect	1,387	16,880
Revaluation reserve for land.....	668	8,132
Share of other comprehensive income of associates accounted for using equity method:		
Amount incurred during the fiscal year	(22)	(270)
Reclassification adjustment	(12)	(155)
Prior to deducting tax effect.....	(34)	(425)
Tax effect	13	162
Share of other comprehensive income of associates accounted for using equity method.....	(21)	(263)
Total other comprehensive income.....	¥16,138	\$196,353

23. Cash and Cash Equivalents

The reconciliation of “Cash and cash equivalents” in the consolidated statement of cash flows and “Cash and due from banks” in the consolidated balance sheet as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and due from banks in consolidated balance sheet.....	¥326,031	¥406,848	\$3,966,802
Due from banks except for deposits with the Bank of Japan...	(99,850)	(92,741)	(1,214,873)
Cash and cash equivalents in the consolidated statement of cash flows	¥226,181	¥314,107	\$2,751,929

24. Commitment Lines

Loan agreements and commitment line agreements relating to loans are agreements which oblige the Group to lend funds up to a certain limit agreed in advance. The Group makes the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balance relating to these loan agreements amounted to ¥2,318,844 million (\$28,213,221 thousand) and ¥2,248,883 million as of March 31, 2012 and 2011, respectively, out of which, ¥2,288,023 million (\$27,838,222 thousand) and ¥2,200,298 million related to loans where the term of the agreement is one year or less or unconditional cancellation of the agreement is allowed at any time, as of March 31, 2012 and 2011, respectively.

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

25. Segment Information

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

(1) Outline of reportable segments

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

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

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

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

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

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

Segment results for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen						
	2012						
	Reportable segments			Other segment	Total	Reconciliation	Consolidated
Hokuriku Bank	Hokkaido Bank	Subtotal					
Ordinary income							
Ordinary income from outside customers.....	¥ 104,333	¥ 86,263	¥ 190,596	¥17,435	¥ 208,032	¥ (54)	¥ 207,977
Ordinary income from intersegment transactions.....	1,126	1,318	2,445	6,321	8,766	(8,766)	—
Total	105,460	87,582	193,042	23,757	216,799	(8,821)	207,977
Segment profit.....	11,407	5,284	16,692	864	17,556	(3,427)	14,129
Segment assets.....	6,067,357	4,498,409	10,565,766	78,401	10,644,168	(14,851)	10,629,316
Segment liabilities.....	¥5,823,337	¥4,336,320	¥10,159,658	¥68,034	¥10,227,693	¥(48,938)	¥10,178,754
Others							
Depreciation	¥ 5,131	¥ 4,480	¥ 9,612	¥ 340	¥ 9,952	¥ 342	¥ 10,295
Amortization of goodwill.....	—	—	—	—	—	2,102	2,102
Unamortized balance of goodwill	—	—	—	—	—	26,103	26,103
Increase in tangible fixed assets and intangible fixed assets.....	¥ 6,505	¥ 6,908	¥ 13,414	¥ 180	¥ 13,594	¥ (7)	¥ 13,586
	Millions of yen						
	2011						
	Reportable segments			Other segment	Total	Reconciliation	Consolidated
Hokuriku Bank	Hokkaido Bank	Subtotal					
Ordinary income							
Ordinary income from outside customers.....	¥ 107,996	¥ 86,896	¥ 194,892	¥19,829	¥ 214,722	¥ (49)	¥ 214,672
Ordinary income from intersegment transactions.....	890	106	997	6,809	7,806	(7,806)	—
Total	108,887	87,002	195,889	26,639	222,529	(7,856)	214,672
Segment profit.....	11,918	7,767	19,686	1,417	21,103	(2,698)	18,404
Segment assets.....	6,079,002	4,448,519	10,527,522	96,937	10,624,459	(39,405)	10,585,054
Segment liabilities.....	¥5,852,392	¥4,294,977	¥10,147,369	¥86,341	¥10,233,711	¥(75,315)	¥10,158,395
Others							
Depreciation	¥ 4,360	¥ 3,808	¥ 8,168	¥ 419	¥ 8,588	¥ 454	¥ 9,042
Amortization of goodwill.....	—	—	—	—	—	2,405	2,405
Unamortized balance of goodwill	—	—	—	—	—	28,205	28,205
Increase in tangible fixed assets and intangible fixed assets.....	¥ 7,925	¥ 2,258	¥ 10,184	¥ 279	¥ 10,463	¥ (193)	¥ 10,270

	Thousands of U.S. dollars						
	2012			Other segment	Total	Reconciliation	Consolidated
	Reportable segments		Subtotal				
	Hokuriku Bank	Hokkaido Bank					
Ordinary income							
Ordinary income from outside customers.....	\$ 1,269,417	\$ 1,049,563	\$ 2,318,980	\$ 212,140	\$ 2,531,120	\$ (669)	\$ 2,530,451
Ordinary income from intersegment transactions.....	13,711	16,041	29,752	76,913	106,665	(106,665)	—
Total	1,283,128	1,065,604	2,348,732	289,053	2,637,785	(107,334)	2,530,451
Segment profit.....	138,792	64,301	203,093	10,519	213,612	(41,698)	171,914
Segment assets	73,821,113	54,731,835	128,552,948	953,905	129,506,853	(180,701)	129,326,152
Segment liabilities.....	\$70,852,142	\$52,759,714	\$123,611,856	\$827,777	\$124,439,633	\$(595,433)	\$123,844,200
Others							
Depreciation	\$ 62,430	\$ 54,518	\$ 116,948	\$ 4,143	\$ 121,091	\$ 4,172	\$ 125,263
Amortization of goodwill.....	—	—	—	—	—	25,578	25,578
Unamortized balance of goodwill	—	—	—	—	—	317,595	317,595
Increase in tangible fixed assets and intangible fixed assets.....	\$ 79,153	\$ 84,055	\$ 163,208	\$ 2,198	\$ 165,406	\$ (95)	\$ 165,311

(4) Geographic segment information

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

(5) Information by major customer

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

26. Lease Transactions

(1) Finance lease transactions

(Lessee)

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

As discussed in Note 3 (12), the Group accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information for such leases existing at the transition date for the years ended March 31, 2012 and 2011 are described below.

Pro forma information with respect to the leased property, such as acquisition cost, accumulated depreciation and net book value at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Acquisition cost	¥1,515	¥3,026	\$18,435
Accumulated depreciation	1,406	2,497	17,117
Net book value.....	¥ 108	¥ 529	\$ 1,318

Pro forma amounts of obligations under finance leases at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Within one year.....	¥102	¥420	\$1,250
Over one year	5	108	68
Total	¥108	¥529	\$1,318

Pro forma information concerning lease payments and depreciation expenses for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Lease payments.....	¥420	¥516	\$5,118
Depreciation expenses	420	516	5,118

The method of calculating the pro forma amounts of depreciation expenses for the years ended March 31, 2012 and 2011 are as follows:

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

(2) Operating lease transactions

(Lessee)

The minimum rental commitments under noncancelable operating leases as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Within one year.....	¥108	¥213	\$1,317
Over one year	10	118	125
Total	¥118	¥332	\$1,442

27. Retirement Benefits

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

The Hokuriku Bank, Ltd. which had provided three defined benefit retirement programs, corporate pension, tax qualified pension and retirement bonus, terminated tax qualified pension and migrated with a portion of retirement bonus to defined contribution pension in March 2011. At the time of retirement, employees may be issued a premium retirement grant that is not subject to inclusion in the actuarial computation of projected benefit obligations in conformity with the standards for accounting for retirement benefits. The Minister of Health, Labour and Welfare approved on February 17, 2003 that Hokuriku Bank Ltd. would be relieved of the obligation to administer the future payment service of the government mandated portion of its employees pension fund. The Hokuriku Bank, Ltd. was further approved on March 1, 2005 to switch from the employees pension fund to a corporate pension fund.

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

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

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

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

(b) Retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligations (A).....	¥(90,981)	¥(87,912)	\$(1,106,969)
Plan assets at fair value (B).....	59,711	54,663	726,511
Projected benefit obligations in excess of plan assets (C) = (A) + (B).....	(31,269)	(33,248)	(380,458)
Unrecognized transitional obligation (D).....	5,573	7,513	67,812
Unrecognized actuarial differences (E).....	24,554	22,014	298,757
Unrecognized prior service costs (F).....	(744)	(1,208)	(9,061)
Net projected benefit obligations recognized on the consolidated balance sheets (G) = (C) + (D) + (E) + (F).....	(1,886)	(4,929)	(22,950)
Prepaid pension costs (H).....	7,324	2,850	89,121
Reserve for employee retirement benefits (G) – (H).....	¥ (9,211)	¥ (7,779)	\$ (112,071)

(c) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service costs.....	¥1,862	¥1,882	\$22,660
Interest costs on projected benefit obligations.....	1,961	2,069	23,871
Expected return on plan assets.....	(1,923)	(1,989)	(23,399)
Amortization of unrecognized prior service costs.....	(463)	(417)	(5,645)
Amortization of unrecognized actuarial differences.....	2,215	2,665	26,962
Amortization of transitional obligation.....	1,939	1,899	23,602
Other (additional payments, including premium retirement benefits).....	444	144	5,413
Net periodic retirement benefit expenses.....	¥6,038	¥6,254	\$73,464
Expense of transition to defined contribution plan.....	—	1,248	—
Total.....	¥6,038	¥7,503	\$73,464

(d) Assumptions for calculation of projected benefit obligations

	2012	2011
(1) Discount rate.....	2.0%	2.0% – 2.5%
(2) Expected rate of return on pension assets.....	3.5% – 4.0%	3.5% – 4.0%
(3) Method of benefit attribution.....	Straight-line method	Straight-line method
(4) Period of amortization of unrecognized prior service costs.....	8 years	8 or 9 years
(5) Period of amortization of unrecognized actuarial differences.....	8 or 9 years	8 or 9 years
(6) Period of amortization of transitional obligation.....	Mainly 15 years	15 years

28. Financial Instruments and Related Disclosures

(1) Group policy on financial instruments

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

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

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

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

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

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

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

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

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

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

(3) Risk management for financial instruments

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

(a) Credit Risk Management

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

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

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

(b) Market Risk Management

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

Interest Rate Risk Management

The risk management departments of the Banks regularly and comprehensively grasp the interest rates and time-frames involved in the Bank's financial assets and liabilities and monitor interest risk levels through methods such as gap analysis and sensitivity analysis of interest

rate, based on the Banks' Interest Rate Risk Management Regulations and other related regulations where the methods and procedures to be employed for risk management are described in detail.

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

Foreign Exchange Risk Management

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

Price Volatility Risk Management

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

Derivatives

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

Quantitative Information Related to Market Risk

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

- Financial instruments in the trading account

In calculating VaR for trading securities and a portion of currency-related and interest-related derivatives transactions held in trading account, Hokuriku Bank adopts the historical simulation method (a holding period of 1 business day, a confidence interval of 99%, and main observation period of 1,250 business days).

As of March 31, 2012, the market risk amount (VaR) of the trading business of Hokuriku Bank was ¥63 million (\$766 thousand).

Hokkaido Bank has no financial instruments in the trading accounts.

- Financial instruments in the banking account

The main financial instruments in the Banks which are affected by interest rate risk are "Monetary claims bought," "Loans and bills discounted," "Bonds," "Deposits," "Borrowed money," and transactions of interest rate swaps, interest swaptions and interest rate caps held in derivatives transactions and which are affected by market value are listed stocks and investment trust. The Banks use VaR for integrated management on these financial instruments.

For calculating VaR, the Banks adopt the historical simulation method (a holding period of 120 business days, a confidence interval of 99%, and main observation period of 1,250 business days) and consider the correlations between interest and the fluctuation of prices of the listed stocks. In addition, Hokkaido Bank has set holding period of 10 business days for trading account securities (including public bonds traded over the counter) and for specified fund trust as investment securities, respectively. Hokkaido Bank also considers the correlation between interest and the fluctuation of prices of the listed stocks in calculating VaR of specified fund trust as investment securities.

As of March 31, 2012, Hokuriku Bank's VaR of the financial instruments in the banking account was ¥23,969 million (\$291,629 thousand), and Hokkaido Bank's VaR of the financial instruments in the banking account was ¥12,181 million (\$148,205 thousand) and of trading account securities was ¥9 million (\$109 thousand) and of specified fund trust was ¥9 million (\$109 thousand).

The Banks perform back testing of the VaR measurement model at fixed interval. VaR measures the amount of market risk by certain occurrence probabilities which are statistically calculated based on past market movements. Therefore, there are cases in which VaR cannot capture risk under sudden and dramatic changes in market beyond normal circumstances.

VaR shows maximum loss on holding period of the financial instruments under the confidence interval (99%) which is statistically calculated based on past market movements. Especially, the Banks calculate 100BPV (100 Bases Points Value), as supplements, of the assets and liabilities and change in their present value on the assumption that index interest rate rises by 1.00%.

As of March 31, 2012, Hokuriku Bank's 100BPV was ¥33,423 million (\$406,655 thousand) decrease, and Hokkaido Bank's 100BPV was ¥19,560 million (\$237,985 thousand) decrease.

For calculating 100BPV, the correlations between interest and the other parameters are not considered, because the 100BPV is measured on the assumption that risk parameters except interest rate remain unchanged. Actual risk can exceed the calculated 100BPV in case that the drastic change in interest rate beyond reasonable prior expectation occurs.

(Additional information)

In order to integrate the method of measuring risk, the Group changed calculation for VaR from the variance-covariance method to the historical simulation method and the observation period from 250 business days to 1,250 business days.

(c) Liquidity Risk Management

In accordance with the Banks' rules for management of liquidity risk, the Banks form an accurate appraisal of fund operations and procurement,

	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
March 31, 2012			
Cash and due from banks.....	\$ 3,966,802	\$ 3,966,802	\$ —
Monetary claims bought (*1).....	1,068,560	1,068,560	—
Securities			
Bonds classified as held-to-maturity.....	855,588	866,813	11,225
Available-for-sale securities.....	28,992,934	28,992,934	—
Loans and bills discounted.....	88,486,419		
Allowance for loan losses (*1).....	(898,494)		
	87,587,925	88,604,515	1,016,590
Total assets.....	\$122,471,809	\$123,499,624	\$1,027,815
Deposits.....	\$116,408,038	\$116,450,018	\$ 41,980
NCDs.....	1,249,373	1,249,893	520
Borrowed money.....	2,278,705	2,289,372	10,667
Total liabilities.....	\$119,936,116	\$119,989,283	\$ 53,167
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting.....	\$ 88,879	\$ 88,879	\$ —
Derivative transactions qualifying for hedge accounting.....	(48,550)	(48,550)	(*3) —
Total derivative transactions.....	\$ 40,329	\$ 40,329	\$ —

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

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

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

Cash and due from banks

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

Monetary claims bought

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

Securities

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

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

Regarding variable rate Japanese Government Bonds (the "JGBs") that are included in the amount presented under the line item "Securities" in the table above, prices calculated from reasonable estimates are continuously used as the Group's own criteria for those issues whose market price cannot be treated as fair value, according to Practical Issues Task Force No. 25, Practical Solution on Measurement of Fair Value for Financial Assets (October 28, 2008, Accounting Standard Board of Japan). In this way, compared with the statement on the consolidated balance sheet amount of the market prices, the values have been increased for the reporting term by ¥2,429 million (\$29,554 thousand) for securities and by ¥1,570 million (\$19,110 thousand) for valuation difference on available-for-sale securities, and the value has decreased by ¥858 million (\$10,444 thousand) for deferred tax assets.

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

For more detailed information regarding the different types of securities, classified according to holding purpose, see "29. Fair Value of Securities and Money Held in Trust (1) Securities."

Loans and bills discounted

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

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

value is a close approximation to the fair value and is therefore employed as such.

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

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

Deposits

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

Borrowed money

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

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

Derivative transactions

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

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

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

Consolidated balance sheet amount

March 31	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Monetary claims bought (subordinated beneficiary right in securitization of mortgage loans) (*1)	¥24,962	¥25,792	\$303,717
Unlisted stocks (*1) (*2)	30,234	30,344	367,861
Unlisted foreign securities (*1)	0	0	8
Total	¥55,197	¥56,137	\$671,586

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

*2. Unlisted stocks were written down by ¥149 million (\$1,818 thousand) and ¥500 million as of March 31, 2012 and 2011, respectively.

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

March 31, 2012	Millions of yen				
	Within 1 year	After 1 year through 3 years	After 3 years through 5 years	After 5 years through 7 years	After 7 years
Due from banks	¥ 208,747	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	2,199	250	—	—	85,089
Securities	229,527	363,242	515,299	270,924	909,309
Bonds classified as held-to-maturity	11,540	23,318	17,448	5,281	12,890
Japanese government bonds	2,000	10,010	3,020	—	12,520
Japanese corporate bonds	9,540	13,308	14,428	3,281	370
Other	—	—	—	2,000	—
Available-for-sale securities with maturities	217,987	339,924	497,851	265,643	896,419
Japanese government bonds	71,000	108,100	336,100	192,100	667,600
Japanese local government bonds	51,493	117,571	85,949	54,910	140,721
Japanese corporate bonds	81,097	88,980	44,970	13,783	74,652
Other	14,397	25,272	30,831	4,849	13,445
Loans and bills discounted	2,326,497	1,451,635	1,069,815	546,312	1,650,008
Total	¥2,766,972	¥1,815,127	¥1,585,114	¥817,236	¥2,644,408

Millions of yen

March 31, 2011	Within 1 year	After 1 year through 3 years	After 3 years through 5 years	After 5 years through 7 years	After 7 years
Due from banks	¥ 289,107	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	1,872	1,050	—	—	82,479
Securities	238,077	413,185	431,460	190,736	879,332
Bonds classified as held-to-maturity	8,384	18,772	23,563	15,362	12,745
Japanese government bonds	1,500	5,000	8,500	—	12,500
Japanese corporate bonds	6,884	13,772	15,063	11,162	245
Other	—	—	—	4,200	—
Available-for-sale securities with maturities	229,693	394,413	407,897	175,374	866,587
Japanese government bonds	149,600	114,100	180,800	130,800	618,600
Japanese local government bonds	12,508	110,069	148,047	20,143	164,730
Japanese corporate bonds	63,256	146,144	63,398	11,788	63,056
Other	4,328	24,099	15,651	12,641	20,200
Loans and bills discounted	2,263,824	1,403,014	1,070,864	530,622	1,729,407
Total	¥2,792,882	¥1,817,249	¥1,502,324	¥721,358	¥2,691,219

Thousands of U.S. dollars

March 31, 2012	Within 1 year	After 1 year through 3 years	After 3 years through 5 years	After 5 years through 7 years	After 7 years
Due from banks	\$ 2,539,814	\$ —	\$ —	\$ —	\$ —
Monetary claims bought	26,765	3,042	—	—	1,035,280
Securities	2,792,651	4,419,547	6,269,610	3,296,314	11,063,509
Bonds classified as held-to-maturity	140,406	283,708	212,289	64,254	156,832
Japanese government bonds	24,334	121,791	36,744	—	152,330
Japanese corporate bonds	116,072	161,917	175,545	39,920	4,502
Other	—	—	—	24,334	—
Available-for-sale securities with maturities	2,652,245	4,135,839	6,057,321	3,232,060	10,906,677
Japanese government bonds	863,855	1,315,245	4,089,305	2,337,271	8,122,643
Japanese local government bonds	626,514	1,430,485	1,045,742	668,087	1,712,153
Japanese corporate bonds	986,702	1,082,617	547,155	167,699	908,296
Other	175,174	307,492	375,119	59,003	163,585
Loans and bills discounted	28,306,330	17,661,944	13,016,367	6,646,945	20,075,544
Total	\$33,665,560	\$22,084,533	\$19,285,977	\$9,943,259	\$32,174,333

Loans and bills discounted

Claims on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers amounted to ¥189,476 million (\$2,305,353 thousand) and ¥185,914 million as of March 31, 2012 and 2011, respectively, and loans with no contractual maturities amounted to ¥38,952 million (\$473,935 thousand) and ¥40,988 million as of March 31, 2012 and 2011, respectively. They are not included in the table above.

(7) Maturity analysis for financial liabilities with contractual maturities

March 31, 2012	Millions of yen				
	Within 1 year	After 1 year through 3 years	After 3 years through 5 years	After 5 years through 7 years	After 7 years
Deposits	¥8,065,385	¥1,123,446	¥373,746	¥ 1,868	¥ 3,129
NCDs	97,685	5,000	—	—	—
Borrowed money	68,345	804	137	32,500	85,500
Total	¥8,231,416	¥1,129,250	¥373,884	¥34,368	¥88,629

March 31, 2011	Millions of yen				
	Within 1 year	After 1 year through 3 years	After 3 years through 5 years	After 5 years through 7 years	After 7 years
Deposits	¥7,980,165	¥1,133,881	¥229,264	¥ 1,417	¥ 2,328
NCDs	144,686	—	—	—	—
Borrowed money	213,144	533	260	32,500	81,000
Total	¥8,337,996	¥1,134,415	¥229,524	¥33,917	¥83,328

Thousands of U.S. dollars

March 31, 2012	Within 1 year	After 1 year through 3 years	After 3 years through 5 years	After 5 years through 7 years	After 7 years
Deposits	\$ 98,130,983	\$13,668,897	\$4,547,352	\$ 22,731	\$ 38,076
NCDs	1,188,538	60,834	—	—	—
Borrowed money	831,549	9,782	1,676	395,425	1,040,272
Total	\$100,151,070	\$13,739,513	\$4,549,028	\$418,156	\$1,078,348

Deposits

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

29. Fair Value of Securities and Money Held in Trust

(1) Securities

The fair value of securities at March 31, 2012 and 2011 were as follows:

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

(a) Securities classified as trading purposes

March 31	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Valuation gains included in earnings for the fiscal year	¥8	¥4	\$106

(b) Bonds classified as held-to-maturity

		Millions of yen		
		Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
March 31, 2012	Type			
Bonds whose fair values exceed the consolidated balance sheet amount	Japanese government bonds	¥25,749	¥26,654	¥ 905
	Japanese corporate bonds.....	19,657	19,844	187
	Other	1,000	1,000	0
	Subtotal.....	46,406	47,499	1,093
Bonds whose fair values do not exceed the consolidated balance sheet amount	Japanese government bonds	2,000	2,000	(0)
	Japanese corporate bonds.....	20,913	20,745	(168)
	Other	1,000	997	(2)
	Subtotal.....	23,914	23,743	(170)
Total		¥70,320	¥71,243	¥ 922

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

		Thousands of U.S. dollars		
		Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
March 31, 2012	Type			
Bonds whose fair values exceed the consolidated balance sheet amount	Japanese government bonds	\$313,292	\$324,304	\$11,012
	Japanese corporate bonds.....	239,165	241,450	2,285
	Other	12,167	12,168	1
	Subtotal.....	564,624	577,922	13,298
Bonds whose fair values do not exceed the consolidated balance sheet amount	Japanese government bonds	24,342	24,341	(1)
	Japanese corporate bonds.....	254,455	252,408	(2,047)
	Other	12,167	12,142	(25)
	Subtotal.....	290,964	288,891	(2,073)
Total		\$855,588	\$866,813	\$11,225

(c) Available-for-sale securities

		Millions of yen		
		Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
March 31, 2012	Type			
Available-for-sale securities whose consolidated balance sheet amount exceed acquisition cost	Stocks	¥ 51,117	¥ 35,368	¥15,748
	Bonds	2,069,800	2,030,943	38,857
	Japanese government bonds	1,341,380	1,317,820	23,559
	Japanese local government bonds	449,888	438,438	11,449
	Japanese corporate bonds	278,531	274,683	3,847
	Other	107,395	105,291	2,104
	Subtotal	2,228,313	2,171,603	56,710
Available-for-sale securities whose consolidated balance sheet amount does not exceed acquisition cost	Stocks	49,831	62,872	(13,041)
	Bonds	107,287	108,018	(730)
	Japanese government bonds	66,391	66,770	(379)
	Japanese local government bonds	12,562	12,573	(11)
	Japanese corporate bonds	28,334	28,674	(339)
	Other	85,311	88,657	(3,346)
	Subtotal	242,430	259,548	(17,118)
Total		¥2,470,743	¥2,431,152	¥39,591
		Millions of yen		
		Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
March 31, 2011	Type			
Available-for-sale securities whose consolidated balance sheet amount exceed acquisition cost	Stocks	¥ 60,515	¥ 48,265	¥12,249
	Bonds	1,562,481	1,538,105	24,375
	Japanese government bonds	915,711	902,383	13,328
	Japanese local government bonds	375,984	368,291	7,692
	Japanese corporate bonds	270,785	267,430	3,354
	Other	95,776	94,147	1,628
	Subtotal	1,718,773	1,680,519	38,253
Available-for-sale securities whose consolidated balance sheet amount does not exceed acquisition cost	Stocks	46,621	59,337	(12,715)
	Bonds	457,443	461,219	(3,776)
	Japanese government bonds	290,805	293,206	(2,401)
	Japanese local government bonds	87,060	87,728	(667)
	Japanese corporate bonds	79,577	80,284	(707)
	Other	80,269	84,718	(4,449)
	Subtotal	584,333	605,275	(20,941)
Total		¥2,303,107	¥2,285,794	¥17,312
		Thousands of U.S. dollars		
		Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
March 31, 2012	Type			
Available-for-sale securities whose consolidated balance sheet amount exceed acquisition cost	Stocks	\$ 621,937	\$ 430,327	\$191,610
	Bonds	25,183,117	24,710,344	472,773
	Japanese government bonds	16,320,482	16,033,836	286,646
	Japanese local government bonds	5,473,766	5,334,455	139,311
	Japanese corporate bonds	3,388,869	3,342,053	46,816
	Other	1,306,678	1,281,073	25,605
	Subtotal	27,111,732	26,421,744	689,988
Available-for-sale securities whose consolidated balance sheet amount does not exceed acquisition cost	Stocks	606,294	764,966	(158,672)
	Bonds	1,305,363	1,314,251	(8,888)
	Japanese government bonds	807,774	812,389	(4,615)
	Japanese local government bonds	152,842	152,981	(139)
	Japanese corporate bonds	344,747	348,881	(4,134)
	Other	1,037,980	1,078,696	(40,716)
	Subtotal	2,949,637	3,157,913	(208,276)
Total		\$30,061,369	\$29,579,657	\$481,712

(d) Available-for-sale securities sold during the years ended March 31, 2012 and 2011

	Millions of yen		
	Proceeds from sales	Gains on sales	Losses on sales
2012			
Stocks	¥ 2,777	¥ 210	¥ 785
Bonds	1,344,016	5,120	975
Japanese government bonds	1,292,124	4,758	974
Japanese local government bonds	27,035	175	1
Japanese corporate bonds	24,856	187	0
Other	2,718	169	115
Total	¥1,349,512	¥5,500	¥1,876
	Millions of yen		
	Proceeds from sales	Gains on sales	Losses on sales
2011			
Stocks	¥ 1,818	¥ 522	¥ 118
Bonds	970,704	5,156	2,618
Japanese government bonds	868,196	3,678	2,617
Japanese local government bonds	62,694	439	0
Japanese corporate bonds	39,813	1,038	—
Other	3,921	46	1,069
Total	¥976,445	¥5,725	¥3,806
	Thousands of U.S. dollars		
	Proceeds from sales	Gains on sales	Losses on sales
2012			
Stocks	\$ 33,793	\$ 2,562	\$ 9,552
Bonds	16,352,558	62,302	11,873
Japanese government bonds	15,721,193	57,890	11,853
Japanese local government bonds	328,942	2,135	14
Japanese corporate bonds	302,423	2,277	6
Other	33,072	2,064	1,405
Total	\$16,419,423	\$66,928	\$22,830

(e) Impairment ("Devaluation") of securities

March 31	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Stocks	¥4,535	¥2,261	\$55,184
Japanese corporate bonds	48	308	587
Total	¥4,583	¥2,569	\$55,771

(2) Money held in trust

(a) Money held in trust classified as trading purposes

March 31	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Consolidated balance sheet amount	¥3,948	¥3,994	\$48,045
Valuation gains (losses) included in profit/loss during the year	24	32	295

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

Not applicable

(c) Other money held in trust

Not applicable

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

March 31	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net unrealized gains.....	¥39,591	¥17,312	\$481,712
Available-for-sale securities	39,591	17,312	481,712
Other money held in trust.....	—	—	—
Net deferred taxes (liabilities)	(12,686)	(5,916)	(154,360)
Net unrealized gains (before following adjustments)	26,905	11,395	327,352
(-) Minority interests	27	18	330
(+) The Group's interest in net unrealized gains on available-for-sale securities held by affiliates accounted for by the equity method	20	42	251
Net unrealized gains.....	¥26,898	¥11,419	\$327,273

30. Derivatives

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

· Interest Rate-Related Transactions

March 31, 2012	Millions of yen		
	Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating.....	¥774,917	¥10,787	¥10,787
Receive/floating and pay/fixed.....	772,456	(3,950)	(3,950)
Options/sell	393,154	(2,542)	764
Options/buy.....	396,905	2,543	2,543
Others/sell	7,578	(3)	319
Others/buy.....	2,612	0	(46)
Total	/	¥ 6,834	¥10,418

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

March 31, 2012	Thousands of U.S. dollars		
	Contract value	Fair value	Recognized gain (loss)
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating.....	\$9,428,362	\$131,255	\$131,255
Receive/floating and pay/fixed.....	9,398,429	(48,064)	(48,064)
Options/sell	4,783,477	(30,940)	9,302
Options/buy.....	4,829,126	30,945	30,945
Others/sell	92,213	(40)	3,887
Others/buy	31,786	3	(566)
Total	/	\$ 83,159	\$126,759

· Foreign Exchange-Related Transactions

	Millions of yen		
	Contract value	Fair value	Recognized gain (loss)
March 31, 2012			
Over-the-counter transactions			
Swaps	¥ 30,946	¥ 45	¥ 45
Forward contracts/sell	13,961	215	215
Forward contracts/buy	13,851	96	96
Options/sell	353,635	(34,366)	8,440
Options/buy	353,635	34,366	(1,587)
Total	/	¥ 356	¥7,210

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

	Thousands of U.S. dollars		
	Contract value	Fair value	Recognized gain (loss)
March 31, 2012			
Over-the-counter transactions			
Swaps	\$ 376,528	\$ 548	\$ 548
Forward contracts/sell	169,866	2,620	2,620
Forward contracts/buy	168,534	1,177	1,177
Options/sell	4,302,656	(418,135)	102,692
Options/buy	4,302,656	418,132	(19,310)
Total	/	\$ 4,342	\$ 87,727

· Commodity Related Transactions

	Millions of yen		
	Contract value	Fair value	Recognized gain (loss)
March 31, 2012			
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	¥1,953	¥ (22)	¥ (22)
Receive/floating and pay/fixed	1,953	135	135
Total	/	¥113	¥113

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

	Thousands of U.S. dollars		
	Contract value	Fair value	Recognized gain (loss)
March 31, 2012			
Over-the-counter transactions			
Swaps			
Receive/fixed and pay/floating	\$23,773	\$ (273)	\$ (273)
Receive/floating and pay/fixed	23,773	1,651	1,651
Total	/	\$1,378	\$1,378

At March 31, 2012 and 2011, the Group had no outstanding derivative contracts in stock-related transactions, bond-related transactions and credit derivative transactions.

(2) Derivative transactions to which hedge accounting is applied

· Interest Rate-Related Transactions

March 31, 2012			Millions of yen	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Exceptional treatment for interest swaps	Swaps			
	Receive/floating and pay/fixed	Loans and bills discounted	¥34,012	(Note)
Total			/	
March 31, 2011			Millions of yen	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Exceptional treatment for interest swaps	Swaps			
	Receive/floating and pay/fixed	Loans and bills discounted	¥39,300	(Note)
Total			/	
March 31, 2012			Thousands of U.S. dollars	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Exceptional treatment for interest swaps	Swaps			
	Receive/floating and pay/fixed	Loans and bills discounted	\$413,828	(Note)
Total			/	

Note: Amounts resulting from interest swaps with exceptional treatment are accounted for together with the financial instruments thus hedged. As a result, the fair value is included in the fair value of the loans stated in "28. Financial Instruments and Related Disclosures."

· Foreign Exchange-Related Transactions

March 31, 2012			Millions of yen	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Accounting method employed in principle	Forward contracts	Call loans and foreign due from banks	¥62,283	¥(3,990)
Total			/	¥(3,990)
March 31, 2011			Millions of yen	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Accounting method employed in principle	Swaps	Foreign securities	¥ 4,989	¥1,293
	Forward contracts	Call loans and foreign due from banks	66,798	(2,225)
Total			/	¥ (931)
March 31, 2012			Thousands of U.S. dollars	
Hedge accounting method	Type	Main financial instrument hedged	Contract value	Fair value
Accounting method employed in principle	Forward contracts	Call loans and foreign due from banks	\$ 757,798	\$(48,550)
Total			/	\$(48,550)

At March 31, 2012 and 2011, the Group had no outstanding derivatives contracts in stock-related transactions, bond-related transactions, commodity-related transactions and credit derivative transactions.

31. Subsequent Events

(1) Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2012 were approved at the Company's general shareholders meeting held on June 26, 2012:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥3.75 per share on common stock	¥5,210	\$63,400
Cash dividends, ¥7.50 per share on preferred stock (Type 5)	805	9,803

(2) Repurchase of treasury stock

The Company announced that its Board of Directors at its meeting on May 18, 2012 approved the repurchase of treasury stock, based on Paragraph 3, Article 165, of the Companies Act, as interpreted in light of Article 156 of said Act.

(a) Resolution

Reason for the repurchase

The repurchase was approved to increase returns to shareholders and to give the Company greater flexibility in capital policy going forward, in light of a changed business environment.

Type of shares to be purchased

Common stock

Numbers of shares to be purchased

30,000,000 (maximum)

Total value of shares to be purchased

¥4,000 million (\$48,667 thousand) (maximum)

Repurchase period

From May 24, 2012 to July 23, 2012

(b) Outcome of repurchase

On June 7, 2012, the repurchase came to an end.

Numbers of shares purchased

30,000,000

Total value of shares purchased

¥3,607 million (\$43,889 thousand)

INDEPENDENT AUDITORS' REPORT

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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, 2012, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and consolidated subsidiaries as of March 31, 2012, 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.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 13, 2012

Member of
Deloitte Touche Tohmatsu Limited

NONCONSOLIDATED FINANCIAL STATEMENTS

NONCONSOLIDATED BALANCE SHEET (UNAUDITED)

The Hokuriku Bank, Ltd.

March 31	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assets			
Cash and due from banks	¥ 224,048	¥ 250,493	\$ 2,725,984
Call loans and bills bought	5,753	24,562	70,000
Monetary claims bought	112,777	111,431	1,372,152
Trading assets	5,659	6,966	68,863
Securities	1,315,428	1,217,508	16,004,730
Loans and bills discounted	4,233,960	4,252,329	51,514,307
Foreign exchanges	6,415	6,149	78,053
Other assets	46,278	60,333	563,069
Tangible fixed assets	81,817	84,405	995,467
Intangible fixed assets	8,768	6,057	106,682
Deferred tax assets	24,340	41,955	296,147
Customers' liabilities for acceptances and guarantees	40,987	59,288	498,691
Allowance for loan losses	(38,878)	(42,478)	(473,032)
Total assets	¥6,067,357	¥6,079,002	\$73,821,113
Liabilities and net assets			
Liabilities			
Deposits	¥5,545,102	¥5,439,922	\$67,466,878
Call money and bills sold	64,109	20,000	780,016
Trading liabilities	2,190	2,690	26,657
Borrowed money	119,236	252,538	1,450,746
Foreign exchanges	31	77	377
Other liabilities	40,620	65,300	494,228
Reserve for employee retirement benefits	143	90	1,742
Reserve for directors' and corporate auditors' retirement benefits	304	231	3,700
Reserve for contingent loss	2,294	2,145	27,911
Reserve for reimbursement of deposits	803	1,207	9,776
Deferred tax liabilities for land revaluation	7,513	8,901	91,420
Acceptances and guarantees	40,987	59,288	498,691
Total liabilities	5,823,337	5,852,392	70,852,142
Net assets			
Capital stock	140,409	140,409	1,708,353
Capital surplus	14,998	14,998	182,490
Retained earnings	58,277	50,758	709,057
Total shareholders' equity	213,685	206,166	2,599,900
Valuation difference on available-for-sale securities	20,997	11,757	255,475
Deferred gains (losses) on hedges	(15)	3	(183)
Revaluation reserve for land	9,351	8,683	113,779
Total valuation and translation adjustments	30,333	20,443	369,071
Total net assets	244,019	226,609	2,968,971
Total liabilities and net assets	¥6,067,357	¥6,079,002	\$73,821,113

NONCONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

The Hokuriku Bank, Ltd.

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Income			
Interest income:			
Interest on loans and discounts	¥ 65,662	¥ 69,333	\$ 798,905
Interest and dividends on securities	14,349	12,505	174,588
Interest on deposits with other banks	855	779	10,414
Other interest income	1,234	1,461	15,021
Fees and commissions	18,758	19,959	228,238
Trading income.....	516	1,143	6,290
Other ordinary income	2,920	1,480	35,533
Other income.....	1,162	2,252	14,139
Total income.....	105,460	108,914	1,283,128
Expenses			
Interest expenses:			
Interest on deposits	5,923	8,311	72,067
Interest on borrowings and rediscounts	1,919	2,155	23,351
Other interest expenses.....	668	546	8,138
Fees and commissions	7,069	7,060	86,008
Other ordinary expenses.....	—	646	—
General and administrative expenses.....	55,908	56,100	680,229
Provision of allowance for loan losses	3,274	5,320	39,842
Other expenses	5,680	7,574	69,110
Total expenses	80,443	87,715	978,745
Income before income taxes.....	25,017	21,198	304,383
Income taxes:			
Current.....	45	87	560
Prior periods.....	—	381	—
Refund for prior periods.....	—	(51)	—
Deferred	13,563	8,862	165,031
Net income.....	¥ 11,407	¥ 11,918	\$ 138,792

NONCONSOLIDATED BALANCE SHEET (UNAUDITED)

The Hokkaido Bank, Ltd.

March 31	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assets			
Cash and due from banks	¥ 101,656	¥ 156,060	\$ 1,236,847
Call loans and bills bought	61,643	62,494	750,016
Trading account securities	2,342	2,336	28,507
Money held in trust	3,948	3,994	48,045
Securities	1,156,403	1,097,665	14,069,886
Loans and bills discounted	3,053,067	2,988,825	37,146,453
Foreign exchanges	4,276	7,085	52,026
Other assets	57,950	70,730	705,086
Tangible fixed assets	31,187	32,054	379,458
Intangible fixed assets	8,200	1,842	99,778
Deferred tax assets	18,236	21,896	221,876
Customers' liabilities for acceptances and guarantees	26,110	27,581	317,684
Allowance for loan losses	(26,615)	(24,047)	(323,827)
Total assets	¥4,498,409	¥4,448,519	\$54,731,835
Liabilities and net assets			
Liabilities			
Deposits	¥4,155,748	¥4,083,927	\$50,562,698
Call money and bills sold	164	—	2,000
Borrowed money	86,130	100,100	1,047,938
Foreign exchanges	41	53	505
Bonds payable	15,000	15,000	182,504
Other liabilities	42,984	59,575	522,987
Reserve for employee retirement benefits	8,692	7,346	105,760
Reserve for directors' and corporate auditors' retirement benefits	169	123	2,063
Reserve for contingent loss	680	626	8,276
Reserve for reimbursement of deposits	599	643	7,299
Acceptances and guarantees	26,110	27,581	317,684
Total liabilities	4,336,320	4,294,977	52,759,714
Net assets			
Capital stock	93,524	93,524	1,137,900
Capital surplus	16,795	16,795	204,345
Retained earnings	41,341	39,079	502,999
Total shareholders' equity	151,660	149,398	1,845,244
Valuation difference on available-for-sale securities	10,427	4,144	126,877
Total valuation and translation adjustments	10,427	4,144	126,877
Total net assets	162,088	153,542	1,972,121
Total liabilities and net assets	¥4,498,409	¥4,448,519	\$54,731,835

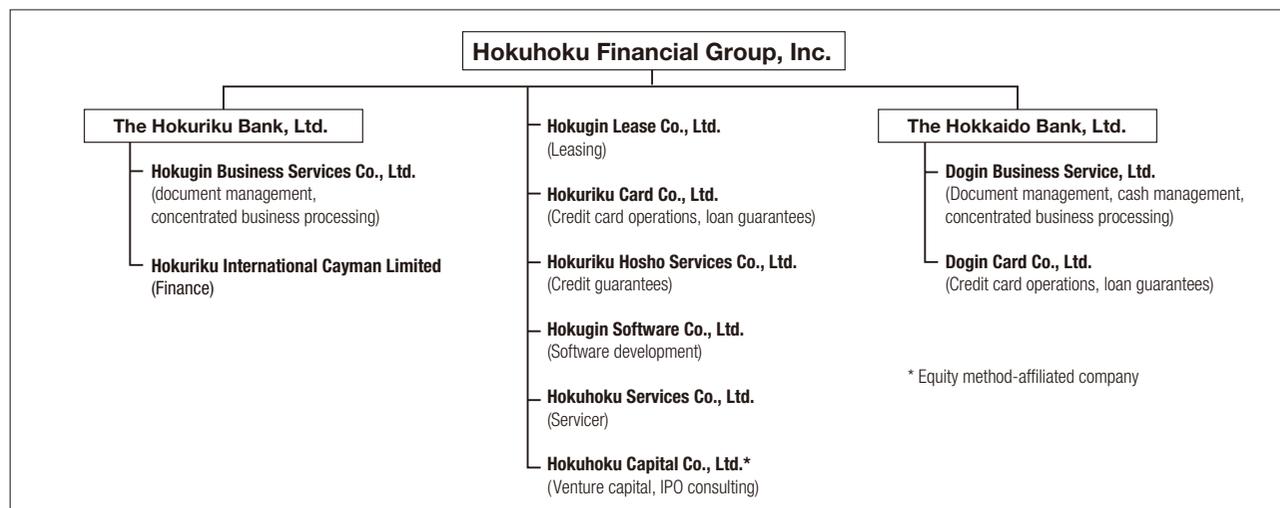
NONCONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

The Hokkaido Bank, Ltd.

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Income			
Interest income:			
Interest on loans and discounts	¥51,985	¥53,403	\$ 632,508
Interest and dividends on securities	10,699	10,543	130,184
Interest on receivables under resale agreements	17	45	213
Interest on deposits with other banks	17	0	212
Other interest income	187	183	2,277
Fees and commissions	14,885	15,034	181,109
Other ordinary income	8,199	6,420	99,768
Other income.....	1,596	1,383	19,419
Total income.....	87,589	87,013	1,065,690
Expenses			
Interest expenses:			
Interest on deposits	3,929	5,135	47,815
Interest on payables under securities lending transactions.....	2	—	26
Interest on borrowings and rediscounts	1,045	1,037	12,722
Interest on bonds payable	327	327	3,979
Other interest expenses.....	1	1	17
Fees and commissions	7,648	7,096	93,055
Other ordinary expenses.....	1,743	2,856	21,210
General and administrative expenses.....	48,790	47,025	593,630
Provision of allowance for loan losses	5,821	6,933	70,833
Other expenses	5,351	2,709	65,113
Total expenses	74,661	73,123	908,400
Income before income taxes.....	12,927	13,890	157,290
Income taxes:			
Current.....	6,410	4,753	77,994
Prior periods.....	—	—	—
Deferred	1,232	1,369	14,995
Net income.....	¥ 5,284	¥ 7,767	\$ 64,301

The Hokuhoku Financial Group is composed of the holding company and 11 consolidated subsidiaries and one affiliate. Our core business is banking, and we also provide a wider range of services including leases, credit cards, financing, and venture capital. The following is a diagram of our business.

Business diagram



Major subsidiaries

(units: millions of yen, %)

Company name	Address	Main business activities	Established	Capital	FG's share of voting rights	Dividend
The Hokuriku Bank, Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Banking	July 31, 1943	140,409	100.00	4,294
The Hokkaido Bank, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Banking	March 5, 1951	93,524	100.00	3,022
Hokugin Lease Co., Ltd.	2-21 Aramachi, Toyama City	Leasing	July 21, 1983	100	70.25	—
Hokuriku Card Co., Ltd.	1-2-1 Shintomi-cho, Toyama City	Credit card operations, loan guarantees	March 2, 1983	36	87.39	3
Hokuriku Hosho Services Co., Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Credit guarantees	December 12, 1978	50	100.00	—
Hokugin Software Co., Ltd.	1-5-25 Higashidenjigata, Toyama City	Software development	May 1, 1986	30	100.00	—
Hokuhoku Services Co., Ltd.	1-6-8 Chuo-dori, Toyama City	Servicer	December 5, 2003	500	100.00	—
Hokugin Business Services Co., Ltd.	1883 Hiyaodori, Toyama City	Document management, concentrated business processing, human resource solutions	March 25, 1953	30	(100.00)	—
Hokuriku International Cayman Limited	P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies	Finance	April 27, 1993	US\$1,000	(100.00)	—
Dogin Business Service, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Document management, cash management, concentrated business processing	June 8, 1979	50	(100.00)	—
Dogin Card Co., Ltd.	2-2-14 Chuo-ku Minami, Sapporo City	Credit card operations, loan guarantees, credit guarantees	June 13, 1977	120	(100.00)	—
Hokuhoku Capital Co., Ltd.	1-6-8 Chuo-dori, Toyama City	Venture Capital	January 11, 1985	250	5.00 (38.75)	—

() Indicates voting rights involving shares held by subsidiaries

OUTLINE OF SUBSIDIARIES - HOKURIKU BANK

The Hokuriku Bank, Ltd.

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

Establishment

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

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

Company outline (as of March 31, 2012)

Company name:	The Hokuriku Bank, Ltd.	
Business:	Banking	
Incorporation:	July 31, 1943 (founded in 1877)	
Location of headquarters:	1-2-26 Tsutsumicho-dori, Toyama City, Toyama	
President:	Shigeo Takagi	
Total assets:	¥6,067.3 billion	
Deposits (including NCDs):	¥5,545.1 billion	
Loans:	¥4,233.9 billion	
Issued shares:	Common stock	1,047,542,335
Capital adequacy ratio (non-consolidated):	11.85%	
Employees:	2,917	
Branches (as of June 30, 2012)		
Domestic:	188 (140 branches, 48 sub-branches)	
Overseas:	6 representative offices	

History

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

OUTLINE OF SUBSIDIARIES - HOKKAIDO BANK

The Hokkaido Bank, Ltd.

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

Establishment

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

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

Company outline (as of March 31, 2012)

Company name:	The Hokkaido Bank, Ltd.	
Business:	Banking	
Incorporation:	March 5, 1951	
Location of headquarters:	4-1 Odori Nishi, Chuo-ku, Sapporo City	
President:	Yoshihiro Sekihachi	
Total assets:	¥4,498.4 billion	
Deposits (including NCDs):	¥4,155.7 billion	
Loans:	¥3,053.0 billion	
Issued shares:		
	Common stock:	486,634,512
	Preferred stock (Type 2):	107,432,000
Capital adequacy ratio (non-consolidated):	10.80%	
Employees:	2,331	
Branches (as of June 30, 2012)		
Domestic:	139 (132 branches, 7 sub-branches)	
Overseas:	2 representative offices	

History

March 1951	Hokkaido Bank established
April 1961	Launched foreign exchange operations
May 1962	Listed on the Sapporo Stock Exchange
August 1964	Present head office built
June 1971	Online system (first) launched
July 1976	Online system (second) launched
December 1980	Received blanket approval to engage in correspondent banking services
April 1981	Hokkaido Small and Medium Corporation Human Resource Development Fund established
June 1986	Launched online foreign exchange system
September 1987	Debuted on the first section of the Tokyo Stock Exchange
October 1990	Constructed the Higashi Sapporo Dogin Building
March 1991	Established Dogin Cultural Foundation
October 1991	Launched a new foreign exchange online system
November 1991	Constructed Dogin Building Annex
January 1993	Online system (third) launched
April 1994	Launched investment trust agent operations
December 1998	Started sales of investment trust accounts
July 1999	Issued preferred stock (Type 2) (issuance amount was ¥53.716 billion)
November 1999	Launched telephone banking service
June 2000	Launched Internet mobile banking
April 2001	Started sales of casualty insurance accounts
October 2002	Started sales of life insurance accounts
December 2003	Opened Business Loan Plaza
April 2004	Launched convenience store ATM service
September 2004	Came under management of Hokugin Financial Group, Inc. parent of Hokuriku Bank; Hokuohoku Financial Group, Inc. launched
April 2005	Launched securities agency operations
March 2006	Entered into a contract on joint system use with Hokuriku Bank and the Bank of Yokohama
August 2006	Opened representative office in Shenyang, China
March 2009	Opened representative office in Yuzhno-Sakhalinsk, Russia
January 2010	Taiwan ATM/SmartPay Debit Service Started
May 2011	Commenced use of joint IT system with Hokuriku Bank and the Bank of Yokohama

BOARD OF DIRECTORS AND CORPORATE AUDITORS

Hokuhoku Financial Group, Inc.

President:

Shigeo Takagi

Deputy President:

Yoshihiro Sekihachi

Directors:

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

Corporate Auditors:

Koichi Sugawa
Yoshihiro Minami
Norikiyo Hayashi
Yozo Maeizumi

The Hokuriku Bank, Ltd.

President:

Shigeo Takagi

Deputy President:

Satoshi Kawai

Senior Managing Directors:

Taminori Iwasaki
Tatsuya Kaseda

Managing Directors:

Takashi Nakano
Hidenori Mugino

Director:

Tetsuya Kitani

Corporate Auditors:

Masaru Nanbu
Kenichi Nakamura
Isao Nagahara
Tatsuo Kawada

The Hokkaido Bank, Ltd.

President:

Yoshihiro Sekihachi

Deputy President:

Masahiro Sasahara

Senior Managing Director:

Hiroshi Sagayama

Managing Directors:

Akihiko Soma
Ikuo Takada
Toshihiro Katayama

Director:

Satoshi Kawai

Corporate Auditors:

Keiji Okuda
Tatsuhiko Ishikawa
Ken Ebina
Masao Hoshi

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The Hokuriku Bank, Ltd.

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Market and International Administration Center

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Facsimile: +81-11-815-2237
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Facsimile: +86-24-2250-5351
E-mail: dogin_shenyang@yahoo.co.jp

Yuzhno-Sakhalinsk Representative Office
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Telephone: 7-4242-46-1774
Facsimile: 7-4242-46-1775
E-mail: mikami@hbkys.ru

企业名称：北北金融控股集团股份有限公司
 设立日期：2003 年 9 月 26 日
 总行地址：富山县富山市堤町通 1 丁目 2 番 26 号
 集团董事长：高木繁雄（北陆银行 总行长）
 副董事长：堰八义博（北海道银行 总行长）
 经营目的：集团伞下的子公司的经营管理，以及连带的相关业务
 资本金：708 亿 9,500 万日元
 发行股份：普通股 1,391,630,146 股
 第一次第 5 种优先股 107,432,000 股
 上市交易所：东京证券交易所（第一部）
 札幌证券交易所

北北金融集团的经营业务范围不是限于一个地域，而是在广泛的地域内展开着。

我们广泛的营业网点分布在下面所写的地区范围内：

北陆地区	149 分行（或支行）
富山县	91 分行（或支行）
石川县	36 分行（或支行）
福井县	22 分行（或支行）
北海道地区	157 分行（或支行）
三大都市圈	17 分行（或支行）
东京、横滨	10 分行（或支行）
名古屋	3 分行（或支行）
大阪、京都	4 分行（或支行）
其他地区（仙台、新潟、长野、高山）	4 分行（或支行）
海外	8 代表处

简历

自从 1877 年北陆银行成立以来已经在北陆地区设立了广域性的经营网点。

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

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

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

- 纽约代表处（北陆银行）
 - 南萨哈林斯克代表处（北海道银行）
 - 伦敦代表处（北陆银行）
 - 新加坡代表处（北陆银行）
 - 曼谷代表处（北陆银行）
 - 大连代表处（北陆银行）
 - 上海代表处（北陆银行）
 - 沈阳代表处（北海道银行）
- (2012 年 6 月 30 日)

2002 年 5 月 北陆银行和北海道银行缔结了全面业务协助协议

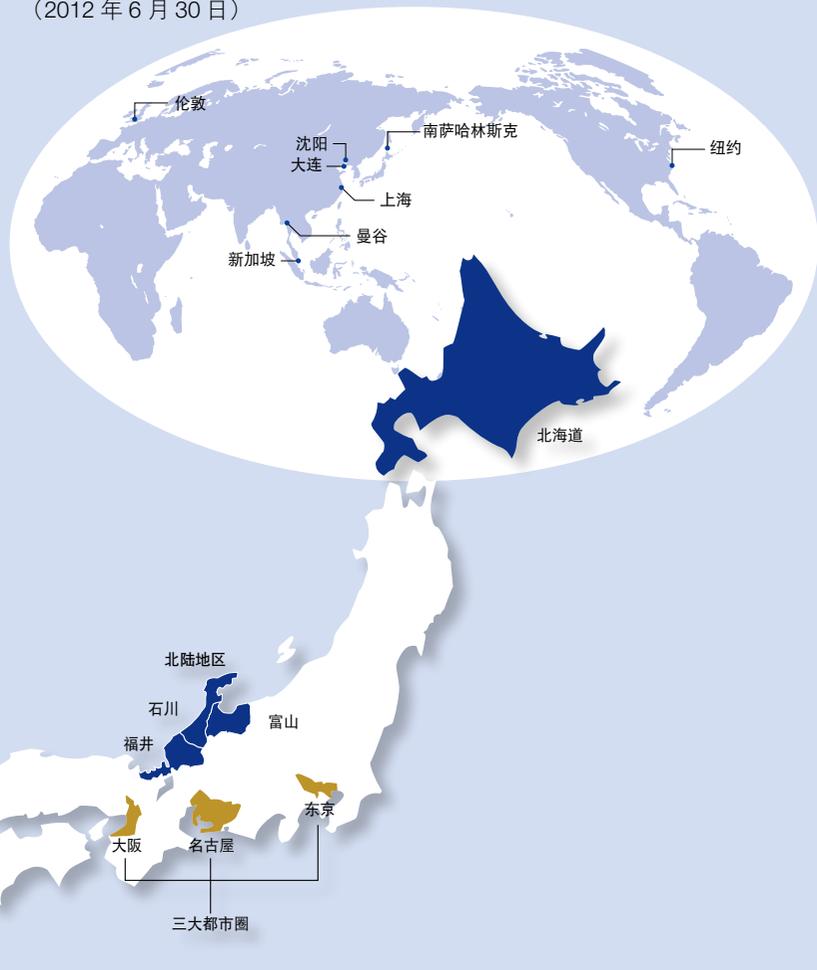
2003 年 5 月 北陆银行和北海道银行对经营统合取得一致意见

2003 年 9 月 设立北银金融控股集团股份有限公司
 北陆银行成为北银金融控股集团伞下的银行

通过股份交换实现经营统合

2004 年 9 月 北北金融控股集团股份有限公司诞生

注：北银金融控股集团股份有限公司改名为北北金融控股集团
 股份有限公司。





(相片左边)
集团董事长
高木繁雄 (北陆银行 总行长)

(右边)
副董事长
堰八义博 (北海道银行 总行长)

董事致词

首先，对各位一直以来对我行以及我集团的特殊关照，表示衷心的感谢。

2011 年度的日本经济，经历东日本大地震后经济渐渐恢复活力，对灾后重建的需求一直保持着稳定的趋势。一方面，企业业绩因为电力供给问题，日元升值的长期化问题，面临资源成本上升的问题，更因为财政问题和贸易收支恶化等问题，企业的将来变得越来越不透明。

我集团以“成为地方可值得亲近和信赖的金融集团”为目标，通过在在困难的经营环境下努力经营事业的企业客户，以及在各自的生活舞台上有着各种各样金融需求的个人客户提供贴心的金融服务，以此来为振兴地方经济作出努力。

2011 年 5 月，承蒙关照我集团旗下的北陆银行、北海道银行和横滨银行开始稳定地使用同一系统开展业务。2012 年 5 月，通过协议决定七十七银行也加入到共同使用这一新系统的行列，这样以来更加提高了我们的效率。事务处理的共通化，后台操作的共同化，加快了集团的协同相乘效应。我们将努力改善对客户的服务。

2012 年 3 月，旗下的北陆银行为了满足客户在海外投资的多样化需求，自去年在大连成立代表处以来，在泰国曼谷也成立了代表处。北海道银行把农业、旅游等有地域特点的商务活动作为重点发展领域，举办旅游为主题的商务洽谈会，进一步推动着重点发展领域业务的扩大。

我集团的中期经营计划“Road to 10”到 2012 年是最后一个年度。“强化营业力”、“经营效率化”、“经营基础的稳定化”依然是本计划的三大支柱。我们会朝着成为存款额 10 兆日元的金融集团这一目标努力。以“地域共荣”的精神与地方客户一起发展壮大。

请各位今后也一如既往地关照和支持我们。

董事长

高木繁雄

高木繁雄

2012 年 7 月

中期经营计划

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

经过2年时间，存款，贷款，联结资本充足率已超过了目标水准。另外，由于长期持续低利率和与其他银行的竞争，收益环境愈加严峻。但是，我们将加强[强化营业力]，[经营效率化]，[经营基础的稳定化]三个经营支柱，努力确保稳定的收益。

计划的概要

名称	中期经营计划 [Road to 10]
期间	3年间（2010年4月~2013年3月）
定位	面向未来挑战持续性增长的新时期 ~向存款额10兆日元的金融集团稳步迈进~
集团目标形象	成为有地方亲和力，可以被依靠的金融集团
解决课题	<ol style="list-style-type: none"> 1. 在经济前景不明朗的环境中再造有稳定收益的基盘 2. 3行共同利用系统稳定运作，人员的灵活配备和店铺营业设施的完善 3. 面向新资本充足率的规则，增发股息，偿还民间优先股而积累剩余金

计划的基本方针

中期经营计划 [Road to 10] 面向未来挑战持续性 增长的新时期	I. 强化营业力 ■ 扩充强化收益基盘 ■ 以顾客的立场提供咨询业务 ■ 扩大有价证券的运用	II. 经营效率化 ■ 3行共同利用系统稳定运作和灵活运用战略 ■ 进一步追求协同作用 (Synergy) ■ 增强营业人员	III. 经营基础的稳定化 ■ 提高资本的质量 ■ 阶段性地增发普通股股息

2013年3月目标数（2行合算，联结）

	2011/3实际成绩	2012/3实际成绩	2013/3目标
存款平均余额	9兆2,776亿日元	9兆5,794亿日元	9兆5,500亿日元
贷款平均余额	7兆1,133亿日元	7兆2,673亿日元	7兆2,000亿日元
主营业务净利润	567亿日元	557亿日元	700亿日元
联结本期净利润	184亿日元	141亿日元	255亿日元
联结资本充足率（联结 Tier1 比率）	11.29%（7.45%）	11.72%（7.82%）	11.5%以上（7.5%以上）
OHR	63.47%	64.37%	58%
ROA（主营业务净利润为基准）	0.56%	0.53%	0.68%
ROE（联结本期净利润为基准）	4.60%	3.26%	6%以上
不良债权比率	2.96%	3.17%	3%程度

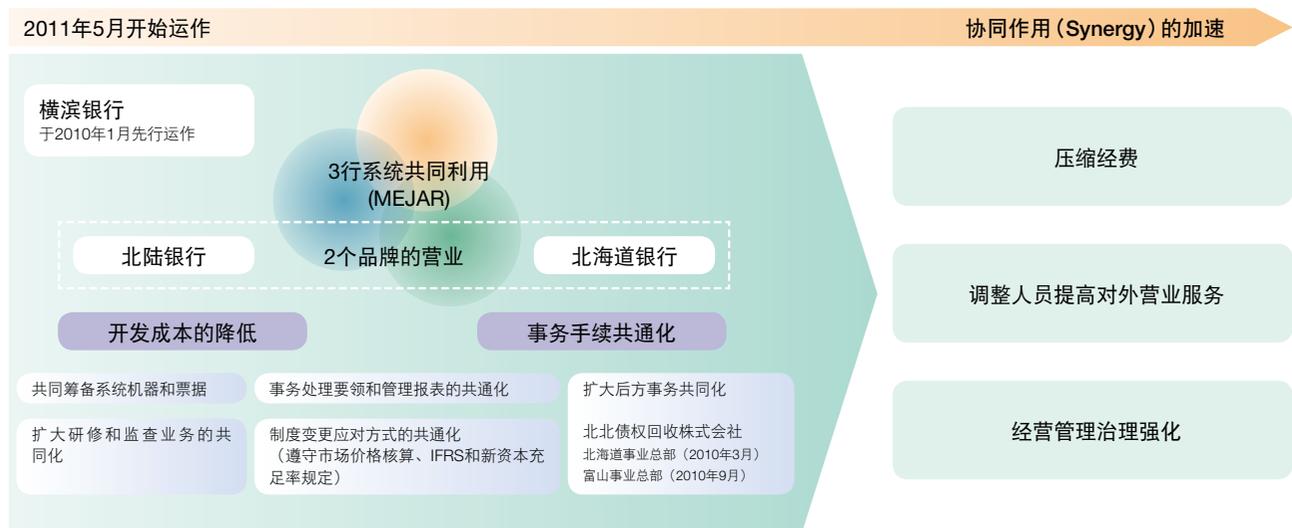
I. 强化营业力

实施“3个R”以实现“成为有地方亲和力，可以被依靠的金融集团”的目标



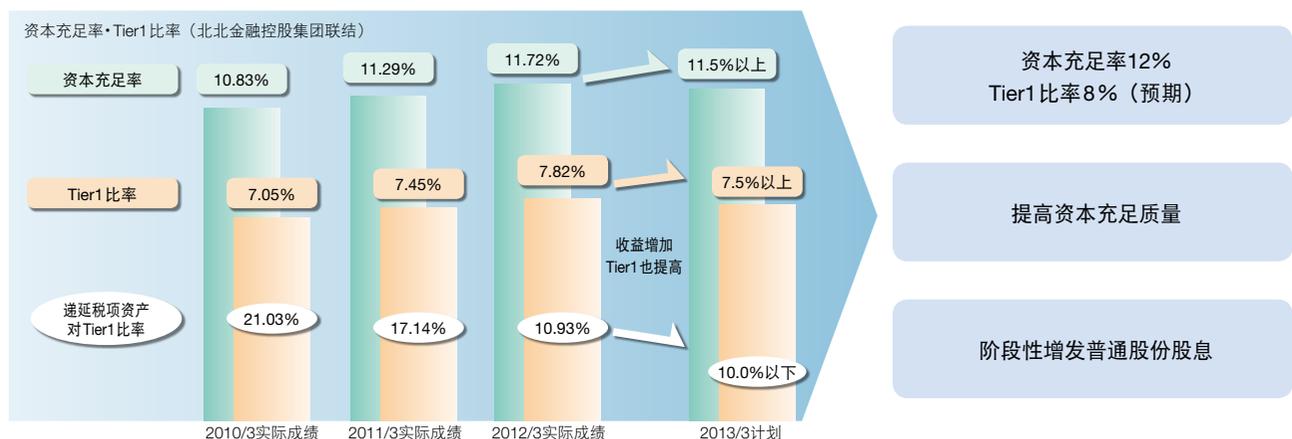
II. 经营效率化

3行共同利用系统稳定运作和灵活运用战略



III. 经营基础的稳定化

积累收益提高资本的质量



营业概况（北北金融控股集团联结）

（货币单位：亿日元）

	2011 年度		2010 年度
		前年比	
经常收益	2,079	- 66	2,146
经常利润	388	+ 16	372
本期净利润	141	- 42	184
资本充足率	11.72%	+ 0.43%	11.29%

我集团今年的联结会计年度的业绩：联结经常收益与上年度相比减少了 66 亿日元，为 2,079 亿日元。联结经常利润与上年度相比增加了 16 亿日元，为 388 亿日元。联结本期净利润与上年度相比减少了 42 亿日元，为 141 亿日元。

联结资本充足率与上年度相比提高了 0.43 个百分点，达到 11.72%。

营业概况（北陆银行、北海道银行）

（货币单位：亿日元）

	2 行合算		
	2011 年度		2010 年度
		前年比	
经常收益	1,930	- 28	1,958
主营业务毛利润	1,563	+ 9	1,554
经费（临时处理部分除外）	1,006	+ 20	986
主营业务净利润	557	- 10	567
信贷相关成本	104	- 41	145
有价证券等相关盈亏	- 14	- 3	- 10
经常利润	405	+ 35	370
本期净利润	166	- 29	196

主营业务毛利润：手续费收入虽然减少了，由于净利息收入及金融衍生商品利润的增加，与上年度相比增加了 9 亿日元，为 1,563 亿日元。2011 年 5 月由于系统更新，经费与上年度相比增加了 20 亿日元。由于这些原因，主营业务净利润与上年度相比减少了 10 亿日元，为 557 亿日元。

经常利润：信贷成本与上年度相比减少了 41 亿日元，因此，经常利润与上年度相比增加了 35 亿日元，为 405 亿日元。

本期净利润：随着法人税率下调，法人税等调整额的增加（影响额为 51 亿日元），本期净利润与上年度相比减少了 29 亿日元，为 166 亿日元。

（货币单位：亿日元）

	北陆银行		
	2011 年度		2010 年度
		前年比	
经常收益	1,054	- 34	1,088
主营业务毛利润	885	- 0	885
经费（临时处理部分除外）	542	+ 3	538
主营业务净利润	343	- 3	346
信贷相关成本	44	- 26	71
经常利润	274	+ 45	229
本期净利润	114	- 5	119
资本充足率	11.85%	+ 0.53%	11.32%

（货币单位：亿日元）

	北海道银行		
	2011 年度		2010 年度
		前年比	
经常收益	875	+ 5	870
主营业务毛利润	678	+ 10	668
经费（临时处理部分除外）	464	+ 16	447
主营业务净利润	214	- 6	221
信贷相关成本	59	- 14	74
经常利润	131	- 10	141
本期净利润	52	- 24	77
资本充足率	10.80%	+ 0.21%	10.59%



Hokuohoku Financial Group, Inc.